

Financial Statements of

EQUINE CANADA
(OPERATING AS EQUESTRIAN
CANADA)

And Independent Auditors' Report thereon

Year ended March 31, 2020



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 "Organization"), which comprise:

- the statement of financial position as at March 31, 2020
- 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 Organization as at March 31, 2020, 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 Organization 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 ethical 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 Organization'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 Organization'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 Organization 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.

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

(date)

EQUINE CANADA

(OPERATING AS EQUESTRIAN CANADA)

Statement of Financial Position

March 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash	\$ 280,403	\$ 744,270
Investments (note 3)	2,019,363	1,988,478
Accounts receivable (note 4)	654,506	461,358
Prepaid expenses	110,832	124,207
	<u>3,065,104</u>	<u>3,318,313</u>
Tangible capital and intangible assets (note 5)	92,983	158,160
	<u>\$ 3,158,087</u>	<u>\$ 3,476,473</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 345,691	\$ 412,881
Deferred revenue (note 7)	761,391	917,407
	<u>1,107,082</u>	<u>1,330,288</u>
Net assets (note 8):		
Invested in tangible capital and intangible assets	92,983	158,160
Unrestricted	1,958,022	1,988,025
	<u>2,051,006</u>	<u>2,196,659</u>
Commitments (note 9)		
Impact of COVID-19 (note 12)		
	<u>\$ 3,158,087</u>	<u>\$ 3,476,473</u>

See accompanying notes to financial statements.

On behalf of the Board:

Meg Krueger, President

Yves Hamelin, Chief Executive Officer

EQUINE CANADA

(OPERATING AS EQUESTRIAN CANADA)
Statement of Operations

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Sport licence fees	\$ 2,148,128	\$ 2,290,619
Government funding	1,546,102	1,439,500
Competition levies and fees	888,794	914,086
Membership	674,635	853,293
Equine medication control	445,480	476,203
Interest, rebates and other revenue	329,315	65,155
Discipline – general revenue	156,389	205,528
Discipline – donations, fundraising and sponsorship	118,126	264,266
Corporate donations	95,872	47,452
Product sales	90,296	116,081
Realized gain (loss) on foreign exchange	(888)	(39,150)
	<u>6,492,249</u>	<u>6,633,033</u>
Expenses:		
Salaries and benefits	2,402,868	2,420,766
Discipline	2,123,058	1,651,476
Meetings and travel	505,123	855,827
Office and general	287,619	348,806
Equine medication control	283,907	330,593
Communications	148,242	234,974
Cost of goods sold	111,022	169,224
Rent	176,604	168,738
Professional fees	109,457	155,489
Information technology	99,027	95,686
Amortization of tangible capital assets	65,177	77,705
Events	216,072	29,011
Marketing	59,253	25,032
	<u>6,587,429</u>	<u>6,563,327</u>
Excess (deficiency) of revenue over expenses before the undernoted	(95,180)	69,706
Other income (expenses):		
Unrealized gain (loss) on foreign exchange	–	124
Loss on disposal of tangible capital assets	–	–
Inventory write-down	–	(120,304)
	<u>–</u>	<u>(120,180)</u>
Deficiency of revenue over expenses	<u>\$ (95,180)</u>	<u>\$ (50,474)</u>

See accompanying notes to financial statements.

EQUINE CANADA

(OPERATING AS EQUESTRIAN CANADA)

Statement of Changes in Net Assets

Year ended March 31, 2020, with comparative information for 2019

	Invested in tangible capital and intangible assets	Unrestricted	2020 Total	2019 Total
Balance, beginning of year	\$ 158,160	\$ 1,988,025	\$ 2,146,185	\$ 2,196,659
Excess (deficiency) of revenue over expenses	–	(95,180)	(95,180)	(50,474)
Amortization of tangible capital and intangible assets	(65,177)	65,177	–	–
Balance, end of year	\$ 92,983	\$ 1,958,022	\$ 2,051,006	\$ 2,146,185

See accompanying notes to financial statements.

EQUINE CANADA

(OPERATING AS EQUESTRIAN CANADA)

Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operations:		
Deficiency of revenue over expenses	\$ (95,180)	\$ (50,474)
Item not involving cash:		
Amortization of tangible capital and intangible assets	65,177	77,705
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	(193,148)	21,097
Decrease in prepaid expenses	13,375	35,619
Decrease in inventories	-	120,304
Increase (decrease) in accounts payable and accrued liabilities	(67,190)	40,997
Decrease in deferred revenue	(156,016)	(10,758)
	<u>(432,982)</u>	<u>234,490</u>
Investments:		
Additions to tangible capital and intangible assets	-	(2,197)
Increase in investments	(30,885)	(26,217)
	<u>(30,885)</u>	<u>(28,414)</u>
Increase (decrease) in cash	(463,867)	206,076
Cash, beginning of year	744,270	538,194
Cash, end of year	<u>\$ 280,403</u>	<u>\$ 744,270</u>

See accompanying notes to financial statements.

EQUINE CANADA

(OPERATING AS EQUESTRIAN CANADA)

Notes to Financial Statements

Year ended March 31, 2020

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.

EQUINE CANADA

(OPERATING AS EQUESTRIAN CANADA)

Notes to Financial Statements (continued)

Year ended March 31, 2020

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.

EQUINE CANADA

(OPERATING AS EQUESTRIAN CANADA)

Notes to Financial Statements (continued)

Year ended March 31, 2020

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. Adoption of new accounting policies:

The Organization has adopted the following Canadian Not-for-Profit Accounting Standards effective on April 1, 2019:

- Section 4433, to replace Section 4431, Tangible Capital Assets Held by Not-for-Profit Organizations
- Section 4434, to replace Section 4432, Intangible Assets Held by Not-for-Profit Organizations
- Section 4441, to replace Section 4440, Collections Held by Not-for-Profit Organizations

The Organization has adopted these standards on a prospective basis and will apply the componentization approach of significant tangible capital assets (and related amortization) acquired and will comply with revised intangible asset impairment assessment guidelines.

The Organization does not have assets that meet the collections definition set out by the revised standards and as such there is no impact to the prior period or current period financial statements.

The adoption of these standards did not result in any adjustments to the financial statements as at April 1, 2019.

3. Investments:

	2020	2019
High interest cash performer	\$ 2,019,363	\$ 1,988,478
	\$ 2,019,363	\$ 1,962,261

EQUINE CANADA

(OPERATING AS EQUESTRIAN CANADA)

Notes to Financial Statements (continued)

Year ended March 31, 2020

4. Accounts receivable:

	2020		2019	
Trade receivables	\$	297,677	\$	320,826
Commodity taxes receivable		28,441		140,532
Other		328,388		–
Allowance for doubtful accounts		–		–
	\$	654,506	\$	461,358

5. Tangible capital and intangible assets:

	2020		2019	
	Cost	Accumulated amortization	Net book value	Net book value
Tangible capital assets:				
Office furniture and equipment	\$ 174,750	\$ 107,784	\$ 66,966	\$ 93,601
Computers	174,521	167,285	7,236	14,101
Leasehold improvements	85,546	83,983	1,563	20,320
Intangible assets:				
Computer software	107,323	90,105	17,218	30,138
	\$ 542,140	\$ 449,157	\$ 92,983	\$ 158,160

Cost and accumulated amortization at March 31, 2019 amounted to \$542,140 and \$383,980, 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.

EQUINE CANADA

(OPERATING AS EQUESTRIAN CANADA)

Notes to Financial Statements (continued)

Year ended March 31, 2020

7. Deferred revenue:

	2020	2019
Sport license memberships	\$ 593,873	\$ 715,574
Other	167,518	201,833
	\$ 761,391	\$ 917,407

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, 2019.

9. Commitments:

The Organization leases office premises. Lease commitments over the next five years are as follows:

2021	\$ 63,229
2022	67,327
2023	67,327
2024	71,211
2025	72,506
Thereafter	380,656
	\$ 722,256

As part of the lease, the Organization is obligated to pay a share of operating costs that approximate \$76,000 per annum.

EQUINE CANADA

(OPERATING AS EQUESTRIAN CANADA)

Notes to Financial Statements (continued)

Year ended March 31, 2020

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

(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. The Organization also holds \$30,371 of US cash expressed in Canadian dollars.

(ii) Interest rate risk:

The Organization is not exposed to any significant interest rate risk on its financial instruments. Further details about the fixed rate investments are included in note 3.

11. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

EQUINE CANADA

(OPERATING AS EQUESTRIAN CANADA)

Notes to Financial Statements (continued)

Year ended March 31, 2020

12. Impact of COVID-19:

In March of 2020 the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. The situation is fluid and the ultimate duration and magnitude of the impact on the Canadian economy and on all aspects of the Organization's operations are not fully known.

At the time of approval of these financial statements, the Organization has undertaken the following activities in relation to the pandemic:

- The corporate head-office was closed effective March 15, 2020 to ensure employee health and welfare. All employees have been working at home since that date;
- planned expenses have been postponed or cancelled; and
- applications have been made and funds received from a number of government COVID-19 financial relief programs.

Financial statements are required to be adjusted for events occurring between the date of the financial statements and the date of the auditors' report which provide additional evidence relating to conditions that existed at year-end. The Organization has experienced a decline in revenue from sport licence sales and events. Management has assessed the financial impacts and there are no additional adjustments required to the financial statements at this time.