



Shareholder Memorandum

Date: June 1, 2021
From: Mike Olesen, CEO
Subject: Audited Financial Statements for the Year Ending March 31, 2021
Document #: #2021 – 006 – Audited Financial Statements for the Year Ending March 31, 2021

In follow-up to Memo #005 – Annual General Meeting Notice of Meeting Package, we are providing Shareholders the audit report of our Financial Statements for year-ending March 31, 2021. The statements and audit report are attached to this Memo and are also available for review on the Shareholder section of our website. <https://westernerpark.ca/shareholders>

At the June 10, 2021 Annual General Meeting, Shareholders will be formally receiving the audit report from The Westerner Exposition Association Auditor's, Pivotal LLP. At that time a motion to receive the audit report and financial statements will be considered.

As a reminder, this year's AGM will be held virtually on June 10th, 2021. The web conferencing credentials will be shared with all Shareholders and special guests on June 7th, 2021.

Thank you.

Mike Olesen, Chief Executive Officer

**THE WESTERN
EXPOSITION ASSOCIATION
FINANCIAL STATEMENTS
MARCH 31, 2021**

THE WESTERNER EXPOSITION ASSOCIATION**TABLE OF CONTENTS
MARCH 31, 2021**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of:
The Westerner Exposition Association

Opinion

We have audited the accompanying financial statements of The Westerner Exposition Association ("the Association") which comprise the statement of financial position as at March 31, 2021 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.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 17 and Note 18 in the financial statements, as the Association incurred a net loss of \$1,232,647 during the year ended March 31, 2021. As stated in Note 17, these events or conditions, along with other matters as set forth in Note 17, indicate that a material uncertainty exists that may cast significant doubt on the Association's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Pivotal LLP

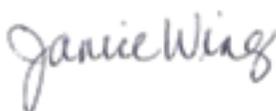
Red Deer County, Alberta
May 27, 2021

Chartered Professional Accountants

THE WESTERN EXPOSITION ASSOCIATION
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2021

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 3)	\$ 465,063	\$ 655,277
Accounts receivable	326,883	508,006
Government remittances receivable	31,128	1,133
Inventories (Note 4).....	58,991	77,288
Prepaid expenses and deposits (Note 5)	<u>38</u>	<u>3,569</u>
	882,103	1,245,273
MAJOR MAINTENANCE FUND (Note 6)	55,656	55,296
WESTERNER FOUNDATION - RESTRICTED CHARITABLE ENHANCEMENT FUND (Note 7)	31,676	-
INTERESTS IN JOINT ARRANGEMENTS (Note 8)	-	425,958
CAPITAL ASSETS (Note 9)	<u>51,668,570</u>	<u>51,447,247</u>
	\$ 52,638,005	\$ 53,173,774
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness (Note 10)	\$ 964,792	\$ 349,199
Accounts payable and accrued liabilities	452,845	1,507,574
Government remittances payable	-	37,322
Deferred revenue	252,549	332,274
Current portion of long term debt (Note 11).....	408,669	614,842
Current portion of capital lease obligation	<u>-</u>	<u>5,682</u>
	2,078,855	2,846,893
Callable portion of long term debt (Note 11)	<u>17,588,996</u>	<u>17,382,823</u>
	19,667,851	20,229,716
CAPITAL CONTRIBUTIONS (Note 12)	18,087,840	16,419,161
INTEREST RATE SWAP CONTRACTS (Note 13)	592,662	1,166,539
DEFICIENCY IN JOINT ARRANGEMENTS (Note 8)	<u>163,861</u>	<u>-</u>
TOTAL LIABILITIES	<u>38,512,214</u>	<u>37,815,416</u>
NET ASSETS		
SHARE CAPITAL (Note 14)	6,750	6,670
NET INVESTMENT IN CAPITAL ASSETS	15,583,057	17,024,730
UNRESTRICTED NET ASSETS	(1,782,207)	(1,959,557)
MAJOR MAINTENANCE FUND (Note 6)	286,515	286,515
WESTERNER FOUNDATION- RESTRICTED CHARITABLE ENHANCEMENT FUND (Note 7)	<u>31,676</u>	<u>-</u>
	14,125,791	15,358,358
	\$ 52,638,005	\$ 53,173,774
CONTRACTUAL OBLIGATIONS (Note 15)		

On Behalf of the Board of Directors:



Director



Director

See accompanying notes to financial statements

THE WESTERNER EXPOSITION ASSOCIATION

**STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2021**

	Net Investment in Capital Assets	Unrestricted Net Assets	Major Maintenance Fund	Westerner Foundation - Restricted Charitable Enhancement Fund	Total 2021	Total 2020
Balance, beginning of year	\$ 17,024,730	\$ (1,959,557)	\$ 286,515	\$ -	\$ 15,351,688	\$ 18,817,636
Deficiency of revenue over expenses after non-cash charges and contributions	-	(1,232,647)	-	-	(1,232,647)	(3,465,948)
Amortization of capital assets	(2,463,555)	2,463,555	-	-	-	-
Purchase of capital assets	2,684,879	(2,684,879)	-	-	-	-
Capital contributions received	(3,000,000)	3,000,000	-	-	-	-
Amortization of capital contributions	1,331,321	(1,331,321)	-	-	-	-
Repayment of capital lease obligation	5,682	(5,682)	-	-	-	-
Transfer to internally restricted	-	(31,676)	-	31,676	-	-
Balance, end of year	<u>\$ 15,583,057</u>	<u>\$ (1,782,207)</u>	<u>\$ 286,515</u>	<u>\$ 31,676</u>	<u>\$ 14,119,041</u>	<u>\$ 15,351,688</u>

See accompanying notes to financial statements

THE WESTERN EXPOSITION ASSOCIATION

**STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2021**

	2021	2020
REVENUE		
Commissions	\$ 75,472	\$ 707,322
Food and beverage	29,148	3,451,794
Gate/admissions/parking	20,499	1,500,087
Other grants and subsidies	2,478,125	1,632,053
Canada Emergency Wage Subsidy (Note 20)	1,154,728	-
Income (loss) from joint arrangements	(183,861)	365,418
Other income	88,800	319,731
Rental of facilities	473,390	2,625,583
Sponsorship	94,809	590,445
	<u>4,231,110</u>	<u>11,192,433</u>
EVENT EXPENSES		
Contract settlements	26,830	65,131
Contracted services	48,064	483,259
Entertainment promoter fees	6,325	455,986
Food and beverage	6,560	1,179,401
Marketing	19,466	285,491
Other event expenses	26,068	33,648
Wages	1,622	164,461
	<u>134,935</u>	<u>2,667,377</u>
INCOME BEFORE NON-EVENT EXPENSES	<u>4,096,175</u>	<u>8,525,056</u>
NON-EVENT EXPENSES		
Administrative expenses	94,982	328,145
Bank charges, interest and credit card fees	86,971	217,713
Contracted services	100,976	205,799
Equipment rental and minor equipment	38,216	159,961
Food and beverage	10,986	19,012
Insurance	248,881	206,885
Interest on long term debt	561,903	667,698
Computer services and software	194,271	191,974
Marketing	10,607	87,153
Repairs and maintenance	161,257	734,801
Salaries, wages and benefits	2,449,513	5,674,770
Supplies	37,649	252,612
Telephone and internet	69,020	62,403
Utilities	702,110	844,800
	<u>4,767,342</u>	<u>9,653,726</u>
DEFICIENCY OF REVENUE OVER EXPENSES BEFORE THE FOLLOWING NON-CASH CHARGES AND CONTRIBUTIONS	(671,167)	(1,128,670)
GAIN ON DISPOSAL OF CAPITAL ASSETS	-	381
GAIN (LOSS) ON FOREIGN EXCHANGE	(3,123)	2,296
AMORTIZATION OF CAPITAL ASSETS	(2,463,555)	(2,467,237)
AMORTIZATION OF CAPITAL CONTRIBUTIONS	1,331,321	1,293,821
INCREASE (DECREASE) IN FAIR VALUE OF INTEREST RATE SWAP CONTRACTS	573,877	(1,166,539)
DEFICIENCY OF REVENUE OVER EXPENSES	<u>\$ (1,232,647)</u>	<u>\$ (3,465,948)</u>

See accompanying notes to financial statements

THE WESTERNER EXPOSITION ASSOCIATION

**STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2021**

	2021	2020
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Cash received from customers	\$ 845,809	\$ 9,815,358
Cash received from governments	3,632,853	1,449,224
Interest income received	3,848	31,617
Cash paid for materials and services	(3,350,294)	(5,452,479)
Cash paid for salaries and benefits	(2,473,877)	(6,548,379)
	<u>(1,341,661)</u>	<u>(704,659)</u>
FINANCING ACTIVITIES		
Share capital issued	80	30
Repayment of capital lease obligation	(5,682)	(32,703)
Repayment of long term debt	-	(16,678,220)
Proceeds from long term debt	-	20,668,040
	<u>(5,602)</u>	<u>3,957,147</u>
INVESTING ACTIVITIES		
Transfer to internally restricted reserves	(31,676)	(1,160)
Capital contributions received	3,000,000	-
Purchase of capital assets	(2,832,826)	(4,188,471)
Proceeds on disposal of capital assets	-	381
Contributions to joint arrangements	-	(760,871)
Drawings from joint arrangements	405,958	894,276
	<u>541,456</u>	<u>(4,055,845)</u>
DECREASE IN CASH	(805,807)	(803,357)
CASH, BEGINNING OF YEAR	306,078	1,109,435
CASH (BANK INDEBTEDNESS), END OF YEAR	\$ (499,729)	\$ 306,078
CASH COMPRISED OF:		
Cash and cash equivalents	\$ 465,063	\$ 655,277
Bank indebtedness	(964,792)	(349,199)
	<u>\$ (499,729)</u>	<u>\$ 306,078</u>
NON-CASH TRANSACTIONS (Note 21)		

See accompanying notes to financial statements

THE WESTERNER EXPOSITION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

1. STATUS AND PURPOSE OF THE ORGANIZATION

The Westerner Exposition Association is incorporated under the Alberta Business Corporation Act as a not-for-profit organization. The mission statement of the Association is "To provide exceptional guest experiences through premier facilities and services for agriculture and trade, sports and entertainment, conferences and meetings, generating economic benefits for Central Alberta."

The Association is exempt from income tax and is a registered charity under the Canadian Income Tax Act.

The directors and officers of the Association are elected volunteers who cannot be paid in any form for their services under the by-laws of the Association. The shareholders of the Association, who are also volunteers, cannot receive any dividends, nor can shares appreciate in value. Shares cannot be sold or held by persons permanently residing outside of the Province of Alberta, nor in estates of deceased shareholders.

The Association is also designated as an Agricultural Society under the Alberta Agricultural Societies Act.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the *CPA Canada Handbook* and include the following significant accounting policies:

Cash and Cash Equivalents

The policy of the Association is to disclose floats, petty cash, and cash held in bank accounts as cash and cash equivalents.

Inventories

Inventories are valued at the lower of cost and current replacement cost, cost being determined by using the first-in, first-out method. Any previous inventory write downs will be reversed if economic circumstances have changed to support an increased inventory value.

Capital Assets

Capital assets are accounted for at cost. Amortization is based on the estimated useful life of each asset, using the following rates:

Plant facility	- 2.5% straight-line
Equipment and vehicles	- 10% straight-line

THE WESTERNER EXPOSITION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets under Capital Leases

Assets under capital leases are accounted for at cost. Amortization is based on their estimated useful lives using the following rates and methods:

Equipment	- 10% straight-line
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Contributed Services

The Association would not be able to carry out its activities without the services of the many volunteers who donate a considerable number of hours. Due to the difficulty of compiling these hours, contributed services are not recognized in the financial statements.

Contributed Materials

Donated materials are recorded in the financial statements at fair market value when fair market value can be reasonably estimated and when the Association would otherwise have purchased these items.

Estimates

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount 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 current year. Significant items subject to such estimates and assumptions include the valuation of allowance for accounts receivable, the estimated useful lives of capital assets, the valuation of inventories, accrued liabilities and contingent liabilities. Actual results could differ from those estimates.

THE WESTERNER EXPOSITION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments

Measurement of financial instruments

The Association initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

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

Financial assets measured at amortized cost include cash and cash equivalents, accounts receivable, and the Major Maintenance Fund.

Financial liabilities measured at amortized cost include bank indebtedness, accounts payable and accrued liabilities, and long term debt.

The Association's financial liabilities measured at fair value include interest rate swap agreements in respect of its long term debt.

The Association does not currently hold any financial assets measured at fair value.

Interests in joint arrangements

The Association's interests in joint arrangements are accounted for using the equity method.

Revenue Recognition

The Association follows the deferral method of accounting for contributions. 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. Restricted contributions for expenses of one or more future periods are deferred and recognized as revenue in the year in which the related expenses are incurred. Capital contributions are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

THE WESTERN EXPOSITION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

3. CASH AND CASH EQUIVALENTS

Included in cash and cash equivalents is \$9,904 (2020 - \$17,356) of funds restricted by Alberta Gaming, Liquor & Cannabis ("AGLC"). Expenditures from these funds must be approved once per year, based on AGLC regulations.

4. INVENTORIES

	2021	2020
Food and beverage	\$ 11,690	\$ 25,574
Liquor and beer	26,033	23,829
Disposables	20,524	23,541
Fuel	<u>744</u>	<u>4,344</u>
	<u>\$ 58,991</u>	<u>\$ 77,288</u>

5. PREPAID EXPENSES AND DEPOSITS

The Association's facilities are located on land owned by the City of Red Deer ("the City"). The lease agreement with the City calls for clear annual rent of \$1 and expires May 31, 2059. The Association has paid the full rent for the term of the lease.

	2021	2020
Other	\$ -	\$ 3,530
Site lease	<u>38</u>	<u>39</u>
	<u>\$ 38</u>	<u>\$ 3,569</u>

THE WESTERNER EXPOSITION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

6. MAJOR MAINTENANCE FUND

The Major Maintenance Fund was established in 1994 pursuant to an agreement with the City for the purpose of financing future long term maintenance needs in relation to the Association's facilities. Under the terms of the agreement, the target sum of the Major Maintenance Fund is \$1,000,000. As monies are disbursed from time to time from the fund, the Association will resume annual allocations of \$50,000 or such greater amounts as the Association's Board may deem necessary from time to time to bring the fund back up to approximately \$1,000,000. A portion of the fund may be used to finance special capital construction projects, subject to approval by Red Deer City Council ("City Council"). If annual payments to attain and maintain the target sum for the fund from time to time are not achieved, the annual budget of the Association is to be submitted to City Council for approval.

The total amount designated as the Major Maintenance Fund reserve is \$286,515 (2020 - \$286,515). The total cash on hand in the Major Maintenance Fund bank account at year end is \$55,656 (2020 - \$55,296). Interest earned on the internally restricted funds has been designated to be used in operations.

7. WESTERNER FOUNDATION - RESTRICTED CHARITABLE ENHANCEMENT FUND

The Association Board of Directors established the Westerner Foundation - Restricted Charitable Enhancement Fund. Donations designated to the fund are restricted as per the appropriately authorized Donation Agreement, established with the Donor and the Association. Disbursements of these funds, or any residual interest resulting from the investment of these funds, require approval from the Board of Directors. The Association will be designing programs for the future to meet the needs of both Donors and the Association, including the establishment of the Westerner Exposition Association Permanent Endowment. At year end, the net amount designated as Westerner Foundation - Restricted Charitable Enhancement Fund was \$31,676 (2020 - \$nil), (see Schedule 1).

THE WESTERN EXPOSITION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

8. INTERESTS IN JOINT ARRANGEMENTS

Interests in significant joint arrangements are as follows:

	2021	2020
Agri-Trade joint venture (50% interest)	\$ (163,861)	\$ 108,458
Canadian Finals Rodeo joint venture (50% interest)	<u>-</u>	<u>317,500</u>
	<u>\$ (163,861)</u>	<u>\$ 425,958</u>

During the year, the Association and the Red Deer and District Chamber of Commerce ("the Chamber") agreed to terminate the joint venture agreement for hosting the Canadian Finals Rodeo. In future years, the Association will continue to host the event without involvement from the Chamber (Note 15).

9. CAPITAL ASSETS

	<u>2021</u>			<u>2020</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Plant facility	\$ 89,742,996	\$ 39,246,947	\$ 50,496,049	\$ 49,973,873
Equipment and vehicles	<u>7,165,265</u>	<u>5,992,744</u>	<u>1,172,521</u>	<u>1,391,505</u>
	96,908,261	45,239,691	51,668,570	51,365,378
Assets under capital lease				
Equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,869</u>
	<u>\$ 96,908,261</u>	<u>\$ 45,239,691</u>	<u>\$ 51,668,570</u>	<u>\$ 51,447,247</u>

Included in plant facility at year end is \$2,688,972 (2020 - \$nil) of capital assets under construction that were not amortized during the year.

10. BANK INDEBTEDNESS

The Association has a demand operating credit facility through CIBC in the amount of up to \$1,000,000. Interest on the credit facility is charged at the monthly banker's acceptance rate plus a 1.15% stamping fee. At year end, the amount outstanding on the facility was \$964,792 (2020 - \$349,199).

THE WESTERN EXPOSITION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

11. LONG TERM DEBT

	2021	2020
CIBC demand instalment loan repayable in monthly blended payments of \$29,525 including interest at the monthly banker's acceptance rate plus a 1.15% stamping fee. The Association has an interest rate swap agreement to fix rate at 3.34% (Note 13).	\$ 6,000,414	\$ 6,000,414
CIBC demand instalment loan repayable in monthly blended payments of \$25,112 including interest at the monthly banker's acceptance rate plus a 1.15% stamping fee. The Association has an interest rate swap agreement to fix rate at 3.53% (Note 13).	4,915,911	4,915,911
CIBC demand instalment loan repayable in monthly blended payments of \$24,817 including interest at the monthly banker's acceptance rate plus a 1.15% stamping fee. The Association has an interest rate swap agreement to fix rate at 3.42% (Note 13).	4,914,615	4,914,615
CIBC demand instalment loan repayable in monthly blended payments of \$1,731 including interest at prime.	304,042	304,042
CIBC demand instalment loan repayable in monthly blended payments of \$17,200 including interest at the banker's acceptance rate plus a 1.15% stamping fee.	1,603,168	1,603,168
CIBC demand instalment loan repayable in monthly blended payments of \$3,054 including interest at the banker's acceptance rate plus a 1.15% stamping fee.	145,569	145,569
CIBC demand instalment loan repayable in monthly blended payments of \$1,186 including interest at the banker's acceptance rate plus a 1.15% stamping fee.	<u>113,946</u>	<u>113,946</u>
	17,997,665	17,997,665
Current portion of long term debt	(408,669)	(614,842)
Callable portion of long term debt	(17,588,996)	(17,382,823)
	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

THE WESTERNER EXPOSITION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

11. LONG TERM DEBT (Continued)

Notwithstanding the demand feature of the loans, scheduled principal repayments due at year end are:

2022	\$ 408,669
2023	626,027
2024	649,014
2025	649,572
2026	585,914
Thereafter	<u>15,078,469</u>
	<u>\$ 17,997,665</u>

In November 2020, the Association signed a new facility agreement with CIBC to amend the repayment schedule of the demand loans. According to the new facility agreement, the Association is required to make interest-only payments on all loans until September 2021, after which regular blended monthly repayments will resume.

Under the provisions of the facility agreement with CIBC, the Association is required to maintain a debt service coverage ratio of not less than 1.20:1. At March 31, 2021, the Association's debt service coverage ratio covenant was not met. The bank has not provided any waiver for the covenant breach.

The bank holds, as security, a general security agreement granting first interest in all present and after acquired personal property, a first-priority fixed charge in the amount of \$23,000,000 over the lease of the real property of the Association, a Tripartite agreement with the City as landlord with respect to the mortgage of lease, and an assignment of rents and leases over all property held under the mortgage lease, and assignment of fire and other perils insurance on the property.

12. CAPITAL CONTRIBUTIONS

	<u>2021</u>			<u>2020</u>
	<u>Total</u>	<u>Accumulated</u>	<u>Net</u>	<u>Net</u>
	<u>Contribution</u>	<u>Amortization</u>	<u>Contribution</u>	<u>Contribution</u>
Contributed surplus	\$ 936,627	\$ 893,611	\$ 43,017	\$ 66,432
Government grants	<u>53,816,197</u>	<u>35,771,374</u>	<u>18,044,823</u>	<u>16,352,729</u>
	<u>\$ 54,752,824</u>	<u>\$ 36,664,985</u>	<u>\$ 18,087,840</u>	<u>\$ 16,419,161</u>

During the year, the Association received capital contributions of \$3,000,000 from the City of Red Deer for Centrium modernization (2020 - \$nil) and recorded amortization of capital contributions of \$1,331,321 (2020 - \$1,293,821).

THE WESTERNER EXPOSITION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

13. INTEREST RATE SWAP CONTRACTS

In March 2019, the Association entered into a credit facility agreement with CIBC to finance the cost of Exhibition Hall. Under the facility agreement, the Association borrowed \$16,000,000 through a demand non-revolving instalment loan repayable over a 25-year amortization with interest based on the bank's monthly banker's acceptance ("B/A") rate plus a stamping fee of 1.15%.

As a risk management strategy to manage the cash flow risk that arises from changes in variable interest rates, the Association entered into interest rate swap contracts with maturities between June 2024 and April 2029 to effectively fix the loan's interest rate at rates between 3.34% and 3.53%. The Association does not enter into financial instruments for trading or speculative purposes.

The repayment structure of the loan prevented the Association from designating a hedging relationship for accounting purposes between the loan and the swap contracts in accordance with *CPA Handbook Part II - Section 3856 Financial Instruments*. In the absence of a designated hedging relationship, the swap contracts are subsequently measured at fair value.

The fair values of the swap contracts increase or decrease in relation to changes in the monthly B/A rate and the remaining term of the contracts. As a result, the fair value of the swap contracts increased in the year. At year end, the liability recorded for the swap contracts was \$592,662 (2020 - \$1,166,539). This amount effectively represents the present value of expected net swap payments payable to the bank over and above the market rate of interest on the Association's loan between year end and the expiry of the swap contracts. In future years, the fair value of the swap contracts will change in response to future changes in the monthly B/A rate and will ultimately converge to \$nil as the contracts reach their expiry dates. The fair values of the interest rate swaps were measured using quotes from the derivatives dealer.

The change in fair value is recognized at year end in the statement of operations and a liability reflecting the fair value of the swap contracts is provided for in the statement of financial position.

14. SHARE CAPITAL

	2021	2020
Issued		
675 Class "A" common shares	\$ <u>6,750</u>	\$ <u>6,670</u>

During the year, eight new shares were issued.

THE WESTERNER EXPOSITION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

15. CONTRACTUAL OBLIGATIONS

Canadian Finals Rodeo

In 2018, the Association and the Chamber entered into an agreement with the Canadian Professional Rodeo Association ("CPRA") to co-produce the Canadian Finals Rodeo ("CFR") event annually at Westerner Park until December 2027. Under the terms of the agreement, the Association together with the Chamber committed to pay amounts in prize money and other services totaling \$2,718,424 to \$2,912,934 per year over the term of the agreement.

During the year, the joint venture agreement with CPRA was amended to remove the Chamber as a party to the agreement, and Association initiated a process to renegotiate the terms of the agreement with CPRA in order to promote the long-term sustainability of the CFR event.

During the year, the 2020 CFR event was cancelled due to the COVID-19 pandemic and related restrictions.

Agri-trade

In 2019, the Association entered into a joint venture agreement and co-operation agreement with the Chamber to produce the Agri-trade Equipment Expo ("Agri-trade"). The terms of the agreement dictate the distribution of net profits from the event.

During the year, the 2020 Agri-trade event was canceled due to COVID-19 pandemic and related restrictions.

Red Deer Rebels

In June 2020, the Association entered into a license agreement with Rebels Sports Ltd. ("the Rebels") to grant a license to the Rebels to use the Centrum for the operation of a hockey team for a term of seven years. The agreement expires on May 31, 2027.

THE WESTERNER EXPOSITION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

16. RELATED PARTY TRANSACTIONS

During the year, the Association entered into transactions with related parties.

- a) The Association recognized joint venture income (loss) from Agri-Trade of \$(183,861) (2020 - \$838,458).
- b) The Association recognized joint venture income (loss) from CFR of \$nil (2020 - (\$448,040)).
- c) The Association recognized joint venture income (loss) from Ag Smart of \$nil (2020 - (\$25,000)).

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

17. GOING CONCERN

On January 28, 2020, the Association and the City of Red Deer announced that financial challenges at the Association resulted in a request for support whereby the City assumed temporary financial oversight of the Association to ensure the short, medium and long-term success of the Association.

The financial oversight has included working with the City to re-establish viable and sustainable business practices to stabilize the financial situation at the Association. It was announced that the Board of Directors would continue to provide overall direction to the Association, with support and oversight from the City as it relates to financial decision making and approval of the Association's annual budget.

The financial situation of the Association was further impacted by the COVID-19 pandemic, resulting in closures of onsite facilities and a severe impact to operating revenues. The impact of the facility closures included the cancellation of major events including Westerner Days, Canadian Finals Rodeo, and Agri-trade, as well as a shortened Red Deer Rebels hockey season that did not include spectators.

In the current and prior year, the Association has received \$3 million in operating grants from the City. Prior to year end, the Association signed an agreement for an additional operating grant of up to \$1 million that was not drawn upon at year end. No amount has been recorded as revenue related to this agreement. Subsequent to year end, the City agreed to provide an additional \$3 million in operating grants as well as \$19 million in loan financing to assist the Association in repaying existing long term debt financing through CIBC (See Note 18).

The Association incurred a net loss during the year. Together with the impact of the COVID-19 outbreak, these events indicate that a material uncertainty exists that may cast doubt on the Association's ability to continue as a going concern.

THE WESTERNER EXPOSITION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

18. SUBSEQUENT EVENTS

On May 11, 2021, the City of Red Deer Council approved \$22 million in financing for the Association through an operating grant of \$3 million and a loan of \$19 million. The \$19 million loan is to be used to repay existing long term debt financing from CIBC and will be repaid to the City over a term of 30 years. A signed agreement was not in place at the date of these financial statements.

19. ECONOMIC DEPENDENCE

As a result of facility closures resulting from the COVID-19 pandemic, in the current year, the Association was economically dependent on grants from the City of Red Deer. During the year, the Association received operating grants of \$2,000,000 (2020 - \$1,000,000) from the City.

20. CANADA EMERGENCY WAGE SUBSIDY

In the current year, the Association received \$1,154,728 from the Canada Emergency Wage Subsidy program. The amounts were a direct increase to revenue. The program is provided by the Government of Canada in response to COVID-19.

21. NON-CASH TRANSACTIONS

During the year, capital assets were acquired at an aggregate cost of \$2,684,879 (2020 - \$1,951,072), of which \$nil (2020 - \$147,947) was included in accounts payable at year end. Cash of \$2,832,826 (2020 - \$4,188,471) was paid to purchase the capital assets.

22. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year method of presentation.

THE WESTERNER EXPOSITION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

23. 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 and concentrations at March 31, 2021.

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 its accounts receivable. The Association provides credit to its customers in the normal course of its operations.

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 accounts payable and accrued liabilities, and long term debt.

Market Risk

Market risk is the risk that the fair value of 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. The entity is mainly exposed to interest rate risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Association is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-rate instruments subject the Association to a fair value risk while the floating-rate instruments subject it to a cash flow risk.

THE WESTERN EXPOSITION ASSOCIATION
WESTERNER FOUNDATION - RESTRICTED CHARITABLE ENHANCEMENT FUND -
SCHEDULE OF REVENUE AND EXPENSES
YEAR ENDED MARCH 31, 2021

	2021	2020
REVENUE		
Donations	\$ 44,925	\$ -
Casino and 50/50	<u>702</u>	<u>-</u>
	<u>45,627</u>	<u>-</u>
EXPENSES		
Advertising and brand	10,793	-
Contracted service	2,550	-
Event expense	<u>608</u>	<u>-</u>
	<u>13,951</u>	<u>-</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ 31,676</u>	<u>\$ -</u>