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DELTA REPORT

10-Q

CPHC - CANTERBURY PARK HOLDING C

10-Q - SEPTEMBER 30, 2023 COMPARED TO 10-Q - JUNE 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	858
CHANGES	190
DELETIONS	311
ADDITIONS	357

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☐ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED June 30, 2023. SEPTEMBER 30, 2023.

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM ____ TO ____.

Commission File Number: 001-37858

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CANTERBURY PARK HOLDING CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Minnesota	47-5349765
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

1100 Canterbury Road
Shakopee, MN 55379

(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: (952) 445-7223

Securities registered pursuant Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of each exchange on which registered
Common Stock Common stock, $.01 par value	CPHC	Nasdaq

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☐ No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files).

Yes ☐ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐		
Non-accelerated filer	☐	Smaller reporting company	☐	Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2).

Yes ☐ No ☐

The Company had 4,933,844 4,944,642 shares of common stock, $.01 par value, outstanding as of August 10, 2023 November 10, 2023.

Canterbury Park Holding Corporation

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PART 1 – FINANCIAL INFORMATION

CANTERBURY PARK HOLDING CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	(Unaudited) June 30, 2023	December 31, 2022	(Unaudited) September 30, 2023	December 31, 2022
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 24,045,159	$ 12,989,087	$ 25,727,477	$ 12,989,087
Restricted cash	5,621,063	3,116,916	2,348,076	3,116,916
Short-term investments	5,000,000	5,000,000	4,500,000	5,000,000
Accounts receivable, net of allowance of $19,250 for both periods	1,769,149	618,365		
Accounts receivable, net of allowance of $19,250 for both periods			1,619,887	618,365
Employee retention credit receivable	—	6,103,236	—	6,103,236
Inventory	405,531	262,073	284,443	262,073
Prepaid expenses	632,084	557,520	499,149	557,520
Income taxes receivable and prepaid income taxes	1,180,364	2,052,364	2,426,364	2,052,364

Total current assets	38,653,350	30,699,561	37,405,396	30,699,561
LONG-TERM ASSETS				
Deposits	—	27,000	—	27,000
Other prepaid expenses	18,032	41,774	8,414	41,774
TIF receivable	13,630,867	13,294,337	13,801,141	13,294,337
Related party receivable	2,753,662	2,555,320	2,938,307	2,555,320
Operating lease right-of-use asset	67,838	—	53,026	—
Equity investment	6,814,214	6,863,517	6,789,772	6,863,517
Land held for development	1,229,475	2,303,010	1,229,475	2,303,010
Land, buildings, and equipment, net	38,997,855	36,491,660	39,012,223	36,491,660
Total long-term assets	63,511,943	61,576,618	63,832,358	61,576,618
TOTAL ASSETS	$ 102,165,293	$ 92,276,179	$ 101,237,754	$ 92,276,179
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES				
Accounts payable	$ 3,385,859	$ 3,368,683	$ 3,512,863	$ 3,368,683
Casino accruals	2,241,023	2,684,444	2,687,596	2,684,444
Accrued wages and payroll taxes	1,590,853	1,814,879	2,396,327	1,814,879
Cash dividend payable	344,328	341,602	345,369	341,602
Accrued property taxes	374,909	795,646	532,891	795,646
Deferred revenue	975,852	413,442	366,999	413,442
Payable to horsepersons	3,904,314	993,529	225,798	993,529
Current portion of operating lease obligations	24,852	—	25,352	—
Current portion of finance lease obligations	4,929	18,973	1,570	18,973
Total current liabilities	12,846,919	10,431,198	10,094,765	10,431,198
LONG-TERM LIABILITIES				
Deferred income taxes	8,201,015	7,474,015	8,250,015	7,474,015
Investee losses in excess of equity investment	1,900,288	3,185,923	2,550,187	3,185,923
Operating lease obligations, net of current portion	42,986	—	27,674	—
Finance lease obligations, net of current portion			8,184	—
Total long-term liabilities	10,144,289	10,659,938	10,836,060	10,659,938
TOTAL LIABILITIES	22,991,208	21,091,136	20,930,825	21,091,136
STOCKHOLDERS' EQUITY				
Common stock, $.01 par value, 10,000,000 shares authorized, 4,933,844 and 4,888,975 respectively, shares issued and outstanding	49,338	48,890		
Common stock, $.01 par value, 10,000,000 shares authorized, 4,944,642 and 4,888,975 respectively, shares issued and outstanding			49,446	48,890
Additional paid-in capital	26,538,005	25,914,644	26,879,814	25,914,644
Retained earnings	52,586,742	45,221,509	53,377,669	45,221,509

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Total stockholders' equity	79,174,085	71,185,043	80,306,929	71,185,043
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 102,165,293	$ 92,276,179	$101,237,754	$92,276,179

See notes to condensed consolidated financial statements.

CANTERBURY PARK HOLDING CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
OPERATING REVENUES:								
Casino	$ 10,383,578	$ 9,994,433	$ 20,097,933	$ 20,354,860	$10,224,216	$10,039,527	$30,322,149	$30,394,387
Pari-mutuel	2,471,366	3,621,556	3,604,700	4,868,243	3,405,010	4,730,827	7,009,710	9,599,070
Food and beverage	2,027,652	2,148,673	3,497,483	3,237,395	3,310,759	3,913,320	6,808,242	7,150,715
Other	1,459,092	2,009,612	2,441,130	2,951,748	2,328,564	3,608,729	4,769,694	6,560,477
Total Net Revenues	16,341,688	17,774,274	29,641,246	31,412,246	19,268,549	22,292,403	48,909,795	53,704,649
OPERATING EXPENSES:								
Purse expense	2,105,265	2,513,655	3,440,238	3,951,296	2,594,270	2,979,947	6,034,508	6,931,243
Minnesota Breeders' Fund	303,854	322,251	514,759	551,308	308,038	323,156	822,797	874,464
Other pari-mutuel expenses	291,698	323,482	481,307	528,180	210,212	212,102	691,519	740,282
Salaries and benefits	6,802,273	6,512,711	12,677,078	12,020,668	7,245,775	6,860,590	19,922,853	18,881,258
Cost of food and beverage and other sales	820,844	908,537	1,405,896	1,405,590	1,161,665	1,365,748	2,567,561	2,771,338
Depreciation and amortization	741,632	741,574	1,476,893	1,487,523	831,379	747,267	2,308,272	2,234,790
Utilities	409,871	412,690	798,720	771,074	568,022	654,000	1,366,742	1,425,074
Advertising and marketing	631,476	871,043	929,983	1,172,475	887,197	1,567,163	1,817,180	2,739,638
Professional and contracted services	1,568,821	1,269,398	2,573,046	2,209,877	2,284,181	1,571,128	4,857,229	3,781,005
Gain on disposal of assets					(19,265)	-	(19,265)	-
Other operating expenses	1,603,499	1,208,262	2,727,048	2,197,348	1,390,339	1,602,933	4,117,388	3,800,281
Total Operating Expenses	15,279,233	15,083,603	27,024,968	26,295,339	17,461,813	17,884,034	44,486,784	44,179,373
Gain on sale of land	6,489,976	12,151	6,489,976	12,151	-	-	6,489,976	12,151
INCOME FROM OPERATIONS	7,552,431	2,702,822	9,106,254	5,129,058	1,806,736	4,408,369	10,912,987	9,537,427
OTHER INCOME (LOSS)								

(Loss) gain from equity investment	(622,180)	(534,393)	1,236,332	(773,915)	(674,341)	(500,143)	561,991	(1,274,058)
Interest income, net	497,274	205,300	896,449	398,140	536,904	222,671	1,433,353	620,811
Net Other (Loss) Income	(124,906)	(329,093)	2,132,781	(375,775)	(137,437)	(277,472)	1,995,344	(653,247)
INCOME BEFORE INCOME TAXES	7,427,525	2,373,729	11,239,035	4,753,283	1,669,299	4,130,897	12,908,331	8,884,180
INCOME TAX EXPENSE	(2,135,000)	(618,660)	(3,176,000)	(1,224,301)	(533,000)	(1,209,777)	(3,709,000)	(2,434,078)
NET INCOME	$ 5,292,525	$ 1,755,069	$ 8,063,035	$ 3,528,982	$ 1,136,299	$ 2,921,120	$ 9,199,331	$ 6,450,102
Basic earnings per share	$ 1.08	$ 0.36	$ 1.64	$ 0.73	$ 0.23	$ 0.60	$ 1.87	$ 1.33
Diluted earnings per share	$ 1.07	$ 0.36	$ 1.64	$ 0.73	$ 0.23	$ 0.60	$ 1.86	$ 1.32
Weighted average basic shares outstanding	4,913,396	4,846,216	4,903,360	4,832,278	4,933,961	4,872,674	4,913,560	4,845,743
Weighted average diluted shares	4,930,713	4,874,339	4,929,531	4,863,731	4,950,524	4,901,189	4,941,100	4,879,803
Cash dividends declared per share	$ 0.07	$ 0.07	$ 0.14	$ 0.21	$ 0.07	$ 0.07	$ 0.21	$ 0.28

See notes to condensed consolidated financial statements.

CANTERBURY PARK HOLDING CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Unaudited)

For the three months ended June 30, 2023 September 30, 2023

	Number of Shares	**Common Stock**	**Additional Paid-in Capital**	**Retained Earnings**	**Total**	**Number of Shares**	**Common Stock**	**Additional Paid-in Capital**	**Retained Earnings**	**Total**
Balance at March 31, 2023	4,910,408	$ 49,104	$ 26,084,008	$ 47,642,140	$ 73,775,252					
Balance at June 30, 2023						4,933,844	$ 49,338	$ 26,538,005	$ 52,586,742	$ 79,174,085
Stock-based compensation	—	—	136,356	—	136,356	—	—	132,436	—	132,436
Dividend declared	—	—	—	(347,923)	(347,923)	—	—	—	(345,372)	(345,372)

401(k) stock match	9,995	100	228,186	—	228,286	10,798	108	209,373	—	209,481
Issuance of deferred stock awards	8,568	85	(5,129)	—	(5,044)					
Shares issued under Employee Stock Purchase Plan	4,873	49	94,584	—	94,633					
Net income	—	—	—	5,292,525	5,292,525	—	—	—	1,136,299	1,136,299
Balance at June 30, 2023	4,933,844	$ 49,338	$ 26,538,005	$ 52,586,742	$ 79,174,085					
Balance at September 30, 2023						4,944,642	$ 49,446	$ 26,879,814	$ 53,377,669	$ 80,306,929

For the six nine months ended June 30, 2023 September 30, 2023

	Number of Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Total	Number of Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Total
Balance at December 31, 2022	4,888,975	$ 48,890	$ 25,914,644	$ 45,221,509	$ 71,185,043	4,888,975	$ 48,890	$ 25,914,644	$ 45,221,509	$ 71,185,043
Stock-based compensation	—	—	265,833	—	265,833	—	—	398,269	—	398,269
Dividend declared	—	—	—	(697,802)	(697,802)	—	—	—	(1,043,171)	(1,043,171)
401(K) stock match	17,799	178	434,914	—	435,092	28,597	286	644,287	—	644,573
Issuance of deferred stock awards	22,197	221	(171,970)	—	(171,749)	22,197	221	(171,970)	—	(171,749)
Shares issued under Employee Stock Purchase Plan	4,873	49	94,584	—	94,633	4,873	49	94,584	—	94,633
Net income	—	—	—	8,063,035	8,063,035	—	—	—	9,199,331	9,199,331

Balance at June 30, 2023	4,933,844	$ 49,338	$ 26,538,005	$ 52,586,742	$ 79,174,085					
Balance at September 30, 2023						4,944,642	$ 49,446	$ 26,879,814	$ 53,377,669	$ 80,306,929

For the three months ended June 30, 2022 September 30, 2022

	Number of Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Total	Number of Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Total
Balance at March 31, 2022	4,839,297	$ 48,393	$ 24,944,077	$ 40,508,575	$ 65,501,045					
Balance at June 30, 2022						4,872,593	$ 48,726	$ 25,273,814	$ 41,920,229	$ 67,242,769
Stock-based compensation	—	—	109,935	—	109,935	—	—	110,290	—	110,290
Dividend declared	—	—	—	(343,415)	(343,415)	—	—	—	(341,082)	(341,082)
401(k) stock match	6,142	62	148,268	—	148,330	7,438	74	165,198	—	165,272
Issuance of deferred stock awards	22,215	222	(971)	—	(749)					
Shares issued under Employee Stock Purchase Plan	4,939	49	72,505	—	72,554					
Net income	—	—	—	1,755,069	1,755,069	—	—	—	2,921,120	2,921,120
Balance at June 30, 2022	4,872,593	$ 48,726	$ 25,273,814	$ 41,920,229	$ 67,242,769					
Balance at September 30, 2022						4,880,031	$ 48,800	$ 25,549,302	$ 44,500,267	$ 70,098,369

For the six nine months ended June 30, 2022 September 30, 2022

	Number of	Common	Additional	Retained	Number of	Common	Additional	Retained

	Shares	Stock	Paid-in Capital	Earnings	Total	Shares	Stock	Paid-in Capital	Earnings	Total
Balance at December 31, 2021	4,812,085	$ 48,121	$ 24,894,571	$ 39,410,534	$ 64,353,226	4,812,085	$ 48,121	$ 24,894,571	$ 39,410,534	$ 64,353,226
Stock-based compensation	—	—	214,862	—	214,862	—	—	325,152	—	325,152
Dividend distribution	—	—	—	(1,019,287)	(1,019,287)	—	—	—	(1,360,369)	(1,360,369)
401(K) stock match	13,753	138	304,902	—	305,040	21,191	212	470,100	—	470,312
Issuance of deferred stock awards	41,816	418	(213,026)	—	(212,608)	41,816	418	(213,026)	—	(212,608)
Shares issued under Employee Stock Purchase Plan	4,939	49	72,505	—	72,554	4,939	49	72,505	—	72,554
Net Income	—	—	—	3,528,982	3,528,982	—	—	—	6,450,102	6,450,102
Balance at June 30, 2022	4,872,593	$ 48,726	$ 25,273,814	$ 41,920,229	$ 67,242,769					
Balance at September 30, 2022						4,880,031	$ 48,800	$ 25,549,302	$ 44,500,267	$ 70,098,369

See notes to condensed consolidated financial statements.

CANTERBURY PARK HOLDING CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six Months Ended June 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Operating Activities:				
Net income	$ 8,063,035	$ 3,528,982	$ 9,199,331	$ 6,450,102
Adjustments to reconcile net income to net cash provided by operating activities:				

Depreciation	1,476,893	1,487,523	2,308,272	2,234,790
Stock-based compensation expense	265,833	214,862	398,269	325,152
Stock-based employee match contribution	435,092	305,040	644,573	470,312
Gain on disposal of assets			(19,265)	—
Gain on sale of land	(6,489,976)	(12,151)	(6,489,976)	(12,151)
Deferred income taxes	727,000	—	776,000	13,900
(Gain) loss from equity investment	(1,236,332)	773,915	(561,991)	1,274,058
Changes in operating assets and liabilities:				
Accounts receivable	(1,150,784)	(1,455,162)	(1,001,522)	(1,499,353)
Employee retention credit	6,103,236	211,232	6,103,236	211,232
Increase in TIF receivable	(336,530)	(332,369)	(502,644)	(501,306)
Inventory, prepaid expenses and deposits	(167,281)	(65,352)	96,360	78,221
Income taxes receivable/payable and prepaid income taxes	872,000	(3,217,596)	(374,000)	(1,286,931)
Operating lease right-of-use asset	9,712	9,052	24,524	22,786
Operating lease liabilities	(9,712)	(9,052)	(24,524)	(22,786)
Accounts payable	(146,824)	1,499,494	116,379	1,595,149
Deferred revenue	562,410	623,690	(46,443)	(160,872)
Casino accruals	(443,421)	(758,244)	3,152	(560,636)
Accrued wages and payroll taxes	(224,026)	1,064,631	581,448	482,430
Accrued property taxes	(420,737)	(3,924)	(262,755)	197,175
Payable to horsepersons	2,910,785	6,423,462	(767,731)	557,568
Net cash provided by operating activities	10,800,373	10,288,033	10,200,693	9,868,841
Investing Activities:				
Additions to land, buildings, and equipment	(4,591,936)	(1,710,954)	(5,577,116)	(2,663,322)
Proceeds from disposal of assets			22,500	—
Proceeds from sale of land	8,336,359	1,159,640	8,336,359	1,159,640
Additions for TIF eligible improvements			(4,160)	(31,697)
Equity investment contributions	—	(397,807)	—	(397,807)
Increase in related party receivable	(198,342)	(106,193)	(382,987)	(145,041)
Proceeds from sale of short term investments			500,000	—
Net cash provided by (used in) investing activities	3,546,081	(1,055,314)	2,894,596	(2,078,227)
Financing Activities:				
Proceeds from issuance of common stock	94,633	72,554	94,633	72,554
Cash dividend paid to shareholders	(695,075)	(678,981)	(1,039,404)	(1,019,288)
Payments for taxes related to net share settlement of equity awards	(171,749)	(212,608)	(171,749)	(212,608)
Principal payments on finance lease	(14,044)	(13,363)	(9,219)	(20,170)
Net cash used in financing activities	(786,235)	(832,398)	(1,125,739)	(1,179,512)
Net increase in cash, cash equivalents, and restricted cash	13,560,219	8,400,321	11,969,550	6,611,102
Cash, cash equivalents, and restricted cash at beginning of period	16,106,003	15,598,753	16,106,003	15,598,753

Cash, cash equivalents, and restricted cash at end of period	$ 29,666,222	$ 23,999,074	$ 28,075,553	$ 22,209,855

CANTERBURY PARK HOLDING CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(Unaudited)

Schedule of non-cash investing and financing activities				
Additions to land, buildings, and equipment funded through accounts payable	$ 164,000	$ 314,000	$ 28,000	$ 53,000
Dividend declared but not yet paid	344,000	340,000	345,000	341,000
Change in investee losses in excess of equity investments	(1,286,000)	1,012,000	(636,000)	1,466,000
ROU assets obtained in exchange for operating lease obligations	77,550	—	77,550	—
Supplemental disclosure of cash flow information:				
Income taxes paid, net of refunds	$ 1,577,000	$ 4,442,000	$ 3,257,000	$ 3,707,000
Interest paid	—	9,000	—	1,000

See notes to condensed consolidated financial statements.

CANTERBURY PARK HOLDING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. OVERVIEW AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business – Canterbury Park Holding Corporation's (the "Company," "we," "our," or "us") Racetrack operations are conducted at facilities located in Shakopee, Minnesota, approximately 25 miles southwest of downtown Minneapolis. In May 1994, the Company commenced year-round horse racing simulcast operations and hosted the first annual live race meet during the summer of 1995. The Company's live racing operations are a seasonal business, as it typically hosts live race meets each year from May until September. The Company earns additional pari-mutuel revenue by televising its live racing to out-of-state racetracks around the country. Canterbury Park's Casino typically operates 24 hours a day, seven days a week and is limited by Minnesota State law to conducting card play on a maximum of 80 tables. The Casino currently offers a variety of poker and table games. The Company's three largest sources of revenues are from Casino operations, pari-mutuel operations, and food and beverage sales. The Company also derives revenues from related services and activities, such as admissions, advertising signage, publication sales, and from other entertainment events and activities held at the Racetrack. Additionally, the Company is developing underutilized land surrounding the Racetrack in a project known as Canterbury Commons™, with approximately 140 acres originally designated as underutilized. The Company has obtained and is pursuing several mixed-use development opportunities for this land, directly and through joint ventures.

Basis of Presentation and Preparation – The accompanying condensed consolidated financial statements include the accounts of the Company (Canterbury Park Holding Corporation and its direct and indirect subsidiaries Canterbury Park Entertainment, LLC; Canterbury Park Concessions, Inc.; and Canterbury Development, LLC). Intercompany accounts and transactions have been eliminated. The preparation of these condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in these condensed consolidated financial statements and accompanying notes. Actual results could differ materially from those estimates.

These condensed consolidated financial statements and accompanying notes should be read in conjunction with the Company's annual consolidated financial statements and the notes thereto for the fiscal year ended December 31, 2022, included in its Annual Report on Form 10-K (the "2022 Form 10-K").

The condensed consolidated balance sheets and the related condensed consolidated statements of operations, stockholders' equity, and the cash flows for the periods ended June September 30, 2023 and 2022 have been prepared by Company management. In the opinion of management, all adjustments (which include only normal recurring adjustments, except where noted) necessary to present fairly the financial position, results of operations, statement of stockholders' equity, and cash flows at June September 30, 2023 and 2022 and for the periods then ended have been made.

Summary of Significant Accounting Policies – A detailed description of our significant accounting policies can be found in our most recent Annual Report on the 2022 Form 10-K. There were no material changes in significant accounting policies during the three and six nine months ended June September 30, 2023.

Restricted Cash – Restricted cash represents refundable deposits and amounts due to horsemen for purses, stakes and awards, and amounts accumulated in card game progressive jackpot pools, the player pool and poker promotional fund to be used to repay card players in the form of promotions, giveaways, prizes, or by other means.

Accounts Receivable - We evaluate our allowance for credit losses and estimate collectability of current and non-current accounts receivable based on historical bad debt experience, our assessment of the financial condition of individual companies with which we do business, current market conditions, and reasonable and supportable forecasts of future economic conditions. In times of economic turmoil, our estimates and judgments with respect to the collectability of our receivables are subject to greater uncertainty than in more stable periods. The Company does not have accounts receivable with original maturities greater than one year. The allowance for credit losses and activity as of September 30, 2023 and December 31, 2022 was not material.

Employee Retention Credit ("ERC") – The Company qualified for federal government assistance through ERC provisions of the CARES Act passed in 2020, for the 2020 second, third, and fourth quarters, as well as the 2021 first and second quarters. The purpose of the ERC is to encourage employers to keep employees on the payroll, even if they are not working during the covered period because of the coronavirus outbreak. We recognize amounts to be refundable as tax credits if there is a reasonable assurance of compliance with grant conditions and receipt of credits. During the firstsix nine months of 2023, the Company received the payments in full and as of June September 30, 2023 and December 31, 2022, the Company's expected one-time refunds totaling $0 and $6,103,236, respectively, are included on the Condensed Consolidated Balance Sheets as an employee retention credit receivable. The Company recorded $6,103,236 on the Consolidated Statements of Operations as a credit to salaries and benefits expense in the 2021 fourth quarter.

Deferred Revenue – Deferred revenue includes advance sales related to racing, events and corporate partnerships. Revenue from these advance billings is recognized when the related event occurs or services have been performed.

Payable to Horsepersons - The Minnesota Pari-mutuel Horse Racing Act requires the Company to segregate a portion of funds (recorded as purse expense in the statements of operations) received from Casino operations and wagering on simulcast and live horse races, for future payment as purses for live horse races or other uses of the horsepersons' association. Pursuant to an agreement with the Minnesota

Horsemen's Benevolent and Protective Association ("MHBPA"), the Company transferred into a trust account or paid directly to the MHBPA, $2,974,000 6,174,000 and $2,352,000 $5,877,000 for the six nine months ended June September 30, 2023 and 2022, respectively, related to thoroughbred races. Minnesota Statutes provide that amounts transferred into the trust account are the property of the trust and not of the Company, and therefore these amounts are not recorded on the Company's Condensed Consolidated Balance Sheet.

Revenue Recognition – The Company's primary revenues with customers consist of Casino operations, pari-mutuel wagering on simulcast and live horse races, and food and beverage transactions. We determine revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligation in the contract
- Recognition of revenue when, or as, we satisfy a performance obligation

The transaction price for a Casino contract is a set percentage of wagers and is recognized at the time that the wagering process is complete. The transaction price for pari-mutuel wagering is the commission received on a wager, exclusive of any track fees and is recognized upon occurrence of the live race that is presented for wagering and after that live race is made official by the respective state's racing regulatory body. The transaction price for food and beverage contracts is the net amount collected from the customer for these goods. Food and beverage services have been determined to be separate, stand-alone performance obligations and the transaction price is recorded as revenue as the good is transferred to the customer when delivery is made.

Contracts for Casino operations and pari-mutuel wagering involve two performance obligations for those customers earning points under the Company's loyalty program and a single performance obligation for customers who do not participate in the program. The Company applies a practical expedient by accounting for its gaming contracts on a portfolio basis as these wagers have similar characteristics and the Company reasonably expects the effects on the financial statements of applying the revenue recognition guidance to the portfolio would not differ materially from what would result if the guidance were applied on an individual wagering contract. For purposes of allocating the transaction price in a wagering contract between the wagering performance obligation and the obligation associated with the loyalty points earned, the Company allocates an amount to the loyalty point contract liability based on the stand-alone redemption value of the points earned, which is determined by the value of a point that can be redeemed for a cash voucher, food and beverage voucher, racing admission, valet parking, or racing forms. Based on past experience, the majority of customers redeem their points for cash vouchers. Therefore, there are no further performance obligations by the Company.

We have two general types of liabilities related to contracts with customers: (1) our MVP Loyalty Program and (2) outstanding chip liability. These are included in the line item Casino accruals on the consolidated balance sheet. We defer the full retail value of these complimentary reward items until the future revenue transaction occurs.

The Company offers certain promotional allowances at no charge to patrons who participate in its player rewards program.

We evaluate our on-track revenue, export revenue (as described below), and import revenue (as described below) contracts to determine whether we are acting as the principal or as the agent when providing services, to determine if we should report revenue on a gross or net basis. An entity acts as a principal if it controls a specified service before that service is transferred to a customer.

For on-track revenue and "import revenue," that is revenue we generate for racing held elsewhere that our patrons wager on, we are entitled to retain a commission for providing a wagering service to our customers. For these arrangements, we are the principal because we control the wagering service; therefore, any charges, including simulcast fees, we incur for delivering the wagering service are presented as operating expenses.

For "export revenue," when the wagering occurs outside our premises, our customer is the third-party wagering site such as a racetrack, Off Track Betting ("OTB"), or advance deposit wagering ("ADW") provider. Therefore, the revenue we recognize for export revenue is the simulcast host fee we earn for exporting our racing signal to the third-party wagering site.

2. STOCK-BASED COMPENSATION

Long Term Incentive Plan and Award of Deferred Stock

The Long Term Incentive Plan (the "LTI Plan") authorizes the grant of Long Term Incentive Awards that provide an opportunity to Named Executive Officers ("NEOs") and other Senior Executives to receive a payment in cash or shares of the Company's common stock to the extent of achievement at the end of a period greater than one year (the "Performance Period") as compared to Performance Goals established at the beginning of the Performance Period. Beginning in 2020, and as a result of the COVID-19 pandemic, the Company temporarily suspended the granting of performance awards under its LTI Plan, and instead granted deferred stock awards designed to retain NEOs and other senior executives in lieu of LTI Plan awards from 2020 through 2023. In February 2022, the Compensation Committee made determinations regarding the achievement of 2021 performance goals and payouts under the 2019-2021 LTI Plan, which completed the performance period and awards under the 2019-2021 LTI Plan, and the last outstanding awards under the LTI Plan. Accordingly, there are no awards outstanding under the LTI Plan.

Board of Directors Stock Options, Deferred Stock Awards, and Restricted Stock Grants

The Company's Stock Plan currently authorizes annual grants of restricted stock, deferred stock, stock options, or any combination of the three, to non-employee members of the Board of Directors at the time of the Company's annual shareholders' meeting as determined by the Board prior to each such meeting. Deferred stock awards represent the right to receive shares of the Company's common stock upon vesting. Options granted under the Plan generally expire 10 years after the grant date. Restricted stock and deferred stock grants to non-employee directors generally vest 100% one year after the date of the annual meeting at which they were granted, are subject to restrictions on resale for an additional year, and are subject to forfeiture if a board member terminates his or her board service prior to the shares vesting. The unvested deferred stock awards outstanding as of June September 30, 2023 to our non-employee directors consists of only the grant of deferred stock on June 1, 2023 of 7,818 shares with a weighted average fair value per share of $23.01. There were no unvested restricted stock or stock options outstanding to any non-employee director at June September 30, 2023.

Employee Deferred Stock Awards

The Company's Stock Plan permits its Compensation Committee to grant stock-based awards, including deferred stock awards, to key employees and non-employee directors. The Company has made deferred stock grants to key employees that vest over one to four years. Deferred stock awards represent the right to receive shares of the Company's common stock upon vesting.

During the six nine months ended June September 30, 2023, the Company granted employees deferred stock awards totaling 19,020 shares of common stock, with a vesting term of approximately four years and a fair value of $25.52 per share. During the six nine months ended June September 30, 2022, the Company granted employees deferred stock awards totaling 18,600 shares of common stock, with a vesting term of approximately four years and a fair value of $21.62 per share.

Employee deferred stock transactions during the six nine months ended June September 30, 2023 are summarized as follows:

	Deferred Stock	Weighted Average Fair Value Per Share	Deferred Stock	Weighted Average Fair Value Per Share
Non-Vested Balance, December 31, 2022	41,200	$ 16.62	41,200	$ 16.62
Granted	19,020	25.52	19,020	25.52
Vested	(20,050)	14.33	(20,050)	14.33
Forfeited	(1,950)	19.07	(1,950)	19.07
Non-Vested Balance, June 30, 2023	38,220	$ 22.13		
Non-Vested Balance, September 30, 2023			38,220	$ 22.13

There were no stock options outstanding to any employee or other person at June September 30, 2023. Stock-based compensation expense related to the LTI Plan, deferred stock awards, and restricted stock awards is included on the Condensed Consolidated Statements of Operations and totaled approximately $266,000 $398,000 and $215,000 $325,000 for the six nine months ended June September 30, 2023 and 2022. At June September 30, 2023, there was approximately $862,000 $744,000 of total unrecognized stock-based compensation expense related to unvested employee and board of director deferred stock awards that is expected to be recognized over a period of approximately 3.8 3.5 years.

3. NET INCOME PER SHARE COMPUTATIONS

The following is a reconciliation of the numerator and denominator of the earnings per common share computations for the three and six nine months ended June September 30, 2023 and 2022:

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Net income (numerator) amounts used for basic and diluted per share computations:	$ 5,292,525	$ 1,755,069	$ 8,063,035	$ 3,528,982	$ 1,136,299	$ 2,921,120	$ 9,199,331	$ 6,450,102
Weighted average shares (denominator) of common stock outstanding:								
Basic	4,913,396	4,846,216	4,903,360	4,832,278	4,933,961	4,872,674	4,913,560	4,845,743
Plus dilutive effect of stock options	17,317	28,123	26,171	31,453				

Plus dilutive effect of deferred stock awards					16,563	28,515	27,540	34,060
Diluted	4,930,713	4,874,339	4,929,531	4,863,731	4,950,524	4,901,189	4,941,100	4,879,803
Net income per common share:								
Basic	$ 1.08	$ 0.36	$ 1.64	$ 0.73	$ 0.23	$ 0.60	$ 1.87	$ 1.33
Diluted	1.07	0.36	1.64	0.73	0.23	0.60	1.86	1.32

4. GENERAL CREDIT AGREEMENT

The Company has a general credit and security agreement with a financial institution, which provides a revolving credit line up to $10,000,000 and allows for letters of credit in the aggregate amount of up to $2,000,000 to be issued under the credit agreement. The line of credit is collateralized by all receivables, inventory, equipment, and general intangibles of the Company. The line of credit also includes collateral in the form of a Mortgage, Security Agreement, Fixture Financing Statement and Assignment of Leases and Rents. The maturity date of the revolving line of credit is January 31, 2024. As of June 30, 2023, the The outstanding balance on the line of credit was $0. 0 at both September 30, 2023 and December 31, 2022.

5. OPERATING SEGMENTS

The Company has four reportable operating segments: horse racing, Casino, food and beverage, and development. The horse racing segment primarily represents simulcast and live horse racing operations. The Casino segment represents operations of Canterbury Park's Casino. The food and beverage segment represents food and beverage operations provided during simulcast and live racing, in the Casino, and during special events. The development segment represents our real estate development operations. The Company's reportable operating segments are strategic business units that offer different products and services. They are managed separately because the segments differ in the nature of the products and services provided as well as process to produce those products and services. The Minnesota Racing Commission regulates the horse racing and Casino segments.

Depreciation, interest, and income taxes are allocated to the segments, but no allocation is made to the food and beverage segment for shared facilities. However, the food and beverage segment pays approximately 25% of gross revenues earned on live racing and special event days to the horse racing segment for use of the facilities. Starting in 2020, the food and beverage segment has not paid a commission related to live racing to the horse racing segment subsequent to the Company's first temporary shutdown of operations starting March 16, 2020.

The following tables represent a disaggregation of revenues from contracts with customers along with the Company's operating segments (in 000's):

	Six Months Ended June 30, 2023					**Nine Months Ended September 30, 2023**				
	Horse Racing	**Casino**	**Food and Beverage**	**Development**	**Total**	**Horse Racing**	**Casino**	**Food and Beverage**	**Development**	**Total**
Net revenues from external customers	$ 5,789	$ 20,098	$ 3,754	$ —	$ 29,641	$ 11,186	$ 30,322	$ 7,402	$ —	$ 48,910

Intersegment revenues	158	—	568	—	726	194	—	893	—	1,087
Net interest income	451	—	—	445	896	754	—	—	679	1,433
Depreciation	1,313	75	89	—	1,477	1,954	225	129	—	2,308
Segment income (loss) before income taxes	(676)	4,088	916	8,052	12,380	(820)	6,940	2,137	7,576	15,833
Segment tax expense (benefit)	(513)	1,155	259	2,275	3,176	(1,076)	1,994	614	2,177	3,709

	June 30, 2023				
Segment Assets	$ 86,226	$ 2,275	$ 31,627	$ 33,699	$ 153,827

	September 30, 2023				
Segment Assets	$ 88,641	$ 2,199	$ 33,344	$ 33,084	$ 157,268

	Six Months Ended June 30, 2022					Nine Months Ended September 30, 2022				
	Horse Racing	Casino	Food and Beverage	Development	Total	Horse Racing	Casino	Food and Beverage	Development	Total
Net revenues from external customers	$ 7,565	$ 20,355	$ 3,492	$ —	$ 31,412	$ 15,406	$ 30,395	$ 7,904	$ —	$ 53,705
Intersegment revenues	86	—	494	—	580	150	—	785	—	935
Net interest income	9	—	—	389	398	24	—	—	597	621
Depreciation	1,313	75	100	—	1,488	1,860	226	149	—	2,235
Segment income (loss) before income taxes	(124)	5,125	811	(502)	5,310	1,241	8,474	2,383	(846)	11,252
Segment tax expense (benefit)	(176)	1,320	209	(129)	1,224	(309)	2,322	653	(232)	2,434

	December 31, 2022				
Segment Assets	$ 71,338	$ 2,425	$ 30,341	$ 26,475	$ 130,579

The following are reconciliations of reportable segment revenues, income before income taxes, and assets, to the Company's consolidated totals (in 000's):

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Revenues				
Total net revenue for reportable segments	$ 30,367	$ 31,992	$ 49,997	$ 54,640
Elimination of intersegment revenues	(726)	(580)	(1,087)	(935)
Total consolidated net revenues	$ 29,641	$ 31,412	$ 48,910	$ 53,705
Income before income taxes				
Total segment income (loss) before income taxes	$ 12,380	$ 5,310	$ 15,833	$ 11,252
Elimination of intersegment (income) loss before income taxes	(1,141)	(557)	(2,925)	(2,368)
Total consolidated income before income taxes	$ 11,239	$ 4,753	$ 12,908	$ 8,884

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Assets				
Total assets for reportable segments	$ 153,827	$ 130,579	$ 157,268	$ 130,579
Elimination of intercompany balances	(51,662)	(38,303)	(56,030)	(38,303)
Total consolidated assets	$ 102,165	$ 92,276	$ 101,238	$ 92,276

6. COMMITMENTS AND CONTINGENCIES

Effective on December 21, 2021, the Company entered into a Contribution and Indemnity Agreement ("Indemnity Agreement") with affiliates of Doran Companies ("Doran") in connection with the debt refinancing on the Doran Canterbury I, LLC joint venture. Under the Indemnity Agreement, the Company is obligated to indemnify Doran for loan payment amounts up to $5,000,000 only if the lender demands the loan guarantee by Doran. Effective on October 27, 2022, the Indemnity Agreement was amended to increase the maximum indemnification by an additional $700,000.

The Company is periodically involved in various claims and legal actions arising in the normal course of business. Management believes that the resolution of any pending claims and legal actions at June September 30, 2023 and as of the date of this report, will not have a material impact on the Company's consolidated financial positions or results of operations.

In August 2018, the Company entered into a Contract for Private Redevelopment with the City of Shakopee in connection with a Tax Increment Financing District ("TIF District"). On January 25, 2022, the Company received the fully executed First Amendment to the Contract for Redevelopment among the Master Developer, the City and the Authority, which is effective as of September 7, 2021. Under this contract, the Company is obligated to construct certain infrastructure improvements within the TIF District, and will be reimbursed for the cost of TIF eligible improvements by the City of Shakopee by future tax increment revenue generated from the developed property, up to specified maximum amounts. The total amount of funding that Canterbury will be paid as reimbursement under the TIF program for these improvements is not guaranteed and will depend on future tax revenues generated from the developed property.

7. COOPERATIVE MARKETING AGREEMENT

On March 4, 2012, the Company entered into a Cooperative Marketing Agreement (the "CMA") with the Shakopee Mdewakanton Sioux Community ("SMSC"). The primary purpose of the CMA was to increase purses paid during live horse racing at Canterbury Park's Racetrack in order to strengthen Minnesota's thoroughbred and quarter horse industry. Under the CMA, as amended, this was achieved through "Purse Enhancement Payments to Horsemen" paid directly to the MHBPA. These payments had no direct impact on the Company's consolidated financial statements or operations.

Under the CMA, as amended, SMSC also agreed to make "Marketing Payments" to the Company relating to joint marketing efforts for the mutual benefit of the Company and SMSC, including signage, joint promotions, player benefits, and events.

As noted above and affirmed in the Fifth Amendment, SMSC was obligated to make an annual purse enhancement of $7,380,000 and an annual marketing payment of $1,620,000 for 2022.

The amounts earned from the marketing payments were recorded as a component of other revenue and the related expenses were recorded as a component of advertising and marketing expense and depreciation in the Company's condensed consolidated statements of operations. For the three and six nine months ended June September 30, 2022, the Company recorded $675,000 $977,000 and $787,000 $1,764,000 in other revenue, incurred $621,000 $916,000 and $687,000 $1,603,000 in advertising and marketing expense, and incurred $54,000 $61,000 and $100,000 $161,000 in depreciation related to the SMSC marketing funds. The excess of amounts received over revenue is reflected as deferred revenue on the Company's consolidated balance sheets.

Under the CMA, the Company agreed for the term of the CMA that it would not promote or lobby the Minnesota legislature for expanded gambling authority and will support the SMSC's lobbying efforts against expanding gambling authority.

The CMA expired by its terms on December 31, 2022. Accordingly, for the three and six nine months ended June September 30, 2023, there were no purse enhancement payments or marketing payments under the CMA.

8. REAL ESTATE DEVELOPMENT

Equity Investments

Doran Canterbury I, LLC

On April 2, 2018, the Company's subsidiary Canterbury Development LLC, entered into an Operating Agreement ("Operating Agreement") with an affiliate of Doran Companies ("Doran"), a national commercial and residential real estate developer, as the two members of a Minnesota limited liability company named Doran Canterbury I, LLC ("Doran Canterbury I"). Doran Canterbury I was formed as part of a joint venture between Doran and Canterbury Development LLC to construct an upscale apartment complex on land adjacent to the Company's Racetrack (the "Project").

On September 27, 2018, Canterbury Development LLC contributed approximately 13 acres of land as its equity contribution in the Doran Canterbury I joint venture and became a 27.4% equity member. On December 20, 2018, financing for Doran Canterbury I was secured. Doran Canterbury I has completed developing Phase I of the Project, which includes 321 units, a heated parking ramp, and a clubhouse. As the Company is able to assert significant influence, but not control, over Doran Canterbury I's operational and financial policies, the Company accounts for the joint venture as an equity method investment. For the three and nine sixmonths ended June September 30, 2023, the Company recorded a loss of $596,000 $650,000 and income of $1,286,000, $636,000, respectively, on equity method investment related to this joint venture. The increased income for the first halfnine months of 2023 related to this joint venture is due to the receipt of insurance proceeds related to an outstanding claim. For the three and nine sixmonths ended June September 30, 2022, the Company recorded $497,000 $455,000 and $1,012,000, $1,466,000, respectively, in loss on equity method investments related to this joint venture. In accordance with U.S. GAAP, since we are committed to provide future member loans to Doran Canterbury I to cover the costs of construction or operating deficiencies, we also present as a liability in the accompanying Condensed Consolidated Balance Sheets the net balance recorded for our share of Doran Canterbury I's losses in excess of the amount funded into Doran Canterbury I, which was $1,900,000 $2,550,000 and $3,186,000 at June September 30, 2023 and December 31, 2022, respectively. See Note 10 of Notes to Financial Statements for a summary of member loans to Doran Canterbury I.

Doran Canterbury II, LLC

In connection with the execution of the Amended Doran Canterbury I Agreement, on August 18, 2018, Canterbury Development LLC entered into an Operating Agreement with Doran Shakopee, LLC as the two members of a Minnesota limited liability company entitled Doran Canterbury II, LLC ("Doran Canterbury II"). The Operating Agreement was amended and restated by the members effective July 30, 2020. Under the Doran Canterbury II Operating Agreement, Doran Canterbury II will pursue development of Phase II of the Project. Phase II will include an additional 300 apartment units. Canterbury Development's equity contribution to Doran Canterbury II for Phase II was approximately 10 acres of land, which were contributed to Doran Canterbury II on September 30, 2020. In connection with its contribution, Canterbury Development became a 27.4% equity member in Doran Canterbury II with Doran owning the remaining 72.6%. As the Company is able to assert significant influence, but not control, over Doran Canterbury II's operational and financial policies, the Company accounts for the joint venture as an equity method investment. As of June September 30, 2023, the proportionate share of Doran Canterbury II's earnings was immaterial. During the three and nine sixmonths ended June September 30, the Company did not make any contributions as an equity investment contribution in Doran Canterbury II. During the three and sixth nine months ended June September 30, 2022, the Company contributed approximately $58,000 $0 and $398,000, respectively, as an equity investment contribution in Doran Canterbury II. Under the Operating Agreement, we are required to provide future member loans to Doran Canterbury II to cover the costs of construction or operating deficiencies. See Note 10 of Notes to Financial Statements for a summary of member loans to Doran Canterbury II.

Canterbury DBSV Development, LLC

On June 16, 2020, Canterbury Development LLC, entered into an Operating Agreement with an affiliate of Greystone Construction, as the two members of a Minnesota limited liability company named Canterbury DBSV Development, LLC ("Canterbury DBSV"). Canterbury DBSV was formed as part of a joint venture between Greystone and Canterbury Development LLC for a multi-use development on the 13-acre land parcel located on the southwest portion of the Company's racetrack. Canterbury Development LLC's equity contribution to Canterbury DBSV was approximately 13 acres of land, which were contributed to Canterbury DBSV on July 1, 2020. In connection with its contribution, Canterbury Development became a 61.87% equity member in Canterbury DBSV. As the Company is able to assert significant influence, but not control, over Canterbury DBSV's operational and financial policies, the Company accounts for the joint venture as an equity method investment. For the three and nine sixmonths ended June September 30, 2023, the Company recorded $26,000 $24,000 and $52,000, $76,000, respectively, in loss on equity method investments related to this joint venture. For the three and six nine months ended June September 30, 2022, the Company recorded a loss of $37,000 $45,000 and income of $239,000, $194,000, respectively, on equity investment related to this joint venture.

The following table summarizes changes to the Equity investment and Investee losses in excess of equity investment lines on our consolidated balance sheets for the six nine months ended June September 30, 2023:

	Equity Investment	Investee losses in excess of equity investment	Net Equity Investment	Equity Investment	Investee losses in excess of equity investment	Net Equity Investment
Net Equity Investment Balance at 12/31/22	$ 6,863,517	$ (3,185,923)	$ 3,677,594	$ 6,863,517	$ (3,185,923)	$ 3,677,594
Q1 Equity investment income (loss)	(23,232)	1,881,744	1,858,512	(23,232)	1,881,744	1,858,512
Q2 Equity investment income (loss)	(26,071)	(596,109)	(622,180)	(26,071)	(596,109)	(622,180)
Net Equity Investment Balance at 6/30/23	$ 6,814,214	$ (1,900,288)	$ 4,913,926			
Q3 Equity investment income (loss)				(24,442)	(649,899)	(674,341)
Net Equity Investment Balance at 9/30/23				$ 6,789,772	$ (2,550,187)	$ 4,239,585

Tax Increment Financing

On August 8, 2018, the City Council of the City of Shakopee, Minnesota approved a Contract for Private Redevelopment ("Redevelopment Agreement") between the City of Shakopee Economic Development Authority ("Shakopee EDA") and Canterbury Park Holding Corporation and its subsidiary Canterbury Development LLC in connection with a Tax Increment Financing District ("TIF District") that the City had approved in April 2018. The City of Shakopee, the Shakopee EDA and the Company entered into the Redevelopment Agreement on August 10, 2018.

Under the Original Agreement, the Company agreed to undertake a number of specific infrastructure improvements within the TIF District, and the City agreed that a portion of the tax revenue generated from the developed property will be paid to the Company to reimburse it for its expense in constructing these improvements. Under the Original Agreement, the total estimated cost of TIF eligible improvements to be borne by the Company was $23,336,500.

On January 25, 2022, the Company received the fully executed First Amendment to the Contract for Private Redevelopment (the "First Amendment") among the Company, the City of Shakopee, and the Shakopee EDA, which is effective as of September 7, 2021. Under the First Amendment and as part of the authorized changes regarding the responsibilities of the Company and the City, improvements on Unbridled Avenue will be primarily constructed by the City of Shakopee. As a result, the total estimated cost of TIF eligible improvements to be borne by the Company was reduced by $5,744,000 to an amount not to exceed $17,592,881. In order to reimburse the Company for the qualified costs related to constructing the developer improvements, the Authority will issue and the Company will receive a TIF Note in the maximum principal amount of $17,592,881. The First Amendment also memorialized that the Company completed the Shenandoah Drive improvements as required prior to December 31, 2019. The City is obligated to issue bonds to finance the portion of the improvements required to be constructed by the City.

A detailed Schedule of the Public Improvements under the First Amendment, the timeline for their construction and the source and amount of funding is set forth in the First Amendment, which is filed as Exhibit 10.1 of the Form 8-K filed on January 31, 2022. The Company expects to substantially complete the remaining developer improvements by July 17, 2027 and will be reimbursed for costs of the developer improvements incurred by no later than July 17, 2027. The total amount of funding that the Company will be paid as reimbursement under the TIF program for these improvements is not guaranteed, however, and will depend in part on future tax revenues generated from the developed property.

As of June September 30, 2023, the Company recorded a TIF receivable of approximately $13,631,000, $13,801,000, which represents $11,305,000 of principal and $2,326,000 $2,496,000 of interest. Management believes future tax revenues generated from current development activity will exceed the Company's development costs and thus, management believes no allowance related to this receivable is necessary. As of December 31, 2022, the Company recorded a TIF receivable of approximately $13,294,000, which represented $11,301,000 of principal and $1,993,000 of interest.

The Company expects to finance its improvements under the Redevelopment Agreement with funds from its current operating resources and existing credit facility and, potentially, third-party financing sources.

Recently Closed Transactions under Real Estate Agreements

On April 28, 2023, the Company completed the sale of 37 acres of land to Bloomington Investments, LLC, an entity related to Swervo Development ("Swervo"), for total consideration of $8,800,000. Included in this amount is $500,000 of cash being held in escrow related to a contingency for the now completed demolition of barns that existed on the land prior to the sale. The cash in escrow is currently recorded as a receivable on the Condensed Consolidated Balance Sheets. The land sold is situated adjacent to County Road 83 and Unbridled Avenue in the northeast corner of the Company's campus. With the land sale and government approvals now complete, Swervo expects construction of its planned 19,000-capacity open air amphitheater to begin this Summer, with the venue opening anticipated to be Summer 2025. Following the land sale, Canterbury will continue the redevelopment of the horse stabling area, which serves its racing business, with new barns and a new dormitory complex.

9. LEASES

The Company determines if an arrangement is a lease or contains a lease at inception. The Company leases some office equipment under finance leases. We also lease equipment related to our horse racing operations under operating leases. For lease accounting purposes, we do not separate lease and nonlease components, nor do we record operating or finance lease assets and liabilities for short term leases.

As our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date to determine the present value of lease payments. We recognize expense for operating leases on a straight-line basis over the lease term. The Company's lease agreements do not contain any variable lease payments, material residual value guarantees or any restrictive covenants.

Lease costs related to operating leases were $10,714 $26,785 and $9,052 $22,855 for the six nine months ended June September 30, 2023 and 2022. The total lease expenses for leases with a term of twelve months or less for which the Company elected not to recognize a lease asset or liability was $249,793 $378,134 and $218,106 $411,354 for the six nine months ended June September 30, 2023 and 2022, respectively.

Lease costs included in depreciation and amortization related to our finance leases were $11,945 and $12,468 $18,708 for both the six nine months ended June September 30, 2023 and 2022, respectively.. Interest expense related to our finance leases was immaterial.

The following table shows the classification of the right of use assets on our consolidated balance sheets:

	Balance Sheet Location	June 30, 2023	December 31, 2022	Balance Sheet Location	September 30, 2023	December 31, 2022
Assets						
Finance	Land, buildings and equipment, net (1)	$ 4,929	$ 18,973	Land, buildings and equipment, net (1)	$ 9,754	$ 18,973
Operating	Operating lease right-of-use assets	67,838	-	Operating lease right-of-use assets	53,026	-
Total Leased Assets	Total Leased Assets	$ 72,767	$ 18,973	Total Leased Assets	$ 62,780	$ 18,973

1 – Finance lease assets are net of accumulated amortization of $120,630 $118,044 and $106,586 as of June September 30, 2023 and December 31, 2022, respectively.

The following table shows the lease terms and discount rates related to our leases:

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Weighted average remaining lease term (in years):				
Finance	0.2	0.7	5.2	0.7
Operating	1.1	0.0	0.8	0.0
Weighted average discount rate (%):				
Finance	5.0%	5.0%	8.5%	5.0%
Operating	8.0%	0.0%	8.0%	0.0%

The maturity of operating leases and finance leases as of June September 30, 2023 are as follows:

Six Months Ended June 30, 2023	Operating leases	Finance leases		
Nine Months Ended September 30, 2023			Operating leases	Finance leases
2023 remaining	$ 16,071	$ 4,960	$ —	$ 585
2024	26,785	—	26,785	2,339
2025	28,230	—	28,230	2,339

2026			—	2,339
2027 and beyond			—	4,485
Total minimum lease obligations	71,086	4,960	55,015	12,088
Less: amounts representing interest	(3,248)	(31)	(1,989)	(2,334)
Present value of minimum lease payments	67,838	4,929	53,026	9,754
Less: current portion	(24,852)	(4,929)	(25,352)	(1,570)
Lease obligations, net of current portion	$ 42,986	$ —	$ 27,674	$ 8,184

10. RELATED PARTY RECEIVABLES

Since 2019, the Company has made member loans to the Doran Canterbury I and the Doran Canterbury II joint ventures totaling approximately $2,365,000 $2,485,000 and $2,269,000 as of June September 30, 2023 and December 31, 2022, respectively. These member loans bear interest at the rate equal to the Prime Rate plus two percent per annum, and accrued interest totaled $387,000 $451,000 and $275,000 as of June September 30, 2023 and December 31, 2022, respectively. The Company expects to be fully reimbursed for these member loans as and when the joint ventures achieve positive cash flow. Under the Operating Agreements for Doran Canterbury I and Doran Canterbury II, the joint ventures must repay member loans before payments to members in accordance with their percentage interests.

The Company has also recorded related party receivables of approximately $2,000 and $11,000 as of June September 30, 2023 and December 31, 2022, respectively, for various related costs incurred by the Company. The Company expects to be fully reimbursed for these costs by the related parties in 2023.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help the reader understand Canterbury Park Holding Corporation and its subsidiaries, our operations, our financial results and financial condition and our present business environment. This MD&A is provided as a supplement to, and should be read in conjunction with, our condensed consolidated financial statements and the accompanying notes to the financial statements (the "Notes").

Overview:

Canterbury Park Holding Corporation (the "Company," "we," "our," or "us") conducts pari-mutuel wagering operations and hosts "unbanked" card games at its Canterbury Park Racetrack and Casino facility (the "Racetrack") in Shakopee, Minnesota, which is approximately 25 miles southwest of downtown Minneapolis. The Racetrack is the only facility in the State of Minnesota that offers live pari-mutuel thoroughbred and quarter horse racing.

The Company's pari-mutuel wagering operations include both wagering on thoroughbred and quarter horse races during live meets at the Racetrack each year from May through September, and year-round wagering on races held at out-of-state racetracks that are televised simultaneously at the Racetrack ("simulcasting"). Unbanked card games, in which patrons compete against each other, are hosted in the Casino at the Racetrack. The Casino typically operates 24 hours a day, seven days a week. The Casino offers both poker and table games at up to 80 tables. The Company also derives revenues from related services and activities, such as concessions, parking, advertising signage, publication sales, and from other entertainment events and activities held at the Racetrack.

Operations Review for the Three and Six Nine Months Ended June 30, 2023 September 30, 2023:

Revenues:

Total net revenues for the three months ended June 30, 2023 September 30, 2023 were $16,342,000, $19,269,000, a decrease of $1,432,000, $3,024,000, or 8.1% 13.6%, compared to total net revenues of $17,774,000 $22,292,000 for the three months ended June 30, 2022 September 30, 2022. Total net revenues for the six nine months ended June 30, 2023 September 30, 2023 were $29,641,000, $48,910,000, a decrease of $1,771,000, $4,795,000, or 5.6% 8.9%, compared to total net revenues of $31,412,000 $53,705,000 for the six nine months ended June 30, 2022 September 30, 2022. See below for a further discussion of our sources of revenues.

Casino Revenue:

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Poker Games Collection	$ 1,842,000	$ 1,871,000	$ 3,821,000	$ 3,780,000
Other Poker Revenue	743,000	710,000	1,513,000	1,351,000
Total Poker Revenue	2,585,000	2,581,000	5,334,000	5,131,000
Table Games Collection	7,150,000	6,839,000	13,531,000	14,028,000
Other Table Games Revenue	649,000	574,000	1,233,000	1,196,000
Total Table Games Revenue	7,799,000	7,413,000	14,764,000	15,224,000
Total Casino Revenue	$ 10,384,000	$ 9,994,000	$ 20,098,000	$ 20,355,000

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Poker Games Collection	$ 1,844,000	$ 1,925,000	$ 5,665,000	$ 5,705,000
Other Poker Revenue	739,000	715,000	2,253,000	2,066,000
Total Poker Revenue	2,583,000	2,640,000	7,918,000	7,771,000
Table Games Collection	7,037,000	6,822,000	20,567,000	20,850,000
Other Table Games Revenue	604,000	578,000	1,837,000	1,773,000
Total Table Games Revenue	7,641,000	7,400,000	22,404,000	22,623,000
Total Casino Revenue	$ 10,224,000	$ 10,040,000	$ 30,322,000	$ 30,394,000

The primary source of Casino revenue is a percentage of the wagers received from players as compensation for providing the Casino facility and services, which is referred to as "collection revenue." Other Poker Revenue and Other Table Games Revenue presented above includes fees collected for the administration of tournaments and the poker jackpot and amounts earned as reimbursement of the administrative costs of maintaining table games jackpot funds, respectively.

As indicated by the table above, total Casino revenue increased $390,000, remained relatively flat, increasing $184,000, or 3.9% 1.8%, and decreased $257,000, decreasing $72,000, or 1.3% 0.2%, for the three and six nine months ended June 30, 2023 September 30, 2023, respectively, compared to the same periods in 2022. The increase for the three months ended June 30, 2023 can be attributed to a higher average collection revenue rate in table games. The decrease in Casino revenue for the six months ended June 30, 2023 is primarily due to decreased attendance, potentially related to inclement weather experienced in the first three months of 2023, along with a decrease in consumer discretionary spending with our current inflationary environment.

Pari-Mutuel Revenue:

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Simulcast	$ 1,090,000	$ 1,180,000	$ 1,942,000	$ 2,096,000	$ 906,000	$ 901,000	$ 2,848,000	$ 2,997,000
Live Racing	479,000	676,000	479,000	676,000	1,047,000	1,214,000	1,526,000	1,890,000
Guest Fees	451,000	1,315,000	451,000	1,315,000	1,082,000	2,133,000	1,533,000	3,449,000
Other revenue	451,000	451,000	733,000	781,000	370,000	483,000	1,103,000	1,263,000
Total Pari-Mutuel Revenue	$ 2,471,000	$ 3,622,000	$ 3,605,000	$ 4,868,000	$ 3,405,000	$ 4,731,000	$ 7,010,000	$ 9,599,000

Total pari-mutuel revenue decreased $1,150,000, $1,326,000, or 31% 28%, and $1,263,000, $2,589,000, or 26% 27%, for the three and six nine months ended June 30, 2023 September 30, 2023, respectively, compared to the same periods in 2022. The decrease in pari-mutuel revenues is primarily due to a decrease in live race days year-over-year (15 (53 race days in 2023 compared to 25 64 race days in 2022) as well as decreased guest fees from out-state-handle on our live racing product.

Food and Beverage Revenue:

Food and beverage revenue decreased $121,000, $603,000, or 5.6% 15.4%, and increased $260,000, $342,000, or 8.0% 4.8%, for the three and six nine months ended June 30, 2023 September 30, 2023, respectively, compared to the same periods in 2022. The decrease in food and beverage revenues for the three months ended June 30, 2023 and nine month periods is primarily due to fewer live race days compared to the same period last year as mentioned above. The increase for the six months ended June 30, 2023 is primarily due to increased visitation for large scale special events, including the Snocross National Championship Series, that primarily took Twin Cities Summer Jam not taking place in the first quarter. third quarter of 2023 as it did during the third quarter of 2022.

Other Revenue:

Other revenue decreased $551,000, $1,280,000, or 27.4% 35.5%, and $510,000, $1,791,000, or 17.3% 27.3%, for the three and six nine months ended June 30, 2023 September 30, 2023, respectively, compared to the same periods in 2022. The decreases are primarily due to the expiration of the SMSC agreement as funds received from the agreement were used and subsequently recorded in other revenues as well as being recorded as operating, primarily advertising and marketing, expenses.

Operating Expenses:

Total operating expenses increased $196,000, decreased $422,000, or 1.3% 2.4%, and $730,000, increased $307,000, or 2.8% 0.7%, for the three and six nine months ended June 30, 2023 September 30, 2023, respectively, compared to the same periods in 2022. The following paragraphs provide further detail regarding certain operating expenses.

Purse expense decreased $408,000, $386,000, or 16.2% 12.9%, and $511,000, $897,000, or 12.9%, for the three and six nine months ended June 30, 2023 September 30, 2023, respectively, compared to the same periods in 2022. The decrease for the three months ended June 30, 2023 September 30, 2023 is primarily due to the decrease in pari-mutuel revenues while the decrease for the six nine months ended June 30, 2023 September 30, 2023 is primarily due to decreases of both pari-mutuel and Casino revenues. The decreases in pari-mutuel revenue and Casino revenues are explained above.

Salaries and benefits increased $290,000, $385,000, or 4.4% 5.6%, and $656,000, $1,042,000, or 5.5%, for the three and six nine months ended June 30, 2023 September 30, 2023, respectively, compared to the same periods in 2022. The increase is primarily due to an increase in our wage-rate structure for seasonal as well as year-round employees to attract and retain front-line workers. The Company also increased its 401(k) match percentage, effective January 1, 2023.

Cost of food and beverage sales decreased $88,000, $204,000, or 9.7% 14.9%, and remained relatively flat $204,000, or 7.4%, for the three and six nine months ended June 30, 2023 September 30, 2023, respectively, compared to the same periods in 2022. The decrease for the three months ended June 30, 2023 was is primarily due to the decreased food and beverage revenue due to fewer race days Twin Cities Summer Jam not taking place in 2023 as noted above.

Advertising and marketing costs decreased $240,000, $680,000, or 27.5% 43.4%, and $242,000, $922,000, or 20.7% 33.7%, for the three and six nine months ended June 30, 2023 September 30, 2023, respectively, compared to the same periods in 2022. The decreases are decrease is attributed to the expiration of the Cooperative Marketing Agreement mentioned above in the other revenues section.

Professional and contracted services increased $713,000, or 45.4%, and $1,076,000, or 28.5%, for the three and nine months ended September 30, 2023, respectively, compared to the same periods in 2022. The increase in professional expense relates to long-term strategic growth initiatives being pursued as part of the execution on our five-year strategic plan focused on growing Casino revenue.

Other operating expenses increased $395,000, decreased $213,000, or 32.7% 13.3%, and $530,000, increased $317,000, or 24.1% 8.3%, for the three and six nine months ended June 30, 2023 September 30, 2023, respectively, compared to the same periods in 2022. The increases are decrease for the three months ended September 30, 2023 is primarily due to lower costs for promoter expenses related to our summer concert series. The increase for the nine months ended September 30, 2023 is primarily due to increased track maintenance costs, a settlement of a claim, and also the timing of miscellaneous repairs and maintenance year-over-year.

Other Income (Loss): , Net:

Other loss, net, for the three months ended June September 30, 2023 was $125,000, $137,000, an increase of $204,000, $140,000, compared to a net other loss of $329,000 $277,000 for the three months ended June September 30, 2023 2022. Other income, net, for the six nine months ended June September 30, 2023 was $2,133,000, $1,995,000, an increase of $2,509,000, $2,649,000, compared to a net other loss of $376,000 $653,000 for the six nine months ended June September 30, 2023 2022. The increase for the six nine months ended June 30, 2023 September 30, 2023 is primarily due to our share of insurance proceeds received on a claim by Doran Canterbury I. Also contributing to both the three and six nine month increases was increased interest income due to the Company transferring available cash into certificates of deposit and money market funds as well as increasing interest rates related to our member loans to Doran Canterbury I and Doran Canterbury II.

During the 2023 second quarter, the Company recorded a gain on sale of land of $6,490,000 as a result of the sale of approximately 37 acres of land to an affiliate of Swervo Development for approximately $8,800,000 in total consideration. Included in this amount is $500,000 of cash being held in escrow related to a contingency for the now completed demolition of barns that existed on the land prior to the sale.

The Company recorded a provision for income taxes of $2,135,000 $533,000 and $619,000 $1,210,000 for the three months ended June 30, 2023 September 30, 2023 and 2022, respectively. The Company recorded a provision for income taxes of $3,176,000 $3,709,000 and $1,224,000 $2,434,000 for the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively. We record our quarterly provision for income taxes based on our estimated annual effective tax rate for the year. The increase decrease in our tax expense for 2023 compared to 2022 the three months ended September 30, 2023 is primarily due to an increase a decrease in income before taxes from operations. taxes. Our effective tax rate was 28.7% 31.9% and 28.3% 28.7% for the three and six nine months ended June 30, 2023 September 30, 2023, respectively. Our effective tax rate was 26.1% 29.3% and 25.8% 27.4% for the three and six nine months ended June 30, 2022 September 30, 2022, respectively. The increase small fluctuations in the effective tax rate is rates are primarily the result of discrete items that occurred during the six three and nine months ended June 30, 2022 September 30, 2023.

The Company recorded net income of $5,293,000 $1,136,000 and $8,063,000 $9,199,000 for the three and six nine months ended June 30, 2023 September 30, 2023, respectively. The Company recorded net income of $1,775,000 $2,921,000 and $3,529,000 $6,450,000 for the three and six nine months ended June 30, 2022 September 30, 2022, respectively.

EBITDA

To supplement our financial statements, we also provide investors with information about our EBITDA and Adjusted EBITDA, each of which is a non-GAAP measure, which excludes certain items from net income, a GAAP measure. See the table below, which presents reconciliations of these measures to the GAAP equivalent financial measures. We define EBITDA as earnings before interest, income tax expense, and depreciation and amortization. We also compute Adjusted EBITDA, which reflects additional adjustments to Net Income to eliminate unusual or non-recurring items, as well as items relating to our real estate development operations and we believe the exclusion of these items allows for better comparability of our performance between periods and is useful in allowing greater transparency related to a significant measure used by management in its financial and operational decision-making. Adjusted EBITDA has economic substance because it is used by management as a performance measure to analyze the performance of our business, excluding the impact of our real estate segment, and provides a perspective on the current effects of operating decisions relating to our core, non-real estate business. For the three and six nine months ended June 30, 2023 September 30, 2023, Adjusted EBITDA excluded depreciation relating to equity investments, gain on sale of land and disposal of assets, a gain on insurance proceeds related to the equity investment in Doran Canterbury I, as well as depreciation and amortization relating to equity investments, and interest expense related to equity investments. Neither EBITDA nor adjusted EBITDA is a measure of performance calculated in accordance with GAAP and should not be considered an alternative to, or more meaningful than, net income as an indicator of our operating performance. EBITDA is presented as a supplemental disclosure because we believe that, when considered with measures calculated in accordance with GAAP, EBITDA and Adjusted EBITDA provide a more complete understanding of our operating results before the impact of investing and financing transactions and income taxes, and it is a widely used measure of performance and a basis for valuation of companies in our industry. Moreover, other companies that provide EBITDA or Adjusted EBITDA information may calculate EBITDA or Adjusted EBITDA differently than we do.

The following table sets forth a reconciliation of net income, a GAAP financial measure, to EBITDA and to adjusted EBITDA (defined above) which are non-GAAP financial measures, for the three and six nine months ended June 30, 2023 September 30, 2023 and 2022:

Summary of EBITDA Data

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
NET INCOME	$ 5,292,525	$ 1,755,069	$ 8,063,035	$ 3,528,982	$ 1,136,299	$ 2,921,120	$ 9,199,331	$ 6,450,102
Interest income, net	(497,274)	(205,300)	(896,449)	(398,140)	(536,904)	(222,671)	(1,433,353)	(620,811)
Income tax expense	2,135,000	618,660	3,176,000	1,224,301	533,000	1,209,777	3,709,000	2,434,078
Depreciation	741,632	741,574	1,476,893	1,487,523	831,379	747,267	2,308,272	2,234,790
EBITDA	7,671,883	2,910,003	11,819,479	5,842,666	1,963,774	4,655,493	13,783,250	10,498,159
Gain on disposal of assets					(19,265)	—	(19,265)	—
Gain on sale of land	(6,489,976)	(12,151)	(6,489,976)	(12,151)	—	—	(6,489,976)	(12,151)
Gain on insurance proceeds related to equity investments	—	—	(2,528,901)	—	—	—	(2,528,901)	—
Depreciation and amortization related to equity investments	435,211	474,352	875,975	895,675	438,011	445,181	1,313,986	1,340,856
Interest expense related to equity investments	402,795	192,170	825,056	384,983	467,571	240,418	1,292,627	625,401
ADJUSTED EBITDA	$ 2,019,913	$ 3,564,374	4,501,633	7,111,173	$ 2,850,091	$ 5,341,092	7,351,721	12,452,265

Adjusted EBITDA decreased $1,544,000, $2,491,000, or 43.3% 46.6%, and $2,610,000, $5,101,000, or 36.7% 41.0%, for the three and six nine months ended June 30, 2023 September 30, 2023, respectively, compared to the same periods in 2022. The decrease in Adjusted EBITDA is primarily due to decreased Pari-mutuel and Casino revenues noted above. Furthermore, for the six nine months ended June 30, 2023, September 30, 2023, Adjusted EBITDA was reduced by insurance proceeds received by the Company's equity investment related to an insurance claim by the Doran Canterbury I, LLC joint venture as well as the gain on sale of land to Swervo Development, which was were not present in other periods. For the three and six nine months ended June 30, 2023, September 30, 2023, Adjusted EBITDA as a percentage of net revenue was 12.4% 14.8% and 15.2% 15.0%, respectively. For the three and six nine months ended June 30, 2022, September 30, 2022, Adjusted EBITDA as a percentage of net revenue was 20.1% 24.0% and 22.6% 23.2%, respectively.

Contingencies:

The Company continues to analyze the feasibility of various options related to the development of our underutilized land. The Company may incur substantial costs during the feasibility and predevelopment process, but the Company believes available funds are sufficient to cover the near-term costs. See Liquidity and Capital Resources for more information on liquidity and capital resource requirements.

Liquidity and Capital Resources:

The Company's primary source of liquidity and capital resources have been and are expected to be cash flow from operations and cash available under our revolving line of credit. The Company has a general credit and security agreement with a financial institution, which provides a revolving credit line up to $10,000,000 and allows for letters of credit in the aggregate amount of up to $2,000,000 to be issued under the credit agreement which matures January 31, 2024. The line of credit is collateralized by all receivables, inventory, equipment, and general intangibles of the Company.

The line of credit also includes collateral in the form of a Mortgage, Security Agreement, Fixture Financing Statement and Assignment of Leases and Rents. As of June September 30, 2023, the outstanding balance on the line of credit was $0. The Company did not borrow on the revolving line of credit during the quarter ended June 30, 2023 September 30, 2023. As of June September 30, 2023, the Company was in compliance with the financial covenants of the general credit and security agreement.

The Company's cash, cash equivalents, and restricted cash balance at June September 30, 2023 was $29,666,000 $28,076,000 compared to $16,106,000 as of December 31, 2022. The Company believes that unrestricted funds available in its cash accounts, amounts available under its revolving line of credit, along with funds generated from operations and future land sales, will be sufficient to satisfy its ongoing liquidity and capital resource requirements for regular operations, as well as its planned development expenses for at least the next twelve months. The Company intends to allocate substantially all of the net proceeds from the sale of the 37 acres of land to Bloomington Investments, LLC, an entity related to Swervo Development ("Swervo"), for total consideration of $8,800,000, to the redevelopment of the horse stabling area, which serves its racing business, with new barns and a new dormitory complex. The Company may seek additional financing to complete the redevelopment of the horse stabling area. In August 2023, the Company received approval for the first phase of the barn relocation and redevelopment plan, which is expected to take approximately one year to complete. Furthermore, if the Company engages in additional significant real estate development, significant improvements to its facilities, the Racetrack or surrounding grounds, or strategic growth or diversification transactions, additional financing would more than likely be required and the Company may seek this additional financing through joint venture arrangements, through incurring debt, or through an equity financing, or a combination of any of these.

Operating Activities

Trends in our operating cash flows tend to follow trends in operating income but can be affected by changes in working capital, the timing of significant interest payments, and tax payments or refunds. Net cash provided by operating activities for the six nine months ended June 30, 2023 September 30, 2023 was $10,800,000, $10,201,000, primarily as a result of the following: the Company reported net income of $8,063,000, $9,199,000, depreciation of $1,477,000, $2,308,000, deferred income taxes of $727,000, $776,000, and stock-based compensation and 401(k) match totaling $701,000, $1,043,000, offset by a gain from equity investment of $1,236,000 $562,000 and a gain on land sale of $6,490,000. Primarily due to timing of larger development related transactions as well as the timing of our live racing season, the The Company experienced an increase due to in cash received related to an employee retention credit receivable of $6,103,000, offset by a decrease to income taxes receivable and prepaid income taxes of $872,000, and an increase to in amounts payable to horsepersons of $2,911,000, offset by $768,000 and an increase in accounts receivable of $1,151,000 $1,002,000 for the six nine months ended June 30, 2023 September 30, 2023.

Net cash provided by operating activities for the six nine months ended June 30, 2022 September 30, 2022 was $10,288,000, $9,869,000, primarily as a result of the following: the Company reported net income of $3,529,000, $6,450,000, depreciation of $1,488,000, $2,235,000, a loss from equity investment of $774,000, $1,274,000, and stock-based compensation and 401(k) match totaling $520,000. $795,000. Primarily due to timing of our live racing season, the Company also experienced an increase in accounts payable of $1,499,000 $1,595,000 and an increase to payable to horsepersons of $6,423,000, $558,000, offset by a decrease in accounts receivable of $1,455,000 $1,499,000 and income taxes receivable and prepaid income taxes of $4,482,000 $1,287,000 for the six nine months ended June 30, 2022 September 30, 2022.

Investing Activities

Net cash provided by investing activities for the six nine months ended June 30, 2023 September 30, 2023 was $3,546,000, $2,895,000, primarily due to net proceeds received from the sale of land of $8,337,000, offset by $5,577,000 in additions to land, buildings, and equipment.

Net cash used in investing activities for the first six nine months of 2022 was $1,055,000, $2,078,000, primarily due to $2,663,000 in additions to land, buildings, and equipment, and $398,000 in equity investment contributions. contributions, which was somewhat offset by $1,160,000 in net proceeds received from the sale of land .

Financing Activities

Net cash used in financing activities for the six nine months ended June 30, 2023 September 30, 2023 was $786,000, $1,126,000, primarily due to cash dividends paid to shareholders and payments for taxes of equity awards. The Company declared a cash dividend of $0.07 per share payable each quarter during the nine months ended September 30, 2023.

Net cash used in financing activities during the first six nine months of 2022 was $832,000, $1,180,000, primarily due to cash dividends paid to shareholders and payments for taxes of equity awards. The Company declared a cash dividend of $0.14 per share payable during the first quarter followed by a $0.07 per share payable for the second and third quarters during the nine months ended September 30, 2022.

Critical Accounting Policies Estimates:

The preparation of the Condensed Consolidated Financial Statements in accordance with GAAP requires us to make estimates and judgments that are subject to an inherent degree of uncertainty. The nature of the estimates and assumptions are material due to the levels of subjectivity and judgment necessary to account for highly uncertain factors or the susceptibility of such factors to change.
These accounting estimates are described in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Company's Annual Report on Form 10-K for the year ended December 31, 2022. Management made no changes to the Company's critical accounting estimates during the quarter ended September 30, 2023. In applying its critical accounting estimates, management reassesses its estimates each reporting period based on available information. Changes in these estimates did not have a significant impact on earnings for the quarter ended September 30, 2023.
The development and selection of critical accounting estimates, and the related disclosures, have been reviewed with the Audit Committee of our Board of Directors. We believe the current assumptions and other considerations used to estimate amounts reflected in our Condensed Consolidated Financial Statements are appropriate. However, if actual experience differs from the assumptions and other considerations used in estimating amounts reflected in our Condensed Consolidated Financial Statements, the resulting changes could have a material adverse effect on our financial condition, results of operations and cash flows.

Estimate of the allowance for doubtful accounts - Property Tax Increment Financing "TIF" Receivable

As of June September 30, 2023, the Company recorded a TIF receivable on its Consolidated Balance Sheet of approximately $13,631,000, $13,801,000, which represents $11,305,000 of principal and $2,326,000 $2,496,000 of interest. The TIF receivable requires significant management estimates and judgement pertaining to whether an allowance for doubtful accounts is necessary. The TIF receivable was generated in connection with the Contract for Private Redevelopment, in which the City of Shakopee has agreed that a portion of the future tax increment revenue generated from the developed property around the Racetrack will be paid to the Company to reimburse it for expenses in constructing public infrastructure improvements.

The Company typically performs an annual collectability analysis of the TIF receivable in the fourth quarter of each year, or more frequently if indicators of potential uncollectability exist. The Company utilizes the assistance of a third party to assist with the projected tax increments. The quantitative analysis includes assumptions based on the market values of the completed development projects within Canterbury Commons, which derives the future projected tax increment revenue. The Company uses the analysis to determine if the future tax increment revenue will exceed the Company's development costs on infrastructure improvements. As a result of our analysis for the year ended December 31, 2022, management believes the TIF receivable will be fully collectible and no allowance related to this receivable is necessary. There were no indicators of potential uncollectability in for the quarter three and nine months ended June September 30, 2023.

Cooperative Marketing Agreement:

On June 4, 2012, the Company entered into a Cooperative Marketing Agreement (the "CMA") with the SMSC. The primary purpose of the CMA was to increase purses paid during live horse racing at Canterbury Park's Racetrack in order to strengthen Minnesota's thoroughbred and quarter horse industry. Under the CMA, as amended, this was achieved through "Purse Enhancement Payments to Horsemen" paid directly to the MHBPA. These payments had no direct impact on the Company's consolidated financial statements or operations.

Under the CMA, as amended, SMSC also agreed to make "Marketing Payments" to the Company relating to joint marketing efforts for the mutual benefit of the Company and SMSC, including signage, joint promotions, player benefits, and events.

As noted above and affirmed in the Fifth Amendment, SMSC paid the required annual purse enhancement of $7,380,000 and annual marketing payment of $1,620,000 for 2022.

The amounts earned from the marketing payments were recorded as a component of other revenue and the related expenses were recorded as a component of advertising and marketing expense and depreciation in the Company's condensed consolidated statements of operations. For the three and nine six months ended June September 30, 2022, the Company recorded $675,000 $977,000 and $787,000 $1,764,000 in other revenue, incurred $621,000 $916,000 and $687,000 $1,603,000 in advertising and marketing expense, and incurred $54,000 $61,000 and $100,000 $161,000 in depreciation related to the SMSC marketing funds. The excess of amounts received over revenue is reflected as deferred revenue on the Company's consolidated balance sheets.

Under the CMA, the Company agreed for the term of the CMA that it would not promote or lobby the Minnesota legislature for expanded gambling authority and will support the SMSC's lobbying efforts against expanding gambling authority.

The CMA expired by its terms on December 31, 2022. Accordingly, for the three and six nine months ended June 30, 2023 September 30, 2023, there were no purse enhancement payments or marketing payments under the CMA.

Redevelopment Agreement:

As mentioned above in Note 8 of Notes to Financial Statements, on August 10, 2018, the City of Shakopee, the City of Shakopee Economic Development Authority, and the Company entered into a Redevelopment Agreement in connection with a Tax Increment Financing District ("TIF District") that the City had approved in April 2018. Under the Redevelopment Agreement, the Company has agreed to undertake a number of specific infrastructure improvements within the TIF District, including the development of public streets, utilities, sidewalks, and other public infrastructure and the City of Shakopee agreed that a portion of the tax revenue generated from the developed property will be paid to the Company to reimburse it for its expense in constructing these improvements. The Company expects to finance its improvements under the Redevelopment Agreement with funds from its current operating resources and existing credit facility and, potentially, third-party financing sources.

On January 25, 2022, the Company received the fully executed First Amendment to the Contract for Private Redevelopment among the Company, the City of Shakopee, and the Shakopee EDA, which is effective as of September 7, 2021. Under the First Amendment and as part of the authorized changes regarding the responsibilities of the Company and the City, improvements on Unbridled Avenue will be primarily constructed by the City of Shakopee. As a result, the total estimated cost of TIF eligible improvements to be borne by the Company was reduced by $5,744,000 to an amount not to exceed $17,592,881.

Forward-Looking Statements:

From time-to-time, in reports filed with the Securities and Exchange Commission, in press releases, and in other communications to shareholders or the investing public, we may make forward-looking statements concerning possible or anticipated future financial performance, prospective business activities or plans that are typically preceded by words such as “believes,” “expects,” “anticipates,” “intends” or similar expressions. For these forward-looking statements, we claim the protection of the safe harbor for forward-looking statements contained in federal securities laws. Shareholders and the investing public should understand that these forward-looking statements are subject to risks and uncertainties that could affect our actual results and cause actual results to differ materially from those indicated in the forward-looking statements. These risks and uncertainties include, but are not limited to:

- Our business is sensitive to reductions in discretionary consumer spending as a result of downturns in the economy and other factors outside of our control.
- Because purse enhancement payments and marketing payments under our CMA with SMSC will did not continue after December 31, 2022, we have experienced decreased revenue and profitability from live racing.
- We may not be able to attract a sufficient number of horses and trainers to achieve above average field sizes.
- We face significant competition, both directly from other racing and gaming operations and indirectly from other forms of entertainment and leisure time activities, which could have a material adverse effect on our operations.
- Nationally, the popularity of horse racing has declined
- A lack of confidence in the integrity of our core businesses could affect our ability to retain our customers and engage with new customers.
- Horse racing is an inherently dangerous sport and our racetrack is subject to personal injury litigation.
- Our business depends on using totalizator services.
- Inclement weather and other conditions may affect our ability to conduct live racing.
- Our business and operations have been, and may in the future, be adversely affected by epidemics, pandemics, outbreaks of disease, and other adverse public health developments, including COVID-19.
- We are subject to changes in the laws that govern our business, including the possibility of an increase in gaming taxes, which would increase our costs, and changes in other laws may adversely affect our ability to compete.
- We are subject to extensive regulation from gaming authorities that could adversely affect us.
- We rely on the efforts of our partner Doran for the development and profitable operation of our Triple Crown Residences at Canterbury Park joint venture.

- We rely on the efforts of our partner Greystone Construction for a new development project.

- We may not be successful in executing our real estate development strategy.

- We are obligated to make improvements in the TIF district and will be reimbursed only to the extent of future tax revenue.

- An increase in the minimum wage mandated under Federal or Minnesota law could have a material adverse effect on our operations and financial results.

- We may be adversely affected by the effects of inflation

- The payment and amount of future dividends is subject to Board of Director discretion and to various risks and uncertainties.

- Our information technology and other systems are subject to cyber security risk including misappropriation of customer information or other breaches of information security.

- We process, store, and use personal information and other data, which subjects us to governmental regulation and other legal obligations related to privacy, and our actual or perceived failure to comply with such obligations could harm our business.

- Other factors that are beyond our ability to control or predict.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable.

ITEM 4: CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures:

The Company's President and Chief Executive Officer, Randall D. Sampson and Chief Financial Officer, Randy J. Dehmer, have reviewed the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based upon this review, these officers have concluded that the Company's disclosure controls and procedures are effective.

(b) Changes in Internal Control over Financial Reporting:

There have been no significant changes in our internal control over financial reporting (as defined in Rules 13a-15(f) under the Exchange Act) that occurred during our fiscal quarter ended June September 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

OTHER INFORMATION

Item 1. **Legal Proceedings**

Not Applicable.

Item 1A. **Risk Factors**

The most significant risk factors applicable to the Company are described in Part I, Item 1A "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2022. There have been no material changes from the risk factors previously disclosed.

Item 2. **Unregistered Sales of Equity Securities and Use of Proceeds**

Not Applicable.

Item 3. **Defaults upon Senior Securities**

Not Applicable.

Item 4. **Mine Safety Disclosures**

Not Applicable.

Item 5. **Other Information**

During the three months ended June 30, 2023 September 30, 2023, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. **Exhibits**

31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (rules 13a-14 and 15d-14 of the Exchange Act).
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (rules 13a-14 and 15d-14 of the Exchange Act).
32	Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).
99.1	Press Release dated August 10, 2023 November 9, 2023 announcing 2023 Second Third Quarter Results.

101 The following financial information from Canterbury Park Holding Corporation's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2023 September 30, 2023, formatted in Inline eXtensible Business Reporting Language XBRL: (i) Condensed Consolidated Balance Sheets as of June 30, 2023 September 30, 2023 and December 31, 2022, (ii) Condensed Consolidated Statements of Operations for the Three and Six Nine Months Ended June 30, 2023 September 30, 2023 and June 30, 2022 September 30, 2022, (iii) Condensed Consolidated Statements of Stockholders' Equity for the Three and Six Nine Months Ended June 30, 2023 September 30, 2023 and June 30, 2022 September 30, 2022, (iv) Condensed Consolidated Statements of Cash Flows for the Six Nine Months Ended June 30, 2023 September 30, 2023 and June 30, 2022 September 30, 2022, and (v) Notes to Financial Statements.

104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Canterbury Park Holding Corporation

Dated: August 11, 2023 November 13, 2023

/s/ Randall D. Sampson

Randall D. Sampson

President and Chief Executive Officer (principal executive officer)

Dated: August 11, 2023 November 13, 2023

/s/ Randy J. Dehmer

Randy J. Dehmer

Chief Financial Officer (principal financial officer, principal accounting officer)

Exhibit 31.1

CERTIFICATION

I, Randall D. Sampson certify that:

1. I have reviewed this quarterly report on Form 10-Q of Canterbury Park Holding Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d- 15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case on an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and;

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 11, 2023 November 13, 2023

CANTERBURY PARK HOLDING CORPORATION

/s/ Randall D. Sampson

Randall D. Sampson

President and Chief Executive Officer (principal executive officer)

Exhibit 31.2

CERTIFICATION

I, Randy J. Dehmer certify that:

1. I have reviewed this quarterly report on Form 10-Q of Canterbury Park Holding Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d- 15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case on an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and;

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 11, 2023 November 13, 2023

CANTERBURY PARK HOLDING CORPORATION

/s/ Randy J. Dehmer

Randy J. Dehmer

Chief Financial Officer (principal financial officer, principal accounting officer)

Exhibit 32

CERTIFICATION

Pursuant to 18 U.S.C. 1350, the undersigned Chief Executive Officer and Chief Financial Officer of Canterbury Park Holding Corporation (the "Company") herby certifies that:

(1) The accompanying quarterly report on Form 10-Q for the period ended June September 30, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the accompanying Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

CANTERBURY PARK HOLDING CORPORATION

Dated: August 11, 2023 November 13, 2023

/s/ Randall D. Sampson

Randall D. Sampson

President and Chief Executive Officer (principal executive officer)

Dated: August 11, 2023 November 13, 2023

/s/ Randy J. Dehmer

Randy J. Dehmer

Chief Financial Officer (principal financial officer, principal accounting officer)

Exhibit 99.1

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Canterbury Park Holding Corporation Reports
Reports First 2023 Third Quarter Results

Shakopee, MN – May 11, 2023 November 9, 2023 – Canterbury Park Holding Corporation ("Canterbury" or the "Company") (NASDAQ: CPHC), today reported financial results for the first quarter three and nine months ended March 31, 2023 September 30, 2023.

($ in thousands, except per share data and percentages)

($ in thousands, except per share data and percentages)

	Three Months Ended March 31,					Three Months Ended September 30,			Nine Months Ended September 30,		
	2023		2022		Change	2023	2022	Change	2023	2022	Change
Net revenues	$	13,300	$	13,638	-2.5 %	$ 19,269	$ 22,292	-13.6 %	$ 48,910	$ 53,705	-8.9 %
Net income	$	2,771	$	1,774	56.2 %	$ 1,136	$ 2,921	-61.1 %	$ 9,199	$ 6,450	42.6 %
Adjusted EBITDA (1)	$	2,482	$	3,547	-30.0 %						
Adjusted EBITDA (1) (2)						$ 2,850	$ 5,341	-46.6 %	$ 7,352	$ 12,452	-41.0 %
Basic EPS	$	0.57	$	0.37	53.8 %	$ 0.23	$ 0.60	-61.7 %	$ 1.87	$ 1.33	40.6 %
Diluted EPS	$	0.56	$	0.36	54.2 %	$ 0.23	$ 0.60	-61.7 %	$ 1.86	$ 1.32	40.9 %

(1) Adjusted EBITDA, a non-GAAP measure, excludes certain items from net income, a GAAP measure. Non-GAAP financial measures are not intended to be considered in isolation from, a substitute for, or superior to GAAP results. Definitions, disclosures, and reconciliations of non-GAAP financial information are included later in the release.

(2) Adjusted EBITDA in the three and nine-month periods ended September 30, 2023, was impacted by professional fees related to long-term strategic growth initiatives totaling approximately $0.7 million and $1.0 million, respectively.

Management Commentary

"Canterbury Park's first third quarter results were in-line with represent a continuation of solid Casino segment performance offset by higher operating costs and our expectations entering 2023 and demonstrate previously disclosed reduced racing calendar compared to the stability of our business as we've moved beyond the impact of the pandemic and emerged with a more efficient operating structure that enables us to generate attractive levels of cash flow. First year-ago period. Third quarter net revenue of $13.3 million $19.3 million and adjusted EBITDA of $2.5 million reflect an $2.9 million resulted in adjusted EBITDA margin as a percentage of 18.7% which, while below revenue of 14.8%. Adjusted EBITDA as a percentage of revenue rebounded nicely from a recent quarters, remains significantly above historical levels. During low in the 2023 second quarter, and we benefited from the continued normalization of expect our events and food and beverage businesses which helped mitigate lower Casino revenue compared to last year even as we generated our second highest ever first quarter Casino performance. With the start of our 2023 live racing season coming later this month, we are confident that our guests will experience the level of excitement that Canterbury live racing is known to offer. At the same time, our diligent focus on managing our improved cost structure and operating efficiencies will stabilize this metric at an approximate mid- to high-teens percentage. Adjusted EBITDA and adjusted EBITDA as efficiently as possible will help us optimize the operating results a percentage of our Racing business. revenue were also impacted by professional fees related to long-term strategic growth initiatives.

"Casino revenue rose 1.8% over the prior year as we saw relatively stable customer visitation and spend, particularly at the upper end of our database. Pari-mutuel revenue declined 28.0% year-over-year primarily due to a significant decline in out-of-state handle on Canterbury Park races as a result of decreased field sizes as well as weather impacts and cancelations that reduced the number of races during the period by 12% compared to the same period last year. In addition, food & beverage revenues were negatively impacted by the live racing cancelations as well as having fewer events this year compared to last year's third quarter, particularly with Twin Cities Summer Jam not taking place in the third quarter of 2023 as it did during the third quarter of 2022.

"Development activity at Canterbury Commons™ continues continued to attract development interest, and we are quickly creating expand with a broad array of partners bringing exciting amenities to our vibrant lifestyle destination in Shakopee, including what we expect will be a world-class entertainment district anchored by community and exploring new opportunities. Swervo Development Corporation's Corporation ("Swervo") 19,000-seat amphitheater. This exciting new attraction is expected to break ground later this spring following our recently completed 37-acre land sale to Swervo. In part to make way for the has begun full-scale development of its state-of-the-art amphitheater and to free up additional land for development, progress continues with significant activity underway on the first phase 37-acre site. Further, the initial success of the Badger Hill

Brewery and Bravis Modern Street Food restaurant are drivers of traffic to Canterbury Commons and helping us make good on our barn relocation and stable modernization efforts. promise of 'Live, Work, Stay, and Play' encapsulates our approach to Canterbury Commons' development, and we believe we are delivering on that promise, with more excitement to come as we complete agreements with additional partners that share our vision and enthusiasm for across the experience broader Canterbury Commons can ultimately provide. development.

"2023 is off Our Casino business continues to a very good start, deliver steady financial results and we remain confident that we have the right operating practices and infrastructure we've put in place have allowed us to continue adapt to the changing environment in our solid performance over operations. At the balance of the year. We same time, we continue to have an excellent leverage our strong balance sheet with no long-term debt which, combined with our and stable cash flow generation positions us to as we return capital to shareholders through our quarterly cash dividend. At the same time, Going forward, we are actively evaluating opportunities to further optimize our team continues return of capital while simultaneously exploring additional ways to create new value for our shareholders. As we continue to execute on our five-year strategic plan focused on growing Casino revenue, we are also actively evaluate pursuing new opportunities that would diversify and grow our business, including through potential strategic transactions that would allow us to leverage our operating expertise and strong financial position to drive long-term growth. initiatives. We are also now actively pursuing gaming expansion including committed to continue to build a bright future for sports betting initiatives in Minnesota which we believe can further support our growth. The future of Canterbury Park has never been brighter, and we look forward to driving our company and community forward. Park."

Canterbury Commons Development Update

In late April 2023, the Company completed Swervo broke ground and construction is underway on its sale of approximately 37 acres in the northeast corner of the property to Swervo state-of-the-art amphitheater which will allow Swervo to begin development of a state-of-the-art, 19,000-seat amphitheater. Swervo is expected to begin construction in Spring 2023 with an anticipated opening open in 2025. Canterbury is has also making progress with received approval for the first phase of its barn relocation and redevelopment plan which among other things will free up land for the amphitheater and facilitate the creation of an entertainment district around the venue. is expected to take approximately one year to complete.

Construction Residential and commercial construction updates related to joint ventures include:

- Greystone Construction ("Greystone") is expected to complete completed an 11,000 square-foot brewery, taproom (Badger Hill) and Mexican restaurant (Bravis Modern Street Food) in early Summer July 2023.
- Doran Companies Properties Group continues its development of Phase II of the upscale Triple Crown Residences at Canterbury Park, with initial occupancy for some of the units anticipated in January 2024.
- Construction on the The Omry at Canterbury, featuring 147 units of senior market rate apartments, received a certificate of occupancy for approximately half of the units and initiated move-ins in September. The remaining units are anticipated to be complete by year end.
- A new 10,000 square-foot commercial building within the Winner's Circle development received planning and city council approval in October. The project is underway with first occupancy anticipated to have three tenants and Greystone Construction, the development sponsor, has targeted the inclusion of two restaurant groups and a fitness group within the building. Pending financing and firm commitments from one or two tenants, the project is expected to break ground in September 2023. late 2023 and open in late 2024.

Construction Residential and commercial construction updates related to prior land sales include:

REFINITIV

- Pulte Homes of Minnesota continues to make progress with has begun development of the sale of units within the 63-unit first 45-unit second phase of its new row home and townhome residences, with development of the 45-unit second phase expected to begin in Fall 2023. residences.
- Lifestyle Communities expects to begin construction break ground in spring or summer of 2024 for Artessa at Canterbury Park, – a cooperative community featuring a 56-unit 44-unit building with and over 5,000 square feet of amenity spaces – in Fall 2023. spaces.
- Greystone broke ground on is expected to complete the Next Steps Learning Center preschool earlier this year, with construction expected to be complete in late 2023.

Developer and partner selection for the remaining 40 acres of Canterbury Commons continues, with additional uses potentially including offices, retail, a hotel, and restaurants.

Summary of 2023 First Third Quarter Operating Results

Net revenues for the three months ended March 31, 2023 September 30, 2023, decreased 2.5% $3.0 million, or 13.6%, to $13.3 million $19.3 million, compared to $13.6 million in $22.3 million for the same period last year. The year-over-year decrease in 2022. Casino revenue was primarily driven up 1.8%, or $185,000. This slight increase was more than offset by decreases in Casino pari-mutuel, food & beverage, and Pari-mutuel revenues other revenue of 6.2% 28.0%, 15.4%, and 9.1% 35.5%, respectively, due to decreased attendance attributable to inclement weather, along with lower spend per visit. Food and Beverage and Other revenues grew year-over-year by 20.7%, primarily respectively. The decrease in pari-mutuel revenue was driven by a more normalized continued decrease in out-of-state handle due to smaller field sizes and more strongly attended special events calendar. less races. Food & beverage revenues declined primarily due to Twin Cities Summer Jam not taking place in the third quarter of 2023 as it did during the third quarter of 2022. Other revenues decreased primarily due to revenues earned during the three months ended September 30, 2022, as part of the cooperative marketing agreement that expired by its terms on December 31, 2022.

Operating expenses for the three months ended March 31, 2023 September 30, 2023, were $11.7 million $17.5 million, an increase a decrease of $534,000, $422,000, or 4.8% 2.4%, compared to operating expenses of $11.2 million $17.9 million for the same period in 2022. The year-over-year increase decrease reflects lower purse expenses related to decreased pari-mutuel revenue. Food & beverage cost of goods sold decreased with the similar decrease in operating food and beverage revenues. Marketing expenses was primarily driven by higher labor and contracted services costs as well as increased costs across the business decreased due to the current inflationary environment. expiration of the cooperative marketing agreement. These decreases in operating expense were somewhat offset by higher payroll expense, due primarily to annual wage increases, and increased professional expense related to the long-term strategic growth initiatives noted above.

The Company recorded a gain of $1.9 million and a loss of $240,000 from equity investments investment of $674,000 for the three months ended March 31, 2023 and 2022, respectively, September 30, 2023. For the three months ended September 30, 2022, the Company recorded a loss from equity investment of $500,000. The losses from equity investments in both periods were primarily related to its the Company's share of depreciation, amortization, and interest expense from the Doran Canterbury joint ventures.

The Company recorded interest income, net, of $537,000 for the three months ended September 30, 2023, an increase of $314,000, or 141%, compared to interest income, net, of $223,000 for the same period in 2022. With the continued strength of Canterbury's balance sheet, the Company has increased interest income due to transferring available cash into certificates of deposit and money market funds as well as recording additional interest accrued on the TIF receivable and member loans.

The Company recorded income tax expense of $533,000 for the three months ended September 30, 2023, compared to income tax expense of $1.2 million for the three months ended September 30, 2022. The Company recorded net income of $1.1 million, or diluted earnings per share of $0.23, for the three months ended September 30, 2023, compared to net income and diluted earnings per share for the three months ended September 30, 2022, of $2.9 million and $0.60, respectively.

Adjusted EBITDA, a non-GAAP measure, for the three months ended September 30, 2023, was $2.9 million compared to adjusted EBITDA of $5.3 million for the same period in 2022.

Summary of 2023 first Year-to-Date Operating Results

Net revenues for the nine months ended September 30, 2023, decreased $4.8 million, or 8.9%, to $48.9 million, compared to $53.7 million for the same period in 2022. The year-over-year decrease reflects decreases in Casino, pari-mutuel, food & beverage, and other revenues of $72,000, $2.6 million, $342,000, and $1.8 million, respectively. Reasons for the year-to-date decreases are similar to the reasons described above in the third quarter results.

Operating expenses for the nine months ended September 30, 2023, remained relatively flat at $44.5 million, a slight increase of $307,000, or 0.7%, compared to operating expenses of $44.2 million for the same period in 2022. The year-over-year increase reflects higher payroll expense and professional services expenses in the nine months ended September 30, 2023, which more than offset lower purse and marketing expenses as compared to the nine months ended September 30, 2022.

The gain on sale of land for the nine months ended September 30, 2023, was $6.5 million and was related to the sale of 37 acres to Swervo for the future development of an amphitheater. The Company recorded a gain on sale of land of $12,000 in the nine-month period ended September 30, 2022.

The Company recorded a gain from equity investment of $562,000 for the nine months ended September 30, 2023, compared to a loss from equity investment of $1.3 million for the nine months ended September 30, 2022. The net gain for the nine months ended September 30, 2023 is related to insurance proceeds received related to a claim by the joint venture against a third party. The 2022 first quarter loss was partially offset by a one-time gain recorded party while the losses from investments in the prior period were primarily related to the Company's share of depreciation, amortization, and interest expense from the Doran Canterbury DBSV joint venture as a result ventures.

The Company recorded interest income, net, of Canterbury DBSV transferring a parcel of land to another joint venture $1.4 million for the Omry development. nine months ended September 30, 2023, an increase of $813,000, or 131%, compared to interest income, net, of $621,000 for the same period in 2022. With the continued strength of Canterbury's balance sheet, the Company has increased interest income due to transferring available cash into certificates of deposit and money market funds as well as recording additional interest accrued on the TIF receivable and member loans. The Company also recognized interest related to employee retention credit funds that were received during the nine months ended September 30, 2023.

The Company recorded income tax expense of $1.0 million and $606,000 $3.7 million for the three nine months ended March 31, 2023 and 2022, respectively, resulting in an effective September 30, 2023, compared to income tax rate expense of 27.3% and 25.5%, respectively. $2.4 million for the nine months ended September 30, 2022.

The Company recorded net income of $2.8 million $9.2 million, or diluted earnings per share of $1.86, for the nine months ended September 30, 2023, compared to net income and diluted earnings per share of $0.56 for the three nine months ended March 31, 2023. The Company recorded net income September 30, 2022, of $1.8 million $6.5 million and diluted earnings per share of $0.36 for the three months ended March 31, 2022. $1.32, respectively.

Adjusted EBITDA a non-GAAP measure, decreased 30.0% year-over-year to $2.5 million in was $7.4 million for the 2023 first quarter, nine months ended September 30, 2023 compared to $3.5 million $12.5 million for the same period in the 2022 first quarter. 2022.

Additional Financial Information

Further financial information for the first third quarter ended March 31, 2023 September 30, 2023, is presented in the accompanying tables at the end of this press release. Additional information will be provided in the Company's Quarterly Report on Form 10-Q that will be filed with the Securities and Exchange Commission on or about May 12, 2023 November 13, 2023.

Use of Non-GAAP Financial Measures

To supplement our financial statements, we also provide investors with information about our EBITDA and Adjusted EBITDA, each of which is a non-GAAP measure, and which exclude certain items from net income, a GAAP measure. We define EBITDA as earnings before interest, taxes, depreciation and amortization. We define Adjusted EBITDA as earnings before interest income, income tax expense, depreciation and amortization, as well as excluding gain on sale of land and disposal of assets, depreciation and amortization related to equity investments, interest expense related to equity investments, and grant money received from the Minnesota COVID-19 relief package. gain on insurance proceeds relating to equity investments. Neither EBITDA nor Adjusted EBITDA is a measure of performance calculated in accordance with generally accepted accounting principles ("GAAP"), and should not be considered an alternative to, or more meaningful than, net income as an indicator of our operating performance. See the table below, which presents reconciliations of these measures to the GAAP equivalent financial measures. We have presented EBITDA as a supplemental disclosure because we believe that, when considered with measures calculated in accordance with GAAP, EBITDA gives investors a more complete understanding of our operating results before the impact of investing and financing transactions and income taxes, and it is a widely used measure of performance and basis for valuation of companies in our industry. Other companies that provide EBITDA information may calculate EBITDA differently than we do. We have presented Adjusted EBITDA as a supplemental disclosure because we believe it enables investors to understand and assess our core operating results excluding the effect of these items and is useful to investors in allowing greater transparency related to a significant measure used by management in its financial and operational decision-making. Adjusted EBITDA has economic substance because it is used by management as a performance measure to analyze the performance of our business and provides a perspective on the current effects of operating decisions.

About Canterbury Park

Canterbury Park Holding Corporation (Nasdaq: CPHC) owns and operates Canterbury Park Racetrack and Casino in Shakopee, Minnesota, the only thoroughbred and quarter horse racing facility in the State. The Company generally offers live racing from May to September. The Casino hosts card games 24 hours a day, seven days a week, dealing both poker and table games. The Company also conducts year-round wagering on simulcast horse racing and hosts a variety of other entertainment and special events at its Shakopee facility. The Company is also pursuing a strategy to enhance shareholder value by the ongoing development of approximately 140 acres of underutilized land surrounding the Racetrack that was originally designated for a project known as Canterbury Commons™. The Company is pursuing several mixed-use development opportunities for the remaining underutilized land, directly and through joint ventures. For more information about the Company, please visit www.canterburypark.com.

Cautionary Statement

From time to time, in reports filed with the Securities and Exchange Commission, in press releases, and in other communications to shareholders or the investing public, we may make forward-looking statements concerning possible or anticipated future financial performance, business activities or plans. These statements are typically preceded by the words “believes,” “expects,” “anticipates,” “intends” or similar expressions. For these forward-looking statements, we claim the protection of the safe harbor for forward-looking statements contained in federal securities laws. Shareholders and the investing public should understand that these forward-looking statements are subject to risks and uncertainties which could affect our actual results and cause actual results to differ materially from those indicated in the forward-looking statements. We report these risks and uncertainties in our Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC and subsequently filed Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. They include, but are not limited to: sensitivity to reductions in discretionary spending as a result of downturns in the economy; the termination of the Cooperative Marketing Agreement with the Shakopee Mdewakanton Sioux Community and the purse enhancement payments and marketing payments made under such agreement;; the occurrence of epidemics, pandemics, outbreaks of disease, and other adverse public health developments; the inability to attract a sufficient number of horses and trainers; a lack of confidence in core operations resulting in decreasing customer retention and engagement; personal injury litigation due to the inherently dangerous nature of horse racing; material fluctuations in attendance at the Racetrack; material changes in the level of wagering by patrons; any decline in interest in horse racing or the unbanked card games offered in the Casino; competition from other venues offering racing, unbanked card games or other forms of wagering; competition from other sports and entertainment options; increases in compensation and employee benefit costs; higher than expected expense related to new marketing initiatives; the impact of wagering products and technologies introduced by competitors; the general health of the gaming sector; legislative and regulatory decisions and changes; our ability to successfully develop our real estate, including the effect of competition on our real estate development operations and our reliance on our current and future development partners; temporary disruptions or changes in access to our facilities caused by ongoing infrastructure improvements; inclement weather and other conditions affecting the ability to conduct live racing; technology and/or key system failures; cybersecurity breaches; the failure to receive reimbursement for certain public infrastructure improvements we have committed to undertake; the general effects of inflation; our ability to attract and retain qualified personnel; dividends that may or may not be issued at the discretion of our Board of Directors; and other factors that are beyond our ability to control or predict.

The forward-looking statements in this press release speak only as of the date of this press release. Except as required by law, Canterbury assumes no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future.

Investor Contacts # # #

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- financial Financial tables follow –

CANTERBURY PARK HOLDING CORPORATION'S

SUMMARY OF OPERATING RESULTS

(UNAUDITED)

	Three months ended March 31,		Three months ended September 30,		Nine months ended September 30,	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
Operating Revenues:						
Casino	$ 9,714,355	$ 10,360,427	$ 10,224,216	$ 10,039,527	$ 30,322,149	$ 30,394,387
Pari-mutuel	1,133,334	1,246,687	3,405,010	4,730,827	7,009,710	9,599,070
Food and Beverage	1,469,831	1,088,722	3,310,759	3,913,320	6,808,242	7,150,715
Other	982,038	942,136	2,328,564	3,608,729	4,769,694	6,560,477
Total Net Revenues	$ 13,299,558	$ 13,637,972	$ 19,268,549	$ 22,292,403	$ 48,909,795	$ 53,704,649
Operating Expenses	11,754,737	11,211,736	(17,461,813)	(17,884,034)	(44,486,784)	(44,179,373)
Gain on Sale of Land			-	-	6,489,976	12,151
Income from Operations	1,553,821	2,426,236	1,806,736	4,408,369	10,912,987	9,537,427
Other Income (Loss), net	2,257,686	(46,682)				

Other (Loss)/Gain, net			(137,437)	(277,472)	1,995,344	(653,247)
Income Tax Expense	(1,041,000)	(605,641)	(533,000)	(1,209,777)	(3,709,000)	(2,434,078)
Net Income	2,770,507	1,773,913	1,136,299	2,921,120	9,199,331	6,450,102
Basic Net Income Per Common Share	$ 0.57	$ 0.37	$ 0.23	$ 0.60	$ 1.87	$ 1.33
Diluted Net Income Per Common Share	$ 0.56	$ 0.36	$ 0.23	$ 0.60	$ 1.86	$ 1.32

RECONCILIATION OF NET INCOME TO EBITDA
AND ADJUSTED EBITDA AND ADJUSTED EBITDA

(UNAUDITED)

	Three months ended March 31,		**Three months ended September 30,**		**Nine months ended September 30,**	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
NET INCOME	$ 2,770,507	$ 1,773,913	$ 1,136,299	$ 2,921,120	$ 9,199,331	$ 6,450,102
Interest income, net	(399,175)	(192,840)	(536,904)	(222,671)	(1,433,353)	(620,811)
Income tax expense	1,041,000	605,641	533,000	1,209,777	3,709,000	2,434,078
Depreciation	735,261	745,949	831,379	747,267	2,308,272	2,234,790
EBITDA	4,147,593	2,932,663	1,963,774	4,655,493	13,783,250	10,498,159
Gain on insurance proceeds related to equity investments	(2,528,901)	-	-	-	(2,528,901)	-
Gain on disposal of assets			(19,265)	-	(19,265)	-
Gain on sale of land			-	-	(6,489,976)	(12,151)
Depreciation and amortization related to equity investments	440,764	421,323	438,011	445,181	1,313,986	1,340,856
Interest expense related to equity investments	422,261	192,813	467,571	240,418	1,292,627	625,401
ADJUSTED EBITDA	$ 2,481,717	$ 3,546,799	$ 2,850,091	$ 5,341,092	$ 7,351,721	$ 12,452,265