# SUNRISE THERAPEUTIC RIDING & LEARNING CENTRE

## Financial Statements

## Year Ended October 31, 2019

**SUNRISE THERAPEUTIC RIDING & LEARNING CENTRE**

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**Year Ended October 31, 2019**

# INDEPENDENT AUDITOR'S REPORT

To the Members of Sunrise Therapeutic Riding & Learning Centre

*Opinion*

We have audited the financial statements of Sunrise Therapeutic Riding & Learning Centre (the Organization), which comprise the statement of financial position as at October 31, 2019 and 2018, and the statements of revenue and expenditures, changes in net assets and cash flow 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 October 31, 2019, and 2018 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.

*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 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 Organization'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 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.

*Auditor's Responsibilities for the Audit of the Financial Statements*

*(continues)*

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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.

Curtis-Villar LLP

Guelph, Ontario
April 6, 2020

**CURTIS-VILLAR LLP**
Chartered Professional Accountants
Licensed Public Accountants

## SUNRISE THERAPEUTIC RIDING & LEARNING CENTRE

**Statement of Financial Position**

**As at October 31, 2019**

| | | 2019 | | 2018 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| CURRENT | | | | |
| Cash | **$** | **56,756** | $ | 206,974 |
| Investments *(Note 3)* | | **275,320** | | 265,240 |
| Government remittances recoverable | | **12,287** | | 12,849 |
| Prepaid expenses | | **4,998** | | 19,016 |
| | | **349,361** | | 504,079 |
| PROPERTY, PLANT AND EQUIPMENT *(Note 2)* | | **139,103** | | 144,931 |
| HORSE HERD | | **44,931** | | 28,551 |
| DEVELOPMENT COSTS | | **56,920** | | 23,056 |
| | **$** | **590,315** | $ | 700,617 |
| **LIABILITIES AND NET ASSETS** | | | | |
| CURRENT | | | | |
| Accounts payable and accrued liabilities *(Note 6)* | **$** | **38,511** | $ | 23,619 |
| Deferred revenue *(Note 4)* | | **22,198** | | 28,512 |
| | | **60,709** | | 52,131 |
| DEFERRED GRANT REVENUE *(Note 4)* | | **37,231** | | 43,820 |
| | | **97,940** | | 95,951 |
| NET ASSETS | | | | |
| Operating fund *(Note 1)* | | **489,295** | | 627,722 |
| Development fund (internally restricted) *(Note 1)* | | **(56,920)** | | (23,056) |
| Contingency fund (internally restricted) *(Note 1)* | | **60,000** | | - |
| | | **492,375** | | 604,666 |
| | **$** | **590,315** | $ | 700,617 |

See notes to financial statements

## SUNRISE THERAPEUTIC RIDING & LEARNING CENTRE

### Statement of Revenue and Expenditures

### Year Ended October 31, 2019

| | 2019 | 2018 |
|---|---|---|
| **REVENUE** | | |
| Donations | **$ 199,715** | $ 354,719 |
| Fundraising | **178,510** | 162,379 |
| Camp fees | **120,658** | 132,943 |
| Lessons, scholarships and memberships fees | **115,289** | 103,177 |
| Grants and foundations | **36,881** | 123,885 |
| Rental and other | **4,456** | 10,119 |
| | **655,509** | 887,222 |
| **EXPENDITURES** | | |
| Wages and benefits | **531,536** | 456,170 |
| Farm *(Note 11)* | **62,180** | 60,332 |
| Fundraising | **52,020** | 44,588 |
| Utilities | **20,695** | 21,207 |
| Office | **20,412** | 18,777 |
| Insurance | **10,990** | 10,813 |
| Telephone and communications | **9,474** | 8,717 |
| Equipment lease, repairs and maintenance | **9,388** | 8,052 |
| Property taxes | **8,757** | 7,742 |
| Credit card merchant charges | **6,955** | 3,846 |
| Professional fees | **5,732** | 5,645 |
| Advertising and public relations | **4,807** | 2,870 |
| Education | **1,682** | 1,142 |
| Interest and finance charges | **1,575** | 1,491 |
| Vehicle and travel | **692** | 523 |
| Recognition | **427** | 739 |
| Rent | **-** | 24,000 |
| Recovery of GST/HST | **(3,547)** | (2,482) |
| | **743,775** | 674,172 |
| **EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FROM OPERATIONS** | **(88,266)** | 213,050 |
| OTHER INCOME (EXPENSES) | | |
| Changes in horse herd *(Note 11)* | **(885)** | (1,301) |
| Amortization *(Note 2)* | **(23,140)** | (17,699) |
| | **(24,025)** | (19,000) |
| **EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES** | **$ (112,291)** | $ 194,050 |

See notes to financial statements

## SUNRISE THERAPEUTIC RIDING & LEARNING CENTRE

### Statement of Changes in Net Assets

### Year Ended October 31, 2019

| | Operating Fund | Development Fund *(internally restricted)* | Contingency Fund *(internally restricted)* | **2019** | 2018 |
|---|---|---|---|---|---|
| **NET ASSETS - BEGINNING OF YEAR** | | | | | |
| As previously reported | $ 647,722 | $ (23,056) | $ - | **$ 624,666** | $ 430,616 |
| Less: investments overstated | (20,000) | - | - | **(20,000)** | (20,000) |
| As restated | 627,722 | (23,056) | - | **604,666** | 410,616 |
| DEFICIENCY OF REVENUE OVER EXPENDITURES | (112,291) | - | - | **(112,291)** | 194,050 |
| Interfund transfers | (26,136) | (33,864) | 60,000 | **-** | - |
| **NET ASSETS - END OF YEAR** | $ 489,295 | $ (56,920) | $ 60,000 | **$ 492,375** | $ 604,666 |

See notes to financial statements

# SUNRISE THERAPEUTIC RIDING & LEARNING CENTRE
## Statement of Cash Flows
## Year Ended October 31, 2019

| | 2019 | 2018 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Excess (deficiency) of revenue over expenditures | **$ (112,291)** | $ 194,050 |
| Items not affecting cash: | | |
| Amortization of property, plant and equipment | **23,140** | 17,699 |
| Changes in horse herd | **(16,380)** | 4,100 |
| Prior period restatement | **-** | (20,000) |
| | **(105,531)** | 195,849 |
| Changes in non-cash working capital: | | |
| Government remittances recoverable | **562** | (7,556) |
| Accounts payable and accrued liabilities | **14,893** | 13,674 |
| Deferred revenue | **(6,314)** | - |
| Prepaid expenses | **14,018** | (3,877) |
| Development costs | **(33,864)** | (23,056) |
| Deferred grant revenue | **(6,589)** | (6,650) |
| | **(17,294)** | (27,465) |
| Cash flow from (used by) operating activities | **(122,825)** | 168,384 |
| **INVESTING ACTIVITIES** | | |
| Purchase of property, plant and equipment | **(17,313)** | (44,069) |
| Purchase of FOSL shares | **(10,080)** | 30,080 |
| Cash flow used by investing activities | **(27,393)** | (13,989) |
| **FINANCING ACTIVITY** | | |
| Advances to related parties | **-** | (40,000) |
| **INCREASE (DECREASE) IN CASH FLOW** | **(150,218)** | 114,395 |
| Cash - beginning of year | **206,974** | 92,579 |
| **CASH - END OF YEAR** | **$ 56,756** | $ 206,974 |
| **CASH CONSISTS OF:** | | |
| Cash | **$ 56,756** | $ 206,974 |

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 August 2019 and is now in a cash and savings account earning 0.02% annually in interest.

Horse herd

The horse herd is valued at cost less amortization, determined on a specific item 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.

The Contingency Fund has been established to provide the organization with emergency capital as the need arises. The goal is have a balance that can cover 3-6 months of operating expenses.

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.

*(continues)*

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. Areas where measurement uncertainty exists are amortization of capital assets and the carrying value of the horses. Actual results could differ from these estimates.

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 |
| Pool | 20% | declining balance 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 | **2019 Net book value** | 2018 Net book value |
|---|---|---|---|---|
| Buildings | $ 73,187 | $ 45,416 | **$ 27,771** | $ 28,928 |
| Horse equipment | 9,451 | 24,463 | **(15,012)** | (14,144) |
| Equipment and tack | 30,041 | 8,214 | **21,827** | 17,927 |
| Computer equipment | 16,705 | 16,670 | **35** | 65 |
| Furniture and fixtures | 88,319 | 67,376 | **20,943** | 26,179 |
| Leasehold improvements | 71,176 | 32,881 | **38,295** | 49,492 |
| Drainage | 9,425 | 2,121 | **7,304** | 7,776 |
| Pool | 4,266 | 427 | **3,839** | - |
| Water system | 26,924 | 4,359 | **22,565** | 18,196 |
| Playground equipment | 90,278 | 85,100 | **5,178** | 6,658 |
| Sound system | 26,813 | 20,739 | **6,074** | 3,499 |
| Wagon | 10,105 | 9,821 | **284** | 355 |
| | $ 456,690 | $ 317,587 | **$ 139,103** | $ 144,931 |

3. INVESTMENTS

| | **2019** | 2018 |
|---|---|---|
| Friends of Sunrise Limited, Class A Special Shares | **$ 270,000** | $ 260,000 |
| Friends of Sunrise Limited, Class A Common Shares | **2,320** | 2,240 |
| Friends of Sunrise Limited, Class B Common Shares | **3,000** | 3,000 |
| | **$ 275,320** | $ 265,240 |
| Market value | **$ 275,320** | $ 265,240 |

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 | | Other deferred revenue | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Balance, beginning of year | $ 43,820 | $ 50,470 | $ 28,512 | $ 28,512 |
| Less amount recognized as revenue in the year | (6,589) | (6,650) | (28,512) | (28,512) |
| Plus amount received for the subsequent year | - | - | 22,198 | 28,512 |
| Balance, end of year | $ 37,231 | $ 43,820 | $ 22,198 | $ 28,512 |

## 5. RELATED PARTY TRANSACTIONS

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

| | **2019** | 2018 |
|---|---|---|
| Friends of Sunrise Limited | | |
| *(Sunrise is a shareholder)* | | |
| Redemption of shares in lieu of rent | **$ -** | $ 20,160 |
| In-kind donation in lieu of rent | **-** | 3,840 |
| | **$ -** | $ 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.

## 6. 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:

| | **2019** | 2018 |
|---|---|---|
| Workers' safety insurance | **$ 481** | $ 831 |

## 7. MAJOR CONTRIBUTIONS

| | **2019** | 2018 |
|---|---|---|
| Jean Koetsier - donation of shares | **$ 47,922** | $ - |
| UPI Energy | **40,000** | 35,000 |
| John Counsell bequest | **16,873** | - |
| 2187902 Ontario Inc. | **13,500** | - |
| Dollery bequest | **10,000** | - |
| Harold Ballard Foundation | **-** | 22,000 |
| The Spaenaur Philanthropy Fund | **-** | 30,000 |
| Nancy Lorene Hunter bequest | **-** | 112,966 |
| Nina Mae Robertson bequest | **-** | 167,177 |
| | **$ 128,295** | $ 367,143 |

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

8. LEASE COMMITMENTS

The organization has a long term lease with respect to the Stone Cottage, indoor riding arena, the stables the activity centre and any building constructed subsequent to the initial agreement. The lease expires January 31, 2039, and contains renewal options for an additional 20 years. The lease is held by Friends of Sunrise Limited, a related party, with rent of $2.00 due February 1st each year. Sunrise is responsible for all taxes and expenses relating to the premises. Future minimum lease payments as at October 31, 2019, are as follows:

| | |
|---|---|
| 2020 | $ 2 |
| 2021 | 2 |
| 2022 | 2 |
| 2023 | 2 |
| 2024 | 2 |
| Thereafter | 28 |
| | $ 38 |

9. LOANED HORSES

The organization has a lease with respect to four 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 become 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 owners would not be responsible should an accident occur.

10. INTERFUND TRANSFERS

An amount of $60,000 was transferred from the General Fund to the Contingency Fund. $33,864 was contributed to the Development fund for costs associated with the development of the respite care offerings. These internally restricted amounts are not available for use without approval of the board of directors.

11. CHANGES IN HORSE HERD

Changes in horse herd for the year ended October 31, 2019 includes amortization of the horse herd and write-offs for horses euthanized within the normal course of business, made throughout the year, of $3,370 (2018 - $5,531) included in changes in horse herd and 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, 2019.

***(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.

*(continues)*

12. FINANCIAL INSTRUMENTS *(continued)*

***(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 respect of its receipt of funds from its customers and other related sources, horse herd, related party loans and accounts payable.

***(c) Market risk***

Market risk is the risk that the fair value or future cash flow 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 floating interest rate bank indebtedness and credit facilities.

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

The prior year investment in FOSL has been overstated as the lawyer has indicated to us errors to the share register provided in prior year, and an adjustment is required. Below is a summary of the financial areas impacted by prior year errors:

| | **2019** | 2018 |
|---|---|---|
| Opening balance impact | | |
| Investment | **$ (20,000)** | $ - |
| Net assets | **20,000** | - |
| Statement of Financial Position impact | | |
| Investment | **(20,000)** | (20,000) |
| Net assets | **20,000** | 20,000 |
| Statement of Changes in Net Assets impact | | |
| Net Assets - Beginning of year | **20,000** | - |
| Excess of revenue over expenditures | **-** | 20,000 |
| Net assets - end of year | **20,000** | 20,000 |

14. COMPARATIVE FIGURES

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