

HORSE RACING ALBERTA ANNUAL REPORT 2022




THE HORSES[®]
HORSE RACING ALBERTA

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VISION

Alberta will be recognized internationally for premier horse racing, breeding and quality entertainment.

MANDATE

1. To govern, direct, control, regulate, manage, market and promote horse racing in any or all of its forms.
2. To protect the health, safety and welfare of racehorses and, with respect to horse racing, the safety and welfare of racing participants and racing officials.
3. To safeguard the interests of the general public in horse racing.

MISSION

To be a governing body whose role is to promote and facilitate the growth, integrity and economic contribution of the Alberta horse racing and breeding industry.

This shall be done by providing quality entertainment, employment, economic and value-added agricultural opportunities within a unified, viable, progressive, accountable and self-regulated industry environment.

CORE BUSINESS

To stabilize, enhance and ensure the growth and integrity of the Alberta horse racing and breeding industry.

2022 BOARD OF DIRECTORS

Diana McQueen	Board Chair
Erika Bottcher	Vice-Chair / Public Representative
Don McDougall	ASHA – Horsemen Representative
John Hind	ASHA – Breeder Representative
Darrell Bauder	CTHS - Breeder Representative
Brian Bygrave	HBPA - Horsemen Representative
Dale Zukowski	Other Racing Breed Representative
Allen Goodsell	“A” Track Representative
Geoff Smith	“A” Track Representative
Dan Gorman	“B” Track Representative
Brittany Davis	Public Representative
Phillip Stuffco	Public Representative
Ashley Robertson	Government Representative - Treasury Board & Finance
Michelle Follensbee	Government Representative - Agriculture and Irrigation
Kent Verlik	CEO (Ex-Officio)

2022 HRA COMMITTEE CHAIRS

Erika Bottcher	Governance and Compensation Committee
John Hind	Audit and Finance Committee
Brittany Davis	Strategic Growth and Breed Improvement Committee
Phillip Stuffco	Regulatory and Licensing Committee

MESSAGE FROM THE BOARD CHAIR AND THE CEO

In 2022, Alberta horse racing moved forward from the pandemic and began the recovery process with reasons for optimism on many fronts. An exciting accomplishment was the long-term funding agreement signed by Horse Racing Alberta (HRA) and the Alberta Government that provides stability to the industry until March 31, 2031. This allows HRA and stakeholders to plan and execute strategies for the future as we strive to grow the racehorse population, increase field sizes, attract more fans, and drive handle to preserve the sustainability of the Alberta horseracing industry.

The HRA Board continued to support and provide feedback to the Alberta Government regarding the Governance Review of HRA and the Horse Racing Appeal Tribunal (HRAT). The HRA Board also chose to undertake its own review of stakeholder feedback and is addressing industry recommendations which fall within the Board's mandate and authority given to HRA under the current legislation.

The Racehorse Procurement Incentive Program (RPIP) was well-received by the horsepeople. The program is intended to have an impact on increasing horse population which is of major importance. The program results were evaluated, and changes were made to improve the program for 2023.

The Track On 2 located in Lacombe County was granted a Racing Entertainment Centre (REC) Facility License by Alberta Gaming, Liquor and Cannabis (AGLC) with support from HRA. With this approval, The Track On 2 opened its REC in October 2022 and now contributes revenue to the Government Funding Agreement. HRA is no longer required to provide The Track On 2 with grant funding for operational and capital costs.

Wagering was up 12.51% from 2021. Standardbreds set a record handle on New Year's Eve of \$512,308, and winter racing handled consistently over \$200,000 per card throughout December. The Thoroughbreds were popular for bettors with an annual gain of 13%, highlighted by Canadian Derby Day at Century Mile which saw a record handle of over \$1.9 million wagered on the 11-race card.

HRA designed a Resiliency Survey to measure perceived performance across 16 elements in four categories (Leadership, People, Process, and Product). This information will provide a baseline to assist in improving business intelligence capabilities, share more information with stakeholders in an open and transparent manner, and enable faster and better decision making.

Staffing was adjusted to reflect the current needs of HRA. A new Director, Regulatory and Supervisor of Racing was hired, and a new position of Assistant Director, Regulatory and Supervisor of Security and Investigations was added. A new Director, Corporate Communications and Stakeholder Engagement position was also created. This solidifies HRA's ability to be proactive and efficient as we continue to regulate and set strategies for the growth of Alberta racing.

On behalf of the Horse Racing Alberta Board of Directors, our Management Team, and the entire Horse Racing Alberta team, thank you for helping to make the sport of horse racing strong and viable as we look forward to a successful 2023.



Diana McQueen
Chair,
HRA Board of Directors

Kent Verlik
HRA Chief Executive
Officer

ORGANIZATIONAL STRATEGY & PERFORMANCE METRICS

ORGANIZATIONAL STRATEGY

The HRA organizational strategy is represented as a single-page strategy map. The Board's four strategic thrusts form the basis of the strategy. Strategic objectives within each thrust are identified at the intersection of each Perspective.

The four Perspectives provide a "balanced scorecard" model for performance measurement of each strategic objective to be reported in future annual reports.

HRA will pursue these strategic thrusts that build toward the achievement of our vision. The strategic thrusts establish the overall direction for future business decisions and resource allocation to effect the necessary changes to the organization and its operations.

HRA STRATEGIC THRUSTS



VALUES BASED CULTURE

We will co-create a renewed values-based culture with our stakeholders.



ORGANIZATIONAL ALIGNMENT AND EFFECTIVENESS

We will work with stakeholders to modernize our regulatory environment, improve the provincial coordination of major activities and services, and streamline operations.



TECHNOLOGY DRIVEN RESILIENCE

We will improve our business intelligence capabilities, provide online access to licensing services and industry training, openly and transparently share more information with stakeholders, and make faster and better decisions.



RESPONSIBLE GROWTH

We will responsibly generate and grow revenue to stabilize and enhance the horse racing and breeding industry for the benefit of all Albertans.

SUMMARY OF PERFORMANCE METRICS

VALUES-BASED CULTURE

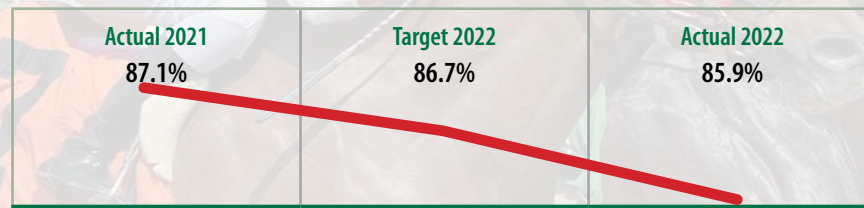
Stakeholder Engagement Index



*The Stakeholder Engagement Index is based on the combined HRA Employee Engagement Survey and Stakeholder Engagement Survey results measuring employee satisfaction and stakeholder perception of HRA performance.

ORGANIZATIONAL ALIGNMENT AND EFFECTIVENESS

Racing Event Compliance



*Racing Event Compliance is the percentage of races run without a rule violation.

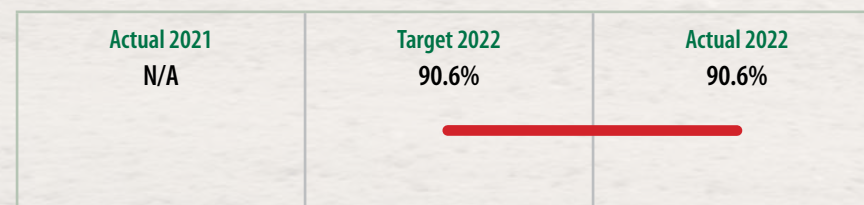
Total Provincial Marketing Expense



* Dollars totals in '000s

TECHNOLOGY DRIVEN RESILIENCE

HRA Resiliency Index



* The index measures perceived performance across 16 elements in four categories (Leadership, People, Process and Product).

SUMMARY OF PERFORMANCE METRICS

RESPONSIBLE GROWTH

HRA Cumulative Surplus (Deficit)

Actual 2021	Target 2022	Actual 2022
\$118	\$2,334	\$3,762

* Dollars totals in '000s

Total Pari-mutuel Handle

Actual 2021	Target 2022	Actual 2022
\$81,542	\$110,982	\$91,746

* Dollars totals in '000s. Excludes Export Handle.

Total Purse Grants

Actual 2021	Target 2022	Actual 2022
\$8,241	\$12,500	\$12,500

* Dollars totals in '000s

Total Breed Improvement Investment

Actual 2021	Target 2022	Actual 2022
\$2,850	\$3,900	\$3,734

* Dollars totals in '000s

PERFORMANCE METRICS

	Actual 2021	Target 2022	Actual 2022
Stakeholder Engagement Index	76.3%	80.3%	79.0%
Racing Event Compliance	87.1%	86.7%	85.9%
Total Provincial Marketing Expense	\$422	\$500	\$520
HRA Resiliency Index	In development	90.6%	90.6%
HRA Cumulative Surplus	\$118	\$2,334	\$3,762
Total Pari-Mutuel Handle	\$81,542	\$110,982	\$91,746
Total Purse Grants	\$8,241	\$12,500	\$12,500
Total Breed Improvement Investment	\$2,850	\$3,900	\$3,734

*Dollars totals in '000s

REGULATORY AND APPEALS

NUMBER OF RULINGS BY CATEGORY IN 2022

	Thoroughbred	Standardbred	Quarter Horse	Community	Grand Total
Administration	29	12	7	18	66
Conduct	10	9	0	3	22
Human Positives	4	2	1	2	9
Horse Positives	0	5	0	6	11
Interference/Racing Violations	23	37	1	5	66
Urging	17	27	4	4	52
Totals	83	92	13	38	226

APPEAL TRIBUNAL – APPEALS/HEARINGS BY YEAR

Year	Thoroughbred / Quarter Horse		Standardbred		B Circuit		Total	Cost
	Appeals	Hearings	Appeals	Hearings	Appeals	Hearings		
2022	1	0	2	0	0	0	3	\$54,354
2021	0	1	0	1	0	0	2	\$94,720
2020	0	8	2	2	0	0	12	\$190,902
2019	8		3		0		11	\$140,861
2018	4		4		8		16	\$202,811
2017	1		7		4		12	\$215,097
2016	1		5		3		9	\$52,452
2015	0		0		0		0	\$7,491
2014	4		1		3		8	\$37,682
2013	0		1		4		5	\$37,118
2012	1		4		2		7	\$58,518

EQUINE DRUG TESTING²

January 1, 2022 – December 31, 2022

Racetracks by Category	Blood		Urine		TCO2		Out-of-Competition ³		Erythropoietin (EPO) ³		Days Raced
	Tests	Positives	Tests	Positives	Tests	Positives	Tests	Positives	Tests	Positives	
Thoroughbred / Quarter Horse											
Century Mile	192	0	730	0	582	0	46	0	12	0	54
Century Downs¹	0	0	0	0	0	0	0	0	0	0	0
Standardbred											
Century Mile	72	0	290	3	278	2		0	58	0	17
Century Downs	228	0	535	0	179	0	39	0	0	0	53
Community											
The Track On 2	51	0	108	0	23	0	0	0	0	0	15
Rocky Mountain Turf Club	69	0	204	5	0	0	0	0	0	0	29
Evergreen Park	28	0	113	1	0	0	0	0	0	0	15
Millarville	0	0	6	0	0	0	0	0	0	0	1
Totals	640	0	1986	9	1062	2	85	0	70	0	184

¹ There was no Thoroughbred racing at Century Downs in 2022.

² Information provided by Bureau Veritas and Racing Forensics.

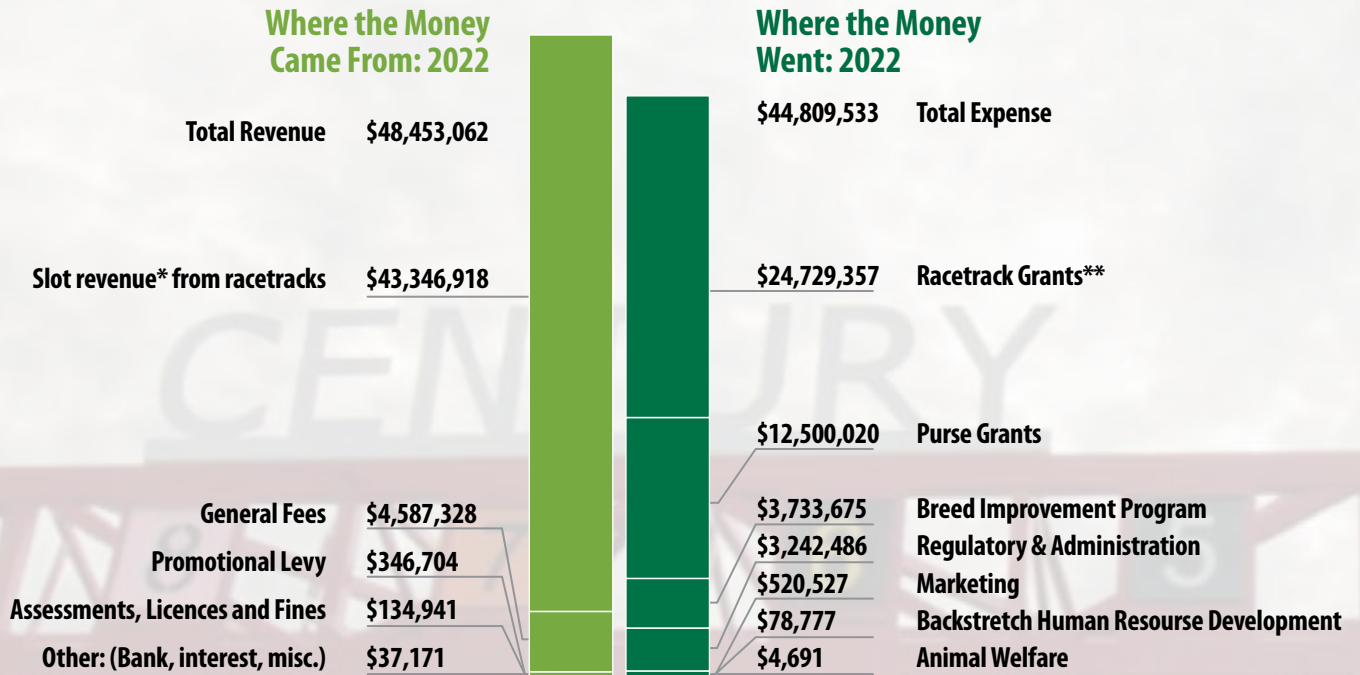
³ Out-of-Competition and Erythropoietin tests are blood samples.

HUMAN DRUG AND ALCOHOL SCREENING TESTS AND DRUG TESTING

January 1, 2022 – December 31, 2022

Racetrack	Total DRAGER Screening Tests Administered	Total Testing and Confirmation Tests Administered	Total Positive Drug Tests	Breathalyzer tests performed	Breathalyzer tests over limit
Century Mile Racetrack and Casino	34	5	5	2974	1
Century Downs Racetrack and Casino	19	1	1	1067	0
Rocky Mountain Turf Club	30	2	2	302	0
Evergreen Park	15	0	0	130	0
The Track On 2	0	0	0	0	0
Millarville	0	0	0	9	0
Totals	98	8	8	4482	1

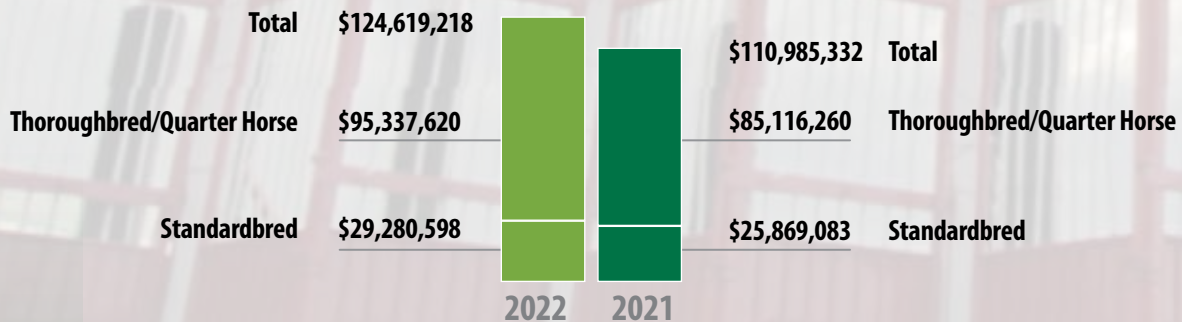
OPERATIONS



* Represents 50% of total slot revenue. The net win also includes 15% and 35% to the Government of Alberta.

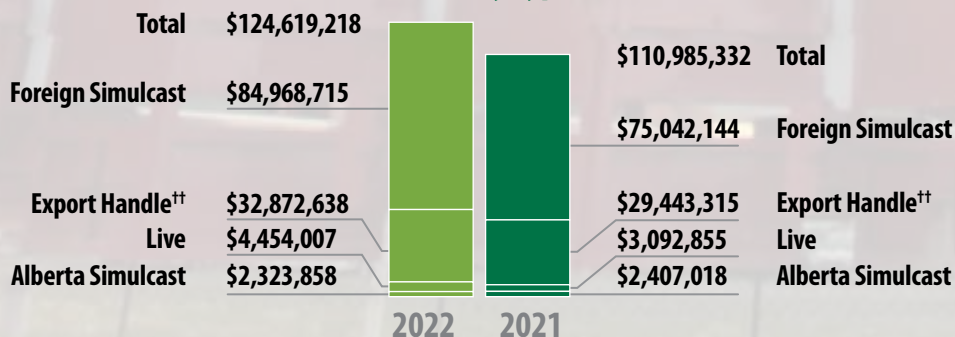
** Racetrack grants are comprised of a percentage of Racing Entertainment Centres revenue generated by each track.

Handle (by Breed)[†]



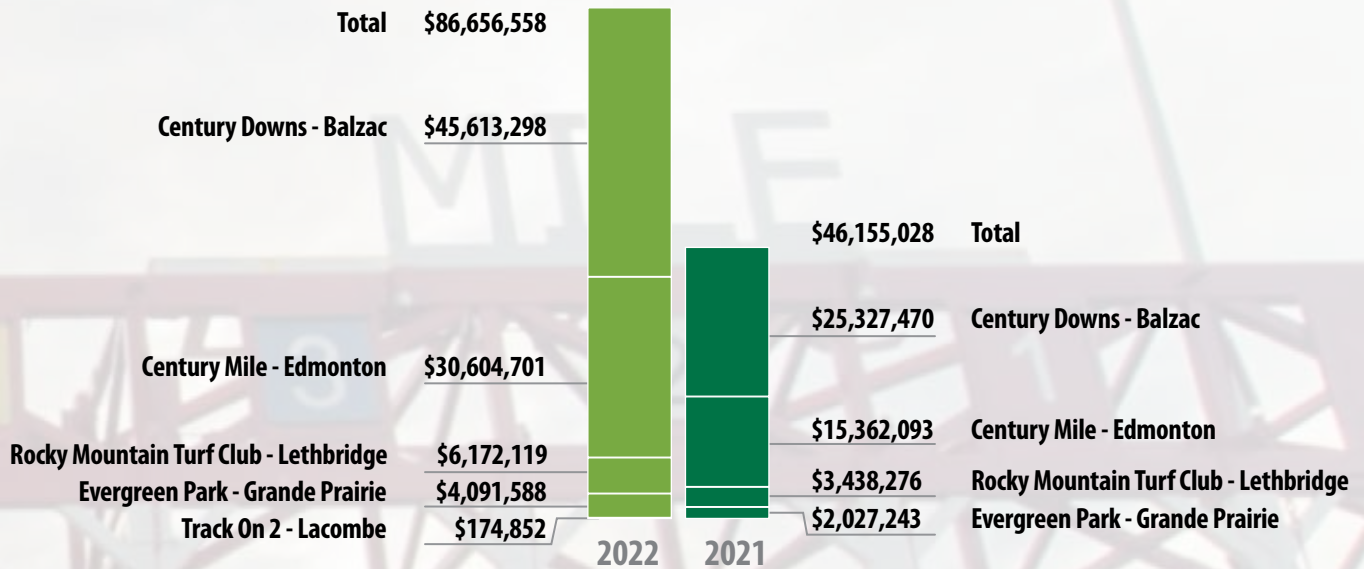
[†] Includes Export Handle

Handle (by Type)

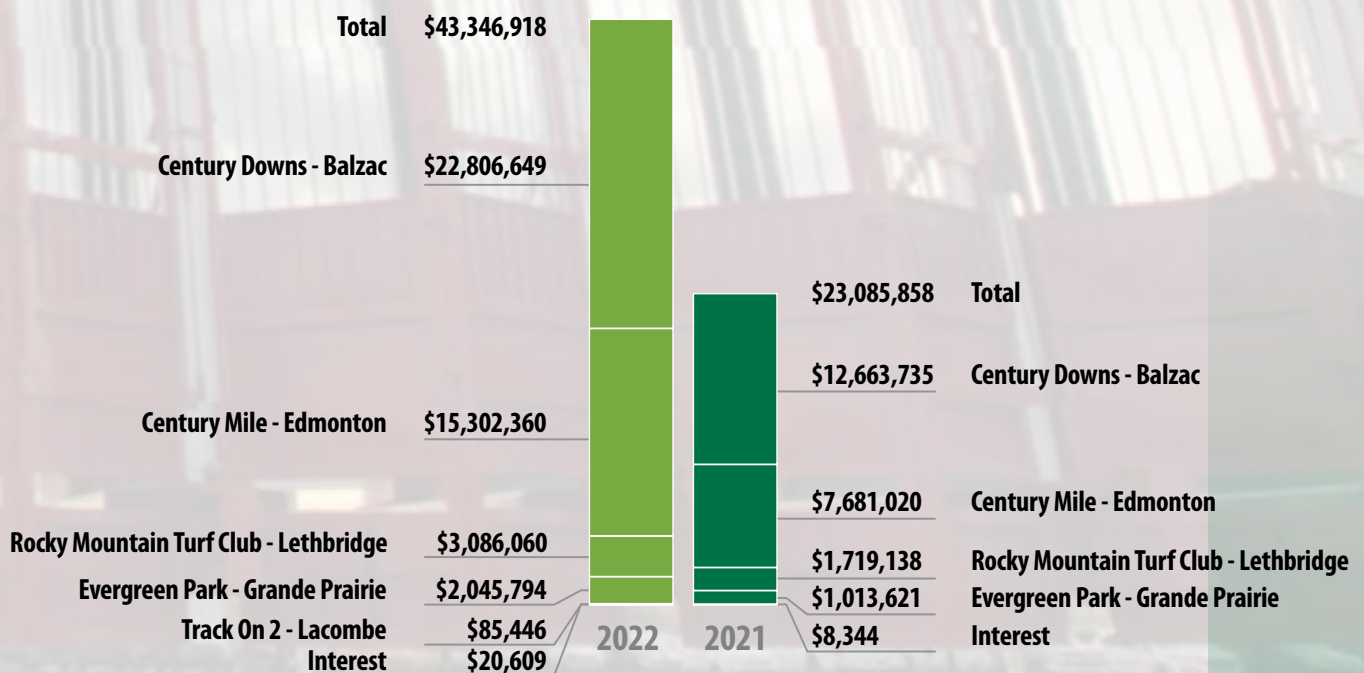


** Export Handle is shared between Racetrack Operators and Racing Associations. HRA receives no revenue from Export Handle.

Slot Revenue: From Racing Entertainment Centres



Slot Revenue: HRA's Portion



ANNUAL REPORT 2022 RECAP

AWARDS AND MILESTONES

- Horse Racing Alberta (HRA) was a finalist in two categories at the Canadian awards. HRA Marketing and Promotions Director Jeff Robillard was named a finalist in the writing category for the *Tyler Redwood: Nine Months Later* story. HRA was also a finalist in the video category for *Fun for Fans* and was subsequently named the winner at the O'Brien Award ceremony in February 2023. It was the third Media Excellence Award for HRA.



- The video *Fun for Fans* was given an honourable mention in the Broadcasting category at the United States Harness Writers' Association awards.
- The Canadian Derby Feature video on *Above and Beyond* was nominated as a finalist in the Digital Audio/Visual and Broadcast Category for the 2022 Sovereign awards.

STANDARD BRED

- Standardbred Canada's National Driving Championship was successfully contested at Century Mile in November. Dave Kelly and Mike Hennessy represented Alberta as two of the eight finalists, and the eventual winner was Doug McNair from Ontario.
- Divine Art won 12 consecutive races in Alberta. The O'Brien Award finalist and former Alberta star now races for Gerald Longo in California, and extended her winning streak south of the border until it finally came to an end at 17.



- Brandon Campbell, the 39-year-old Calgary horseman, ended 2022 as the first driver with a \$2 million season competing exclusively in Western Canada. Horses he drove earned a record-breaking \$2,056,905 in purses.
- Shark Week, owned by Lorne Duffield and Rod Hennessy, won 12 races including a streak of 6 in a row to end 2022.
- Ernesto Delacruz won the Western Canada Pacing Derby and several other stakes to bank over \$220,000 on the season for owners J.F. Gagne and Peter Van Seggelen.



- Dr. Jim Rhodes, after many years in the breeding business in Alberta, was honoured along with Al Neurauter as Breeders of the Year under six mares. Meridian Farms was named Breeder of the Year.

BREED IMPROVEMENT INVESTMENTS*

	2022	2021	2020
Thoroughbred	\$2,013,360	\$1,581,465	\$1,454,838
Standardbred	\$1,261,095	\$951,330	\$874,556
Quarter Horse	\$459,220	\$317,205	\$290,606
Total:	\$3,733,675	\$2,850,000	\$2,620,000

*Includes Association and breeding support (purses)

AVERAGE YEARLING SALE PRICES

	2022	2021	2020
Thoroughbred	\$11,090	\$10,962	\$8,394
Standardbred	\$18,048	\$12,251	\$7,992
Quarter Horse	\$7,610	\$7,016	\$5,462

THOROUGHBRED

- It was a successful 2022 Canadian Derby with a record handle of \$1.93 million wagered. Great Escape, owned by Arnold Bennewith, Rick, Clayton and Lana Wiest, Randy Howg, Gary Kropp, Norm Tremblay and Tim Rollingson, and trained by Robertino Diodoro, won as the second favourite. Jockey Rico Walcott was aboard to easily capture his record fifth Canadian Derby.



- Two top female runners for the 2022 season were Big Hug, who won 4 for 5 and earned over \$100,000 for the season, and Dance Shoes with six wins and almost \$130,000 in earnings.
- The C Cup Charity Race to raise awareness for ovarian cancer was a smashing success. Amateur women riders took part in the race and did all the fundraising.
- Jockey Rico Walcott achieved 1,500 career wins. He subsequently announced a move to Woodbine for the 2023 season.



- Veteran trainer Dale Saunders announced his retirement and was honoured with the prestigious E.P. Taylor Award of Merit at the 2022 Sovereign Awards.

QUARTER HORSES

- Noble Rearing won the \$82,000 Canada QH Cup (RG3) Futurity for owner Jerry Stojan.
- Northfork Boss won the Alberta Bred (RG3) Futurity for owners Gehring, Stockwell and Wills, and was named the 2022 Grand Champion Running Horse.
- O Lets Be First, by First Timber, was the top seller at the AQHA sale.
- A contract was signed with Century Racetracks and Quarter Horses were carded on 22 of the 54 A'Track race days. This provided an increase in sponsorship.

INDUSTRY

- Minister Travis Toews signed a 5-year extension to Horse Racing Alberta's funding agreement, providing stability to trainers, breeders, and the industry.
- The Government Funding Agreement was signed and is in place until 2031.



- The Backstretch Foundation held community events for backstretch employees at Evergreen Park, Century Mile, Century Downs and RMTC.

OLDS COLLEGE

- The program started in January online for 4 weeks to prepare them for the face-to-face portion that was at Olds College campus.
- Studies included roles of the industry associations, personal development and employability, care and management of a racing stable, preparation of the rider, tack and equipment, anatomy and conformation, stable and race day bandages, health and first aid of the horse, nutrition, and of course race day procedures.
- Five students graduated and all were able to secure jobs at the racetrack.
- Olds College graduates Rachel Slevinsky, Meghan Fraser and Matthew Dennis rode their first races as apprentice jockeys.

ALBERTA PURSES

	HRA Grant		Breed Improvement		Total Purses	
	2022	2021	2022	2021	2022	2021
Thoroughbred	\$5,237,500	\$3,307,950	\$1,629,360	\$1,245,465	\$6,866,860	\$4,553,415
Standardbred	\$4,812,500	\$3,232,206	\$1,051,095	\$800,000	\$5,863,595	\$4,032,206
Community	\$2,450,020	\$1,701,104	\$447,220	\$281,205	\$2,897,240	\$1,982,309
Total:	\$12,500,020	\$8,241,260	\$3,127,675	\$2,326,670	\$15,627,695	\$10,567,930

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Horse Racing Alberta

Opinion

We have audited the financial statements of Horse Racing Alberta (the Entity), which comprise:

- the statement of financial position as at December 31, 2022
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2022, and its results of 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 auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Other Information

Management is responsible for the other information. The other information comprises:

- Information, other than the financial statements and the auditor's report thereon, included in the Entity's Annual Report

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Information, other than the financial statements and the auditor's report thereon, included in the Entity's Annual Report as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 the 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 Entity'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 Entity'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 Entity's 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
- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

Edmonton, Canada

April 28, 2023

STATEMENT OF FINANCIAL POSITION

December 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Current assets		
Cash	\$ 3,558,005	\$ 3,863,587
Accounts receivable (note 2)	554,232	436,581
Receivable from the Province of Alberta (note 3)	2,905,965	2,333,886
Prepaid expenses	70,032	88,662
Loans receivable (note 4)	75,000	5,000
	<u>7,163,234</u>	<u>6,727,716</u>
Loans receivable (note 4)	125,000	-
Capital assets (note 5)	141,296	168,010
	<u>\$ 7,429,530</u>	<u>\$ 6,895,726</u>

Liabilities and Net Assets

Current liabilities		
Accounts payable and accrued liabilities	\$ 923,525	\$ 671,693
Advances payable (note 6)	933,333	3,733,333
Racetrack grants payable	1,810,888	1,439,112
	<u>3,667,746</u>	<u>5,844,138</u>
Advances payable (note 6)	-	933,333
Net assets:		
Invested in capital assets	141,296	168,010
Unrestricted net assets (deficiency)	3,620,488	(49,755)
	<u>3,761,784</u>	<u>118,255</u>
	<u>\$ 7,429,530</u>	<u>\$ 6,895,726</u>

See accompanying notes to financial statements.

On behalf of the Board:

Diana McQueen (original signed) Chair of the Board

John Hind (original signed) Chair of the Audit and Finance Committee

STATEMENT OF OPERATIONS

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Revenues		
Racing Industry Renewal Initiative revenues (note 3)	\$ 43,346,918	\$ 23,085,858
General fees	4,934,032	4,378,443
Other racing revenues	134,941	104,330
Interest	36,633	2,351
Other revenues	538	465,808
	<u>48,453,062</u>	<u>28,036,790</u>
Expenditures		
Purse Support Grants		
Thoroughbred	5,237,500	3,307,950
Standardbred	4,812,500	3,232,206
Community	2,450,020	1,701,104
	<u>12,500,020</u>	<u>8,241,260</u>
Breed Improvement Program		
Thoroughbred	2,013,360	1,581,465
Standardbred	1,261,095	951,330
Community	459,220	317,205
	<u>3,733,675</u>	<u>2,850,000</u>
Racetrack funding, Schedule 1	24,729,357	13,869,056
Regulatory and administration, Schedule 2	3,242,486	2,785,835
Marketing and promotion	520,527	422,483
Backstretch human resource development	78,777	88,915
Animal welfare	4,691	164,786
	<u>28,575,838</u>	<u>17,331,075</u>
	<u>44,809,533</u>	<u>28,422,335</u>
Excess (deficiency) of revenues over expenditures	\$ 3,643,529	\$ (385,545)

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31, 2022, with comparative information for 2021

	Invested in capital assets	Unrestricted	Total 2022
Balance, beginning of year	\$ 168,010	\$ (49,755)	118,255
Excess (deficiency) of revenues over expenditures	(26,714)	3,670,243	3,643,529
Balance, end of year	\$ 141,296	\$ 3,620,488	\$ 3,761,784

	Invested in capital assets	Unrestricted	Total 2021
Balance, beginning of year	\$ 195,164	\$ 308,636	\$ 503,800
Deficiency of revenues over expenditures	(27,154)	(358,391)	(385,545)
Balance, end of year	\$ 168,010	\$ (49,755)	\$ 118,255

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash flow from operating activities:		
Cash received:		
Racing Industry Renewal Initiative	\$ 42,851,720	\$ 19,890,661
General fees	4,816,381	4,288,493
Other racing revenues	58,060	168,159
Interest and other revenues	37,171	468,159
Cash paid:		
Purse support grants	(12,500,020)	(8,241,259)
Breed improvement program	(3,661,467)	(2,857,822)
Racetrack funding	(24,357,581)	(13,421,327)
Marketing and promotion	(520,527)	(422,484)
Regulatory and administration	(3,017,518)	(2,542,458)
Other operating expenses	(83,468)	(253,700)
	3,622,751	(2,923,578)
Investing:		
Repayment of loan receivable	(195,000)	37,507
Repayment of advances	(3,733,333)	-
	(3,928,333)	37,507
Decrease in cash	(305,582)	(2,886,071)
Cash, beginning of year	3,863,587	6,749,658
Cash, end of year	\$ 3,558,005	\$ 3,863,587

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2022

Nature of operations:

Horse Racing Alberta (the "Entity") was created as a Provincial Corporation on June 25, 2002 by the Horse Racing Alberta Act, Chapter H-11.3, Revised Statutes of Alberta, 2000. The Entity is a non-profit organization as defined in Section 149(1)(l) of the Income Tax Act and is exempt from income taxes. The Entity is responsible for the regulation of the horse racing industry in the Province in any or all of its forms, and for the facilitation of long-term racing industry renewal.

1. Significant accounting policies:

(a) Basis of presentation:

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

(b) Capital assets:

Capital assets are recorded at cost. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Entity's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful life
Office equipment and furniture	3 - 10 years
Licensing management system	10 years
Computer hardware and software	3 years
Leasehold improvements	Term of lease

(c) Revenue recognition:

The Entity follows the deferral method of accounting for contributions.

Unrestricted contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight line basis, at a rate corresponding with the amortization rate for the related capital assets.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2022

1. Significant accounting policies (continued):

(c) Revenue recognition (continued):

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Revenue from fees is recognized when the services are provided.

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and investments in equities quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest rate method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Entity determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Entity expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2022

1. Significant accounting policies (continued):

(e) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

2. Accounts receivable:

	2022	2021
Trade receivables	\$ 549,889	\$ 432,287
GST receivable	4,343	4,294
	\$ 554,232	\$ 436,581

3. Receivable from the Province of Alberta:

The Entity has a funding agreement with the Province of Alberta, as represented by the Minister of Finance, to further enhance the horse racing and breeding industry in Alberta. This agreement expires March 31, 2031.

4. Loans receivable:

During the year, the Entity issued a loan to The Track on 2 Inc. for \$200,000. The loan is non-interest bearing and will be repaid in 24 monthly payments of \$8,333, commencing April 1, 2023.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2022

5. Capital assets:

			2022	2021
	Cost	Accumulated amortization	Net book value	Net book value
Office equipment and furniture	\$ 209,814	\$ 207,969	\$ 1,845	\$ 4,361
Licensing management system	227,395	96,643	130,752	153,491
Computer hardware and software	77,251	77,251	-	-
Leasehold improvements	32,649	23,950	8,699	10,158
	\$ 547,109	\$ 405,813	\$ 141,296	\$ 168,010

Amortization of \$26,714 (2021 - \$27,154) is included in regulatory and administration expenses for the year.

6. Advances payable:

The Entity entered into an agreement with the Government of Alberta (GOA) during fiscal 2020, where the GOA made a one-time \$7,000,000 lump sum payment to the Entity on account of future anticipated total net proceeds from Racing Industry Renewal Initiative revenues. The GOA will reduce the monthly funding installment payment payable to the Entity, for the period between January 2022 and March 2023, by \$311,111 per month (2021 - \$233,333 per month).

	2022	2021
Advance payable, beginning of the year	\$ 4,666,666	\$ 6,300,000
Repayments of advance through funding reductions	(3,733,333)	(1,633,334)
Total advance payable	933,333	4,666,666
Less: current portion of GOA advance payable	(933,333)	(3,733,333)
	\$ -	\$ 933,333

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2022

7. Compensation:

	Positions	Base salary (1)	Other cash benefits (2)	Other non-cash benefits (3)	Total 2022	Total 2021
Chair	1	\$ 60,000	\$ -	\$ 4,671	\$ 64,671	\$ 44,193
CEO	1	183,090	3,335	27,885	214,310	212,569
DCS / Director	1	130,792	10,435	19,982	161,209	163,571
Board of Directors	13	-	32,014	1,525	33,539	22,546
Managers:						
Racetrack and administration	4	287,416	104,836	41,943	434,195	336,129
Non-managers:						
Racetrack	13	613,906	24,082	111,434	749,422	707,821
Administration	5	212,776	1,488	53,208	267,472	273,459
	38	\$ 1,487,980	\$ 176,190	\$ 260,648	\$ 1,924,818	\$ 1,760,288

	Positions	Base salary (1)	Other cash benefits (2)	Other non-cash benefits (3)	Total 2022	Total 2021
Appeals Tribunal, Chair	1	\$ 1,752	\$ -	\$ 39	\$ 1,791	\$ 9,344
Appeals Tribunal, Members	2	-	-	-	-	18,286
	3	\$ 1,752	\$ -	\$ 39	\$ 1,791	\$ 27,630

- (1) Base salary includes pensionable base pay.
- (2) Other cash benefits include bonuses, vacation payments, honoraria, overtime and lump sum payments including severance and payment in lieu of RRSP contributions.
- (3) Other non-cash benefits include the Entity's share of all employee benefits and contributions made on behalf of the employees, including health and dental, life, accidental death & dismemberment, weekly indemnity and long term disability insurances, CPP and EI contributions, WCB, vacation accrual, car allowances and RRSP contributions.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2022

8. Commitments:

The Entity rents office premises in Edmonton, expiring March 31, 2026. The Entity is responsible for its proportionate share of property taxes and building operating costs for the leased premises. The Entity also has office equipment under operating leases through to 2023.

Annual payments are as follows:

2023	\$	240,766
2024		159,971
2025		162,925
2026		41,124
	\$	604,786

9. Financial risks and concentration of risk:

(a) Liquidity risk:

Liquidity risk is the risk that the Entity will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Entity manages its liquidity risk by monitoring its operating requirements. The Entity prepares a budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2021.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Entity is exposed to credit risk with respect to the accounts receivable and loan receivable. The Entity has 67% (2021 - 68%) of its trade accounts receivable outstanding with one counterparty operating in the gaming and horse racing industry. The Entity assesses, on a continuous basis, accounts receivable and loans receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

SCHEDULE 1 - RACETRACK FUNDING

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Century Downs	\$ 13,113,823	\$ 7,469,390
Century Mile	8,798,851	4,779,364
Rocky Mountain Turf Club	1,543,030	944,024
Grande Prairie Regional Agricultural Society	941,065	402,528
Millarville	30,000	30,000
Lacombe	302,588	243,750
	\$ 24,729,357	\$ 13,869,056

SCHEDULE 2 - REGULATORY AND ADMINISTRATION

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Compensation (note 7)	\$ 1,924,819	\$ 1,760,288
Office and administration	415,182	303,894
Contractors	388,635	236,649
Office rent and operating costs	148,243	139,543
Travel	141,181	103,043
Legal, consulting and audit fees	130,180	123,067
Appeal tribunal	54,354	94,720
Regulatory	39,892	24,631
	\$ 3,242,486	\$ 2,785,835




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