

Horse Council of British Columbia

Financial Statements

Year Ended December 31, 2018

Horse Council of British Columbia

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Year Ended December 31, 2018

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WEBSTER & ASSOCIATES*

Chartered Professional Accountants

300 - 2955 Gladwin Road, Abbotsford, B.C. V2T 5T4
Tel & Fax: (604) 853-6122 Toll Free: (844) 345-1898

INDEPENDENT AUDITORS' REPORT

To the Members of Horse Council of British Columbia

Report on the Financial Statements

Opinion

We have audited the financial statements of Horse Council of British Columbia (the Society), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2018, and the results of its operations 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 report. We are independent of the Society 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 those 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 Society's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

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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 these 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 Society'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 Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Society 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.

We 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.

Report on Other Legal and Regulatory Requirements

As required by the British Columbia Societies Act, we report that, in our opinion, the Society's financial statements have been prepared following Canadian accounting standards for not-for-profit organizations. These principles have been applied on a basis consistent with that of the preceding year.

Wester & Associates

Abbotsford, British Columbia
February 18, 2019

Chartered Professional Accountants

Horse Council of British Columbia

Statement of Financial Position

December 31, 2018

| | Total 2018 | Total 2017 |
|---|---------------------|---------------------|
| Assets | | |
| Current | | |
| Cash | \$ 425,407 | \$ 480,728 |
| Term deposit | | 200,000 |
| Accounts receivable (Note 3) | 111 | 5,244 |
| Inventory (Note 4) | 26,052 | 28,587 |
| Prepays (Note 5) | 2,681 | 11,428 |
| | <u>454,251</u> | <u>725,987</u> |
| Tangible capital assets (Note 6) | <u>1,352,445</u> | <u>1,386,205</u> |
| Total assets | <u>\$ 1,806,696</u> | <u>\$ 2,112,192</u> |
| Liabilities | | |
| Current | | |
| Accounts payable and accrued liabilities (Note 7) | \$ 102,128 | \$ 130,312 |
| Goods and services tax payable | 11,817 | 12,341 |
| Deferred revenue (Note 8) | 370,371 | 412,694 |
| Current portion of long term debt (Note 9) | - | 192,290 |
| | <u>484,316</u> | <u>747,637</u> |
| Total liabilities | <u>484,316</u> | <u>747,637</u> |
| Net Assets | | |
| Net assets | <u>1,322,380</u> | <u>1,364,555</u> |
| Total liabilities and net assets | <u>\$ 1,806,696</u> | <u>\$ 2,112,192</u> |

Lease commitments (Note 11)

On behalf of the Board

 Director

Director

See accompanying notes to financial statements

Horse Council of British Columbia

Statement of Operations

Year Ended December 31, 2018

| | Budget 2018 | Total 2018 | Total 2017 |
|---|--------------------|--------------------|------------------|
| Revenue | | | |
| Coaching | \$ 23,050 | \$ 16,371 | \$ 12,823 |
| Competition | 52,030 | 23,545 | 23,820 |
| Sales | 27,127 | 30,927 | 31,103 |
| General (Schedule 1) | 1,597,458 | 1,507,842 | 1,534,317 |
| Marketing | 28,000 | 20,840 | 17,336 |
| Recreation | 7,300 | 2,482 | 2,025 |
| Building | 62,792 | 65,250 | 59,561 |
| | <u>1,797,757</u> | <u>1,667,257</u> | <u>1,680,985</u> |
| Expenses | | | |
| Administration | 201,950 | 230,316 | 208,780 |
| Board of directors | 44,355 | 45,139 | 39,994 |
| Building operating | 49,700 | 48,948 | 58,194 |
| Coaching | 30,360 | 24,090 | 20,785 |
| Competition | 47,250 | 29,603 | 16,109 |
| Cost of sales | 25,920 | 33,466 | 29,567 |
| Development expense | 35,400 | 23,456 | 22,590 |
| General (Schedule 1) | 514,219 | 516,594 | 513,141 |
| Industry | 54,150 | 23,554 | 29,519 |
| Marketing | 73,000 | 75,661 | 85,549 |
| Recreation | 41,072 | 51,717 | 44,395 |
| Staff costs | 779,149 | 606,888 | 602,493 |
| | <u>1,896,525</u> | <u>1,709,432</u> | <u>1,671,116</u> |
| Excess (deficiency) of revenue over expenses from operations | (98,768) | (42,175) | 9,869 |
| Other expenses | | | |
| Loss on disposal of tangible capital assets | - | - | 2,394 |
| Excess (deficiency) of revenue over expenses | \$ (98,768) | \$ (42,175) | \$ 7,475 |

See accompanying notes to financial statements

Horse Council of British Columbia

Statement of Changes in Net Assets

Year Ended December 31, 2018

| | Unrestricted | Internally Restricted | Equity in Capital Assets | 2018 | 2017 |
|--|--------------|-----------------------|--------------------------|--------------|--------------|
| Net assets - beginning of year | \$ 151,229 | \$ 19,411 | \$ 1,193,915 | \$ 1,364,555 | \$ 1,357,080 |
| Excess (deficiency) of revenue over expenses | (8,415) | - | (33,760) | (42,175) | 7,475 |
| Repayment of long term debt | (192,290) | - | 192,290 | - | - |
| Allocation of specific revenue to reserve | (6,126) | 6,126 | - | - | - |
| Allocation of specific expenses to reserve | 62,725 | (62,725) | - | - | - |
| Transfers | (87,186) | 87,186 | - | - | - |
| Net assets - end of year | \$ (80,063) | \$ 49,998 | \$ 1,352,445 | \$ 1,322,380 | \$ 1,364,555 |

See accompanying notes to financial statements

Horse Council of British Columbia

Statement of Cash Flows

Year Ended December 31, 2018

| | 2018 | 2017 |
|---|-------------------|-------------------|
| Operating activities | | |
| Excess (deficiency) of revenue over expenses | \$ (42,175) | \$ 7,475 |
| Items not affecting cash: | | |
| Amortization of tangible capital assets | 33,760 | 37,012 |
| Loss on disposal of tangible capital assets | - | 2,394 |
| | <u>(8,415)</u> | <u>46,881</u> |
| Changes in non-cash working capital: | | |
| Accounts receivable | 5,133 | (5,044) |
| Inventory | 2,535 | (3,241) |
| Prepays | 8,747 | 2,926 |
| Accounts payable and accrued liabilities | (28,184) | 17,240 |
| Goods and services tax payable | (524) | (2,302) |
| Deferred revenue | (42,323) | 493 |
| | <u>(54,616)</u> | <u>10,072</u> |
| Cash flow from (used by) operating activities | <u>(63,031)</u> | <u>56,953</u> |
| Financing activity | | |
| Repayment of long term debt | <u>(192,290)</u> | <u>(104,712)</u> |
| Cash flow used by financing activity | <u>(192,290)</u> | <u>(104,712)</u> |
| Decrease in cash flow | (255,321) | (47,759) |
| Cash - beginning of year | <u>680,728</u> | <u>728,487</u> |
| Cash - end of year | <u>\$ 425,407</u> | <u>\$ 680,728</u> |
| Cash consists of: | | |
| Cash | \$ 425,407 | \$ 480,728 |
| Term deposit | - | 200,000 |
| | <u>\$ 425,407</u> | <u>\$ 680,728</u> |

See accompanying notes to financial statements

Horse Council of British Columbia

Notes to Financial Statements

Year Ended December 31, 2018

1. Description of operations

Horse Council of British Columbia (the "Society") is a not-for-profit organization incorporated provincially under the Society Act of British Columbia. Management has determined that they are exempt from payment of income tax under Section 149(1) of the Income Tax Act.

The Society operates to provide programs and financial support to various equestrian groups, societies in the province of British Columbia and its members.

2. Summary of significant accounting policies

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Revenue recognition

Horse Council of British Columbia follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

- a) Grant funds are recognized in the period in which the grant relates.
- b) Interest income is recognized in the period earned.
- c) Membership fees are charged on a calendar year basis and are recognized in the year that the fees relate.
- d) Sales of merchandise and books are recognized when there is persuasive evidence that an arrangement exists, the goods have been received by the customer, the price is fixed and determinable, and collection is reasonably assured. In most instances, the recognition is at point of sale.
- e) Rental income from tenant leases is recognized over the term of the related agreements. Property taxes, insurance and other operating costs recovered from the tenants on a monthly basis are recognized as revenue in the period in which received.
- f) All other unrestricted revenue is recognized when received.

Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

(continues)

Horse Council of British Columbia

Notes to Financial Statements

Year Ended December 31, 2018

2. Summary of significant accounting policies (continued)

Tangible capital assets

Tangible capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives at the following rates and methods:

| | | |
|------------------------|----------|--------------------------|
| Building | 4% | declining balance method |
| Automotive | 30% | declining balance method |
| Computer equipment | 30% | declining balance method |
| Computer software | 4 years | straight-line method |
| Equipment | 15 years | straight-line method |
| Furniture and fixtures | 20% | declining balance method |

The Society regularly reviews its tangible capital assets to eliminate obsolete items. Government grants are treated as a reduction of tangible capital assets cost.

Tangible capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

3. Accounts receivable

| | 2018 | 2017 |
|------------------|---------------|-----------------|
| Accrued interest | \$ - | \$ 168 |
| Other | 111 | 5,076 |
| | <u>\$ 111</u> | <u>\$ 5,244</u> |

In the prior year, other included a grant of \$ 5,000 from the Ministry of Agriculture.

4. Inventory

| | 2018 | 2017 |
|-------------------|------------------|------------------|
| Books | \$ 19,063 | \$ 21,123 |
| Merchandise | 1,989 | 1,214 |
| Awards and prizes | 5,000 | 6,250 |
| | <u>\$ 26,052</u> | <u>\$ 28,587</u> |

Horse Council of British Columbia

Notes to Financial Statements

Year Ended December 31, 2018

5. Prepays

| | 2018 | 2017 |
|----------|-----------------|------------------|
| Expenses | \$ 481 | \$ 755 |
| Orders | 2,200 | 10,673 |
| | <u>\$ 2,681</u> | <u>\$ 11,428</u> |

6. Tangible capital assets

| | Cost | Accumulated amortization | 2018 Net book value | 2017 Net book value |
|------------------------|---------------------|-----------------------------|---------------------------|---------------------------|
| Land | \$ 722,422 | \$ - | \$ 722,422 | \$ 722,422 |
| Building | 725,959 | 157,709 | 568,250 | 591,927 |
| Equipment | 48,450 | 10,982 | 37,468 | 40,375 |
| Furniture and fixtures | 56,860 | 38,733 | 18,127 | 22,659 |
| Computer equipment | 14,763 | 10,243 | 4,520 | 6,457 |
| Automotive | 6,782 | 5,153 | 1,629 | 2,326 |
| Computer software | 11,353 | 11,324 | 29 | 39 |
| | <u>\$ 1,586,589</u> | <u>\$ 234,144</u> | <u>\$ 1,352,445</u> | <u>\$ 1,386,205</u> |

7. Accounts payable and accrued liabilities

| | 2018 | 2017 |
|-------------------------------|-------------------|-------------------|
| Trade accounts payable | \$ 68,670 | \$ 100,558 |
| Media partners liability | 5,000 | 2,327 |
| Payroll and employee benefits | 28,458 | 27,427 |
| | <u>\$ 102,128</u> | <u>\$ 130,312</u> |

Horse Council of British Columbia

Notes to Financial Statements

Year Ended December 31, 2018

8. Deferred revenue

| | 2018 | 2017 |
|--------------------------|-------------------|-------------------|
| Animal disaster | \$ 124 | \$ - |
| Equine Foundation | 6,037 | 7,808 |
| Rental deposits | 4,730 | 4,730 |
| Other | 88 | 45 |
| Unearned membership fees | 359,392 | 400,111 |
| | <u>\$ 370,371</u> | <u>\$ 412,694</u> |

The Equine Foundation amount relates to a restricted grant for a Horse Mannequin that was deferred and is being amortized on the same basis as the related asset (i.e. 20% declining balance).

9. Long term debt

| | 2018 | 2017 |
|--|-------------|-------------|
| Envision Credit Union loan bearing interest at 4.06% per annum, repayable in monthly blended payments of \$4,070. The loan matured on March 30, 2018 and was secured by first mortgage over land and building. | \$ - | \$ 192,290 |
| Amounts payable within one year | - | (192,290) |
| | <u>\$ -</u> | <u>\$ -</u> |

During the year, the Society paid off its mortgage and obtained a \$ 400,000 line of credit secured against the land and building. The carrying value of the land and building as of December 31, 2018 was \$ 1,290,672. The complete line of credit was unused as of December 31, 2018.

10. Internally restricted reserve

| | Regions | BC Trails | Animal Disaster | Total |
|------------------------------------|------------------|-----------------|------------------|------------------|
| Balances, beginning of year | \$ 13,595 | \$ 5,816 | \$ - | \$ 19,411 |
| Allocation of revenue | 2,316 | 3,810 | - | 6,126 |
| Allocation of expenses | (25,570) | (37,155) | - | (62,725) |
| Transfers | 22,186 | 30,000 | 35,000 | 87,186 |
| Balances, end of year | <u>\$ 12,527</u> | <u>\$ 2,471</u> | <u>\$ 35,000</u> | <u>\$ 49,998</u> |

Horse Council of British Columbia

Notes to Financial Statements

Year Ended December 31, 2018

11. Lease commitments

The Society, as of December 31, 2018, was committed to three equipment leases (photocopier, mail machine and mail folder). Future minimum lease payments as at December 31, 2018, are as follows:

| | | |
|------|----|--------|
| 2019 | \$ | 11,660 |
| 2020 | | 10,663 |
| 2021 | | 7,672 |
| 2022 | | 4,333 |
| | | <hr/> |
| | \$ | 34,328 |

12. Related party transactions

The Society has a relationship with and a number of transactions annually with Equestrian Canada, which is the federal governing body for equestrian sport. The Society made expenditures of \$ 0 (\$ 231 - 2017) to and had revenue of \$0 (\$ 0 - 2017) from Equestrian Canada. In addition, the Society sets aside 10% of membership fees received. In 2018, this payment totalled \$ 100,715 (\$ 100,024 - 2017). As at December 31, 2018, there was \$ 1,233 (\$ 1,302 - 2017) owing to Equestrian Canada. Transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

There are six (six - 2017) directors of the Society that have received direct or indirect consideration for subcontract or other services provided to the Society. During the year, the Society paid the directors a combined amount of \$ 7,108 (\$ 4,762 - 2017). In addition, the Society processed the registration for a major education event hosted by an organization that had a board member and staff member involved. The arrangement was for a fee of 5% of the registrations. The registrations processed totalled \$ 230,000 in 2018. The administration fee of \$ 11,500 has been recorded in general revenue. These transactions are recorded at the exchange amount which approximates fair market value.

13. Non-monetary transaction

The Society has media contracts with two member commercial entities. In exchange for providing the businesses with a subscription service on its website, the Society receives free advertising in the members' publications. The Society has estimated that the value of that advertising for 2018 was approximately \$ 26,730 (\$ 48,270 - 2017).

This non-monetary transaction meets one of the exceptions for fair market measurement in that it is an exchange of a service for a service in the same line of business to facilitate sales to customers other than the parties to the exchange. Accordingly, this transaction is measured at its carrying amount (i.e. the cost of the service given up), which is nil.

14. Financial instruments

The Society is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Society's risk exposure and concentration as of December 31, 2018.

(continues)

Horse Council of British Columbia

Notes to Financial Statements

Year Ended December 31, 2018

14. Financial instruments *(continued)*

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Society is exposed to credit risk from customers and members. The Society has a significant number of customers and members which minimizes concentration of credit risk. Since the Society has only nominal receivables at any instance, its exposure to credit risk is minimal.

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Society is exposed to this risk mainly in respect of its receipt of funds from its customers, members and other related sources, long-term debt, and accounts payable. Since the Society paid off its long term debt in the year, its liquidity risk is limited to the timing of receipt of revenue and that of paying its ongoing expense 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 rate risk, interest rate risk and other price risk. The Society is not overly exposed to any of these risks.

15. Additional information

As required under the Societies Act, British Columbia, the Society reports that it has no remuneration paid to directors during the year, and two employees received remuneration in excess of \$ 75,000.

16. Comparative figures

Some of the comparative figures have been reclassified to conform to the current year's presentation.

Horse Council of British Columbia

Schedule of General Revenue and Expenses

(Schedule 1)

Year Ended December 31, 2018

| | 2018 | 2017 |
|-------------------------------|---------------------|---------------------|
| General revenue | | |
| Administrative fees | \$ 15,946 | \$ 3,891 |
| Animal relief | 18,423 | 70,986 |
| Cost recovery | 35 | 2 |
| Gaming | 57,100 | 55,000 |
| Interest | 11,229 | 3,442 |
| Members optional insurance | 119,975 | 111,305 |
| Memberships | 1,125,277 | 1,122,425 |
| Ministry of Agriculture grant | - | 5,000 |
| Miscellaneous | 9,797 | 8,762 |
| Sport funding | 150,060 | 153,504 |
| General revenue total | \$ 1,507,842 | \$ 1,534,317 |
| General expenses | | |
| Animal relief | \$ 41,368 | \$ 61,853 |
| Athlete support | 12,500 | 14,746 |
| Club grants | 46,554 | 35,525 |
| Equestrian Canada | 100,315 | 100,024 |
| Members insurance | 167,633 | 167,423 |
| Members optional insurance | 120,135 | 111,305 |
| Scholarships | 5,000 | 5,000 |
| Travel support | 300 | 2,700 |
| Zone support | 22,789 | 14,565 |
| General expenses total | \$ 516,594 | \$ 513,141 |

See accompanying notes to financial statements

Horse Council of British Columbia

Schedule of Reallocated Expenses

(Schedule 2)

Year Ended December 31, 2018

| | 2018 | 2017 |
|-------------------------------------|---------------------|---------------------|
| Expenses by Expense Category | | |
| Advertising and promotion | \$ 71,758 | \$ 76,715 |
| Amortization | 33,760 | 37,012 |
| Contract payments | 72,815 | 80,063 |
| Credit card processing charges | 45,110 | 33,844 |
| Equipment rental | 11,226 | 6,709 |
| Insurance | 407,874 | 398,746 |
| Interest and bank charges | 1,228 | 268 |
| Interest on long term debt | 1,829 | 11,070 |
| Purchases | 28,615 | 24,425 |
| Meetings | 19,957 | 19,504 |
| Memberships and dues | 7,297 | 5,011 |
| Office and miscellaneous | 32,026 | 28,923 |
| Professional fees | 18,904 | 12,500 |
| Program supplies | 153,230 | 133,629 |
| Property taxes | 21,418 | 20,879 |
| Repairs and maintenance | 8,431 | 9,280 |
| Salaries and benefits | 601,227 | 593,890 |
| Support and grants | 128,512 | 134,389 |
| Telephone | 11,003 | 10,937 |
| Travel | 33,212 | 33,322 |
| <i>Subtotal</i> | <u>1,709,432</u> | <u>1,671,116</u> |
| Loss on disposal of assets | - | 2,394 |
| Total Expenses | <u>\$ 1,709,432</u> | <u>\$ 1,673,510</u> |

See accompanying notes to financial statements