

**THE GOVERNOR GENERAL'S HORSE GUARDS CAVALRY AND HISTORICAL SOCIETY
INC.**

(a not-for-profit corporation registered in Ontario)

Financial Statements

Year Ended December 31, 2016

**THE GOVERNOR GENERAL'S HORSE GUARDS CAVALRY AND HISTORICAL SOCIETY
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(a not-for-profit corporation registered in Ontario)

Index to Financial Statements

Year Ended December 31, 2016

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Net Assets	5
Statement of Cash Flow	6
Notes to Financial Statements	7 - 10

INDEPENDENT AUDITOR'S REPORT

To the Members of THE GOVERNOR GENERAL'S HORSE GUARDS CAVALRY AND HISTORICAL SOCIETY INC. (a not-for-profit corporation registered in Ontario)

We have audited the accompanying financial statements of THE GOVERNOR GENERAL'S HORSE GUARDS CAVALRY AND HISTORICAL SOCIETY INC., (a not-for-profit corporation registered in Ontario), which comprise the statement of financial position as at December 31, 2016 and the statements of operations, changes in net assets and cash flow for the year then ended, 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 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 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 is sufficient and appropriate to provide a basis for our qualified audit opinion.

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Independent Auditor's Report to the Members of THE GOVERNOR GENERAL'S HORSE GUARDS CAVALRY AND HISTORICAL SOCIETY INC. *(continued)*

Basis for Qualified Opinion

In common with many charitable organizations, the company derives revenue from (donations and fund raising) the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the company and we were not able to determine whether any adjustments might be necessary to contributions, excess of revenues over expenses, current assets and net assets.

Qualified Opinion

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the contributions referred to in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of THE GOVERNOR GENERAL'S HORSE GUARDS CAVALRY AND HISTORICAL SOCIETY INC., (a not-for-profit corporation registered in Ontario), as at December 31, 2016 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

FTSP Professional Corporation

Toronto, Ontario
June 30, 2017

FTSP PROFESSIONAL CORPORATION

Authorized to practise public accounting by
the Chartered Professional Accountants of Ontario



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THE GOVERNOR GENERAL'S HORSE GUARDS CAVALRY AND HISTORICAL SOCIETY
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(a not-for-profit corporation registered in Ontario)

Statement of Financial Position

December 31, 2016

	<i>December 31</i> 2016	<i>December 31</i> 2015
ASSETS		
CURRENT		
Cash	\$ -	\$ 7,984
Accounts receivable	7,139	66,989
Harmonized sales tax recoverable	5,837	2,280
Prepaid expenses	-	87,430
	<u>12,976</u>	164,683
CAPITAL ASSETS (Note 3)	<u>47,844</u>	35,721
	<u>\$ 60,820</u>	<u>\$ 200,404</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Bank indebtedness	\$ 4,356	\$ -
Accounts payable and accrued liabilities	6,401	8,417
	<u>10,757</u>	8,417
DEFERRED REVENUE	<u>-</u>	90,550
	<u>10,757</u>	98,967
NET ASSETS		
General fund	<u>50,063</u>	101,437
	<u>\$ 60,820</u>	<u>\$ 200,404</u>

ON BEHALF OF THE BOARD

_____ *Director*

_____ *Director*

See accompanying notes to the financial statements

**THE GOVERNOR GENERAL'S HORSE GUARDS CAVALRY AND HISTORICAL SOCIETY
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Statement of Operations

Year Ended December 31, 2016

	2016	2015
REVENUES		
Grants and donations	\$ 200,385	\$ 89,671
Events, training, horse usage fees	<u>33,639</u>	<u>21,550</u>
	<u>234,024</u>	<u>111,221</u>
EXPENSES		
Events	234,269	30,186
Curatorial <i>(Note 4)</i>	12,064	-
Amortization	11,961	-
Office and general	10,691	2,910
Insurance	6,904	6,214
Professional fees	4,997	3,469
Bad debts	2,400	-
Interest and bank charges	<u>2,112</u>	<u>1,505</u>
	<u>285,398</u>	<u>44,284</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ (51,374)</u>	<u>\$ 66,937</u>

See accompanying notes to the financial statements

**THE GOVERNOR GENERAL'S HORSE GUARDS CAVALRY AND HISTORICAL SOCIETY
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Statement of Changes in Net Assets

Year Ended December 31, 2016

	General Fund	Restricted Fund	2016	2015
NET ASSETS - BEGINNING OF YEAR	\$ 101,437	\$ -	\$ 101,437	\$ 34,500
Deficiency of revenues over expenses	(51,374)	-	(51,374)	66,937
NET ASSETS - END OF YEAR	\$ 50,063	\$ -	\$ 50,063	\$ 101,437

See accompanying notes to the financial statements

**THE GOVERNOR GENERAL'S HORSE GUARDS CAVALRY AND HISTORICAL SOCIETY
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**Statement of Cash Flow
Year Ended December 31, 2016**

	2016	2015
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ (51,374)	\$ 66,937
Item not affecting cash:		
Amortization of property, plant and equipment	<u>11,961</u>	-
	<u>(39,413)</u>	<u>66,937</u>
Changes in non-cash working capital:		
Accounts receivable	59,850	(62,700)
Accrued liabilities	(2,016)	(372)
Prepaid expenses	87,430	(83,914)
Harmonized sales tax payable	<u>(3,557)</u>	<u>475</u>
	<u>141,707</u>	<u>(146,511)</u>
Cash flow from (used by) operating activities	<u>102,294</u>	<u>(79,574)</u>
INVESTING ACTIVITY		
Cavalry equipment	<u>(24,084)</u>	<u>(17,448)</u>
FINANCING ACTIVITY		
Deferred income	<u>(90,550)</u>	<u>90,550</u>
DECREASE IN CASH FLOW	(12,340)	(6,472)
Cash - beginning of year	<u>7,984</u>	<u>6,574</u>
CASH (DEFICIENCY) - END OF YEAR	<u>\$ (4,356)</u>	<u>\$ 102</u>

See accompanying notes to the financial statements

**THE GOVERNOR GENERAL'S HORSE GUARDS CAVALRY AND HISTORICAL SOCIETY
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Notes to Financial Statements

Year Ended December 31, 2016

1. DESCRIPTION OF OPERATIONS

The Government General Horse Guard Cavalry & Historical Society Inc. (GGHG), incorporated in February 2012 as a charitable organisation. The purpose is in support of the GGHG Commanding Officer, the Regiment and the Regimental Family. It funds and operates the volunteer, commemorative cavalry unit, the development of a museum dedicated to the GGHG's history and a variety of services undertaken on a project basis. Fundings are derived from fund raising events, fees for cavalry services and donations from the public and GGHG Foundation

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

Revenue Recognition

The Organization follows the deferral method of accounting for contributions. which include support from the public and government.

Externally 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. Endowment contributions are recognized as direct increases in net assets receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Grants which have been committed are recorded as grants receivable and deferred revenue at the time the grant is confirmed. The grants are recognized as revenue when the events associated with the grants haven taken place or the costs associated with the grant have been realized.

Other revenue such as events, training and horse usage are recognized when the good/services are provided.

Contributed services

The organization would not be able to carry out its administrative activities without the services of volunteers who donate a considerable number of hours. Due to the difficulty in determining their fair value, the value of contributed services is not recognized in the financial statements.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and investments maturing in less than 90 days. As at December 31, 2016 there were no cash equivalents.

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Notes to Financial Statements

Year Ended December 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets

Capital assets are recorded at acquisition cost. The organization provides for amortization using the following methods at rates designed to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rates and methods are as follows:

Cavalry equipment	5 years	straight-line method
Furniture and fixtures	20%	declining balance method

Impairment of Long Lived Assets

The organization tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

Financial instruments

(i) Measurement of financial instruments

The organization initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. Amounts due to and from related parties are measured at the exchange amount, being the amount agreed upon by the related parties.

The organization subsequently measures its financial assets and financial liabilities at amortized cost, except for derivatives and equity securities quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost includes cash and cash equivalents and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

(ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in net income. The write down reflects the difference between the carrying amount and the higher of:

- the present value of the cash flows expected to be generated by the asset or group of assets;
- the amount that could be realized by selling the assets or group of assets;
- the net realizable value of any collateral held to secure repayment of the assets or group of assets.

When the events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net income up to the amount of the previously recognized impairment.

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Notes to Financial Statements

Year Ended December 31, 2016

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

Collections

The cost of artifacts and other collection items is expensed. The value of donated collection items is not included in the statement of operations.

Cash flows

The organization uses the indirect method of reporting cash flows from operating activities.

Use of estimates

The preparation of financial statements in conformity with Accounting Standards for Not-for-Profit Organization requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

3. CAPITAL ASSETS

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Cavalry equipment	\$ 54,885	\$ 10,977	\$ 43,908	\$ 35,721
Furniture and fixtures	4,920	984	3,936	-
	<u>\$ 59,805</u>	<u>\$ 11,961</u>	<u>\$ 47,844</u>	<u>\$ 35,721</u>

4. COLLECTION OF ARTIFACTS

The museum has a collection of artifacts the value of which is not recorded in the statement of financial position. In 2016, curatorial expenses included acquisitions of artifacts with a cost of \$12,064 (2015 - nil).

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Year Ended December 31, 2016

5. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the organization's risk exposure and concentrations as at December 31, 2016.

(a) Credit Risk

Credit risk arises from the possibility that certain parties will be unable to discharge their obligations. The organization routinely assesses the financial strength of its rental customers and , as a consequence, believes that its accounts receivable credit risk exposure is limited.

(b) Liquidity risk

Liquidity risk is the risk that the organization will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its accounts payable and accrued liabilities. The organization expects to meet these obligations as they come due by generating sufficient cash flows from operations as well as from ongoing and continued support of its donors and members.

(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 risk, interest rate risk and other price risk. It is management's opinion that the organization is not exposed to any of these risk.
