

**ONTARIO EQUESTRIAN FEDERATION
INCORPORATED**

Financial Statements

**For The Period
From April 1, 2015
To December 31, 2015**

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ONTARIO EQUESTRIAN FEDERATION INCORPORATED

**For The Period From April 1, 2015
To December 31, 2015**

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INDEPENDENT AUDITORS' REPORT

To the Members of
Ontario Equestrian Federation Incorporated

We have audited the accompanying financial statements of Ontario Equestrian Federation Incorporated, which comprise the statement of financial position as at December 31, 2015 and the statements of earnings and changes in net assets and cash flows for the period from April 1, 2015 to December 31, 2015 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion of these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ontario Equestrian Federation Incorporated as at December 31, 2015 and the results of its operations and cash flows for the period from April 1, 2015 to December 31, 2015 in accordance with Canadian accounting standards for not-for-profit organizations.

Trister Zweig LLP

Richmond Hill, Ontario
April 19, 2016

Chartered Accountants
Licensed Public Accountants

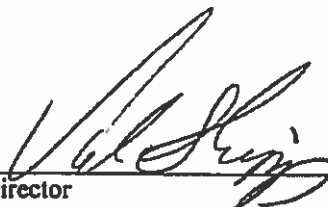
ONTARIO EQUESTRIAN FEDERATION INCORPORATED
Statement of Financial Position
December 31, 2015

	<u>Notes</u>	<u>2015</u>	<u>March 31,</u> <u>2015</u>
ASSETS			
CURRENT			
Cash		\$ 291,026	\$ 275,337
Short term investments		203,275	301,393
Accounts receivable		50,772	358,355
Due from Medications Drug Fund Progam	2	6,148	4,582
Inventory		12,414	17,676
Prepaid expenses		27,409	37,525
		<u>591,044</u>	<u>994,868</u>
EQUIPMENT	3	<u>148,792</u>	<u>134,836</u>
		<u>\$ 739,836</u>	<u>\$ 1,129,704</u>
LIABILITIES AND NET ASSETS			
CURRENT			
Accounts payable and accrued liabilities		\$ 303,707	\$ 226,404
Government remittances		37,591	70,055
Deferred revenue	4	346,322	747,923
Vehicle loan - current portion	5	4,427	-
		<u>692,047</u>	<u>1,044,382</u>
VEHICLE LOAN	5	<u>16,968</u>	<u>-</u>
		<u>709,015</u>	<u>1,044,382</u>
NET ASSETS		<u>30,821</u>	<u>85,322</u>
		<u>\$ 739,836</u>	<u>\$ 1,129,704</u>

APPROVED ON BEHALF OF THE BOARD



 Director



 Director

See accompanying notes



ONTARIO EQUESTRIAN FEDERATION INCORPORATED
Statement of Loss and Changes in Net Assets
For The Period From April 1, 2015
To December 31, 2015

	Note	2015	April 1, 2014 to March 31, 2015
REVENUE			
Memberships		\$ 706,884	\$ 911,525
Registrations		47,906	99,793
Grants		83,632	130,188
Advertising, commissions and sponsorships		57,249	104,228
Medications Drug Fund Program	2	37,500	50,000
Interest and other		48,198	32,265
		<u>981,369</u>	<u>1,327,999</u>
EXPENSES			
Advertising		7,171	21,735
Affiliate fees		475	987
Amortization		25,986	44,169
Credit card and bank charges		31,321	47,190
Facility rental		-	6,594
Grants to affiliate members		1,500	3,880
Insurance		10,463	15,748
Office and general		96,736	100,313
Professional fees		32,479	52,945
Program expenses		64,742	44,912
Rent		87,772	108,554
Travel		20,799	44,199
Wages and benefits		517,635	732,749
Website costs		6,031	8,128
Whoa magazine costs		57,424	88,000
		<u>960,534</u>	<u>1,320,103</u>
EARNINGS BEFORE THE FOLLOWING		20,835	7,896
OTHER EARNINGS (EXPENSES)			
Gain on sale of equipment		921	-
Settlement of litigation		(65,000)	-
Severance litigation professional fees		(11,257)	-
		<u>(75,336)</u>	<u>-</u>
NET EARNINGS (LOSS)		(54,501)	7,896
Net Assets, beginning of period		<u>85,322</u>	<u>77,426</u>
NET ASSETS, end of period		\$ 30,821	\$ 85,322

See accompanying notes

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ONTARIO EQUESTRIAN FEDERATION INCORPORATED
Statement of Cash Flows
For The Period From April 1, 2015
To December 31, 2015

	2015	April 1, 2014 to March 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings (loss)	\$ (54,501)	\$ 7,896
Item not affecting cash:		
Amortization	25,986	44,169
Gain on disposal of equipment	(921)	-
	<u>(29,436)</u>	<u>52,065</u>
Changes in non-cash working capital:		
Accounts receivable	307,583	76,992
Inventory	5,262	(696)
Due from Medications Drug Fund Program	(1,566)	(29,099)
Prepaid expenses	10,116	(26,972)
Accounts payable and accrued liabilities	77,301	(165,822)
Government remittances	(32,464)	(15,242)
Deferred revenue	(401,601)	(41,681)
	<u>(35,369)</u>	<u>(202,520)</u>
	<u>(64,805)</u>	<u>(150,455)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Short term investments	98,119	(17,467)
Net change in equipment	(21,387)	(8,879)
Proceeds from sale of equipment	4,500	-
	<u>81,232</u>	<u>(26,346)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of vehicle loan	(738)	-
NET CASH INCREASE (DECREASE), during the period	15,689	(176,801)
Cash, beginning of period	275,337	452,138
CASH, end of period	\$ 291,026	\$ 275,337

See accompanying notes

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ONTARIO EQUESTRIAN FEDERATION INCORPORATED
Notes to Financial Statements
December 31, 2015

PURPOSE OF ORGANIZATION

Ontario Equestrian Federation Incorporated (referred to in these statements as the "Federation") was incorporated as a non-share capital, not-for-profit corporation under the laws of Ontario on June 2, 1977, to promote and regulate equestrian activities in Ontario in accordance with the policy and rules of Equine Canada. As an amateur athletic organization, the Federation is not subject to income taxes.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared using Canadian accounting standards for not-for-profit organizations, using the deferral method. These standards are in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) Financial instruments

The Federation measures its financial instruments, consisting of cash, short term investments, accounts receivable, due from Medications Drug Fund Program, accounts payable and accrued liabilities, government remittances and vehicle loan at cost or amortized cost.

b) Revenue recognition

Membership revenue is recognized based on actual memberships for the year. Memberships are reported net of amounts remitted to Equine Canada and a third party insurance provider.

The Federation follows the deferral method of accounting for contributions (i.e. grants and partnerships). Contributions are classified as either restricted, which are recognized as revenue in the year in which the related expenses are incurred, or unrestricted, which are recognized as revenue when received (or receivable, if the amount to be received can reasonably be estimated and collection is reasonably assured).

All other revenues are recognized when earned, provided collection is reasonably assured.

Deferred revenue represents the unearned portion of membership fees received in advance and advance payments for competitions and events received from members and partners.

Expenses are recognized as they are incurred and measurable as a result of receipt of goods and services and the creation of a legal obligation to pay.

c) Short term investments

Short term investments consist of investments in term deposits with maturities of three months or more from the date of investment.

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ONTARIO EQUESTRIAN FEDERATION INCORPORATED
Notes to Financial Statements
December 31, 2015

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

d) Inventory

Inventory consists of merchandise available for sale and is valued at the lower of cost and net realizable value with cost being determined on a first-in, first-out basis. Cost includes purchase cost and transportation costs. The Federation estimates the net realizable value as the amount at which inventory is expected to be sold, less estimated costs necessary to make the sale. Inventory is written down to net realizable value when the cost of inventory is not estimated to be recoverable due to obsolescence, damage or declining prices. When circumstances that previously caused inventory to be written down below cost no longer exist, the amount of the write-down previously recorded is reversed.

e) Equipment

Equipment is recorded at cost. Amortization is provided annually at rates calculated to write-off the assets over their estimated useful lives as follows:

Computer equipment	30% Declining balance
Computer software	30% Declining balance
Database	20% Declining balance
Furniture and equipment	20% Declining balance
Leasehold improvements	10% Straight line
Vehicle	30% Declining balance
Website	35% Declining balance

f) Use of estimates

The preparation of these financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of estimates include the measurement of revenues, accounts receivable and allowances for doubtful accounts, accounts payable and accrued liabilities, deferred revenue, and contingent liabilities. Actual results could differ from those estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the period in which they become known.

g) Volunteer services

Many of the Federation's activities are dependent upon the contribution of volunteer time. Because of the difficulty in determining fair value for these services, they are not recognized within these financial statements.

ONTARIO EQUESTRIAN FEDERATION INCORPORATED
Notes to Financial Statements
December 31, 2015

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

h) Capital management

The Federation's objective in managing its capital is to ensure sufficient funds are retained to enable the Federation to continue its operations uninterrupted. The need for sufficient resources is considered when preparing an annual budget and monitoring its cash flows.

2. MEDICATIONS DRUG FUND PROGRAM

The Federation enforces the current Equine Canada medication control rules in Ontario and ensures that random drug testing takes place at Equine Canada sanctioned competitions held throughout the province. The Federation is responsible for the administration of the national program in Ontario.

Funds held in trust for the Medications Drug Fund Program (the "Program") are maintained in separate bank and brokerage accounts. These account balances, totalling \$219,318 (March 31, 2015 - \$204,816), are restricted in nature. The Federation has no residual claim in any of the Program's equity and has only been engaged as trustee and administrator of these funds. Accordingly, the cash inflows and outflows from the Program are not included in the statement of operations.

The Federation earns administration fees from the Program as per agreement with Equine Canada. These transactions are in the normal course of operations and are measured at the exchange amount, being the amount of consideration agreed to by the related parties.

3. EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value	
			2015	March 31, 2015
Computer equipment	\$ 141,568	\$ 125,951	\$ 15,617	\$ 19,382
Computer software	11,980	9,787	2,193	2,829
Database	85,589	41,571	44,018	27,700
Furniture and equipmet	108,960	77,982	30,978	36,445
Leasehold improvements	23,449	11,137	12,312	14,070
Vehicle	22,047	551	21,496	4,338
Website	92,693	70,515	22,178	30,072
	\$ 486,286	\$ 337,494	\$ 148,792	\$ 134,836

During the year, a vehicle in the amount of \$22,047 was acquired through a finance loan (see note 5).

ONTARIO EQUESTRIAN FEDERATION INCORPORATED
Notes to Financial Statements
December 31, 2015

4. DEFERRED REVENUE

	<u>Memberships</u>	<u>Grants</u>	<u>Partnerships</u>	<u>Total</u>
Balance, beginning of period	\$ 743,198	\$ 4,725	\$ -	\$ 747,923
Reversal of prior year's accrual	(327,681)	-	-	(327,681)
Amounts collected	603,311	93,209	20,500	717,020
Revenue recognized	(716,308)	(74,632)	-	(790,940)
Balance, end of period	<u>\$ 302,520</u>	<u>\$ 23,302</u>	<u>\$ 20,500</u>	<u>\$ 346,322</u>

5. VEHICLE LOAN

Vehicle loan bears interest at 3.99% per annum and requires blended monthly payments of \$369 commencing November 26, 2015.

Annual payments for each of the next five years are as follows:

2016	\$	4,427
2017		4,427
2018		4,427
2019		4,427
2020		3,687
	<u>\$</u>	<u>21,395</u>

6. TRANSACTIONS WITH EQUINE CANADA

Equine Canada is the national governing body for equine sport, of which the Federation is the provincial arm for Ontario. A portion of each membership fee collected by the Federation is owed to Equine Canada and payments are transferred on a quarterly basis, as per long-standing agreement with Equine Canada.

Included in accounts receivable is \$826 (March 31, 2015 - \$9,521) due from Equine Canada. Included in accounts payable is \$38,651 (March 31, 2015 - \$84,720) due to Equine Canada. Grant revenues received from Equine Canada during the period was \$5,666 (March 31, 2015 - \$13,727). Total membership fees for the period was \$75,773 (March 31, 2015 - \$114,760).

These transactions are in the normal course of operations and are measured at the exchange amount being the amount of consideration agreed to by the related parties.

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Notes to Financial Statements
December 31, 2015

7. COMMITMENTS AND CONTINGENT LIABILITIES

- a) The Federation has leased premises under an agreement which ends in February 2022. Total annual lease payments for each of the next five years and thereafter are as follows:

2016	\$	58,313
2017		58,313
2018		58,313
2019		61,981
2020		62,714
Thereafter		73,167
	\$	<u>372,801</u>

- b) The Federation has leased equipment under an agreement which ends in August 2019. Total annual lease payments for each of the next four years are as follows:

2016	\$	11,084
2017		11,084
2018		11,084
2019		7,227
	\$	<u>40,479</u>

- c) The Federation has agreed to indemnify its past, present and future directors, officers, employees and volunteers against expenses (including legal expenses), judgments and any amount actually or reasonably incurred by them in connection with any action, suit or proceeding in which the directors are sued as a result of their service, if they acted honestly and in good faith with a view to the best interests of the Federation.

The nature of the indemnity prevents the Federation from reasonably estimating the maximum exposure. The Federation has purchased directors' and officers' liability insurance with respect to the indemnification. Historically, the Federation has not made any payments under such or similar indemnification agreements.

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8. FINANCIAL RISK MANAGEMENT

The Federation is exposed to various risks through its financial instruments. The following analysis provides a measure of the Federation's risk exposure and concentrations at the statement of financial position date.

i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Federation provides credit to its members and sponsors in the normal course of its operations. It carries out credit checks, on a continuing basis and maintains provisions for contingent credit losses which, once they materialize, are consistent with management forecasts. The Federation believes the credit risk regarding receivables to be minimal due to its members and sponsors base and its subsequent collection. No allowance for doubtful accounts provision has been recorded in these financial statements.

ii) Liquidity risk

Liquidity risk is the risk that the Federation will encounter difficulty in meeting obligations associated with financial liabilities. The Federation is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, government remittances, and deferred revenue. The Federation believes the liquidity risk to be minimal due to the fact that the Federation has always met their commitments as they become due. In addition, obligations reported as deferred revenue and must generally be satisfied within the next fiscal year.

iii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Federation is not exposed to any such risks.