

**FINANCIAL STATEMENTS**

**The Westerner Exposition  
Association**

**MARCH 31, 2018**



**Westerner Park**

*Your  
destination for  
celebration!*™

## The Westerner Exposition Association

### STATEMENT OF FINANCIAL POSITION As at MARCH 31, 2018

#### ASSETS

	2018	2017
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (Note 3)	\$ 2,277,484	\$ 2,545,789
Government remittances receivable	5,580	-
Accounts receivable	1,244,666	801,306
Inventories	72,222	111,651
Prepaid expenses and deposits (Note 4)	201,611	276,717
	<b>3,801,564</b>	<b>3,735,463</b>
<b>WESTERNER PARK MAJOR MAINTENANCE FUND</b> (Note 5)	<b>986,515</b>	<b>885,885</b>
<b>CAPITAL ASSETS</b> (Note 6)	<b>36,909,450</b>	<b>37,080,994</b>
	<b>\$ 41,697,530</b>	<b>\$ 41,702,342</b>

#### LIABILITIES

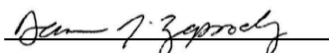
##### CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 2,332,899	\$ 1,045,107
Government remittances payable	8,031	46,688
Deferred revenue and advances on future events (Note 7)	802,506	717,945
Current portion of long term debt (Note 8)	363,848	359,829
Current portion of capital lease obligation (Note 9)	30,959	29,259
Current liabilities before callable debt	<b>3,538,243</b>	<b>2,198,828</b>
Callable portion of long term debt (Note 8)	<b>313,620</b>	<b>594,890</b>
	<b>3,851,863</b>	<b>2,793,718</b>
Long-term debt (Note 8)	<b>120,000</b>	<b>200,000</b>
	<b>\$ 3,971,863</b>	<b>\$ 2,993,718</b>
<b>OBLIGATIONS UNDER CAPITAL LEASE</b> (Note 9)	<b>38,380</b>	<b>69,360</b>
<b>CAPITAL CONTRIBUTIONS</b> (Note 10)	<b>18,572,874</b>	<b>19,630,807</b>
	<b>18,611,254</b>	<b>19,700,167</b>
<b>SHARE CAPITAL</b> (Note 11)	<b>6,560</b>	<b>6,530</b>

#### NET ASSETS

<b>NET INVESTMENT IN CAPITAL ASSETS</b>	<b>17,469,753</b>	<b>16,196,854</b>
<b>RESTRICTED NET ASSETS - WESTERNER PARK MAJOR MAINTENANCE FUND</b> (Note 5)	<b>986,515</b>	<b>885,885</b>
<b>UNRESTRICTED NET ASSETS</b>	<b>651,585</b>	<b>1,919,188</b>
	<b>19,107,853</b>	<b>19,001,927</b>
	<b>\$ 41,697,530</b>	<b>\$ 41,702,342</b>

On behalf of the Board:



Damian Zapisocky President



Bradley Williams Vice-President

See accompanying notes to the financial statements

## The Westerner Exposition Association

### STATEMENT OF OPERATIONS Year Ended MARCH 31, 2018

	2018	2017
<b>REVENUES</b>		
Events	\$ 5,620,155	\$ 6,998,529
Rentals of facilities	4,711,923	4,837,533
Investment income	37,616	29,412
Commissions	520,669	327,845
Miscellaneous	71,198	45,313
	<b>10,961,561</b>	<b>12,238,632</b>
<b>EXPENSES</b>		
Events	4,240,780	5,034,639
Administrative and grounds - Schedule 1	6,302,524	5,848,594
	<b>10,543,304</b>	<b>10,883,233</b>
<b>EXCESS REVENUES OVER EXPENSES BEFORE GRANTS</b>	<b>418,257</b>	<b>1,355,399</b>
<b>GRANTS</b>		
Operating grants	98,061	106,707
Alberta Lottery Fund (Note 13)	298,853	298,853
	<b>396,914</b>	<b>405,560</b>
<b>EXCESS REVENUES OVER EXPENSES BEFORE AMORTIZATION</b>	<b>815,171</b>	<b>1,760,959</b>
<b>AMORTIZATION OF CAPITAL ASSETS</b>	<b>(1,998,130)</b>	<b>(1,956,255)</b>
<b>AMORTIZATION OF CAPITAL CONTRIBUTIONS</b>	<b>1,288,885</b>	<b>1,277,333</b>
	<b>(709,245)</b>	<b>(678,922)</b>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>\$ 105,926</b>	<b>\$ 1,082,037</b>

See accompanying notes to the financial statements

## The Westerner Exposition Association

### STATEMENT OF CHANGES IN NET ASSETS Year Ended MARCH 31, 2018

#### 2018

	Investment In Capital Assets	Major Maintenance Fund	Unrestricted Net Assets	Total
Balance, beginning of year	\$ 16,196,854	\$ 885,885	\$ 1,919,188	\$ 19,001,927
Excess of revenues over expenses	-	-	105,926	105,926
Amortization expense, net	(709,245)	-	709,245	-
Investment in capital assets, net	2,371,398	-	(2,371,398)	-
Net book value of disposed capital assets	(544,812)	-	544,812	-
Repayments of long term debt	357,251	-	(357,251)	-
Transferred to internally imposed restrictions	-	100,630	(100,630)	-
Capital lease repayments	29,259	-	(29,259)	-
Capital contributions received	(230,952)	-	230,952	-
Balance, end of year	\$ 17,469,753	\$ 986,515	\$ 651,585	\$ 19,107,854

#### 2017

	Investment In Capital Assets	Major Maintenance Fund	Unrestricted Net Assets	Total
Balance, beginning of year	\$ 15,026,097	\$ 1,130,244	\$ 1,763,549	\$ 17,919,890
Excess of revenues over expenses	-	-	1,082,037	1,082,037
Amortization expense, net	(678,922)	-	678,922	-
Investment in capital assets, net	1,559,332	-	(1,559,332)	-
Net book value of disposed capital assets	(23,879)	-	23,879	-
Repayments of long term debt	352,373	-	(352,373)	-
Transferred to internally imposed restrictions	-	446,861	(446,861)	-
Transfer from internally imposed restrictions	-	(691,220)	691,220	-
Capital lease repayments	27,653	-	(27,653)	-
Capital contributions received	(65,800)	-	65,800	-
Balance, end of year	\$ 16,196,854	\$ 885,885	\$ 1,919,188	\$ 19,001,927

See accompanying notes to the financial statements

## The Westerner Exposition Association

### STATEMENT OF CASH FLOWS Year Ended MARCH 31, 2018

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Excess of revenues over expenses	\$ 105,926	\$ 1,082,037
Add (deduct) non-cash items:		
Loss on disposal of capital assets	-	6,379
Amortization of capital assets	1,998,130	1,956,255
Amortization of capital contributions	(1,288,885)	(1,277,333)
	<b>815,171</b>	<b>1,767,338</b>
Net changes in non-cash working capital:		
Accounts receivable	(443,361)	131,025
Government remittances receivable	(5,580)	-
Inventories	39,429	24,628
Prepaid expenses and deposits	75,105	18,112
Accounts payable and accrued liabilities	1,330,653	50,138
Government remittances payable	(38,656)	(2,848)
Deferred revenue and advances on future events	84,561	21,843
<b>Net cash generated through operating activities</b>	<b>1,857,322</b>	<b>2,010,236</b>
<b>INVESTING ACTIVITIES</b>		
Transfer to internally imposed restrictions	(100,630)	244,359
Capital contributions received	230,952	65,800
Insurance proceeds on loss of capital asset	596,401	-
Purchase of capital assets	(2,508,439)	(1,441,318)
Proceeds on disposal of capital assets	42,590	17,500
<b>Net cash used in investing activities</b>	<b>(1,739,126)</b>	<b>(1,113,659)</b>
<b>FINANCING ACTIVITIES</b>		
Share capital issued	30	10
Capital lease repayments	(29,280)	(27,653)
Repayment of long term debt	(357,251)	(352,373)
<b>Net cash generated through (used) in financing activities</b>	<b>(386,501)</b>	<b>(380,016)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(268,305)</b>	<b>516,561</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>2,545,789</b>	<b>2,029,228</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 2,277,484</b>	<b>\$ 2,545,789</b>

#### NON-CASH TRANSACTIONS (Note 16)

See accompanying notes to the financial statements

# The Westerner Exposition Association

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

### 1. PURPOSE OF THE ORGANIZATION

The Association is incorporated under The Alberta Business Corporation Act as a not-for-profit organization and in 2009 adopted the following mission statement which was amended in 2017:

"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 taxes and is a registered charity under the Canadian Income Tax Act. The directors of the Association are elected volunteers who cannot be paid in any form for their services under the By-Laws of the organization. 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.

### 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.

#### ***Capital Assets***

Capital assets are recorded at cost or market value if donated. Amortization is based on the estimated useful life of each asset using the straight line method. Amortization rates are as follows:

Plant facility	2.5% (40 years)
Equipment and vehicles	10.00% (10 years)

#### ***Assets under Capital Lease***

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

Equipment	10.00% (10 years)
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#### ***Contributed Services***

A substantial number of unpaid volunteers make significant contributions of their time in developing and carrying out the Association's programs. The value of this contributed time is not reflected in these financial statements since objective measurement or valuation is indeterminable.

#### ***Estimates***

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates. Estimates are used when accounting for items and matters such as allowance for doubtful accounts, inventory obsolescence, estimated useful life of capital assets, accrued liabilities, contingencies and commitments.

#### ***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 Westerner Exposition Association

### NOTES TO FINANCIAL STATEMENTS MARCH 31, 2018

The Association subsequently measures its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and cash equivalents, accounts receivables, investments and the Westerner Park Major Maintenance Fund.

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

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

#### ***Inventories***

Inventories are valued at the lower of cost and net realizable value, cost being determined 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.

#### ***Investments***

The Association's investment in Agri-Trade and Red Deer Chamber partnerships, in which it has significant influence, is accounted for by the equity method.

#### ***Deferred Revenue and Advances on Future Events***

Deferred revenue consists of advertising and sky suites paid in advance. The Association recognizes revenue over the term of the agreement.

Advances on future events represents funds received in advance for events such as conventions, trade show facilities, and building and ice rental. Revenue for such events is included in revenue in the period in which the event takes place.

Funds received for Tickets Alberta is recorded at a payable to the owner of the event, with Westerner Park's portion of the revenue recorded as deferred revenue until the event takes place at which time it is included in revenue in that period.

#### ***Grants and Contributions***

Grants and contributions designated for capital purposes, including the acquisition of capital assets for expansion and construction of facilities or retirement of capital debt, are credited to "Capital Contributions" and amortized into income each year on the same basis as amortization is provided on the related capital assets.

#### ***Revenue Recognition***

The Association follows the deferral method of accounting for revenues. Restricted revenues are recognized into revenue in the year in which the related expenses are incurred. This includes any externally restricted donations or restricted grants.

Unrestricted revenues are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. This includes: event revenues, rental of facilities, food and beverage sales, non-restricted operating grants, lottery fund grant, unrestricted donations and investment income.

Externally restricted investment income is recognized as direct increases in restricted capital contributions. Internally restricted investment income is recognized as revenue in the year in which it is earned. Unrestricted investment income is recognized as revenue when earned.

## The Westerner Exposition Association

### NOTES TO FINANCIAL STATEMENTS MARCH 31, 2018

#### 3. RESTRICTED CASH

Included in the cash and cash equivalent account is \$500,227 (2017 - \$483,135) of funds restricted by the Alberta Gaming and Liquor Commission (AGLC). Expenditures from these funds must be approved once per year, based on AGLC regulations.

#### 4. PREPAID EXPENSES AND DEPOSITS

	2018	2017
Insurance and licenses	\$ 126,044	\$ 121,914
Other	75,526	154,761
Site lease	<u>41</u>	<u>42</u>
	<u>\$ 201,611</u>	<u>\$ 276,717</u>

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

#### 5. WESTERNER PARK MAJOR MAINTENANCE FUND

The "Major Maintenance Fund" has been established for the purpose of financing future long term maintenance needs in relation to the Association's facilities. The total amount in the "Major Maintenance Fund" is \$986,515 (2017 - \$885,885). Interest earned on internally restricted funds has been designated to be used in operations. The reserve is fully funded in a segregated bank account.

#### 6. CAPITAL ASSETS

	2018			2017
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Capital under construction	\$ 677,131	\$ -	\$ 677,131	\$ 193,858
Plant facility	67,700,040	33,239,717	34,460,323	35,291,718
Equipment and vehicles	<u>6,667,418</u>	<u>5,007,062</u>	<u>1,660,356</u>	<u>1,468,893</u>
	<u>75,044,590</u>	<u>38,246,779</u>	<u>36,797,810</u>	<u>36,954,469</u>
Assets under capital lease:				
Equipment	<u>148,853</u>	<u>37,213</u>	<u>111,640</u>	<u>126,525</u>
	<u>\$ 75,193,443</u>	<u>\$ 38,283,992</u>	<u>\$ 36,909,450</u>	<u>\$ 37,080,994</u>

#### 7. DEFERRED REVENUE AND ADVANCES ON FUTURE EVENTS

	2018	2017
Deferred revenue	\$ 470,336	\$ 434,750
Advances on future events	<u>332,170</u>	<u>283,195</u>
	<u>\$ 802,506</u>	<u>\$ 717,945</u>



## The Westerner Exposition Association

### NOTES TO FINANCIAL STATEMENTS MARCH 31, 2018

#### 8. LONG TERM DEBT

	2018	2017
The ATB loan is repayable in monthly installments of \$25,000 including interest at the bank's prime lending rate per annum with an effective interest rate of 3.45% (2017 - 2.70%). The loan is secured by a general security agreement and is due June 2021.	<b>\$ 597,467</b>	\$ 874,719
The Red Deer Rebels loan is repayable in annual installments of \$40,000 beginning May 2015 at 0.00% interest and is due April 2020.	<b>80,000</b>	120,000
The Red Deer Rebels loan is repayable in annual installments of \$40,000 beginning July 2016 at 0.00% interest and is due June 2021.	<u>120,000</u>	<u>160,000</u>
	<b>797,467</b>	1,154,719
Less Current portion of long term debt	<b>363,848</b>	359,829
Less Callable portion of long term debt	<u>313,620</u>	<u>594,890</u>
	<b><u>\$ 120,000</u></b>	<b><u>\$ 200,000</u></b>

Although the bank loan is of a demand nature, management does not believe that the demand feature will be exercised. Accordingly, the scheduled principal repayments on the long term debt are as follows:

2019	\$ 363,848
2020	373,798
2021	59,821
	<u>\$ 797,467</u>

The Association was in compliance with all financial covenants at year end.

#### 9. OBLIGATIONS UNDER CAPITAL LEASE

The Association has entered into two capital leases with monthly payments of \$2,258 and \$583 including interest rates of 5.9% per annum and 4.7% per annum respectively. The leases expire in May 2021. The principal and interest payments for the next five years are as follow:

Year Ending	Principal	Interest	Total
2019	30,959	3,133	34,092
2020	32,759	1,333	34,092
2021	5,621	40	5,661
	69,339	4,506	73,845
Less Current Portion	<u>(30,959)</u>	<u>(3,133)</u>	<u>(34,092)</u>
	<b><u>\$ 38,380</u></b>	<b><u>\$ 1,373</u></b>	<b><u>\$ 39,753</u></b>

## The Westerner Exposition Association

### NOTES TO FINANCIAL STATEMENTS MARCH 31, 2018

#### 10. CAPITAL CONTRIBUTIONS

	2018		2017	
	<u>Gross Capital Contributions</u>	<u>Accumulated Amortization</u>	<u>Net Capital Contributions</u>	<u>Net Capital Contributions</u>
Capital Contributions	\$ <u>51,324,254</u>	\$ <u>32,751,380</u>	\$ <u>18,572,874</u>	\$ <u>19,630,807</u>

The Association has amortized capital contributions and recorded \$1,288,885 (2017 - \$1,277,333) into the current year's operations. During the year, \$230,952 (2017 - \$65,800) of capital contributions were added from the externally restricted government contributions.

#### 11. SHARE CAPITAL

	Quantity		Amount	
	2018	2017	2018	2017
Authorized - 50,000 shares without par value, maximum consideration per share \$50				
Issued -				
Balance, beginning of year	653	652	\$ 6,530	\$ 6,520
Issued, during year	3	1	30	10
Balance, end of year	<u>656</u>	<u>653</u>	<u>\$ 6,560</u>	<u>\$ 6,530</u>

#### 12. 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, 2018:

##### **Credit Risk**

The Association, in the normal course of operations, monitors the financial condition of its customers. The Association establishes an allowance for doubtful accounts that corresponds to the credit risk of its specific customers, historical trends or economic circumstances. The Association does not believe it is exposed to an unusual level of credit risk.

##### **Market Risk**

Market risk is the risk that the fair value and 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 Association is mainly exposed to interest rate risk.

##### **Interest Rate Risk**

The Association is exposed to interest rate risk on debt instruments to the extent of changes in the prime interest rate.

#### 13. ALBERTA LOTTERY FUND

The Association received funding from the Alberta Lottery Fund in accordance with the terms of an agreement with the Minister responsible for the Alberta Gaming and Liquor Commission. Under the current funding agreement, which became effective April 1, 2017 and expires on March 31, 2018, the Association received and recorded \$298,853 (2017 - \$298,853) in funding. Current Board policy is that these lottery funds be expended exclusively for capital projects (see schedule 2).

#### 14. AGRI-TRADE PARTNERSHIP

The Association received \$195,145 (2017 - \$191,575) in facility rentals and services from the partnership of which it is a member. The Association's share of income of the partnership of \$626,846 (2017 - \$507,025) is also included in rental of facilities. The equity investment of the Association's 50% interest in the partnership of \$10,000 (2017 - \$2,500) has been included as part of accounts receivable in the financial statements.

#### 15. RELATED PARTY TRANSACTIONS

During the year, the Association entered into transactions with members of the Board of Directors and shareholders. These amounts 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.

## The Westerner Exposition Association

### NOTES TO FINANCIAL STATEMENTS MARCH 31, 2018

**16. NON-CASH TRANSACTIONS**

During the year, capital assets were acquired at an aggregate cost of \$2,371,398 (2017 - \$1,559,332), of which \$112,277 (2017 - \$155,141) remains in accounts payable at year end. Cash of \$2,508,439 (2017 - \$1,441,318) was paid to purchase the capital assets.

**17. SUBSEQUENT EVENTS**

After the fiscal year end a fixed price contract was determined for the new Exhibition Hall of \$15,169,000. The construction contract has been approved by the Board of Directors but is still unsigned at this point.

**18. COMMITMENTS**

During the year, the Association signed an agreement with Canadian Professional Rodeo Association to co-produce the Canadian Finals Rodeo at Westerner Park annually for a term of ten years.

## The Westerner Exposition Association

### SCHEDULE OF ADMINISTRATIVE AND GROUNDS EXPENSES YEAR ENDED MARCH 31, 2018

	2018	2017
Advertising and co-sponsorships	\$ 86,809	\$ 98,975
Equipment rental	46,277	40,176
Fuel and oil	45,372	40,585
Garbage disposal	53,561	33,517
Insurance, licenses and dues	206,509	157,321
Interest and bank charges	98,019	27,558
Interest on long term debt	22,749	27,627
Meetings and receptions	74,593	115,791
Miscellaneous	48,916	56,563
Printing, stationery and postage	33,784	41,166
Professional fees	366,482	186,876
Repairs and maintenance	646,009	733,372
Salaries, wages and benefits	3,560,185	3,383,252
Supplies	95,569	44,225
Telephone	39,419	34,113
Travel	28,658	9,961
Utilities	849,612	817,516
	<b>\$ 6,302,524</b>	<b>\$ 5,848,594</b>

## The Westerner Exposition Association

**SCHEDULE OF FACILITY IMPROVEMENTS  
YEAR ENDED MARCH 31, 2018**

	2018	2017
<b>FACILITY IMPROVEMENTS</b>		
Centrium and Parkland Pavilion	\$ 144,364	\$ 942,787
Prairie and Stockmen's Pavilion	539,488	13,616
Paving and curbing	36,551	18,864
Grounds	38,516	43,370
Agri-centre	51,060	18,179
Other buildings	582,003	186
	<b>1,391,982</b>	<b>1,037,002</b>
<b>EQUIPMENT</b>		
Plant	117,744	378,229
Automotive	103,403	34,430
Concession	53,496	44,412
Office	221,500	21,825
	<b>496,143</b>	<b>478,896</b>
<b>CAPITAL ASSETS UNDER CONSTRUCTION</b>		
Capital assets under construction	483,273	43,434
	<b>\$ 2,371,398</b>	<b>\$ 1,559,332</b>
<b>FUNDING OF FACILITY IMPROVEMENTS</b>		
Alberta Lottery Fund (Note 12)	\$ -	\$ 298,857
Community Facility Enhancement Program	-	55,800
Capital contributions	230,952	10,000
Operating funds	2,140,446	503,459
Major Maintenance Fund	-	691,220
	<b>\$ 2,371,398</b>	<b>\$ 1,559,332</b>