

# **FORT ERIE LIVE RACING CONSORTIUM**

Financial Statements  
for the Year Ended March 31, 2023  
and Independent Auditor's Report to the Board of Directors

**FORT ERIE LIVE RACING CONSORTIUM**  
FINANCIAL STATEMENTS  
MARCH 31, 2023

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CHARTERED  
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## 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, 2023 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, 2023, 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*

**Durward Jones Barkwell & Company LLP**  
**Licensed Public Accountants**

**July 18, 2023**

# FORT ERIE LIVE RACING CONSORTIUM

## STATEMENT OF OPERATIONS AND SURPLUS YEAR ENDED MARCH 31, 2023

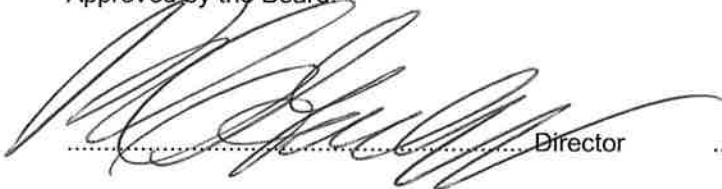
	<u>2023</u>	<u>2022</u>
<b>REVENUE</b>		
Food and beverage	\$ 547,045	\$ 196,525
Funding - Horse Racing Ontario (Note 9)	11,751,421	11,800,460
Other	156,103	58,487
Depreciation of deferred capital contributions	511,449	350,269
	<b>12,966,018</b>	12,405,741
<b>PURSES</b>		
Contributions from Horse Racing Ontario (Note 9)	4,593,610	4,591,840
<b>REVENUE LESS PURSES</b>	<b>8,372,408</b>	7,813,901
<b>EXPENSES</b>		
Depreciation	606,045	458,334
Other operating expenses	3,511,484	3,100,550
Rent	490,233	475,955
Salaries, wages and benefits	4,155,725	3,718,343
	<b>8,763,487</b>	7,753,182
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<b>(391,079)</b>	60,719
<b>SURPLUS, BEGINNING OF YEAR</b>	<b>2,126,751</b>	2,096,429
<b>CHANGE IN NET ASSETS INVESTED IN CAPITAL ASSETS (Note 6)</b>	<b>(112,166)</b>	(30,397)
<b>SURPLUS, END OF YEAR</b>	<b>\$ 1,623,506</b>	<b>\$ 2,126,751</b>

# FORT ERIE LIVE RACING CONSORTIUM

## STATEMENT OF FINANCIAL POSITION MARCH 31, 2023

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash (Note 2)	\$ 3,139,680	\$ 3,472,045
Accounts receivable	177,879	134,929
Inventory	67,367	64,760
Prepaid expenses	152,003	57,529
	<u>3,536,929</u>	3,729,263
<b>Capital assets (Note 3)</b>	<u>3,164,499</u>	2,477,589
	<u>\$ 6,701,428</u>	\$ 6,206,852
<b>LIABILITIES</b>		
<b>Current liability</b>		
Accounts payable and accrued liabilities (Note 4)	\$ 1,359,797	\$ 1,048,886
<b>Deferred capital contributions (Note 5)</b>	2,669,480	2,094,736
<b>Lease commitment (Note 8)</b>		
	<u>4,029,277</u>	3,143,622
<b>NET ASSETS</b>		
Investment in capital assets (Note 6)	495,019	382,853
Administrative reserve (Note 7)	553,626	553,626
Unrestricted surplus	1,623,506	2,126,751
	<u>2,672,151</u>	3,063,230
	<u>\$ 6,701,428</u>	\$ 6,206,852

Approved by the Board:



..... Director



..... Director

# FORT ERIE LIVE RACING CONSORTIUM

## STATEMENT OF CASH FLOWS YEAR ENDED MARCH 31, 2023

	<u>2023</u>	<u>2022</u>
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenue over expenses	\$ (391,079)	\$ 60,719
Items not affecting cash		
Depreciation of property, vehicle and equipment	606,045	458,334
Depreciation of deferred capital contributions	(511,449)	(350,269)
	(296,483)	168,784
Changes in non-cash operating assets and liabilities		
Accounts receivable	(42,950)	(84,356)
Inventory	(2,607)	(11,352)
Prepaid expenses	(94,474)	(13,330)
Accounts payable and accrued liabilities	310,911	295,991
	(125,603)	355,737
<b>INVESTING ACTIVITY</b>		
Purchase of capital assets	(1,292,955)	(1,037,142)
Capital improvement payments	1,086,193	898,680
	(206,762)	(138,462)
<b>INCREASE (DECREASE) IN CASH</b>	(332,365)	217,275
<b>CASH, BEGINNING OF YEAR</b>	3,472,045	3,254,770
<b>CASH, END OF YEAR</b>	\$ 3,139,680	\$ 3,472,045

# FORT ERIE LIVE RACING CONSORTIUM

NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2023

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## 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 \$228,873 (2022 - \$98,361).

# FORT ERIE LIVE RACING CONSORTIUM

NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2023

## **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, 2023

### (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.

### **Administrative reserve**

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

## 2. CASH

	<u>2023</u>	<u>2022</u>
Operational fund bank	<b>\$ 1,378,606</b>	\$ 2,326,632
Purse fund bank	<b>1,218,458</b>	762,419
Cash and other bank accounts	<b>542,616</b>	382,994
	<b><u>\$ 3,139,680</u></b>	<b><u>\$ 3,472,045</u></b>

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, 2023

## 3. CAPITAL ASSETS

	<u>2023</u>		<u>2022</u>	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Buildings	\$ 76,113	\$ 76,113	\$ 76,113	\$ 76,113
Machinery and equipment	2,995,261	1,779,454	2,459,404	1,279,376
Leasehold improvements	2,121,577	194,756	1,364,477	92,383
Land improvements	35,953	14,082	35,953	10,486
	<b>5,228,904</b>	<b>2,064,405</b>	<b>3,935,947</b>	<b>1,458,358</b>
Net book value		<b>\$ 3,164,499</b>		<b>\$ 2,477,589</b>

## 4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2023</u>	<u>2022</u>
Trade accounts payable and accrued liabilities	\$ 371,575	\$ 317,611
Horsepeople's deposits	375,990	343,798
Purse account underpayments	612,232	387,477
	<b>\$ 1,359,797</b>	<b>\$ 1,048,886</b>

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

## 5. DEFERRED CAPITAL CONTRIBUTIONS

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 2,094,736	\$ 1,546,325
Funds received during the year	1,086,193	898,680
Depreciation recognized as revenue in the year	(511,449)	(350,269)
	<b>\$ 2,669,480</b>	<b>\$ 2,094,736</b>

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, 2023

## 6. NET ASSETS INVESTED IN CAPITAL ASSETS

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 382,853	\$ 352,456
Additions during the year	1,292,955	1,037,142
Depreciation during the year	(606,045)	(458,334)
Capital improvement payments	(1,086,193)	(898,680)
Depreciation recognized as revenue in the year	511,449	350,269
Balance, end of year	<u>\$ 495,019</u>	<u>\$ 382,853</u>

## 7. ADMINISTRATIVE RESERVE

	<u>2023</u>	<u>2022</u>
Balance, end of year	<u>\$ 553,626</u>	<u>\$ 553,626</u>

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	2024	471,650
	2025	485,800
	2026	500,374
	2027	515,385
		<u>\$ 1,973,209</u>

# **FORT ERIE LIVE RACING CONSORTIUM**

## **NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2023**

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### **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 \$1,086,193 in capital improvement payments, \$293,610 in purse enhancements, \$1,642,811 in operation enhancement payments and the remaining funding reflects the Corporation's share of net wagering income as determined by Ontario Racing.

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### **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, 2023 US trade accounts payable were \$2,830 (2022 - \$1,767) and cash balances in US were \$142,449 (2022 - \$87,698). 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.

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### **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.

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### **12. REMUNERATION OF DIRECTORS**

Directors receive no remuneration for their services.

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**FORT ERIE LIVE RACING CONSORTIUM**

NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2023

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**13. IMPACT OF COVID-19 PANDEMIC**

As the pandemic continues to evolve with the emergence of new variants, entities may experience conditions often associated with general economic downturn, including but not limited to, financial market volatility, declining credit, potential return of government intervention, changes in labour markets, and other restructuring activities. The continuation of these circumstances could have a negative impact on an entity's financial conditions and results. Further, inflation, supply-chain disruptions, and labour shortages are affecting companies in different industries to varying degrees.

The ongoing impact of the COVID-19 pandemic and the uncertain economic conditions affecting major markets and economies still remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Corporation for future periods.

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