

FINANCIAL STATEMENTS OF

HORSE COUNCIL OF BRITISH COLUMBIA

December 31, 2020

HORSE COUNCIL OF BRITISH COLUMBIA

Independent Auditor's Report

Financial Statements

Statement of Financial Position

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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, 2020, 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, 2020, 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.

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 organization 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, continued

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 organization'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 organization'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 organization 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.

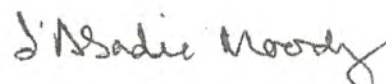
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT, continued

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 29, 2021



Chartered Professional Accountants

HORSE COUNCIL OF BRITISH COLUMBIA
STATEMENT OF FINANCIAL POSITION
As at December 31, 2020

	2020	2019
ASSETS		
Current		
Cash and cash equivalents	\$ 1,127,970	\$ 561,504
Accounts receivable	-	4,639
Inventory (Note 3)	33,517	37,587
Prepaid expenses	4,581	4,120
	1,166,068	607,850
Capital assets (Note 4)	1,297,629	1,323,516
	<u>\$ 2,463,697</u>	<u>\$ 1,931,366</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 5)	\$ 110,421	\$ 88,009
Deferred revenue (Note 6)	600,994	407,004
GST payable	21,653	11,921
	733,068	506,934
Loan payable (Note 7)	40,000	-
	773,068	506,934
FUND BALANCES		
Net Assets	1,690,629	1,424,432
	<u>\$ 2,463,697</u>	<u>\$ 1,931,366</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, 2020

	2020 Actual	2020 Budget (Unaudited)	2019 Actual
REVENUES			
Coaching	\$ 11,646	\$ 24,200	\$ 16,936
Competition	7,447	17,400	19,763
Marketing	8,365	22,000	32,775
Recreation	12,506	2,300	6,894
Sales	31,482	65,750	31,422
Building	77,777	80,410	72,788
Industry	-	70,000	50,000
General (Schedule 1)	1,513,577	1,542,667	1,482,975
	<u>1,662,800</u>	<u>1,824,727</u>	<u>1,713,553</u>
EXPENDITURES			
Building operating	25,450	42,000	56,072
Coaching expenses	9,838	30,550	24,094
Competition	2,012	36,200	18,837
Marketing expense	66,759	80,300	69,800
Recreation expense	41,811	38,675	30,511
General expenses (Schedule 1)	407,280	483,755	452,764
Industry expense	61,561	124,900	36,266
Cost of sales	19,751	52,650	27,507
Development expense	4,938	9,200	22,077
Staffing costs	546,287	688,666	626,995
Board of directors	1,840	54,900	37,247
Administration	209,076	198,438	209,330
	<u>1,396,603</u>	<u>1,840,234</u>	<u>1,611,500</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 266,197</u>	<u>\$ (15,507)</u>	<u>\$ 102,053</u>

See accompanying notes to the financial statements

HORSE COUNCIL OF BRITISH COLUMBIA

STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31, 2020

	BALANCE, beginning of year	Allocation of budget	Revenue	Expenditures	Excess of revenues over expenditures	2020 BALANCE
Equity in Capital Assets	\$ 1,323,516	\$ -	\$ -	\$ -	\$ 177,360	\$ 1,500,876
Internally Restricted - Animal Disaster	52,636	30,000	8,718	-	-	91,354
Internally Restricted - BC Trails	2,356	24,818	8,073	(29,841)	-	5,406
Internally Restricted - Regions	-	7,732	-	(7,732)	-	-
Unrestricted	45,924	(62,550)	(16,791)	37,573	88,837	92,993
	<u>\$ 1,424,432</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 266,197</u>	<u>\$ 1,690,629</u>
	BALANCE, beginning of year	Allocation of budget	Revenue	Expenditures	Excess (deficiency) of revenues over expenditures	2019 BALANCE
Equity in Capital Assets	\$ 1,352,444	\$ -	\$ -	\$ -	\$ (28,928)	\$ 1,323,516
Internally Restricted - Animal Disaster	35,000	25,346	6,320	(14,030)	-	52,636
Internally Restricted - BC Trails	2,471	20,400	3,814	(24,329)	-	2,356
Internally Restricted - Regions	12,527	(788)	-	(11,739)	-	-
Unrestricted	(80,063)	(44,958)	(10,134)	50,098	130,981	45,924
	<u>\$ 1,322,379</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 102,053</u>	<u>\$ 1,424,432</u>

See accompanying notes to the financial statements

HORSE COUNCIL OF BRITISH COLUMBIA
STATEMENT OF CASH FLOWS
Year ended December 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Excess of revenues over expenditures	\$ 266,197	\$ 102,053
Item not affecting cash		
Amortization	30,523	32,276
	296,720	134,329
Change in non-cash working capital items		
Accounts receivable	4,639	(4,528)
Inventory	4,070	(11,535)
Prepaid expenses	(461)	(1,439)
Accounts payable and accrued liabilities	22,412	(14,121)
Deferred revenue	193,990	36,633
GST payable	9,732	104
	531,102	139,443
FINANCING ACTIVITY		
Increase in loan payable	40,000	-
INVESTING ACTIVITY		
Purchase of capital assets	(4,636)	(3,346)
INCREASE IN CASH	566,466	136,097
CASH, beginning of year	561,504	425,407
CASH, end of year	\$ 1,127,970	\$ 561,504

See accompanying notes to the financial statements

HORSE COUNCIL OF BRITISH COLUMBIA

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

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, 2020

2. Significant accounting policies, continued

(c) Revenue recognition, continued

Grant funds 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, 2020

3. Inventory

	2020	2019
Books	\$ 21,337	\$ 24,858
Merchandise	5,930	6,479
Awards and prizes	6,250	6,250
	<u>\$ 33,517</u>	<u>\$ 37,587</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

	2020			2019	
	Cost	Accumulated amortization	Net Book Value	Net Book Value	
Land	\$ 722,422	\$ -	\$ 722,422	\$ 722,422	
Building	725,959	202,260	523,699	545,520	
Equipment	48,450	16,795	31,655	34,562	
Automotive	6,782	5,984	798	1,140	
Furniture and fixtures	59,196	44,012	15,184	14,344	
Computer equipment	18,109	14,255	3,854	5,506	
Computer software	11,353	11,336	17	22	
	\$ 1,592,271	\$ 294,642	\$ 1,297,629	\$ 1,323,516	

HORSE COUNCIL OF BRITISH COLUMBIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

5. Accounts payable and accrued liabilities

	2020	2019
Trade payables	\$ 56,780	\$ 60,768
Payroll and employee benefits	53,641	27,241
	<u>\$ 110,421</u>	<u>\$ 88,009</u>

6. Deferred revenue

	2020	2019
Equine Foundation	\$ 3,863	\$ 4,829
Rental deposits	4,730	4,730
Other	-	5,334
Membership fees	492,493	392,111
Viasport funding received in advance	35,478	-
Optional insurance fees received in advance	64,430	-
	<u>\$ 600,994</u>	<u>\$ 407,004</u>

7. Loan payable

	2020	2019
Canada Emergency Benefit Account zero interest loan. Due on or before December 31, 2022, up to 25 percent forgivable portion.	\$ 40,000	\$ -

8. Internally restricted reserve

	Regions	BC Trails	Animal Disaster	Total
Balances, beginning of year	\$	2,356	\$ 52,636	\$ 54,992
Revenue		8,073	8,718	16,791
Expenditures	(7,732)	(29,841)	-	(37,573)
Budget allocation	22,117	24,818	30,000	76,935
Unused budget	(14,385)	-	-	(14,385)
Balance, end of year	\$	5,406	\$ 91,354	\$ 96,760

HORSE COUNCIL OF BRITISH COLUMBIA

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

9. Commitments

As at December 31, 2020, the Society has outstanding commitments of approximately \$31,225 with respect to various equipment leases.

2021	\$ 11,120
2022	9,510
2023	4,561
2024	3,448
2025	<u>2,586</u>
	<u>\$ 31,225</u>

10. Related party transactions

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

	<u>2020</u>	<u>2019</u>
Equestrian Canada (i)	\$ 112,234	\$ 109,502
Directors (ii)	<u>200</u>	<u>1,580</u>
	<u>\$ 112,434</u>	<u>\$ 111,082</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.

11. 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 (2019 - \$27,170).

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.

HORSE COUNCIL OF BRITISH COLUMBIA

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

12. Budget amounts

The 2020 budget amounts on the Statement of Operations and the Schedules to the Financial Statements, are presented for information purposes only and are unaudited.

13. 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 10.

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

14. 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.

(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.

HORSE COUNCIL OF BRITISH COLUMBIA

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

14. Financial instruments, continued

(d) Credit risk

The Society does not have significant credit risk in accounts receivable with balance of \$- (2019 - \$4,639). 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 \$110,421 (2019 - \$88,009). 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.

HORSE COUNCIL OF BRITISH COLUMBIA
SCHEDULES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2020

Schedule of general revenue and expenses

Schedule 1

	2020 Actual	2020 Budget (Unaudited)	2019 Actual
Revenue			
Administrative fees	\$ 3,458	\$ 2,000	\$ 3,754
Animal relief	8,718	-	6,445
Gaming	61,100	61,000	63,647
Interest	2,750	20,000	20,732
Members optional insurance	79,095	64,450	114,965
Memberships	1,151,755	1,237,925	1,109,742
Miscellaneous	2,109	15,500	19,831
Sport funding	204,592	141,792	143,859
	<u>1,513,577</u>	<u>1,542,667</u>	<u>1,482,975</u>
Expenses			
Animal relief	-	20,000	14,030
Athlete support	-	9,000	2,750
Club grants	25,853	55,000	31,510
Equestrian Canada	112,234	121,555	109,012
Members insurance	182,767	190,400	166,238
Members optional insurance	78,695	64,450	115,170
Scholarships	-	-	1,000
Travel support	-	1,000	1,200
Region support	7,731	22,350	11,854
	<u>407,280</u>	<u>483,755</u>	<u>452,764</u>
EXCESS OF GENERAL REVENUES OVER EXPENSES	<u>\$ 1,106,297</u>	<u>\$ 1,058,912</u>	<u>\$ 1,030,211</u>

HORSE COUNCIL OF BRITISH COLUMBIA
SCHEDULES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2020

Schedule of reallocated expenses

Schedule 2

	2020 Actual	2020 Budget (Unaudited)	2019 Actual
Expenses by Category			
Advertising and promotion	\$ 66,632	\$ 73,300	\$ 66,081
Amortization	30,523	-	32,276
Contract payments	35,526	84,600	71,285
Credit card processing charges	76,758	46,000	34,799
Equipment rental	13,565	14,338	11,735
Insurance	387,344	396,005	416,806
Interest and bank charges	703	300	304
Meetings	1,088	28,900	18,625
Memberships and dues	4,818	9,000	15,224
Office and miscellaneous	21,243	29,200	19,858
Professional fees	10,898	15,000	15,950
Program supplies	125,181	237,925	133,251
Property taxes	7,462	7,000	6,832
Purchases	14,774	41,650	21,519
Repairs and maintenance	6,081	18,000	25,933
Salaries and benefits	546,234	679,666	622,079
Support and grants	33,585	107,350	62,344
Telephone	12,381	12,000	11,199
Travel	1,807	40,000	25,400
	<u>\$ 1,396,603</u>	<u>\$ 1,840,234</u>	<u>\$ 1,611,500</u>

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BRITISH COLUMBIA**

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