

Ontario Equestrian Federation  
Incorporated  
Financial Statements  
For the Year Ended December 31, 2022

Ontario Equestrian Federation Incorporated  
Financial Statements  
For the Year Ended December 31, 2022

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## Independent Auditor's Report

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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, 2022, 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, 2022, 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  
May 25, 2023

## Ontario Equestrian Federation Incorporated Statement of Financial Position

December 31	2022	2021
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 694,879	\$ 574,457
Short term investments (Note 2)	302,203	426,568
Accounts receivable (Note 6)	156,069	303,258
Prepaid expenses	5,958	27,165
	1,159,109	1,331,448
<b>Capital assets (Note 3)</b>	<b>1,194,034</b>	<b>41,092</b>
	<b>\$ 2,353,143</b>	<b>\$ 1,372,540</b>

### Liabilities and Net Assets

<b>Current</b>		
Accounts payable and accrued liabilities (Note 4 & 6)	\$ 664,071	\$ 627,473
Deferred revenue (Note 5)	510,271	397,447
Canada Emergency Business Account Loan (Note 11)	40,000	-
Current portion of long-term debt (Note 7)	1,967	-
	1,216,309	1,024,920
Canada Emergency Business Account Loan (Note 11)	-	38,504
Long-term debt (Note 7)	782,725	-
	1,999,034	1,063,424
<b>Net Assets</b>		
Unrestricted	354,109	309,116
	<b>\$ 2,353,143</b>	<b>\$ 1,372,540</b>

On behalf of the Board:

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Director

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Director

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

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Ontario Equestrian Federation Incorporated  
Statement of Changes in Net Assets

For the year ended December 31	2022	2021
Balance, beginning of the year	\$ 309,116	\$ 203,673
Excess of revenues over expenses	<u>44,993</u>	<u>105,443</u>
Balance, end of the year	<u>\$ 354,109</u>	<u>\$ 309,116</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	2022	2021
Revenue		
Membership (Note 6)	\$ 1,176,734	\$ 1,105,691
Grants	454,486	243,648
Registrations and programs	133,818	63,924
Advertising and sponsorships	57,055	36,550
Administration fees	52,498	36,935
Merchandise and publication revenue	19,331	25,342
Interest and other	4,741	2,366
	1,898,663	1,514,456
Expenses		
Advertising	46,168	45,173
Amortization of capital assets	37,454	11,602
Credit card and bank charges	17,451	16,561
Loss on disposal of capital assets	6,563	-
Insurance	8,267	6,235
Interest on long term debt	15,699	-
Office and general	44,808	43,353
Professional fees	78,580	65,495
Program expenses	745,737	425,958
Occupancy costs	42,995	40,401
Repairs and maintenance	5,983	11,624
Travel	7,514	7,078
Wages and benefits		
- programs	388,337	359,289
- operations	307,949	294,574
Website and computer related costs	100,165	81,670
	1,853,670	1,409,013
Excess of revenue over expenses for the year	\$ 44,993	\$ 105,443

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	2022	2021
Cash flows from operating activities		
Excess of revenues over expenses	\$ 44,993	\$ 105,443
Items not affecting cash:		
Amortization of capital assets	37,454	11,602
Non cash interest on CEBA loan	1,496	1,489
Loss on disposal of capital assets	6,563	-
	<u>90,506</u>	<u>118,534</u>
Changes in non-cash working capital:		
Accounts receivable	147,189	(21,322)
Prepaid expenses	20,753	(4,518)
Accounts payable and accrued liabilities	37,051	50,630
Deferred revenue	112,825	(10,647)
	<u>408,324</u>	<u>132,677</u>
Cash flows from investing activities		
Purchase (disposal) of investments, net	124,365	(101,232)
Acquisition of capital assets	(1,196,959)	(4,660)
	<u>(1,072,594)</u>	<u>(105,892)</u>
Cash flows from financing activities		
Proceeds from long-term debt	787,500	-
Repayment of long-term debt	(2,808)	-
	<u>784,692</u>	<u>-</u>
Net increase in cash during the year	120,422	26,785
Cash, beginning of the year	<u>574,457</u>	<u>547,672</u>
Cash, end of the year	<u>\$ 694,879</u>	<u>\$ 574,457</u>

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



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# Ontario Equestrian Federation Incorporated

## Notes to Financial Statements

December 31, 2022

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### 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 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>

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# Ontario Equestrian Federation Incorporated

## Notes to Financial Statements

December 31, 2022

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### 1. Significant Accounting Policies (continued)

**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
Building	Declining balance	4%
Computer equipment	Declining balance	30%
Computer software	Declining balance	30%
Furniture and equipment	Declining balance	20%
Leasehold improvements	Lease term	Duration
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.

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## Ontario Equestrian Federation Incorporated Notes to Financial Statements

December 31, 2022

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### 2. Short Term Investments

Short term investments include four guaranteed investment certificates bearing interest between 1.00% and 2.85% per annum (2021 - 0.25% and 0.50% per annum) and maturing between March 22, 2023 and December 23, 2023 (2021 - between January 10, 2022 and December 23, 2022).

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### 3. Capital Assets

	2022		2021	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Building	\$ 1,139,790	\$ 22,795	\$ -	\$ -
Computer equipment	169,306	158,283	166,067	154,253
Computer software	-	-	1,375	1,026
Furniture and equipment	179,591	118,415	125,661	109,862
Leasehold improvements	-	-	23,449	17,233
Vehicle	36,059	31,219	36,059	29,145
	1,524,746	330,712	352,611	311,519
		\$ 1,194,034		\$ 41,092

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### 4. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$42,049 (2021 - \$56,477).

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## Ontario Equestrian Federation Incorporated Notes to Financial Statements

December 31, 2022

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### 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>2022</u>	<u>2021</u>
Beginning balance, beginning of year	\$ 397,447	\$ 408,094
Less: amounts recognized as revenue in the year	(1,170,728)	(1,005,073)
Add: amounts collected/received	<u>1,283,552</u>	<u>994,426</u>
Balance, end of year	<u>\$ 510,271</u>	<u>\$ 397,447</u>

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### 6. 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 \$28,814 (2021 - \$50,469) is included in accounts payable. The Federation also preformed projects on behalf of Equine Canada and included in accounts receivable is \$17,014 (2021 - \$2,775) related to these services provided.

Total fees for the year were \$56,960 (2021 - \$100,618) and represent transactions that are in the normal course of operations and are measured at the exchange amount of \$2.50 per member (2021 - ten percent of the membership revenue) being the amount of consideration agreed to by the related parties.

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## Ontario Equestrian Federation Incorporated Notes to Financial Statements

December 31, 2022

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### 7. Long-term debt

	2022	2021
Loan facility of \$787,500, repayable in 120 blended monthly payments of principle and interest of \$4,696 bearing interest at prime + 0.50%, with the last payment plus any outstanding principal and interest due on September 23, 2032. The facility is secured by the underlying building.	\$ 784,692	\$ -
Current portion	(1,967)	-
Long-term portion	\$ 782,725	\$ -

Principal repayments on long-term debt over the next 5 years and thereafter are as follows:

2023	\$ 1,967
2024	2,019
2025	2,164
2026	2,320
2027	2,468
Thereafter	773,754
	\$ 784,692

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### 8. Commitments

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

2023	\$ 43,460
2024	26,448
	\$ 69,908

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# Ontario Equestrian Federation Incorporated

## Notes to Financial Statements

December 31, 2022

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### 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.

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### 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, long-term debt, and commitments. The Federation's liquidity risk on long-term debt is mitigated by the real-estate secured against it.

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.

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## Ontario Equestrian Federation Incorporated

### Notes to Financial Statements

December 31, 2022

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#### 10. Financial Instruments Risk (continued)

##### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Federation holds long-term debt with a variable interest rate which involves risks of default on interest and principal and price changes due to, without limitation, such factors as interest rates and general economic conditions. The Federation mitigates this interest rate risk on long-term debt with staggered GICs of maturity no longer than one year to better align interest rates on debt and short-term investments.

This is a new risk in the current year.

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#### 11. Canada Emergency Business Account Loan

In 2020, 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, 2023. If the CEBA loan is not repaid in full by December 31, 2023, the remaining balance will be converted to a 3-year term loan at 5% annual interest, paid monthly, effective January 1, 2024, with payment due in full on December 31, 2025. If \$40,000 is repaid by December 31, 2023, then the remaining \$20,000 of the CEBA loan will be forgiven.

\$40,000 was 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, 2023.