CANADIAN THOROUGHBRED HORSE SOCIETY - NATIONAL OFFICE

FINANCIAL STATEMENTS

DECEMBER 31, 2025

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KRIENS~LAROSE, LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Members of
Canadian Thoroughbred Horse Society - National Office

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Canadian Thoroughbred Horse Society - National Office, which comprise the statement of financial position as at December 31, 2025, and the statements of operations and changes in net assets (deficit) and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Thoroughbred Horse Society - National Office as at December 31, 2025, and the results of its operations and its cash flows for the year then ended, in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion
We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Canadian Thoroughbred Horse Society - National Office in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KRIENS~LAROSE, LLP
CHARTERED PROFESSIONAL
ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT (Continued)

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Society'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 Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

KRIENS~LAROSE, LLP
CHARTERED PROFESSIONAL
ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT (Continued)

- 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 Society'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 Society'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 Society 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.

KRIENS~LAROSE, LLP

KRIENS~LAROSE, LLP

Chartered Professional Accountants
Licensed Public Accountants

April 23, 2026
Toronto, Ontario

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2025

	2025 $	2024 $
ASSETS		
CURRENT		
Cash	26,710	81,345
Accounts receivable	3,214	1,361
Prepaid expenses	11,067	11,315
	40,991	94,021
EQUIPMENT (Note 3)	1,093	1,590
INTANGIBLE ASSETS (Note 4)	48,920	61,150
	91,004	156,761

APPROVED ON BEHALF OF THE BOARD:

________________________________, Director

________________________________, Director

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2025

	2025 $	2024 $
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	22,693	9,239
GST/HST payable	1,575	2,005
Deferred revenue	2,409	11,317
Deferred capital contribution (Note 5)	17,095	28,598
Due to regional divisions (Note 6)	53,154	72,517
	96,926	123,676
NET ASSETS (DEFICIT)		
UNRESTRICTED (DEFICIT) NET ASSETS	(5,922)	33,085
	91,004	156,761

See accompanying notes to the financial statements

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT)
FOR THE YEAR ENDED DECEMBER 31, 2025

	2025 $	2024 $
REVENUES		
Registration fees	80,950	89,941
Membership fees	54,902	53,811
Digital sales commission	34,816	-
Grants	11,503	14,379
Interest and other income	2,010	4,071
	184,181	162,202
EXPENSES		
Salaries, wages and benefits	126,092	125,283
Computer supplies	24,271	13,845
Digital sales expenses	12,873	-
Amortization	12,727	15,685
Professional fees	9,425	9,000
Office and general	8,815	6,687
Travel and meetings	6,754	9,104
Insurance	6,008	5,319
Donations	5,000	5,000
Advertising and promotion	3,341	556
Yearbook	3,048	2,832
Postage and courier	3,048	1,967
Bank charges and interest	1,165	1,057
Telephone	600	797
Direct livestock marketing	21	826
Foreign exchange loss	-	246
	223,188	198,204
(DEFICIENCY) OF REVENUES OVER EXPENSES FOR THE YEAR	(39,007)	(36,002)
UNRESTRICTED NET ASSETS, beginning of year	33,085	69,087
UNRESTRICTED (DEFICIT) NET ASSETS, end of year	(5,922)	33,085

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2025

	2025 $	2024 $
CASH WAS PROVIDED BY (USED IN):		
CASH FROM OPERATING ACTIVITIES		
Cash receipts from registration fees	78,947	88,137
Cash receipts from membership fees	46,144	62,250
Cash receipts from digital sales commission	34,816	-
Cash receipts from interest and other	2,010	6,571
Cash receipts from regional divisions	(19,363)	8,612
Cash paid to suppliers and employees	(197,189)	(189,720)
Change in cash	(54,635)	(24,150)
Cash, beginning of year	81,345	105,495
Cash, end of year	26,710	81,345

PURPOSE OF THE ORGANIZATION

The Canadian Thoroughbred Horse Society - National Office ("CTHS") is a not-for-profit organization, established in 1906 under the Animal Pedigree Act. The mandate of CTHS is to provide a system of registration of Thoroughbred horses and the keeping of their pedigree in accordance with the Animal Pedigree Act, and to assist and afford means for the promotion of the interests of its members.

CTHS is a not-for-profit organization under Section 149(1)(l) of the Income Tax Act (Canada) and, as such, is exempt from corporate income taxes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Handbook and include the following significant accounting policies:

Financial Statements

These financial statements include the accounts of the National Office only and do not include the accounts of any of CTHS's regional divisions. These divisions are comprised of Alberta, British Columbia, Manitoba, Ontario and Saskatchewan. Members of CTHS remit their membership fees and thoroughbred horse registration fees to the National Office. The National Office forwards a portion of these fees to the appropriate regional division. Each regional division is solely responsible for its own activities and its own debts and liabilities arising therefrom.

Financial Instruments

CTHS initially measures its financial assets and liabilities at fair value. CTHS subsequently measures all its financial assets and financial liabilities at cost or amortized cost. Changes in fair value are recognized in the statement of operations. Financial assets measured at cost or amortized cost include cash and accounts receivable. Financial liabilities measured at cost or amortized cost include accounts payable and accrued liabilities and due to regional divisions.

Where there is an indication of impairment and such an impairment is determined to have occurred, the carrying amount of financial assets, measured at amortized cost is reduced to the greater of discounted cash flows expected or proceeds that could be realized from the sale of financial assets. Such impairments can be subsequently reversed if the value subsequently improves, but cannot exceed the amount that would have been reported at the date of the reversal, had impairment not been recognized previously.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from these estimates. These estimates are reviewed periodically and adjustments are made, as appropriate, in the statement of operations in the year they become known.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and fixed income investments with maturities of less than 90 days.

Prepaid Expenses

Prepaid expenses are recorded for goods and services to be received in the next fiscal year, which were paid for in the current fiscal year.

Equipment and Amortization

Equipment is stated at acquisition cost less accumulated amortization. Amortization is provided on the following basis at the following annual rates:

Computers	20% diminishing balance basis

Equipment are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. If any potential impairment is identified, the amount of the impairment is quantified by comparing the carrying value of the capital asset to its fair value. Any impairment of the capital asset is recognized in income in the year in which the impairment occurs.

An impairment loss is not reversed if the fair value of the capital asset subsequently increases.

Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are initially recognized at cost and subsequently at cost less accumulated amortization and any accumulated impairment loss. Amortization is provided on the following basis at the following annual rates:

Software	20% diminishing balance basis
Registry and integrated equine management program	20% diminishing balance basis

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible Assets (continued)

Intangible assets are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. If any potential impairment is identified, the amount of the impairment is quantified by comparing the carrying value of the capital asset to its fair value. Any impairment of the capital asset is recognized in income in the year in which the impairment occurs.

An impairment loss is not reversed if the fair value of the intangible asset subsequently increases.

Revenue Recognition

CTHS follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions related to equipment is recognized as revenue as the equipment is amortized over their useful lives.

Registration and Membership Fees

Registration and membership fees are recognized once the related foal registration and breeder membership documents, respectively, have been received, prices are fixed and determinable, and collectibility is reasonably assured. Fees received during the year relating to a future period have been deferred and will be recognized in the year to which they relate.

Digital Sales Commission

CTHS earns commission income from nationwide digital horse sales administered in collaboration with its regional divisions. CTHS acts as an agent in these transactions and recognizes revenue equal to the commission earned when the sale is completed, performance obligations are satisfied, and collection is reasonably assured.

Investment Income

Interest income is recognized as revenue when earned.

Foreign Currency Translation

At the transaction date, each asset, liability, revenue or expense is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year-end date, monetary assets and liabilities are translated into Canadian dollars using the exchange rate in effect at that date. The resulting foreign exchange gains and losses are included in the statement of operations in the current period.

Continued...

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related Party Transactions

Related party transactions in the normal course of business are recorded at the exchange amount which is the amount of consideration exchanged in the transaction. Related party transactions outside the normal course of business are recorded at either the exchange amount or the carrying amount depending on the substance of the transaction.

Carrying amount is defined as the recorded amount of the item transferred.

For transactions with related parties involving financial instruments they are initially and subsequently recorded at cost unless the financial instrument is an equity instrument quoted in an active market.

Cost is defined depending on the existence or absence of repayment terms. If there are repayment terms then cost is the undiscounted cash flows from excluding any interest element. If there are no repayment terms then cost is determined to be either the exchange amount or the carrying amount depending on the substance of the transaction.

Donated Property and Services

During the year, voluntary services were provided. Because of these services are not normally purchased by CTHS, and because of the difficulty of determining their fair value, donated services are not recognized in these statements.

2. OPERATIONS

CHTS's financial results reflect a net deficit of $5,922 as at December 31, 2025. Recurring deficiencies of revenues over expenses in fiscal years 2023, 2024, and 2025 have resulted in an accumulated deficit, which indicates that CTHS may experience cash flow difficulties in realizing its assets and discharging its liabilities in the normal course of business.

CTHS ability to meet its obligations is dependent on its capacity to operate within a balanced or surplus budget and to manage its assets and liabilities in the normal course of operations.

Subsequent to year end, the net asset balance was positive as of March 2026. Management has initiated plans to increase revenues through initiatives such as digital sales commission and an expanded online stallion directory. Accordingly, the financial statements have been prepared on a going concern basis, which assumes that CTHS will be able to realize its assets and satisfy its liabilities in the normal course of operations.

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3. EQUIPMENT

	2025 Cost $	2025 Accumulated amortization $	2024 Cost $	2024 Accumulated amortization $
Computers	9,898	8,805	9,898	8,308
Net book value	1,093		1,590	

4. INTANGIBLE ASSETS

	2025 Cost $	2025 Accumulated amortization $	2024 Cost $	2024 Accumulated amortization $
Software	84,095	81,188	84,095	80,461
Registry and integrated equine management program	89,868	43,855	89,868	32,352
	173,963	125,043	173,963	112,813
Net book value	48,920		61,150	

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5. DEFERRED CAPITAL CONTRIBUTION

Deferred capital contributions represent the unamortized balance of the externally restricted grant received to cover the cost of developing a new registry and integrated equine management program. The contributions have been accounted for as follows:

	2025 $	2024 $
Balance, beginning of year	28,598	42,977
Amounts recognized as revenue during the year	11,503	14,379
Balance, end of year	17,095	28,598

6. RELATED PARTY TRANSACTIONS

CTHS and the regional divisions are related to each other by common management. They share certain revenues and operating costs and the below amounts relate to the allocations of these items.

Amounts due to certain regional divisions at December 31, 2025 total $53,154 (2024: $ 72,517). These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

The above transactions were in the normal course of operations and were measured at the exchange amount being the amount of consideration established and agreed to by the related parties.

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7. FINANCIAL INSTRUMENTS

CTHS is exposed to various risks through its financial instruments. The following presents CTHS's risk exposure and concentration at December 31, 2025.

Credit Risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. CTHS's main credit risks relate to accounts receivable. CTHS provides credit to its customers in the normal course of its operations. Actual exposure to credit losses has been minimal in prior years. The allowance for doubtful accounts is $nil (2024: $nil).

Liquidity Risk
Liquidity risk is the risk that CTHS will encounter difficulty in meeting obligations associated with financial liabilities. CTHS is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, due to regional divisions and it's financial position to date as described in note 2. CTHS expects to meet these obligations as they come due by generating sufficient cash flow from operations. There has been an increase in CTHS's liquidity risk exposure from that of the prior year. However, management continues to monitor this risk as part of its ongoing financial oversight.

Market Risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: currency risk, interest rate risk and other price risk.

Currency Risk
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. CTHS has a low currency risk.

Interest Rate Risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. CTHS is not exposed to interest rate risk.

Other Price Risk
Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because 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 the market. CTHS is not exposed to other price risk.