



THE WESTERNER EXPOSITION ASSOCIATION
2022 - 2023 Financial Statements



THE WESTERNER EXPOSITION ASSOCIATION**TABLE OF CONTENTS
MARCH 31, 2023**

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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, 2023, 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, 2023, 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.

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.

Red Deer County, Alberta
May 25, 2023

Pivotal LLP

Chartered Professional Accountants

THE WESTERN EXPOSITION ASSOCIATION
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2023

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 3)	\$ 978,139	\$ 1,017,170
Accounts receivable	191,124	734,714
Inventories (Note 4).....	296,954	238,699
Prepaid expenses and deposits (Note 5)	36	37
Marketable securities	<u>561,960</u>	<u>-</u>
	2,028,213	1,990,620
MAJOR MAINTENANCE FUND (Note 6)	288,922	55,918
WESTERNER FOUNDATION - RESTRICTED		
CHARITABLE ENHANCEMENT FUND (Note 7)	7,808,140	7,963,032
INTEREST IN JOINT ARRANGEMENT (Note 8)	50,000	20,000
CAPITAL ASSETS (Note 9)	<u>47,553,868</u>	<u>49,488,423</u>
	<u>\$ 57,729,143</u>	<u>\$ 59,517,993</u>
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness (Note 10)	\$ 328,932	\$ 442,959
Accounts payable and accrued liabilities	750,629	1,240,673
Government remittances payable	22,648	21,192
Deferred revenue	690,695	537,366
Current portion of long term debt (Note 11).....	<u>235,309</u>	<u>420,818</u>
	2,028,213	2,663,008
Callable portion of long term debt (Note 11)	<u>16,519,485</u>	<u>16,424,624</u>
	18,547,698	19,087,632
DEFERRED CONTRIBUTIONS - WESTERNER		
FOUNDATION (Note 7)	7,808,140	7,963,032
CAPITAL CONTRIBUTIONS (Note 12)	<u>18,117,782</u>	<u>19,004,019</u>
TOTAL LIABILITIES	<u>44,473,620</u>	<u>46,054,683</u>
NET ASSETS		
SHARE CAPITAL (Note 13)	7,050	6,870
NET INVESTMENT IN CAPITAL ASSETS	12,681,290	13,638,952
UNRESTRICTED NET ASSETS	278,261	(469,649)
MAJOR MAINTENANCE FUND (Note 6)	<u>288,922</u>	<u>287,137</u>
	<u>13,255,523</u>	<u>13,463,310</u>
	<u>\$ 57,729,143</u>	<u>\$ 59,517,993</u>

COMMITMENTS AND CONTRACTUAL OBLIGATIONS (Note 14)

On Behalf of the Board of Directors:



President and Board Chair



Vice President

See accompanying notes to financial statements

THE WESTERNER EXPOSITION ASSOCIATION

**STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2023**

	Net Investment in Capital Assets	Unrestricted Net Assets	Major Maintenance Fund	Total 2023	Total 2022
Balance, beginning of year	\$ 13,638,952	\$ (469,649)	\$ 287,137	\$ 13,456,440	\$ 14,119,041
Deficiency of revenue over expenses	-	(207,967)	-	(207,967)	(662,601)
Amortization of capital assets	(2,496,515)	2,496,515	-	-	-
Purchase of capital assets	561,960	(561,960)	-	-	-
Capital contributions recognized (Note 12)	(561,960)	561,960	-	-	-
Amortization of capital contributions	1,372,030	(1,372,030)	-	-	-
Repayment of long term debt	166,823	(166,823)	-	-	-
Interest earned on fund	-	(1,785)	1,785	-	-
Balance, end of year	<u>\$ 12,681,290</u>	<u>\$ 278,261</u>	<u>\$ 288,922</u>	<u>\$ 13,248,473</u>	<u>\$ 13,456,440</u>

See accompanying notes to financial statements

THE WESTERNER EXPOSITION ASSOCIATION

**STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2023**

	2023	2022
REVENUE		
Commissions	\$ 1,791,520	\$ 661,643
Food and beverage	3,976,471	1,725,135
Gaming revenue	261,439	248,635
Gate/admissions	2,708,777	1,659,391
Grants and subsidies	3,215,480	3,891,437
Income from joint arrangements	716,111	723,655
Other income	462,321	407,896
Rental of facilities	3,860,339	2,337,510
Sponsorship	752,380	722,520
	<u>17,744,838</u>	<u>12,377,822</u>
EVENT EXPENSES		
Contracted services	5,335,572	3,575,754
Food and beverage	1,493,751	686,133
Marketing	306,838	141,146
Other event expenses	230,647	158,846
Tickets Alberta expense	193,505	91,401
Wages	952,531	434,141
	<u>8,512,844</u>	<u>5,087,421</u>
INCOME BEFORE NON-EVENT EXPENSES	<u>9,231,994</u>	<u>7,290,401</u>
NON-EVENT EXPENSES		
Administrative expenses	93,852	75,690
Bank charges, interest and credit machine fees	116,539	74,309
Computer services and software	241,708	233,993
Contracted services	250,794	169,630
Equipment rental and minor equipment	41,815	46,842
Insurance	319,974	339,491
Interest on long term debt	261,973	404,612
Marketing	59,465	16,053
Other	314,534	242,322
Repairs and maintenance	657,055	657,938
Salaries, wages and benefits	4,570,312	3,530,995
Supplies	145,916	103,041
Telephone and internet	59,454	86,271
Utilities	1,138,454	877,872
Volunteer expenses	31,457	26,847
	<u>8,303,302</u>	<u>6,885,906</u>
EXCESS OF REVENUE OVER EXPENSES BEFORE THE FOLLOWING NON-CASH CHARGES AND CONTRIBUTIONS	928,692	404,495
LOSS ON FOREIGN EXCHANGE	(12,174)	(14,032)
AMORTIZATION OF CAPITAL ASSETS	(2,496,515)	(2,468,447)
AMORTIZATION OF CAPITAL CONTRIBUTIONS	1,372,030	1,368,821
INCREASE IN FAIR VALUE OF INTEREST RATE SWAP CONTRACTS	-	46,562
DEFICIENCY OF REVENUE OVER EXPENSES	<u>\$ (207,967)</u>	<u>\$ (662,601)</u>

See accompanying notes to financial statements

THE WESTERNER EXPOSITION ASSOCIATION

**STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2023**

	2023	2022
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Cash received from customers	\$ 14,483,793	\$ 7,599,032
Cash received from governments	3,215,480	3,891,437
Interest income received	54,208	7,138
Cash paid for materials and services	(11,951,866)	(7,498,878)
Cash paid for salaries and benefits	(5,425,244)	(3,910,358)
	<u>376,371</u>	<u>88,371</u>
FINANCING ACTIVITIES		
Share capital issued	180	120
Repayment of interest rate swaps	-	(546,100)
Repayment of long term debt	(166,823)	(17,867,223)
Proceeds from long term debt	-	19,000,000
Foundation contributions received	31,600	7,963,032
	<u>(135,043)</u>	<u>8,549,829</u>
INVESTING ACTIVITIES		
Transfer to internally restricted reserves	(290,482)	(7,815,756)
Purchase of capital assets	(561,960)	(288,298)
Drawings from joint arrangements	686,110	539,794
	<u>(166,332)</u>	<u>(7,564,260)</u>
INCREASE IN CASH	74,996	1,073,940
CASH (BANK INDEBTEDNESS), BEGINNING OF YEAR	<u>574,211</u>	<u>(499,729)</u>
CASH, END OF YEAR	<u>\$ 649,207</u>	<u>\$ 574,211</u>
CASH COMPRISED OF:		
Cash and cash equivalents	\$ 978,139	\$ 1,017,170
Bank indebtedness	(328,932)	(442,959)
	<u>\$ 649,207</u>	<u>\$ 574,211</u>

See accompanying notes to financial statements

THE WESTERNER EXPOSITION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

1. STATUS AND PURPOSE OF THE ORGANIZATION

The Westerner Exposition Association is incorporated under the Companies Act of Alberta 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 net realizable value, 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

One-half of the normal rates are applied in the year of acquisition.

THE WESTERNER EXPOSITION ASSOCIATION**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2023****2. SIGNIFICANT ACCOUNTING POLICIES (Continued)*****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 doubtful accounts receivable, impairment of long-lived assets, the estimated useful lives of capital assets, the valuation of inventories, accrued liabilities, contingent liabilities, and estimated principal repayments of long term debt. Actual results could differ from those estimates.

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 assets measured at fair value include amounts invested in marketable securities and the Westerner Foundation Charitable Enhancement Fund.

THE WESTERN EXPOSITION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Revenues from the sales of goods and services are recognized when the goods are delivered or when the services have been rendered. Revenues from sponsorship and rental of facilities are recognized over the term of the sponsorship contract or rental contract.

3. CASH AND CASH EQUIVALENTS

Included in cash and cash equivalents is \$174,792 (2022 - \$95,693) 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

	2023	2022
Food and beverage	\$ 111,086	\$ 89,265
Liquor and beer	104,506	114,629
Disposables	67,813	30,793
Fuel	<u>13,549</u>	<u>4,012</u>
	<u>\$ 296,954</u>	<u>\$ 238,699</u>

THE WESTERNER EXPOSITION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

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.

	2023	2022
Prepaid site lease	\$ <u>36</u>	\$ <u>37</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 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 \$288,922 (2022 - \$287,137). The reserve is funded by the Major Maintenance Fund bank account balance of \$57,703 (2022 - \$55,918) and allocated cash.

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 Westerner Foundation Committee and 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 \$7,808,140 (2022 - \$7,963,032). The activities of the fund are summarized on Schedule 1.

8. INTEREST IN JOINT ARRANGEMENT

Interests in significant joint arrangements are as follows:

	2023	2022
Agri-Trade joint venture (50% interest)	\$ <u>50,000</u>	\$ <u>20,000</u>

THE WESTERN EXPOSITION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

9. CAPITAL ASSETS

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Plant facility	\$ 90,298,630	\$ 43,680,431	\$ 46,618,199	\$ 48,474,684
Equipment and vehicles	<u>7,459,890</u>	<u>6,524,221</u>	<u>935,669</u>	<u>1,013,739</u>
	<u>\$ 97,758,520</u>	<u>\$ 50,204,652</u>	<u>\$ 47,553,868</u>	<u>\$ 49,488,423</u>

10. BANK INDEBTEDNESS

The Association has a demand operating credit facility through Canadian Imperial Bank of Commerce ("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 \$328,932 (2022 - \$442,959).

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. The covenant was met at year end.

11. LONG TERM DEBT

	<u>2023</u>	<u>2022</u>
City of Red Deer demand loan repayable in annual payments equal to 50% of the Association's EBITDA up to \$1,000,000 including interest at 2.616%. The loan matures on September 29, 2051 and is secured by a general security agreement.	\$ 9,963,627	\$ 10,130,442
City of Red Deer demand loan repayable in annual payments equal to 75% of the Association's EBITDA between \$1,000,000 and \$2,000,000, plus 90% of EBITDA between \$2,000,000 and \$3,000,000, plus 100% of EBITDA in excess of \$3,000,000. No interest is being charged on the loan, which matures on September 29, 2051 and is secured by a general security agreement.	<u>6,791,167</u>	<u>6,715,000</u>
	<u>16,754,794</u>	16,845,442
Current portion of long term debt	<u>(235,309)</u>	(420,818)
Callable portion of long term debt	<u>(16,519,485)</u>	<u>(16,424,624)</u>
	<u>\$ -</u>	<u>\$ -</u>

THE WESTERNER EXPOSITION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

11. LONG TERM DEBT (Continued)

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

2024	\$ 235,309
Thereafter	<u>16,519,485</u>
	<u>\$ 16,754,794</u>

In 2021, the Association signed an agreement with the City to borrow \$19,000,000 to repay the existing debt financing with CIBC. The loan is divided into two tranches. Tranche 1 of the loan is \$10,000,000 and bears interest of 2.616% using the simple interest method. Tranche 2 of the loan is \$9,000,000 and bears no interest. The difference between the face value of Tranche 2 of the loan and its fair value of \$6,715,000 has been recognized as a capital contribution and is to be amortized over the 30 year term of the loan. The unamortized capital contribution at March 31, 2023 is \$2,208,833 (2022 - \$2,285,000). Subsequent to year end, the the City agreed to amend the loan agreement for five years, allowing payments to be deferred if the Association's current ratio falls below 1:1.

The City 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, 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>2023</u>			<u>2022</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	\$ 936,627	\$ -	\$ 19,600
Government grants	56,101,197	38,538,350	17,562,847	18,984,419
Westerner Park Foundation	<u>561,960</u>	<u>7,025</u>	<u>554,935</u>	<u>-</u>
	<u>\$ 57,599,784</u>	<u>\$ 39,482,002</u>	<u>\$ 18,117,782</u>	<u>\$ 19,004,019</u>

During the year, the Association recognized capital contributions of \$561,960 (2022 - \$2,285,000) and recorded amortization of capital contributions of \$1,372,030 (2022 - \$1,368,821).

13. SHARE CAPITAL

	<u>2023</u>	<u>2022</u>
Issued		
705 Class "A" common shares	<u>\$ 7,050</u>	<u>\$ 6,870</u>

During the year, eighteen new shares were issued.

THE WESTERNER EXPOSITION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

14. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The Association has entered into lease agreements for equipment. Minimum lease payments under these agreements are as follows:

2024	\$	41,223
2025		27,659
2026		<u>11,471</u>
	\$	<u><u>80,353</u></u>

Canadian Finals Rodeo

During the year, the Association entered into an agreement with the Canadian Professional Rodeo Association ("CPRA") to co-produce the Canadian Finals Rodeo ("CFR") event at Westerner Park for the 2023 year.

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.

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.

15. 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 \$716,111 (2022 - \$723,655).
- b) The Association recognized grants from the City of Red Deer of \$1,650,000 (2022 - \$2,350,000).

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.

In 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. A relationship framework was signed September 29, 2021 for a term of five years. Two City of Red Deer councillors have been appointed to the Association's board and the City Manager attends meetings in an advisory capacity.

THE WESTERNER EXPOSITION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

16. ECONOMIC DEPENDENCE

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 \$1,650,000 (2022 - \$2,350,000) from the City.

17. COMPARATIVE FIGURES

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

18. 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, 2023.

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 and other price 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 WESTERNER EXPOSITION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

18. FINANCIAL INSTRUMENTS (Continued)

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Association is exposed to other price risk through its investments in marketable securities and Westerner Foundation Restricted Charitable Enhancement Fund.

**THE WESTERN EXPOSITION ASSOCIATION
WESTERNER FOUNDATION - RESTRICTED CHARITABLE ENHANCEMENT FUND
SCHEDULE OF ACTIVITIES
YEAR ENDED MARCH 31, 2023**

	2023	2022
REVENUE		
Grants	\$ -	\$ 3,506,022
Donations	71,600	4,607,826
Investment income	393,174	15,686
	<u>464,774</u>	<u>8,129,534</u>
EXPENSES		
Fundraising expenses	14,119	166,502
Investment management fees	43,587	
	<u>57,706</u>	<u>166,502</u>
EXCESS OF REVENUES OVER EXPENSES BEFORE DEFERRAL ADJUSTMENT	<u>407,068</u>	<u>7,963,032</u>
LESS DEFERRED CONTRIBUTIONS	<u>(407,068)</u>	<u>(7,963,032)</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ -</u>	<u>\$ -</u>
DEFERRED CONTRIBUTIONS, BEGINNING OF YEAR	\$ 7,963,032	\$ -
NET CONTRIBUTIONS RECEIVED	407,068	7,963,032
CONTRIBUTIONS RECOGNIZED	(561,960)	-
DEFERRED CONTRIBUTIONS, END OF YEAR	<u>\$ 7,808,140</u>	<u>\$ 7,963,032</u>