

**Ontario Equestrian Federation
Incorporated
Financial Statements
For the Year Ended December 31, 2018**

**Ontario Equestrian Federation Incorporated
Financial Statements
For the Year Ended December 31, 2018**

Contents

Independent Auditor's Report	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Changes in Net Assets	4
Statement of Operations	5
Statement of Cash Flows	6
Notes to Financial Statements	7-13



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Independent Auditor's Report

**To the Members of
Ontario Equestrian Federation Incorporated**

Opinion

We have audited the financial statements of Ontario Equestrian Federation Incorporated (the "Federation"), which comprise the statement of financial position as at December 31, 2018, and the statements of changes in net assets, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Federation as at December 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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

Responsibility of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Federation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Federation or to cease operations, or has no realistic alternative but to do so.

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Federation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Federation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Federation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
April 9, 2019

Ontario Equestrian Federation Incorporated Statement of Financial Position

December 31	2018	2017
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Assets

Current

Cash (Note 2)	\$ 37,262	\$ 456,233
Short term investments (Note 3)	255,773	203,141
Accounts receivable	170,754	49,381
Inventory	-	1,486
Prepaid expenses	<u>14,232</u>	<u>17,467</u>
	478,021	727,708
Capital assets (Note 4)	70,583	69,406
	\$ 548,604	\$ 797,114

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities (Note 5)	\$ 265,441	\$ 432,440
Deferred revenue (Note 6)	194,589	308,894
Vehicle loan - current portion (Note 7)	<u>4,183</u>	<u>4,022</u>
	464,213	745,356
Vehicle loan (Note 7)	3,932	8,520
	468,145	753,876
Net Assets	80,459	43,238
	\$ 548,604	\$ 797,114

On behalf of the Board:

 Director



Director

Ontario Equestrian Federation Incorporated Statement of Changes in Net Assets

<u>For the year ended December 31</u>	<u>2018</u>	<u>2017</u>
Balance, beginning of the year	\$ 43,238	\$ (62,036)
Excess of revenues over expenses	<u>37,221</u>	<u>105,274</u>
Balance, end of the year	\$ 80,459	\$ 43,238

Ontario Equestrian Federation Incorporated Statement of Operations

<u>For the year ended December 31</u>	<u>2018</u>	<u>2017</u>
Revenue		
Membership (Note 8)	\$ 1,111,442	\$ 1,117,155
Registrations	86,865	61,026
Grants	178,226	150,959
Advertising and sponsorships	90,194	87,301
Interest and other	<u>53,169</u>	<u>33,508</u>
	<u>1,519,896</u>	<u>1,449,949</u>
Expenses		
Advertising	45,486	22,653
Amortization of capital assets	17,223	15,859
Credit card and bank charges	54,457	44,962
Insurance	9,419	20,128
Office and general	72,651	75,376
Professional fees	47,090	77,657
Program expenses	458,743	286,321
Rent	105,937	111,381
Travel	8,099	6,796
Wages and benefits		
- programs	351,319	319,887
- operations	264,046	258,076
Website and computer related costs	<u>48,205</u>	<u>105,579</u>
	<u>1,482,675</u>	<u>1,344,675</u>
Excess of revenue over expenses for the year	\$ 37,221	\$ 105,274

Ontario Equestrian Federation Incorporated Statement of Cash Flows

<u>For the year ended December 31</u>	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Excess of revenues over expenses	\$ 37,221	\$ 105,274
Items not affecting cash:		
Amortization of capital assets	<u>17,223</u>	<u>15,859</u>
	54,444	121,133
Changes in non-cash working capital:		
Accounts receivable	(121,373)	(3,193)
Inventory	1,486	(1,486)
Prepaid expenses	3,235	2,959
Accounts payable and accrued liabilities	(166,999)	197,666
Deferred revenue	<u>(114,305)</u>	<u>(42,707)</u>
	(343,512)	274,372
Cash flows from investing activities		
Purchase of investments, net	(52,632)	(1,404)
Acquisition of capital assets	<u>(18,400)</u>	<u>(20,919)</u>
	(71,032)	(22,323)
Cash flows from financing activities		
Repayment of vehicle loan	<u>(4,427)</u>	<u>(4,426)</u>
Net (decrease) increase in cash during the year	(418,971)	247,623
Cash, beginning of the year	456,233	208,610
Cash, end of the year	\$ 37,262	\$ 456,233

Ontario Equestrian Federation Incorporated Notes to Financial Statements

December 31, 2018

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	Membership revenue is recognized as revenue over the membership period. Memberships are reported net of amounts remitted to third party insurance provider. 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. All other revenues are recognized when the related products and services are provided and collection is reasonably assured.
Financial Instruments	Investments are measured at their fair value. The Federation accounts for its investments on settlement date basis and transaction costs associated with investment activities are included in the statement of operations. The fair value approximates original cost plus accrued interest to date. Unless otherwise noted, the Federation initially measures its other financial assets and liabilities at fair value and subsequently measures its other financial assets and liabilities at amortized cost. 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.

Ontario Equestrian Federation Incorporated Notes to Financial Statements

December 31, 2018

1. Significant Accounting Policies (continued)

Short term investments	Short term investments consist of investments in term deposits with maturities of three months or more from the date of the investment.
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%
Furniture and equipment	Declining balance	20%
Leasehold improvements	Straight-line	10%
Vehicle	Declining balance	30%

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, 2018

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.

Ontario Equestrian Federation Incorporated Notes to Financial Statements

December 31, 2018

2. Cash

Included in cash is \$Nil (2017 - \$119,393) which is held in escrow.

3. Short Term Investments

Short term investments include redeemable term deposits bearing interest between 0.6% and 1.8% per annum (2017 - 0.8%) and maturing between March 29, 2019 and October 21, 2019 (2017 - October 19, 2018).

4. Capital Assets

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	\$ 154,835	\$ 140,760	\$ 150,895	\$ 135,874
Computer software	1,375	357	926	54
Furniture and equipment	123,033	96,226	123,033	89,524
Leasehold improvements	23,449	14,925	23,449	13,978
Vehicle	36,059	15,900	22,047	11,514
	<hr/>	<hr/>	<hr/>	<hr/>
	338,751	268,168	320,350	250,944
	<hr/>	<hr/>	<hr/>	<hr/>
		\$ 70,583		\$ 69,406

5. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$Nil (2017 - \$35,453).

Ontario Equestrian Federation Incorporated Notes to Financial Statements

December 31, 2018

6. Deferred Revenue

Deferred revenue represents membership revenue received for the following year's membership. Changes in the deferred revenue balance are as follows:

	<u>Memberships</u>
Beginning balance, beginning of year	\$ 308,894
Less: amounts recognized as revenue in the year	(1,006,599)
Add: amounts collected/received	<u>892,294</u>
Balance, end of year	<u>\$ 194,589</u>

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:

2019	\$ 4,183
2020	<u>3,932</u>
	<u>\$ 8,115</u>

8. Transactions with Equine Canada

Equine Canada is the national governing body for equine sport. The Federation is the provincial arm for Ontario. Each year, Equine Canada provides services to the Federation of which \$57,585 (2017 - \$138,947) is included in accounts payable.

Total fees for the year were \$104,843 (2017 - \$97,730) and represent transactions that are in the normal course of operations and are measured at the exchange amount of ten percent of membership revenue being the amount of consideration agreed to by the related parties.

Ontario Equestrian Federation Incorporated Notes to Financial Statements

December 31, 2018

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 are as follows:

2019	\$ 61,981
2020	62,714
2021	62,714
2022	<u>10,452</u>
	 <u>\$ 197,861</u>

- b) The Federation has entered into equipment and software lease agreements during the year. Total annual lease payments for each of the next five years are as follows:

2019	\$ 48,340
2020	47,448
2021	46,048
2022	27,753
2023	<u>7,575</u>
	 <u>\$ 177,164</u>

10. Contingent Liabilities

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.

Ontario Equestrian Federation Incorporated Notes to Financial Statements

December 31, 2018

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.