

Caledonia Agricultural Society

Financial Statements

December 31, 2022



January 26, 2023

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, 2022, 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, 2022, 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.

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 Mastrolia LLP

Caledonia Agricultural Society

Statement of Financial Position

	December 31	
	2022	2021
Assets		
Current assets		
Cash	\$ 358,312	\$ 517,750
Short-term investments (Note 2)	193,989	192,072
Accounts receivable	1,166	3,451
Interest receivable	297	297
Prepaid expenses	500	5,356
	554,264	718,926
Building and equipment (Note 3)	6,201,384	6,455,204
	<u>\$ 6,755,648</u>	<u>\$ 7,174,130</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 4)	\$ 39,381	\$ 40,084
Deferred contributions (Note 5)	-	2,006
Deposits	22,609	11,532
Construction loan payable (Note 6)	-	3,648,950
Demand loan (Note 7)	3,211,935	-
Current portion of loans payable (Note 8)	25,000	10,000
Canada Emergency Business Account loan payable (Note 9)	40,000	-
	3,338,925	3,712,572
Loans payable (Note 8)	150,000	200,000
Canada Emergency Business Account loan payable (Note 9)	-	40,000
Deferred capital contributions (Note 10)	3,094,655	3,100,198
	6,583,580	7,052,770
Unrestricted net assets	<u>172,068</u>	<u>121,360</u>
	<u>\$ 6,755,648</u>	<u>\$ 7,174,130</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	
	2022	2021
Revenues		
Admissions	\$ 253,635	\$ 183,454
Fundraisers	165,117	37,484
Donations	155,670	63,355
Rental income	145,821	100,146
Concessions	132,798	100,589
Catering	91,577	71,696
Grants	81,147	122,617
Other income	12,566	11,077
Interest income	9,503	2,576
Membership and entry fees	2,565	2,958
	<u>1,050,399</u>	<u>695,952</u>
Expenditures		
Employee wages	171,090	131,912
Interest on long-term debt	161,156	151,995
Fundraisers	80,847	9,020
Repairs and maintenance	65,460	47,457
Entertainment	51,297	32,109
Telephone and utilities	46,735	43,410
Catering	40,107	37,319
Office and supplies	31,620	39,710
Advertising and promotion	29,097	14,120
Prizes	27,502	26,944
Professional fees	20,951	8,225
Rentals	18,735	17,443
Insurance	16,471	23,033
Interest and bank charges	13,944	8,808
Volunteering	11,146	4,141
Agricultural education	5,271	1,898
Judges and licenses	4,517	2,288
Security	3,885	8,354
Affiliation fees	2,145	1,396
4-H program	164	276
	<u>802,140</u>	<u>609,858</u>
Excess of revenues over expenditures from operations	<u>248,259</u>	<u>86,094</u>
Other income (expense)		
Amortization of deferred capital contributions	199,743	175,676
Government assistance (Note 11)	7,202	73,932
Proceeds of insurance	-	15,000
Amortization of building and equipment	(404,496)	(384,338)
	<u>(197,551)</u>	<u>(119,730)</u>
Excess (deficiency) of revenues over expenditures for the year	50,708	(33,636)
Unrestricted net assets at beginning of the year	121,360	154,996
Unrestricted net assets at end of the year	<u>\$ 172,068</u>	<u>\$ 121,360</u>

See accompanying notes to the financial statements.

Caledonia Agricultural Society

Statement of Cash Flows

	Year ended December 31	
	2022	2021
Cash flows from (used in) operating activities		
Excess (deficiency) of revenues over expenditures for the year	\$ 50,708	\$ (33,636)
Items not involving cash		
Amortization of building and equipment	404,496	384,338
Amortization of deferred capital contributions	(199,743)	(175,676)
Forgivable portion of Canada Emergency Business Account loan	-	(20,000)
	<u>255,461</u>	<u>155,026</u>
Net change in non-cash working capital balances relating to operations		
Decrease (increase) in accounts receivable	2,285	(1,601)
Decrease in prepaid expenses	4,856	3,812
Decrease in sales tax recoverable	-	6,403
Decrease in accounts payable and accrued liabilities	(703)	(51,060)
Decrease in deferred contributions	(2,006)	(39,594)
Increase (decrease) in deposits	<u>11,077</u>	<u>(7,578)</u>
	<u>15,509</u>	<u>(89,618)</u>
	<u>270,970</u>	<u>65,408</u>
Cash flows from (used in) investing activities		
Purchase of short-term investments	(1,917)	(41,218)
Purchase of building additions and equipment	<u>(150,676)</u>	<u>(197,838)</u>
	<u>(152,593)</u>	<u>(239,056)</u>
Cash flows from (used in) financing activities		
Repayment of construction loan payable	(3,648,950)	(1,050)
Proceeds of demand loan	3,623,950	-
Repayment of demand loan	(412,015)	-
Repayment of loans payable	(35,000)	(100,000)
Proceeds of Canada Emergency Business Account loan	-	60,000
Proceeds of deferred capital contributions	<u>194,200</u>	<u>358,539</u>
	<u>(277,815)</u>	<u>317,489</u>
Net (decrease) increase in cash during the year	(159,438)	143,841
Cash at beginning of the year	<u>517,750</u>	<u>373,909</u>
Cash at end of the year	<u>\$ 358,312</u>	<u>\$ 517,750</u>

See accompanying notes to the financial statements.

Caledonia Agricultural Society

Notes to Financial Statements

December 31, 2022

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.

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.

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.

Caledonia Agricultural Society

Notes to Financial Statements

December 31, 2022

1. Significant accounting policies, continued

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.

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, 2022

1. Significant accounting policies, continued

Financial Instruments

(i) Measurement of financial instruments

The Organization initially measures its financial assets and liabilities at fair value. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. Changes in fair value are recognized in the excess (deficiency) of revenues over expenditures in the period incurred. The Organization has not elected to carry any such financial instrument at fair value.

(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.

(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.

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Notes to Financial Statements

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2. Short-term investments

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

	December 31	
	2022	2021
Libro Credit Union, Sub 16 at 4.25%, matures October 2023	\$ 82,567	\$ 81,709
Libro Credit Union, Sub 17 at 4.25%, matures November 2023	18,556	18,363
Libro Credit Union, Sub 18 at 4.25%, matures November 2023	50,525	50,000
Libro Credit Union, Sub 19 at 4.40%, matures November 2023	2,021	2,000
Libro Credit Union, Sub 20 at 1.35%, matures March 2023	<u>40,320</u>	<u>40,000</u>
	<u>\$ 193,989</u>	<u>\$ 192,072</u>

3. Building and equipment

	December 31			
	Cost	Accumulated Amortization	2022 Net Book Value	2021 Net Book Value
Building	\$ 7,169,402	\$ 1,186,314	\$ 5,983,088	\$ 6,275,285
Equipment	168,599	48,910	119,689	80,457
Furniture and fixtures	100,006	24,032	75,974	70,154
Computer equipment	<u>36,971</u>	<u>14,338</u>	<u>22,633</u>	<u>29,308</u>
	<u>\$ 7,474,978</u>	<u>\$ 1,273,594</u>	<u>\$ 6,201,384</u>	<u>\$ 6,455,204</u>

4. Accounts payable and accrued liabilities

Government remittances consist of amounts (such as payroll taxes, health 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 \$12,738 (2021 - \$13,075).

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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	
	2022	2021
Balance at beginning of year	\$ 2,006	\$ 41,600
Add: Grants received and deferred	112,825	45,416
Less: Grants recognized as revenue	(54,831)	(43,410)
Less: Amounts transferred to deferred capital contributions (Note 10)	<u>(60,000)</u>	<u>(41,600)</u>
Balance at end of year	<u>\$ -</u>	<u>\$ 2,006</u>

6. Construction loan payable

The Organization had a commercial term loan authorized to a maximum of \$3,900,000, of which \$Nil (2021 - \$3,648,950) was utilized at year end. The term loan was repayable in monthly interest only payments until it matured on April 30, 2022. The term loan bore interest at prime (3.20% at April 30, 2022) plus 1.50% per annum.

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7. Demand loan

	December 31	
	2022	2021
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	\$ 3,211,935	\$ -

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, 2022 the Organization was in compliance with these financial covenants.

Estimated principal repayments are as follows:

2023	\$ 137,000
2024	140,500
2025	146,500
2026	152,900
2027	<u>2,635,035</u>
	<u>\$ 3,211,935</u>

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Notes to Financial Statements

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8. Loans payable

	December 31	
	2022	2021
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 4.00%, repayable in annual interest only payments until maturity in August 2023 and is not secured	25,000	25,000
Related party loan from a Board Member - Bearing interest at 4.25%, repayable in annual interest only payments until maturity in July 2024 and is not secured	75,000	75,000
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
Private loan - Repaid during the year	-	10,000
Related party loan from a Board Member - Repaid during the year	<u>-</u>	<u>25,000</u>
	175,000	210,000
Less: Current portion	<u>(25,000)</u>	<u>(10,000)</u>
	<u>\$ 150,000</u>	<u>\$ 200,000</u>
Principal repayments until maturity are as follows:		
2023	\$ 25,000	
2024	<u>150,000</u>	
	<u>\$ 175,000</u>	

Caledonia Agricultural Society

Notes to Financial Statements

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9. Canada Emergency Business Account loan payable

In the prior year, the Organization successfully applied for the Canada Emergency Business Account ("CEBA") loan and loan expansion. This facility was available to eligible businesses as part of the Government of Canada's COVID-19 economic relief plan to assist with the Organization's operating costs during the COVID-19 pandemic.

The CEBA loan offers successful applicants a \$60,000 interest free credit facility with no required terms of repayment until December 31, 2023, at which time up to \$20,000 will be forgiven on the condition that the balance has been fully repaid. If the facility is not repaid by the specified date it will be converted into a 5.00% non-revolving term loan maturing on December 31, 2025.

The CEBA loan is subject to review by the Government of Canada and its related authorities. Any resulting adjustments or required repayments that may result from the Government of Canada's review will be reflected in the year of settlement.

As of December 31, 2022, the balance of the CEBA loan is comprised as follows:

	December 31	
	2022	2021
Canada Emergency Business Account loan received	\$ 60,000	\$ 60,000
Less: Forgivable portion	<u>(20,000)</u>	<u>(20,000)</u>
	40,000	40,000
Less: Current portion	<u>(40,000)</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 40,000</u>

10. 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 is being amortized. The change in the balance of deferred capital contributions is as follows:

	December 31	
	2022	2021
Balance at beginning of year	\$ 3,100,198	\$ 2,917,335
Add: Capital contributions received in the year	134,200	316,939
Add: Amounts transferred from deferred contributions (Note 5)	60,000	41,600
Less: Amortization of deferred capital contributions	<u>(199,743)</u>	<u>(175,676)</u>
Balance at end of year	<u>\$ 3,094,655</u>	<u>\$ 3,100,198</u>

Caledonia Agricultural Society

Notes to Financial Statements

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11. Government assistance

As a part of federal and provincial government economic response plans to the COVID-19 pandemic, various grants and subsidies were made available to eligible companies and organizations. Management determined that the Organization was eligible for the following grants and subsidies based on the criteria established by the respective government agencies. All grants and subsidies are related to the current fiscal year and have been recorded as government assistance in the excess (deficiency) of revenues over expenditures. Management will continue to assess the Organization's eligibility for these programs and any others that may become available.

All grants and subsidies are subject to review by the respective government agencies. Any resulting adjustments or required repayments that may result from such reviews will be reflected in the year of settlement.

The following grants and subsidies are included in government assistance in the statement of operations and changes in net assets:

	2022	2021
Canada Recovery Hiring Program	\$ 7,202	\$ -
Canada Emergency Wage Subsidy	-	53,932
Forgivable portion of the Canada Emergency Business Account loan	-	20,000
	<u>\$ 7,202</u>	<u>\$ 73,932</u>

12. 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 (6.45% at December 31, 2022) plus 1.40% per annum. As at December 31, 2022, the balance outstanding on the line of credit was \$Nil (2021 - \$Nil).

Caledonia Agricultural Society

Notes to Financial Statements

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13. 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 \$3,338,925 (2021 - \$3,712,572). 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. Interest rate risk is the risk that the Organization has interest rate exposure on its operating line of credit. 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 prime interest rates. There are some loans payable that are at fixed term rates and do not affect interest rate risk. The Organization does not use derivative instruments to reduce its exposure to interest rate risk.

14. Impact of COVID-19 pandemic

On March 11, 2020, the World Health Organization declared the outbreak of the coronavirus ("COVID-19"), a pandemic resulting in economic uncertainties potentially affecting the Organization's cash flows, financial position and results of operations. At this time, it is unknown the extent of the impact that the COVID-19 outbreak may have on the Organization as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence.

To date, the Organization has experienced some disruption in its operations as it relates to the postponement or cancellation of certain fundraising, rental and fair events. However, these events have returned as government restrictions have been lifted.