March 21, 2022

Private and Confidential

Manitoba Horse Council Inc.
145 Pacific Avenue
Winnipeg, MB   R3B 2Z6

Attention: Diane David, Executive Director

Dear Diane:

Re: Matters to Communicate

During the course of our audit of the Manitoba Horse Council Inc. for the year ended December 31, 2021 we did not identify any matters which might have been of interest to management to be reported in this format.

The purpose of our audit was to allow us to express an opinion on the financial statements. Our audit was not designed to identify matters that may be of interest to management in discharging its responsibilities. Accordingly, an audit would not usually identify all such matters. Had we performed more extensive procedures on internal control, we might have identified more matters to report, or concluded that some of the matters reported need not, in fact, have been reported. Our audit included consideration of internal control relevant to the preparation of the financial statements to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

This communication is prepared solely for the information of management and is not intended, or suitable, for any other purpose. We accept no responsibility to a third party who uses this communication.

Yours very truly,

Scarrow & Donald LLP

Scott Smith, CPA, CA

MANITOBA HORSE COUNCIL INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2021

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Manitoba Horse Council Inc.:

Opinion
We have audited the financial statements of Manitoba Horse Council Inc. (the Organization), which comprise the statement of financial position as at December 31, 2021, and the statement operations, statement of changes in net assets and statement of 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, 2021, and its financial performance and its cash flows for the year 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 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 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 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
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.

DRAFT

Chartered Professional Accountants
March 21, 2022
Winnipeg, Canada

MANITOBA HORSE COUNCIL INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31

		2021		2020
ASSETS				
Current assets:				
Cash	$	126,484	$	135,179
Accounts receivable		5,851		41,033
GST receivable		3,066		3,955
Prepaid expenses		13,577		698
Inventory		1,395		2,335
		150,373		183,200
Capital assets (Note 3)		185,337		174,651
	$	335,710	$	357,851
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable and accrued liabilities	$	11,279	$	3,700
Deferred revenue (Note 4)		42,771		51,077
Current portion of obligation under capital lease (Note 5)		4,060		3,641
		58,110		58,418
Obligation under capital lease (Note 5)		3,648		7,708
		61,758		66,126
Net assets:				
Invested in capital assets		177,629		163,302
Internally restricted		9,775		13,931
Unrestricted		86,548		114,492
		273,952		291,725
	$	335,710	$	357,851

APPROVED BY THE BOARD:

______________________________ **Director**

______________________________ **Director**

MANITOBA HORSE COUNCIL INC.

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31

	2021	2020
Revenues:		
Club memberships	$ 1,726	$ 1,875
Coaches	6,706	3,982
Equestrian facility	40,580	14,792
General revenue	8,097	2,271
Marketing	5,848	1,520
Memberships	98,330	87,504
Officials	3,109	406
Saleable goods	3,846	2,250
Sport Manitoba Inc - grants	64,260	63,447
Sport Manitoba/Sport program funding	32,000	32,700
Government assistance (Note 9)	93,534	43,992
	358,036	254,739
Expenses:		
Advertising and promotion	2,905	35
Amortization	15,451	15,271
Athletic development	500	500
Bad debts	378	93
Coaching	6,694	7,337
Competition	3,449	1,940
Equestrian Canada - fees	6,945	6,735
Equestrian Canada - national meetings	-	311
Equestrian Facility	51,878	53,107
Insurance	55,536	45,071
Marketing	2,693	4,898
Meetings	1,436	765
Merchandise sales	2,132	395
Merchant service charges	6,055	5,820
Program support grants	13,300	12,950
Community support grants	40,244	-
Office	16,525	14,391
Officials	5,399	800
Professional fees	15,128	7,398
Recreation	2,500	2,510
Rent	6,372	6,770
Telephone	1,048	1,142
Wages and benefits	119,241	82,146
	375,809	270,385
Difference between revenues and expenses	$ (17,773)	$ (15,646)

MANITOBA HORSE COUNCIL INC.

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31

	2021				2020
	Invested in capital assets	**Internally restricted**	**Unrestricted**	**Total**	**Total**
Net assets, beginning of year	$ 163,302	$ 13,931	$ 114,492	$ 291,725	$ 307,371
Capital lease principle payments	3,641	-	(3,641)	-	-
Purchase of capital assets	26,137	-	(26,137)	-	-
Difference between revenues and expenses	(15,451)	(4,156)	1,834	(17,773)	(15,646)
Net assets, end of year	$ 177,629	$ 9,775	$ 86,548	$ 273,952	$ 291,725

MANITOBA HORSE COUNCIL INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31

	2021	2020
Cash flow from operating activities:		
Difference between revenues and expenses	$ (17,773)	$ (15,646)
Items not affecting cash-		
Amortization of capital assets	15,451	15,271
	(2,322)	(375)
Changes in non-cash working capital:		
Accounts receivable	35,182	(40,591)
GST receivable	889	(1,541)
Prepaid expenses	(12,879)	770
Inventory	940	(816)
Accounts payable and accrued liabilities	7,579	495
Deferred revenue	(8,306)	22,342
	21,083	(19,716)
Cash flow from investing activities:		
Purchase of capital assets	(26,137)	-
Cash flow from investing activities:		
Repayment of capital lease	(3,641)	(3,633)
Change in cash	(8,695)	(23,349)
Cash, beginning of year	135,179	158,528
Cash, end of year	$ 126,484	$ 135,179

1. Purpose of the Organization:

Manitoba Horse Council Inc. (the “Organization”), is a provincial not-for-profit organization operating programs which provides programs, services and resources to all members in an effort to increase membership in the organization and to provide effective programs at all levels of participation as a lifetime sport. The Organization is exempt from tax under Section 149(1)(l) of the Income Tax Act (Canada).

2. Significant accounting policies:

The financial statements have been compiled in accordance with Canadian accounting standards for not-for-profit organizations. An assumption underlying the preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations is that the Organization will continue for the foreseeable future and will be able to realize its assets and discharge liabilities in the normal course of operations.

The financial statements include the following significant accounting policies:

a) Accounting estimates-

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and judgments 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 reported period.

Accounting estimates are included in financial statements to approximate the effect of past transactions or events, or to approximate the present status of an asset or liability. It is possible that changes in future economic conditions could require changes in the recognized amounts for accounting estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the period in which they became known. Significant areas of estimation by management include the impairment of non-financial assets, the useful lives of capital assets and the fair value of financial instruments. Management bases their judgments, estimates and assumptions on factors they believe to be reasonable in the circumstances, but which may be inherently uncertain and unpredictable

b) Revenue recognition and deferred revenues-

The Organization 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.

Income from the sale of merchandise, competitions, Equestrian Centre, general, marketing and officials are recognized when the goods or services are transferred and collectability is reasonably assured. Memberships are recognized when receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Interest income is recognized on a time proportion basis.

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

c) Financial instruments-

Except for certain related party transactions financial instruments are measured at fair value on initial recognition adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption. Transactions costs related to financial instruments that will be measured subsequently at fair value are recognized in net income for the period incurred.

In subsequent periods investments in equity instruments that are quoted in an active market and certain derivative contracts are measured at fair value without any adjustment for transaction costs that may incur on sale or other disposal. The Organization may elect to measure any financial instrument at fair value when the asset or liability is first recognized or for equity instruments previously measured at fair value when the equity instrument ceases to be quoted in an active market. Other investments in equity instruments are measured at cost less any reduction for impairments. All other financial instruments are measured at amortized cost. Amortized cost is the amount at which the financial instrument is measured at initial recognition less principal repayments, plus or minus the cumulative effect of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

The Organization measures its financial instruments at amortized cost.

The Organization assesses impairment of all its financial assets, except those measured at fair value. Management considers whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. Impairment is included in current earnings.

d) Capital assets-

Capital assets are recorded at cost and amortized over their estimated useful lives, except for contributed assets which are recorded at fair market value at the time of the contribution plus all costs directly attributable to the acquisition. This requires estimation of the useful life of the asset and its salvage and residual value. When a capital asset is impaired, the excess of its net carrying amount over the asset's fair value or replacement cost is recognized as an expense. As is true for all accounting estimates, it is possible that changes in future conditions could require changes in the recognized amount for accounting estimates.

Building	5%	Declining balance method
Computer equipment	30%	Declining balance method
Equipment under capital lease	20%	Declining balance method
Land improvements	8%	Declining balance method
Machinery and equipment	20%	Declining balance method
Sound system	20%	Declining balance method
Well	25%	Declining balance method

e) Contributed services

Volunteers contribute a significant amount of their time assisting the Organization in carrying out its activities each year. Due to the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

3. Capital assets:

	December 31			
	2021		2020	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Building	$ 495,000	$ 398,194	$ 495,000	$ 393,099
Computer equipment	11,672	9,150	9,747	8,481
Equipment under capital lease	17,573	7,451	17,573	4,920
Land improvements	391,974	331,532	379,208	326,832
Machinery and equipment	94,953	81,079	83,507	79,042
Sound system	21,742	20,476	21,742	20,159
Well	11,840	11,535	11,840	11,433
	$ 1,044,754	$ 859,417	$ 1,018,617	$ 843,966
Net book value	$ 185,337		$ 174,651	

4. Deferred revenue:

The Organizations deferred revenue consists of $42,771 (2020 - $20,432) in memberships and course fees collected in advance. Deferred revenue also includes $nil (2020 - $30,645) of grants received from Sport Canada Federal Emergency Sport Funds. These amounts are expected to be recognized in the following year.

5. Obligation under capital lease:

The Organization has entered into a capital lease for equipment with an effective interest rate of 1%. The lease expires in May 2024. The estimated annual payments are as follows:

	December 31	
	2021	2020
2021	$ -	$ 3,660
2022	3,660	3,660
2023	3,660	3,660
2024	405	405
Total minimum lease payments	7,725	11,385
Amount representing interest at 1%	(17)	(36)
Balance of the obligation	7,708	11,349
Current portion	4,060	3,641
	$ 3,648	7,708

6. Lease commitments:

The Organization has entered into a land lease that expires in April 2031. The estimated annual payments for the land over the next five years are as follows:

2022	$	981
2023		981
2024		981
2025		981
2026		981

7. Risk management and fair values:

Management's risk management policies are typically performed as a part of the overall management of the Organization's operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its operations, the Organization is exposed to a number of risks that can affect its operating performance. Management's close involvement in operations helps identify risks and variations from expectations. As a part of the overall operation of the Organization, management considers the avoidance of undue concentrations of risk. These risks and the actions taken to manage them include the following:

Liquidity risk-

Liquidity risk is the risk that the Organization cannot meet its financial obligations associated with financial liabilities in full. The Organization's main sources of liquidity are its operations and external borrowings. The funds are primarily used to finance working capital and capital expenditure requirements and are adequate to meet the Organization's financial obligations associated with financial liabilities.

Credit risk-

Credit risk arises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. The Organization has credit policies to address credit risk on accounts receivable, which may include the analysis of the financial position of the debtor and review of credit limits. The Organization also may review credit history before establishing credit and review credit performance. An allowance for doubtful accounts or other impairment provisions are established based upon factors surrounding credit risk, historical trends and other information. No allowance for doubtful accounts has been recorded for accounts receivable (2020 - $nil).

Interest rate price risk-

The Organization is exposed to interest rate price risk from its capital lease held at a fixed rate. Changes in market interest rates would affect the value of the capital lease.

8. Internally restricted net assets:

These internally restricted net assets are to be used at the discretion of the board of directors and are not available for other purposes without approval of the board of directors.

9. Government assistance:

The Organization applied for the Canada Emergency Wage Subsidy and Canada Rent Subsidy relating to salaries and rent paid during the year ended December 31, 2021. A subsidy receivable of $4,725 (2020 - $19,050) has been recorded in accounts receivable and $42,889 (2020 - $40,637) for subsidies is included in government assistance.

The Organization also applied for funding from Sport Canada Federal Emergency Sport Funds. Included in government assistance is $50,645 (2020 - $3,355) for subsidies received.

10. COVID-19:

The outbreak of COVID-19, has resulted in governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, quarantine periods and social distancing, have caused an economic slowdown and material disruption to business. Subsequent to December 31, 2021, government has continued to react with interventions intended to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at the time. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial performance and financial position of the Organization in future periods.