

ONTARIO MOTOR COACH ASSOCIATION
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Unaudited)

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REVIEW ENGAGEMENT REPORT

TO THE MEMBERS OF ONTARIO MOTOR COACH ASSOCIATION

We have reviewed the balance sheet of Ontario Motor Coach Association as at December 31, 2015 and the statements of revenues and expenses, changes in net assets and cash flows for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the Association.

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian accounting standards for not-for-profit organizations.

Clarke Henning LLP

Toronto, Ontario
April 26, 2016

CHARTERED ACCOUNTANTS
Licensed Public Accountants

ONTARIO MOTOR COACH ASSOCIATION

BALANCE SHEET

AS AT DECEMBER 31, 2015

(Unaudited)

	2015	2014
		<i>(Note 8)</i>
ASSETS		
Current assets		
Cash	\$ 67,010	\$ 136,165
Investments <i>(note 2)</i>	854,381	834,705
Accounts receivable	157,597	86,914
Prepaid expenses	49,499	48,387
	1,128,487	1,106,171
Investment in Joint Ventures <i>(note 3)</i>	27,361	25,402
Furniture and equipment <i>(note 4)</i>	9,097	16,217
Trust assets <i>(note 5)</i>	89,771	87,410
	1,254,716	1,235,200
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities <i>(note 6)</i>	82,603	63,510
Deficiency in GroupConnect Management Inc. <i>(note 7)</i>	83,484	29,016
	166,087	92,526
Trust liabilities <i>(note 5)</i>	89,771	87,410
	255,858	179,936
NET ASSETS		
Invested in furniture and equipment	9,097	16,217
Educational Development Fund	161,755	153,849
Unrestricted net assets	828,006	885,198
	998,858	1,055,264
	\$ 1,254,716	\$ 1,235,200

Approved on behalf of the Board:

_____, Director _____, Director

ONTARIO MOTOR COACH ASSOCIATION

STATEMENT OF REVENUES AND EXPENSES

YEAR ENDED DECEMBER 31, 2015

(Unaudited)

	2015	2014
		<i>(Note 8)</i>
Revenues		
Membership fees	\$ 344,812	\$ 381,669
Services	614,182	702,625
Meetings	565,903	532,928
Other	57,926	67,940
Administrative fees	60,000	-
	1,642,823	1,685,162
Expenses <i>(note 11)</i>		
Administration	820,994	762,687
Services	366,562	416,971
Meetings and travel	414,571	466,883
Other/industry	71,619	49,207
	1,673,746	1,695,748
Deficiency of revenues over expenses before the following	(30,923)	(10,586)
Depreciation	(9,982)	(10,129)
Investment income <i>(note 10)</i>	23,621	31,687
Share of income from Joint Ventures <i>(note 3)</i>	33,460	46,094
Excess of revenues over expenses before share of loss of significantly influenced company	16,176	57,066
Share of loss of GroupConnect Management Inc. <i>(note 7)</i>	(10,607)	(14,919)
Excess of revenues over expenses for the year	\$ 5,569	\$ 42,147

ONTARIO MOTOR COACH ASSOCIATION

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2015

(Unaudited)

	Invested In Furniture & Equipment	Educational Development Fund	Unrestricted	Total	
				2015	2014
					<i>(Note 8)</i>
Balance - at beginning of year	\$ 16,217	\$ 153,849	\$ 885,198	\$ 1,055,264	\$ 1,013,117
Net assets transferred to Motor Coach Canada Inc. <i>(note 8)</i>	-	-	(61,975)	(61,975)	-
	16,217	153,849	823,223	993,289	1,013,117
Excess of revenues over expenses for the year	-	7,906	(2,337)	5,569	42,147
Interfund transfer representing					
Depreciation	(9,982)	-	9,982	-	-
Purchase of furniture and equipment	2,862	-	(2,862)	-	-
Balance - at end of year	\$ 9,097	\$ 161,755	\$ 828,006	\$ 998,858	\$ 1,055,264

ONTARIO MOTOR COACH ASSOCIATION

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2015

(Unaudited)

	2015	2014
		<i>(Note 8)</i>
Cash flows from operating activities		
Cash received from members	\$ 404,810	\$ 457,093
Cash received from services	576,759	702,625
Cash received from meetings and conferences	507,448	532,928
Cash received from other activities	57,926	67,940
Interest and investment trust fund distributions received	19,192	12,169
Cash paid to employees and suppliers	(1,617,247)	(1,745,910)
Income taxes paid	-	(6,910)
	<u>(51,112)</u>	<u>19,935</u>
Cash flow from financing activity		
Transfer of funds to Motor Coach Canada	(31,436)	-
Cash flows from investing activities		
Purchase of furniture and equipment	(2,862)	(7,327)
Proceeds from sale of investments	522,196	689,825
Purchase of investments	(537,441)	(699,124)
Distributions from PRIDE Consortium <i>(note 3)</i>	-	10,000
Distributions from Ontario Transportation Expo <i>(note 3)</i>	31,500	43,000
	<u>13,393</u>	<u>36,374</u>
Change in cash during the year	(69,155)	56,309
Cash - at beginning of year	136,165	79,856
Cash - at end of year	<u>\$ 67,010</u>	<u>\$ 136,165</u>

ONTARIO MOTOR COACH ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

(Unaudited)

The objective of the Ontario Motor Coach Association ("OMCA" or the "Association") is to promote and further the interests of the inter-city bus industry in Ontario.

The Association is incorporated under the Corporations Act (Ontario) as a non-profit organization without share capital and, as such, is generally exempt from income taxes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared using Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Basis of Presentation

These financial statements do not include the assets, liabilities and operations of OMCA's foreign related company, GroupConnect Management Inc., in which the Association has 50% interest and the investment in Joint Ventures in which it has a 33% interest.. The Association's investment in its related company and its investment in Joint Ventures (PRIDE Consortium and Ontario Transportation Expo) is accounted for on the equity basis. Under the equity basis, the investment is initially recorded at cost and adjustments are made to include the Association's share of the related company's and Joint Ventures net income (loss) for the period. These adjustments are included in the Association's net income. The amount of investment is reduced by any dividend received or receivable from the related company or distributions received from the Joint Ventures. The pertinent information of GroupConnect Inc. for the year then ended is disclosed in note 7 and for PRIDE Consortium and Ontario Transportation Expo in note 3 to these financial statements.

Financial Assets and Liabilities

The Association initially measures its financial assets and liabilities at fair value. The Association subsequently measures all its financial assets and financial liabilities at amortized cost, except for its investments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets and liabilities measured at amortized cost include cash, advances to GroupConnect Inc., accounts receivable, accounts payable and accrued liabilities and trust assets and liabilities.

ONTARIO MOTOR COACH ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

(Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Furniture, Equipment and Depreciation

Furniture and equipment is recorded at cost and depreciated on a straight line basis over its estimated useful life using the following annual terms:

Office furniture	- 10 years
Office and display equipment	- 5 years
Computer equipment	- 3 years
Computer software	- 3 years

The above rates are reviewed annually to ensure they are appropriate. Any changes are adjusted for on a prospective basis. If there is an indication that the assets may be impaired, an impairment test is performed that compares carrying amount to net recoverable amount. There were no impairment indicators in 2015.

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the balance sheet date. Revenues and expenses are translated from foreign currencies at the exchange rates prevailing on the transaction date. Any resulting realized and unrealized gains or losses are included in income for the year.

Revenue and expenses of the Association's foreign related company are translated into Canadian dollars using the average rate of exchange for the year.

Revenue Recognition

Membership fees are recognized as revenue on a calendar year basis.

Revenue from services is recognized when services are performed.

Revenue from meetings is recognized when the event takes place.

Revenues and expenses from special and fund-raising events (included in other revenue) are recorded in the period in which the event takes place.

Magazine and resource guide royalties (included in other revenue) are recognized as revenue as earned.

All other income is recognized as revenue when services are performed or goods have been delivered.

Investment income is comprised of interest, distributions, and realized and unrealized gains and losses from investment transactions. Interest income is recorded when earned. Distributions are recorded as revenue when declared. Realized gains and losses are recognized when the transactions occur. Unrealized gains and losses which reflect the changes in fair value during the period are recognized at each reporting date and included in current period income.

ONTARIO MOTOR COACH ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

(Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allocation of Expenses

Salaries and benefits are allocated based on time spent by staff members on different activities (see note 11).

Contributed Goods and Services

Contributed goods and services are not recorded in the accounts of the Association, except when fair value of such goods and services can reasonably be established and when the goods and services are normally purchased by the Association and would be paid for if not contributed.

Use of Estimates and Judgments

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Areas subject to assumptions and estimates uncertainties that have significant risk of resulting in a material misstatement in future periods include those relating to allowance for doubtful accounts receivable, useful lives of capital assets for depreciation and other assets and liabilities valuation.

ONTARIO MOTOR COACH ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

(Unaudited)

2. INVESTMENTS

Details of investments are as follows:

		<i>Quantity</i>			
	<i>2015</i>	<i>2014</i>		<i>2015</i>	<i>2014</i>
\$	2,683	\$ 2,683	Thornmark Alpha Funds Class O	\$ 48,177	\$ 46,751
	10,161	10,060	Thornmark Dividend & Income Fund O Class	197,067	191,211
	8,050	14,500	Ishares Canadian Universe bond index	254,300	456,170
	21,241	-	Thornmark Enhanced Equity Fund Class O	319,822	-
	35,015	-	Altamira High-Interest Cash Performer	35,015	-
	-	10,341	Thornmark Enhanced Equity Fund Class P	-	140,573
				\$ 854,381	\$ 834,705

Investment Risk Management

Risk management relates to the understanding and active management of risks associated with all areas of the Association's activities and operations. Investments are primarily exposed to interest rate and price risks. The Association has formal policies and procedures for investment transactions and the majority of investments are made on the advice of the portfolio manager.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income investments held by the Association. The value of fixed income investments will generally rise if interest rates falls and decrease if interest rates rise.

Price Risk

The Association is exposed to price risk, which is the potential loss that the Association may incur with respect to the changes in fair value of investments. The fair value of investments will fluctuate because of changes in market price whether those changes are caused by factors specific to the individual investments, or its issuers or factors affecting all investments traded in the market.

ONTARIO MOTOR COACH ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

(Unaudited)

3. INVESTMENT IN JOINT VENTURES

The Association is a member of PRIDE Consortium ("PRIDE") and Ontario Transportation Expo ("OTE") which, along with two other associations, oversee these programs. Details of the Association's 33% interest in these Joint Ventures is as follows:

	2015	2014
PRIDE	\$ 11,556	\$ 17,342
OTE	15,805	8,059
	<u>27,361</u>	<u>25,401</u>
Share of Income (loss) from Joint Ventures		
PRIDE	(5,786)	5,172
OTE	39,246	40,922
	<u>\$ 33,460</u>	<u>\$ 46,094</u>

Assets, liabilities, revenues and expenses and cash flows of PRIDE and OTE as at December 31 and for the year then ended are as follows:

	2015	2015	2014
PRIDE Consortium			
Financial Position	33 %	100 %	100 %
Assets			
Cash	\$ 23,031	\$ 69,094	\$ 58,823
Other assets	6,554	19,663	33,043
Liabilities	(18,029)	(54,088)	(39,839)
Total net assets	<u>11,556</u>	<u>34,669</u>	<u>52,027</u>
Revenues and Expenses			
Total revenues	49,444	148,331	180,389
Total expenses	55,230	165,689	164,874
Excess (deficiency) of revenues over expenses for the year	<u>(5,786)</u>	<u>(17,358)</u>	<u>15,515</u>
Statement of Cash Flows			
Cash flows from operating activities			
Cash received from registration fees	57,066	171,197	197,226
Cash paid to suppliers	(53,642)	(160,926)	(147,950)
	<u>3,424</u>	<u>10,271</u>	<u>49,276</u>
Cash flows from financing and investing activities			
Distribution to participants	-	-	(30,000)
Purchase of capital assets	-	-	(3,825)
	<u>-</u>	<u>-</u>	<u>(33,825)</u>
Change in cash during the year	<u>\$ 3,424</u>	<u>\$ 10,271</u>	<u>\$ 15,451</u>

ONTARIO MOTOR COACH ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

(Unaudited)

3. INVESTMENT IN JOINT VENTURES (continued)

	2015	2015	2014
Ontario Transportation Expo			
Financial Position	33 %	100 %	100 %
Assets			
Cash	\$ 6,892	\$ 20,678	\$ 28,586
Other current assets	8,912	26,737	25,820
Liabilities	-	-	(30,229)
Total net assets	15,804	47,415	24,177
Revenue and Expenses			
Revenue	101,385	304,154	290,196
Expenses	62,139	186,417	167,431
Excess of revenue over expenses for the year	39,246	117,737	122,765
Statement of Cash Flows			
Cash flows from operating activities			
Cash received from the Expo	104,718	314,154	280,196
Cash paid to suppliers	(75,854)	(227,562)	(165,393)
	28,864	86,592	114,803
Cash flows from investing activity			
Distributions to participants	(31,500)	(94,500)	(129,000)
Change in cash during the year	\$ (2,636)	\$ (7,908)	\$ (14,197)

4. FURNITURE AND EQUIPMENT

Details of furniture and equipment is as follows:

	Cost	Accumulated Depreciation	Net Book Value	
			2015	2014
Office furniture	\$ 12,448	\$ 6,415	\$ 6,033	\$ 7,003
Office and display equipment	4,270	3,186	1,084	718
Computer equipment	33,161	31,181	1,980	2,121
Computer software	171,935	171,935	-	6,375
	\$ 221,814	\$ 212,717	\$ 9,097	\$ 16,217

ONTARIO MOTOR COACH ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

(Unaudited)

5. TRUST ASSETS AND LIABILITIES

The Association provides accounting and administration services to PRIDE Consortium and Ontario Transportation Expo, including the management of all banking transactions. The trust assets and liabilities represent the funds held on behalf of PRIDE Consortium and Ontario Transportation Expo.

	2015	2014
Funds held in trust at December 31		
PRIDE Consortium	\$ 69,094	\$ 58,824
Ontario Transportation Expo	20,677	28,586
	<u>\$ 89,771</u>	<u>\$ 87,410</u>

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities include government remittances totalling \$NIL at December 31, 2015 (\$18,230 in 2014).

7. INVESTMENT IN AND ADVANCES TO GROUPCONNECT MANAGEMENT INC.

GroupConnect Management Inc.

The details of the investment is as follows:

	2015	2014
50 Common shares @ \$0.01 par value per share	\$ 1	\$ 1
Advances to GroupConnect Management Inc.	653,737	579,316
	<u>653,738</u>	<u>579,317</u>
Share of shareholder's deficiency	(737,221)	(608,332)
Deficiency in GroupConnect Management Inc.	<u>\$ (83,483)</u>	<u>\$ (29,015)</u>

GroupConnect Management Inc. ("GroupConnect") was incorporated on May 19, 2009 with the Secretary of State of Delaware (the "Secretary of State") in the United States. The voting shares of the corporation are 50% owned by the Association and 50% owned by the American Bus Association ("ABA").

ONTARIO MOTOR COACH ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

(Unaudited)

7. INVESTMENT IN AND ADVANCES TO GROUPCONNECT MANAGEMENT INC. (continued)

GroupConnect operates a premier on-line real time internet application system for the searching and booking of hotels, attractions, food services, transportation and related components of packaged travel by tour operators. Under a signed letter of intent between ABA and the Association, when the GroupConnect begins generating profits, the advances made by each association will be repaid.

The summarized financial information of GroupConnect as at December 31, 2015 and for the year then ended are as follows:

	<u>2015</u>		<u>2014</u>
	50%	100%	100%
FINANCIAL POSITION			
Total assets	\$ 6,602	\$ 13,203	\$ 17,538
Total liabilities	743,824	1,487,642	1,234,202
Shareholders' deficiency			
Balance at beginning of year	(608,333)	(1,216,664)	(1,086,723)
Net income (loss) for the year	(10,607)	(21,214)	(29,839)
Foreign exchange	(118,282)	(236,559)	(100,102)
Balance at end of year	(737,222)	(1,474,437)	(1,216,664)
	6,602	13,205	17,538
RESULTS OF OPERATIONS			
Total revenues	88,144	176,288	190,213
Total expenses	98,751	197,502	220,052
Net loss for the year	(10,607)	(21,214)	(29,839)
CASH FLOWS			
Cash flows from operating activities			
Cash received from members	85,860	159,752	190,213
Cash paid to suppliers	(106,301)	(200,633)	-
	(20,441)	(40,881)	190,213
Cash flows from investing and financing activities			
Purchase of capital assets	-	-	(11,045)
Advances from shareholder	17,300	34,600	29,003
	17,300	34,600	17,958
Decrease in cash for the year	\$ (3,141)	\$ (6,281)	\$ 208,171

Included in the total liabilities is \$653,737 (\$579,316 in 2014) payable to the Association. The deficiency in GroupConnect is shown as a liability as the Association has an obligation to cover its share of the deficit of GroupConnect.

ONTARIO MOTOR COACH ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

(Unaudited)

8. TRANSFER OF NET ASSETS OF MOTOR COACH CANADA

Effective January 1, 2015, OMCA transferred the net assets of Motor Coach Canada that it previously included in its accounts as a division. The transfer took place as Motor Coach Canada is no longer a division of OMCA but is a separate entity with its own board of directors.

The comparative 2014 figures include the accounts of Motor Coach Canada.

9. LEASE COMMITMENTS

The Association has entered into a lease for office premises which expires on February 28, 2017. The Association has also entered into leases for equipment which expires August 31, 2017, and December 31, 2017. The aggregate annual lease payments are as follows:

Fiscal year	2016	\$	18,500
	2017		7,263

In addition to the rental of the premises, the Association is liable for its proportionate share of operating costs, which amounted to \$24,544 (\$27,121 in 2014).

10. INVESTMENT INCOME

Details of investment income are as follows:

	2015	2014
Interest and investment trust funds distributions	\$ 19,192	\$ 12,169
Realized gains on sale of investments	4,754	11,240
Unrealized gains (loss) on investments	(325)	8,278
	<u>\$ 23,621</u>	<u>\$ 31,687</u>

11. ALLOCATED EXPENSES

The expenses reported in the statement of revenues and expenses include an allocation of subcontractors and salaries and benefits expenses as follows::

	2015	2014
Subcontractors		
Administration	\$ 124,842	\$ 134,910
Meetings and travel	8,467	9,061
Other/Industry	5,000	5,000
	<u>138,309</u>	<u>148,971</u>
Salaries and benefits		
Administration	450,474	392,117
Services	5,000	5,000
Meetings and travel	166,654	89,300
	<u>622,128</u>	<u>486,417</u>
Total allocated expenses	<u>\$ 760,437</u>	<u>\$ 635,388</u>

ONTARIO MOTOR COACH ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

(Unaudited)

12. FINANCIAL INSTRUMENTS AND RISK EXPOSURE

The Association is exposed to various risks through its financial instruments. The following analysis provides a measure of the Association's risk exposure at the balance sheet date.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Association's main credit risks relate to accounts receivable and advances to GroupConnect Inc. (see note 7). The Association mitigates credit risk by performing credit checks and imposing credit limits. Management has included adequate provision for doubtful accounts receivable in these financial statements.

Liquidity Risk

Liquidity risk is the risk that the Association will encounter difficulty in meeting obligations associated with financial liabilities. The Association is exposed to this risk mainly in respect of its current liabilities and commitments. The Association expects to meet these obligations as they come due by generating sufficient cash flow from operations.

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. Interest rate and other price risks are disclosed in note 2.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. A portion of the Association's advances to GroupConnect were made in US dollars. Consequently, the advances to GroupConnect are exposed to foreign currency fluctuations. At December 31, 2015, \$332,385 (\$332,385 in 2014) are denominated in US dollars and converted into Canadian dollars.

13. GUARANTEES AND INDEMNITIES

The Association has indemnified its past, present and future directors, officers and volunteers against expenses (including legal expenses), judgments and any amount actually or reasonably incurred by them in connection with any action, suit or proceeding, subject to certain restrictions. The Association has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits and actions, but there is no guarantee that the coverage will be sufficient should any action arise.

In the normal course of business, the Association has entered into agreements that include indemnities in favour of third parties, either express or implied, such as in service contracts, lease agreements or sales and purchase contracts. In these agreements, the Association agrees to indemnify the counterparties in certain circumstances against losses or liabilities arising from the acts or omissions of the Association. The maximum amount of any potential liability cannot be reasonably estimated.