

Caledonia Agricultural Society

Financial Statements

December 31, 2023



January 25, 2024

Independent Auditor's Report

To the Directors of Caledonia Agricultural Society

Qualified Opinion

We have audited the financial statements of Caledonia Agricultural Society (the "Organization"), which comprise the statement of financial position as at December 31, 2023, and the statements of operations and changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2023, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to revenues, excess (deficiency) of revenues over expenditures reported in the statement of operations and changes in net assets, and current assets and net assets reported in the statement of financial position.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization 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 qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

PETTINELLI MASTROLUISI LLP

CHARTERED PROFESSIONAL ACCOUNTANTS



Independent Auditor's Report, continued

Auditor's 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 auditor's 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 Organization'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 Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 auditor's report. However, future events or conditions may cause the Organization 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.

Pettinelli Martelucci LLP

Chartered Professional Accountants
Licensed Public Accountants

Hamilton, Ontario

Caledonia Agricultural Society

Statement of Financial Position

	December 31	
	2023	2022
Assets		
Current assets		
Cash	\$ 301,872	\$ 358,312
Short-term investments (Note 2)	250,000	193,989
Accounts receivable	1,079	1,166
Interest receivable	1,367	297
Inventory	6,159	-
Prepaid expenses	-	500
	<u>560,477</u>	<u>554,264</u>
Building and equipment (Note 3)	<u>5,850,768</u>	<u>6,201,384</u>
	<u>\$ 6,411,245</u>	<u>\$ 6,755,648</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 4)	\$ 39,098	\$ 39,381
Deposits	35,595	22,609
Demand loan (Note 6)	3,051,429	3,211,935
Current portion of loans payable (Note 7)	75,000	25,000
Canada Emergency Business Account loan payable	-	40,000
	<u>3,201,122</u>	<u>3,338,925</u>
Loans payable (Note 7)	-	150,000
Deferred capital contributions (Note 8)	<u>3,089,620</u>	<u>3,094,655</u>
	<u>6,290,742</u>	<u>6,583,580</u>
Unrestricted net assets	<u>120,503</u>	<u>172,068</u>
	<u>\$ 6,411,245</u>	<u>\$ 6,755,648</u>

See accompanying notes to the financial statements.

APPROVED BY THE BOARD:

 Director

 Director

Caledonia Agricultural Society

Statement of Operations and Changes in Net Assets

	Year ended December 31	
	2023	2022
Revenues		
Admissions	\$ 239,200	\$ 253,635
Donations	195,821	155,670
Rental income	182,152	145,821
Concessions	134,031	132,798
Catering	125,249	91,577
Fundraisers	116,925	165,117
Grants	30,517	81,147
Lottery and other income	26,728	12,566
Interest income	17,903	9,503
Membership and entry fees	2,020	2,565
	<u>1,070,546</u>	<u>1,050,399</u>
Expenditures		
Employee wages	202,455	171,090
Interest on long-term debt	138,181	161,156
Repairs and maintenance	107,907	65,460
Telephone and utilities	82,717	46,735
Fundraisers	81,514	80,847
Catering	56,022	40,107
Entertainment	49,662	51,297
Office and supplies	42,866	31,620
Advertising and promotion	31,093	29,097
Prizes	22,808	27,502
Insurance	22,132	16,471
Rentals	17,947	18,735
Interest and bank charges	16,273	13,944
Professional fees	17,537	20,951
Volunteering	10,238	11,146
Agricultural education	6,068	5,271
Judges and licenses	5,628	4,517
Affiliation Fees	2,901	2,145
Security	2,871	3,885
4-H program	-	164
	<u>916,820</u>	<u>802,140</u>
Excess of revenues over expenditures from operations	<u>153,726</u>	<u>248,259</u>
Other income (expense)		
Amortization of deferred capital contributions	206,235	199,743
Government assistance	-	7,202
Amortization of building and equipment	(411,526)	(404,496)
	<u>(205,291)</u>	<u>(197,551)</u>
Excess (deficiency) of revenues over expenditures for the year	<u>(51,565)</u>	<u>50,708</u>
Net assets at beginning of the year	<u>172,068</u>	<u>121,360</u>
Net assets at end of the year	<u>\$ 120,503</u>	<u>\$ 172,068</u>

See accompanying notes to the financial statements.

Caledonia Agricultural Society

Statement of Cash Flows

	Year ended December 31	
	2023	2022
Cash flows from (used in) operating activities		
Excess (deficiency) of revenues over expenditures for the year	\$ (51,565)	\$ 50,708
Items not involving cash		
Amortization of building and equipment	411,526	404,496
Amortization of deferred capital contributions	(206,235)	(199,743)
	<u>153,726</u>	<u>255,461</u>
Net change in non-cash working capital balances relating to operations		
Decrease in accounts receivable	87	2,285
Increase in interest receivable	(1,070)	-
Increase in inventory	(6,159)	-
Decrease in prepaid expenses	500	4,856
Decrease in accounts payable and accrued liabilities	(283)	(703)
Decrease in unearned revenue	-	(2,006)
Increase in deposits	12,986	11,077
	<u>6,061</u>	<u>15,509</u>
	<u>159,787</u>	<u>270,970</u>
Cash flows from (used in) investing activities		
Purchase of short-term investments	(56,011)	(1,917)
Purchase of building additions and equipment	(60,910)	(150,676)
	<u>(116,921)</u>	<u>(152,593)</u>
Cash flows from (used in) financing activities		
Repayment of construction loan payable	-	(3,648,950)
Repayment of loans payable	(100,000)	(35,000)
Repayment of Canada Emergency Business Account loan	(40,000)	-
Proceeds of demand loan	-	3,623,950
Repayment of demand loan	(160,506)	(412,015)
Proceeds of deferred capital contributions	201,200	194,200
	<u>(99,306)</u>	<u>(277,815)</u>
Net decrease in cash during the year	(56,440)	(159,438)
Cash at beginning of the year	<u>358,312</u>	<u>517,750</u>
Cash at end of the year	<u>\$ 301,872</u>	<u>\$ 358,312</u>

See accompanying notes to the financial statements.

Caledonia Agricultural Society

Notes to Financial Statements

December 31, 2023

Nature of operations

Caledonia Agricultural Society (the "Organization") was established to provide a venue to educate, entertain, enrich the agricultural experience and showcase accomplishments and opportunities. The Organization was incorporated by Letters Patent in 1873 as a corporation without share capital under the Laws of Ontario and is exempt from income taxes. The Organization became a registered charity on January 1, 2018.

1. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations as found in Part III of the CPA Canada Handbook. The Organization's significant accounting policies are detailed as follows:

Cash

Cash consists of balances with financial institutions, net of any outstanding cheques and deposits.

Short-term investments

Short-term investments are recorded at fair market value.

Inventory

Inventory is comprised of branded souvenir items and apparel. Inventory is measured at lower of cost and net realizable value with cost being determined using the purchase cost method.

Building and equipment

Building and equipment are recorded at cost. The Organization provides for amortization using the following methods at rates designed to amortize the cost of the building and equipment over their estimated useful lives. The annual amortization rates and methods are as follows:

Building	20 Years straight-line
Equipment	20% Declining balance
Furniture and fixtures	20% Declining balance
Computer equipment	30% Declining balance

Expenditures for repairs and maintenance are charged to excess (deficiency) of revenues over expenditures as incurred.

Caledonia Agricultural Society

Notes to Financial Statements

December 31, 2023

1. Significant accounting policies, continued

Impairment of long-lived assets

Long-lived assets, which comprise building and equipment, are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected undiscounted future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent carrying value exceeds its fair value.

Contributed materials and services

The work of the Organization is dependent on the voluntary service of many individuals. Due to the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Contributed materials are only recognized when the asset is used in the normal course of the Organization's operations, would otherwise have been purchased, and the fair value can be reasonably estimated.

Revenue recognition

The Organization follows the deferral method of accounting for contributions which includes donations and grants.

Funding from the provincial and local governments and other charitable organizations is recognized as revenue in the year which the related expenditures are incurred. Any unearned portion is included in deferred contributions in the statement of financial position.

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.

Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Contributions restricted for the purchase of building and equipment are deferred and amortized into excess (deficiency) of revenues over expenditures at a rate consistent with the amortization rate of the related building and equipment.

Revenue derived from concessions, rentals or other provided services is recognized when the services are provided and collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the established consideration is fixed and determinable.

Caledonia Agricultural Society

Notes to Financial Statements

December 31, 2023

1. Significant accounting policies, continued

Government assistance

Government assistance received or receivable for non-capital expenditures of the current period have been accounted for in the excess (deficiency) of revenues over expenditures. Government assistance received related to expenditures of future periods is initially deferred and subsequently recognized to the excess (deficiency) of revenues over expenditures as eligible expenditures are incurred.

Government assistance in the form of a forgivable loan is recognized when the Organization becomes entitled to receive it and not at the time such loans are forgiven, subject to recognition considerations as to the purpose of the loan.

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 and disclosure of contingent assets and liabilities at the statement of financial position date and the reported amounts of revenues and expenditures during the year. Actual results could differ from those estimates.

Caledonia Agricultural Society

Notes to Financial Statements

December 31, 2023

1. Significant accounting policies, continued

Financial Instruments

(i) Measurement of financial instruments

The Organization initially measures its financial assets and liabilities originated or exchanged in arm's length transactions at fair value. Financial assets and liabilities originated and exchanged in related party transactions, except for those that involve parties whose sole relationship with the Organization is in the capacity of management, are initially measured at cost. The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms. The cost of a financial asset or liability in a related party transaction that has repayment terms is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. When the financial instrument does not have repayment terms, its cost is determined using the consideration transferred or received by the Organization in the transaction.

The Organization subsequently measures all its financial assets and liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in excess of revenues over expenses in the period incurred. The Organization has not designated any financial asset or liability to be measured at fair value.

Financial assets measured at amortized cost include cash, accounts receivable and interest receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, demand loan, Canada Emergency Business Account loan payable and loans payable.

(ii) Impairment

For financial assets measured at cost or amortized cost, the Organization determines whether there are indications of possible impairment. When there is an indication of impairment, and the Organization determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in the excess (deficiency) of revenues over expenditures. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the excess (deficiency) of revenues over expenditures.

Caledonia Agricultural Society

Notes to Financial Statements

December 31, 2023

1. Significant accounting policies, continued

Financial Instruments, continued

(iii) Transaction costs

Transaction costs related to financial instruments that will be subsequently measured at fair value are recognized in the excess (deficiency) of revenues over expenditures in the period incurred. Transaction costs related to financial instruments subsequently measured at amortized cost are included in the original cost of the asset or liability and recognized in the excess (deficiency) of revenues over expenditures over the life of the instrument using the straight-line method.

2. Short-term investments

Short-term investments consists of guaranteed investment certificates (GICs) with the following terms:

	December 31	
	2023	2022
Libro Credit Union, Sub 24 at 5.15%, matures November 2024	\$ 100,000	\$ -
Libro Credit Union, Sub 25 at 5.15%, matures November 2025	100,000	-
Libro Credit Union, Sub 26 at 3.75%, matures November 2024	50,000	-
Libro Credit Union, Sub 16 at 4.25%, matured October 2023	-	82,567
Libro Credit Union, Sub 17 at 4.25%, matured November 2023	-	18,556
Libro Credit Union, Sub 18 at 4.25%, matured November 2023	-	50,525
Libro Credit Union, Sub 19 at 4.40%, matured November 2023	-	2,021
Libro Credit Union, Sub 20 at 1.35%, matured March 2023	-	40,320
	<u>\$ 250,000</u>	<u>\$ 193,989</u>

3. Building and equipment

	December 31			
	Cost	Accumulated Amortization	2023 Net Book Value	2022 Net Book Value
Building	\$ 7,169,402	\$ 1,544,785	\$ 5,624,617	\$ 5,983,088
Equipment	193,637	75,352	118,285	119,689
Furniture and fixtures	115,065	40,733	74,332	75,974
Computer equipment	57,784	24,250	33,534	22,633
	<u>\$ 7,535,888</u>	<u>\$ 1,685,120</u>	<u>\$ 5,850,768</u>	<u>\$ 6,201,384</u>

Caledonia Agricultural Society

Notes to Financial Statements

December 31, 2023

4. Accounts payable and accrued liabilities

Government remittances consist of amounts (such as sales taxes payable, payroll taxes and workers' safety insurance premiums) that are required to be paid to government authorities and are recognized when the amount becomes due. Accounts payable and accrued liabilities include government remittances totaling \$4,173 (2022 - \$12,738).

5. Deferred contributions

Deferred contributions relates to expenditures of future periods and is comprised of unspent externally restricted grants for specific purposes. The change in the deferred contributions balance is as follows:

	December 31	
	2023	2022
Balance at beginning of year	\$ -	\$ 2,006
Add: Grants received and deferred	127,626	112,825
Less: Grants recognized as revenue	(30,426)	(54,831)
Less: Amounts transferred to deferred capital contributions (Note 8)	<u>(97,200)</u>	<u>(60,000)</u>
Balance at end of year	<u>\$ -</u>	<u>\$ -</u>

Caledonia Agricultural Society

Notes to Financial Statements

December 31, 2023

6. Demand loan

	December 31 2023	2022
Libro Credit Union demand loan, bearing interest at a fixed rate of 4.25%, repayable in blended monthly payments of \$22,370 as to principal plus interest, maturing June 2027	\$ 3,051,429	\$ 3,211,935

The demand loan is secured by the following:

- (i) A first collateral charge against the lands and premises located at 151 Cathness St. E, Caledonia, ON (the "Existing Property") in the amount of \$4,000,000.
- (ii) A first loss payee or first mortgagee on the fire insurance policy over the Existing Property.
- (iii) A general security agreement constituting a first ranking interest in all personal property.

Under the terms of the demand loan with Libro Credit Union, the Organization is required to meet certain financial covenants. As at December 31, 2023 the Organization was in compliance with these financial covenants.

Estimated principal repayments are as follows:

2024	\$ 141,000
2025	148,000
2026	154,000
2027	<u>2,608,429</u>
	<u>\$ 3,051,429</u>

Caledonia Agricultural Society

Notes to Financial Statements

December 31, 2023

7. Loans payable

	December 31	
	2023	2022
Private loan - Bearing interest at 4.25%, repayable in annual interest only payments until maturity in July 2024 and is not secured	\$ 50,000	\$ 50,000
Private loan - Bearing interest at 4.25%, repayable in annual interest only payments until maturity in July 2024 and is not secured	25,000	25,000
Related party loan from a Board Member - Repaid during the year	-	75,000
Private loan - Repaid during the year	<u>-</u>	<u>25,000</u>
	75,000	175,000
Less: Current portion	<u>(75,000)</u>	<u>(25,000)</u>
	<u>\$ -</u>	<u>\$ 150,000</u>

8. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of grants and donations received for the purchase and construction of capital assets. Deferred capital contributions are recognized as revenue on the same basis as the corresponding capital asset that is being amortized. The change in the balance of deferred capital contributions is as follows:

	December 31	
	2023	2022
Balance at beginning of year	\$ 3,094,655	\$ 3,100,198
Add: Capital contributions received in the year	104,000	134,200
Add: Amounts transferred from deferred contributions (Note 5)	97,200	60,000
Less: Amortization of deferred capital contributions	<u>(206,235)</u>	<u>(199,743)</u>
Balance at end of year	<u>\$ 3,089,620</u>	<u>\$ 3,094,655</u>

Caledonia Agricultural Society

Notes to Financial Statements

December 31, 2023

9. Credit facility

The Organization has an authorized operating line of credit with its primary lender. The operating line of credit is authorized to a maximum of \$60,000 and bears interest at prime (7.20% at December 31, 2023) plus 1.40% per annum. As at December 31, 2023, the balance outstanding on the line of credit was \$Nil (2022 - \$Nil).

10. Financial instruments

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. It is management's opinion that the Organization is not exposed to significant foreign exchange, credit, currency, market, price or concentration risk.

(a) Liquidity risk

The Organization does have a liquidity risk in its current liabilities of \$3,201,122 (2022 - \$3,338,925). 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 a line of credit to repay trade creditors and repays loan interest and principal as they become due.

(b) Interest rate risk

The Organization is exposed to interest rate risk as a result of utilizing certain credit facilities which are linked to fixed and floating interest rates. Interest rate risk is the risk that the Organization has interest rate exposure on facilities which are based on the bank's prime rates. Fixed interest rate instruments subject the Organization to a fair value risk, since fair value fluctuates inversely to changes in market interest rates. Floating interest rate financial instruments subject the Organization to changes in future cash flows. This exposure may have an effect on its earnings in future periods. The Organization reduces its exposure to interest rate risk by regularly monitoring published bank prime interest rates. Management does not deem its risk associated with interest rates to be significant.