

FINANCIAL STATEMENTS OF

HORSE COUNCIL OF BRITISH COLUMBIA

December 31, 2019



d'Abadie Moody inc.



HORSE COUNCIL OF BRITISH COLUMBIA

Independent Auditor's Report

Financial Statements

Statement of Financial Position

Statement of Operations

Statement of Changes in Net Assets

Statement of Cash Flows

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INDEPENDENT AUDITOR'S REPORT

To the Members of
Horse Council of British Columbia

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Horse Council of British Columbia, which comprise the statement of financial position as at December 31, 2019, 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 organization as at December 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our 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.

Other Matter

The financial statements of the Society for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on February 18, 2019.

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 ASNPO, 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 Society 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.



INDEPENDENT AUDITOR'S REPORT

Auditor's 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 auditor's 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.

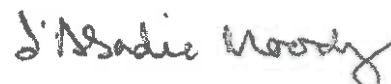
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT

Report on Other Legal and Regulatory Requirements

As required by the Societies Act of British Columbia, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Langley, British Columbia
March 10, 2020



Chartered Professional Accountants

HORSE COUNCIL OF BRITISH COLUMBIA
STATEMENT OF FINANCIAL POSITION
As at December 31, 2019

	<u>2019</u>	<u>2018</u>
ASSETS		
Current		
Cash and cash equivalents	\$ 561,504	\$ 425,407
Accounts receivable	4,639	111
Inventory (Note 3)	37,587	26,052
Prepaid expenses	4,120	2,681
	<u>607,850</u>	<u>454,251</u>
Capital assets (Note 4)	<u>1,323,516</u>	<u>1,352,444</u>
	<u>\$ 1,931,366</u>	<u>\$ 1,806,695</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 5)	\$ 88,009	\$ 102,128
Deferred revenue (Note 6)	407,004	370,371
GST payable	11,921	11,817
	<u>506,934</u>	<u>484,316</u>
FUND BALANCES		
Net Assets	<u>1,424,432</u>	<u>1,322,379</u>
	<u>\$ 1,931,366</u>	<u>\$ 1,806,695</u>

Approved by the board

_____ Director

_____ Director

See accompanying notes to the financial statements

HORSE COUNCIL OF BRITISH COLUMBIA
STATEMENT OF OPERATIONS
Year ended December 31, 2019

	2019 Budget (Unaudited)	2019 Actual	2018 Actual
REVENUES			
Building	\$ 76,424	\$ 72,788	\$ 65,250
Coaching	20,000	16,936	16,371
Competition	16,700	19,763	23,545
General (Schedule 1)	1,569,910	1,482,975	1,507,843
Marketing	38,000	32,775	20,840
Recreation	2,300	6,894	2,482
Industry	-	50,000	-
Sales	43,200	31,422	30,927
	<u>1,766,534</u>	<u>1,713,553</u>	<u>1,667,258</u>
EXPENDITURES			
Administration	206,338	209,330	230,316
Board of directors	61,700	37,247	45,139
Building operating	48,000	56,072	48,948
Coaching expenses	24,850	24,094	24,090
Competition	23,100	18,837	29,603
Cost of sales	30,500	27,507	33,466
Development expense	38,600	22,077	23,456
General expenses (Schedule 1)	531,526	452,764	516,594
Industry expense	34,750	36,266	23,554
Marketing expense	74,900	69,800	75,661
Recreation expense	50,167	30,511	51,717
Staffing costs	680,308	626,995	606,889
	<u>1,804,739</u>	<u>1,611,500</u>	<u>1,709,433</u>
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ (38,205)</u>	<u>\$ 102,053</u>	<u>\$ (42,175)</u>

See accompanying notes to the financial statements

HORSE COUNCIL OF BRITISH COLUMBIA

STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31, 2019

BALANCE, beginning of year	Transfers	Allocation of revenue	Allocation of expenses	Excess (deficiency) of revenues over expenditures	2019 (Unaudited) BALANCE, end of year				
Equity in Capital Assets									
Internally Restricted (Note 7)	\$ -	\$ -	\$ -	\$ (28,928)	\$ 1,323,516				
Unrestricted	44,958	10,134	(50,098)	-	54,992				
	(44,958)	(10,134)	50,098	130,981	45,924				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 102,053</u>	<u>\$ 1,424,432</u>				
BALANCE, beginning of year	Repayment of Debt	Allocation of revenue	Allocation of expenses	Deficiency of revenues over expenditures	2018 BALANCE, end of year				
Equity in Capital Assets									
Internally Restricted	\$ 192,290	\$ -	\$ -	\$ (33,760)	\$ 1,352,444				
Unrestricted	19,411	6,126	(62,725)	-	49,998				
	(87,186)	(6,126)	62,725	(8,415)	(80,063)				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (42,175)</u>	<u>\$ 1,322,379</u>				

See accompanying notes to the financial statements



HORSE COUNCIL OF BRITISH COLUMBIA
STATEMENT OF CASH FLOWS
Year ended December 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures	\$ 102,053	\$ (42,175)
Item not affecting cash		
Amortization	32,276	33,760
	134,329	(8,415)
Change in non-cash working capital items		
Accounts receivable	(4,528)	5,133
Inventory	(11,535)	2,535
Prepaid expenses	(1,439)	8,747
Accounts payable and accrued liabilities	(14,121)	(28,184)
Deferred revenue	36,633	(42,323)
GST payable	104	(524)
	139,443	(63,031)
FINANCING ACTIVITY		
Repayment of long term debt	-	(192,290)
INVESTING ACTIVITY		
Purchase of capital assets	(3,346)	-
INCREASE (DECREASE) IN CASH	136,097	(255,321)
CASH, beginning of year	425,407	680,728
CASH, end of year	\$ 561,504	\$ 425,407

See accompanying notes to the financial statements

HORSE COUNCIL OF BRITISH COLUMBIA

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

1. Nature of operations

Horse Council of British Columbia (the "Society") is a not-for-profit organization incorporated provincially under the British Columbia Societies Act and is exempt from the payment of income tax under Section 149(l) 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. Significant accounting policies

The Society applies the Canadian accounting standards for not-for-profit organizations.

(a) Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with maturities of three months or less from their date of acquisition, which are readily convertible into a known amount of cash, and are subject to an insignificant risk to changes in their fair value.

(b) Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method.

(c) Revenue recognition

The Society 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.

Externally restricted contributions for the purchase of capital assets that will be amortized are recorded as deferred capital contributions and recognized as revenue on the same basis as the amortization expense related to the acquired capital assets. Externally restricted contributions for the purchase of capital assets that will not be amortized are recognized as direct increases in net assets to the Investment in Capital Assets balance.

HORSE COUNCIL OF BRITISH COLUMBIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

2. Significant accounting policies, continued

(c) Revenue recognition, continued

Grant fund are recognized in the period which the grant relates.

Interest income is recognized in the period earned.

Membership fees are charged on a calendar year basis and recognized in the year that the fees relate.

Sale 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 a point of sale.

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.

All other unrestricted revenue is recognized when received.

(d) Impairment of long-lived assets

The Society tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected undiscounted future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent carrying value exceeds its fair value.

(e) Measurement uncertainty

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant areas requiring the use of estimates include: estimated useful lives of capital assets, determination of deferred revenue, and allocation of expenditures to various functions. Actual results may differ from management's best estimates as additional information becomes available in the future.

HORSE COUNCIL OF BRITISH COLUMBIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

3. Inventory

	2019	2018
Books	\$ 24,858	\$ 19,063
Merchandise	6,479	1,989
Awards and prizes	6,250	5,000
	<u>\$ 37,587</u>	<u>\$ 26,052</u>

4. Capital assets

Capital assets are recorded at cost. The Society provides for amortization using the following methods at rates designed to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rates and methods are as follows:

Building	4% Declining balance
Equipment	15 years Straight-line
Automotive	30% Declining balance
Furniture and fixtures	20% Declining balance
Computer equipment	30% Declining balance
Computer software	4 years Straight-line

	2019		2018	
	Cost	Accumulated amortization	Net Book Value	Net Book Value
Land	\$ 722,422	\$ -	\$ 722,422	\$ 722,422
Building	725,959	180,439	545,520	568,250
Equipment	48,450	13,888	34,562	37,468
Automotive	6,782	5,642	1,140	1,628
Furniture and fixtures	54,560	40,216	14,344	18,127
Computer equipment	18,109	12,603	5,506	4,520
Computer software	11,353	11,331	22	29
	<u>\$ 1,587,635</u>	<u>\$ 264,119</u>	<u>\$ 1,323,516</u>	<u>\$ 1,352,444</u>

HORSE COUNCIL OF BRITISH COLUMBIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

5. Accounts payable and accrued liabilities

	<u>2019</u>	<u>2018</u>
Trade payables	\$ 60,768	\$ 68,670
Media partners liability	-	5,000
Payroll and employee benefits	<u>27,241</u>	<u>28,458</u>
	<u>\$ 88,009</u>	<u>\$ 102,128</u>

6. Deferred revenue

	<u>2019</u>	<u>2018</u>
Animal disaster	\$ -	\$ 124
Equine Foundation	4,829	6,037
Rental deposits	4,730	4,730
Other	5,334	88
Membership fees	<u>392,111</u>	<u>359,392</u>
	<u>\$ 407,004</u>	<u>\$ 370,371</u>

7. Internally restricted reserve

	<u>Regions</u>	<u>BC Trails</u>	<u>Animal Disaster</u>	<u>Total</u>
Balances, beginning of year	\$ 12,527	\$ 2,471	\$ 35,000	\$ 49,998
Allocation of revenue	-	3,814	6,320	10,134
Allocation of expenses	(11,739)	(24,329)	(14,030)	(50,098)
Transfers	<u>(788)</u>	<u>20,400</u>	<u>25,346</u>	<u>44,958</u>
Balance, end of year	<u>\$ -</u>	<u>\$ 2,356</u>	<u>\$ 52,636</u>	<u>\$ 54,992</u>

HORSE COUNCIL OF BRITISH COLUMBIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

8. Commitments

As at December 31, 2019, the Society has outstanding commitments of approximately \$25,510 with respect to various equipment leases.

2020	\$ 10,663
2021	7,672
2022	6,062
2023	<u>1,113</u>
	<u>\$ 25,510</u>

9. Related party transactions

During the year fees were paid to the following entities and individuals:

	<u>2019</u>	<u>2018</u>
Equestrian Canada (i)	\$ 109,502	\$ 100,024
Directors (ii)	<u>1,580</u>	<u>7,108</u>
	<u>\$ 111,082</u>	<u>\$ 107,132</u>

i) Equestrian Canada is the federal governing body for equestrian sport.

ii) Directors receiving direct or indirect consideration services provided to the Society.

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

In 2018, the Society generated administration fee revenue totaling \$11,500 from an organization with a common director.

HORSE COUNCIL OF BRITISH COLUMBIA

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

10. Non-monetary transactions

The Society has media contracts with two member commercial entities. In exchange for providing the businesses with a subscription services on its website, the Society receives free advertising in the members' publications. The Society has estimated the value of free advertising services received to be \$27,170 (2018 - \$26,730).

As allowed by Canadian accounting standards applicable to not-for-profit organizations, these non-monetary transactions (being an exchange of service in the same line of business to facilitate sales to parties other than the parties to the exchange) are recorded at the carrying amount (value of service given up), which is nil.

11. Budget amounts

The 2019 budget amounts on the Statement of Operations and the Schedules to the Financial Statements, are presented for information purposes only and are unaudited.

12. Remuneration of employees, contractors and directors

The B.C. Societies Act requires the society to disclose the remuneration paid to employees and contractors whose remuneration during the year was at least \$75,000 and all remuneration paid to directors.

No remuneration was paid to any of the directors. See Note 9.

2 employees received remuneration in excess of \$75,000 during the year.

13. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

(a) Fair value

The fair value of current financial assets and current financial liabilities approximates their carrying value due to their short-term maturity dates. The fair value of long-term financial liabilities approximates their carrying value based on the presumption that the Society is a going concern and thus expects to fully repay the outstanding amounts.

HORSE COUNCIL OF BRITISH COLUMBIA

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

13. Financial instruments, continued

(b) Foreign exchange risk

The Society is not exposed to significant foreign exchange risk as all operations take place in Canada.

(c) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether the factors are specific to the instrument or all instruments traded in the market. The Society is not exposed to significant market risk.

(d) Credit risk

The Society does have credit risk in accounts receivable of \$4,639 (2018 - \$111). Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Society reduces its exposure to credit risk by performing credit valuations on a regular basis; granting credit upon a review of the credit history of the applicant and creating an allowance for bad debts when applicable. The Society maintains strict credit policies and limits in respect to counterparties. In the opinion of management the credit risk exposure to the Society is low and is not significant.

(e) Liquidity risk

The Society does have a liquidity risk in the accounts payable and accrued liabilities of \$88,009 (2018 - \$102,128). Liquidity risk is the risk that the Society cannot repay its obligations when they become due to its creditors. The Society reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due. In the opinion of management the liquidity risk exposure to the Society is low and is not significant.

(f) Interest rate risk

The Society is not exposed to significant interest rate risk.

14. Comparative figures

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

HORSE COUNCIL OF BRITISH COLUMBIA
SCHEDULES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2019

Schedule of general revenue and expenses

Schedule 1

	2019 Budget (Unaudited)	2019 Actual	2018 Actual
Revenue			
Administrative fees	\$ 3,150	\$ 3,754	\$ 15,946
Animal relief	-	6,445	18,423
Cost recovery	-	-	35
Gaming	55,000	63,647	57,100
Interest	1,000	20,732	11,229
Members optional insurance	135,300	114,965	119,975
Memberships	1,209,400	1,109,742	1,125,277
Miscellaneous	11,000	19,831	9,798
Sport funding	155,060	143,859	150,060
	1,569,910	1,482,975	1,507,843
Expenses			
Animal relief	30,000	14,030	41,368
Athlete support	10,000	2,750	12,500
Club grants	33,000	31,510	46,554
Equestrian Canada	118,325	109,012	100,315
Members insurance	173,745	166,238	167,633
Members optional insurance	135,300	115,170	120,135
Scholarships	1,000	1,000	5,000
Travel support	2,000	1,200	300
Zone support	28,156	11,854	22,789
	531,526	452,764	516,594
EXCESS OF GENERAL REVENUES OVER EXPENSES	\$ 1,038,384	\$ 1,030,211	\$ 991,249

HORSE COUNCIL OF BRITISH COLUMBIA
SCHEDULES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2019

Schedule of reallocated expenses

Schedule 2

	2019 Budget (Unaudited)	2019 Actual	2018 Actual
Expenses by Category			
Advertising and promotion	\$ 70,100	\$ 66,081	\$ 71,758
Amortization	-	32,276	33,760
Contract payments	73,500	71,285	72,815
Credit card processing charges	44,000	34,799	45,110
Equipment rental	14,338	11,735	11,226
Insurance	448,870	416,806	407,874
Interest and bank charges	300	304	1,228
Interest on long term debt	-	-	1,829
Meetings	35,900	18,625	19,957
Memberships and dues	6,500	15,224	7,297
Office and miscellaneous	40,200	19,858	32,026
Professional fees	17,500	15,950	18,904
Program supplies	162,567	133,251	153,230
Property taxes	23,000	6,832	21,418
Purchases	24,000	21,519	28,615
Repairs and maintenance	8,000	25,933	8,431
Salaries and benefits	670,808	622,079	601,227
Support and grants	104,156	62,344	128,512
Telephone	12,000	11,199	11,003
Travel	49,000	25,400	33,212
	\$ 1,804,739	\$ 1,611,500	\$ 1,709,432