Financial Statements of

EQUINE CANADA

(OPERATING AS EQUESTRIAN CANADA)

And Independent Auditors' Report thereon

Year ended March 31, 2021

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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 “Organization”), which comprise:

- the statement of financial position as at March 31, 2021
- 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, 2021, and its results of operations, its 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 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.

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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

September 7, 2021

EQUINE CANADA

(OPERATING AS EQUESTRIAN CANADA)
Statement of Financial Position

March 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash	$ 663,359	$ 280,403
Investments (note 2)	2,024,806	2,019,363
Accounts receivable (note 3)	947,478	654,506
Prepaid expenses	101,380	110,832
	3,737,023	3,065,104
Tangible capital and intangible assets (note 4)	188,871	92,983
	$ 3,925,894	$ 3,158,087
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	$ 454,388	$ 345,691
Deferred revenue (note 6)	953,167	761,391
	1,407,555	1,107,082
Net assets (note 7):		
Invested in tangible capital and intangible assets	188,871	92,983
Unrestricted	2,329,468	1,958,022
	2,518,339	2,051,005
Commitments (note 8)		
Impact of COVID-19 (note 10)		
	$ 3,925,894	$ 3,158,087

See accompanying notes to financial statements.

On behalf of the Board:

Chris Sorensen, President

Meg Krueger, Chief Executive Officer

EQUINE CANADA

(OPERATING AS EQUESTRIAN CANADA)
Statement of Operations

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Revenue:		
Sport licence fees	$ 1,443,292	$ 2,148,128
COVID-19 related grants and subsidies	1,278,220	40,734
Government funding	948,270	1,505,369
Membership	537,785	674,635
Competition levies and fees	109,348	888,794
Equine medication control	82,825	445,480
Product sales	69,529	90,296
Corporate donations	48,379	95,872
Discipline – general revenue	41,322	156,389
Interest, rebates and other revenue	10,520	219,065
Discipline – donations, fundraising and sponsorship	4,241	118,126
Realized loss on foreign exchange	(1,135)	(888)
	4,572,596	6,382,000
Expenses:		
Salaries and benefits	2,328,875	2,402,868
Discipline	656,463	2,012,808
Office and general	355,858	287,619
Professional fees	176,680	109,457
Rent	137,171	176,604
Cost of goods sold	127,968	111,022
Communications	99,992	148,242
Information technology	88,949	99,027
Amortization of tangible capital assets	56,032	65,177
Meetings and travel	40,360	505,123
Equine medication control	37,543	283,908
Marketing	4,383	59,253
Events (recovery)	(5,012)	216,072
	4,105,262	6,477,180
Excess (deficiency) of revenue over expenses	$ 467,334	$ (95,180)

See accompanying notes to financial statements.

EQUINE CANADA

(OPERATING AS EQUESTRIAN CANADA)
Statement of Changes in Net Assets

Year ended March 31, 2021, with comparative information for 2020

	Invested in tangible capital and intangible assets	Unrestricted	2021 Total	2020 Total
Balance, beginning of year	$ 92,983	$ 1,958,022	$ 2,051,005	$ 2,146,185
Excess (deficiency) of revenue over expenses	–	467,334	467,334	(95,180)
Additions to tangible capital and intangible assets	151,920	(151,920)	–	–
Amortization of tangible capital and intangible assets	(56,032)	56,032	–	–
Balance, end of year	$ 188,871	$ 2,329,468	$ 2,518,339	$ 2,051,005

See accompanying notes to financial statements.

EQUINE CANADA

(OPERATING AS EQUESTRIAN CANADA)
Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	$ 467,334	$ (95,180)
Item not involving cash:		
Amortization of tangible capital and intangible assets	56,032	65,177
Change in non-cash operating working capital:		
Increase in accounts receivable	(292,972)	(193,148)
Decrease in prepaid expenses	9,452	13,375
Increase (decrease) in accounts payable and accrued liabilities	108,697	(67,190)
Increase (decrease) in deferred revenue	191,776	(156,016)
	540,319	(432,982)
Investments:		
Additions to tangible capital and intangible assets	(151,920)	–
Increase in investments	(5,443)	(30,885)
	(157,363)	(30,885)
Increase (decrease) in cash	382,956	(463,867)
Cash, beginning of year	280,403	744,270
Cash, end of year	$ 663,359	$ 280,403

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

(d) 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):

(e) 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. Investments:

Investments of $2,024,806 (2020 - $2,019,363) are comprised of high cash performer fund units.

3. Accounts receivable:

	2021	2020
Commodity taxes receivable	$ 375,418	$ 274,806
Trade receivables	296,134	320,708
COVID-19 subsidies receivable	273,295	40,734
Other	2,631	18,258
	$ 947,478	$ 654,506

4. Tangible capital and intangible assets:

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Tangible capital assets:				
Office furniture and equipment	$ 174,750	$ 132,954	$ 41,796	$ 66,966
Computers	174,521	172,276	2,245	7,236
Leasehold improvements	237,466	96,940	140,526	1,563
Intangible assets:				
Computer software	107,323	103,019	4,304	17,218
	$ 694,060	$ 505,189	$ 188,871	$ 92,983

Cost and accumulated amortization at March 31, 2020 amounted to $542,140 and $449,157, respectively.

4. Tangible capital and intangible assets (continued):

Cost and accumulated amortization at March 31, 2020 amounted to $542,140 and $449,157, respectively.

5. Accounts payable and accrued liabilities:

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

6. Deferred revenue:

	2021	2020
Sport license memberships	$ 463,931	$ 593,873
Government funding	263,000	–
Other	226,236	167,518
	$ 953,167	$ 761,391

7. 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, 2020.

8. Commitments:

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

2022	$ 67,327
2023	67,327
2024	71,211
2025	72,506
2026	72,506
Thereafter	308,150
	$ 659,027

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

9. 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

9. 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. 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.

10. 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.