Financial Statements of

EQUINE CANADA

Year ended March 31, 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Members of Equine Canada

Report on the Financial Statements

We have audited the accompanying financial statements of Equine Canada, which comprise the statement of financial position as at March 31, 2014 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, 2014 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.

Report on Other Legal Requirements

As required by the Canada Corporations Act, we report that, in our opinion, the accounting principles in Canadian accounting standards for not-for-profit organizations have been applied on a consistent basis.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

August 31, 2014

Ottawa, Canada

EQUINE CANADA

Statement of Financial Position

March 31, 2014, with comparative information for 2013

		2014		2013
Assets				
Current assets:				
Cash	$	408,003	$	248,171
Investments (note 2)		3,525,854		2,933,705
Accounts receivable (note 3)		416,560		232,200
Inventories		28,172		85,350
Prepaid expenses		177,445		42,348
		4,556,034		3,541,774
Tangible capital and intangible assets (note 4)		116,999		57,499
Horses (note 5)		-		29,132
	$	4,673,033	$	3,628,405
Liabilities and Fund Balances				
Current liabilities:				
Accounts payable and accrued liabilities	$	381,305	$	220,522
Deferred revenue (note 6(a))		1,308,886		1,064,683
		1,690,191		1,285,205
Deferred contributions - horses (note 6(b))		-		17,418
Fund balances:				
Invested in tangible capital and intangible assets		116,999		57,499
Restricted (note 7)		2,376,809		1,889,008
Unrestricted		489,034		379,275
		2,982,842		2,325,782
Pension (note 9)				
Commitments (note 10)				
	$	4,673,033	$	3,628,405

See accompanying notes to financial statements.

On behalf of the Board:

_______________________ Alvin Patterson, President

_______________________ Cheryl Denault, Treasurer

EQUINE CANADA

Statement of Operations

Year ended March 31, 2014, with comparative information for 2013

	Unrestricted	Restricted (note 7)	2014	2013
Revenue:				
Governance	$ 881,367	$ -	$ 881,367	$ 777,296
Sports Division	2,881,385	-	2,881,385	2,660,197
Jump Canada	-	1,257,992	1,257,992	1,293,039
Dressage Canada	-	530,975	530,975	696,267
Canadian Eventing	-	357,288	357,288	897,935
Para-Equestrian	-	437,705	437,705	660,821
Driving	-	6,499	6,499	4,523
Endurance	-	35,780	35,780	17,351
Reining	-	16,064	16,064	12,395
Vaulting	-	5,100	5,100	2,026
Equine Medications	-	254,041	254,041	230,595
Breeds and Industry Division	111,768	-	111,768	10,310
Provinces Division	-	-	-	2,000
Recreation Division	53	-	53	2,000
Amortization of deferred contributions	17,418	-	17,418	17,419
	3,891,991	2,901,444	6,793,435	7,284,174
Expenses:				
Governance	1,346,208	-	1,346,208	1,118,131
Sports Division	2,069,617	-	2,069,617	2,013,211
Jump Canada	-	777,330	777,330	1,207,919
Dressage Canada	-	473,931	473,931	655,731
Canadian Eventing	-	335,720	335,720	762,836
Para-Equestrian	-	437,160	437,160	648,983
Driving	-	5,574	5,574	1,878
Endurance	-	33,489	33,489	17,859
Reining	-	16,898	16,898	11,869
Vaulting	-	3,662	3,662	408
Equine Medications	-	330,666	330,666	231,975
Breeds and Industry Division	142,165	-	142,165	26,099
Provinces Division	39,559	-	39,559	17,373
Recreation Division	95,264	-	95,264	79,953
Amortization of horses	29,132	-	29,132	29,132
	3,721,945	2,414,430	6,136,375	6,823,357
Excess of revenue over expenses	$ 170,046	$ 487,014	$ 657,060	$ 460,817

See accompanying notes to financial statements.

EQUINE CANADA

Statement of Changes in Fund Balances

Year ended March 31, 2014, with comparative information for 2013

	Invested in tangible capital and intangible assets	Restricted	Unrestricted	2014 Total	2013 Total
		(note 7)			
Balance, beginning of year	$ 57,499	$ 1,889,008	$ 379,275	$ 2,325,782	$ 1,864,965
Excess of revenue over expenses	-	487,014	170,046	657,060	460,817
Acquisition of tangible capital and intangible assets	103,363	-	(103,363)	-	-
Amortization of tangible capital and intangible assets	(43,863)	-	43,863	-	-
Interfund transfers	-	787	(787)	-	-
Balance, end of year	$ 116,999	$ 2,376,809	$ 489,034	$ 2,982,842	$ 2,325,782

See accompanying notes to financial statements.

EQUINE CANADA

Statement of Cash Flows

Year ended March 31, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	$ 657,060	$ 460,817
Items not involving cash:		
Amortization of deferred lease inducements	-	(13,639)
Amortization of tangible capital and intangible assets	43,863	47,841
Amortization of horses	29,132	29,132
Amortization of deferred contributions for horses	(17,418)	(17,419)
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	(184,360)	332,967
Decrease in inventories	57,178	25,482
Decrease (increase) in prepaid expenses	(135,097)	166,119
Increase (decrease) in accounts payable and accrued liabilities	160,783	(21,385)
Increase in deferred revenue	244,203	69,268
	855,344	1,079,183
Investments:		
Additions to tangible capital and intangible assets	(103,363)	(30,739)
Increase in investments	(592,149)	(732,559)
	(695,512)	(763,298)
Increase in cash position	159,832	315,885
Cash position, beginning of year	248,171	(67,714)
Cash position, end of year	$ 408,003	$ 248,171

See accompanying notes to financial statements.

Equine 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. 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.

In 2010, the Organization set up a Legal Defence Fund to assist with legal claims against the Organization. The fund was created through transfers from existing restricted funds. The reallocation of these funds will be repaid to the respective disciplines on an annual basis over a four-year period. This is the fourth and final year of repayment.

1. Significant accounting policies (continued):

(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.

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.

1. Significant accounting policies (continued):

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

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

(f) Horses:

Donated horses are recorded at fair market value as determined at the date of acquisition. Purchased 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.

1. **Significant accounting policies (continued):**

(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) Deferred contributions - horses:

The deferred contributions related to horses are recognized as revenue on the same basis as the amortization expense related to the asset (horses).

(j) Deferred lease inducements:

Deferred lease inducements represent the unamortized cost of lease inducements. Amortization is provided on the straight-line basis over the term of the lease.

(k) 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.

(l) 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:

	2014	2013
Term deposits	$ 3,525,854	$ 2,933,705

3. Accounts receivable:

	2014	2013
Agriculture and Agri-Food Canada Program	$ 54,100	$ -
Trade receivables	362,460	232,200
	$ 416,560	$ 232,200

4. Tangible capital and intangible assets:

			2014	2013
	Cost	Accumulated amortization	Net book value	Net book value
Tangible capital assets:				
Office furniture and equipment	$ 21,625	$ 12,419	$ 9,206	$ 6,854
Computers	162,859	92,830	70,029	49,161
Leasehold improvements	41,889	5,984	35,905	-
Intangible assets:				
Computer software	4,853	2,994	1,859	1,484
	$ 231,226	$ 114,227	$ 116,999	$ 57,499

Cost and accumulated amortization at March 31, 2013 amounted to $307,598 and $250,099, respectively.

In the year, the Organization wrote off $179,735 (2013 - $23,966) of fully amortized capital assets that were no longer in use.

5. Horses:

			2014	2013
	Cost	Accumulated amortization	Net book value	Net book value
Horses	$ 116,528	$ 116,528	$ -	$ 29,132

Cost and accumulated amortization at March 31, 2013 amounted to $116,528 and $87,396 respectively.

Amortization of horses for the year was $29,132 (2013 - $29,132).

6. Deferred revenue and deferred contributions:

(a) Deferred revenue:

	2014	2013
Sport license memberships	$ 1,260,018	$ 1,017,427
Equine Canada magazine	40,402	39,581
Other	8,466	7,675
	$ 1,308,886	$ 1,064,683

(b) Deferred contributions - horses:

	Balance, March 31, 2013	Amount received	Amount recognized as revenue	Balance, March 31, 2014
Horses	$ 17,418	$ -	$ 17,418	$ -

7. Restricted fund balances:

	Balance, March 31, 2013	Revenue	Expenses	Transfers	Balance, March 31, 2014
Jump Canada	$ 428,753	$ 1,257,992	$ 777,330	$ 8,750	$ 918,165
Dressage Canada	462,460	530,975	473,931	2,500	522,004
Canadian Eventing	487,197	357,288	335,720	-	508,765
Para-Equestrian	23,572	437,705	437,160	(10,463)	13,654
Driving	14,368	6,499	5,574	-	15,293
Endurance	11,597	35,780	33,489	-	13,888
Reining	(10,638)	16,064	16,898	-	(11,472)
Vaulting	228	5,100	3,662	-	1,666
Equine Medications	421,471	254,041	330,666	-	344,846
Legal Defence Fund	50,000	-	-	-	50,000
	$ 1,889,008	$ 2,901,444	$ 2,414,430	$ 787	$ 2,376,809

During the year, the Organization transferred $12,500 from the unrestricted fund to the restricted fund to reimburse the Jump Canada, Dressage Canada, and Para-Equestrian funds for amounts transferred to the Legal Defence Fund in a prior year.

The Organization transferred $11,713 from the Para-Equestrian restricted fund to reimburse the unrestricted fund for amounts loaned for the purchase of horses.

8. Government funding:

The Organization received government and partner funding for the year totalling $1,435,872 (2013 - $2,701,586) from the following sources:

	2014	2013
Sport Canada	$ 1,359,774	$ 2,188,839
Canadian Olympic Committee	1,551	371,191
Agriculture Canada	54,100	-
Coaching Association of Canada	16,500	39,948
Other departments	3,947	4,132
Canadian Paralympic Committee	-	97,476
	$ 1,435,872	$ 2,701,586

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 $70,489 (2013 - $68,911).

10. Commitments:

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

2015	$ 157,828
2016	159,896
2017	161,964
2018	154,782
2019	156,700
Thereafter	176,600
	$ 967,770

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, 2013.

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 2013.

(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 2013.

(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	Total
Sport	$ 1,178,928	$ 218,752	$ 100,219	$ 1,497,899
Governance	698,984	81,777	33,862	814,623
	$ 1,877,912	$ 300,529	$ 134,081	$ 2,312,522

Sport	63 %	73 %	75 %	65 %
Governance	37	27	25	35
	100 %	100 %	100 %	100 %