Financial Statements of

EQUINE CANADA

(OPERATING AS EQUESTRIAN CANADA)

Year ended March 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Members of Equine Canada

We have audited the accompanying financial statements of Equine Canada (operating as "Equestrian Canada) (the "Organization"), which comprise the statement of financial position as at March 31, 2016, the statement of operations, changes in fund balances and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditors' Responsibility

Our responsibility is to express an opinion on 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 our 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, we consider 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 present fairly, in all material respects, the financial position of Equine Canada as at March 31, 2016 and its results of operations, changes in fund balances and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

September 6, 2016

Ottawa, Canada

EQUINE CANADA

(OPERATING AS EQUESTRIAN CANADA)
Statement of Financial Position

March 31, 2016, with comparative information for 2015

	2016	2015
Assets		
Current assets:		
Cash	$ 640,749	$ 615,359
Investments (note 2)	2,693,889	2,870,635
Accounts receivable (note 3)	327,021	500,815
Prepaid expenses	480,201	119,901
	4,141,860	4,106,710
Tangible capital and intangible assets (note 4)	230,680	140,579
Horses (note 5)	80,000	–
	$ 4,452,540	$ 4,247,289
Liabilities and Fund Balances		
Current liabilities:		
Accounts payable and accrued liabilities	$ 578,396	$ 549,729
Deferred revenue (note 6)	1,187,611	1,172,053
	1,766,007	1,721,782
Fund balances:		
Invested in tangible capital and intangible assets	230,680	140,579
Restricted (note 7)	2,420,588	1,920,208
Unrestricted	35,265	464,720
	2,686,533	2,525,507
Pension (note 9)		
Commitments (note 10)		
	$ 4,452,540	$ 4,247,289

See accompanying notes to financial statements.

On behalf of the Board:

Jorge Bernhard, President

Eva Havaris, Chief Executive Officer

EQUINE CANADA

(OPERATING AS EQUESTRIAN CANADA)
Statement of Operations

Year ended March 31, 2016, with comparative information for 2015

	Unrestricted	Restricted (note 7)	2016	2015
Revenue:				
Governance	$ 1,058,701	$ –	$ 1,058,701	$ 981,793
Sports Division	2,925,278	–	2,925,278	2,949,242
Jump Canada	–	1,293,113	1,293,113	1,295,442
Dressage Canada	–	470,953	470,953	822,776
Canadian Eventing	–	405,446	405,446	412,012
Para-Equestrian	–	582,107	582,107	473,008
Driving	–	4,557	4,557	8,666
Endurance	–	18,562	18,562	28,511
Reining	–	4,000	4,000	45,969
Vaulting	–	7,675	7,675	17,278
Equine Medications	–	498,812	498,812	260,203
Breeds and Industry Division	196,232	–	196,232	287,520
Provinces Division	65,764	–	65,764	–
Recreation Division	–	–	–	9,170
	4,245,975	3,285,225	7,531,200	7,591,590
Expenses:				
Governance	1,628,077	–	1,628,077	1,482,819
Sports Division	2,462,288	–	2,462,288	2,247,864
Jump Canada	–	779,153	779,153	1,113,924
Dressage Canada	–	531,194	531,194	1,200,213
Canadian Eventing	–	498,256	498,256	622,229
Para-Equestrian	–	541,210	541,210	506,663
Driving	–	1,868	1,868	4,310
Endurance	–	10,644	10,644	35,645
Reining	–	219	219	47,488
Vaulting	–	3,002	3,002	15,459
Equine Medications	–	419,299	419,299	285,700
Breeds and Industry Division	360,102	–	360,102	385,057
Provinces Division	100,762	–	100,762	46,799
Recreation Division	9,852	–	9,852	54,755
Amortization of horses	24,248	–	24,248	–
	4,585,329	2,784,845	7,370,174	8,048,925
Excess (deficiency) of revenue over expenses	$ (339,354)	$ 500,380	$ 161,026	$ (457,335)

See accompanying notes to financial statements.

EQUINE CANADA

(OPERATING AS EQUESTRIAN CANADA)
Statement of Changes in Fund Balances

Year ended March 31, 2016, with comparative information for 2015

	Invested in tangible capital and intangible assets	Restricted (note 7)	Unrestricted	2016 Total	2015 Total
Balance, beginning of year	$ 140,579	$ 1,920,208	$ 464,720	$ 2,525,507	$ 2,982,842
Excess (deficiency) of revenue over expenses	–	500,380	(339,354)	161,026	(457,335)
Acquisition of tangible capital and intangible assets	153,909	–	(153,909)	–	–
Amortization of tangible capital and intangible assets	(63,808)	–	63,808	–	–
Balance, end of year	$ 230,680	$ 2,420,588	$ 35,265	$ 2,686,533	$ 2,525,507

See accompanying notes to financial statements.

EQUINE CANADA

(OPERATING AS EQUESTRIAN CANADA)
Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015

		2016		2015
Cash provided by (used in):				
Operations:				
Excess (deficiency) of revenue over expenses	$	161,026	$	(457,335)
Item not involving cash:				
Amortization of tangible capital and intangible assets		63,808		53,141
Amortization of horses		24,248		–
Change in non-cash operating working capital:				
Decrease (increase) in accounts receivable		173,794		(84,255)
Decrease in inventories		–		28,172
Decrease (increase) in prepaid expenses		(360,300)		57,544
Increase in accounts payable and accrued liabilities		28,667		168,424
Increase (decrease) in deferred revenue		15,558		(136,833)
		106,801		(371,142)
Investments:				
Additions to tangible capital and intangible assets		(153,909)		(76,721)
Acquisition of horses		(104,248)		–
Decrease in investments		176,746		655,219
		(81,411)		578,498
Increase in cash		25,390		207,356
Cash, beginning of year		615,359		408,003
Cash, end of year	$	640,749	$	615,359

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 their operating name to Equestrian Canada. The Organization is incorporated under Part II of the Canada 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. Any surplus shall be used in promoting its objectives.

1. Significant accounting policies:

(a) Basis of presentation:

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

(b) Fund accounting:

The Unrestricted Fund accounts for the general operations of the Organization including its four divisions: Sports, Industry, Provinces, and Recreation.

Restricted Funds consist of the following ten funds:

Jump Canada, Dressage Canada, Canadian Eventing, Para-Equestrian, Driving, Endurance, Reining and Vaulting are all disciplines of Equine Canada dedicated to the pursuit of excellence in their disciplines at the local, national and international levels.

The Equine Medications Fund provides the Organization with the opportunity to meet and deal with the technical intricacies of the Rules and Regulations, to provide educational tools for members in regards to medications, and to promote programs for the benefit of Equine health to all members and the public.

The Legal Defence Fund assists with legal claims against the Organization.

(c) 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 not elected to carry any such financial instruments at fair value.

1. Significant accounting policies (continued):

(c) Financial instruments (continued):

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.

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.

(d) Inventory:

Inventory consists primarily of training manuals and promotional goods and is valued at the lower of cost or net realizable value.

(e) Tangible capital and intangible assets:

Tangible capital and intangible assets are recorded at cost. When a capital 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 and term of lease
Intangible assets:	
Computer software	2 years
Software development	5 years

1. Significant accounting policies (continued):

(e) Tangible capital and intangible assets (continued):

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

(f) Horses:

Horses are recorded at the acquisition cost. Horses are amortized on a straight-line basis over their estimated competitive life of 48 months. Horses are written down to net realizable value if their value has been permanently impaired.

(g) Revenue recognition:

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 of the appropriate restricted fund in the year received.

Restricted contributions, for which the Organization has no corresponding restricted fund, are recognized in the Unrestricted Fund in the year in which the related expenses are incurred.

Revenue received by the Organization for competitive sport and horse licences, amateur, coach and official fees is recognized in the period to which the fees relate.

(h) 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 to the Canadian Equestrian Team for the training, maintenance and other expenses incurred by supporters of the horses loaned or donated to the Team, and donations of goods to the Team to support fundraising activities.

(i) Expenses:

In the statement of operations, the Organization presents its expenses by function.

Expenses are recognized in the year incurred and recorded in the function to which they are directly related. The Organization allocates rent, salaries and office supplies between functions subsequent to initial recognition.

The allocation of these expenses is based on percentages as determined by management and is applied consistently year over year.

1. Significant accounting policies (continued):

(j) 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:

	2016	2015
Term deposits	$ 2,693,889	$ 2,870,635

3. Accounts receivable:

	2016	2015
Agriculture and Agri-Food Canada Program	$ –	$ 175,750
Trade receivables	327,021	325,065
	$ 327,021	$ 500,815

4. Tangible capital and intangible assets:

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Tangible capital assets:				
Office furniture and equipment	$ 24,563	$ 14,405	$ 10,158	$ 14,251
Computers	149,564	91,135	58,429	81,258
Leasehold improvements	49,673	19,484	30,189	33,749
Intangible assets:				
Computer software	40,328	30,742	9,586	11,321
Software development	122,318	–	122,318	–
	$ 386,446	$ 155,766	$ 230,680	$ 140,579

4. Tangible capital and intangible assets (continued):

Cost and accumulated amortization at March 31, 2015 amounted to $247,620 and $107,041, respectively.

In the year, the Organization wrote off $15,083 (2015 - $60,327) of fully amortized capital assets that were no longer in use.

5. Horses:

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
Horses	$ 220,776	$ 140,776	$ 80,000	$ –

Cost and accumulated amortization at March 31, 2015 amounted to $116,524 and $116,524, respectively.

6. Deferred revenue:

	2016	2015
Sport license memberships	$ 1,032,054	$ 1,044,997
Equine Canada magazine	536	36,710
Other	155,021	90,346
	$ 1,187,611	$ 1,172,053

7. Restricted fund balances:

	Balance, March 31, 2015	Revenue	Expenses	Balance, March 31, 2016
Jump Canada	$ 1,099,683	$ 1,293,113	$ 779,153	$ 1,613,643
Dressage Canada	144,567	470,953	531,194	84,326
Canadian Eventing	298,548	405,446	498,256	205,738
Para-Equestrian	(20,001)	582,107	541,210	20,896
Driving	19,649	4,557	1,868	22,338
Endurance	6,754	18,562	10,644	14,672
Reining	(1,826)	4,000	219	1,955
Vaulting	3,485	7,675	3,002	8,158
Equine Medications	319,349	498,812	419,299	398,862
Legal Defence Fund	50,000	–	–	50,000
	$ 1,920,208	$ 3,285,225	$ 2,784,845	$ 2,420,588

8. Government funding:

The Organization received government and partner funding for the year totalling $1,803,387 (2015 - $1,601,787) from the following sources:

	2016	2015
Sport Canada	$ 1,450,000	$ 1,404,000
Canadian Olympic Committee	222,302	–
Agriculture Canada	120,700	175,750
Coaching Association of Canada	7,745	18,037
Other departments	2,640	4,000
	$ 1,803,387	$ 1,601,787

9. Pension:

The Organization makes contributions to employees' registered retirement savings plans based on their years of service and the amount of the employee's contribution up to a maximum of 5.5% of their annual salary. The total expense incurred this year was $66,194 (2015 - $83,453).

10. Commitments:

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

2017	$	164,783
2018		160,420
2019		162,338
2020		168,638
2021		19,238
Thereafter		2,819
	$	678,236

11. Capital management:

The Organization defines capital as its fund balances.

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 Canadian equine committee through eligible means that meet the mandate of its major funders, including the Government of Canada and related entities, and to provide benefits to other stakeholders. 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, 2015.

12. Financial risks and concentration of credit risk:

(a) 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. There has been no change to the risk exposure from 2015.

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

(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. There has been no change to the risk exposures from 2015.

(c) 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.

(d) 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.

Unless otherwise noted, management is of the opinion that the Organization is not subject to significant interest rate, credit or currency risk.

13. Allocation of expenses:

The Organization allocates indirect expenses to its programs based on percentages as determined by management. The expenses allocated and related percentages are presented in the following tables:

	Salaries	Office	Rent	2016 Total
Sport	$ 1,369,442	$ 222,457	$ 124,102	$ 1,716,001
Governance	741,450	48,498	41,535	831,483
	$ 2,110,892	$ 270,955	$ 165,637	$ 2,547,484
Sport	65%	82%	75%	67%
Governance	35	18	25	33
	100%	100%	100%	100%

13. Allocation of expenses (continued)

	Salaries	Office	Rent	2015 Total
Sport	$ 1,252,162	$ 228,461	$ 113,451	$ 1,594,074
Governance	735,978	58,141	37,986	832,105
	$ 1,988,140	$ 286,602	$ 151,437	$ 2,426,179
Sport	63%	80%	75%	66%
Governance	37	20	25	34
	100%	100%	100%	100%