SUNRISE THERAPEUTIC RIDING & LEARNING CENTRE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED OCTOBER 31, 2023

SUNRISE THERAPEUTIC RIDING & LEARNING CENTRE

INDEX TO THE FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2023

Chartered Professional Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of: Sunrise Therapeutic Riding & Learning Centre

Qualified Opinion
We have audited the accompanying financial statements of Sunrise Therapeutic Riding & Learning Centre, which comprise the statement of financial position as at October 31, 2023 and the statements of revenue and expenditures and 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, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of Sunrise Therapeutic Riding & Learning Centre as at October 31, 2023 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not for profit organizations.

Basis for Qualified Opinion
In common with many not for profit organizations, the organization derives some of the revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenditures and cash flows from operations for the years ended October 31, 2023 and 2022, current assets as at October 31, 2023 and 2022, and net assets as at November 1 and October 31 for both the 2023 and 2022 years. Our audit opinion on the financial statements for the year ended October 31, 2022 was modified accordingly because of the possible effects of this limitation in scope.

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 Sunrise Therapeutic Riding & Learning Centre 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 qualified audit 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 related to a 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.

GUELPH OFFICE 103-197 HANLON CREEK BLVD, GUELPH, ON • TEL: 519-822-9933 • FAX: 519-822-9212 • RLB.CA

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 judgement 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 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.

RLB LLP

Guelph, Ontario
March 11, 2024

Chartered Professional Accountants
Licensed Public Accountants

SUNRISE THERAPEUTIC RIDING & LEARNING CENTRE

STATEMENT OF FINANCIAL POSITION

AS AT OCTOBER 31, 2023

	2023	2022
ASSETS		
CURRENT		
Cash	$ 134,799	$ 191,207
Government remittances recoverable	12,262	18,630
Inventories	8,960	7,760
	156,021	217,597
INVESTMENT (note 4)	416,280	305,400
TANGIBLE CAPITAL ASSETS (note 5)	599,486	466,606
HORSE HERD (note 6)	20,750	23,207
	$ 1,192,537	$ 1,012,810
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 46,162	$ 50,356
Deferred revenue	34,896	0
Current portion of long term debt (note 7)	40,000	0
	121,058	50,356
LONG TERM DEBT (note 7)	149,567	40,000
DEFERRED CAPITAL CONTRIBUTIONS (note 8)	316,953	317,887
	587,578	408,243
NET ASSETS		
UNRESTRICTED NET ASSETS	604,959	604,567
	$ 1,192,537	$ 1,012,810

APPROVED ON BEHALF OF THE BOARD:

Susan Fielding Director

D.A. Kenny Director

See notes to the financial statements

SUNRISE THERAPEUTIC RIDING & LEARNING CENTRE

STATEMENT OF REVENUE AND EXPENDITURES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED OCTOBER 31, 2023

	2023	2022
REVENUE		
Donations	$ 344,990	$ 211,184
Lessons, scholarships and membership fees	123,824	131,136
Camp fees	117,744	129,686
Fundraising	103,128	69,342
Grants and foundations (note 9)	86,486	155,852
Rental and other	23,945	15,561
	800,117	712,761
EXPENDITURES		
Wages and benefits	496,972	445,619
Farm	64,372	68,472
Fundraising	48,428	57,605
Utilities	25,565	21,162
Professional fees	24,677	7,518
Office	22,514	15,694
Insurance	18,973	15,151
Advertising and public relations	12,749	7,174
Equipment lease, repairs and maintenance	10,713	9,002
Telephone and communications	9,228	11,117
Property taxes	6,959	6,724
Interest on long term debt	5,567	0
Credit card merchant charge	5,025	6,431
Raw Carrot expense	5,000	0
Interest and finance charges	2,951	1,504
Education	1,996	1,364
Vehicle and travel	560	162
Recovery of GST/HST	0	(1,674)
	762,249	673,025
SURPLUS BEFORE OTHER REVENUE (EXPENDITURES)	37,868	39,736
OTHER REVENUE (EXPENDITURES)		
Recognition of deferred capital contributions (note 8)	19,946	30,076
Loss on disposal of assets	0	(1,493)
Horse herd amortization	(2,457)	(2,457)
Amortization	(54,965)	(44,227)
	(37,476)	(18,101)
EXCESS OF REVENUE OVER EXPENDITURES for the year	392	21,635
NET ASSETS, beginning of year	604,567	582,932
NET ASSETS, end of year	$ 604,959	$ 604,567

See notes to the financial statements

SUNRISE THERAPEUTIC RIDING & LEARNING CENTRE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED OCTOBER 31, 2023

	2023	2022
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Excess of net revenue over expenditures for the year	$ 392	$ 21,635
Items not requiring an outlay of cash		
Amortization	54,965	44,227
Horse herd amortization	2,457	2,457
Loss on disposal of assets	0	1,493
Donation of FOSL shares	(110,880)	(10,080)
Recognition of deferred capital contributions	(19,946)	(30,076)
	(73,012)	29,656
Changes in non-cash working capital		
Accounts receivable	0	9,828
Government remittances recoverable	6,368	(4,541)
Inventories	(1,200)	4,147
Accounts payable and accrued liabilities	(4,194)	34,000
Deferred revenue	34,896	(52,167)
	(37,142)	20,923
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Repayment of loan payable	0	(10,000)
Deferred capital contributions received	19,012	98,129
Proceeds from long term debt	149,567	0
	168,579	88,129
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Additions to tangible capital assets	(43,845)	(116,679)
Additions to development costs	(144,000)	(804)
Net proceeds on disposal of assets	0	1,600
	(187,845)	(115,883)
NET DECREASE IN CASH	(56,408)	(6,831)
NET CASH, BEGINNING OF YEAR	191,207	198,038
NET CASH, END OF YEAR	$ 134,799	$ 191,207

See notes to the financial statements

1. NATURE OF OPERATIONS

Sunrise Therapeutic Riding & Learning Centre is a not-for-profit organization incorporated under the laws of Ontario and now governed by the Ontario Not For Profit Corporations Act without share capital and is a registered charity under the Income Tax Act. Sunrise Therapeutic Riding & Learning Centre is exempt from income tax. Its purpose is to develop the full potential of children and adults with special needs through therapy, education, horse riding, recreation and life skills programs, farm related and social activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not for profit organizations and include the following significant accounting policies:

(a) REVENUE RECOGNITION

The organization follows the deferral method of accounting for contributions, which include donations, and grants and foundations revenue. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue from fundraising, lessons, scholarships and membership fees, camp fees and rental and other income are recognized in the year to which they relate.

(b) INVENTORIES

Inventories consisting of hay bales to be distributed at no charge or for a nominal charge are measured at the lower of cost and net realizable value with cost being determined on a first-in first-out (FIFO) basis. The cost of inventory recognized as an expense during the year was $18,360 (2022 - $11,520).

(c) TANGIBLE CAPITAL ASSETS

Tangible capital assets are recorded at cost and amortized on the basis of their estimated useful life using the following methods and rates:

Computer equipment	- 45 % declining balance basis
Drainage	- 20 years straight line basis
Equipment and tack	- 20 % declining balance basis
Furniture and fixtures	- 20 % declining balance basis
Leasehold improvements	- 10 years straight line basis
Playground equipment	- 10 years straight line basis
Pool	- 20 % declining balance basis
Septic system	- 20 % declining balance basis
Sign	- 20 % declining balance basis
Sound system	- 20 % declining balance basis
Wagon	- 20 % declining balance basis
Water system	- 4 % declining balance basis

Amortization is recorded at 50% of the above rates in the year of addition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) HORSE HERD

The horse herd is recorded at cost (or fair value at time of acquisition, if donated) and amortized on the basis of their estimated productive age range of 5 to 27 years.

(e) USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles for not for profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant areas requiring management's estimates include amortization of the horse herd, amortization of tangible capital assets and accrued liabilities. Actual results could differ from those estimates.

(f) FINANCIAL INSTRUMENTS

The organization initially measures its financial assets and liabilities at fair value, except for a related party transaction which is recorded at cost and measured using the carrying amount or exchange amount depending on the circumstances.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost, unless otherwise noted below.

Cost in a related party transaction with repayment terms is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor.

Impairment
For financial assets measured at cost or amortized cost, the organization determines whether there are indications of possible impairment. When there are, and the organization determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in income. If the indicators of impairment have decreased or no longer exist, the previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may be no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in income.

Transaction costs
Transaction costs attributable to financial instruments subsequently measured at fair value and to those originated or exchanged in a related party transaction are recognized in income in the period incurred. Transaction costs related to financial instruments originated or exchanged in an arm's length transaction that are subsequently measured at cost or amortized cost are recognized in the original cost of the instrument. When the instrument is measured at amortized cost, transaction costs are recognized in income over the life of the instrument using the straight-line method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) CONTRIBUTED MATERIALS AND SERVICES

During the year, a number of organizations and individuals donate materials to the organization and a number of volunteers contribute a significant amount of their time. Because of the difficulty in determining the fair value, contributed services are not recorded in the financial statements.

Contributed materials, used in the normal course of operations, are recognized in the financial statements when the fair value can be reasonably estimated and the materials would otherwise have been purchased.

During the year the organization received the gifts-in-kind totaling $133,896 (2022 - $46,262). Contributions in the year consist of donations of shares and other supplies that would otherwise have been purchased.

(h) INVESTMENT IN AN ENTITY SUBJECT TO SIGNIFICANT INFLUENCE

The organization elected to account for its investments in significantly influenced entities using the equity method. The investment is initially recognized at cost and subsequently adjusted to take account of the organization's share of net income reported by the subsidiary or significantly influenced entity, computed by the consolidation method. Dividends declared by the significantly influenced entities are recognized as a reduction of the investment. At the end of each reporting period, the organization assesses whether there are any indications that an investment may be impaired. When there is an indication of impairment, and the organization determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in income. If the indicators of impairment have decreased or no longer exist, the previously recognized impairment loss shall be reversed to the extent of the improvement. The adjusted carrying amount of the investment may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in income.

3. FINANCIAL INSTRUMENTS

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, credit, currency, liquidity, or other price risks arising from its financial instruments.

The extent of the organization's exposure to these risks did not change in 2023 compared to the previous period.

The organization does not have a significant exposure to any individual customer or counterpart.

Transacting in financial instruments exposes the organization to certain financial risks and uncertainties. These risks include:

Market risk

Market risk is the risk that the fair value or future cash flows of the company's financial instruments will fluctuate because of changes in market prices. Some of the company's financial instruments expose it to this risk, which comprises currency risk, interest rate risk and other price risk.

3. FINANCIAL INSTRUMENTS (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is exposed to interest rate risk as a result of the floating interest rate on the long term debt.

4. RELATED PARTY TRANSACTIONS

The organization holds 46.17% (2022 - 39.71%) of the voting shares of Friends of Sunrise Ltd. (FOSL) and total shares valued at $416,280 (2022 - $305,400) and has one representative on the FOSL Board. The organization had the following transactions with FOSL:

	2023	2022
Donation of FOSL shares from M. Melo	$ 10,080	$ 10,080
Donation of FOSL shares from B. Woods	100,800	0
Farm lease payments	(2)	(2)

FOSL has a year end of January 1, 2024. Transactions that occurred between January 2, 2023 and October 31, 2023 are not recorded in the financial statements as they do not have a significant effect on the October 31, 2023 balance.

5. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2023	Net 2022
Computer equipment	$ 45,769	$ 33,377	$ 12,392	$ 22,531
Development costs	323,280	0	323,280	179,280
Drainage	9,425	4,006	5,419	5,891
Equipment and tack	30,041	27,756	2,285	2,856
Furniture and fixtures	178,604	103,054	75,550	80,769
Leasehold improvements	273,342	154,855	118,487	139,485
Playground equipment	90,278	90,278	0	740
Pool	4,266	2,693	1,573	1,966
Septic system	10,535	3,147	7,388	9,235
Sign	9,451	8,945	506	633
Sound system	26,813	24,325	2,488	3,110
Wagon	12,790	10,257	2,533	146
Water system	55,924	8,339	47,585	19,964
	$ 1,070,518	$ 471,032	$ 599,486	$ 466,606

During the year, the organization held assets not being amortized of $323,280 (2022 - $179,280) relating to development costs.

6. HORSE HERD

	Cost	Accumulated Amortization	Net 2023	Net 2022
Horse herd	$ 39,136	$ 18,386	$ 20,750	$ 23,207

The organization has a lease with respect to four (2022 - four) of its horses. The horses have been loaned to the organization on the condition that it 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 program use, or the owner requests the horses be returned, one month's notice is required. The owners are responsible for maintaining medical insurance coverage if they desire. The organization holds a $5 million general liability policy and the owners would not be responsible should an accident occur.

7. LONG TERM DEBT

	2023	2022
Note payable, interest at prime payable annually, secured by first change on property with a carrying value of $144,000 and assignment of rents, principal due April 14, 2025	$ 149,567	$ 0
Canada Emergency Business Account (CEBA) interest free and 25% forgivable if paid by January 18, 2024, 5% interest thereafter, due December 31, 2026	30,000	30,000
Loan payable, no set terms of repayment	10,000	10,000
	189,567	40,000
Less current portion:		
Cash repayments required within 12 months	40,000	0
	$ 149,567	$ 40,000

Future minimum payments on long term obligations are as follows:

2024	$ 40,000
2025	149,567
	$ 189,567

8. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions, which consist of restricted donations and grants funding tangible capital assets, are as follows:

	2023	2022
Balance, beginning of the year	$ 317,887	$ 249,834
Less revenue recognized over useful life of asset	(19,946)	(30,076)
Plus amounts received during the year	19,012	98,129
Balance, end of year	$ 316,953	$ 317,887

9. GRANTS AND FOUNDATIONS

	2023	2022
Other charities and foundations	$ 39,046	$ 57,302
Government of Canada	32,440	28,014
William and Mary Singer Foundation	15,000	0
G Foundation	0	25,000
Ontario Trillium Foundation	0	23,536
Kitchener-Waterloo Community Foundation	0	22,000
	$ 86,486	$ 155,852

10. COMMITMENTS

The organization has a long term lease with respect to the Stone Cottage, indoor riding arena, the stable, 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 Ltd., a significantly influenced entity, with rent of $2 due February 1st each year. Sunrise is responsible for all taxes and expenditures related to the premises. Future minimum lease payments are as follows:

2024	$ 2
2025	2
2026	2
2027	2
2028	2
Thereafter	20
	$ 30