



Horse Racing Alberta

ANNUAL
REPORT
2019



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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.

2019 Board of Directors

Gill Hermanns	Chairman
Bob Cramers	Canadian Thoroughbred Horse Society
Blair Corbeil	Alberta Standardbred Association Horsemen Representative
John Hind	Alberta Standardbred Association Breeders Representative
Norm Castiglione	Horsemen's Benevolent and Protective Association Representative
Martin West	Other Breeds Representative
Paul Ryneveld	"A" Circuit Representative
Andreas Terier	"A" Circuit Representative (May 1 – October 30)
Geoff Smith	"A" Circuit Representative (as of November 20)
Dan Gorman	"B" Circuit Representative
Erika Bottcher	Public Member
Alan Martin	Public Member
Mara Coote-Freeman	Public Member
Tanya Bowerman	Ex-Officio Treasury Board and Finance (to November 30) Non-Voting
Donna Babchishin	Ex-Officio Treasury Board and Finance (as of December 1) Non-Voting
Rick Frederickson	Ex-Officio Agriculture Non-Voting
Kent Verlik, CEO	Non-Voting

2019 HRA Committee Chairs

Erika Bottcher	Governance and Compensation Committee
Alan Martin	Audit and Finance Committee
Mara Coote-Freeman	Strategic and Sustainable Development Committee
Martin West	Regulatory and Licensing Committee

Message from the Chairman and the CEO

In 2019, our Alberta horse racing community continued to work and stand together as a collective whole, showing steadfast resilience and continued passion for horse racing and all of the people in our industry.

We can look back on the racing season and year with a sense of pride, knowing that our perseverance and strengths propelled our industry forward. For example, the performance metrics we added and the research we completed in 2019 are proving to be valuable. The *Economic Impacts of Horse Breeding, Raising, and Racing* study we completed with Serecon Inc. demonstrated that \$312 million in benefits resulted from our industry in 2019. This data proves the horse racing industry in Alberta helps diversify our province economically, especially in rural Alberta.

As was the case for most Albertans in all walks of life, our industry faced real challenges during the year. Many were related to the overall economic conditions in our province, including slumping oil and gas prices.

We also dealt with critical factors and issues, such as:

- some of the worst seasonal environmental conditions ever experienced in Alberta;
- a decrease in field sizes and starts for our thoroughbreds;
- changes in race venues, leading to learning how to engage with new racing fans;
- an evolving regulatory environment; and
- a tighter Horse Racing Alberta budget,

In response to such varied challenges, we

- carefully deliberated on the best steps to further modernize our industry, including how we regulate it;

- developed new ways forward to balance our books, including what we should be paying for and what we should not be paying for;
- opened new venues that are impressing our fans; and
- continually celebrated the backbone of our industry – our people!

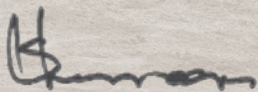
People's hearts were warmed across the horse racing world when Rico Walcott – Alberta's leading jockey and fan favourite – was able to get back on a horse after making a full recovery from very difficult brain surgery. Another "win" was counted when Alberta's own Dave Kelly was awarded Standardbred Canada's prestigious National Rising Star Award.

Together, over the course of the year, our industry and people more than persevered through different challenges and changes. In fact, we rejuvenated, finding new energy and optimism to transition forward as one team!

Through our teamwork and collective resilience, we now find ourselves on stable ground ready to take the steps necessary to further engrain the horse racing industry in Alberta culture.

We would like to recognize and thank all people in the horse racing industry, including the HRA staff and Board, for their steadfast and ongoing commitment to helping us move our industry to new heights. Standing side-by-side to work through challenges – and develop and launch new opportunities – is proving once again that we are better together. We look forward to continued rejuvenation and new achievements in 2020 and beyond.

Lastly, the Alberta horse racing industry is experiencing dramatic negative effects as a result of the 2020 COVID-19 pandemic. We again ask our community to stand together as a collective whole to re-launch Alberta horse racing when it is safe to do so.



Gill Hermanns

Chairman, HRA Board of Directors
April 22, 2020



Kent Verlik

HRA Chief Executive Officer
April 22, 2020

Organizational Strategy

The HRA organizational strategy is represented as a single-page strategy map. The Board's four Strategic Thrusts listed at the top of the map form the basis of the strategy. Strategic objectives within each thrust are identified at the intersection of each Perspective. The four Perspectives on the left side of the map 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



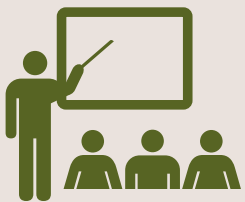
Values Based Culture

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

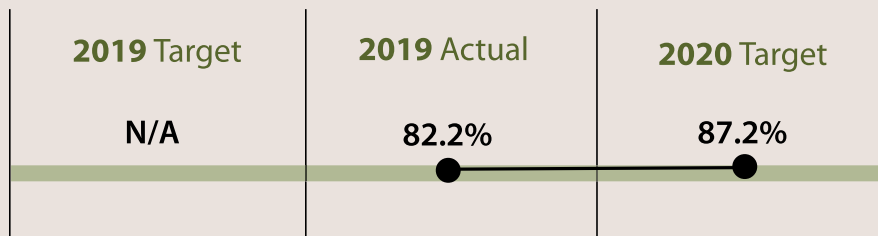
We will responsibly generate and grow revenue to stabilize and enhance the horse racing and breeding industry for the benefit of all Albertans

Organizational Strategy & Performance Metrics

Summary of Performance Measures

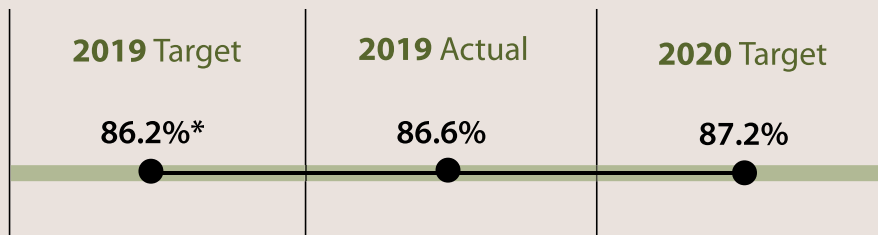
Values-Based Culture

Stakeholder Engagement Index



Organizational Alignment & Effectiveness

Racing Event Compliance



* % Races w/o Rulings

Total Provincial Marketing Expense



* Dollar totals are in '000s

Technology Driven Resilience

Measure	Target 2019	Actual* 2019	Target 2020	Target 2021	Target 2022
HRA Resiliency Index	Establish Baseline	Establish Baseline	5% over Baseline	8% over Baseline	10% over Baseline

Summary of Performance Measures (continued)

Responsible Growth

HRA Cumulative Surplus (Deficit)



* Dollar totals are in '000s

Total Pari-Mutuel Handle



* Dollar totals are in '000s

Total Purse Grants



* Dollar totals are in '000s

Total Breed Improvement Investment



* Dollar totals are in '000s

Summary of Performance Measures (continued)

Performance Metrics	Target 2019	Actual 2019	Target 2020
Stakeholder Engagement Index	Establish Baseline	82.2%	87.2%
Racing Event Compliance	86.2%	86.6%	87.2%
Total Provincial Marketing Expense	\$395*	\$786	\$395
HRA Resiliency Index	Establish Baseline	In Development	In Development
HRA Cumulative Surplus (Deficit)	\$6.30	(\$2,095)	(\$783)
Total Pari-Mutuel Handle	\$121,065	\$99,762	\$105,990
Total Purse Grants	\$10,518	\$10,518	\$10,381
Total Breed Improvement Investment	\$3,100	\$3,100	\$3,000

* Dollar totals are in '000s

Regulatory and Appeals

Number of Rulings by Category in 2019

	Thoroughbred	Standardbred	Community
Administration	19	8	20
Conduct	23	11	8
Interference/Racing Violations	29	23	32
Urging	7	42	3
Human Drug and Alcohol	6	2	3
Horse Drug	1	4	0
Totals	85	90	66

Appeal Tribunal – Appeals/Hearings by Year

Year	Thoroughbred	Standardbred	"B" Circuit	Total	Cost
2019 ³	8	3	0	11	\$140,860
2018	4	4	8	16	\$204,110
2017 ²	1	7	4	12	\$232,233
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
2011 ¹	1	1	1	3	\$30,550
2010	0	3	2	5	\$16,690
2009	0	3	4	7	\$22,405
2008	0	2	6	8	\$9,619
2007	1	3	0	4	\$4,384

¹ AGLC assumed administrative support in June 2011

² HRA assumed administrative support January 2017

³ No quorum due to a lack of a Chairperson 2019

Regulatory and Appeals

Animal Drug Testing

January 1, 2019 – December 31, 2019

Racetracks by Category	Blood		Urine		TCO2	
	Tests	Positives	Tests	Positives	Tests	Positives
Thoroughbred						
Century Mile	173	0	558	1	395	0
Century Downs	36	0	184	0	31	0
Standardbred						
Century Mile	104	0	498	1	412	0
Century Downs	167	0	581	1	34	0
Community						
Track On 2	25	0	127	1	0	0
Rocky Mountain Turf Club	83	0	310	0	79	0
Evergreen Park	47	0	153	0	0	0
Totals	635	0	2,411	4	951	0

Human Drug Screening Tests and Drug Testing

January 1, 2019 – December 31, 2019

Racetrack	Total DRAGER Screening Tests Administered*	Total Testing and Confirmation Tests Administered	Total Positive Drug Tests
Century Mile Racetrack and Casino	43	23	1
Century Downs Racetrack and Casino	28	3	3
Rocky Mountain Turf Club	36	16	2
Grande Prairie	0	0	0
Track On 2	0	0	0
Millarville	0	0	0
Totals	107	42	6

* DRAGER Screening started September 1, 2019.

OPERATIONS

Where the Money Came From: 2019

Total Revenue	\$ 39,772,770
Slot revenue* from racetracks	\$ 34,172,312
General Fees	\$ 4,987,115
Promotional Levy	\$ 382,991
Assessments, Licences and Fines	\$ 229,386
Other: (Bank, interest, misc.)	\$ 986

* Represents 45% (Jan-Mar) and 40% (Apr-Dec) of total slot revenue. The net win also includes 15% to the licensee, 40% (Jan-Mar) and 45% (Apr-Dec) to the Government of Alberta.

Where the Money Went: 2019

Total Expense	\$ 41,161,772
Racetrack Grants**	\$ 23,245,526
Purse Grants	\$ 10,518,147
Breed Improvement Program	\$ 3,100,000
Regulatory & Administration	\$ 3,370,069
Marketing	\$ 786,335
Backstretch Human Resource Development	\$ 140,695
Animal Welfare	\$ 1,000

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

Handle (by breed)

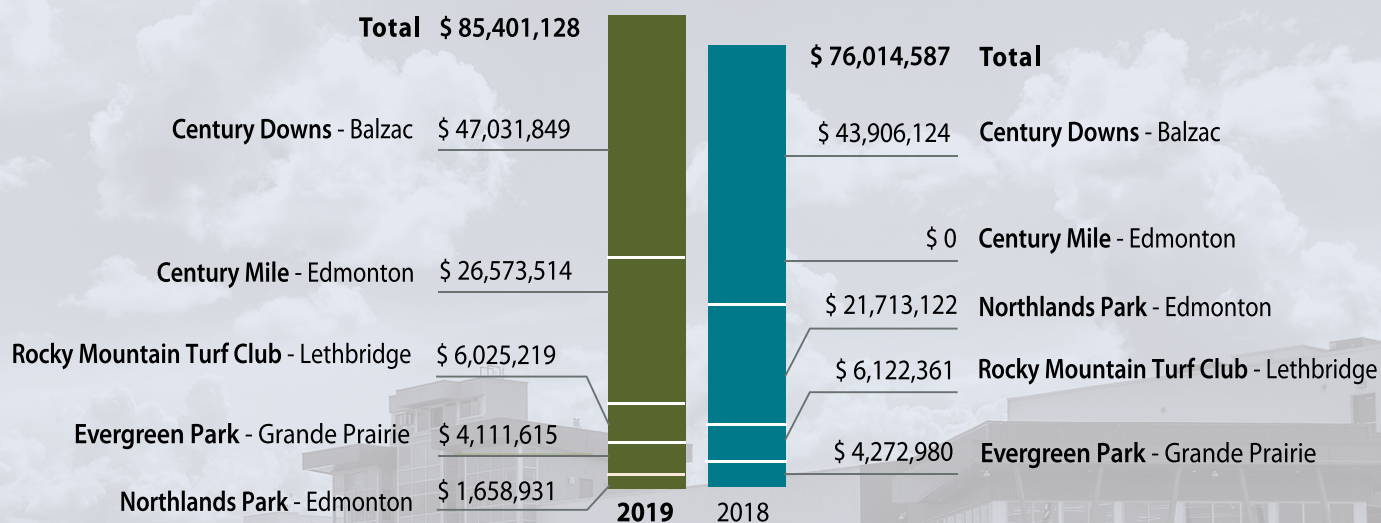
Total	\$ 99,762,303	2019	2018	\$ 108,029,809	Total
Thoroughbred	\$ 71,168,482			\$ 81,082,951	Thoroughbred
Standardbred	\$ 28,593,820			\$ 26,946,858	Standardbred

Handle (by type)

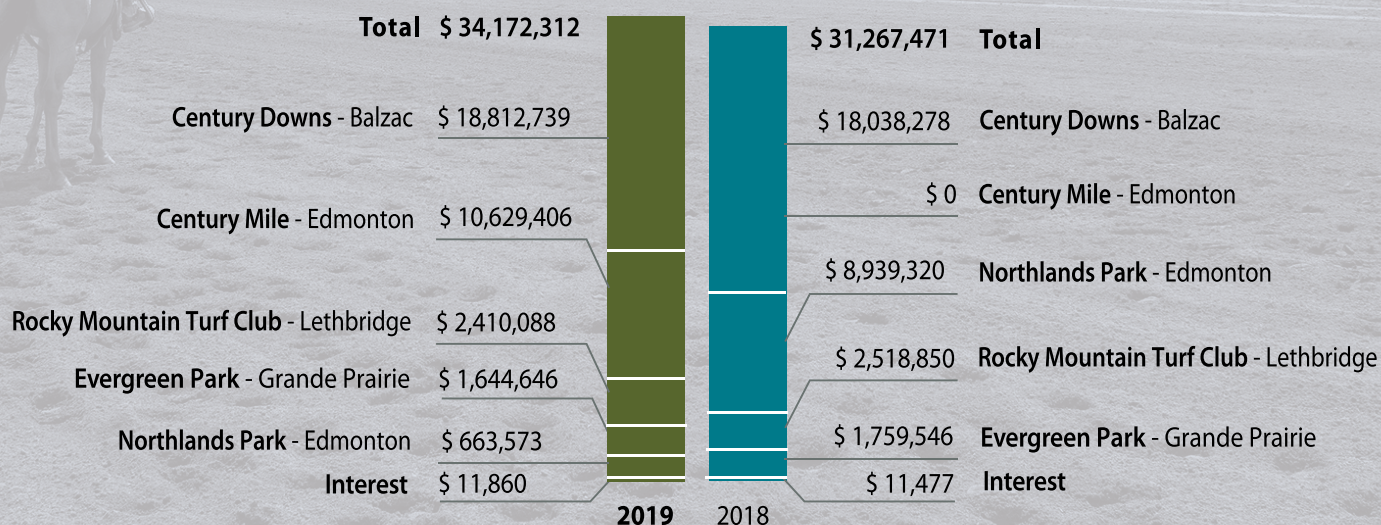
	\$ 99,762,303	2019	2018	\$ 108,029,809	Total
Foreign Simulcast	\$ 91,247,433			\$ 98,750,013	Foreign Simulcast
Live	\$ 6,011,578			\$ 7,472,045	Live
Alberta Simulcast	\$ 2,503,293			\$ 1,807,751	Alberta Simulcast

OPERATIONS

Slot Revenue: From Racing Entertainment Centres



Slot Revenue: HRA's Portion



Walcott worry-free after surviving brain tumour

by Hayley Morrison

This article originally appeared in the October/November 2019 issue of *Canadian Thoroughbred* and is reproduced here with permission. Please visit CanadianThoroughbred.com for more articles.

Eight-time champion jockey Rico Walcott is no stranger to being asked questions about his career.

Even more so of late, given his comeback to the saddle after undergoing surgery in the spring for a brain tumour. Asked about the tumour, Walcott's voice softens. "Well, I don't worry about nothing more in life," he said. "It could have been the end of my life the other day when I had those seizures, so I don't worry about anything no more. I don't worry about money or nothing. I'm just living day-by-day now, because I could have been gone pretty easy, like that." For a jockey who is usually making headlines with stakes wins, the news of his brain tumour struck a very different chord within the racing community; a chord, that left his fans in Canada and in his home country of Barbados wondering what the future would yield for the 30-year-old jockey.

Lindon Yarde, a racing correspondent for The Nation newspaper in Barbados said the news made a deep impact with racing fans on the island. "From a fan's perspective you became instantly concerned, being that he has represented Barbados with great success over the years. He is very much like one of our family and very much in need of praise. So, we were instantly concerned. It went on social media, people were making calls and people were very concerned — especially in the racing fraternity in Barbados. We were just hoping and praying that all would go well for him, and that he would make a full recovery and make it back to the saddle," said Yarde, who is also a race caller and colour commentator at the local racetrack known as the Garrison Savannah.

Eight-time champion jockey Rico Walcott has returned to the irons with a new outlook on life after having a tumour removed from the front of his brain.

Two Days Missing

Horse racing is a precarious and dangerous profession. It's a far cry from the comfort of a desk job, and the inherent risks of being injured are weighed against the reward of pocketing some purse money. In Walcott's case, his profession had nothing to do with the events that unfolded earlier this year. On Saturday, March 4, the Barbadian rider was going about his day just as planned — relaxing and watching the Sandy Lane Barbados Gold Cup at his home in Edmonton.

"I never had any kind of signs that I had something going on in my head. Never had a sign. I was watching the Gold Cup back home on my iPad, and after the Gold Cup race finished one of my friends called me from the races, like two hours after the race, to talk about the race and what I thought about the race," Walcott said. "I was talking to him on Whatsapp and his phone cut out... When his phone cut out I hung up the phone and that was a Saturday, and I woke up in the hospital on Monday. I didn't know anything that happened after that. When I woke up Monday in the hospital they told me I had a brain tumour on the front left part of my brain."

Walcott credits his 8-year-old daughter Sundai for giving him that second lease on life. "The first thing when I woke up in the hospital and I realized what was going on they told me that my little girl was the one that saved my life, because I was at home and I was in the basement and it was only me and her," Walcott said.

"I think she was watching TV or something like that. When I started to have the first seizure she took the iPad and called her mom (Shakera) at work and said, 'I don't know if daddy is pranking me or not, but I think you should come home.'"

Recanted to him by family, Walcott quietly recalls the details of that evening. "Shakera left work and rushed to come home and my daughter called my uncle that was upstairs and he came down and then the ambulance came. I had the second seizure in the ambulance and then the third one was when I reached the hospital." Walcott was diagnosed with a Grade II astrocytoma tumour on the front left side of his brain. He underwent a five-hour surgery in early April to remove the tumour.



Would He Ride Again?

A harrowing experience for the jock, Walcott's main concern before and after the surgery was whether he would be able to continue doing what he loves. "June 11th is when I got back my MRI results and the surgeon said all the rest of the tumour is gone and I can get the okay to go back and ride. I got on my first horse like a month after in the morning and started exercising."

Not only was the news a huge sigh of relief for Walcott, but also for his loved ones, his fans and, of course, the jock's long time agent Bob Fowlis, who's been with Walcott throughout the ordeal. "They said it was probably cancerous, but the MRI after the surgery in early June — the results of that — is there is no residual evidence of any of the tumour left," Fowlis said.

"So, they got it all. I was with him when the doctor gave him his good news and he said, 'We will do a follow up MRI on you in a year just to see how you are doing.' But he said, 'As of now you can basically resume and go back to your normal life.'" A jockey agent for 24 years, Fowlis has been working alongside Walcott for nearly a decade.

A coincidence or not, Walcott has been at the top of the standings since Fowlis took his book. "I believe this would be our ninth year together. He's been the leading rider every year I've had him."

Barbados Beginnings

Walcott's racing career began when a four-legged friend occupied his backyard in Brighton Hill in Barbados. "I don't remember the age, but pretty young because my dad used to keep a horse in the yard at home," said Walcott. The horse that took up residency in the family yard was named Flashing Princess and was purchased by Walcott's dad, Charles Jones. "She was a racehorse, but when my dad got her from one of his friends he bred her and got a couple of foals from her." Jones also raced and won several races with a horse at the Garrison.

On top of having a retired racehorse at home and a parent involved in the industry, Rico's older brother, Rickey Walcott, also decided to pursue a career in the irons. Rickey began his riding career at the Garrison in December of 1996. Two years later, he won his first race in Barbados. In the spring of 1999, Rickey moved his tack abroad to Stampede Park in Alberta. In 2004, Rico followed in his brother's footsteps, getting his first taste of sport at the Garrison. "I think the first horse I rode was a horse called Blazing Colours for trainer Liz Deane," Walcott said. Asked to recall that very first race, Walcott is straight to the point. "I think the most nervous part was getting out of the gates. As soon as I got out of the gates I was good after."

"June 11th is when I got back my MRI results and the surgeon said all the rest of the tumour is gone and I can get the okay to go back and ride. I got on my first horse like a month after in the morning and started exercising."

Learning and honing his craft at home for a couple of years, Walcott then decided to also move his tack abroad. "My brother was here (in Canada) and I guess my dad wanted me to come here because back in Barbados we were only running twice a month and here in Canada we were running four times a week. So it was way better," said Walcott who began his career on the Canadian racing circuit about 12 years ago at Stampede Park.

In 2010, the jock captured his first graded stakes aboard No Hesitation in the Grade 3 Canadian Derby — a prestigious stakes race his older brother Rickey secured back in 2003 with multiple graded stakes winner Raylene. Not simply following in his brother's footsteps, Rico continued to pad the riding resume with a handful of graded stakes wins across Western Canada over the last nine years. Walcott captured four Grade 3 wins in 2013, with victories in the Ballerina Stakes, the Canadian Derby, the British Columbia Derby as well as the Oklahoma Derby. The following year, he landed three graded stakes including the 2014 Canadian Derby, with Robertino Diodoro's trainee Edison.

In 2017, the jock guided Chief Know It All to a win in the British Columbia Derby. Last year, culminating in the last season at Northlands Park, the jock secured the Derby with Diodoro's trainee Sky Promise. About two weeks later, Walcott guided the dark bay colt to victory in the BC Derby. While the Grade 3 glitter is still settling on the resume, it should be duly noted the jock has over 1,300 wins to his name and has been consistently within the top tier of the jockey standings for nearly the last decade.

Asked what has been a standout moment in his career thus far, Walcott doesn't hesitate to respond. "I would probably say the 2013 Derby I won in Edmonton, because I brought my mom from Barbados and she was here," said Walcott who won the race aboard a bay gelding named Broadway Empire. A concrete foundation and an unwavering commitment to the sport he loves, Walcott has been in high demand on the circuit.



An Emotional Return

On July 11, Walcott made his comeback on For Cash — a chestnut gelding Walcott has teamed up with on various occasions over the last five years to capture several handicap stakes races. While For Cash did not showcase his best performance that afternoon, it will remain an emotional day etched in the jock's memory.

"There were lots of people. I was just trying to keep calm. I was trying not to let the crowd get me nervous because there were so many people. I told a couple of my friends that are riders that this brain tumour had nothing to do with any injury during races and I told some of them how funny life is, like this brain tumour could have ended my career and it had nothing to do with horse racing. So I told them best to take advantage of what you can do right now, because I wasn't looking for this. As I told one of my friends, I would have rather broken a hand or broke a foot before the brain tumour. But I had no options on what I could have got."

Asked about his goals for the remainder of this season, Walcott stayed quiet for a few seconds before responding. "Just try to finish out the season healthy and safe. I'm already too far behind (in the standings) and I can't catch up right now, so just being safe for the rest of the season that is left," said the jock who recently secured the HBP Starter Stakes with Greg Tracy's trainee Got My Mo. Although Walcott continues to inch closer to the top 10 in the jockey standings, his recent journey in navigating life after a very serious brain surgery has given him a new perspective: he's already found a winner's circle that lies far beyond the racing oval.

Horse Racing Alberta 2019 Recap

Industry accomplishments in 2019 continued to contribute to the growing optimism about the future of the horse racing industry in Alberta.

Racetracks

- The new state-of-the-art racing facility **Century Mile Racetrack and Casino**, next to the Edmonton International Airport, opened its doors to large crowds and renewed excitement. This much-anticipated opening provides the entire Alberta horse racing industry stability moving into the future. In early spring, thoroughbred racing debuted on the new one-mile racetrack.
- Over 7,000 people attended the 90th running of the **Canadian Derby** at its new home at Century Mile with the day capturing the industry's largest handle of the year.
- **Standardbred racing** moved to Century Mile at the end of August for an exciting fall meet featuring full fields and fast track times.
- The **Alberta Quarter Horse Racing Association Day at the Races** took place at Century Downs with a full card of quarter horse racing to start the fall meet.
- The extremely popular **Packwood Grand** expanded to Century Mile in 2019.



Olds College Graduating Class

- Nine students in total graduated from the **Olds College Horse Racing Alberta Professional Racetrack Groom Course** and the **Olds College Exercise Rider and Jockey Training Program** (a partnership of Olds College, Horseman's Benevolent Protective Association of Alberta and Horse Racing Alberta).
- The **4-H Alberta Day at the Races** events in June were very well received.
- The industry hosted the **C Cup Classic Amateur Jockey Race** at Century Downs in support of the **Brain Tumour Foundation of Canada**.



Horse Racing Alberta 2019 Recap

Awards and Milestones

- **Dave Kelly** won the O'Brien Future Star Award, one of 17 categories which honour Canada's best in harness racing over the past season.
- Jockey **Ricardo Moreno** was named the 2019 Alberta Quarter Horse Association of Alberta Nutrena Challenge Champion Jockey.
- Quarter horse **Free Thought**, trained by William Leech, extended his winning streak to 17 in a row with five starts and five wins in 2019.
- **Horse Racing Alberta** was named one of three National Sovereign Award finalists in the Broadcast category for 2019.



Photo courtesy of SC / True Nature Communications.

The Honourable Adam van Koerdeden, Member of Parliament for Milton (right) makes the O'Brien presentation to Dave Kelly.

Horse Breeding

Average Yearling Sale Prices

	2019	2018	2017
Thoroughbred	\$ 6,736	\$ 9,658	\$10,233
Standardbred	\$10,334	\$10,940	\$10,698
Quarter Horse	\$ 6,500	\$ 3,818	\$ 7,781

Breed Improvement Program Investments*

	2019	2018	2017
Thoroughbred	\$ 1,720,190	\$ 1,720,190	\$ 2,219,600
Standardbred	\$ 1,034,780	\$ 1,034,780	\$ 1,335,000
Quarter Horse	\$ 345,030	\$ 345,030	\$ 445,200
Total	\$ 3,100,000	\$ 3,100,000	\$ 3,999,800

* Includes Association and breeding support (purses).

Alberta Purses

	HRA Grant		Breed Improvement Program		Total Purses	
	2019	2018	2019	2018	2019	2018
Thoroughbred	\$ 4,419,726	\$ 3,823,905	\$ 1,490,190	\$ 1,490,190	\$ 5,909,916	\$ 5,314,095
Standardbred	\$ 3,786,533	\$ 4,497,418	\$ 865,000	\$ 865,000	\$ 4,651,533	\$ 5,362,418
Community Circuit	\$ 2,311,888	\$ 2,196,824	\$ 284,030	\$ 284,030	\$ 2,595,918	\$ 2,480,854
Totals	\$10,518,147	\$10,518,147	\$ 2,639,220	\$ 2,639,220	\$13,157,367	\$13,157,367



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INDEPENDENT AUDITORS' 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, 2019
- the statement of operations for the year then ended
- the statement of changes in net assets (deficiency) 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, 2019, 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 **"Auditors' Responsibilities for the Audit of the Financial Statements"** section of our auditors' 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.

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.



Material Uncertainty Related to Going Concern

We draw attention to Note 1(a) in the financial statements, which indicates that the widespread disruptions to business and consumer activities due to the ongoing COVID-19 pandemic, along with other matters as set forth in Note 1(a) in the financial statements, indicate the existence of a material uncertainty that may cast significant doubt about the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Other Information

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

- Information, other than the financial statements and the auditors' 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 auditors' report thereon, included in the Entity's Annual Report as at the date of this auditors' 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 auditors' 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.

Auditors' 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 auditors' 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 auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.

Chartered Professional Accountants

Edmonton, Canada

April 28, 2020

Horse Racing Alberta 2019 Financial Statements

Year Ended December 31, 2019

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Horse Racing Alberta 2019 Financial Statements

Horse Racing Alberta Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash	\$ 112,614	\$ 353,347
Accounts receivable (note 2)	374,780	250,520
Receivable from the Province of Alberta (note 3)	3,051,924	2,540,255
Prepaid expenses	148,840	66,279
Current portion of loans receivable (note 4)	75,000	41,152
	<u>3,763,158</u>	<u>3,251,553</u>
Loans receivable (note 4)	-	83,848
Capital assets (note 5)	222,318	231,533
	<u>\$ 3,985,476</u>	<u>\$ 3,566,934</u>

Liabilities and Net Assets (Deficiency)

Current liabilities:		
Account payable and accrued liabilities (note 6)	\$ 682,001	\$ 750,208
Racetrack grants payable	4,998,704	3,522,953
Current portion of advance payable (note 7)	100,000	-
	<u>5,780,705</u>	<u>4,273,161</u>
Advance payable (note 7)	300,000	-
Net assets (deficiency):		
Invested in capital assets	222,318	231,533
Unrestricted	(2,317,547)	(937,760)
	<u>(2,095,229)</u>	<u>(706,227)</u>
	<u>\$ 3,985,476</u>	<u>\$ 3,566,934</u>

Subsequent event (note 1)
Commitments (note 10)
Contingent liabilities (note 11)

See accompanying notes to financial statements.

On behalf of the Board:

Original Signed

Original Signed

Chair of the Board

Chair of the Audit and Finance Committee

Horse Racing Alberta

2019

Financial Statements

Horse Racing Alberta

Statement of Operations

Year ended December 31, 2019, with comparative information for 2018

	2019 Budget	2019 Actual	2018 Actual
Revenues			
General fees	\$ 6,516,339	\$ 5,370,106	\$ 5,817,583
Racing Industry Renewal Initiative revenues (note 3)	34,990,416	34,172,312	31,267,471
Other racing revenues	248,055	229,386	227,390
Interest	11,500	554	11,982
Other revenues	18,000	412	12,206
	41,784,310	39,772,770	37,336,632
Expenditures			
Purse Support Grants			
Thoroughbred	4,419,726	4,419,726	4,156,772
Standardbred	3,786,533	3,786,533	4,164,551
Community	2,311,888	2,311,888	2,196,824
	10,518,147	10,518,147	10,518,147
Breed Improvement Program			
Thoroughbred	1,720,190	1,720,190	1,720,190
Standardbred	1,034,780	1,034,780	1,034,780
Community	345,030	345,030	345,030
	3,100,000	3,100,000	3,100,000
Racetrack funding, Schedule 1	23,766,339	23,245,526	20,493,216
Regulatory and administration, Schedule 2	2,867,434	3,370,069	3,022,988
Marketing and promotion	395,000	786,335	332,145
Backstretch human resource development (note 8)	149,917	140,695	133,863
Animal welfare	16,000	1,000	16,000
	27,194,690	27,543,625	23,998,212
	40,812,837	41,161,772	37,616,359
(Deficiency) excess of revenue over expenditures	\$ 971,473	\$ (1,389,002)	\$ (279,727)

See accompanying notes to financial statements.

Horse Racing Alberta 2019 Financial Statements

Horse Racing Alberta Statement of Changes in Net Assets (Deficiency)

Year ended December 31, 2019, with comparative information for 2018

	Invested in capital assets	Unrestricted	Total 2019
Balance, beginning of year	\$ 231,533	\$ (937,760)	\$ (706,227)
Deficiency of revenues over expenditures	(26,337)	(1,362,665)	(1,389,002)
Investment of capital assets	17,122	(17,122)	-
Balance, end of year	\$ 222,318	\$ (2,317,547)	\$ (2,095,229)

	Invested in capital assets	Unrestricted	Total 2018
Balance, beginning of year	\$ 3,818	\$ (430,318)	\$ (426,500)
Deficiency of revenues over expenditures	(9,049)	(270,678)	(279,727)
Investment of capital assets	236,764	(236,764)	-
Balance, end of year	\$ 231,533	\$ (937,760)	\$ (706,227)

See accompanying notes to financial statements.

Horse Racing Alberta 2019 Financial Statements

Horse Racing Alberta Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash flow from operating activities:		
Cash received:		
General fees	\$ 5,245,846	\$ 6,767,160
Racing Industry Renewal Initiative	33,660,643	31,406,571
Other racing renewal	229,386	227,390
Interest revenue	966	24,188
Cash paid:		
Purse support grants	(10,518,147)	(10,518,147)
Breed improvement program	(3,100,000)	(3,100,000)
Racetrack funding	(21,769,775)	(21,638,874)
Marketing and promotion	(386,335)	(332,145)
Regulatory and administration	(3,494,500)	(2,923,408)
Other operating expenses	(141,695)	(149,863)
	(273,611)	(237,128)
Investing:		
Purchase of capital assets	(17,122)	(236,764)
Repayment of loan receivable	50,000	50,000
	32,878	(186,764)
Decrease in cash	(240,733)	(423,892)
Cash, beginning of year	353,347	777,239
Cash, end of year	\$ 112,614	\$ 353,347

See accompanying notes to financial statements.

Horse Racing Alberta 2019 Financial Statements

Horse Racing Alberta Notes to Financial Statements

Year ended December 31, 2019

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) Going concern and subsequent events:

These financial statements have been prepared on the basis of accounting principles applicable to a going concern. However, there is significant doubt about the appropriateness of the use of the going concern assumption because the Entity is economically dependent on the Government of Alberta via gaming revenues from the four Racing Entertainment Centres in the province. On March 11, 2020, the World Health Organization declared the global outbreak of the Corona Virus, COVID-19, a pandemic. On March 17, 2020, the Government of Alberta closed the Racing Entertainment Centres, eliminating the Entity's main revenue sources. As a result, the Entity was forced to temporarily suspend horse racing in Alberta indefinitely.

The ability of the Entity to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business is dependent upon the continued support from the Province of Alberta and on its ability to restore and maintain profitable operations in the future. Management is of the opinion that sufficient working capital will be obtained from future cash flows to meet the Entity's liabilities and commitments as they become payable.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary to the carrying amount of assets, the reported revenues and expenses, and the statement of financial position classifications used to reflect these on a liquidation basis which could differ from accounting principles applicable to a going concern.

(b) Basis of presentation:

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

Horse Racing Alberta

2019

Financial Statements

Horse Racing Alberta

Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(c) 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

(d) 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.

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.

Horse Racing Alberta 2019 Financial Statements

Horse Racing Alberta Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(e) 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.

(f) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and 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.

Horse Racing Alberta 2019 Financial Statements

Horse Racing Alberta Notes to Financial Statements (continued)

Year ended December 31, 2019

2. Accounts receivable:

	2019	2018
Trade receivables	\$ 370,086	\$ 241,588
GST receivable	4,694	8,932
	\$ 374,780	\$ 250,520

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, 2026.

4. Loans receivable:

In March 2006, the Entity issued a loan to the Grande Prairie Regional Agricultural & Exhibition Society for \$1,000,000 at 0% interest with varying repayments based on Evergreen Park slot revenue performance. At December 31, 2019, the loan receivable balance outstanding is \$75,000 (2018 - \$125,000).

5. Capital assets:

		2019	2018
	Cost	Accumulated amortization	Net book value
Office equipment and furniture	\$ 209,814	\$ 199,542	\$ 10,272
Licensing management system	227,395	19,573	207,822
Computer hardware and software	77,251	77,251	-
Leasehold improvements	32,648	28,424	4,224
	\$ 547,108	\$ 324,790	\$ 222,318

Amortization for the year was \$26,337 (2018 - \$9,049).

Horse Racing Alberta 2019 Financial Statements

Horse Racing Alberta Notes to Financial Statements (continued)

Year ended December 31, 2019

6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances receivable of \$1,132 (2018 - \$nil), which includes amounts receivable for payroll related taxes.

7. Advance payable:

To fund a new marketing initiative, an interest free advance of \$400,000 was provided to the Entity during the year by Century Downs Racetrack and Casino and Century Mile Racetrack and Casino. The Entity is required to pay back \$100,000 in fiscal 2020 and \$300,000 in fiscal 2021.

8. Compensation:

	Positions (4)	Base salary (1)	Other cash benefit (2)	Other non-cash benefits (3)	Total 2019	Total 2018
Chair	1	\$ 60,000	\$ -	\$ 4,113	\$ 64,113	\$ 37,601
CEO	1	167,661	3,335	26,341	197,337	218,135
CFO / Director	2	140,830	277,882	21,564	440,276	216,083
Board of Directors	13	-	40,773	960	41,733	21,423
Managers:						
Racetrack and administration	2	231,937	9,959	36,473	278,369	292,979
Non-managers:						
Racetrack	15	596,044	17,477	97,554	711,075	684,619
Administration	3	126,006	5,920	37,988	169,914	118,807
	37	\$ 1,322,478	\$ 355,346	\$ 224,993	\$ 1,902,817	\$ 1,589,647

Horse Racing Alberta 2019 Financial Statements

Horse Racing Alberta Notes to Financial Statements (continued)

Year ended December 31, 2019

8. Compensation (continued):

	Positions (4)	Base salary (1)	Other cash benefit (2)	Other non-cash benefits (3)	Total 2019	Total 2018
Appeals Tribunal, Chair	-	\$ -	\$ -	\$ -	\$ -	31,210
Appeals Tribunal, Members	1	13,339	-	303	13,642	5,075
	1	\$ 13,339	\$ -	\$ 303	\$ 13,642	\$ 36,285

- (1) Base salary includes pensionable base pay.
- (2) Other cash benefits include bonuses, vacation payments, honoraria, overtime and lump sum payments including severance.
- (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 and dismemberment, weekly indemnity and long term disability insurances, CPP and EI contributions, WCB, car allowances and RRSP contributions.
- (4) The former CFO was terminated March 2019 and replaced by the Director, Corporate Services, commencing April 2019.

Compensation of \$31,560 (2018 - \$31,560) is included in Backstretch human resource development expenditures.

9. Trust funds:

The Entity collects and disburses trust funds related to the simulcast handle in the Calgary market area on behalf of Alberta Standardbred Horse Association (ASHA). As the trust funds are not owned by the Entity, they have been excluded from these financial statements.

At December 31, 2019 the Entity held \$nil (2018 - \$20,483) of cash in trust for ASHA. The funds are disbursed at the sole discretion of ASHA.

Horse Racing Alberta 2019 Financial Statements

Horse Racing Alberta Notes to Financial Statements (continued)

Year ended December 31, 2019

10. 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 2022.

Annual payments are as follows:

2020	\$	208,985
2021		170,122
2022		143,093
2023		147,287
2024		150,789
Thereafter		192,364
	\$	1,012,640

11. Contingent liabilities:

A potential claim is pending against the Entity. It is the opinion of management that final determination of these proceedings will not materially affect the financial position or the results of the Entity.

12. 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 2018.

(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 61% (2018 - 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 loan receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

Horse Racing Alberta 2019 Financial Statements

Horse Racing Alberta Schedule 1 - Racetrack Funding

Year ended December 31, 2019, with comparative information for 2018

	2019 Budget	2019 Actual	2018 Actual
Century Downs	\$ 12,448,724	\$ 13,521,657	\$ 12,623,010
Century Mile	9,206,829	7,639,885	-
Rocky Mountain Turf Club	1,505,372	1,506,305	1,530,590
Grande Prairie Regional Agricultural Society	575,414	547,679	569,588
Millarville	30,000	30,000	30,000
Northlands Park	-	-	5,740,028
	\$ 23,766,339	\$ 23,245,526	\$ 20,493,216

Horse Racing Alberta 2019 Financial Statements

Horse Racing Alberta Schedule 2 - Regulatory and Administration

Year ended December 31, 2019, with comparative information for 2018

	2019 Budget	2019 Actual	2018 Actual
Compensation (note 8)	\$ 1,609,694	\$ 1,902,817	\$ 1,589,647
Contractors	251,800	322,713	297,792
Office and administration	323,240	308,333	288,801
Regulatory	203,000	262,481	240,656
Legal, consulting and audit fees	146,200	181,632	150,149
Appeal Tribunal (note 8)	80,000	140,861	204,110
Office rent and operating costs	136,500	131,368	127,123
Travel	117,000	119,864	124,710
	\$ 2,867,434	\$ 3,370,069	\$ 3,022,988

Horse Racing Alberta thanks
Ryan Haynes for the photography
in this report. Email Ryan at
haynesr045@gmail.com to see
more of his photos.





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