

Financial statements of

**Ontario Motor Coach
Association**

December 31, 2018

(unaudited)

Ontario Motor Coach Association

December 31, 2018

Table of contents

Review Engagement Report

Financial Statements

Statement of operations	2
Statement of financial position	3
Statement of changes in net assets	4
Statement of changes in cash flows.....	5
Notes to the financial statements	6 - 13

DRAFT

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Members of the
Ontario Motor Coach Association

We have reviewed the accompanying financial statements of the Ontario Motor Coach Association that comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net assets and cash flows 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.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of the Ontario Motor Coach Association as at December 31, 2018, 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.

Other Matter

The financial statements of the Ontario Motor Coach Association for the year ended December 31, 2017 were reviewed by another practitioner who expressed an unmodified conclusion on those financial statements on April 24, 2018.

Ontario Motor Coach Association

Statement of operations

year ended December 31, 2018

(unaudited)

	Note	2018	2017
		\$	\$
Revenue			
Membership fees		356,591	388,954
DLSC		541,683	506,475
Conference		360,028	428,512
Management fees		67,000	77,000
Golf tournament		47,378	51,126
Royalties from publications		79,944	90,694
Development fund		17,620	23,450
Share of income from OTE and PRIDE	5	97,855	83,062
		1,568,099	1,649,273
Expenses			
Conference costs		145,716	275,862
Development fund		8,806	41,353
DLSC		399,803	361,416
Expenses relating to StakUp		43,498	-
Golf tournament		23,039	21,249
Foreign exchange gain		(5,887)	(4,143)
General and administrative		157,356	186,544
Industry and government relations		17,743	11,804
Membership fees		30,000	30,000
Occupancy costs		57,409	57,978
Salaries and benefits		653,037	675,331
		1,530,520	1,657,394
Excess of revenue over expenses from operations		37,579	(8,121)
Other (income)/expense			
Unrealized loss (gain) on investments		61,267	(2,120)
Investment income realized		(41,384)	(72,681)
Amortization		27,705	24,417
Investment income - GroupConnect Management Inc.	7	-	(99,715)
Excess (deficiency) of revenue over expenses		(10,009)	141,978

Ontario Motor Coach Association

Statement of financial position

as at December 31, 2018

(unaudited)

	Note	2018	2017
		\$	\$
Assets			
Current assets			
Cash		103,485	73,078
Short term investments	3	844,555	871,353
Accounts receivable		71,758	142,692
Prepaid expenses		54,653	26,832
		1,074,451	1,113,955
Interests in joint arrangements	5	63,610	59,755
Capital assets	4	60,070	90,142
Trust assets	6	122,748	98,377
		1,320,879	1,362,229
Liabilities and net assets			
Current liabilities			
Accounts payable and accrued liabilities		44,016	109,328
Government remittances payable		13,991	4,391
		58,007	113,719
Trust liabilities	6	122,748	98,377
		180,755	212,096
Commitments			
Net assets			
Invested in capital assets		60,070	90,142
Education development fund		156,747	147,933
Unrestricted net assets		923,307	912,058
		1,140,124	1,150,133
		1,320,879	1,362,229

The accompanying notes are an integral part of these financial statements.

Approved by the Board

_____ Director

_____ Director

Ontario Motor Coach Association

Statement of changes in net assets year ended December 31, 2018

(unaudited)

	Invested in Capital Assets	Educational Development Fund	Unrestricted	2018 Total
	\$	\$	\$	\$
Balance, beginning of the year	90,142	147,933	912,058	1,150,133
Deficiency of revenue over expenses	-	-	(10,009)	(10,009)
Other adjustments				
Amortization	(27,705)	-	27,705	-
Purchase of capital assets	3,704	-	(3,704)	-
Disposal of capital assets	(6,071)	-	6,071	-
Transfer of surplus for development fund	-	8,814	(8,814)	-
Net assets, end of year	60,070	156,747	923,307	1,140,124

	Invested in Capital Assets	Educational Development Fund	Unrestricted	2017 Total
	\$	\$	\$	\$
Balance, beginning of the year	46,162	164,740	797,253	1,008,155
Excess of revenue over expenses	-	-	141,978	141,978
Other adjustments				
Amortization	(24,417)	-	24,417	-
Purchase of capital assets	68,397	-	(68,397)	-
Interfund transfers	-	(16,807)	16,807	-
Net assets, end of year	90,142	147,933	912,058	1,150,133

The accompanying notes are an integral part of these financial statements.

Ontario Motor Coach Association

Statement of changes in cash flows

year ended December 31, 2018

(unaudited)

	2018	2017
	\$	\$
Cash flows from operating activities		
Excess (deficiency) of revenues over expenses	(10,009)	141,978
Adjustment for items not affecting cash		
Amortization	27,705	24,417
Unrealized loss (gain) on investments	61,267	(2,120)
Share of income from OTE and PRIDE net of distributions	(3,855)	(23,062)
Investment income - GroupConnect Management Inc.	-	(99,715)
Disposal of capital assets	6,071	-
Gain on sale of investments	(29,588)	(1,947)
Net changes in operating working capital balances		
Accounts receivable	70,934	(29,554)
Prepaid expenses	(27,821)	15,729
Accounts payable and accrued liabilities	(65,312)	33,334
Government remittances payable	9,600	(9,449)
Cash flows from (used in) operating activities	38,992	49,611
Investing activities		
Purchase of investments	(328,164)	(362,490)
Proceeds from sale of investments	323,283	339,186
Purchase of capital assets	(3,704)	(68,397)
Distributions from GroupConnect	-	29,482
	(8,585)	(62,219)
Net change in cash	30,407	(12,608)
Cash, beginning of year	73,078	85,686
Cash, end of year	103,485	73,078

Ontario Motor Coach Association

Notes to the financial statements

December 31, 2018

(unaudited)

1. Nature of business

The Ontario Motor Coach Association (“OMCA” or the “Association”) was incorporated on January 17, 1975 under the laws of the Province of Ontario as a not-for-profit association without share capital. The purpose of the Association is to promote and further the interests of the inter-city bus industry in Ontario.

The Association is a not-for-profit association registered under the Income Tax Act of Canada (the “Tax Act”) and, as such, is exempt from income taxes. To maintain its status as a not-for-profit association registered under the Tax Act, the Association must meet certain requirements within the Tax Act.

2. Significant accounting policies

Basis of presentation

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

Fund accounting

The Association has established the following funds to account for and to report on separate activities or objectives of the organization:

The unrestricted net assets account for the day-to-day operations of the Association

The educational development fund is a Board designated fund for the purpose to champion the development of students pursuing a career in the motor coach and tour/travel industry, employees of OMCA member organizations and awareness of the motor coach and tour/travel industry as a whole.

Net assets invested in capital assets comprises the book value of capital assets.

Interests in joint arrangements

The Association owns a 50% interest in a foreign related company, GroupConnect Management Inc. which was dissolved during the year, and a 33% interest in the joint arrangements of PRIDE Consortium, and the Ontario Transportation Expo.

The Association’s investment in its related company and its interests in joint arrangements are accounted for under the equity method. Under the equity method, the investment is initially recorded at cost and adjustments are made to include the Association’s share of net income for the year. These adjustments are included in the Associations’ net income. The amount of the investment is reduced by any dividend received or receivable from the related company and distributions received or receivable from the joint arrangements.

Cash

Cash includes cash on deposit with banks.

Ontario Motor Coach Association

Notes to the financial statements

December 31, 2018

(unaudited)

2. Significant accounting policies (continued)

Revenue recognition

Membership fees are recognized as revenue on a calendar year basis. Membership fees received in the current year, but which are applicable to the subsequent year, are recorded as deferred revenue and will be recognized for as income in the year to which they pertain.

Revenue from member services and management fees are recognized when the services are performed.

Revenue from conferences, fund-raising and special events are recognized when the meeting or event takes place.

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

Investment income is comprised of interest, dividends and realized and unrealized gains and losses. Interest income is recognized on the accrual basis, dividends are recognized when declared, and realized gains and losses are recognized when the transactions occur. Unrealized gains and losses which reflect the changes in fair value during the year are recognized at each reporting date and included in current year income.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when the Association becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured 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 the statement of operations. Fair values are determined by reference to published price quotations in active markets.

With respect to financial assets measured at cost or amortized cost, the Association recognizes in excess of revenue over expenses an impairment loss, if any, when there are indicators of impairment and it determines that a significant adverse change has occurred during the period in the expected timing of amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to net earnings in the period the reversal occurs.

Financial assets measured at amortized cost include cash, accounts receivable, accounts payable and accrued liabilities, government remittances payable and trust assets and liabilities.

Capital assets

Capital assets are recorded at cost and amortized on a straight-line basis over its estimated useful life as follows:

Office equipment	5 years
Office furniture	10 years
Computer equipment	3 years
Computer software	3 years
Leasehold improvements	over the term of the lease

Ontario Motor Coach Association

Notes to the financial statements

December 31, 2018

(unaudited)

2. Significant accounting policies (continued)

Impairment of long-lived assets

In the event that facts and circumstances indicate that the Association's long-lived assets may be impaired, an evaluation of recoverability would be performed. Such an evaluation entails comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write down to market value or discounted cash flow value is required. The Association considers that no circumstances exist that would require such evaluation.

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.

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

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 estimated and when the goods and services are normally purchased by the Association and would be paid for if not contributed.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

3. Short term investments

	2018	2017
	\$	\$
Cash	40,946	3,967
iShares Core Canadian Universe Bond ETF	-	185,320
Thornmark Alpha Fund O-Class	52,618	58,506
Thornmark Dividend & Income Fund O-Class	73,125	170,789
Thornmark Enhanced Equity Fund O-Class	289,348	324,924
NBI Altamira High-Interest Cash Performer	63,276	-
Algonquin Fund F Class	25,805	25,663
RP Strategic Income Plus Fund	299,437	102,184
	844,555	871,353

Ontario Motor Coach Association

Notes to the financial statements

December 31, 2018

(unaudited)

4. Capital assets

	2018		2017	
	Cost	Accumulated amortization	Cost	Accumulated amortization
	\$	\$	\$	\$
Office equipment	7,308	6,281	7,308	4,820
Office furniture	19,107	11,097	19,107	9,186
Computer equipment	56,455	54,603	52,751	46,222
Computer software	-	-	178,005	171,934
Leasehold improvements	79,754	30,573	79,754	14,621
	162,624	102,554	336,925	246,783
Net book value		60,070		90,142

During the year, computer software costs of \$178,005 were fully amortized and were written off because they are no longer providing any benefit to the Organization.

5. Interests in joint arrangements

The Association is a member of the PRIDE Consortium ("PRIDE") and the 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:

	2018	2017
	\$	\$
Investment in joint arrangements		
PRIDE	44,377	44,812
OTE	19,233	14,943
	63,610	59,755

	2018	2017
	\$	\$
Share of income in joint arrangements		
PRIDE	32,565	23,021
OTE	65,290	60,041
	97,855	83,062

	2018	2017
	\$	\$
Cash distribution to Association		
PRIDE	33,000	-
OTE	61,000	60,000
	94,000	60,000

Ontario Motor Coach Association

Notes to the financial statements

December 31, 2018

(unaudited)

5. Interests in joint arrangements (continued)

Detailed operations of the PRIDE Consortium during the year were as follows:

	2018		2017	
	\$	\$	\$	\$
PRIDE Consortium				
Balance sheet	33%	100%	33%	100%
Cash	34,333	102,999	39,713	119,138
Other assets	15,038	45,114	24,197	72,590
Liabilities	(4,995)	(14,984)	(19,098)	(57,292)
Total net assets	44,376	133,129	44,812	134,436
Statement of operations				
Revenues	124,594	373,783	112,648	337,944
Expenses	92,030	276,089	89,627	268,880
Excess of revenues over expenses	32,565	97,694	23,021	69,064

Detailed operations of the Ontario Transportation Expo during the year were as follows:

	2018		2017	
	\$	\$	\$	\$
Ontario Transportation Expo				
Balance sheet	33%	100%	33%	100%
Cash (Bank overdraft)	6,583	19,749	(6,920)	(20,761)
Other assets	12,650	37,951	24,534	73,602
Liabilities	-	-	(2,671)	(8,013)
Total net assets	19,233	57,700	14,943	44,828
Statement of operations				
Revenues	116,153	348,460	109,375	328,124
Expenses	50,863	152,589	49,334	148,001
Excess of revenues over expenses	65,290	195,871	60,041	180,123

Ontario Motor Coach Association

Notes to the financial statements

December 31, 2018

(unaudited)

6. Trust assets and liabilities

The Association provides accounting and administrative services to PRIDE Consortium and the 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 the Ontario Transportation Expo.

	2018	2017
	\$	\$
Funds held in trust		
PRIDE Consortium	102,999	119,138
Ontario Transportation Expo.	19,749	(20,761)
	122,748	98,377

7. Investment in GroupConnect Management Inc.

GroupConnect Management Inc. ("GroupConnect") was incorporated on May 19, 2009 with the State of Delaware in the United States. The voting shares of GroupConnect were owned 50% by the Association and 50% by the American Bus Association. During the fiscal year ending December 31, 2017, GroupConnect ceased all business operations and was dissolved by the State of Delaware effective December 19, 2017. The income earned from the investment represents the Associations share of the income for the 2017 fiscal year based on accounting for this equity investment as described in Note 2.

Ontario Motor Coach Association

Notes to the financial statements

December 31, 2018

(unaudited)

8. Financial instruments

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

Credit risk

Credit risk arises from the potential that a debtor will fail to perform its obligations. The Association's main credit risk related to accounts receivable. The Association mitigates credit risk in respect of accounts receivable by closely monitoring its accounts and following up on collection.

Liquidity risk

The Association's objective is to have sufficient liquidity to meet its liabilities when due. The Association monitors its cash balances and cash flows generated from operations to meet its requirements. As at December 31, 2018 the most significant financial liabilities are accounts payable and accrued liabilities.

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 of three types of risk: currency, interest rate, and other price risk.

Currency risk

Currency risk is the risk that 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 membership fees and meetings revenue are in foreign currencies. Consequently, cash is exposed to foreign currency fluctuations. At December 31, 2018, cash of \$1,034 (2017 - \$32,143) are denominated in foreign currency and converted into Canadian dollars. The Association's policy is to monitor the foreign currency content of their net assets.

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 fall and decrease if interest rates rise. The Association is not exposed to significant interest rate risk

Other price risk

The Association is exposed to other 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

December 31, 2018

(unaudited)

9. Commitments

The Association has entered into a lease various equipment and office space. The committed annual lease payments for the next 4 years are as follows:

	\$
2019	21,017
2020	21,017
2021	19,159
2022	2,164
	<hr/> <u>63,357</u>

10. Comparative figures

The prior year comparative figures have been reclassified to conform to the current year financial statement presentation. There was no impact on the excess of revenues over expenses or net assets as a result of these changes.

DRAFT