

**Ontario Standardbred Horsepeople
Group Retirement Plan
Financial Statements**
For the year ended December 31, 2018

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Tel: 905 270-7700
Fax: 905 270-7915
Toll-free: 866 248 6660
www.bdo.ca

BDO Canada LLP
1 City Centre Drive, Suite 1700
Mississauga ON L5B 1M2 Canada

Independent Auditor's Report

To the Administrators of Ontario Standardbred Horsepeople Group Retirement Plan

Qualified Opinion

We have audited the financial statements of the Ontario Standardbred Horsepeople Group Retirement Plan (the "Plan"), which comprise the statement of financial position as at December 31, 2018, and the statement of changes in net assets available for benefits for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2018, and the changes in its net assets available for benefits for the year then ended in accordance with Canadian accounting standards for pension plans.

Basis for Qualified 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 Plan 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 our audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The scope of our audit did not extend to an examination of the completeness of the Plan's Industry contributions. Our verification of these contributions was limited to the amounts recorded in the records of the Plan and we were not able to determine whether any adjustments might be necessary to industry contributions, changes in net assets for the years ended December 31, 2018 and 2017, assets as at December 31, 2018 and 2017 and net assets available for benefits as at January 1 and December 31 for both the 2018 and 2017 years. Our audit opinion on the financial statements for the year ended December 31, 2017 was modified accordingly because of the possible effect of this limitation in scope.

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 pension plans, 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 Plan'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 Plan or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Plan's financial reporting process.



Independent Auditor's Report (continued)

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 Plan'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 Plan'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 Plan 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Mississauga, Ontario
September 25, 2019

**Ontario Standardbred Horsepeople Group Retirement Plan
Statement of Financial Position**

<u>December 31</u>	<u>2018</u>	<u>2017</u>
Assets		
Cash	\$ 2,789	\$ 4,484
Industry contributions receivable	71,121	187,981
Investments (Note 2)	<u>17,804,095</u>	<u>18,320,794</u>
	<u>17,878,005</u>	<u>18,513,259</u>
Liabilities		
Accounts payable and accrued liabilities	<u>11,908</u>	<u>14,493</u>
Net assets available for benefits	<u>\$ 17,866,097</u>	<u>\$ 18,498,766</u>

Approved by the Board on behalf of the RSP Committee:

The accompanying notes are an integral part of these financial statements.

**Ontario Standardbred Horsepeople Group Retirement Plan
Statement of Net Assets Available for Benefits**

For the year ended December 31	2018	2017
Increase in net assets		
Industry contributions	\$ 771,796	\$ 826,543
Member contributions	267,632	459,954
Investment income (loss) (Note 3)	(397,921)	1,029,595
	<u>641,507</u>	<u>2,316,092</u>
Decrease in net assets		
Retirement payments	479,833	527,801
Termination payments	606,603	347,458
Death payments	51,296	60,635
Withdrawals	44,532	4,924
Custodian fees	39,186	39,169
Administration fees (Note 5)	46,318	40,913
Audit fees	6,408	6,231
	<u>1,274,176</u>	<u>1,027,131</u>
Change in net assets for the year	(632,669)	1,288,961
Net assets available for benefits, beginning of year	18,498,766	17,209,805
Net assets available for benefits, end of year	\$ 17,866,097	\$ 18,498,766

The accompanying notes are an integral part of these financial statements.

Ontario Standardbred Horsepeople Group Retirement Plan

Notes to Financial Statements

December 31, 2018

1. Description of the Plan

Purpose of the Plan

The Ontario Standardbred Horsepeople Group Retirement Plan (the "Plan") formerly known as the Ontario Standardbred Horsemen Group Retirement Plan is a group retirement savings plan covering all eligible Standardbred industry racing participants who meet the eligibility requirements as specified in the Plan Agreement. The purpose of the Plan is to provide benefits to members upon pension eligibility. Funds are invested on a self directed basis. Benefits and withdrawals are paid to the members of the Plan in accordance with the provision of the Plan Agreement.

Basis of Accounting

These financial statements have been prepared in accordance with the significant accounting policies set out below to comply with Section 4600 Pension Plans in Part IV Accounting Standards for Pension Plans of the CPA Canada Handbook. For accounting policies that do not relate to the Plan's investment portfolio, the Plan has elected to apply Canadian accounting standards for private enterprises.

Investments

Investments are primarily held in pension eligible funds, which are stated at fair value based on a trade date basis. Pooled fund investments are valued at the unit values supplied by the pooled fund administrator, which represent the Plan's proportionate share of underlying net assets at fair values determining using closing market prices.

The investment income recognized is the increase or decrease in the value of the pooled funds. Dividends and interest are reinvested within the pooled funds. Distributions from pooled funds are recorded when declared by the pooled fund managers.

The gains or losses on investments sold during in the year are determined by the excess of proceeds over average cost of investments sold and, accordingly, includes the applicable share of the excess of fair value over cost of investments at the beginning of the year.

The current period change in fair value of investments represents the unrealized appreciation or depreciation of the fair value of investments held at year end less the related unrealized appreciation or depreciation at the previous year end.

Revenue Recognition

The accompanying financial statements have been prepared from the records maintained by The Manufacturers Life Insurance Company (the "Custodian"), and include any material adjustments required to present these financial statements on the accrual basis of accounting.

Retirement, Termination and Death Payments

Retirement, termination and death are shown as expenditures in the year of payment.

Ontario Standardbred Horsepeople Group Retirement Plan Notes to Financial Statements

December 31, 2018

1. Description of the Plan (continued)

Investment Management Fees

Investment management fees are paid by the Plan on a quarterly basis to the investment manager of the pooled fund.

Administrative Expenses

Administrative expenses incurred are paid directly from the Plan and are recorded as expenses in the Statement of Changes in Net Assets Available for Benefits.

Foreign Currency Translation

Foreign currency amounts are translated to Canadian dollars as follows:

The fair value of foreign investments are translated into Canadian dollars at the exchange rate prevailing on the reporting date. Purchases and sales of foreign securities and the related income are translated into Canadian dollars at the exchange rate prevailing on the respective dates of such transactions. The resulting foreign exchange gains and losses are included in income for the current period.

Income Tax Status

The Plan is registered with Canada Revenue Agency and is not subject to tax, however both member and industry contributions are deductible for tax, up to personal allowable contribution limits.

Use of Estimates

The preparation of financial statements 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. Actual results could differ from management's best estimates as additional information becomes available in the future.

Ontario Standardbred Horsepeople Group Retirement Plan Notes to Financial Statements

December 31, 2018

2. Investments

The investments are in the form of units of the following funds:

	2018	2017
Guaranteed Interest Accounts		
Manulife Daily Interest	\$ 18,571	\$ 13,949
Manulife 1 Year GIA	12,571	12,403
Manulife 5 Year GIA	1,900,011	1,983,899
Target Date Funds		
Manulife Retirement Date 2020	237,215	264,821
Manulife Retirement Date 2025	28,601	29,485
Manulife Retirement Date 2030	37,651	39,090
Asset Allocation		
Manulife Conservative	2,874	2,915
Manulife Balanced	14,663	15,151
Manulife Growth	14,740	15,412
Manulife Aggressive	17,982	5,933
Canadian Money Market		
Canadian Money Market (MAM)	72,077	45,978
Fixed Income		
Fidelity Canadian Bond	3,456	3,441
MFS Fixed Income	25,209	25,115
MFS Long Term Fixed Income	7,872	7,916
Fixed Income Plus (AB)	22,186	22,206
Balanced		
Manulife Balanced	14,676,100	15,106,412
MMF Monthly High Income	5,506	4,426
Trimark Income Growth	1,654	1,811
Jarislowsky Fraser Balanced	20,207	5,783
Mawer Canadian Balanced	66,647	20,381
Beutel Goodman Balanced	13,342	93,086
Canadian Large Cap Equity		
Canadian Equity	1,078	1,195
MAM Cdn Lrg Cap Growth	23,719	25,985
Cdn Lrg Cap Val (MAM)	1,718	1,990
MAM Cdn Equity Index	5,540	6,126
Fidelity Cdn Large Cap	17,354	17,243
CI Harbour	222	5,334
JF Canadian Equity	4,047	4,370
PH&N Canadian Equity	4,672	17,313
CC&L Group Cdn Q Growth	41,769	44,840
Mawer Canadian Equity	46,746	50,159
BG Canadian Equity	11,145	11,951

**Ontario Standardbred Horsepeople Group Retirement Plan
Notes to Financial Statements**

December 31, 2018

2. Investments (continued)

	2018	2017
Canadian Small/Mid Cap Equity		
MMF Growth Opportunities	26,396	31,738
FGP Small Cap Cdn Equity	1,853	2,212
US Large Cap Equity		
MAM US Equity Index	34,948	58,518
MAM US Large Cap Core	4,056	4,355
Fidelity US Focused	12,733	11,225
US Div Growth Equity (Well)	33,361	24,484
CI American Value	12,714	12,976
BR US Equity Index	22,051	22,239
Mawer US Equity	14,885	17,017
BG American Equity	4,669	4,711
International Equity		
EAFE Plus Equity (Pictet)	7,825	9,006
International Equity	31,821	34,635
BR International Equity Index	13,459	14,382
Sprucegrove International Equity	5,087	5,472
Mawer International Equity	118,437	83,020
Global Equity		
Fidelity Global Fund	21,918	9,751
MFS Global Equity Growth	20,120	18,001
Trimark	14,936	15,466
Sprucegrove Global Equity	5,703	5,980
JP Morgan Global Intrepid	12,674	6,416
Specialty		
Fidelity Global Real Estate	27,304	23,071
	\$ 17,804,095	\$ 18,320,794

3. Investment Income

	2018	2017
Interest income	\$ 29,568	\$ 29,905
Current period change in fair value of investments	(427,489)	999,690
	(397,921)	1,029,595

Ontario Standardbred Horsepeople Group Retirement Plan Notes to Financial Statements

December 31, 2018

4. Economic Dependence

The SRA receives funding from various race tracks and the Plan is dependant on funding from the SRA in order to continue making the industry contributions to members RSP accounts. Funding from alliance tracks approximates 100% (2017 - 96%) of the funding received from the SRA for industry contributions in the year.

5. Administrative Expenses

	2018	2017
Administration	\$ 23,218	\$ 17,813
Allocated salary	23,100	23,100
	\$ 46,318	\$ 40,913

Allocated salary is the payment made to OHHA for the time OHHA employees spend administering the Plan.

6. Financial Instruments

The Plan may be exposed to a variety of financial risks including credit risk, liquidity risk and market risk (including interest rate risk, currency risk, and other price risk). These risks have not changed from the prior year.

(a) Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation that is entered into with the Plan. The risk of default on transactions in listed securities is considered minimal, as the trade will fail if either party to the transaction does not meet its obligation. The Plan also has credit risk to the extent that contributions receivable are not collectible. The Plan manages this risk by closely monitoring delinquent contributors and ensuring late contributions and deviations are pursued.

(b) Liquidity Risk

The Plan is also exposed to liquidity risk in the event that investments must be sold quickly. The Plan's assets are invested in underlying funds that are traded in an active market and can be readily disposed of as liquidity needs arise, assuming orderly markets.

Ontario Standardbred Horsepeople Group Retirement Plan Notes to Financial Statements

December 31, 2018

6. Financial Instruments (continued)

(c) Market Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the fair value of financial instruments. It arises when the Plan invests in underlying funds that invest in interest sensitive investments such as bonds and other fixed income investments.

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currencies. It arises when the Plan invests in underlying funds that invest in foreign equity investments.

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in a market.

As the investments in the Plan are chosen by the individual members from the investments made available by the Sponsor, risk is primarily managed by the members, as the members select investments based on their risk tolerance level.

(d) Fair Value

The Plan has categorized its assets and liabilities that are carried at fair value on a recurring basis, based on the priority of the inputs to the valuation techniques used to measure fair value, into a three level fair value hierarchy. Financial assets and liabilities measured at fair value are categorized as follows:

- Level 1: Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market.
- Level 2: Fair value is based on quoted prices for similar assets or liabilities in active markets, valuation that is based on significant observable inputs or inputs that are derived principally for or corroborated with observable market data through correlation or other means.
- Level 3: Fair value is based on valuation techniques that require one or more significant unobservable inputs or the use of broker quotes. These unobservable inputs reflect the Plan's assumptions about the assumptions market participants would use in pricing the assets or liabilities.

All investments held during the year were pooled funds and are considered Level 1 investments. There were no transfers between levels during the year.

Ontario Standardbred Horsepeople Group Retirement Plan Notes to Financial Statements

December 31, 2018

7. Capital Disclosure

The Plan considers its capital to be its net assets available for benefits. The Plan's objective when managing its capital is to accumulate funds to provide retirement benefits to Plan members. The Plan's investment assets are self directed.

The Statement of Investment Policies and Procedures (the "SIP&P") dated January 2002, most recently amended on August 2018 with no significant changes from the previous version. The SIP&P summarizes the investment principles and guidelines which are appropriate to meet the objectives of the Plan and defines the management structure and procedures adopted for the ongoing operation of the Plan.

A member's investment balance is directly related to the amount and timing of contributions to the member's account and to the performance of the investment options selected by the member. The SIP&P specifies the investment options that are to be made available to members to enable members to make investment selections based on their risk tolerance levels. All the investment options available to the members who participate in the Plan have been identified in Note 2. As at December 31, 2018, there are no investments available to members that have not been invested in. In the event a member fails to make an investment selection, contributions are directed to an investment option within the moderate investor profile category, taking into account the member's age and expected time to retirement. Members are provided annual statements summarizing their individual investment holdings within the Plan and the annual rates of return on those investment holdings. The RSP Committee reviews investment options with investment managers at least annually to ensure the funds are performing as expected based on the Plan's investment return objective.

There have been no changes in what the Plan considers to be its capital and there have been no significant changes to the Plan's capital management objectives, policies and processes in the year.

8. Plan Information

a) The Plan's Ontario registration number is 530124.

b) Funding Policy

In accordance with the provisions of the various Plan Agreements and depending on the agreement applicable:

Under the Plan text, members who contribute \$100 per annum at the time of enrolment and each year are eligible for a transfer to their Retirement Savings Plan ("RSP") account from the pool of industry contributions (pooled fund) of up to \$900 (2017 - \$1,200). The industry contributions will be transferred after 24 months of enrolment, on December 31 of each year. Industry contributions from the Standardbred Revenue Allocation ("SRA"), which represent a portion of pari-mutuel betting, are recognized each period as the amounts which are due from the race tracks. These are recorded into a pooled account until transferred to individual member RSP accounts.

Members may also make additional voluntary contributions. The industry does not match these additional contributions.