

**THE WESTERNER
EXPOSITION ASSOCIATION
FINANCIAL STATEMENTS
MARCH 31, 2020**



Westerner Park

THE WESTERNER EXPOSITION ASSOCIATION
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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, 2020 and the statement of operations, statement of 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, 2020, 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 in the financial statements, which indicates that the Association incurred a net loss of during the year ended March 31, 2020. 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
June 25, 2020

Chartered Professional Accountants

THE WESTERN EXPOSITION ASSOCIATION
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2020

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 3)	\$ 655,277	\$ 1,109,435
Accounts receivable	508,006	1,722,770
Government remittances receivable	1,133	327,845
Inventories (Note 4).....	77,288	138,768
Prepaid expenses and deposits (Note 5)	<u>3,569</u>	<u>79,076</u>
	1,245,273	3,377,894
MAJOR MAINTENANCE FUND (Note 6)	55,296	54,137
INTERESTS IN JOINT ARRANGEMENTS (Note 7)	425,958	189,275
CAPITAL ASSETS (Note 8)	<u>51,447,247</u>	<u>51,963,412</u>
	<u>\$ 53,173,774</u>	<u>\$ 55,584,718</u>
LIABILITIES		
CURRENT LIABILITIES		
Credit facility (Note 9)	\$ 349,199	\$ -
Accounts payable and accrued liabilities	1,507,574	3,751,083
Government remittances payable	37,321	27,803
Deferred revenue	332,274	1,222,345
Current portion of long term debt (Note 10).....	614,842	13,967,844
Current portion of capital lease obligation (Note 11)	<u>5,682</u>	<u>32,759</u>
	2,846,892	19,001,834
Callable portion of long term debt (Note 10)	<u>17,382,823</u>	<u>-</u>
	20,229,715	19,001,834
LONG TERM DEBT (Note 10)	-	40,000
CAPITAL LEASE OBLIGATION (Note 11)	-	5,626
CAPITAL CONTRIBUTIONS (Note 12)	16,419,161	17,712,981
FAIR VALUE OF INTEREST RATE SWAP CONTRACTS (Note 13)	<u>1,166,539</u>	<u>-</u>
TOTAL LIABILITIES	<u>37,815,415</u>	<u>36,760,441</u>
NET ASSETS		
SHARE CAPITAL (Note 14)	6,670	6,640
NET INVESTMENT IN CAPITAL ASSETS	17,024,731	20,204,192
UNRESTRICTED NET ASSETS	(1,959,557)	(1,673,070)
INTERNALLY RESTRICTED RESERVE	<u>286,515</u>	<u>286,515</u>
	15,358,359	18,824,277
	<u>\$ 53,173,774</u>	<u>\$ 55,584,718</u>

CONTRACTUAL OBLIGATIONS (Note 15)

On Behalf of the Board of Directors:



Director



Director

See accompanying notes to financial statements

THE WESTERN EXPOSITION ASSOCIATION
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2020

	Net Investment in Capital Assets	Unrestricted Net Assets	Major Maintenance Fund	Total 2020	Total 2019
Balance, beginning of year	\$ 20,204,192	\$ (1,673,070)	\$ 286,515	\$ 18,817,637	\$ 19,107,854
Deficiency of revenues over expenses after the above non-cash charges and contributions	-	(3,465,948)	-	(3,465,948)	(290,217)
Amortization of capital assets	(2,467,237)	2,467,237	-	-	-
Purchase of capital assets	1,951,072	(1,951,072)	-	-	-
Proceeds on disposal of capital assets	(381)	381	-	-	-
Gain on disposal of capital assets	381	(381)	-	-	-
Amortization of capital contributions	1,293,821	(1,293,821)	-	-	-
Proceeds of long term debt	(20,668,040)	20,668,040	-	-	-
Repayment of long term debt	16,678,220	(16,678,220)	-	-	-
Repayment of capital lease obligation	<u>32,703</u>	<u>(32,703)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 17,024,731</u>	<u>\$ (1,959,557)</u>	<u>\$ 286,515</u>	<u>\$ 15,351,689</u>	<u>\$ 18,817,637</u>

See accompanying notes to financial statements

THE WESTERN EXPOSITION ASSOCIATION

**STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2020**

	2020	2019
REVENUE		
Event revenue	\$ 5,769,809	\$ 6,665,093
Rental of facilities	2,586,363	3,807,511
Income from interests in joint arrangements	365,418	747,343
Investment income	31,617	54,757
Commissions	677,438	711,286
Miscellaneous	130,344	87,330
Grants	<u>1,449,224</u>	<u>495,630</u>
	<u>11,010,213</u>	<u>12,568,950</u>
EXPENSES		
Events	4,496,731	4,889,450
Administrative and grounds - Schedule 1.....	<u>7,639,856</u>	<u>7,322,659</u>
	<u>12,136,587</u>	<u>12,212,109</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE THE FOLLOWING NON-CASH CHARGES AND CONTRIBUTIONS	(1,126,374)	356,841
GAIN ON DISPOSAL OF CAPITAL ASSETS	381	89,767
AMORTIZATION OF CAPITAL ASSETS	(2,467,237)	(2,025,288)
AMORTIZATION OF CAPITAL CONTRIBUTIONS	1,293,821	1,288,463
DECREASE IN FAIR VALUE OF INTEREST RATE SWAP CONTRACTS	(1,166,539)	-
DEFICIENCY OF REVENUES OVER EXPENSES AFTER THE ABOVE NON-CASH CHARGES AND CONTRIBUTIONS	\$ (3,465,948)	\$ (290,217)

See accompanying notes to financial statements

THE WESTERN EXPOSITION ASSOCIATION

**STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2020**

	2020	2019
CASH FLOWS USED FOR OPERATING ACTIVITIES		
Cash received from customers	\$ 9,815,358	\$ 9,646,257
Cash received from grants	1,449,224	495,630
Cash received from interest income	31,617	54,757
Cash paid for materials and services	(5,452,479)	(5,235,915)
Cash paid for salaries and benefits	<u>(6,548,379)</u>	<u>(6,520,875)</u>
Net cash used for operating activities	<u>(704,659)</u>	<u>(1,560,146)</u>
CASH FLOWS GENERATED BY FINANCING ACTIVITIES		
Share capital issued	30	80
Repayment of capital lease obligation	(32,703)	(30,959)
Repayment of long term debt	(16,678,220)	(362,636)
Proceeds from long term debt	<u>20,668,040</u>	<u>13,573,010</u>
Cash from financing activities	<u>3,957,147</u>	<u>13,179,495</u>
CASH FLOWS USED FOR INVESTING ACTIVITIES		
Transfer from (to) Major Maintenance Fund	(1,160)	932,378
Capital contributions received	-	428,571
Purchase of capital assets	(4,188,471)	(14,806,181)
Proceeds on disposal of capital assets	381	89,767
Contributions to joint arrangements	(760,871)	(289,644)
Drawings from joint arrangements	<u>894,276</u>	<u>857,711</u>
Cash used for investment activities	<u>(4,055,845)</u>	<u>(12,787,398)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(803,357)	(1,168,049)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,109,435</u>	<u>2,277,484</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ <u>306,078</u>	\$ <u>1,109,435</u>
CASH COMPRISED OF:		
Cash and cash equivalents	\$ 655,277	\$ 1,109,435
Credit facility	<u>(349,199)</u>	<u>-</u>
	\$ <u>306,078</u>	\$ <u>1,109,435</u>
NON-CASH TRANSACTIONS (Note 18)		

See accompanying notes to financial statements

THE WESTERNER EXPOSITION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

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, 2020

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 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, 2020

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, 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 the 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. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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 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.

3. CASH AND CASH EQUIVALENTS

Included in the cash and cash equivalents account is \$17,356 (2019 - \$54,541) of funds restricted by Alberta Gaming, Liquor & Cannabis ("AGLC"). Expenditures from these funds must be approved once per year, based on AGLC regulations.

THE WESTERN EXPOSITION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

4. INVENTORIES

	2020	2019
Food and beverage	\$ 35,445	\$ 77,696
Liquor and beer	23,829	40,197
Corkage	13,670	16,531
Fuel	<u>4,344</u>	<u>4,344</u>
	<u>\$ 77,288</u>	<u>\$ 138,768</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.

	2020	2019
Insurance and licenses	\$ -	\$ 53,370
Other	3,530	25,666
Site lease	<u>39</u>	<u>40</u>
	<u>\$ 3,569</u>	<u>\$ 79,076</u>

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 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 (2019 - \$286,515). The total cash on hand in the Major Maintenance bank account at year end is \$55,296 (2019 - \$54,137). Interest earned on the internally restricted funds has been designated to be used in operations.

THE WESTERNER EXPOSITION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

7. INTERESTS IN JOINT ARRANGEMENTS

Interests in significant joint arrangements are as follows:

	2020	2019
Agri-Trade joint venture (50% interest)	\$ 108,458	\$ 20,000
Ag Smart joint venture (25% interest)	-	25,000
Canadian Finals Rodeo joint venture (50% interest)	<u>317,500</u>	<u>144,275</u>
	<u>\$ 425,958</u>	<u>\$ 189,275</u>

8. CAPITAL ASSETS

	<u>2020</u>			<u>2019</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Plant facility	\$ 87,059,325	\$ 37,085,452	\$ 49,973,873	\$ 34,122,415
Equipment and vehicles	7,015,205	5,623,700	1,391,505	1,644,559
Capital under construction	-	-	-	16,099,684
	94,074,530	42,709,152	51,365,378	51,866,658
Assets under capital lease				
Equipment	<u>148,853</u>	<u>66,984</u>	<u>81,869</u>	<u>96,754</u>
	<u>\$ 94,223,383</u>	<u>\$ 42,776,136</u>	<u>\$ 51,447,247</u>	<u>\$ 51,963,412</u>

9. CREDIT FACILITY

The Association has a demand operating credit through CIBC in the amount of up to \$1,000,000. Interest on the credit 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 \$349,199 (2019 - \$nil).

THE WESTERN EXPOSITION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

10. LONG TERM DEBT

	2020	2019
ATB loan repaid during the year.	\$ -	\$ 314,834
Rebels loan repaid during the year.	-	40,000
Rebels loan repaid during the year.	-	80,000
CWB loan repaid during the year	-	13,573,010
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	-
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	-
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	-
CIBC demand instalment loan repayable in monthly blended payments of \$1,731 including interest at prime.	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	-
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	-
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>-</u>
	17,997,665	14,007,844
Current portion of long term debt	(614,842)	(13,967,844)
Callable portion of long term debt	<u>(17,382,823)</u>	<u>-</u>
	\$ -	\$ 40,000

THE WESTERN EXPOSITION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

10. LONG TERM DEBT (Continued)

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

2021	\$ 614,842
2022	637,416
2023	660,824
2024	685,098
2025	685,552
Thereafter	<u>14,713,933</u>
	<u>\$ 17,997,665</u>

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, 2020, the Association's debt service coverage ratio covenant was not met. The bank has not provided any waiver for the covenant breaches.

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.

11. OBLIGATIONS UNDER CAPITAL LEASE

The Association has entered into two capital leases with monthly payments of \$2,258 and \$583 including interest at rates of 5.90% and 4.70% per annum respectively. The leases expire in February 2021. The principal and interest payments for the next year is as follows:

Year ending	Principal	Interest	Total
2021	\$ 5,682	\$ 40	\$ 5,722
Current portion	<u>(5,682)</u>	<u>(40)</u>	<u>(5,722)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

THE WESTERN EXPOSITION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

12. CAPITAL CONTRIBUTIONS

	2020			2019
	Total	Accumulated	Net	Net
	<u>Contribution</u>	<u>Amortization</u>	<u>Contribution</u>	<u>Contribution</u>
Contributed surplus	\$ 936,627	\$ 870,195	\$ 66,433	\$ 89,847
Government grants	<u>50,816,197</u>	<u>34,463,469</u>	<u>16,352,728</u>	<u>17,623,134</u>
	<u>\$ 51,752,824</u>	<u>\$ 35,333,664</u>	<u>\$ 16,419,161</u>	<u>\$ 17,712,981</u>

During the year, the Association received capital contributions of \$472,135 (2019 - \$230,952) and recorded amortization of capital contributions of \$1,289,008 (2019 - \$1,288,885).

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. In March 2020, the monthly B/A rate decreased sharply due to the Bank of Canada's economic response to the COVID-19 pandemic. As a result, the fair value of the swap contracts decreased. At year end, the fair value of the swap contracts was (\$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 WESTERNER EXPOSITION ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

13. INTEREST RATE SWAP CONTRACTS (Continued)

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

	2020	2019
Issued		
667 Class "A" shares	\$ <u>6,670</u>	\$ <u>6,640</u>

During the year, three new shares were issued.

15. CONTRACTUAL OBLIGATIONS

Canadian Finals Rodeo

In 2018, the Association and the Red Deer and District Chamber of Commerce ("the Chamber") entered into an agreement with the Canadian Professional Rodeo Association 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 are committed to pay certain amounts in prize money and other services totaling \$2,718,424 to \$2,912,934 per year over the term of the agreement.

The Association and the Chamber have agreed to a co-operation agreement which stipulates the division of income or loss from the 2018, 2019, and 2020 CFR events. Under the terms of the agreement, the Association will receive 15% of topline revenue from concessions, bars and parking. Remaining income or losses are allocated 65% to the Association and 35% to the Chamber.

Agritrade

In 2019, the Association entered into a joint venture agreement and co-operation agreement with the Chamber to produce the Agritrade Equipment Expo ("Agritrade"). Under the terms of the agreement, net profits from the 2018, 2019, and 2020 Agritrade events are split 50/50 between the Association and the Chamber up to \$1,200,000. Net profits between \$1,200,000 and \$1,600,000 are allocated to the Association. Net profits in excess of \$1,600,000 are split 50/50 between the Association and the Chamber.

At year end, Agritrade was committed, under an agreement, to decorating services for the 2020 event. The fees under the agreement are \$224,534 of which \$144,534 were outstanding at year end. The agreement ends after the 2020 event. The Association's obligation for the contracts and obligations of the joint venture are limited to its 50% interest.

THE WESTERN EXPOSITION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

15. CONTRACTUAL OBLIGATIONS (Continued)

Red Deer Rebels

In 2005, the Association entered into a license agreement with Rebels Sports Ltd. ("the Rebels") to grant a license to the Rebels to use the Centrium for the operation of a hockey team for a term of fifteen years. The agreement expires in May 2020.

During the year, the Association agreed to a memorandum of understanding to grant a license to the Rebels for a further 7 years until May 2027.

Government of Alberta

During the year, the Association entered into a grant funding agreement with the Government of Alberta. Under the terms of the agreement, the Association received a grant of \$250,000 to assist with the costs of hosting the 2019 CFR event. Any portion of the grant not used or accounted for at the end of the term is repayable by the Association. During the year, the full amount of the grant funds were used in the production of the CFR event. The Association's share of income or loss from the event is reported in the statement of operations as income or loss from joint arrangements.

16. RELATED PARTY TRANSACTIONS

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

- a) The Association recognized joint venture income from Agri-Trade of \$838,458 (2019 - \$892,711).
- b) The Association recognized joint venture loss from CFR of \$448,040 (2019 - \$145,368).
- c) The Association recognized joint venture loss from Ag Smart of \$25,000 (2019 - \$nil).

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.

Amounts due from related parties, included in accounts receivable, are as follows:

	2020	2019
Agri-Trade joint venture	\$ <u> </u> -	\$ <u> 462,570</u>

THE WESTERNER EXPOSITION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

17. GOING CONCERN

On January 28, 2020, the Association and the City 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 will include 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 stabilization of operations will include an in-depth, joint forensic audit with the City to fully assess the current financial situation. Between February and March 2020, the City provided funding support through a \$1,000,000 grant to assist the Association with its operations.

The financial situation of the Association has been further impacted by the COVID-19 pandemic outbreak, resulting in closure of onsite facilities and a severe impact to operational revenues. Subsequent to year end, the Association postponed the Westerner Days Fair and Exposition until 2021.

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.

18. NON-CASH TRANSACTIONS

During the year, property, plant and equipment was acquired at an aggregate cost of \$1,951,072 (2019 - \$17,079,250), of which \$147,947 (2019 - \$2,385,346) was included in accounts payable at year end. Cash of \$4,188,471 (2019 - \$14,806,181) was paid to purchase the property, plant and equipment.

THE WESTERNER EXPOSITION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

19. 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, 2020.

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, long term debt, and obligations under capital lease.

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.

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.

20. COMPARATIVE FIGURES

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

THE WESTERN EXPOSITION ASSOCIATION
ADMINISTRATIVE AND GROUNDS - SCHEDULE OF EXPENDITURES
YEAR ENDED MARCH 31, 2020

	2020	2019
Advertising and co-sponsorships	\$ 179,599	\$ 78,495
Equipment rental	50,959	58,040
Fuel and oil	46,351	50,055
Garbage disposal	16,180	38,054
Insurance, licenses and dues	252,887	160,356
Interest and bank charges	198,346	155,017
Interest on long term debt	669,032	20,500
Meetings and receptions	106,713	73,589
Miscellaneous	35,562	47,930
Printing, stationery and postage	36,452	58,279
Professional fees	244,883	304,572
Repairs and maintenance	766,043	846,415
Salaries, wages and benefits	3,936,905	4,348,208
Supplies	147,821	53,406
Telephone	62,403	51,999
Travel	44,920	45,397
Utilities	844,800	932,347
	<u>\$ 7,639,856</u>	<u>\$ 7,322,659</u>

**THE WESTERNER EXPOSITION ASSOCIATION
SCHEDULE OF CANADIAN FINALS RODEO ACTIVITIES**

**STATEMENT OF FINANCIAL POSITION
MARCH 31, 2020**

	2020	2019
LIABILITIES		
CURRENT LIABILITIES		
Due to Westerner Exposition Association.....	\$ 907,141	\$ 289,644
DEFICIT		
VENTURERS' DEFICIT		
Westerner Exposition Association.....	(589,642)	(145,368)
Red Deer & District Chamber of Commerce.....	(317,499)	(144,276)
	(907,141)	(289,644)
TOTAL LIABILITIES AND DEFICIT	\$ -	\$ -

**STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2020**

	2020	2019
REVENUE		
Admission.....	\$ 2,179,797	\$ 2,259,785
Grants and sponsorship.....	1,843,906	1,563,792
Food and beverage.....	810,370	725,407
Exhibitors.....	69,771	132,018
Parking.....	133,640	91,747
Commission.....	19,143	15,643
Other.....	80,440	66,237
	5,137,067	4,854,629
EXPENSES		
Advertising.....	649,040	650,281
Contracted services.....	1,841,695	1,048,298
Equipment rental.....	231,556	234,188
Food and beverage.....	193,529	271,350
Office.....	932	1,259
Prizes.....	1,699,792	1,683,369
Professional fees.....	2,355	4,589
Repairs and maintenance.....	30,096	39,408
Rent.....	-	221,600
Security.....	124,302	104,704
Supplies.....	222,653	344,389
Travel.....	265,293	174,011
Wages.....	641,363	366,827
	5,902,606	5,144,273
NET LOSS BEFORE THE FOLLOWING	(765,539)	(289,644)
Allocation to Westerner Exposition Association.....	(141,602)	(122,573)
NET LOSS	(907,141)	(412,217)
ALLOCATION OF NET LOSS		
Westerner Exposition Association	\$ (589,642)	\$ (267,941)
Red Deer & District Chamber of Commerce.....	(317,499)	(144,276)
	\$ (907,141)	\$ (412,217)