

Lethbridge & District Exhibition

Financial Statements
For the year ended October 31, 2018

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For the year ended October 31, 2018

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Independent Auditor's Report

To the Members of Lethbridge & District Exhibition

We have audited the accompanying financial statements of Lethbridge & District Exhibition, which comprise the statement of financial position as at October 31, 2018, and the statements of changes in net assets, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements 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 organization's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Lethbridge & District Exhibition as at October 31, 2018, 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.

BDO Canada LLP

Chartered Professional Accountants

Lethbridge, Alberta
January 8, 2019

Lethbridge & District Exhibition Statement of Financial Position

October 31	2018	2017
Assets		
Current		
Cash (Note 2)	\$ 3,285,725	\$ 2,263,012
Accounts receivable (Note 3)	205,777	287,146
Inventory	37,227	34,663
Prepaid expenses	38,284	47,854
	3,567,013	2,632,675
Restricted cash (Note 2)	-	2,000,000
Long term-investments (Note 4)	1,988,048	-
Capital assets (Note 5)	13,783,102	14,188,817
	\$ 19,338,163	\$ 18,821,492

Liabilities and Net Assets

Current		
Accounts payable and accrued liabilities (Note 6)	\$ 257,283	\$ 295,320
Customer deposits	449,853	522,424
Current portion of long-term debt (Note 7)	311,533	311,533
Current portion of capital lease obligation (Note 8)	9,245	-
	1,027,914	1,129,277
Long-term debt (Note 7)	4,049,934	4,361,467
Capital lease obligation (Note 8)	32,450	-
Deferred revenue (Note 9)	1,032,009	-
Deferred capital contributions (Note 10)	4,729,776	5,009,863
	10,872,083	10,500,607
Net assets		
Unrestricted net assets	1,815,916	1,814,931
Investment in capital assets	4,650,164	4,505,954
Restricted net assets	2,000,000	2,000,000
	8,466,080	8,320,885
	\$ 19,338,163	\$ 18,821,492

Approved on behalf of the board:




The accompanying notes are an integral part of these financial statements.

Lethbridge & District Exhibition Statement of Changes in Net Assets

For the year ended October 31

2018

	Unrestricted net assets	Investment in capital assets	Restricted net assets	Total
Balance, beginning of year	\$ 1,814,931	\$ 4,505,954	\$ 2,000,000	\$ 8,320,885
Excess of revenue over expenses for the year	145,170	-	-	145,170
Purchase of capital assets	(400,760)	400,760	-	-
Amortization of capital assets	758,806	(758,806)	-	-
Proceeds on capital lease	48,118	(48,118)	-	-
Disposal of capital assets	47,667	(47,667)	-	-
Repayment of capital lease obligation	(6,423)	6,423	-	-
Repayment (proceeds) of long-term debt - capital assets	(311,533)	311,533	-	-
Deferred capital contributions received	69,716	(69,716)	-	-
Amortization of deferred capital contributions	(349,801)	349,801	-	-
Issue of share capital	25	-	-	25
Balance, end of year	\$ 1,815,916	\$ 4,650,164	\$ 2,000,000	\$ 8,466,080

For the year ended October 31

2017

	Unrestricted net assets	Investment in capital assets	Restricted net assets	Total
Balance, beginning of year	\$ 1,551,375	\$ 4,679,368	\$ 2,000,000	\$ 8,230,743
Excess of revenue over expenses for the year	89,942	-	-	89,942
Purchase of capital assets	(741,587)	741,587	-	-
Amortization of capital assets	700,950	(700,950)	-	-
Disposal of capital assets	40,356	(40,356)	-	-
Repayment (proceeds) of long-term debt - capital assets	242,600	(242,600)	-	-
Deferred capital contributions received	270,952	(270,952)	-	-
Amortization of deferred capital contributions	(339,857)	339,857	-	-
Issue of share capital	200	-	-	200
Balance, end of year	\$ 1,814,931	\$ 4,505,954	\$ 2,000,000	\$ 8,320,885

The accompanying notes are an integral part of these financial statements.

Lethbridge & District Exhibition Statement of Operations

For the year ended October 31	2018 Budget Note 15	2018 Actual	2017 Actual
Revenue			
Admissions	\$ 777,331	\$ 646,105	\$ 837,275
Grants and contributions	401,353	401,159	401,353
Food services and contract catering	593,621	501,170	519,014
Building, booth and other rentals	1,879,301	1,908,050	1,838,068
Sponsorship	294,013	321,210	444,067
Show revenue	250,074	256,941	262,012
Gaming	90,000	102,647	91,780
City of Lethbridge	86,900	86,900	86,900
Interest	35,000	33,874	34,873
Amortization of deferred capital contributions	349,800	349,801	339,857
	4,757,393	4,607,857	4,855,199
Expenses			
Advertising	109,285	103,403	135,703
Amortization	758,807	758,807	700,950
Bad debts (recovered)	3,000	-	(641)
Event entertainment	429,314	390,301	665,533
Food and catering supplies	229,800	178,966	171,393
Insurance	53,984	57,269	56,749
Interest and bank charges	27,000	37,659	31,981
Interest on capital lease	-	2,051	-
Office and telephone	132,932	152,081	128,853
Professional fees	14,500	12,500	12,530
Promotion	40,330	62,873	47,066
Raffle charges	-	8,846	-
Repairs and maintenance	193,536	191,994	182,949
Salaries and related benefits	2,093,298	1,899,925	1,943,283
Share of profit and loss from events	140,343	139,246	141,115
Show expenses	135,263	145,008	177,951
Travel	93,000	104,128	94,082
Utilities	250,043	212,224	256,490
Volunteer benefits	67,026	32,039	25,998
	4,771,461	4,489,320	4,771,985
Excess (deficiency) of revenue over expenses before the following items	(14,068)	118,537	83,214
Gain on sale of capital assets	-	26,633	6,728
Recognized grants in respect of new building design	-	67,991	-
Expenses related to new building design	-	(67,991)	-
Excess (deficiency) of revenue over expenses for the year	\$ (14,068)	\$ 145,170	\$ 89,942

The accompanying notes are an integral part of these financial statements.

Lethbridge & District Exhibition Statement of Cash Flows

For the year ended October 31	2018	2017
Cash flows from operating activities		
Excess of revenue over expenses for the year	\$ 145,170	\$ 89,942
Adjustments for non-cash items		
Amortization	758,807	700,950
Amortization of deferred capital contributions	(349,801)	(339,857)
Gain on sale of capital assets	(26,633)	(6,728)
	527,543	444,307
Change in non-cash working capital items		
Decrease in accounts receivable	81,369	150,441
Decrease (increase) in inventory	(2,564)	(3,778)
Decrease in prepaid expenses	9,570	10,942
Decrease in accounts payable and accrued liabilities	(38,038)	(70,792)
Decrease in customer deposits	(72,571)	(23,918)
Increase in deferred revenue	1,032,009	-
	1,537,318	507,202
Cash flows from investing activities		
Purchase of long term-investments	(1,988,048)	-
Purchase of capital assets	(400,759)	(741,587)
Proceeds on disposal of capital assets	74,300	47,084
	(2,314,507)	(694,503)
Cash flows from financing activities		
Repayment of long-term debt	(311,533)	-
Proceeds from long-term debt	-	242,600
Repayment of capital lease obligation	(6,424)	-
Proceeds from capital lease obligation	48,118	-
Deferred capital contributions	69,716	270,952
Issuance of share capital	25	200
	(200,098)	513,752
Increase (decrease) in cash during the year	(977,287)	326,451
Cash, beginning of year	4,263,012	3,936,561
Cash, end of year	\$ 3,285,725	\$ 4,263,012
Cash consists of:		
Cash	\$ 3,285,725	\$ 2,263,012
Restricted cash	-	2,000,000
	\$ 3,285,725	\$ 4,263,012

The accompanying notes are an integral part of these financial statements.

Lethbridge & District Exhibition Notes to the Financial Statements

October 31, 2018

1. **Summary of significant accounting policies**

Nature and purpose of organization Lethbridge & District Exhibition is incorporated under Part 9 of the Companies Act (Alberta) and as such, is exempt from income tax. The organization is a year round community organization supported by volunteers that promotes agriculture, trade, tourism, education, and recreation events that benefit the economy and quality of life of Southern Albertans.

Basis of accounting The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

Use of estimates The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant. Accounts specifically affected by estimates in these financial statements are capital assets.

Cash and cash equivalents Cash and cash equivalents include cash and short-term investments with maturities of three months or less from their date of acquisition, which are readily convertible into a known amount of cash, and are subject to an insignificant risk to changes in their fair value.

Inventory Inventory is valued at the lower of cost and net realizable value. Cost is determined by the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business less estimated selling costs.

Capital assets Capital assets are recorded at cost. The organization provides for amortization using the straight-line method at rates designed to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rates are as follows:

Asset	Rate
Buildings	10-35 years
Automotive	5 years
Paved surfaces	5 years
Equipment	5 years
Infrastructure	10-35 years
Asset under capital lease	5 years

Lethbridge & District Exhibition Notes to the Financial Statements

October 31, 2018

1. Summary of significant accounting policies (continued)

When the organization determined that a long-lived asset no longer has any long-term service potential to the organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Write-downs are not reversed.

Buildings and infrastructure are on land owned by the City of Lethbridge. These costs are technically leasehold improvements, but are referred to as buildings and infrastructure in these financial statements.

Deferred capital contributions

Deferred capital contributions represent the unamortized portion of contributed capital assets and restricted contributions that were used to purchase the Organization's capital assets. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized.

Revenue recognition

The organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable when the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions and interest earned on restricted contributions for the purchase of capital assets are deferred and when spent, are amortized to revenue at a rate corresponding with the amortization rate for the related capital assets.

Rental revenue is recognized monthly over the term of the lease agreement.

All other revenue is recognized when the service is preformed or the event takes place.

Contributed materials

Volunteers contribute a significant number of hours assisting the organization in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Lethbridge & District Exhibition Notes to the Financial Statements

October 31, 2018

1. Summary of significant accounting policies (continued)

Financial instruments

The organization initially measures its financial assets and liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. Amounts due to and from related parties are measured at the exchange amount, being the amount agreed up by the related parties.

The organization subsequently measures its financial assets and financial liabilities at amortized cost, except for derivatives and equity securities quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in net income.

Financial asset impairment

The organization assesses impairment of all its financial assets, except those classified as fair value through profit and loss. Management considers whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. Impairment is measured as the difference between the asset's carrying value and its fair value. Any impairment, which is not considered temporary, is included in current year earnings.

2. Cash

	2018	2017
Cash	\$ 3,285,725	\$ 2,263,012
Restricted cash	-	2,000,000
	\$ 3,285,725	\$ 4,263,012

3. Accounts receivable

	2018	2017
Trade receivables	\$ 109,632	\$ 120,366
Gaming revenue	96,145	91,780
Government of Alberta	-	75,000
	\$ 205,777	\$ 287,146

Lethbridge & District Exhibition Notes to the Financial Statements

October 31, 2018

4. Long term-investments

Long term investments are held in a Canadian Mutual Fund traded on an active market and are recorded at fair value. The mutual fund earns interest at 2%. The funds of these investments are restricted by the Board to be used to fund the restricted net assets as disclosed in Note 11.

5. Capital assets

	2018		2017	
	Cost	Accumulated Amortization	Net	Net
Land	\$ 4,679,321	\$ -	\$ 4,679,321	\$ 4,679,321
Buildings	16,752,340	11,550,162	5,202,178	5,533,157
Automotive	675,128	580,082	95,046	69,355
Paved surfaces	1,693,649	1,339,629	354,020	352,216
Equipment	1,506,184	1,235,067	271,117	187,347
Infrastructure	3,986,686	843,760	3,142,926	3,367,421
	29,293,308	15,548,700	13,744,608	14,188,817
Asset under capital lease	48,118	9,624	38,494	-
	\$ 29,341,426	\$ 15,558,324	\$ 13,783,102	\$ 14,188,817

Buildings and infrastructure are on land owned by the City of Lethbridge. These costs are technically leasehold improvements, but are referred to as buildings and infrastructure in these financial statements.

6. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances of \$31,301 (2017 - \$41,083).

7. Long-term debt

	2018	2017
City of Lethbridge		
Loan approved for a total of \$4,673,000 repayable over a 15 year period at \$25,961/month, 0% interest, and secured by collateral mortgage over buildings.	\$ 4,361,467	\$ 4,673,000
Less current portion	311,533	311,533
Long-term portion	\$ 4,049,934	\$ 4,361,467

Lethbridge & District Exhibition Notes to the Financial Statements

October 31, 2018

7. Long-term debt (continued)

Estimated principal repayments are as follows:

2019		\$	311,533
2020			311,533
2021			311,533
2022			311,533
2023			311,533
Subsequent years			<u>2,803,802</u>
		\$	<u>4,361,467</u>

8. Capital lease obligation

	<u>2018</u>		<u>2017</u>
Capital lease contract with GMC pledged as security with a carrying value of \$38,494, repayable in monthly instalments of \$770 including interest at 5.49% per annum with a maturity date of November 2020 and a buyout option of \$21,618 at maturity.	\$ 41,695	\$	-
Less current portion	<u>9,245</u>		-
Long-term portion	<u>\$ 32,450</u>	\$	-
Schedule of future minimum lease payments:			
2019	\$ 9,245		
2020	9,245		
2021	<u>27,150</u>		
Total future minimum lease payments	45,640		
Less amount representing interest at 5.49%	<u>3,945</u>		
Present value of minimum net lease payments	41,695		
Less current portion	<u>9,245</u>		
	<u>\$ 32,450</u>		

Interest charges to the accounts of the organization on the above during the year amounts to \$2,051 (2017 - \$-).

Lethbridge & District Exhibition Notes to the Financial Statements

October 31, 2018

9. Deferred revenue

	2018	2017
Balance, beginning of the year	\$ -	\$ 171,033
Contributions during the year	1,149,592	28,353
Recognized into deferred capital contributions	(49,592)	(199,386)
Recognized into operations	(67,991)	-
	\$ 1,032,009	\$ -

The remaining deferred revenue represents the unspent funds from the government of Alberta to assist with funding the development of designs for proposed new buildings. The funds are currently held in operating revenue until such time the organization secures funding for the construction of the proposed new buildings.

10. Deferred capital contributions

Deferred capital contributions represent the unamortized portion of contributions received and spent on capital projects. Changes in unamortized capital contributions are as follows:

	2018	2017
Opening balance	\$ 5,009,861	\$ 5,078,767
City of Lethbridge capital grant	-	253,826
Alberta Beverage Container Recycling Corporation	20,124	-
Government of Alberta capital grant	49,592	17,127
Amortization of external capital contributions	(349,801)	(339,857)
	\$ 4,729,776	\$ 5,009,863

11. Restricted net assets

Restricted net assets are amounts internally restricted and set aside by the organization's Board of Directors that are to be used for designated purposes. These internally restricted amounts are not available for other purposes without approval by the Board of Directors.

	2018	2017
Operating contingency	\$ 1,000,000	\$ 1,000,000
Capital asset reserve	1,000,000	1,000,000
	\$ 2,000,000	\$ 2,000,000

12. Share capital

The organization has 615 (2017 -614) shares issued and outstanding at October 31, 2018 for \$25 per share which is included in net assets. Shares are non-transferable. The amount payable to shares redeemed shall not exceed the original purchase price of share or fees paid for the share. During the year one (2017 - 8) new share was issued for \$25 consideration (2017 - \$200). Any changes in share capital are recorded as a direct change to unrestricted net assets.

Lethbridge & District Exhibition Notes to the Financial Statements

October 31, 2018

13. Related party transactions

The City of Lethbridge is a related party due to the City's ability to exercise significant influence over the operations of the organization. During the year the organization received a total of \$86,900 (2017 - \$86,900) in grant funding for operations and \$5,000 (2017 - \$66,150) for sponsorship of certain events. A total of \$nil (2017 - \$253,826) in grant funding for capital assets was received from the City. In 2018 \$nil (2017 - \$242,600) was advanced from the City through proceeds on long-term debt during the year. Repayments on long term debt commenced in November 2017 and \$311,533 was paid to the City of Lethbridge (2017 - \$nil) which decreased the long-term debt payable to the City of Lethbridge to \$4,361,467 (2017 - \$4,673,000) at year-end.

The organization rents land from the City of Lethbridge for a nominal amount per year. The organization has a lease agreement with the City of Lethbridge that is set to expire December 2024 and contains an option for a 5 year renewal until December 2029.

14. Commitments

The organization subleases certain facilities on the land to Rocky Mountain Turf Club. The sublease agreement is set to expire in May 2023 with an annual rent charge of \$275,000 plus GST per year.

15. Financial instruments risks and uncertainties

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

(a) Credit risk

The organization does have credit risk in accounts receivable of \$205,777 (2017 - \$287,146). Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The organization reduces its exposure to credit risk by performing credit valuations on a regular basis; granting credit upon a review of the credit history of the applicant and creating an allowance for bad debts when applicable. The organization maintains strict credit policies and limits in respect to counterparties. In the opinion of management the credit risk exposure to the organization is low and is not material.

(b) Liquidity risk

The organization does have a liquidity risk in the accounts payable and accrued liabilities of \$257,283 (2017 - \$295,320). Liquidity risk is the risk that the organization cannot repay its obligations when they become due to its creditors. The organization reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due; maintains an adequate line of credit to repay trade creditors and repays long term debt interest and principal as they become due. In the opinion of management the liquidity risk exposure to the organization is low and is not material.

Lethbridge & District Exhibition Notes to the Financial Statements

October 31, 2018

16. Budgeted Information

The approved budget has been modified for non-cash items not previously budgeted to conform to the presentation of these audited financial statements.

	<u>2018</u>
Approved budget	\$ 394,939
Add amortization of deferred capital contributions	349,800
Less amortization of capital assets	<u>(758,807)</u>
	<u>\$ (14,068)</u>
