



# Shareholder Memorandum

**Date:** December 4, 2020  
**From:** Mike Olesen, CEO  
**Subject:** Q2, Year to Date, Financial Statements and Report  
**Document #:** 2020-003

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Further to our previous communications on enhancing our Shareholder communications, moving forward we will be providing financial updates to Shareholders on a more regular basis. We will be providing our Q1, Q2 and Q3 results to shareholders, via memorandum, once the drafts have been received by the Board. You will then receive the full audited details and our Q4 performance at the annual meeting.

For clarity, the Q1, Q2, and Q3 reports provided to you should be considered draft as they are unaudited statements, until our year end procedures are complete. However, they are a materially accurate picture of our financial health because they will have been vetted through our Finance, Investment & Audit Committee prior to being circulated.

Attached to this memorandum are the Year to Date Financial statements for Westerner Park. This includes the financial performance for the first quarter of FY21 and the most recently received statements by the Board in November 2020. (Month ending October 2020)

Not surprisingly, the restrictions on gatherings have had a severe impact on Westerner Park's earning potential. However, with the support of grants from each level of Government, in addition to our significant reductions in overhead costs we have managed to minimize this financial impact. The following are some items of clarification for your reference:

- **Referring to the Statement of Operations**

- The budget column on the right-hand side is what management anticipated for activity through to the end of October. Of note, this assumed that neither Westerner Days nor the CFR were going to operate because of COVID restrictions.
- Overall, the budgeted EBITDA through October was to be (\$1,502,285). However, because of a higher than anticipated level of support through grants, in addition to further cost reduction measures, this loss has been reduced to (\$250,218).

- **Highlights of Revenues**

- Our AG Society grant, although anticipated within the year, was received earlier due to the AB Government accelerating these payments to support AG Societies impacted by COVID.
- The Canadian Emergency Wage Subsidy has supported our administration by approximately \$450K through October 31<sup>st</sup>.

- Just over \$1M of the \$2M operating grant approved by City of Red Deer Council in July has been utilized to date.
  - There has been nominal event activity, but we are well behind target as COVID restrictions have extended beyond our estimations at budget time.
- **Highlights of Expense:**
    - Event expenses are as expected and in correlation to the revenues earned on events.
    - Salaries & Benefits: We are better than budget even with the addition of severance settlements required for the numerous staff terminations we have completed this year.
    - Generally, all other expenses are materially within anticipated ranges to date.

Should you have any questions or concerns about these statements please do not hesitate to reach out to us to discuss further.

Regards,

Mike Olesen  
Chief Executive Officer

## THE WESTERNER EXPOSITION ASSOCIATION

### STATEMENT OF FINANCIAL POSITION AS AT OCTOBER 31, 2020 (UNAUDITED)

	<u>October 31, 2020</u>	<u>March 31, 2020</u>	<u>Explanations</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 442,008	\$ 655,277	
Restricted Cash - Centrium capital upgrade	699,312	-	
Government remittances receivable	87,838	1,133	Centrium capital GST 5%
Accounts receivable	36,878	508,006	Canadian Thoroughbred \$17K, Elec Gararge \$17K
Inventories	54,395	77,288	
Prepaid expenses and deposits	47,039	3,569	2 months insurance prepaid
<b>Total Current Assets</b>	<b>\$ 1,367,470</b>	<b>\$ 1,245,273</b>	
<b>MAJOR MAINTENANCE FUND</b>	<b>55,433</b>	<b>55,296</b>	
<b>INTERESTS IN JOINT ARRANGEMENTS &amp; INVESTMENTS</b>	<b>80,000</b>	<b>425,958</b>	Agritrade \$20K, WTR \$60K
<b>CAPITAL ASSETS</b>	<b>52,212,958</b>	<b>51,447,247</b>	Centrium upgrades
<b>TOTAL ASSETS</b>	<b>\$ 53,715,861</b>	<b>\$ 53,173,774</b>	
<b>CURRENT LIABILITIES</b>			
Credit Facility	\$ 832,080	\$ 349,199	Line of credit balance per CIBC bank statement
Accounts payable and accrued liabilities	482,236	1,507,574	\$167K vac/OT accrual, \$50K AP, \$117K settlements, interest \$45K, util \$40K
Government remittances payable	-	37,321	
Deferred revenue	144,947	332,274	\$100K AR credits (event deposits), World Junior commission on tix \$40K
Current portion of long term debt	614,842	614,842	No change - interest only
Demand portion of long term debt	17,382,823	17,382,823	No change - interest only
Current portion of capital lease obligation	4,262	5,682	
<b>Total Current Liabilities</b>	<b>\$ 19,461,190</b>	<b>\$ 20,229,715</b>	
<b>FV OF INTEREST RATE SWAP CONTRACTS</b>	<b>1,166,539</b>	<b>1,166,539</b>	To update at year end
<b>CAPITAL CONTRIBUTIONS</b>	<b>18,664,561</b>	<b>16,419,161</b>	Centrium capital contributions from City
<b>TOTAL LIABILITIES</b>	<b>\$ 39,292,290</b>	<b>\$ 37,815,415</b>	
<b>SHARE CAPITAL</b>	<b>\$ 6,700</b>	<b>\$ 6,670</b>	
<b>NET INVESTMENT IN CAPITAL ASSETS</b>	<b>15,545,042</b>	<b>17,024,731</b>	
<b>UNRESTRICTED NET ASSETS</b>	<b>(1,414,686)</b>	<b>(1,959,557)</b>	
<b>INTERNALLY RESTRICTED RESERVE</b>	<b>286,515</b>	<b>286,515</b>	
<b>TOTAL NET ASSETS</b>	<b>\$ 14,423,571</b>	<b>\$ 15,358,359</b>	
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 53,715,861</b>	<b>\$ 53,173,774</b>	

## THE WESTERN EXPOSITION ASSOCIATION

### STATEMENT OF CHANGES IN NET ASSETS FOR PERIOD ENDED OCTOBER 31, 2020 (UNAUDITED)

	Net Investment in Capital Assets	Unrestricted Net Assets	Major Maintenance Fund	Total October 31, 2020	Total March 31, 2020
Balance, beginning of year	\$ 17,024,731	\$ (1,959,557)	\$ 286,515	\$ 15,351,689	\$ 18,817,637
Excess (deficiency) of revenues over expenses	-	(934,818)	-	(934,818)	(3,465,948)
Amortization of capital assets	(1,439,200)	1,439,200	-	-	-
Purchase of capital assets	2,204,911	(2,204,911)	-	-	-
Proceeds on disposal of capital assets	-	-	-	-	-
Gain on disposal of capital assets	-	-	-	-	-
Capital contributions received	(3,000,000)	3,000,000	-	-	-
Amortization of capital contributions	754,600	(754,600)	-	-	-
Proceeds of long term debt	-	-	-	-	-
Repayment of long term debt	-	-	-	-	-
Repayment of capital lease obligation	-	-	-	-	-
Transfer from Major Maintenance Reserve	-	-	-	-	-
Balance, end of period	<u>\$ 15,545,042</u>	<u>\$ (1,414,686)</u>	<u>\$ 286,515</u>	<u>\$ 14,416,871</u>	<u>\$ 15,351,689</u>

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# THE WESTERN EXPOSITION ASSOCIATION

STATEMENT OF OPERATIONS YEAR ENDED OCTOBER 31, 2020

	Oct 31, 2020	Oct 31, 2020	
	Actual	COVID-Adjusted	
<b>REVENUE</b>	<b>7 MONTHS</b>	<b>7 MONTHS</b>	<b>Explanations</b>
Grants	\$ 1,957,120	\$ 668,208	\$398K Ag, \$450K CEWS, \$1,050K City of RD
Rental	286,757	393,196	\$111K Rebels suites prior yr, \$10K glow gardens, \$25K tradeshow, \$94K Ag
Sponsorship Cash & Gift-in-Kind	37,103	166,234	
Gate Admission/Ticket/Parking	24,915	189,798	
Food & Beverage	10,549	158,198	Prior year catering revenue reversed \$5.6K RBC.
Commissions	57,751	59,146	Campground \$38K, F&B rebates \$12K
Joint Venture	-	-	
Other revenue	75,695	41,058	Advert \$15K, ATB Visa points \$10K, Prior year control acct adj's \$40K, GST \$6K
<b>Total Revenue</b>	<b>\$ 2,449,890</b>	<b>\$ 1,675,838</b>	
<b>EVENT EXPENSES</b>			
Event Wages	\$ (2,322)	\$ 85,950	Salaried-staff used for most events, PT hours charged back to clients creates credit
Food & Beverage	6,149	66,375	
Contracted Services	38,796	28,241	Dairy Showcase - Parkland/Goodkey/RD Catering \$13K, CMMOTA conference\$5K
Marketing	19,325	9,555	Cowboy Kicks \$10K, DSC \$6.6K
Sponsorship GIK offset	-	13,340	
AG Supplies	14,100	10,438	Installation of sand in Ag centre
Volunteers	-	1,000	
Contract Settlements	-	30,160	
Other event expenses	8,139	20,965	
<b>Total Event Expenses</b>	<b>\$ 84,187</b>	<b>\$ 266,024</b>	
<b>NON-EVENT EXPENSES</b>			
Salaries & Benefits	\$ 1,378,606	\$ 1,525,338	Includes severance settlements (\$352.5K) not in budget.
Interest Expense	371,075	385,000	
Utilities	302,420	296,738	
Insurance	159,397	141,531	Insurance premiums higher than anticipated at time of budget.
IT Services & Software	86,792	89,123	
Supplies & Services	20,532	83,755	
Contracted Services	75,429	32,340	Not budgeted: HR legal settlement \$12K, legal \$5K, Pivotal audit \$18K more (38-20)
Repairs & Maintenance	70,702	182,060	Unexpected repairs: storm drain, kitchen floor coating, gas line instal, spray tents offset by roof repairs postponed.
Sponsorship GIK Offset	-	33,250	
Telephone/Internet	39,323	25,611	Certain expenses missed in budget. Current WIFI arrangement being assessed.
Marketing	2,810	9,200	
Food & Beverage	18,234	2,100	F&B write offs due to expiry
Other non-event expenses	90,601	106,053	
<b>Total Non-Event Expenses</b>	<b>\$ 2,615,921</b>	<b>\$ 2,912,099</b>	
<b>EXCESS (DEFICIENCY) BEFORE AMORTIZATION</b>	<b>\$ (250,218)</b>	<b>\$ (1,502,285)</b>	

GAIN ON DISPOSAL OF CAPITAL ASSETS	\$	-	\$	-
AMORTIZATION OF CAPITAL ASSETS		(1,439,200)		(1,461,250)
AMORTIZATION OF CAPITAL CONTRIBUTIONS		754,600		754,831
DECREASE IN FV OF INTEREST RATE SWAP CONTRACTS		-		-
		<hr/>		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$	<b>(934,818)</b>	\$	<b>(2,208,704)</b>

# THE WESTERN EXPOSITION ASSOCIATION

## STATEMENT OF CASH FLOWS AS AT OCTOBER 31, 2020 (UNAUDITED)

	<u>October 31, 2020</u>	<u>March 31, 2020</u>
<b>CASH FROM (USED FOR) OPERATIONS</b>		
Cash received from customers	\$ 774,457	\$ 9,815,358
Cash received from grants	1,957,121	1,449,224
Cash received from interest income	3,246	31,617
Cash paid for materials and services	(2,421,015)	(5,452,479)
Cash paid for salaries and benefits	(1,450,167)	(6,548,379)
<b>Cash From (Used for) Operating Activities</b>	<b>\$ (1,136,358)</b>	<b>\$ (704,659)</b>
<b>FINANCING ACTIVITIES</b>		
Share capital issued	\$ 30	\$ 30
Repayment of current capital lease obligation	(1,420)	(32,703)
Repayment of long term debt	-	(16,678,220)
Proceeds of long term debt	-	20,668,040
<b>Cash From (Used for) Financing Activities</b>	<b>\$ (1,390)</b>	<b>\$ 3,957,147</b>
<b>INVESTMENTS</b>		
Transfer from Major Maintenance Fund	\$ (137)	\$ (1,160)
Capital contributions received - restricted funds	3,000,000	-
Purchase of capital assets	\$ (2,204,911)	(4,188,471)
Proceeds on disposal of capital assets	-	381
Contributions to joint arrangements	-	(760,871)
Drawings from joint arrangements	345,958	894,276
<b>Cash From (Used for) Investment Activities</b>	<b>\$ 1,140,910</b>	<b>\$ (4,055,845)</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>\$ 3,162</b>	<b>\$ (803,357)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>\$ 306,078</b>	<b>\$ 1,109,435</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 309,240</b>	<b>\$ 306,078</b>
<b>CASH COMPRISED OF:</b>		
Cash and Cash Equivalents	\$ 442,008	\$ 655,277
Restricted Cash - Centrium Upgrade	699,312	-
Credit Facility	(832,080)	(349,199)
	<b>\$ 309,240</b>	<b>\$ 306,078</b>