

ONTARIO MOTOR COACH ASSOCIATION
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Unaudited)

Review Engagement report	Page 1
Balance Sheet	2
Statement of Revenues and Expenses	3
Statement of Changes in Net Assets	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 to 16

Draft - Mar 24/17

REVIEW ENGAGEMENT REPORT

TO THE MEMBERS OF ONTARIO MOTOR COACH ASSOCIATION

We have reviewed the balance sheet of Ontario Motor Coach Association (the "Association") as at December 31, 2016 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.

Toronto, Ontario
April 11, 2017

CHARTERED ACCOUNTANTS
Licensed Public Accountants

ONTARIO MOTOR COACH ASSOCIATION

BALANCE SHEET

AS AT DECEMBER 31, 2016

(Unaudited)

	2016	2015
ASSETS		
Current assets		
Cash	\$ 85,686	\$ 67,010
Investments (note 2)	843,982	854,381
Accounts receivable	113,138	157,597
Prepaid expenses	42,561	49,499
	1,085,367	1,128,487
Interests in joint arrangements (note 3)	36,693	27,361
Furniture and equipment (note 4)	46,162	9,097
Trust assets (note 5)	118,272	89,771
	1,286,494	1,254,716
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	89,833	82,603
Deficiency in GroupConnect Management Inc. (note 7)	70,233	83,484
	160,066	166,087
Trust liabilities (note 5)	118,272	89,771
	278,338	255,858
NET ASSETS		
Invested in furniture and equipment	46,162	9,097
Educational Development Fund	164,740	161,755
Unrestricted net assets	797,254	828,006
	1,008,156	998,858
	\$ 1,286,494	\$ 1,254,716

Approved on behalf of the Board:

_____, Director _____, Director

ONTARIO MOTOR COACH ASSOCIATION

STATEMENT OF REVENUES AND EXPENSES

YEAR ENDED DECEMBER 31, 2016

(Unaudited)

	2016	2015
Revenues		
Membership fees	\$ 339,279	\$ 344,812
Services	614,140	614,182
Meetings	479,742	565,903
Other	61,201	57,926
Administrative fees	60,000	60,000
	1,554,362	1,642,823
Expenses (note 10)		
Administration	742,580	820,994
Services	388,467	366,562
Meetings and travel	419,388	414,571
Other/industry	79,927	71,619
	1,630,362	1,673,746
Deficiency of revenues over expenses before the following	(76,000)	(30,923)
Depreciation	(9,650)	(9,982)
Investment income (note 9)	38,705	23,621
Share of income from interests in joint arrangements (note 3)	51,332	33,460
Excess of revenues over expenses from continuing operations for the year	4,387	16,176
Share of Income (loss) - GroupConnect Management Inc. (note 7)	4,911	(10,607)
Excess of revenues over expenses for the year	\$ 9,298	\$ 5,569

ONTARIO MOTOR COACH ASSOCIATION

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2016

(Unaudited)

	Invested In Furniture & Equipment	Educational Developmen t Fund	Unrestricted	Total	
				2016	2015
Balance - at beginning of year	\$ 9,097	\$ 161,755	\$ 828,006	\$ 998,858	\$ 993,289
Excess of revenues over expenses for the year	-	2,985	6,313	9,298	5,569
Interfund transfer representing					
Depreciation	(9,650)	-	9,650	-	-
Purchase of furniture and equipment	46,715	-	(46,715)	-	-
Balance - at end of year	\$ 46,162	\$ 164,740	\$ 797,254	\$ 1,008,156	\$ 998,858

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ONTARIO MOTOR COACH ASSOCIATION

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2016

(Unaudited)

	2016	2015
Cash flows from operating activities		
Cash received from members	\$ 399,279	\$ 404,810
Cash received from services	603,094	576,759
Cash received from meetings and conferences	523,926	507,448
Cash received from other activities	61,201	57,926
Interest and investment trust fund distributions received	29,598	19,192
Cash paid to employees and suppliers	(1,613,213)	(1,617,247)
	3,885	(51,112)
Cash flow from financing activity		
Transfer of funds to Motor Coach Canada Inc.	-	(31,436)
Cash flows from investing activities		
Purchase of furniture and equipment	(46,715)	(2,862)
Proceeds from sale of investments	165,754	522,196
Purchase of investments	(146,248)	(537,441)
Distributions from Ontario Transportation Expo (note 3)	42,000	31,500
	14,791	13,393
Change in cash during the year	18,676	(69,155)
Cash - at beginning of year	67,010	136,165
Cash - at end of year	\$ 85,686	\$ 67,010

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ONTARIO MOTOR COACH ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

(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 interests in joint arrangements (PRIDE Consortium and Ontario Transportation Expo) in which it has a 33% interest.. The Association's investment in its related company and its interests in joint arrangements 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 interests in joint arrangements' 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 interests in joint arrangements. 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.

The shareholders of GroupConnect Inc. decided that effective June 1, 2017 the company will cease all business operations.

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 Management 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, 2016

(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
Leasehold improvements	- 5 years straight-line

No depreciation has been recorded for leasehold improvements for 320 North Queen Street, Toronto as the premises was not occupied in 2016.

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 2016.

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, investment trust fund 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, 2016

(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 10).

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, 2016

(Unaudited)

2. INVESTMENTS

Details of investments are as follows:

		<i>Quantity</i>			
	<i>2016</i>	<i>2015</i>		<i>2016</i>	<i>2015</i>
\$	2,646	\$ 2,683	Thornmark Alpha Funds Class O	\$ 49,709	\$ 48,177
	9,887	10,061	Thornmark Dividend & Income Fund O Class	192,724	197,067
	3,595	8,050	Ishares Canadian Universe Bond Index	111,912	254,300
	21,333	21,241	Thornmark Enhanced Equity Fund Class 0	330,850	319,822
	35,367	35,015	Altamira High-Interest Cash Performer	35,367	35,015
	4,400	-	Ishares Canadian Short Term Bond Index	123,420	-
				\$ 843,982	\$ 854,381

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, 2016

(Unaudited)

3. INTERESTS IN JOINT ARRANGEMENTS

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 arrangements are as follows:

	2016	2015
PRIDE	\$ 21,791	\$ 11,556
OTE	14,902	15,805
	36,693	27,361
Share of Income (loss) from joint arrangements		
PRIDE	10,235	(5,786)
OTE	41,097	39,246
	\$ 51,332	\$ 33,460

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:

	2016	2016	2015
PRIDE Consortium			
Financial Position	33 %	100 %	100 %
Assets			
Cash	\$ 42,684	\$ 128,053	\$ 69,094
Other assets	3,212	9,636	19,663
Liabilities	(24,105)	(72,316)	(54,088)
Total net assets	21,791	65,373	34,669
Revenues and Expenses			
Total revenues	79,235	237,704	148,331
Total expenses	69,000	206,999	165,689
Excess (deficiency) of revenues over expenses for the year	10,235	30,705	(17,358)
Statement of Cash Flows			
Cash flows from operating activities			
Cash received from registration fees	89,898	269,694	171,197
Cash paid to suppliers	(70,245)	(210,735)	(160,926)
Change in cash during the year	\$ 19,653	\$ 58,959	\$ 10,271

ONTARIO MOTOR COACH ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

(Unaudited)

3. INTERESTS IN JOINT ARRANGEMENTS (continued)

	2016	2016	2015
Ontario Transportation Expo			
Financial Position	33 %	100 %	100 %
Assets			
Cash (bank overdraft)	\$ (3,260)	\$ (9,781)	\$ 20,678
Other current assets	19,173	57,520	26,737
Liabilities	(1,011)	(3,034)	-
Total net assets	14,902	44,705	47,415
Revenue and Expenses			
Revenue	105,723	317,168	304,154
Expenses	64,626	193,877	186,417
Excess of revenue over expenses for the year	41,097	123,291	117,737
Statement of Cash Flows			
Cash flows from operating activities			
Cash received from the Expo	103,885	311,656	314,154
Cash paid to suppliers	(72,038)	(216,114)	(227,562)
	31,847	95,542	86,592
Cash flows from investing activity			
Distributions to participants	(42,000)	(126,000)	(94,500)
Change in cash during the year	\$ (10,153)	\$ (30,458)	\$ (7,908)

4. FURNITURE AND EQUIPMENT

Details of furniture and equipment are as follows:

	Cost	Accumulated Depreciation	Net Book Value	
			2016	2015
Office furniture	\$ 14,084	\$ 7,549	\$ 6,535	\$ 6,033
Office and display equipment	6,009	3,873	2,136	1,084
Computer equipment	52,751	39,010	13,741	1,980
Computer software	171,935	171,935	-	-
Leasehold improvements	23,750	-	23,750	-
	\$ 268,529	\$ 222,367	\$ 46,162	\$ 9,097

ONTARIO MOTOR COACH ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

(Unaudited)

4. FURNITURE AND EQUIPMENT (continued)

Leasehold improvements relate to improvements to the new office premises at 320 North Queen Street, Toronto. No depreciation has been recorded as the premises lease commenced subsequent to the year end. (see note 8)

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.

	2016	2015
Funds held in trust at December 31		
PRIDE Consortium	\$ 128,053	\$ 69,094
Ontario Transportation Expo	(9,781)	20,677
	<u>\$ 118,272</u>	<u>\$ 89,771</u>

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities include government remittances totalling \$13,839 at December 31, 2016 (\$NIL in 2015).

7. GROUPCONNECT MANAGEMENT INC.

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").

The shareholders of GroupConnect decided that effective June 1, 2017 the company will cease all business operations.

Details of the Association's 50% interest in GroupConnect Management Inc. as at December 31, 2016 are as follows:

	2016	2015
50 Common shares @ \$0.01 par value per share	\$ 1	\$ 1
Advances to GroupConnect Management Inc.	640,010	653,737
	<u>640,011</u>	<u>653,738</u>
Share of shareholder's deficiency	(710,244)	(737,221)
Deficiency in GroupConnect Management Inc.	<u>\$ (70,233)</u>	<u>\$ (83,483)</u>

ONTARIO MOTOR COACH ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

(Unaudited)

7. GROUPCONNECT MANAGEMENT INC. (continued)

	2016		2015
	50%	100%	100%
FINANCIAL POSITION			
Total assets	\$ 31,380	\$ 62,759	\$ 13,203
Total liabilities	741,623	1,483,246	1,487,642
Shareholders' deficiency			
Balance at beginning of year	(737,219)	(1,474,437)	(1,216,664)
Net income (loss) for the year	4,912	9,822	(21,214)
Foreign exchange translation gain (loss)	22,064	44,128	(236,559)
Balance at end of year	(710,243)	(1,420,487)	(1,474,437)
	31,380	62,759	13,203
RESULTS OF OPERATIONS			
Total revenues	53,097	106,194	176,288
Total expenses	48,186	96,372	197,502
Net income (loss) for the year	4,911	9,822	(21,214)
CASH FLOWS			
Cash flows from operating activities			
Cash received from members	88,075	176,150	159,752
Cash paid to suppliers	(61,004)	(122,008)	(200,633)
	27,071	54,142	(40,881)
Cash flows from financing activities			
Advances from shareholder	-	-	34,600
	-	-	34,600
Increase (decrease) in cash for the year	\$ 27,071	\$ 54,142	\$ (6,281)

Included in the total liabilities is \$640,010 (\$653,737 in 2015) 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, 2016

(Unaudited)

8. 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.

Subsequent to the year end, the Association has entered into a lease for a new office premises at 320 North Queen Street, Toronto, which commenced on February 1, 2017 and expires on January 31, 2022.

The aggregate annual lease payments are as follows:

Fiscal year	2017	\$	23,501
	2018		17,714
	2019		17,714
	2020		17,714
	2021		17,714
	2022		1,476

In addition to the rental of the premises, the Association is liable for its proportionate share of operating costs, which amounted to \$27,634 (\$24,544 in 2015).

9. INVESTMENT INCOME

Details of investment income are as follows:

	2016	2015
Interest and investment trust funds distributions	\$ 29,598	\$ 19,192
Realized gains (loss) on sale of investments	(1,145)	4,754
Unrealized gains (loss) on investments	10,251	(325)
	\$ 38,704	\$ 23,621

ONTARIO MOTOR COACH ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

(Unaudited)

10. ALLOCATED EXPENSES

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

	<i>2016</i>	<i>2015</i>
Subcontractors		
Administration	\$ 113,469	\$ 124,842
Meetings and travel	6,303	8,467
Other/Industry	5,000	5,000
	124,772	138,309
Salaries and benefits		
Administration	429,205	450,474
Services	5,000	5,000
Meetings and travel	125,000	166,654
	559,205	622,128
Total allocated expenses	\$ 683,977	\$ 760,437

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ONTARIO MOTOR COACH ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

(Unaudited)

11. 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, 2016, \$332,385 (\$332,385 in 2015) are denominated in US dollars and converted into Canadian dollars.

12. 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.