

FORT ERIE LIVE RACING CONSORTIUM

Financial Statements
for the Year Ended March 31, 2024
and Independent Auditor's Report to the Board of Directors

FORT ERIE LIVE RACING CONSORTIUM
FINANCIAL STATEMENTS
MARCH 31, 2024

CONTENTS

| | |
|--|--------|
| Independent Auditor's Report to the Board of Directors | 1 - 2 |
| Statement of Operations and Surplus | 3 |
| Statement of Financial Position | 4 |
| Statement of Cash Flows | 5 |
| Notes to the Financial Statements | 6 - 11 |



CHARTERED
PROFESSIONAL
ACCOUNTANTS

DURWARD JONES BARKWELL
& COMPANY LLP

Big enough to know. SMALL ENOUGH TO CARE.

171 Division Street
P.O. Box 9
Welland, ON L3B 5N9
T. 905.735.2140
TF. 866.552.0997
F. 905.735.4706

INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of
Fort Erie Live Racing Consortium:**

Opinion

We have audited the accompanying financial statements of Fort Erie Live Racing Consortium (the Corporation), which comprise the statement of financial position as at March 31, 2024 and the statements of Operations and Surplus and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged With Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Durward Jones Barkwell & Company LLP
Licensed Public Accountants

TBD

FORT ERIE LIVE RACING CONSORTIUM

STATEMENT OF OPERATIONS AND SURPLUS
YEAR ENDED MARCH 31, 2024

| | <u>2024</u> | <u>2023</u> |
|---|-------------------|---------------------|
| REVENUE | | |
| Food and beverage | \$ 532,112 | \$ 547,045 |
| Funding - Horse Racing Ontario (Note 9) | 11,702,227 | 11,751,421 |
| Other | 154,914 | 156,103 |
| Depreciation of deferred capital contributions | 591,811 | 511,449 |
| | <u>12,981,064</u> | <u>12,966,018</u> |
| PURSES | | |
| Contributions from Horse Racing Ontario (Note 9) | 4,593,700 | 4,593,610 |
| | <u>8,387,364</u> | <u>8,372,408</u> |
| REVENUE LESS PURSES | | |
| | <u>8,387,364</u> | <u>8,372,408</u> |
| EXPENSES | | |
| Depreciation | 690,352 | 606,045 |
| Other operating expenses | 3,512,323 | 3,511,484 |
| Rent | 504,941 | 490,233 |
| Salaries, wages and benefits | 4,363,094 | 4,155,725 |
| | <u>9,070,710</u> | <u>8,763,487</u> |
| DEFICIENCY OF REVENUE OVER EXPENSES | (683,346) | (391,079) |
| SURPLUS, BEGINNING OF YEAR | 1,623,506 | 2,126,751 |
| CHANGE IN NET ASSETS INVESTED IN CAPITAL ASSETS (Note 6) | 50,959 | (112,166) |
| SURPLUS, END OF YEAR | <u>\$ 991,119</u> | <u>\$ 1,623,506</u> |

FORT ERIE LIVE RACING CONSORTIUM

STATEMENT OF FINANCIAL POSITION
MARCH 31, 2024

| | <u>2024</u> | <u>2023</u> |
|---|---------------------|---------------------|
| ASSETS | | |
| Current assets | | |
| Cash (Note 2) | \$ 2,879,160 | \$ 3,139,680 |
| Accounts receivable | 46,862 | 177,879 |
| Inventory | 80,412 | 67,367 |
| Prepaid expenses | 37,751 | 152,003 |
| | 3,044,185 | 3,536,929 |
| Capital assets (Note 3) | 3,296,341 | 3,164,499 |
| | \$ 6,340,526 | \$ 6,701,428 |
| LIABILITIES | | |
| Current liability | | |
| Accounts payable and accrued liabilities (Note 4) | \$ 1,499,440 | \$ 1,359,797 |
| Deferred capital contributions (Note 5) | 2,852,281 | 2,669,480 |
| Lease commitment (Note 8) | | |
| | 4,351,721 | 4,029,277 |
| NET ASSETS | | |
| Investment in capital assets (Note 6) | 444,060 | 495,019 |
| Administrative reserve (Note 7) | 553,626 | 553,626 |
| Unrestricted surplus | 991,119 | 1,623,506 |
| | 1,988,805 | 2,672,151 |
| | \$ 6,340,526 | \$ 6,701,428 |

Approved by the Board:

..... Director

..... Director

FORT ERIE LIVE RACING CONSORTIUM

STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2024

| | <u>2024</u> | <u>2023</u> |
|--|-------------------------|-------------------------|
| OPERATING ACTIVITIES | | |
| Deficiency of revenue over expenses | \$ (683,346) | \$ (391,079) |
| Items not affecting cash | | |
| Depreciation of property, vehicle and equipment | 690,352 | 606,045 |
| Depreciation of deferred capital contributions | <u>(591,811)</u> | <u>(511,449)</u> |
| | (584,805) | (296,483) |
| Changes in non-cash operating assets and liabilities | | |
| Accounts receivable | 131,017 | (42,950) |
| Inventory | (13,045) | (2,607) |
| Prepaid expenses | 114,252 | (94,474) |
| Accounts payable and accrued liabilities | <u>139,643</u> | <u>310,911</u> |
| | <u>(212,938)</u> | <u>(125,603)</u> |
| INVESTING ACTIVITY | | |
| Purchase of capital assets | (822,194) | (1,292,955) |
| Capital improvement payments | <u>774,612</u> | <u>1,086,193</u> |
| | <u>(47,582)</u> | <u>(206,762)</u> |
| DECREASE IN CASH | (260,520) | (332,365) |
| CASH, BEGINNING OF YEAR | <u>3,139,680</u> | <u>3,472,045</u> |
| CASH, END OF YEAR | \$ 2,879,160 | \$ 3,139,680 |

FORT ERIE LIVE RACING CONSORTIUM

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Basis of accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Nature of business

The Fort Erie Live Racing Consortium (The "Corporation") was incorporated on November 26, 2009 as a Corporation without share capital as a not-for-profit organization, and as such is exempt from corporation income taxes. It was formed to lease and operate the racing and gaming assets, as described below, of Nordic Gaming Corporation ("Nordic") effective January 1, 2010.

The Corporation leases and operates the Fort Erie racetrack where it conducts live thoroughbred horse racing.

Revenue recognition

The Corporation recognizes revenue from contributions using the deferral method. Funding provided for general operating purposes is recorded as revenue in the fiscal year in which it is awarded. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Contributions received for capital assets are deferred and taken into income at a rate corresponding with the depreciation rate for the related assets acquired. The Corporation recognizes revenue from food and beverage, programs and other services as these services are delivered.

Translation of foreign currency

The accounts of the Corporation denominated in a foreign currency have been translated to Canadian dollars on the following basis:

- a) Monetary assets and liabilities are translated at the rate prevailing at the balance sheet date.
- b) All other assets and liabilities are translated at the rate prevailing at the dates the assets were acquired or the liabilities incurred.
- c) Revenue and expenses are translated at the rate of exchange prevailing when the revenue is earned and the expenses are incurred.

The resulting foreign currency translation gains and losses are included in the determination of net income.

Cash

Cash includes balances with banks and cash floats.

Inventory

Inventory, consisting primarily of food and paper products are valued at the lower of cost and net realizable value. Cost is determined based on purchase price net of any refundable taxes.

Inventory expensed during the year amounted to \$223,395 (2023 - \$228,873).

FORT ERIE LIVE RACING CONSORTIUM

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

Capital assets

Capital assets are recorded at acquisition cost and depreciated over their useful lives using the annual rates applied on a straight-line basis. The Corporation calculates depreciation monthly and begins depreciation when the asset is put in use. The estimated useful lives are as follows:

| | |
|-------------------------|--------------|
| Buildings | 5 years |
| Machinery and equipment | 3 to 5 years |
| Leasehold improvements | 25 years |
| Land improvements | 10 years |

Long-lived assets

Long-lived assets are tested for recoverability if events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of the long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. Impairment losses are measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

Financial instruments

(a) Measurement of financial instruments

Initial measurement

The Corporation initially measures its financial assets and liabilities originated or exchanged in arm's length transactions at fair value. Financial assets and liabilities originated or exchanged in related party transactions, except for those that involve parties whose sole relationship with the Corporation is in the capacity of management, are initially measured at cost.

The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms. If it does, the cost is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. Otherwise, the cost is determined using the consideration transferred or received by the Corporation in the transaction.

Subsequent measurement

The Corporation subsequently measures all its financial assets and liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in income in the period incurred.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities

(b) Transaction costs

Transaction costs attributable to financial instruments subsequently measured at fair value and to those originated or exchanged in a related party transaction are recognized in income in the period incurred. Transaction costs related to financial instruments originated or exchanged in an arm's length transaction that are subsequently measured at cost or amortized cost are recognized in the original cost of the instrument. When the instrument is measured at amortized cost, transaction costs are recognized in income over the life of the instrument using the straight-line method.

FORT ERIE LIVE RACING CONSORTIUM

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

(c) Impairment

For financial assets measured at cost or amortized cost, the Corporation determines whether there are indications of possible impairment. When there are, and the Corporation determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in income. If the indicators of impairment have decreased or no longer exist, the previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may be no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in income.

Contributed materials

No amounts are recognized for contributed materials for which the fair value cannot be reasonably estimated and the items would not normally have been purchased

Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates and assumptions are used when accounting for items such as determination of useful life of capital assets, inventory valuation, revenue recognition, allowances for accounts receivable, accrued liabilities and contingent liabilities. Actual results could differ from management's best estimates, as additional information becomes available in the future.

External events such as domestic and international pandemics, geopolitical unrest, natural disasters, climate change or inflationary pressures may cause economic uncertainty for many companies. Management assesses available information about the future, considers the possible outcomes, and develops a planned response to mitigate the effect of significant events or changes in conditions impacting the Corporation. Although it is not guaranteed that these efforts will be successful, management is of the opinion that the actions that the Corporation has taken are sufficient to mitigate these uncertainties.

Administrative reserve

This internally restricted reserve represents an allocation of working capital intended to ensure that funds are available to meet the Corporation's obligations in the event it is ever unable to continue operations.

2. CASH

| | <u>2024</u> | <u>2023</u> |
|------------------------------|---------------------|---------------------|
| Operational fund bank | \$ 1,047,035 | \$ 1,378,606 |
| Purse fund bank | 1,185,289 | 1,218,458 |
| Cash and other bank accounts | <u>646,836</u> | <u>542,616</u> |
| | <u>\$ 2,879,160</u> | <u>\$ 3,139,680</u> |

Both the operational fund and the purse fund accounts are interest bearing at rates varying with prime per annum.

FORT ERIE LIVE RACING CONSORTIUM

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

3. CAPITAL ASSETS

| | <u>2024</u> | | <u>2023</u> | |
|-------------------------|------------------|-----------------------------|------------------|-----------------------------|
| | Cost | Accumulated Depreciation | Cost | Accumulated Depreciation |
| Buildings | \$ 76,113 | \$ 76,113 | \$ 76,113 | \$ 76,113 |
| Machinery and equipment | 3,079,306 | 2,322,196 | 2,995,261 | 1,779,454 |
| Leasehold improvements | 2,859,725 | 338,770 | 2,121,577 | 194,756 |
| Land improvements | 35,953 | 17,677 | 35,953 | 14,082 |
| | <u>6,051,097</u> | <u>2,754,756</u> | <u>5,228,904</u> | <u>2,064,405</u> |
| Net book value | | <u>\$ 3,296,341</u> | | <u>\$ 3,164,499</u> |

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | <u>2024</u> | <u>2023</u> |
|--|---------------------|---------------------|
| Trade accounts payable and accrued liabilities | \$ 368,735 | \$ 371,575 |
| Horsepeople's deposits | 333,696 | 375,990 |
| Purse account underpayments | 797,009 | 612,232 |
| | <u>\$ 1,499,440</u> | <u>\$ 1,359,797</u> |

Horsepeople's deposits represent funds held on deposit for individual horsepeople and are payable upon demand.

5. DEFERRED CAPITAL CONTRIBUTIONS

| | <u>2024</u> | <u>2023</u> |
|--|---------------------|---------------------|
| Balance, beginning of year | \$ 2,669,480 | \$ 2,094,736 |
| Funds received during the year | 774,612 | 1,086,193 |
| Depreciation recognized as revenue in the year | (591,811) | (511,449) |
| | <u>\$ 2,852,281</u> | <u>\$ 2,669,480</u> |

Deferred capital contributions represent capital improvement payments received for the purchase of capital assets. The amount of depreciation to revenues is equivalent to the annual depreciation expense of the related capital assets.

FORT ERIE LIVE RACING CONSORTIUM

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

6. NET ASSETS INVESTED IN CAPITAL ASSETS

| | <u>2024</u> | <u>2023</u> |
|--|-------------------|-------------------|
| Balance, beginning of year | \$ 495,019 | \$ 382,853 |
| Additions during the year | 822,194 | 1,292,955 |
| Depreciation during the year | (690,352) | (606,045) |
| Capital improvement payments | (774,612) | (1,086,193) |
| Depreciation recognized as revenue in the year | 591,811 | 511,449 |
| | \$ 444,060 | \$ 495,019 |

7. ADMINISTRATIVE RESERVE

| | <u>2024</u> | <u>2023</u> |
|----------------------|-------------------|-------------------|
| Balance, end of year | \$ 553,626 | \$ 553,626 |

This internally restricted reserve represents an allocation of working capital intended to ensure that funds are available to meet the Corporation's obligations in the event it is ever unable to continue operations. Included in these obligations is an accrual for severance obligations, calculated in accordance with the Employment Standards Act.

8. LEASE COMMITMENT

The Corporation has entered into a lease that expires on March 31, 2027, subject to the Corporation receiving sufficient funding to operate with adequate financial viability. The aggregate minimum lease payments required under the terms of the lease are:

| | | | |
|-------------|------|--|---------------------|
| Year ending | 2025 | | 485,800 |
| | 2026 | | 500,374 |
| | 2027 | | 515,385 |
| | | | \$ 1,501,559 |

FORT ERIE LIVE RACING CONSORTIUM

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

9. FUNDING - HORSE RACING ONTARIO

On May 7, 2018, OLG, Horse Racing Ontario (Ontario Racing), Ontario Racing Management Inc. and Woodbine Entertainment Group (WEG) entered into an Agreement to implement a funding model in which payments will be made by OLG to Ontario Racing, and Ontario Racing will distribute the money received from the OLG to or for the benefit of the OR Racetrack members subject to the terms and conditions of the Agreement. This funding agreement commenced on April 1, 2019 and guarantees a minimum funding of \$8,400,000 per year with transitional funding of \$500,000 per year until fiscal 2025. The terms of this agreement provides for the opportunity to obtain additional funding for Additional Purse Enhancement Payments, Capital Improvement Payments, in addition to the above noted Racetrack Payments and two year Transition Payments. The term of the new agreement is for 18 years which expires March 31, 2038.

During the current year, in addition to the funding above, the Corporation received \$774,612 in capital improvement payments, \$293,700 in purse enhancements, \$1,593,527 in operation enhancement payments and the remaining funding reflects the Corporation's share of net wagering income as determined by Ontario Racing.

10. FINANCIAL RISK MANAGEMENT

The Corporation has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include interest rate risk, market (other price) risk, currency risk, credit risk, and liquidity risk. Price risk arises from changes in interest rates, foreign currency exchange rates and market prices.

(a) Currency risk:

The Corporation has purchases and sales which are transacted in US currency and therefore is exposed to currency risk. At March 31, 2024 US trade accounts payable were \$1,745 (2023 - \$2,830) and cash balances in US were \$208,357 (2023 - \$142,449). The Corporation does not use any derivative instruments to reduce its exposure to currency risk.

It is management's opinion that the Corporation is not exposed to significant interest rate, market (other price), credit or liquidity risks arising from its financial instruments.

11. ECONOMIC DEPENDENCE

The Corporation will be receiving a significant portion of its revenue pursuant to an agreement with the Provincial Government (Note 9). Should these contributions cease, the Corporation would need to develop different revenue sources or consider radical changes in operations.

12. REMUNERATION OF DIRECTORS

Directors receive no remuneration for their services.
