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**ONTARIO EQUESTRIAN FEDERATION
INCORPORATED**

Financial Statements

Year Ended - March 31, 2015

ONTARIO EQUESTRIAN FEDERATION INCORPORATED

Year Ended - March 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Members of
Ontario Equestrian Federation Incorporated

We have audited the accompanying statement of financial position of Ontario Equestrian Federation Incorporated as at March 31, 2015 and the statements of earnings and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation 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.

Auditor's Responsibility

Our responsibility is to express an opinion of these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements presents fairly, in all material respects, the financial position of Ontario Equestrian Federation Incorporated as at March 31, 2015 and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Truster Zweig LLP

Richmond Hill, Ontario
June 9, 2015

Chartered Accountants
Licensed Public Accountants

ONTARIO EQUESTRIAN FEDERATION INCORPORATED
Statement of Financial Position
March 31, 2015

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
ASSETS			
CURRENT			
Cash		\$ 275,337	\$ 452,138
Short term investments		301,393	283,925
Accounts receivable		358,355	435,347
Inventory		17,676	16,980
Prepaid expenses		37,525	10,553
Due from Medications Drug Fund Program	2	4,582	-
		<u>994,868</u>	<u>1,198,943</u>
EQUIPMENT	3	<u>134,836</u>	<u>170,127</u>
		<u>\$ 1,129,704</u>	<u>\$ 1,369,070</u>

LIABILITIES AND NET ASSETS

CURRENT			
Accounts payable and accrued liabilities		\$ 226,404	\$ 392,226
Government remittances		70,055	85,297
Deferred revenue		747,923	789,604
Due to Medications Drug Fund Program	2	-	24,517
		<u>1,044,382</u>	<u>1,291,644</u>
NET ASSETS		<u>85,322</u>	<u>77,426</u>
		<u>\$ 1,129,704</u>	<u>\$ 1,369,070</u>

APPROVED ON BEHALF OF THE BOARD

Director

Alan Ethelick


Director

Valerie Shipp


See accompanying note

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ONTARIO EQUESTRIAN FEDERATION INCORPORATED
Statement of Earnings and Changes in Net Assets
Year Ended - March 31, 2015

	<u>Note</u>	<u>2015</u>	<u>2014</u>
REVENUE			
Memberships		\$ 911,525	\$ 1,095,076
Registrations		99,793	109,586
Grants		130,188	149,063
Advertising, commissions and sponsorships		104,228	105,746
Interest and other		32,265	15,885
Medications Drug Fund Program	2	50,000	50,000
		<u>1,327,999</u>	<u>1,525,356</u>
EXPENSES			
Advertising		21,735	39,506
Affiliate fees		987	3,373
Amortization		44,169	56,904
Credit card and bank charges		47,190	54,954
Facility rental		6,594	8,301
Grants to affiliate members		3,880	46,051
Insurance		15,748	14,025
Office and general		100,313	154,091
Professional fees		52,945	24,967
Program expenses		44,912	52,540
Rent		108,554	107,263
Travel		44,199	67,823
Wages and benefits		732,749	783,874
Website costs		8,128	4,556
Whoa magazine costs		88,000	108,522
		<u>1,320,103</u>	<u>1,526,750</u>
EARNINGS (LOSS) BEFORE THE FOLLOWING		7,896	(1,394)
Gain on sale of equipment		-	2,655
NET EARNINGS		7,896	1,261
Net Assets, beginning of year		77,426	76,165
NET ASSETS, end of year		<u>\$ 85,322</u>	<u>\$ 77,426</u>

See accompanying note



ONTARIO EQUESTRIAN FEDERATION INCORPORATED
Statement of Cash Flows
Year Ended - March 31, 2015

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	\$ 7,896	\$ 1,261
Item not affecting cash:		
Amortization	44,169	56,904
	<u>52,065</u>	<u>58,165</u>
Changes in non-cash working capital:		
Accounts receivable	76,992	(385,224)
Inventory	(696)	(16,980)
Prepaid expenses	(26,972)	24,205
Accounts payable and accrued liabilities	(165,822)	171,598
Government remittances	(15,242)	(2,052)
Deferred revenue	(41,681)	303,563
Due (from) to Medications Drug Fund Program	(29,099)	25,010
	<u>(202,520)</u>	<u>120,120</u>
	<u>(150,455)</u>	<u>178,285</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Short term investments	(17,467)	74,995
Net change in equipment	(8,879)	(33,114)
	<u>(26,346)</u>	<u>41,881</u>
NET CASH INCREASE (DECREASE), during the year	(176,801)	220,166
Cash, beginning of year	452,138	231,972
CASH, end of year	\$ 275,337	\$ 452,138

See accompanying note

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PURPOSE OF ORGANIZATION

The Ontario Equestrian Federation Incorporated (referred to in these statements as the "Federation") was incorporated as a non-share capital, not-for-profit corporation under the laws of Ontario on June 2, 1977, to promote and regulate 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.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared using Canadian accounting standards for not-for-profit organizations, using the deferral method. These standards are in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) Financial instruments

The Federation measures its financial instruments, consisting of cash, short term investments, accounts receivable, due from Medications Drug Fund Program, accounts payable and accrued liabilities, government remittances and deferred revenue at cost or amortized cost.

b) Revenue recognition

Memberships are accrued based on prior years' actual memberships and are recognized pro-rata on a calendar year basis. Memberships are reported net of amounts remitted to Equine Canada and a third party insurance provider.

The Federation follows the deferral method of accounting for contributions (i.e. grants and sponsorships). Contributions are classified as either restricted, which are recognized as revenue in the year in which the related expenses are incurred, or unrestricted, which are recognized as revenue when received (or receivable, if the amount to be received can reasonably be estimated and collection is reasonably assured).

All other revenues are recognized when earned, provided collection is reasonably assured.

Deferred revenue represents the unearned portion of membership fees and advance payments for competitions and events received from members and sponsors.

Expenses are recognized as they are incurred and measurable as a result of receipt of goods and services and the creation of a legal obligation to pay.

c) Short term investments

Short term investments consist of investments in term deposits with maturities of three months or more.

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

d) Inventory

Inventory consists of merchandise available for sale and is valued at the lower of cost and net realizable value with cost being determined on a first-in, first-out basis. Cost includes purchase cost and transportation costs. The Federation estimates the net realizable value as the amount at which inventory is expected to be sold, less estimated costs necessary to make the sale. Inventory is written down to net realizable value when the cost of inventory is not estimated to be recoverable due to obsolescence, damage or declining prices. When circumstances that previously caused inventory to be written down below cost no longer exist, the amount of the write-down previously recorded is reversed.

e) Equipment

Equipment is recorded at cost. Amortization is provided annually at rates calculated to write-off the assets over their estimated useful lives as follows:

Computer equipment	30% Declining balance
Computer software	30% Declining balance
Database	20% Declining balance
Furniture and equipment	20% Declining balance
Leasehold improvements	10% Straight line
OEF trucks	30% Declining balance
Website	35% Declining balance

f) Use of estimates

The preparation of these financial statements in accordance with Canadian generally accepted accounting principles 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 and allowances for doubtful accounts, accounts payable and accrued liabilities, deferred revenue, and contingent liabilities. Actual results could differ from those estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the period in which they become known.

g) Volunteer services

Many of the Federation's activities are dependent upon the contribution of volunteer time. Because of the difficulty in determining fair value for these services, they are not recognized within these financial statements.

ONTARIO EQUESTRIAN FEDERATION INCORPORATED
Notes to Financial Statements
March 31, 2015

2. MEDICATIONS DRUG FUND PROGRAM

The Federation enforces the current Equine Canada medication control rules in Ontario and ensures that random drug testing takes place at Equine Canada sanctioned competitions held throughout the province. The Federation is responsible for the administration of the national program in Ontario.

Funds held in trust for the Medications Drug Fund Program (the "Program") are maintained in separate bank and brokerage accounts. These account balances, totalling \$204,816 (2014 - \$190,014), are restricted in nature. The Federation has no residual claim in any of the Program's equity and has only been engaged as trustee and administrator of these funds. Accordingly, the cash inflows and outflows from the Program are not included in the statement of operations.

The Federation earns administration fees from the Program as per agreement with Equine Canada. These transactions are in the normal course of operations and are measured at the exchange amount, being the amount of consideration agreed to by the related parties.

3. EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value	
			2015	2014
Computer equipment	\$ 140,915	\$ 121,533	\$ 19,382	\$ 18,546
Computer software	11,980	9,151	2,829	4,042
Database	64,769	37,069	27,700	34,626
Furniture and equipmet	108,960	72,515	36,445	44,037
Leasehold improvements	23,449	9,379	14,070	16,414
OEF Trucks	36,871	32,533	4,338	6,197
Website	92,693	62,621	30,072	46,265
	<u>\$ 479,637</u>	<u>\$ 344,801</u>	<u>\$ 134,836</u>	<u>\$ 170,127</u>

4. TRANSACTIONS WITH EQUINE CANADA

Equine Canada is the national governing body for equine sport, of which the Federation is the provincial arm for Ontario. A portion of each membership fee collected by the Federation is owed to Equine Canada and payments are transferred on a quarterly basis, as per long-standing agreement with Equine Canada.

Included in accounts receivable is \$9,521 (2014 - \$2,301) due from Equine Canada. Included in accounts payable is \$84,720 (2014 - \$88,765) due to Equine Canada. Grant revenues received from Equine Canada during the year totalled \$13,727 (2014 - \$3,948). Total membership fees for the year was \$114,760 (2014 - \$123,530).

These transactions are in the normal course of operations and are measured at the exchange amount being the amount of consideration agreed to by the related parties.

5. COMPLEMENTARY MEMBERSHIPS

Memberships with the Federation are awarded to all members of the Board of Directors. For the 2015 membership year, complementary memberships with the Federation were awarded to all association members. These transactions are in the normal course of operations and are measured at the fair value of the membership fee. The total cost of these memberships is approximately \$2,600.

6. COMMITMENTS AND CONTINGENT LIABILITIES

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

2016	\$	58,313
2017		58,313
2018		58,313
2019		58,680
2020		62,714
Thereafter		<u>120,203</u>
	\$	<u><u>416,536</u></u>

- b) The Federation has leased equipment under an agreement which ends in August 2019. Total annual lease payments for each of the next four years are as follows:

2016	\$	11,084
2017		11,084
2018		11,084
2019		<u>5,542</u>
	\$	<u><u>38,794</u></u>

- c) 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. At this time, the Federation is not aware of any claims under these guarantees and, therefore, no amount has been accrued in the financial statements with respect to these guarantees.

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Federation is exposed to various risks through its financial instruments. The following analysis provides a measure of the Federation's risk exposure and concentrations at the statement of financial position date.

i) 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 provides credit to its members and sponsors in the normal course of its operations. It carries out credit checks, on a continuing basis and maintains provisions for contingent credit losses which, once they materialize, are consistent with management forecasts. The Federation believes the credit risk regarding receivables 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.

ii) Liquidity risk

Liquidity risk is the risk that the Federation will encounter difficulty in meeting obligations associated with financial liabilities. The Federation is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, government remittances, and deferred revenue. The Federation believes the liquidity risk to be minimal due to the fact that the Federation has always met their commitments as they become due. In addition, obligations reported as deferred revenue are satisfied within the next fiscal year.

iii) 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. The Federation is not exposed to any such risks.

8. COMPARATIVE FIGURES

Certain figures in the 2014 financial statements have been reclassified to conform with the basis of presentation as in 2015.