SUNRISE THERAPEUTIC RIDING & LEARNING CENTRE

Financial Statements

Year Ended October 31, 2018

SUNRISE THERAPEUTIC RIDING & LEARNING CENTRE

Index to Financial Statements

Year Ended October 31, 2018

CURTIS VILLAR LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Members of Sunrise Therapeutic Riding & Learning Centre

We have audited the accompanying financial statements of Sunrise Therapeutic Riding & Learning Centre, which comprise the statements of financial position as at October 31, 2018 and October 31, 2017 and the statements of revenue and expenditures, changes in net assets and cash flow for the years ended October 31, 2018 and October 31, 2017, and 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 the auditor's 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, the auditor considers 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 in our audits 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 Sunrise Therapeutic Riding & Learning Centre as at October 31, 2018 and October 31, 2017 and the results of its operations and its cash flow for the years then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Curtis-Villar LLP

Guelph, Ontario
March 20, 2019

CURTIS-VILLAR LLP
Chartered Professional Accountants
Licensed Public Accountants

SUNRISE THERAPEUTIC RIDING & LEARNING CENTRE

Statement of Financial Position

As at October 31, 2018

	2018	2017
ASSETS		
CURRENT		
Cash	$ 206,974	$ 92,579
Investments *(Note 3)*	285,240	295,320
Inventory	8,505	5,719
Government remittances recoverable	12,849	5,293
Prepaid expenses	10,510	9,420
	524,078	408,331
PROPERTY, PLANT AND EQUIPMENT *(Note 2)*	144,931	118,559
HORSE HERD *(Note 10)*	28,551	32,652
DEVELOPMENT COSTS	23,056	-
	$ 720,616	$ 559,542
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities *(Note 7)*	$ 23,618	$ 9,944
Deferred revenue *(Note 4)*	28,512	28,512
Due to related parties *(Note 5)*	-	40,000
	52,130	78,456
DEFERRED GRANT REVENUE *(Note 4)*	43,820	50,470
	95,950	128,926
NET ASSETS		
Operating fund *(Note 1)*	647,722	430,616
Development fund (internally restricted) *(Note 1)*	(23,056)	-
	624,666	430,616
	$ 720,616	$ 559,542

See notes to financial statements

SUNRISE THERAPEUTIC RIDING & LEARNING CENTRE

Statement of Revenue and Expenditures

Year Ended October 31, 2018

	2018	2017
REVENUE		
Donations *(Note 8)*	**$ 354,719**	$ 222,491
Fundraising *(Note 8)*	**162,379**	207,536
Camp fees	**132,943**	113,959
Grants and foundations	**123,885**	82,176
Lessons, scholarships and memberships fees	**103,177**	132,616
Rental and other	**10,119**	2,194
	887,222	760,972
EXPENDITURES		
Wages and benefits	**456,170**	411,683
Farm *(Note 11)*	**60,332**	72,840
Fundraising	**44,588**	70,902
Rent *(Note 9)*	**24,000**	24,000
Utilities	**21,207**	22,715
Office	**18,777**	15,026
Insurance	**10,813**	10,940
Telephone and communications	**8,717**	8,735
Equipment lease, repairs and maintenance	**8,052**	7,655
Property taxes	**7,742**	6,229
Professional fees	**5,645**	5,112
Credit card merchant charges	**3,846**	3,903
Advertising and public relations	**2,870**	5,577
Interest and finance charges	**1,491**	3,321
Education	**1,142**	6,251
Recognition	**739**	562
Vehicle and travel	**523**	303
Recovery of GST/HST	**(2,482)**	1,074
	674,172	676,828
EXCESS OF REVENUE OVER EXPENDITURES FROM OPERATIONS	**213,050**	84,144
OTHER INCOME		
Changes in horse herd	**(1,301)**	(1,272)
Amortization	**(17,699)**	(14,362)
	(19,000)	(15,634)
EXCESS OF REVENUE OVER EXPENDITURES	**$ 194,050**	$ 68,510

See notes to financial statements

SUNRISE THERAPEUTIC RIDING & LEARNING CENTRE

Statement of Changes in Net Assets

Year Ended October 31, 2018

	Operating Fund	Development Fund *(internally restricted)*	**2018**	2017
NET ASSETS - BEGINNING OF YEAR	$ 430,616	$ -	**$ 430,616**	$ 362,106
Excess of revenue over expenditures	217,106	(23,056)	**194,050**	68,510
NET ASSETS - END OF YEAR	$ 647,722	$ (23,056)	**$ 624,666**	$ 430,616

See notes to financial statements

SUNRISE THERAPEUTIC RIDING & LEARNING CENTRE
Statement of Cash Flow
Year Ended October 31, 2018

		2018		2017
OPERATING ACTIVITIES				
Excess of revenue over expenditures	**$**	**194,050**	$	68,510
Items not affecting cash:				
Amortization of property, plant and equipment		**17,699**		14,362
Changes in horse herd		**4,100**		(7,478)
		215,849		75,394
Changes in non-cash working capital:				
Accounts receivable		**-**		79,614
Government remittances recoverable		**(7,556)**		(1,947)
Inventory		**(2,786)**		(4,019)
Accounts payable and accrued liabilities		**13,673**		1
Prepaid expenses		**(1,090)**		(360)
Development Costs		**(23,056)**		-
Deferred grant revenue		**(6,650)**		(6,719)
		(27,465)		66,570
Cash flow from operating activities		**188,384**		141,964
INVESTING ACTIVITIES				
Purchase of property, plant and equipment		**(44,069)**		(10,927)
Purchase of FOSL shares		**10,080**		(80,640)
Cash flow used by investing activities		**(33,989)**		(91,567)
FINANCING ACTIVITY				
Advances to related parties		**(40,000)**		(5,500)
INCREASE IN CASH FLOW		**114,395**		44,897
Cash - beginning of year		**92,579**		47,682
CASH - END OF YEAR	**$**	**206,974**	$	92,579
CASH CONSISTS OF:				
Cash	**$**	**206,974**	$	92,579

See notes to financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of organization

The organization is incorporated without share capital under the laws of the province of Ontario as a not for profit organization to operate a facility providing therapeutic riding and education programs for disabled individuals. The organization is a registered charity under the Income Tax Act and is exempt from income tax.

The organization's activities are supported through donations, grants and fundraising activities. The on-going operations of the organization could not continue without these sources of funding.

Basis of presentation

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

Cash and cash equivalents

Cash and cash equivalents consist of cash and bank indebtedness routinely drawn upon for financing operations. It also includes a GIC of $30,000 that matured in May 2018 and is now in a cash and savings account earning 0.02% annually in interest.

Horse herd

The horse herd is valued at the lower of cost and market value with costs being determined on a specific item basis.

Inventory

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

Fund accounting

Revenue and expenditures related to program delivery and administrative activities are reported in the Operating Fund.

The Development Fund reports revenue and expenditures related to the expansion and development of the farm buildings and future residential and respite care offerings.

Revenue recognition

Sunrise Therapeutic Riding & Learning Centre follows the deferral method of accounting for revenue.

Restricted contributions are recognized as revenue in the year in which the related expenditures 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.

Lesson fees and employment grants are recognized in the year to which they relate.

Grants and foundation revenue is recognized when received unless specified. Revenue from donations, fundraising, lessons/scholarships, camp fees, and rental and other income are recognized when received. Rental and other income consists of agricultural land rental, recycling income, interest, and income from the sale of horses.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Contributed services

The work of the organization is dependent on volunteer services of the Board of Directors, various committees and other volunteers, the nature of which is not verifiable and therefore is not recognized in these financial statements. Donations of goods and services are recognized at their fair market value when that value can be verified.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

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 revenue and expenditures 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. Areas where measurement uncertainty exists are amortization of capital assets and the carrying value of the horses.

Callable debt

The organization's demand loans are classified as current liabilities because the lender has the right to demand repayment within one year.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated amortization. Property, plant and equipment are amortized over their estimated useful lives at the following rates and methods:

Leasehold improvements	10 years	straight-line method
Buildings	4%	declining balance method
Horse equipment	20%	declining balance method
Computer equipment	45%	declining balance method
Generator	3 years	straight-line method
Furniture and fixtures	20%	declining balance method
Equipment and tack	20%	declining balance method
Playground equipment	10 years	declining balance method
Sound system	20%	straight-line method
Wagon	20%	declining balance method
Water system	4%	straight-line method
Drainage	20 years	straight-line method

The organization regularly reviews its property, plant and equipment to eliminate obsolete items. Amortization is calculated at one-half of the normal rate in the year of acquisition.

2. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	**2018 Net book value**	2017 Net book value
Buildings	$ 73,187	$ 44,259	**$ 28,928**	$ 30,133
Horse equipment	24,160	23,595	**565**	2,796
Equipment and tack	9,451	7,905	**1,546**	1,933
Computer equipment	16,705	16,640	**65**	118
Furniture and fixtures	88,319	60,468	**27,851**	13,225
Leasehold improvements	71,176	21,684	**49,492**	30,198
Drainage	9,425	1,649	**7,776**	8,247
Water system	21,723	3,527	**18,196**	18,954
Playground equipment	90,278	83,620	**6,658**	8,137
Sound system	23,175	19,676	**3,499**	4,374
Wagon	10,105	9,750	**355**	444
	$ 437,704	$ 292,773	**$ 144,931**	$ 118,559

3. INVESTMENTS

	2018	2017
Friends of Sunrise Limited, Class A Special Shares	**$ 280,000**	$ 290,000
Friends of Sunrise Limited, Class A Common Shares	**2,240**	2,320
Friends of Sunrise Limited, Class B Common Shares	**3,000**	3,000
	$ 285,240	$ 295,320
Market value	**$ 285,240**	$ 295,320

Friends of Sunrise Limited is a related party. Friends of Sunrise Limited is an organization in which Sunrise Therapeutic Riding & Learning Centre has an economic interest through the ownership of shares.

4. DEFERRED REVENUE

The deferred operating grant represents restricted operating funding that is related to the subsequent year. The other deferred revenue relates to the revenue from riding lessons in the subsequent year.

	Deferred operating grants 2018	Deferred operating grants 2017	Other deferred revenue 2018	Other deferred revenue 2017
Balance, beginning of year	$ 71,614	$ 74,731	$ 28,512	$ 28,251
Less amount recognized as revenue in the year	(3,025)	(3,117)	(28,512)	(28,251)
Plus amount received for the subsequent year	-	-	28,512	28,512
Balance, end of year	$ 68,589	$ 71,614	$ 28,512	$ 28,512

5. RELATED PARTY LOANS

The organization had a demand loan in the amount of $40,000 with 932005 Ontario Inc. which was to be repaid in full by December 31, 2013. The lender extended the loan and it was repaid in full during the year.

The transactions between related parties are in the normal course of operations. These amounts are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

6. RELATED PARTY TRANSACTIONS

The following is a summary of the organization's related party transactions:

	2018	2017
Friends of Sunrise Limited		
(Sunrise is a shareholder)		
Redemption of shares in lieu of rent	$ 20,160	$ 20,160
In-kind donation in lieu of rent	3,840	3,840
	$ 24,000	$ 24,000
Maria Melo		
(Board member)		
Purchase of FOSL shares from Maria	$ (10,080)	$ (10,080)

These 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.

7. GOVERNMENT REMITTANCES PAYABLE OTHER THAN INCOME TAX

Government remittances (other than income taxes) include, for example, federal and provincial sales taxes, payroll taxes, health taxes, and workers' safety insurance premiums. The following government remittances were payable at year end:

	2018	2017
Workers' safety insurance	$ 739	$ 831

8. MAJOR CONTRIBUTIONS

		2018		2017
Nina Mae Robertson bequest	$	**167,177**	$	-
Nancy Lorene Hunter bequest		**112,966**		-
UPI Energy		**35,000**		35,000
The Spaenaur Philanthropy Fund		**30,000**		30,000
Harold Ballard Foundation		**22,000**		-
Scotiabank		**-**		20,000
		-		-
	$	**367,143**	$	85,000

Major contributions are recognized as a part of both donation and fundraising revenue.

9. LEASE COMMITMENTS

The organization has entered into a non-capital lease for rent of the Stone Cottage, indoor riding arena, the stables and the activity centre. The lease held by Friends of Sunrise Limited, a related party, commenced February 1, 2018 and goes until January 31, 2023. The lease commitment is as follows:

		Commitments
2019	**$**	**24,000**
2020		**24,000**
2021		**24,000**
2022		**24,000**
2023		**24,000**
	$	**120,000**

10. LOANED HORSES

The organization has a lease with respect to two of its horses. The horses have been loaned to Sunrise on the condition that Sunrise is responsible for all costs related to food, bedding and daily routine. This includes regular veterinary costs. There are no additional lease payments required for the horses. In the event that the horses becomes unsuitable for use in the Sunrise program, or the owner requests the horses be returned, one months notice is required. The owners are responsible for maintaining medical insurance coverage if they desire. Sunrise holds a $5 million general liability insurance policy and the ownesr would not be responsible should an accident occur.

11. COST OF SALES

Cost of sales for the year ended October 31, 2018 are charges to inventory within the normal course of business, made throughout the year, of $14,843 (2017 - $21,796) and included in Farm expenses.

12. FINANCIAL INSTRUMENTS

The organization 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 organization's risk exposure and concentration as of October 31, 2018.

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12. FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk from customers. The organization has a significant number of customers which minimizes concentration of credit risk.

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respcet of its receipt of funds from its customers and other related sources, related party loans and accounts payable.

(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 organization is mainly exposed to interest rate risk.

(d) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the organization manages exposure through its normal operating and financing activities. The organization is exposed to interest rate risk primarily through its cash investment.

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant other price risks arising from these financial instruments.

13. ACCOUNTING ERROR

In 2014 Sunrise received two grants that were to be used on both capital and non-capital purchases. The grants were allowed to be spent over two fiscal years. It was noted in this fiscal year that the deferred portion of the grant was significantly higher than the net book value of the capital items purchased with the grants. As a result an adjustment was made to recognize a larger portion of the deferred grant. Below is a summary of the financial areas impacted by prior year errors:

	2018	2017
Opening balance impact		
Deferred Grant	**$ (21,144)**	$ (17,542)
Net assets	**21,144**	17,542
Statement of Financial Position impact		
Deferred Grant	**(21,144)**	(21,144)
Net assets	**21,144**	21,144
Statement of Revenue and Expenditures impact		
Grant revenue	**-**	3,602
Excess of Revenue over Expenditures	**-**	3,602
Statement of Changes in Net Assets impact		
Net Assets - Beginning of year	**21,144**	17,542
Excess of revenue over expenditures	**-**	3,602
Net assets - end of year	**21,144**	21,144