

**Ontario Standardbred Horsepeople
Group Retirement Plan
Financial Statements**
For the year ended December 31, 2019

Contents

Independent Auditor's Report	2 - 3
Financial Statements	
Statement of Financial Position	4
Statement of Net Assets Available for Benefits	5
Notes to Financial Statements	6 - 13

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, 2019, 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, 2019, 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, 2019 and 2018, assets as at December 31, 2019 and 2018 and net assets available for benefits as at January 1 and December 31 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended December 31, 2018 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

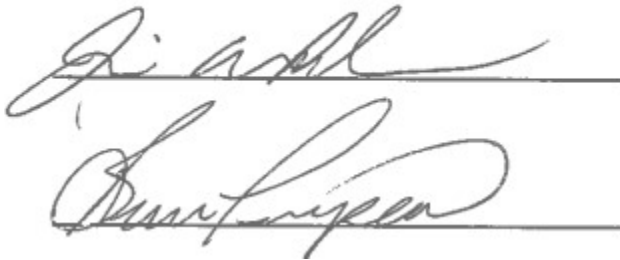
Chartered Professional Accountants, Licensed Public Accountants

Mississauga, Ontario
December 7, 2020

Ontario Standardbred Horsepeople Group Retirement Plan Statement of Financial Position

December 31	2019	2018
Assets		
Cash	\$ 2,789	\$ 2,789
Industry contributions receivable	56,098	71,121
Other receivables	5,500	-
Investments (Note 2)	18,811,265	17,804,095
	<u>18,875,652</u>	<u>17,878,005</u>
Liabilities		
Accounts payable and accrued liabilities	<u>6,723</u>	11,908
Net assets available for benefits	\$ 18,868,929	\$ 17,866,097

Approved by the Board on behalf of the RSP Committee:



The image shows two handwritten signatures in cursive script, each written over a horizontal line. The top signature is more fluid and larger, while the bottom signature is more compact and smaller.

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	2019	2018
Increase in net assets		
Industry contributions	\$ 777,854	\$ 771,796
Member contributions - Required	90,407	96,274
Member contributions - Voluntary	144,583	171,358
Investment income (loss) (Note 3)	2,062,433	(397,921)
	3,075,277	641,507
Decrease in net assets		
Retirement payments	720,896	479,833
Termination payments	1,099,220	606,603
Death payments	61,096	51,296
Withdrawals	111,927	44,532
Custodian fees	38,778	39,186
Administration fees (Note 5)	33,805	46,318
Audit fees	6,723	6,408
	2,072,445	1,274,176
Change in net assets for the year	1,002,832	(632,669)
Net assets available for benefits, beginning of year	17,866,097	18,498,766
Net assets available for benefits, end of year	\$ 18,868,929	\$ 17,866,097

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

Ontario Standardbred Horsepeople Group Retirement Plan

Notes to Financial Statements

December 31, 2019

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

The financial statements have been prepared in accordance with Canadian accounting standards for pension plans, which is in accordance with Part IV - Accounting Standards for Pension Plans of the Chartered Professional Accountants (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

The assets of the Plan are held in guaranteed interest accounts and segregated funds by Manufacturers Life Insurance Company, which acts as both trustee and investment manager of the Plan. Investments in guaranteed interest accounts are valued at the initial amount invested plus interest credited to the account, which approximates fair value. Segregated funds are measured at the unit values supplied by the respective segregated fund administrators, which represent the Plan's proportionate share of underlying net assets at fair values determined using closing market prices. Transaction costs are included in the changes in net assets in the period incurred.

The investment income on the segregated funds is the increase or decrease in the value of the segregated funds, and consists of interest, dividends, and the current period change in fair value of investments which includes realized and unrealized gains. Dividends and interest are reinvested within the underlying pooled funds. Distributions from segregated funds are recorded when declared by the respective segregated fund managers.

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, Death Payments, and Withdrawals

Retirement, death, termination payments, and withdrawals are accounted for in the period in which the election to effect such payment or transfer is made and approved.

Ontario Standardbred Horsepeople Group Retirement Plan

Notes to Financial Statements

December 31, 2019

1. Description of the Plan (continued)

Investment Management Fees

Investment management fees are paid by the participating Plan members. Investment managers of the segregated funds charge management fees, which are netted against the net assets of the funds.

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 pursuant to the Pension Benefits Act (Ontario) and the Income Tax Act (Canada) and is not subject to income taxes; however both member and industry contributions are deductible for tax, up to personal allowable contribution limits.

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for pension plans requires management and the Administrator 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 changes in net assets available for benefits during the year. Actual results could differ from management's best estimates as additional information becomes available in the future.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. Investments are subsequently measured at fair value. All other financial instruments are subsequently measured at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instruments for those measured at amortized cost.

Ontario Standardbred Horsepeople Group Retirement Plan

Notes to Financial Statements

December 31, 2019

2. Investments

The individual investments of the Plan are as follows:

Information regarding the original cost of these investments is not presented because it is not readily available.

	2019	2018
Guaranteed Interest Accounts		
Manulife Daily Interest	\$ 10,036	\$ 18,571
Manulife 1 Year GIA	14,787	12,571
Manulife 5 Year GIA	1,888,991	1,900,011
Target Date Funds		
Manulife Retirement Date 2020	894	237,215
Manulife Retirement Date 2025	-	28,601
Manulife Retirement Date 2030	-	37,651
Manulife Retirement Date 2035	55,146	-
Asset Allocation		
Manulife Conservative	902	2,874
Manulife Balanced	17,500	14,663
Manulife Growth	17,879	14,740
Manulife Aggressive	22,978	17,982
Canadian Money Market		
Canadian Money Market (MAM)	76,083	72,077
Fixed Income		
Fidelity Canadian Bond	4,058	3,456
MFS Fixed Income	8,849	25,209
MFS Long Term Fixed Income	-	7,872
Fixed Income Plus (AB)	-	22,186
Balanced		
Manulife Balanced	16,262,327	14,676,100
MMF Monthly High Income	6,324	5,506
Invesco Income Growth	1,930	1,654
Jarislowsky Fraser Balanced	-	20,207
Mawer Canadian Balanced	8,329	66,647
Beutel Goodman Balanced	-	13,342
Canadian Large Cap Equity		
Canadian Equity	3,890	1,078
MIM Cdn Lrg Cap Growth	7,943	23,719
Cdn Lrg Cap Val (MIM)	1,948	1,718
MIM Cdn Equity Index	8,039	5,540
Fidelity Cdn Large Cap	18,811	17,354
Fidelity Cdn Disciplined	5,559	222
JF Canadian Equity	4,820	4,047
PH&N Canadian Equity	-	4,672
CC&L Group Cdn Q Growth	57,921	41,769
Mawer Canadian Equity	8,485	46,746
BG Canadian Equity	13,417	11,145

Ontario Standardbred Horsepeople Group Retirement Plan Notes to Financial Statements

December 31, 2019

2. Investments (continued)

	2019	2018
Canadian Small/Mid Cap Equity		
MMF Growth Opportunities	30,030	26,396
FGP Small Cap Cdn Equity	1,871	1,853
US Large Cap Equity		
MIM US Equity Index	13,762	34,948
MIM US Large Cap Core	5,140	4,056
Fidelity US Focused	16,068	12,733
US Div Growth Equity (Well)	31,685	33,361
CI American Value	1,988	12,714
BR US Equity Index	27,267	22,051
Mawer US Equity	-	14,885
BG American Equity	3,335	4,669
International Equity		
EAFE Plus Equity (Pictet)	9,704	7,825
International Equity	36,169	31,821
BR International Equity Index	7,852	13,459
Sprucegrove International Equity	5,826	5,087
Mawer International Equity	23,758	118,437
Global Equity		
Fidelity Global Fund	8,075	21,918
MFS Global Equity Growth	26,077	20,120
Invesco	18,465	14,936
Sprucegrove Global Equity	6,755	5,703
JP Morgan Global Intrepid	7,298	12,674
Specialty		
Fidelity Global Real Estate	2,294	27,304
	\$ 18,811,265	\$ 17,804,095

3. Investment Income

	2019	2018
Interest income	\$ 28,995	\$ 29,568
Current period change in fair value of investments	2,033,438	(427,489)
	2,062,433	(397,921)

Ontario Standardbred Horsepeople Group Retirement Plan Notes to Financial Statements

December 31, 2019

4. Economic Dependence

The Standardbred Revenue Allocation ("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 Retirement Savings Plan ("RSP") accounts. Funding from alliance tracks approximates 100% (2018 - 100%) of the funding received from the SRA for industry contributions in the year.

5. Administrative Expenses

	<u>2019</u>	<u>2018</u>
Administration	\$ 10,705	\$ 23,218
Allocated salary	<u>23,100</u>	<u>23,100</u>
	<u>\$ 33,805</u>	<u>\$ 46,318</u>

Allocated salary is the payment made to Ontario Harness Horse Association ("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.

On March 11, 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) a pandemic resulting in economic uncertainties impacting the Plan's financial risks. At this time, the full potential impact of COVID-19 on the Plan is not known.

(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 segregated accounts held by the insurance company is considered minimal. The risk of default on transactions in listed securities is unlikely, 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, 2019

6. Financial Instruments (continued)

(c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors. Market risk is comprised of the following:

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 currency exchange rates.

The Plan's investment in segregated funds are valued based on the underlying pooled fund investments, which in turn invest in a diversified portfolio of assets. While the underlying investments of the pooled funds are susceptible to both currency and interest rate risk, the risk to the Plan is indirect in nature. Given the Plan is not directly holding any investments denominated in foreign currency or any interest-sensitive securities, the Plan has no direct exposure to currency or interest rate risk. The Plan's investment in segregated funds are valued based on the underlying pooled fund investments, which in turn invest in a diversified portfolio of assets.

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 a result of the COVID-19 pandemic, subsequent to year end, there have been various factors that may have impacted the fair value of the underlying investments of the pooled funds. Many governments around the world have adjusted interest rates to mitigate the economic impact of the pandemic. The global economic uncertainty arising due to the COVID-19 pandemic has resulted in significant volatility in global foreign exchange rates subsequent to year end. In addition, this global economic uncertainty has resulted in significant volatility in the global and domestic equity markets. Accordingly, subsequent to year end, there may have been a negative impact on the fair value of the Plan's investments.

The Plan manages market risk by diversifying its choice of investment options in accordance with the Plan's Statement of Investment Policies and Procedures, which is approved by the Pension Committee. For investments chosen by members, 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.

Ontario Standardbred Horsepeople Group Retirement Plan

Notes to Financial Statements

December 31, 2019

6. Financial Instruments (continued)

(d) Fair Value (continued)

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.

As at December 31, 2019 and December 31, 2018, all investments held by the Plan are classified as Level 2 under the financial instruments fair value hierarchy. There were no transfers between levels during the year.

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, was most recently amended and approved 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, 2019, 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.

Ontario Standardbred Horsepeople Group Retirement Plan Notes to Financial Statements

December 31, 2019

8. Plan Information

Pursuant to the Ontario Pension Benefits Act, R.S.O. 1990, the following information is disclosed:

- 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 RSP account from the pool of industry contributions (pooled fund) of up to \$900 (2018 - \$900). The industry contributions will be transferred after 24 months of enrolment, on December 31 of each year. Industry contributions from the SRA, which represents 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.

9. Comparative Figures

Certain comparative figures have been restated to confirm with the method of presentation adopted for the current year.