

**Ontario Equestrian Federation
Incorporated
Financial Statements
For the Period Ended December 31, 2016**

Ontario Equestrian Federation Incorporated
Financial Statements
For the Period Ended December 31, 2016

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Independent Auditor's 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, 2016, and the statements of operations, changes in net assets and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on 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, 2016, and the results of its operations and its cash flows for the period then ended in accordance with Canadian accounting standards for not-for-profit organizations.



Other Matters

The financial statements of Ontario Equestrian Federation Incorporated for the period from April 1, 2015 to December 31, 2015 were audited by another auditor who expressed an unmodified opinion on those statements on April 19, 2016.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
April 5, 2017

Ontario Equestrian Federation Incorporated Statement of Financial Position

December 31	2016	2015
Assets		
Current		
Cash	\$ 208,610	\$ 291,026
Short term investments (Note 2)	201,737	203,275
Accounts receivable	46,188	50,772
Inventory	-	12,414
Due from Medications Drug Fund Program (Note 3)	-	6,148
Prepaid expenses	20,426	27,409
	476,961	591,044
Capital assets (Note 4)	64,346	148,792
	\$ 541,307	\$ 739,836

Liabilities and Net Assets

Current		
Accounts payable and accrued liabilities (Note 5)	\$ 234,774	\$ 341,298
Deferred revenue (Note 6)	351,601	346,322
Vehicle loan - current portion (Note 7)	3,868	4,427
	590,243	692,047
Vehicle loan (Note 7)	13,100	16,968
	603,343	709,015
Net Assets		
Unrestricted	(62,036)	30,821
	\$ 541,307	\$ 739,836

On behalf of the Board:

M. A. Wood Director

 Director

Ontario Equestrian Federation Incorporated Statement of Changes in Net Assets

	For the year ended December 31, 2016	For the period from April 1, 2015 to December 31, 2015
Balance, beginning of the period	\$ 30,821	\$ 85,322
Deficiency of revenues over expenses	<u>(92,857)</u>	<u>(54,501)</u>
Balance, end of the period	<u>\$ (62,036)</u>	<u>\$ 30,821</u>

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

Ontario Equestrian Federation Incorporated Statement of Operations

	For the year ended December 31, 2016	For the period from April 1, 2015 to December 31, 2015
Revenue		
Membership (Note 8)	\$ 989,780	\$ 706,884
Registrations	78,726	47,906
Grants	99,577	83,632
Advertising and sponsorships	72,675	57,249
Medication Drug Fund Program administration fees (Note 3)	3,500	37,500
Interest and other	31,421	48,198
	1,275,679	981,369
Expenses		
Advertising	3,107	7,171
Affiliate fees	945	475
Amortization of capital assets	37,636	25,986
Credit card and bank charges	47,006	31,321
Grants to affiliate members	-	1,500
Insurance	21,348	10,463
Office and general	145,241	96,736
Professional fees	58,878	32,479
Program expenses	78,520	64,742
Rent	112,692	87,772
Travel	20,030	20,799
Wages and benefits	592,413	517,635
Website costs	6,847	6,031
Whoa magazine costs	26,952	57,424
	1,151,615	960,534
Excess of revenue over expenses before undernoted	124,064	20,835
Other revenue (expenses) (Note 12)		
Severance payments and settlements	(76,028)	(65,000)
Legal fees	(29,149)	(11,257)
Consulting fees	(43,379)	-
Write-down of capital assets (Note 4)	(68,365)	-
Gains on disposal of capital assets	-	921
	(216,921)	(75,336)
Deficiency of revenue over expenses for the period	\$ (92,857)	\$ (54,501)

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

Ontario Equestrian Federation Incorporated Statement of Cash Flows

	For the year ended December 31, 2016	For the period from April 1, 2015 to December 31, 2015
Cash flows from operating activities		
Deficiency of revenues over expenses	\$ (92,857)	\$ (54,501)
Items not affecting cash:		
Amortization of capital assets	37,636	25,986
Gain on disposal of capital assets	-	(921)
Write-down of capital assets (Note 4)	68,365	-
	<u>13,144</u>	<u>(29,436)</u>
Changes in non-cash working capital:		
Accounts receivable	4,584	307,583
Prepaid expenses	6,982	10,116
Inventories	12,414	5,262
Due from Medications Drug Fund Program	6,148	(1,566)
Accounts payable and accrued liabilities	(106,523)	77,301
Deferred revenue	5,279	(401,601)
Government remittances	-	(32,464)
	<u>(57,972)</u>	<u>(64,805)</u>
Cash flows from investing activities		
Purchase of investments, net	1,538	98,119
Acquisition of capital assets	(21,555)	(21,387)
Proceeds on disposal of capital assets	-	4,500
	<u>(20,017)</u>	<u>81,232</u>
Cash flows from financing activities		
Repayment of vehicle loan	(4,427)	(738)
	<u>(4,427)</u>	<u>(738)</u>
Net (decrease) increase in cash during the period	(82,416)	15,689
Cash, beginning of the period	291,026	275,337
Cash, end of the period	\$ 208,610	\$ 291,026

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

Ontario Equestrian Federation Incorporated

Notes to Financial Statements

December 31, 2016

1. Significant Accounting Policies

Nature and Purpose of Organization	Ontario Equestrian Federation Incorporated (the "Federation") was incorporated as a non-share capital, not-for-profit organization under the laws of Ontario on June 2, 1977. The Federation promotes and regulates 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.
Basis of Accounting	The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.
Revenue Recognition	<p>Membership revenue is recognized as revenue over the membership period. Memberships are reported net of amounts remitted to Equine Canada and a third party insurance provider.</p> <p>The Federation follows the deferral method of accounting for contributions such as grants and partnerships. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.</p> <p>All other revenues are recognized when the related products and services are provided and collection is reasonably assured.</p>
Financial Instruments	<p>Financial Instruments are recorded at fair value at initial recognition.</p> <p>Unless otherwise noted, financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.</p> <p>Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in net income.</p>

Ontario Equestrian Federation Incorporated

Notes to Financial Statements

December 31, 2016

1. Significant Accounting Policies (continued)

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 the inventory to be written down below cost no longer exist, the amount of the write-down previously recorded is reversed.

Capital Assets

Purchased capital assets are stated at cost less accumulated amortization. Expenditures for repairs and maintenance are expensed as incurred. Betterments that extend the useful life of the capital asset are capitalized.

Amortization based on the estimated useful life of the asset is calculated as follows:

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

When a piece of equipment no longer has any long-term service potential to the Federation, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations.

When equipment is disposed of, the difference between the net proceeds on disposition and the net carrying amount is recognized in the statement of operations.

Ontario Equestrian Federation Incorporated

Notes to Financial Statements

December 31, 2016

1. Significant Accounting Policies (continued)

Use of estimates The preparation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations 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, accounts payable and accrued liabilities and deferred revenue. Actual results could differ from these estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the period in which they become known.

Contributed Services Volunteers contribute many hours per year to assist the Federation in carrying out its activities. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

2. Short Term Investments

Short term investments include a redeemable term deposit bearing interest at 1.0% per annum (2015 - 1.35%) and maturing February 21, 2017 (2015 - February 19, 2016).

3. Due From Medications Drug Fund Program

As at March 31, 2016, the Medications Drug Fund Program (the "Program") was discontinued and the Federation no longer holds any funds in trust.

Up until March 31, 2016, the Federation enforced the Equine Canada medication control rules in Ontario and ensured that random drug testing took place at Equine Canada sanctioned competitions held throughout the province. The Federation was responsible for the administration of the national program in Ontario.

Funds held in trust for the Program were maintained in separate bank and brokerage accounts. These account balances, totalling \$219,318 as at December 31, 2015 were restricted in nature. The Federation had no residual claim in any of the Program's equity and had only been engaged as trustee and administrator of the funds. Accordingly, the cash inflows and cash outflows from the Program are not included in the statement of operations.

The Federation earned 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.

Ontario Equestrian Federation Incorporated Notes to Financial Statements

December 31, 2016

4. Capital Assets

	2016		2015	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	\$ 144,318	\$ 130,938	\$ 141,568	\$ 125,951
Computer software	-	-	11,980	9,787
Database	-	-	85,589	41,571
Furniture and equipment	109,617	84,222	108,960	77,982
Leasehold improvements	23,449	12,925	23,449	11,137
Vehicle	22,047	7,000	22,047	551
Website	-	-	92,693	70,515
	299,431	235,085	486,286	337,494
		\$ 64,346		\$ 148,792

During the year, the Federation determined that the Database and Website no longer had any long-term service potential to the Federation. As a result, the net carrying amount of the asset was written down by \$68,365 to zero.

5. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$15,814 (2015 - \$37,591).

Ontario Equestrian Federation Incorporated Notes to Financial Statements

December 31, 2016

6. Deferred Revenue

Deferred revenue represents membership revenue received for the following year's membership and restricted grant operating funding received in the current period that is related to expenses of a subsequent period. Changes in the deferred revenue balance are as follows:

	Memberships	Grants	Sponsorship	Total
Beginning balance, beginning of period	\$ 302,520	\$ 23,302	\$ 20,500	\$ 346,322
Less: amounts recognized as revenue in the year	(989,780)	(99,420)	(20,500)	(1,109,700)
Add: amounts collected/received related to expenses of a subsequent period	1,015,402	99,577	-	1,114,979
Balance, end of period	\$ 328,142	\$ 23,459	\$ -	\$ 351,601

7. Vehicle Loan

The vehicle loan bears interest at 3.99% per annum, requires blended monthly payments of \$369 and matures November 2020.

Principal payments are as follows:

2017	\$ 3,868
2018	4,022
2019	4,182
2020	4,896
	\$ 16,968

Ontario Equestrian Federation Incorporated Notes to Financial Statements

December 31, 2016

8. 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 \$nil (2015 - \$826) due from Equine Canada.

Included in accounts payable is \$47,944 (2015 - \$38,651) due to Equine Canada.

Grant revenue received from Equine Canada during the period was \$nil (2015 - \$5,666). Total membership fees for the period were \$122,987 (2015 - \$75,773).

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.

9. Commitments

- 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:

2017	\$ 58,313
2018	58,313
2019	61,981
2020	62,714
2021	62,714
Thereafter	<u>10,452</u>
	<u>\$ 314,487</u>

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

2017	\$ 11,084
2018	11,084
2019	<u>7,227</u>
	<u>\$ 29,395</u>

Ontario Equestrian Federation Incorporated

Notes to Financial Statements

December 31, 2016

10. Contingent Liabilities

The Federation has agreed to indemnify its past, present, and future directors, officers, employees and volunteers against expenses (including legal expenses), judgements, 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.

11. Financial Instruments Risk

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's financial instruments that are exposed to concentrations of credit risk relate primarily to its accounts receivable from member or sponsor base. The Federation believes the credit risk 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.

The Federation is also exposed to credit risk arising from all of its bank accounts being held at one financial institution and deposits are only insured up to \$100,000.

There have not been any changes in the risk from the prior year.

Liquidity risk

Liquidity risk is the risk that the Federation will encounter difficulty in meeting its obligations associated with financial liabilities. The Federation is exposed to this risk mainly in respect of its accounts payable, vehicle loan and commitments.

The Federation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash flows to fund its operations and to meet its liabilities when due, under both normal and stressed conditions. The Federation maintains a portion of its invested assets in liquid instruments. In addition, obligations reported as deferred revenue must generally be satisfied within the next fiscal year.

There have not been any changes in the risk from the prior year.

Ontario Equestrian Federation Incorporated Notes to Financial Statements

December 31, 2016

12. Reorganization

During the year, the Federation took steps to streamline operations and, in doing so, incurred non-recurring costs related to the reorganization which included severance payments, legal fees and consulting fees.