

CELEBRATE. WESTERNERS. FINANCIAL STATEMENTS 2011



**Westerner Park**

*Your destination for celebration!*

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## **STATEMENT OF GOVERNANCE PRACTICES 2011**

The Board of Directors of Westerner Park is committed to the principles of strong governance. Effective governance requires sound, ethical and legal processes, direction consistent with the organization's Vision, Mission and Strategic Objectives. Adequate controls are in place to ensure appropriate guidance and protection of the organization's assets and funds provided by government, businesses and the public. The volunteer Board of Directors recognizes their governance responsibilities to all stakeholders including governments, corporate and community donors, volunteers, employees and the general public.

### **Composition of the Board of Directors**

In accordance with the Articles of Association, the Board of Directors is comprised of the following:

- Immediate Past-President;
- 12 elected Directors;
- 2 City Council Members appointed by the City of Red Deer
- 1 Red Deer County Council Member appointed by Red Deer County;
- 1 member at large appointed by the Board.

The serving Members of the Legislative Assembly (MLA) of the constituencies of Red Deer South, Red Deer North, Innisfail–Sylvan Lake and Lacombe-Ponoka and the Member of Parliament (MP) for the Red Deer constituency shall be appointed as Honorary non-voting members of the Board of Directors.

### **Mandate of the Board of Directors**

The fundamental responsibility of the Board of Directors is to oversee the management of Westerner Park to maximize the benefit to the citizens of Central Alberta in carrying out our strategies. A formal process has been established for the annual performance review of the Chief Executive Officer (CEO) / General Manager and if required, it is a task of the Board of Directors to recruit and select the CEO. Overall compensation arrangements and salary determinations for Management and staff of Westerner Park are reviewed regularly with the CEO by the Board, via the Human Resource and Compensation Committee.

As and when needed, as a formal part of its Meeting Agenda, the Board meets without the presence of Management to assess and explore issues in an impartial fashion.

Directors of Westerner Park are committed volunteers, entrusted and focused on ensuring the values of Westerner Park are maintained. They do not receive any remuneration or consideration of fees for undertaking their responsibilities and risks involved in being a Director. All Directors are unrelated to Westerner Park and are independent of Management. They are free from any interest or relationship which could indirectly interfere with their ability to act in the best interests of Westerner Park. If any potential conflicts of interest arise, they can be declared within the Board Meeting Agenda and dealt with accordingly.

## **Nomination of Directors**

High performing boards have competencies and skills in a number of different areas. To ensure this occurs for Westerner Park's Board of Directors, a "Self Assessment Questionnaire" is completed annually by each Board member. This questionnaire attempts to quantify individual knowledge and experience in a variety of areas, including Legal, Human Resources, Risk Management, Financial Literacy, Governance, Construction, Volunteer Management, Strategic Planning, Marketing, Agriculture, and Food and Beverage. All of these are important to the sustainability of Westerner Park. Together with input from Board Members and interested Shareholders, the Governance and Nominating Committee compiles a list of potential Board candidates with these required skill sets in mind.

Prior to a potential candidate committing to stand for election, they receive a "Candidate's Orientation Package" which informs them of the activities and obligations of Board membership. This includes an overview of the time commitment necessary and expected as part of a Director's role, when serving on Westerner Park's Board of Directors.

A list of potential candidates is presented to the Board of Directors for review to ensure all potential candidates meet the criteria for candidacy. Biographical information on the qualified candidates is forwarded to all Westerner Exposition Association Shareholders in the Notice of Annual General Meeting package. Following election to the Board of Directors, all new Board of Directors members are invited to attend a Board Orientation Meeting.

## **Board Effectiveness**

The Board Effectiveness Questionnaire remains an annual self-evaluation process undertaken by the Board of Directors and is an important component of effective Governance. In 2010, the Board of Directors implemented an evaluation process for Board meetings whereby one Director evaluates the Board meeting using criteria on the "Evaluation of Board as a Group" form. Information collected from both processes is reviewed by the Board during their annual retreat and assists the Board of Directors in enhancing overall Board performance.

## **Standing Board Committees**

The Board of Directors has six Standing Board Committees that assist the Board in fulfilling its mandate. Terms of Reference for Standing Board Committees are in place and reviewed at least annually. All Committees act solely in an advisory capacity to the Board of Directors, with all recommendations brought to the Board of Directors for consideration.

The six Westerner Park Standing Board Committees are:

- Finance, Investment and Audit Committee
- Governance and Nominating Committee
- Human Resources and Compensation Committee
- Planning and Development Committee
- Safety and Risk Management Committee
- Volunteer and Shareholder Relations Committee

Appropriate skills and expertise are considered in the formation of the respective Committees. Membership in all six Standing Board Committees is comprised of Directors and community members. The Chair of each Committee is a Director. To ensure continuity and to provide an opportunity for new input, term limits for the chair and members of each Committee form part of each Committee's Terms of Reference.

The Board President and CEO or Assistant General Manager serve as ex-officio members of each of the Standing Board Committees.

## **Presidents Council**

The Presidents Council is a regular Committee of Westerner Park and acts in an advisory capacity to the Board of Directors. Comprised of Past-Presidents of Westerner Park and the current Board President, the members of this Committee are valued ambassadors for Westerner Park and help facilitate ongoing dialogue and communications between the Board of Directors, Management, volunteers, Westerner Park stakeholders and the community at large.

## **Strategic Planning**

The Board of Directors has the responsibility for setting and monitoring overall strategic direction with Management. In assuming this responsibility, the Board of Directors undertake an annual strategic planning session with the senior Management team to review and approve the direction of the organization. Key objectives of the strategy are incorporated into the annual review and budget process.

In 2008, the Board of Directors introduced the Westerner Park Strategic Development Plan to shareholders and the community, which outlined an exciting and challenging phased-in capital program to meet Westerner Park's need for capital and infrastructure improvements for the next twenty to thirty years.

In 2009, the Board of Directors approved their "Vision 2015" Strategic Plan which reflects the Board of Director's planning vision for the next three years. Vision 2015 complements the Strategic Development Plan and is designed to identify priorities and responsibilities in a variety of core areas important to achieving the vision of becoming Western Canada's and Central Alberta's "Destination for Celebration".

In 2010, further strategic progress was made with the development of a Brand Strategy by our Marketing Department. This strategy identified Brand Pillars and key messages that will allow internal and external stakeholders to understand what the Westerner Park experience means. The Westerner Park Brand reflects the progressive, professional nature of our organization while still honouring our agricultural roots.

These documents are serving as valuable guideposts for the Board of Directors and are pivotal in helping shape the future direction of Westerner Park for all stakeholders. The Board is committed to moving forward with the recommendations set out in the Plans in a responsible manner, with a clear focus on financial management and enhancement of our existing facility.

## **INDEPENDENT AUDITORS' REPORT**

To the Shareholders of  
The Westerner Exposition Association  
Red Deer, Alberta

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Westerner Exposition Association, which comprise the statement of financial position as at September 30, 2011, and the statement of operations, statement of changes in net assets and statement of 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 accounting principles generally accepted in Canada, 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.

### **Auditors' 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 entity'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 entity'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 the Westerner Exposition Association as at September 30, 2011, and its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in Canada.

Red Deer, Alberta  
November 21, 2011

*Highwood Holmes & Partners LLP*

Chartered Accountants

**THE WESTERNER EXPOSITION ASSOCIATION**

**STATEMENT OF FINANCIAL POSITION  
SEPTEMBER 30, 2011**

| <b>ASSETS</b>  | <b>2011</b>                | <b>2010</b>                |
|--|----------------------------|----------------------------|
| <b>CURRENT ASSETS</b>  |                            |                            |
| Cash and cash equivalents.....                                   | \$ 908,281                 | \$ 942,870                 |
| Accounts receivable.....   | 762,691                    | 742,546                    |
| Inventories.....   | 113,028                    | 110,808                    |
| Prepaid expenses and deposits (Note 4) .....                     | <u>89,137</u>              | <u>81,176</u>              |
|  | <b>1,873,137</b>           | <b>1,877,400</b>           |
| <b>INVESTMENTS – WESTERNER PARK</b>                              |                            |                            |
| MAJOR MAINTENANCE FUND.....                                      | 377,500                    | 277,500                    |
| INVESTMENTS – RESTRICTED .....                                   | 1,775,147                  | 26,092                     |
| <b>CAPITAL ASSETS (Note 5) .....</b>                             | <b><u>37,488,508</u></b>   | <b><u>38,468,862</u></b>   |
|  | <b><u>\$41,514,292</u></b> | <b><u>\$40,649,854</u></b> |
| <b>LIABILITIES</b>   |                            |                            |
| <b>CURRENT LIABILITIES</b>                                       |                            |                            |
| Accounts payable and accrued liabilities.....                    | \$ 549,840                 | \$ 692,192                 |
| Deferred revenue and advances on future<br>events (Note 6) ..... | 734,505                    | 587,541                    |
| Demand loan (Note 3).....  | 325,000                    | 300,000                    |
| Current portion of capital lease obligation (Note 8) .....       | <u>17,461</u>              | <u>15,370</u>              |
|  | <b><u>1,626,806</u></b>    | <b><u>1,595,103</u></b>    |
| <b>EXTERNALLY RESTRICTED GOVERNMENT</b>                          |                            |                            |
| CONTRIBUTIONS (Note 7).....                                      | 1,775,147                  | 26,092                     |
| OBLIGATIONS UNDER CAPITAL LEASE (Note 8) .....                   | 30,747                     | 48,208                     |
| <b>CAPITAL CONTRIBUTIONS (Note 9) .....</b>                      | <b><u>22,883,683</u></b>   | <b><u>24,043,601</u></b>   |
|  | <b><u>24,689,577</u></b>   | <b><u>24,117,901</u></b>   |
| <b>SHARE CAPITAL (Note 10).....</b>                              | <b><u>6,230</u></b>        | <b><u>6,190</u></b>        |
| <b>NET ASSETS</b>  |                            |                            |
| <b>NET ASSETS – WESTERNER PARK</b>                               |                            |                            |
| MAJOR MAINTENANCE FUND (Note 11) .....                           | 377,500                    | 277,500                    |
| <b>NET ASSETS INVESTED IN CAPITAL ASSETS .....</b>               | <b>14,231,619</b>          | <b>14,061,684</b>          |
| <b>UNRESTRICTED NET ASSETS.....</b>                              | <b><u>582,560</u></b>      | <b><u>591,476</u></b>      |
|  | <b><u>15,191,679</u></b>   | <b><u>14,930,660</u></b>   |
|  | <b><u>\$41,514,292</u></b> | <b><u>\$40,649,854</u></b> |

**COMMITMENTS AND GUARANTEES (Note 16)**

On Behalf of the Board:



“Michael Donlevy” President



“Kent Olson” Vice-President

*See accompanying notes to the financial statements*

**THE WESTERN EXPOSITION ASSOCIATION**

**STATEMENT OF OPERATIONS  
YEAR ENDED SEPTEMBER 30, 2011**

|  | <b>2011</b>       | <b>2010</b>       |
|--|-------------------|-------------------|
| <b>REVENUES</b>  |                   |                   |
| Events - Schedule 1 .....  | \$ 1,725,363      | \$ 1,576,088      |
| Rental of facilities .....   | 3,312,020         | 3,284,791         |
| Net margin on food and beverages (Note 13) .....                   | 541,277           | 390,650           |
| Net margin on charged parking (Note 14) .....                      | 324,888           | 251,876           |
| Operating grants .....   | 100,000           | 100,000           |
| Alberta Lottery Fund (Note 15) .....                               | 256,497           | 263,500           |
| Donations .....  | -                 | 500               |
| Investment income .....  | 13,063            | 4,244             |
| Miscellaneous .....  | 191,925           | 160,169           |
|  | <u>6,465,033</u>  | <u>6,031,818</u>  |
| <b>EXPENSES</b>  |                   |                   |
| Events, direct expenses - Schedule 1 .....                         | 1,214,018         | 1,022,932         |
| Administration and grounds - Schedule 2.....                       | <u>4,446,298</u>  | <u>4,213,538</u>  |
|  | <u>5,660,316</u>  | <u>5,236,470</u>  |
| <b>EXCESS REVENUES OVER EXPENSES<br/>BEFORE AMORTIZATION</b> ..... | <u>804,717</u>    | <u>795,348</u>    |
| <b>AMORTIZATION OF CAPITAL ASSETS</b> .....                        | (1,729,306)       | (1,715,696)       |
| <b>AMORTIZATION OF CAPITAL CONTRIBUTIONS</b> .....                 | <u>1,185,608</u>  | <u>1,184,966</u>  |
|  | <u>(543,698)</u>  | <u>(530,730)</u>  |
| <b>EXCESS REVENUES OVER EXPENSES</b> .....                         | <u>\$ 261,019</u> | <u>\$ 264,618</u> |

*See accompanying notes to the financial statements*

**THE WESTERN EXPOSITION ASSOCIATION**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**YEAR ENDED SEPTEMBER 30, 2011**

2011

|  | Invested<br>In Capital<br>Assets | Major<br>Maintenance<br>Fund | Unrestricted<br>Net<br>Assets | Total                       |
|--|----------------------------------|------------------------------|-------------------------------|-----------------------------|
| Balance, beginning of year                     | \$14,061,684                     | \$ 277,500                   | \$ 591,476                    | <b>\$ 14,930,660</b>        |
| Excess revenues over expenses                  | -                                | -                            | 261,019                       | <b>261,019</b>              |
| Amortization expense, net                      | (543,698)                        | -                            | 543,698                       | -                           |
| Investment in capital assets, net              | 744,153                          | -                            | (744,153)                     | -                           |
| Demand loan to finance capital assets          | (325,000)                        | -                            | 325,000                       | -                           |
| Repayments of demand loan                      | 300,000                          | -                            | (300,000)                     | -                           |
| Proceeds of grant                              | (20,890)                         | -                            | 20,890                        | -                           |
| Repayment of capital lease obligation          | 15,370                           | -                            | (15,370)                      | -                           |
| Transferred to internally imposed restrictions | <u>-</u>                         | <u>100,000</u>               | <u>(100,000)</u>              | <u>-</u>                    |
| Balance, end of year                           | <u><b>\$14,231,619</b></u>       | <u><b>\$ 377,500</b></u>     | <u><b>\$ 582,560</b></u>      | <u><b>\$ 15,191,679</b></u> |

2010

|  | Invested<br>In Capital<br>Assets | Major<br>Maintenance<br>Fund | Unrestricted<br>Net<br>Assets | Total                       |
|--|----------------------------------|------------------------------|-------------------------------|-----------------------------|
| Balance, beginning of year                       | \$14,177,641                     | \$ 273,000                   | \$ 215,401                    | \$ 14,666,042               |
| Excess revenues over expenses                    | -                                | -                            | 264,618                       | 264,618                     |
| Amortization expense, net                        | (530,730)                        | -                            | 530,730                       | -                           |
| Investment in capital assets, net                | 778,351                          | -                            | (778,351)                     | -                           |
| Demand loan to finance capital assets            | (525,000)                        | -                            | 525,000                       | -                           |
| Repayments of demand loan                        | 225,000                          | -                            | (225,000)                     | -                           |
| Capital lease obligation                         | (72,845)                         | -                            | 72,845                        | -                           |
| Repayment of capital lease obligation            | 9,267                            | -                            | (9,267)                       | -                           |
| Transferred to internally imposed restrictions   | -                                | 100,000                      | (100,000)                     | -                           |
| Transferred from internally imposed restrictions | <u>-</u>                         | <u>(95,500)</u>              | <u>95,500</u>                 | <u>-</u>                    |
| Balance, end of year                             | <u><b>\$14,061,684</b></u>       | <u><b>\$ 277,500</b></u>     | <u><b>\$ 591,476</b></u>      | <u><b>\$ 14,930,660</b></u> |

*See accompanying notes to the financial statements*

**THE WESTERN EXPOSITION ASSOCIATION**

**STATEMENT OF CASH FLOWS  
YEAR ENDED SEPTEMBER 30, 2011**

|   | 2011                     | 2010                     |
|---|--------------------------|--------------------------|
| <b>CASH FROM OPERATING ACTIVITIES</b>                     |                          |                          |
| Excess revenues over expenses.....                        | \$ 261,019               | \$ 264,618               |
| Add (deduct) non-cash items:                              |                          |                          |
| (Gain) loss on disposal of capital assets.....            | (21,190)                 | 2,908                    |
| Amortization of capital assets.....                       | 1,729,306                | 1,715,696                |
| Amortization of capital contributions.....                | <u>(1,185,608)</u>       | <u>(1,184,966)</u>       |
|   | 783,527                  | 798,256                  |
| Net changes in non-cash working capital:                  |                          |                          |
| Accounts receivable.....                                  | (20,145)                 | 30,635                   |
| Inventories .....   | (2,220)                  | 6,463                    |
| Prepaid expenses and deposits .....                       | (7,961)                  | (13,825)                 |
| Accounts payable and accrued liabilities.....             | (25,651)                 | 154,456                  |
| Deferred revenue and advances on future events.....       | <u>146,964</u>           | <u>(41,644)</u>          |
| Net cash generated through operating activities.....      | <u>874,514</u>           | <u>934,341</u>           |
| <b>INVESTING ACTIVITIES</b>                               |                          |                          |
| Transfer to internally imposed restrictions.....          | (100,000)                | (100,000)                |
| Disposal of investments - restricted .....                | 4,800                    | 14,108                   |
| Proceeds of grant .....                                   | 20,890                   | -                        |
| Purchase of capital assets.....                           | (865,653)                | (1,505,002)              |
| Proceeds on sale of capital assets.....                   | <u>21,190</u>            | <u>115,925</u>           |
| Net cash used in investing activities.....                | <u>(918,773)</u>         | <u>(1,474,969)</u>       |
| <b>FINANCING ACTIVITIES</b>                               |                          |                          |
| Share capital issued .....                                | 40                       | 100                      |
| Repayments of capital lease .....                         | (15,370)                 | (9,267)                  |
| Proceeds of demand loan.....                              | 325,000                  | 525,000                  |
| Repayment of demand loan .....                            | <u>(300,000)</u>         | <u>(225,000)</u>         |
| Net cash generated through financing activities .....     | <u>9,670</u>             | <u>290,833</u>           |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b> .....    | <b>(34,589)</b>          | <b>(249,795)</b>         |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b> ..... | <b><u>942,870</u></b>    | <b><u>1,192,665</u></b>  |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b> .....       | <b><u>\$ 908,281</u></b> | <b><u>\$ 942,870</u></b> |

**NON-CASH TRANSACTIONS** (Note 19)  
**SUPPLEMENTARY INFORMATION** (Note 20)

*See accompanying notes to the financial statements*

# THE WESTERNER EXPOSITION ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2011

### 1. PURPOSE OF THE ORGANIZATION

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

“Westerner Park will provide premier facilities and services for trade, agriculture, sports and entertainment, conferences and meetings, generating economic benefits for Central Alberta.”

The Association is exempt from income taxes and is a registered charity under the Canadian Income Tax Act. The directors of the Association are elected volunteers who cannot be paid in any form for their services under the By-Laws of the organization. The shareholders of the Association, who are also volunteers, cannot receive any dividends, nor can shares appreciate in value. Shares cannot be sold or held by persons permanently resident outside of the Province of Alberta, nor in estates of deceased shareholders.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### *Financial Instruments*

Reporting entities must provide disclosures in the financial statements that enable users to evaluate the significance of financial instruments for the entity's financial position and the nature and extent of risk arising from those financial instruments. The Association has chosen to apply Section 3861, "Financial Instruments - Disclosures and Presentation" instead of Sections 3862 "Financial Instruments - Disclosures" and 3863, "Financial Instruments - Presentation".

- Financial assets are classified as loans and receivables, held-to-maturity, held-for trading or available-for-sale.
- Financial liabilities are classified as held-for-trading or other.

The following is a summary of the accounting model adopted by the Association:

- |  |                       |
|--|-----------------------|
| • Cash and cash equivalents                | Held for trading      |
| • Accounts receivable                      | Loans and receivables |
| • Investments – designated                 | Held for trading      |
| • Investments – restricted                 | Held for trading      |
| • Accounts payable and accrued liabilities | Other liabilities     |

The effect on the accounting model will be as follows:

- Held for trading financial assets are measured at fair value at the statement of financial position date.
- Loans and receivables are accounted for at amortized cost using the effective interest method
- Other liabilities are accounted for at amortized cost using the effective interest method.

## THE WESTERN EXPOSITION ASSOCIATION

### NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2011

#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### ***Cash and Cash Equivalents***

Cash and cash equivalents consist of cash floats, petty cash and cash held in bank accounts.

##### ***Inventories***

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

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

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

|                |   |                  |
|----------------|---|------------------|
| Plant facility | - | 2.5% (40 years)  |
| Equipment      | - | 10.0% (10 years) |

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

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

|           |   |                  |
|-----------|---|------------------|
| Equipment | - | 10.0% (10 years) |
|-----------|---|------------------|

##### ***Impairment of Long Lived Assets***

Long-lived assets, such as property, plant and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to future undiscounted cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. As at September 30, 2011, there are no events or circumstances indicating that the carrying value of long-lived assets may not be recoverable.

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

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

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

# THE WESTERN EXPOSITION ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2011

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### ***Investments***

The Association's investment in the Agri-Trade partnership and the Farm and Acreage Show partnership, in which it has significant influence, are accounted for by the equity method.

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

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

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

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

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

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

#### ***Contributed Services***

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

#### ***Estimates***

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

**THE WESTERN EXPOSITION ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**3. DEMAND LOAN**

The Association has an operating facility available in the amount of up to \$2.5 million that bears interest at the bank's prime lending rate plus 1.00% repayable in monthly instalments of \$25,000 and is secured by a general security agreement. The effective interest rate at year end is 4.00% (2010 - 4.00%). At September 30, 2011, the Association had \$325,000 (2010 - \$300,000) outstanding under the credit facility.

**4. PREPAID EXPENSES AND DEPOSITS**

|                        | 2011                    | 2010                    |
|------------------------|-------------------------|-------------------------|
| Supplies               | \$ 6,097                | \$ 6,455                |
| Insurance and licenses | 47,282                  | 46,778                  |
| Other                  | 35,710                  | 27,894                  |
| Site lease             | <u>48</u>               | <u>49</u>               |
|                        | <u><b>\$ 89,137</b></u> | <u><b>\$ 81,176</b></u> |

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

**5. CAPITAL ASSETS**

|                             | 2011                        |                             | 2010                        |                             |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Cost                        | Accumulated<br>Amortization | Net Book<br>Value           | Net Book<br>Value           |                             |
| Plant facility              | \$ 59,305,931               | \$23,172,760                | \$ 36,133,171               | \$ 37,189,713               |
| Equipment                   | <u>5,275,566</u>            | <u>3,978,505</u>            | <u>1,297,061</u>            | <u>1,213,588</u>            |
|                             | 64,581,497                  | 27,151,265                  | 37,430,232                  | 38,403,301                  |
| Assets under capital lease: |                             |                             |                             |                             |
| Equipment                   | <u>72,845</u>               | <u>14,569</u>               | <u>58,276</u>               | <u>65,561</u>               |
|                             | <u><b>\$ 64,654,342</b></u> | <u><b>\$ 27,165,834</b></u> | <u><b>\$ 37,488,508</b></u> | <u><b>\$ 38,468,862</b></u> |

**6. DEFERRED REVENUE AND ADVANCES ON FUTURE EVENTS**

|                           | 2011                     | 2010                     |
|---------------------------|--------------------------|--------------------------|
| Deferred revenue          | \$ 502,146               | \$ 396,122               |
| Advances on future events | <u>232,359</u>           | <u>191,419</u>           |
|                           | <u><b>\$ 734,505</b></u> | <u><b>\$ 587,541</b></u> |

**THE WESTERN EXPOSITION ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**7. EXTERNALLY RESTRICTED GOVERNMENT CONTRIBUTIONS**

|  | <b>2011</b>         | <b>2010</b>      |
|--|---------------------|------------------|
| Balance, beginning of year                 | \$ 26,092           | \$ 40,097        |
| Culture and Community Spirit grant         | 1,750,000           | -                |
| Investment income on grants                | 3,855               | 103              |
| Capital assets purchased                   | <u>(4,800)</u>      | <u>(14,108)</u>  |
| Balance, end of year                       | <u>\$ 1,775,147</u> | <u>\$ 26,092</u> |
| The fund consists of the following assets: |                     |                  |
| Culture and Community Spirit grant         | \$ 1,753,617        | \$ -             |
| Project Fund                               | <u>21,530</u>       | <u>26,092</u>    |
| Total                                      | <u>\$ 1,775,147</u> | <u>\$ 26,092</u> |

During fiscal 2005, the Association received a capital expansion grant from the Province of Alberta. The current funding agreement for the grant stipulates the grant must be spent on approved capital expansion and all investment income earned on any unspent portion is to accrue to the account.

During fiscal 2011, the Association received a grant from the Province of Alberta for the purpose of funding an expansion to the Centrium. The funding agreement for the grant stipulates all investment income earned on any unspent portion is to accrue to the account.

|                    | <b>2011</b>     | <b>2010</b>      |
|--------------------|-----------------|------------------|
| Communication Plan | \$ -            | \$ 10,808        |
| East End Expansion | -               | 3,300            |
| Centrium Expansion | <u>4,800</u>    | <u>-</u>         |
|                    | <u>\$ 4,800</u> | <u>\$ 14,108</u> |

The balance of the fund is held in a bank account earning interest at 1.00%.

**8. OBLIGATIONS UNDER CAPITAL LEASE**

The Association has entered into two capital leases with quarterly payments of \$2,828 and \$2,893 including interest rates of 3.24% per annum. The leases expire in March 2014. The principal and interest payments for the next five years are as follows:

| Year ending                                 | Principal        | Interest        | Total            |
|---|------------------|-----------------|------------------|
| 2012  | \$ 17,461        | \$ 5,424        | \$ 22,885        |
| 2013  | 19,838           | 3,047           | 22,885           |
| 2014  | <u>10,909</u>    | <u>533</u>      | <u>11,442</u>    |
|   | 48,208           | 9,004           | 57,212           |
| Current portion of capital lease obligation | <u>(17,461)</u>  | <u>(5,424)</u>  | <u>(22,885)</u>  |
|   | <u>\$ 30,747</u> | <u>\$ 3,580</u> | <u>\$ 34,327</u> |

**THE WESTERNER EXPOSITION ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**9. CAPITAL CONTRIBUTIONS**

|                       | 2011                               |                                 | 2010                             |                                  |
|-----------------------|------------------------------------|---------------------------------|----------------------------------|----------------------------------|
|                       | <u>Gross Capital Contributions</u> | <u>Accumulated Amortization</u> | <u>Net Capital Contributions</u> | <u>Net Capital Contributions</u> |
| Capital Contributions | <u>\$ 47,424,310</u>               | <u>\$ 24,540,627</u>            | <u>\$ 22,883,683</u>             | <u>\$ 24,043,601</u>             |

The Association has amortized and recorded \$1,185,608 (2010 - \$1,184,966) into the current years operations. During the year, \$4,800 (2010 - \$14,108) of capital contributions were added from the externally restricted government contribution as disclosed in Note 7 of these financial statements.

**10. SHARE CAPITAL**

|  | Quantity          |            | Amount                 |                 |
|--|-------------------|------------|------------------------|-----------------|
|  | 2011              | 2010       | 2011                   | 2010            |
| Authorized -<br>50,000 shares without par value,<br>maximum consideration per share \$50 |                   |            |                        |                 |
| Issued -   |                   |            |                        |                 |
| Balance, beginning of year   | <b>619</b>        | 609        | <b>\$ 6,190</b>        | \$ 6,090        |
| Issued during year   | <u>4</u>          | <u>10</u>  | <u>40</u>              | <u>100</u>      |
| Balance, end of year   | <u><b>623</b></u> | <u>619</u> | <u><b>\$ 6,230</b></u> | <u>\$ 6,190</u> |

**11. NET ASSETS – WESTERNER PARK MAJOR MAINTENANCE FUND**

The “Major Maintenance Fund” has been established for the purpose of financing future long term maintenance needs in relation to the Association’s facilities. The total amount in the “Major Maintenance Fund” is \$377,500 (2010 - \$277,500).

Interest earned on internally restricted funds has been designated to be used for operations.

# THE WESTERN EXPOSITION ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2011

### 12. FINANCIAL INSTRUMENTS

#### *Fair Value*

Financial instruments of the Association consist mainly of cash and cash equivalents, accounts receivable, investments – designated, investments – restricted, demand debt and accounts payable and accrued liabilities. There are no significant differences between the carrying values of these amounts and their estimated market value due to the short-term maturities of these instruments.

#### *Credit Risk*

The Association, in the normal course of operations, monitors the financial condition of its customers. A significant portion of the outstanding accounts receivable at September 30, 2011 is due from one customer. The Association establishes an allowance for doubtful accounts that corresponds to the credit risk of its specific customers, historical trends or economic circumstances.

The Association does not believe it is exposed to an unusual level of credit risk.

#### *Interest Rate Risk*

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

### 13. NET MARGIN ON FOOD AND BEVERAGES

|                 | 2011              | 2010              |
|-----------------|-------------------|-------------------|
| Sales           | \$ 2,541,310      | \$ 2,274,088      |
| Cost of sales   | <u>830,201</u>    | <u>791,112</u>    |
| Gross margin    | 1,711,109         | 1,482,976         |
| Direct expenses | 657,335           | 594,278           |
| Wages           | <u>512,497</u>    | <u>498,048</u>    |
| Net margin      | <u>\$ 541,277</u> | <u>\$ 390,650</u> |

Included in direct expenses is an internal rent charge of \$461,234 (2010 - \$409,236).

**THE WESTERN EXPOSITION ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**14. NET MARGIN ON CHARGED PARKING**

|            | <b>2011</b>       | <b>2010</b>       |
|------------|-------------------|-------------------|
| Sales      | \$ 459,235        | \$ 383,108        |
| Equipment  | 27,809            | 8,163             |
| Supplies   | 7,796             | 5,568             |
| Wages      | <u>98,742</u>     | <u>117,501</u>    |
| Net margin | <u>\$ 324,888</u> | <u>\$ 251,876</u> |

**15. ALBERTA LOTTERY FUND**

The Association receives funding from the Alberta Lottery Fund in accordance with the terms of an agreement with the Minister responsible for the Alberta Gaming and Liquor Commission. Under the current funding agreement, which became effective April 1, 2011 and expires on March 31, 2012, the Association will receive \$255,996 per annum of lottery funding. Current Board policy is that these lottery funds be expended exclusively for capital projects (See Schedule 3).

**16. COMMITMENTS AND GUARANTEES**

***Commitments***

The Association has entered into lease agreements for certain equipment. The minimum lease payments are as follows:

|      |                  |
|------|------------------|
| 2012 | \$ 33,733        |
| 2013 | 25,325           |
| 2014 | <u>7,224</u>     |
|      | <u>\$ 66,282</u> |

The Association approved an annual capital budget expenditure which has been determined to be \$431,700 during fiscal 2012.

***Guarantees***

The Association has agreed to indemnify its directors and officers. The Association maintains directors and officers insurance policies that provide coverage against certain claims up to a maximum of \$2 million. As at September 30, 2011, there were no claims against the Association.

## THE WESTERN EXPOSITION ASSOCIATION

### NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2011

#### 17. AGRI-TRADE PARTNERSHIP

The Association received \$148,937 (2010 - \$140,999) in facility rentals and services from the partnership of which it is a member. The Association's share of income of the partnership of \$370,827 (2010 - \$343,129) is also included in rental of facilities. The equity investment of the Association's 50% interest in the partnership of \$2,500 (2010 - \$2,500) has been included as part of accounts receivable in the financial statements.

#### 18. RELATED PARTY TRANSACTIONS

During the year, the Association entered into transactions with businesses owned by the Members of the Board of Directors and shareholders. These amounts are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

#### 19. NON-CASH TRANSACTIONS

During the year, property, plant and equipment was acquired at an aggregate cost of \$748,953, of which nil (2010 - \$72,845) was acquired by means of capital lease and \$2,195 (2010 - \$118,895) remains in accounts payable at year end. Cash of \$865,653 (2010 - \$1,600,502) was paid to purchase the property, plant and equipment.

#### 20. SUPPLEMENTARY INFORMATION

|                   | 2011             | 2010             |
|-------------------|------------------|------------------|
| Interest paid     | <u>\$ 31,711</u> | <u>\$ 23,684</u> |
| Interest received | <u>\$ 13,063</u> | <u>\$ 4,244</u>  |

#### 21. CAPITAL DISCLOSURES

The Association defines managed capital as cash and cash equivalents, designated investments and investments in capital assets. The objective of the Association is to raise funds to help facilitate future capital expansion in accordance with the Association's strategic development plan.

##### ***Investments in Capital Assets***

Investments in capital assets represent funds the Association has spent on purchasing capital assets less capital contributions received, debt associated with the acquisition of capital assets and obligations under capital lease. The Association prepares an annual capital budget that is approved by the board of directors. The current balance in the investments in capital assets is \$14,231,619 (2010 - \$14,061,684).

## THE WESTERN EXPOSITION ASSOCIATION

### NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2011

#### 21. CAPITAL DISCLOSURES (continued)

##### ***Major Maintenance Fund***

The Association maintains a Major Maintenance Fund, which has been internally restricted by the board of directors. The Major Maintenance Fund has been established for the purpose of financing future long term maintenance needs in relation to the Association's facilities. Withdrawals from the fund must be board approved.

The current balance in the Major Maintenance Fund is \$377,500 (2010 - \$277,500). These funds have been maintained in a separate bank account. Interest earned on internally restricted funds has been designated to be used for operations.

##### ***Project Fund***

The Association has received grants from the Province of Alberta. These funds have been externally restricted and must be spent on approved capital expansion and all investment income earned on any unspent portion is to accrue to the account.

The current balance in the project fund is \$21,530 (2010 - \$26,092). These funds have been maintained in a separate bank account.

##### ***Cash***

The Association will from time to time invest cash into low risk interest bearing term deposits at the board of director's discretion.

The current facilities agreement requires the Association to maintain a debt service ratio of better than 1.25:1. The Association has drawn upon the demand debt in the amount of \$325,000 (2010 - \$300,000). The Association is in compliance with the facility agreement as at September 30, 2011. There were no changes to the Association's overall capital management strategy during the year.

#### 22. COMPARATIVE FIGURES

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

**THE WESTERNER EXPOSITION ASSOCIATION**  
**SCHEDULE OF REVENUE AND DIRECT EXPENSES**  
**EVENTS**  
**YEAR ENDED SEPTEMBER 30, 2011**

|                                | 2011                     |                            |                          |
|--------------------------------|--------------------------|----------------------------|--------------------------|
|                                | <u>Gross<br/>Revenue</u> | <u>Direct<br/>Expenses</u> | <u>Income<br/>(Loss)</u> |
| Westerner Days.....            | \$ 1,647,427             | \$ 1,130,862               | \$ 516,565               |
| Westerner Dairy Showcase ..... | 47,061                   | 57,392                     | (10,331)                 |
| Christmas Bazaar .....         | <u>30,875</u>            | <u>25,764</u>              | <u>5,111</u>             |
|                                | <u>\$ 1,725,363</u>      | <u>\$ 1,214,018</u>        | <u>\$ 511,345</u>        |
|                                | 2010                     |                            |                          |
|                                | <u>Gross<br/>Revenue</u> | <u>Direct<br/>Expenses</u> | <u>Income<br/>(Loss)</u> |
| Westerner Days.....            | \$ 1,507,963             | \$ 964,087                 | \$ 543,876               |
| Westerner Dairy Showcase ..... | 46,591                   | 43,984                     | 2,607                    |
| Christmas Bazaar .....         | <u>21,534</u>            | <u>14,861</u>              | <u>6,673</u>             |
|                                | <u>\$ 1,576,088</u>      | <u>\$ 1,022,932</u>        | <u>\$ 553,156</u>        |

**THE WESTERNER EXPOSITION ASSOCIATION**  
**SCHEDULE OF ADMINISTRATION AND GROUNDS EXPENSES**  
**YEAR ENDED SEPTEMBER 30, 2011**

|  | 2011                       | 2010                       |
|--|----------------------------|----------------------------|
| Advertising and co-sponsorships.....   | \$ 67,179                  | \$ 84,691                  |
| Equipment rental.....                  | 20,722                     | 53,813                     |
| Fuel and oil .....                     | 41,165                     | 34,075                     |
| Garbage disposal.....                  | 54,327                     | 53,117                     |
| Insurance, licenses and dues .....     | 115,612                    | 114,830                    |
| Interest and bank charges .....        | 27,989                     | 21,509                     |
| Interest on long term debt .....       | 3,722                      | 2,175                      |
| Meetings and receptions.....           | 32,923                     | 39,076                     |
| Miscellaneous .....                    | 11,912                     | 23,080                     |
| Printing, stationery and postage ..... | 39,249                     | 65,146                     |
| Professional fees .....                | 24,500                     | 24,000                     |
| Repairs and maintenance.....           | 573,449                    | 546,047                    |
| Salaries, wages and benefits.....      | 2,531,452                  | 2,348,101                  |
| Supplies .....                         | 84,740                     | 85,960                     |
| Telephone .....                        | 39,047                     | 37,965                     |
| Travel.....                            | 8,453                      | 14,916                     |
| Utilities .....                        | <u>769,857</u>             | <u>665,037</u>             |
|  | <b><u>\$ 4,446,298</u></b> | <b><u>\$ 4,213,538</u></b> |

**THE WESTERNER EXPOSITION ASSOCIATION**

**SCHEDULE OF FACILITY IMPROVEMENTS  
YEAR ENDED SEPTEMBER 30, 2011**

|  | 2011              | 2010              |
|--|-------------------|-------------------|
| <b>FACILITY IMPROVEMENTS</b>             |                   |                   |
| Centrium and Parkland Pavilion .....     | \$ 70,085         | \$ 111,487        |
| Office and administration building ..... | 7,760             | 39,521            |
| Paving and curbing .....                 | 319,064           | 157,922           |
| Grounds .....                            | 29,196            | 339,596           |
| Fencing .....                            | -                 | 5,070             |
| East end expansion .....                 | -                 | 3,300             |
|  | <u>426,105</u>    | <u>656,896</u>    |
| <b>EQUIPMENT</b>                         |                   |                   |
| Plant .....                              | 105,596           | 85,684            |
| Automotive .....                         | 80,208            | 149,599           |
| Concession .....                         | 39,303            | 795               |
| Office .....                             | 97,741            | 18,317            |
|  | <u>\$ 748,953</u> | <u>\$ 911,291</u> |
| <b>FUNDING OF FACILITY IMPROVEMENTS</b>  |                   |                   |
| Alberta Lottery Fund (Note 15) .....     | \$ 256,497        | \$ 263,500        |
| Province of Alberta (Note 7) .....       | 4,800             | 14,108            |
| Operating funds .....                    | 466,466           | 422,258           |
| Designated investment funds .....        | -                 | 95,500            |
| Proceeds on sale of capital assets ..... | 21,190            | 115,925           |
|  | <u>\$ 748,953</u> | <u>\$ 911,291</u> |

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