Financial Statements of

# EQUINE CANADA

(OPERATING AS EQUESTRIAN CANADA)

And Independent Auditors' Report thereon

Year ended March 31, 2019

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# INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Members of Equine Canada

## *Opinion*

We have audited the financial statements of Equine Canada (operating as Equestrian Canada) (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at March 31, 2019, and its results of operations, changes in net assets 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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.

### *Other Matter*

We draw attention to the fact that the supplementary information included in Schedule A does not form part of the financial statements. We have not audited or reviewed this supplementary information and, accordingly, we do not express an opinion or any assurance on this supplementary information.

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

### *Auditors' 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

August 26, 2019

# EQUINE CANADA

(OPERATING AS EQUESTRIAN CANADA)
Statement of Financial Position

March 31, 2019, with comparative information for 2018

| | 2019 | 2018 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash | $ 744,270 | $ 538,194 |
| Investments (note 3) | 1,988,478 | 1,962,261 |
| Accounts receivable (note 4) | 439,831 | 460,928 |
| Prepaid expenses | 124,207 | 159,826 |
| Inventories | – | 120,304 |
| | 3,296,786 | 3,241,513 |
| Tangible capital and intangible assets (note 5) | 158,160 | 233,668 |
| | $ 3,454,946 | $ 3,475,181 |
| **Liabilities and Net Assets** | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities (note 6) | $ 391,354 | $ 350,357 |
| Deferred revenue (note 7) | 917,407 | 928,165 |
| | 1,308,761 | 1,278,522 |
| Net assets (note 8): | | |
| Invested in tangible capital and intangible assets | 158,160 | 233,668 |
| Unrestricted | 1,988,025 | 1,962,991 |
| | 2,146,185 | 2,196,659 |
| Commitments (note 9) | | |
| | $ 3,454,946 | $ 3,475,181 |

See accompanying notes to financial statements.

On behalf of the Board:

Meg Krueger, President

Richard Mongeau, Chief Executive Officer

# EQUINE CANADA

(OPERATING AS EQUESTRIAN CANADA)
Statement of Operations

Year ended March 31, 2019, with comparative information for 2018

| | 2019 | 2018 |
|---|---|---|
| Revenue: | | |
| Sport licence fees | $ 2,290,619 | $ 2,265,745 |
| Government funding | 1,439,500 | 1,475,809 |
| Competition levies and fees | 914,086 | 867,227 |
| Membership | 853,293 | 419,051 |
| Equine medication control | 476,203 | 481,108 |
| Discipline – donations, fundraising and sponsorship | 264,266 | 160,639 |
| Discipline – general revenue | 205,528 | 140,128 |
| Product sales | 116,081 | 78,078 |
| Interest, rebates and other revenue | 65,155 | 63,908 |
| Corporate donations | 47,452 | 58,395 |
| Realized gain (loss) on foreign exchange | (39,150) | 1,222 |
| | 6,633,033 | 6,011,310 |
| Expenses: | | |
| Salaries and benefits | 2,420,766 | 2,125,919 |
| Discipline | 1,651,476 | 1,099,803 |
| Meetings and travel | 855,827 | 771,728 |
| Office and general | 348,806 | 375,145 |
| Equine medication control | 330,593 | 293,999 |
| Communications | 234,974 | 231,293 |
| Cost of goods sold | 169,224 | 180,860 |
| Rent | 168,738 | 165,597 |
| Professional fees | 155,489 | 176,908 |
| Information technology | 95,686 | 139,278 |
| Amortization of tangible capital assets | 77,705 | 119,569 |
| Events | 29,011 | 127,090 |
| Marketing | 25,032 | 32,759 |
| | 6,563,327 | 5,839,948 |
| Excess of revenue over expenses before the undernoted | 69,706 | 171,362 |
| Other income (expenses): | | |
| Unrealized gain (loss) on foreign exchange | 124 | (6,501) |
| Loss on disposal of tangible capital assets | – | (150,958) |
| Inventory write-down | (120,304) | – |
| | (120,180) | (157,459) |
| Excess (deficiency) of revenue over expenses | $ (50,474) | $ 13,903 |

See accompanying notes to financial statements.

# EQUINE CANADA

(OPERATING AS EQUESTRIAN CANADA
Statement of Changes in Net Assets

Year ended March 31, 2019, with comparative information for 2018

| | Invested in tangible capital and intangible assets | Unrestricted | 2019 Total | 2018 Total |
|---|---|---|---|---|
| Balance, beginning of year | $ 233,668 | $ 1,962,991 | $ 2,196,659 | $ 2,182,756 |
| Excess (deficiency) of revenue over expenses | – | (50,474) | (50,474) | 13,903 |
| Acquisition of tangible capital and intangible assets | 2,197 | (2,197) | – | – |
| Amortization of tangible capital and intangible assets | (77,705) | 77,705 | – | – |
| Balance, end of year | $ 158,160 | $ 1,988,025 | $ 2,146,185 | $ 2,196,659 |

See accompanying notes to financial statements.

# EQUINE CANADA

(OPERATING AS EQUESTRIAN CANADA)
Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

| | 2019 | 2018 |
|---|---|---|
| Cash provided by (used in): | | |
| Operations: | | |
| Excess (deficiency) of revenue over expenses | $ (50,474) | $ 13,903 |
| Item not involving cash: | | |
| Amortization of tangible capital and intangible assets | 77,705 | 118,484 |
| Amortization of horses | – | 1,085 |
| Change in non-cash operating working capital: | | |
| Decrease in accounts receivable | 21,097 | 119,962 |
| Decrease (increase) in prepaid expenses | 35,619 | (56,756) |
| Decrease in inventories | 120,304 | 25,796 |
| Increase (decrease) in accounts payable and accrued liabilities | 40,997 | (282,710) |
| Decrease in deferred revenue | (10,758) | (22,964) |
| | 234,490 | (83,200) |
| Investments: | | |
| Additions to tangible capital and intangible assets | (2,197) | (2,776) |
| Increase in investments | (26,217) | (25,030) |
| Disposition of tangible capital and intangible assets | – | 128,522 |
| Disposition of horses | – | 60,812 |
| | (28,414) | 161,528 |
| Increase in cash | 206,076 | 78,328 |
| Cash, beginning of year | 538,194 | 459,866 |
| Cash, end of year | $ 744,270 | $ 538,194 |

See accompanying notes to financial statements.

Equine Canada (operating as “Equestrian Canada”) (the “Organization”) is a national organization with the mandate to act as a national voice for the horse sport, the horse recreational activities, and all the horse industry of Canada. On January 26, 2016, the Organization officially changed its operating name to Equestrian Canada. The Organization incorporated under Part II of the Canada Corporations Act. Effective October 10, 2015, the Organization refreshed its Articles under the Canada Not-for-profit Corporations Act.

The Organization is a Canadian registered amateur athletic association organized to carry on its activities without the purpose of gain for its members and as such is not subject to income tax under the Income Tax Act (Canada). Any surplus shall be used in promoting its objectives.

## 1. Significant accounting policies:

(a) Revenue recognition:

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. The Organization follows the deferral method of accounting for contributions for not-for-profit organizations.

Membership fees are deferred and recognized in the fiscal period to which they relate.

Competition levies and fees and interest, rebates and other general revenue and equine medication control revenues are recognized in the year they are received.

Unrestricted contributions are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

(b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

**1. Significant accounting policies (continued):**

(b) Financial instruments (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(c) Tangible capital and intangible assets:

Tangible capital and intangible assets are recorded at cost. When a tangible capital and intangible asset no longer contributes to the Organization's ability to provide services, its carrying amount is written down to its residual value.

Tangible capital and intangible assets are amortized on a straight-line method over the estimated useful lives of the assets as follows:

| Asset | Useful life |
|---|---|
| Tangible capital assets: | |
| Office furniture and equipment | 6 years |
| Computers | 5 years |
| Leasehold improvements | Shorter of useful life or term of lease |
| Intangible assets: | |
| Computer software | 5 years |
| Software development | 5 years |

Software development is not amortized until development is complete and the software comes into use.

(e) Contributed goods and services:

Contributed goods and services are not recognized in the financial statements with the exception of donated horses. Contributed goods and services include donations of time and materials for training, maintenance and other expenses incurred by supporters of the horses loaned or donated, and donations of goods to support fundraising activities.

## 1. Significant accounting policies (continued):

(f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and 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 year. Actual results could differ from these estimates. These estimates are reviewed annually and as adjustments become necessary, they are recorded in the financial statements in the year in which they become known.

## 2. Change in accounting policy:

During the year, the Organization changed its revenue recognition policy from the restricted fund method to the deferral method of accounting for contributions for not-for-profit organizations. Adoption of this accounting policy resulted in a change in presentation of revenues and expenses on the statement of operations, as well as the restricted and unrestricted fund balances. The change does not impact any of the revenues or expenses recognized and has no impact on the excess or deficiency of the current or prior year’s results.

## 3. Investments:

| | 2019 | 2018 |
|---|---|---|
| High interest cash performer | $ 1,988,478 | $ 1,462,261 |
| Guaranteed investment certificate | – | 500,000 |
| | $ 1,988,478 | $ 1,962,261 |

## 4. Accounts receivable:

| | 2019 | 2018 |
|---|---|---|
| Trade receivables | $ 320,826 | $ 385,165 |
| Other | 119,005 | 107,876 |
| Allowance for doubtful accounts | – | (32,113) |
| | $ 439,831 | $ 460,928 |

## 5. Tangible capital and intangible assets:

| | Cost | Accumulated amortization | 2019 Net book value | 2018 Net book value |
|---|---|---|---|---|
| Tangible capital assets: | | | | |
| Office furniture and equipment | $ 174,750 | $ 81,149 | $ 93,601 | $ 118,913 |
| Computers | 174,521 | 160,420 | 14,101 | 29,203 |
| Leasehold improvements | 85,546 | 65,226 | 20,320 | 39,076 |
| Intangible assets: | | | | |
| Computer software | 107,323 | 77,185 | 30,138 | 46,476 |
| | $ 542,140 | $ 383,980 | $ 158,160 | $ 233,668 |

Cost and accumulated amortization at March 31, 2018 amounted to $539,943 and $306,275, respectively.

## 6. Accounts payable and accrued liabilities:

As at year end, there were no amounts payable for government remittances such as payroll or sales related taxes.

## 7. Deferred revenue:

| | 2019 | 2018 |
|---|---|---|
| Sport license memberships | $ 901,407 | $ 900,150 |
| Other | 16,000 | 28,015 |
| | $ 917,407 | $ 928,165 |

## 8. Capital management:

The Organization defines capital as its net assets.

The Organization's objectives in managing capital are to safeguard its ability to continue as a going concern and pursue its mission of representing, developing and promoting a unified and aligned Canadian equine and equestrian community through eligible means that meet the mandate of its major funders, including the Government of Canada and related entities. Management continually monitors the impact of changes in economic conditions on its funding commitments.

The Organization is not subject to externally imposed capital requirements and its overall strategy with respect to capital remains unchanged from the year ended March 31, 2018.

## 9. Commitments:

The Organization leases office premises. Lease commitments over the next two years, including operating costs and property taxes, are as follows:

| | | |
|---|---|---|
| 2020 | $ | 152,800 |
| 2021 | | 12,733 |
| | $ | 165,533 |

## 10. Financial risks and concentration of credit risk:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Organization is exposed to credit risk with respect to the accounts receivable. The Organization assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

(b) Liquidity risk:

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages its liquidity risk by monitoring its operating requirements. The Organization prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

**10. Financial risks and concentration of credit risk (continued):**

(c) 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.

(i) Currency risk:

The Organization is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the Organization incurs expenses denominated in US dollars. The Organization does not currently enter into forward contracts to mitigate this risk.

(ii) Interest rate risk:

The Organization is exposed to interest rate risk on its fixed interest rate financial instruments. Further details about the fixed rate investments are included in note 2.

There has been no change to the risk exposures from 2018.

# EQUINE CANADA

(OPERATING AS EQUESTRIAN CANADA)
Schedule of Revenue and Expenses - Sport Canada Contribution

Year ended March 31, 2019
(Unaudited)

| Federal – PCH funding (Sport support program) | Sport development | Enhanced excellence | 2019 Total |
|---|---|---|---|
| Mainstream: | | | |
| General administration | $ 55,000 | $ 10,000 | $ 65,000 |
| Governance | 25,000 | – | 25,000 |
| Salaries, fees and benefits | 90,000 | – | 90,000 |
| Coaching salaries and professional development | 80,000 | 62,000 | 142,000 |
| National Team programs | 286,500 | 175,000 | 461,500 |
| Official languages | 11,500 | – | 11,500 |
| Operations and programming | – | 53,000 | 53,000 |
| Next Generation initiative | – | 25,000 | 25,000 |
| Subtotal, mainstream | 548,000 | 325,000 | 873,000 |
| Athlete with a disability: | | | |
| General administration | 15,900 | 10,000 | 25,900 |
| Salaries, fees and benefits | 35,000 | 20,000 | 55,000 |
| Coaching salaries and professional development | 30,000 | 70,000 | 100,000 |
| National Team programs | 57,600 | 135,000 | 192,600 |
| Official languages | 3,000 | – | 3,000 |
| Operations and programming | – | 60,000 | 60,000 |
| Next Generation initiative | – | 15,000 | 15,000 |
| Subtotal, athlete with a disability | 141,500 | 310,000 | 451,500 |
| | $ 689,500 | $ 635,000 | $ 1,324,500 |

# EQUINE CANADA

(OPERATING AS EQUESTRIAN CANADA)
Schedule of Revenue and Expenses - Sport Canada Contribution (continued)

Year ended March 31, 2019
(Unaudited)

| Actual expenditures | Sport development | Enhanced excellence | 2019 Total |
|---|---|---|---|
| Mainstream: | | | |
| General administration | $ 55,000 | $ 10,000 | $ 65,000 |
| Governance | 25,000 | – | 25,000 |
| Salaries, fees and benefits | 92,824 | – | 92,824 |
| Coaching salaries and professional development | 80,000 | 91,878 | 171,878 |
| National Team programs | 286,500 | 175,000 | 461,500 |
| Official languages | 42,664 | – | 42,664 |
| Operations and programming | – | 53,000 | 53,000 |
| Next Generation initiative | – | 25,000 | 25,000 |
| Subtotal, mainstream | 581,988 | 354,878 | 936,866 |
| Athlete with a disability: | | | |
| General administration | 15,900 | 10,000 | 25,900 |
| Salaries, fees and benefits | 99,238 | 20,000 | 119,238 |
| Coaching salaries and professional development | 30,000 | 67,757 | 97,757 |
| National Team programs | 57,600 | 135,000 | 192,600 |
| Official languages | 6,222 | – | 6,222 |
| Operations and programming | – | 76,576 | 76,576 |
| Next Generation initiative | – | 31,531 | 31,531 |
| Subtotal, athlete with a disability | 208,960 | 340,864 | 549,824 |
| | $ 790,948 | $ 695,742 | $ 1,486,690 |