

**Ontario Equestrian Federation
Incorporated
Financial Statements
For the Year Ended December 31, 2020**

Ontario Equestrian Federation Incorporated
Financial Statements
For the Year Ended December 31, 2020

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, 2020, and the statements of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Federation as at December 31, 2020, 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 21, 2021

Ontario Equestrian Federation Incorporated Statement of Financial Position

December 31	2020	2019
Assets		
Current		
Cash	\$ 547,672	\$ 116,739
Short term investments (Note 2)	325,336	83,722
Accounts receivable	281,936	395,456
Prepaid expenses	22,647	24,299
	1,177,591	620,216
Capital assets (Note 3)	48,034	60,374
	\$ 1,225,625	\$ 680,590
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities (Note 4)	\$ 576,843	\$ 484,761
Deferred revenue (Note 5)	408,094	242,871
Vehicle loan - current portion (Note 6)	-	3,688
	984,937	731,320
Canada Emergency Business Account Loan (Note 13)	37,015	-
	1,021,952	731,320
Net Assets		
Unrestricted	203,673	(50,730)
	\$ 1,225,625	\$ 680,590

On behalf of the Board:



Director



Director

Ontario Equestrian Federation Incorporated Statement of Changes in Net Assets

For the year ended December 31	2020	2019
Balance, beginning of the year	\$ (50,730)	\$ 80,459
Excess (deficiency) of revenues over expenses	<u>254,403</u>	<u>(131,189)</u>
Balance, end of the year	<u>\$ 203,673</u>	<u>\$ (50,730)</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	2020	2019
Revenue (Note 12)		
Membership (Note 7)	\$ 1,007,304	\$ 988,033
Grants	228,356	181,761
Government assistance (Note 13)	176,072	-
Interest and other	62,980	40,104
Registrations	58,729	176,019
Advertising and sponsorships	37,767	47,245
	<u>1,571,208</u>	<u>1,433,162</u>
Expenses		
Advertising	56,313	24,276
Amortization of capital assets	14,339	17,412
Credit card and bank charges	20,410	61,398
Insurance	6,682	10,905
Office and general	41,957	46,204
Professional fees	49,278	52,061
Program expenses	317,017	525,725
Rent	115,606	118,173
Travel	8,478	11,153
Wages and benefits		
- programs	347,958	368,396
- operations	291,306	287,054
Website and computer related costs	47,461	41,594
	<u>1,316,805</u>	<u>1,564,351</u>
Excess (deficiency) of revenue over expenses for the year	\$ 254,403	\$ (131,189)

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	2020	2019
Cash flows from operating activities		
Excess (deficiency) of revenues over expenses	\$ 254,403	\$ (131,189)
Items not affecting cash:		
Amortization of capital assets	14,339	17,412
CEBA loan forgiveness (Note 13)	(22,985)	-
	<u>245,757</u>	<u>(113,777)</u>
Changes in non-cash working capital:		
Accounts receivable	113,520	(224,702)
Prepaid expenses	1,652	(10,067)
Accounts payable and accrued liabilities	92,082	219,320
Deferred revenue	165,224	48,282
	<u>618,235</u>	<u>(80,944)</u>
Cash flows from investing activities		
Purchase of investments, net	(241,614)	172,051
Acquisition of capital assets	(1,999)	(7,203)
	<u>(243,613)</u>	<u>164,848</u>
Cash flows from financing activities		
Repayment of vehicle loan	(3,689)	(4,427)
Proceeds from CEBA loan (Note 13)	60,000	-
	<u>56,311</u>	<u>(4,427)</u>
Net increase in cash during the year	430,933	79,477
Cash, beginning of the year	116,739	37,262
Cash, end of the year	\$ 547,672	\$ 116,739

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

Ontario Equestrian Federation Incorporated

Notes to Financial Statements

December 31, 2020

1. Significant Accounting Policies

Nature and Purpose of Organization	<p>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.</p>
Basis of Accounting	<p>The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.</p>
Revenue Recognition	<p>Membership revenue is recognized as revenue over the membership period. Memberships are reported net of amounts remitted to 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>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.</p> <p>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.</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, 2020

1. Significant Accounting Policies (continued)

Short term investments Short term investments consist of investments in highly liquid investments with maturities of three months or less from the date of the investment.

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.

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, 2020

1. Significant Accounting Policies (continued)

Government assistance The Federation makes periodic applications for financial assistance under the government incentive programs. Government subsidies received during the year are included in the determination of excess (deficiency) of revenue over expenses.

2. Short Term Investments

Short term investments include six guaranteed investment certificates bearing interest between 0.25% and 1.30% per annum (2019 - 1.25% per annum) and maturing between January 8, 2021 and December 23, 2021 (2019 - October 21, 2020).

3. Capital Assets

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	\$ 162,568	\$ 150,127	\$ 160,569	\$ 145,580
Computer software	1,375	876	1,375	662
Furniture and equipment	124,501	106,190	124,501	101,612
Leasehold improvements	23,449	16,544	23,449	15,777
Vehicle	36,059	26,181	36,059	21,948
	347,952	299,918	345,953	285,579
		\$ 48,034		\$ 60,374

4. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$70,540 (2019 - \$41,381).

Ontario Equestrian Federation Incorporated Notes to Financial Statements

December 31, 2020

5. 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	\$ 242,871
Less: amounts recognized as revenue in the year	(918,062)
Add: amounts collected/received	<u>1,083,285</u>
Balance, end of year	<u>\$ 408,094</u>

6. Vehicle Loan

The vehicle loan was settled during the year and bore interest at 3.99% annum up to the settlement date of November 2020.

7. 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 \$70,681 (2019 - \$120,807) is included in accounts payable. The Federation also performed projects on behalf of Equine Canada and included in accounts receivable is \$nil (2019 - \$62,976) related to these services provided.

Total fees for the year were \$89,243 (2019 - \$97,780) 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, 2020

8. Commitments

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

2021	\$ 62,714
2022	<u>10,452</u>
	<u>\$ 73,166</u>

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

2021	\$ 33,652
2022	6,060
2023	6,060
2024	<u>1,515</u>
	<u>\$ 47,287</u>

9. 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, 2020

10. 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, Canada Emergency Business Account 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.

11. COVID-19 Impact

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak"). In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally. The COVID-19 outbreak has disrupted the Canadian and global economic activities. Although the disruption from the COVID-19 outbreak is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time. As the impact of the COVID-19 outbreak continues to evolve, management is actively monitoring the effect on its financial condition, liquidity, operations, suppliers, industry and workforce. The Federation's ability meet obligations as they come due is dependent on the continued ability to generate earnings and cash flows.

Since the COVID-19 outbreak, the Federation has been able to take advantage of certain government assistance programs. The Federation applied for the Canada Emergency Wage Subsidy, Canada Emergency Bank Account loan program and the Canada Emergency Rent Subsidy, see note 13.

Ontario Equestrian Federation Incorporated

Notes to Financial Statements

December 31, 2020

12. For the Herd Emergency Fundraiser

In response to the ongoing pandemic, the Federation launched For The Herd, an emergency fundraising initiative to support lesson horses and riding school facilities in Ontario. With the challenges faced by the riding school facilities, there was a huge need to support the facilities with the care of their horses during times when lessons were not allowed to take place.

The initiative raised \$214,129 and all funds were distributed to the facilities during the year. The Federation acted as an agent on behalf of the For the Herd initiative and, as a result, recorded the funds raised and distributed on a net basis on the statement of operations.

13. Government Assistance

Canada Emergency Business Account

During the year, the Federation received the Canada Emergency Business Account loan ("CEBA loan") for \$60,000 delivered through its financial institution. The CEBA loan bears interest at 0% per annum until December 31, 2022. If the CEBA loan is not repaid in full by December 31, 2022, the remaining balance will be converted to a 3-year term loan at 5% annual interest, paid monthly, effective January 1, 2023, with payment due in full on December 31, 2025. If \$40,000 is repaid by December 31, 2022, then the remaining \$20,000 of the CEBA loan will be forgiven. Management is reasonably certain that it will repay the loan by December 31, 2022 and has recognized the \$20,000 forgivable portion in income on the statement of operations.

The \$20,000 forgivable portion has been recorded as government assistance revenue in 2020. The remaining \$40,000 has been recorded at its fair value at the date the loan was received. The fair value adjust is being amortized on a straight-line basis over the interest free period ended December 31, 2022.

Canadian Emergency Wage Subsidy

The Federation received the Canada Emergency Wage Subsidy ("CEWS") from the Government of Canada for the nine periods of March 15, 2020 to November 21, 2020. The total amount received of \$140,721 was recorded as government assistance revenue. The relevant terms and conditions of the CEWS grant required the Federation to have an open payroll program account with the CRA as at March 15, 2020, incurred specific revenue reductions and filed a wage subsidy application for the claim period within the appropriate time period. Management has determined that the Federation does not have an obligation to repay the Government of Canada for this subsidy as they have determined that the Federation has met all applicable eligibility criteria.

Canada Emergency Rent Subsidy

During the year, the Federation received government assistance in the amount of \$11,706 based on eligible expenditures qualifying for the Canada Emergency Rent Subsidy ("CERS") during two qualifying periods in 2020. The full amount has been recorded as government assistance revenue in the current year to align with rent expenses incurred during the year.