



# Audited Financial Statement Report for 2015–2016

This report is in reference to the financial statements covering the period April 1, 2015 to March 31, 2016 compared to the prior period ending March 31, 2015. The audited financial statements have been approved by the Board of Directors on September 6, 2016, are available in English and French, and are attached as an addendum to this report.

EC is a Registered Canadian Amateur Athletic Association (RCAAA) which is subject to an annual external audit, the highest form of review. The Independent Auditor's Report of the Audited Financial Statements prepared by KPMG LLP, to the Board of Directors and members of EC, confirmed that the Financial Statements produced by EC management, present fairly, in all material aspects, the financial position of the association and that they were prepared as required, in accordance with Canadian generally accepted accounting principles and standards for not-for-profit organizations.

A brief overview of and comments about the EC Financial Statements and the notes thereto show that our statements are broken down into four separate numerical sections (pages 1-4) as well as a complete written section of Notes, (pages 5-13) to help explain all figures listed as follows:

1. The **Statement of Financial Position** (Page 1) is at March 31, 2016 and compared to March 31, 2015.

#### **Assets:**

- As at March 31, 2016 total assets were more than \$4.4 million. Current assets, comprised of cash, short term investments, accounts receivable and prepaid expenses, were more than \$4.1 million, or 93%, of total assets. More than \$3.3 million of current assets is in the form of liquid assets (cash and investments).
- Accounts receivable at March 31, 2016 was \$170K less than at March 31, 2015 due to the Agri-Marketing program for which \$130K funding appears to remain for the 2015/2016 year, which was not recognized in revenue but is currently being reviewed and discussed with representatives of the program. All or part of the amount might actually be available to Equestrian Canada and in such case, would be collected and recorded in 2016/2017. Further, there was a \$40K higher receivable amount at March 31, 2015 due to funding recognized but not yet collected, and determined to be collectible at that date.
- Prepaid expenses, with a balance of \$480k at March 31, 2016, were \$360k higher as compared to March 31, 2015, due mostly to prepayments made and related to the Rio Olympic Games.
- Tangible capital and intangible assets of \$230K increased by \$90k over 2015 due mostly to the capitalization of software development costs. The investment in software was necessary in order to



create efficiencies in the next and future years to allow the organization to update its operational technology such as a new accounting system and software, as well as the changes to the association's website. The organization found it necessary to change to the new accounting system, Microsoft Dynamics NAV, as the previous system, ACCPAC for DOS, was an old system no longer supported for either software or on newer hardware.

- Horses is shown separately at \$80K and is due to the acquisition of a horse in the current period for \$104K less amortization in the current period of \$24K. There was no balance in the horses asset category at March 31, 2015.

#### **Liabilities and Fund Balances:**

- Accounts payable and accrued liabilities balances at March 31, 2016 reflect invoices and expenses incurred and still unpaid at March 2016, most of which were paid subsequently in April 2016. These balances remained similar to the outstanding balances at March 31, 2015.
- Deferred revenue of \$1.2 million arises from collecting contributions which are for a calendar year period rather than the fiscal year period and thus, from an accounting perspective, only the portion that relates to the fiscal period can be recorded in that period's Statement of Operations, and the remainder on the Statement of Financial Position. The current year end balance was comparable to that of March 31, 2015.
- The fund balances section lists the accumulation of net worth over the years. Restricted funds are detailed by discipline and category within Note 7 (page 10) and the unrestricted funds summary is contained within the Statement of Changes in Fund Balances (page 3). While the restricted funds balance at March 31, 2016 has improved by \$500K to reach a level of \$2.4 million, the unrestricted funds balance has decreased by \$430K to reach a balance of \$35K at March 31, 2016. The decline in unrestricted funds is due mostly to a deficiency of revenue over expenses, discussed further in point 2 below, and investments in capital assets as discussed above.
- Overall analysis of the Statement of Financial Position shows liquidity. With \$3.4 million or 80% of current assets in cash and short term investments, and restricted fund balances of just over \$2.4 million, there is adequate liquidity related to restricted funds. As well, as the Accounts Payable balance is \$0.6 million, such balance is more than adequately covered.

2. The **Statement of Operations** (Page 2) shows how the association performed over the past year (from April 1, 2015 to March 31, 2016) in terms of revenues and expenditures associated to the operations and as compared to how the association performed during the 2015 financial period. EC allocates its resources between five unrestricted funds (the divisions of the association including governance, sport, industry, provinces, and recreation), and the ten restricted funds (including all eight disciplines plus the equine medications fund and the legal defence fund).

- Unrestricted fund resources are available for the benefit of the entire association whereas restricted funds are specifically allocated to sport disciplines, equine medications and the legal defence fund.
- Association operating revenues, both unrestricted and restricted, remained similar to 2015 at more



than \$7.5 million.

- Overall the organization showed an excess of revenues over expenditures during the 2016 financial period of just over \$160K for the year, which is divided between a deficiency in the unrestricted funds of \$340K and an excess of \$500K in the restricted funds. The 2016 operating results compared favourably to the 2015 operating results which showed a deficiency due to expenses being higher than revenues by \$460K.
- The deficiency in unrestricted funds of \$340K was due to non-recurring items including a loss of \$160K on the Pan Am Horse experience program, a loss of revenues of \$130K for the Agri-Marketing program (as previously discussed in the accounts receivable section), and additional unplanned expenses due to employee severances and the cost to replace those positions with temporary contractors in the finance department totalling \$100K, slightly offset by savings in various areas of \$50K. The unrestricted fund deficiency and the restricted fund excess from the operations of the financial year ending March 31, 2016 are then subtracted and added, respectively, to the previous year-end fund balances, forming a part of the fund balances as shown in the fund section within the Statement of Financial Position (Page 1 and now totaling **\$35,265** and **\$2,420,588** respectively), along with other items that contribute to the fund balances as indicated in the Statement of Changes in Fund Balances (Page 3). For a complete summary of the balances contained within each of the restricted funds at March 31, 2016, please see Note 7 on Page 10 of the financial statements.



3. The **Statement of Changes in Fund Balances** (Page 3) is a summary of the association's net worth on a book value basis should it be required to dissolve. The internally restricted fund balance reveals the growth for the year (from the Statement of Operations) combined with the opening balances, to \$2.4 million. It also shows the decrease in the unrestricted fund balance to an amount of \$35K at March 31, 2016 due to the opening balance at April 1, 2015 being depleted through the expenses being in excess of the revenues and the net amount of the acquisition of capital and tangible assets, and related amortization for the financial period.

4. The **Statement of Cash Flow** (Page 4) is an accounting exercise which shows where our cash was increased or required over the past year as it relates to the March 31, 2016 cash balance of \$640K ( as included in the Statement of Financial Position). Significant positive changes of increased excess in revenue over expenses and decreases in accounts receivable were mostly offset by increases in prepaid expenses and decreases in investments.

5. The **Notes to The Financial Statements** (pages 5-13) are an integral part of the audit process and reveal several important details and factors about the association. Many comments within this document have referred to these footnotes, As we are a relatively large Registered Canadian Amateur Athletic Association (RCAAA), with several divisions and disciplines, a reader will note that the organization has several significant Accounting Policies which are identified in the preface to the detailed footnotes.

This represents a brief overview of the Financial Statements. We would be happy to address any questions or concerns you may have concerning the Financial Statements for 2015-2016.

Respectfully submitted,

Frederic Pierrestiger  
Chair, EC Audit Committee