

Caledonia Agricultural Society

Financial Statements

December 31, 2020



T 905 522 6555 F 905 522 6574 6th Floor, One James Street South Hamilton ON L8P 4R5

January 28, 2021

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, 2020, 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 Caledonia Agricultural Society as at December 31, 2020, 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, our 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.

Chartered Professional Accountants
Licensed Public Accountants

Hamilton, Ontario

Caledonia Agricultural Society

Statement of Financial Position

	December 31	
	2020	2019
Assets		
Current assets		
Cash	\$ 332,309	\$ 154,373
Short-term investments (Note 2)	150,854	225,668
Accounts receivable	1,850	-
Sales tax recoverable	6,403	315,883
Interest receivable	297	2,806
Prepaid expenses	9,168	9,463
Cash - externally restricted (Note 5)	41,600	-
	542,481	708,193
Building and equipment (Note 3)	6,641,704	5,848,996
	<u>\$ 7,184,185</u>	<u>\$ 6,557,189</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 4)	\$ 91,144	\$ 238,145
Deferred contributions (Note 5)	41,600	-
Deposits	19,110	4,613
Bank loan payable (Note 6)	3,650,000	2,978,612
	3,801,854	3,221,370
Deferred capital contributions (Note 7)	2,917,335	2,493,918
Loans payable (Note 8)	310,000	310,000
	7,029,189	6,025,288
Unrestricted net assets	154,996	531,901
	<u>\$ 7,184,185</u>	<u>\$ 6,557,189</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	
	2020	2019
Revenues		
Fundraisers	\$ 59,935	\$ 159,816
Catering	33,935	22,628
Rental income	33,343	25,773
Donations	24,396	-
Provincial government grants	18,000	17,000
Other income	10,113	2,774
Municipal government grants	7,072	13,108
Interest income	5,064	5,675
Membership and entry fees	1,825	12,317
Admissions	-	136,918
Concessions	-	76,112
Parking income	-	1,899
ATM fees	-	645
	<u>193,683</u>	<u>474,665</u>
Expenditures		
Interest on loans payable	161,867	-
Employee wages	91,244	72,476
Telephone and utilities	42,626	25,287
Office and supplies	19,680	21,652
Insurance	17,268	5,247
Repairs and maintenance	16,372	34,109
Fundraisers	15,600	52,427
Interest and bank charges	14,825	1,159
Professional fees	13,153	12,107
Catering	10,932	14,388
Rentals	3,733	11,672
Advertising and promotion	3,212	16,305
Affiliation fees	1,535	2,113
Entertainment	-	47,106
Prizes	-	19,638
Security	-	6,755
Volunteering	-	5,742
Agricultural education	-	2,834
Judges and licenses	-	2,628
4-H Program	-	1,042
	<u>412,047</u>	<u>354,687</u>
Excess (deficiency) of revenues over expenditures from operations	<u>(218,364)</u>	<u>119,978</u>
Other income (expense)		
Amortization of deferred capital contributions	142,793	63,947
Government assistance (Note 9)	33,452	-
Amortization of building and equipment	(334,786)	(149,975)
	<u>(158,541)</u>	<u>(86,028)</u>
Excess (deficiency) of revenues over expenditures for the year	(376,905)	33,950
Unrestricted net assets at beginning of the year	<u>531,901</u>	<u>497,951</u>
Unrestricted net assets at end of the year	<u>\$ 154,996</u>	<u>\$ 531,901</u>

See accompanying notes to the financial statements.

Caledonia Agricultural Society

Statement of Cash Flows

	Year ended December 31	
	2020	2019
Cash flows from (used in) operating activities		
Excess (deficiency) of revenues over expenditures for the year	\$ (376,905)	\$ 33,950
Items not involving cash		
Amortization of building and equipment	334,786	149,975
Amortization of deferred capital contributions	(142,793)	(63,947)
	<u>(184,912)</u>	<u>119,978</u>
Net change in non-cash working capital balances relating to operations		
Increase in accounts receivable	(1,850)	-
Decrease (increase) in sales tax recoverable	309,480	(315,883)
Decrease (increase) in interest receivable	2,509	(256)
Decrease (increase) in prepaid expenses	295	(5,209)
Increase (decrease) in accounts payable and accrued liabilities	(147,001)	234,516
Increase in deferred contributions	41,600	-
Increase in deposits	14,497	4,613
	<u>219,530</u>	<u>(82,219)</u>
	<u>34,618</u>	<u>37,759</u>
Cash flows from (used in) investing activities		
Proceeds from sale of short-term investments	74,814	1,620,327
Construction of building	(1,038,832)	(5,736,268)
Purchase of equipment	(88,662)	-
	<u>(1,052,680)</u>	<u>(4,115,941)</u>
Cash flows from (used in) financing activities		
Proceeds of deferred capital contributions	566,210	534,800
Proceeds of loans payable	-	310,000
Proceeds of bank loan payable	671,388	2,978,612
	<u>1,237,598</u>	<u>3,823,412</u>
Net increase (decrease) in cash during the year	219,536	(254,770)
Cash at beginning of the year	<u>154,373</u>	<u>409,143</u>
Cash at end of the year	<u>\$ 373,909</u>	<u>\$ 154,373</u>
Cash consists of:		
Cash	\$ 332,309	\$ 154,373
Cash - externally restricted	<u>41,600</u>	<u>-</u>
	<u>\$ 373,909</u>	<u>\$ 154,373</u>

See accompanying notes to the financial statements.

Caledonia Agricultural Society

Notes to Financial Statements

December 31, 2020

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 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

Revenue recognition

The Organization follows the deferral method of accounting for contributions.

Funding from the provincial and local governments and other charitable organizations is recognized as revenue in the year which the related expenses 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 to the renovation of the Riverside Exhibition Centre are recognized as deferred capital contributions in the statement of financial position and are brought into excess (deficiency) of revenues over expenditures at the same rate as the building is being amortized.

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, 2020

1. Significant accounting policies, continued

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.

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. The Organization has not elected to carry any such financial instruments at fair value.

Transaction costs

The Organization's 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 that will be subsequently measured at amortized cost are included in the original cost of the asset or liability and recognized in excess (deficiency) of revenues over expenditures over the life of the instrument using the straight-line method.

Government assistance

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

Government assistance received as part of the Government of Canada's economic response plan to the COVID-19 pandemic includes amounts received from the Canada Emergency Wage Subsidy ("CEWS"). Amount received from the CEWS are recognized when the subsidy has been applied for and collectibility is reasonably assured.

Financial asset impairment

Financial assets measured at cost or amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in the determination of the excess (deficiency) of revenues over expenditures. When the events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in the excess (deficiency) of revenues over expenditures up to the amount of the previously recognized impairment.

Caledonia Agricultural Society

Notes to Financial Statements

December 31, 2020

1. Significant accounting policies, continued

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.

2. Short-term investments

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

	December 31	
	2020	2019
Libro Credit Union, Sub 16 at 1.25%, matures October 2021	\$ 80,700	\$ -
Libro Credit Union, Sub 17 at 1.15%, matures November 2021	18,154	-
Libro Credit Union, Sub 18 at 0.90%, matures November 2021	50,000	-
Libro Credit Union, Sub 19 at 1.15%, matures November 2021	2,000	-
Libro Credit Union, matured during the year	-	225,668
	<u>\$ 150,854</u>	<u>\$ 225,668</u>

3. Building and equipment

	December 31			
			2020	2019
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Building	\$ 7,037,803	\$ 475,895	\$ 6,561,908	\$ 5,848,996
Equipment	<u>88,662</u>	<u>8,866</u>	<u>79,796</u>	<u>-</u>
	<u>\$ 7,126,465</u>	<u>\$ 484,761</u>	<u>\$ 6,641,704</u>	<u>\$ 5,848,996</u>

The total amount of interest capitalized during the year was \$Nil (2019 - \$22,946).

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 \$3,053 (2019 - \$943).

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5. Deferred contributions

Deferred contributions represent externally restricted funds received from the Ontario Trillium Foundation. The conditions applicable to this grant are that the funds are to be used to hire a theatre contractor, purchase and install stage curtains, AV technology equipment, internet and connectivity infrastructure for online theatre productions. The expenses pertaining to this grant are expected to be incurred in the next fiscal year.

6. Bank loan payable

The Organization has a commercial term loan authorized to a maximum of \$3,900,000, of which \$3,650,000 was utilized at year end. The term loan bears interest at prime plus 1.50% per annum and is secured as follows:

a) A first collateral charge against lands and premises located at 125 Caithness Street East, Caledonia in the amount of \$4,000,000

b) A general security agreement on all assets of the Organization

c) Personal guarantees totaling \$1,250,000 from third-party individuals

As part of the banking agreement, the Organization is required to maintain a debt service coverage ratio greater than 1.2. As at December 31, 2020, the Organization was in violation of the provisions set out in the loan agreement. Consequently, the entire outstanding balance of its bank loan has been presented as current on the statement of financial position.

7. Deferred capital contributions

Deferred capital contributions represent externally restricted funds received for the renovation of the Riverside Exhibition Centre. Deferred capital contributions are recognized as revenue on the same basis as the building is amortized. The change in the deferred capital contributions balance is as follows:

	December 31	
	2020	2019
Balance at beginning of year	\$ 2,493,918	\$ 2,023,065
Add: restricted contributions received during the year	566,210	534,800
Less: amount recognized as revenue in the year	(142,793)	(63,947)
Balance at end of year	<u>\$ 2,917,335</u>	<u>\$ 2,493,918</u>

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8. Loans payable

	December 31	
	2020	2019
Private Loan - bearing interest at 3.00%, repayable in annual interest only payments until maturity in June 2022 and is not secured	\$ 10,000	\$ 10,000
Private Loan - bearing interest at 4.00%, repayable in monthly interest only payments until maturity in April 2023 and is not secured	100,000	100,000
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	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 - non-interest bearing, matures in August 2024 and is not secured	<u>25,000</u>	<u>25,000</u>
	<u>\$ 310,000</u>	<u>\$ 310,000</u>
Principal repayments until maturity are as follows:		
2022	\$ 10,000	
2023	125,000	
2024	<u>175,000</u>	
	<u>\$ 310,000</u>	

Caledonia Agricultural Society

Notes to Financial Statements

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9. Government assistance

As part of the Government of Canada's economic response plan to the COVID-19 pandemic, it was declared that companies and organizations would be eligible for the Canada Emergency Wage Subsidy ("CEWS"). This program provides a wage subsidy to eligible employers. Management determined that the Organization was eligible for the CEWS based upon the established criteria and thus applied to receive the subsidy. The CEWS claim periods were predefined by the Government of Canada and management determined that the Organization was eligible for the subsidy related to the claim periods between March 15, 2020 and November 21, 2020 (claim periods one through nine). The Organization has recognized \$33,452 of government assistance in excess (deficiency) of revenues over expenditures for the year with regards to the CEWS that was related to the current fiscal year. The Organization will continue to assess its eligibility for CEWS as long as the program is being offered by the Government of Canada.

The CEWS 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.

10. Credit facility

The Organization has an authorized operating line of credit through a financial institution. The operating line of credit is authorized to a maximum of \$60,000 and bears interest at the bank's prime rate plus 1.40% per annum. As at December 31, 2020, the balance outstanding on the line of credit was \$Nil (2019 - \$Nil).

11. 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 of 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 the accounts payable and accrued liabilities and bank loan payable of \$3,741,144 (2019 - \$3,216,757). 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 bank loan interest and principal as they become due.

Caledonia Agricultural Society

Notes to Financial Statements

December 31, 2020

11. Financial instruments, continued

(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 bank loan payable, which is variable based on the bank's prime rate. 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 which have been relatively stable over the period presented. There are some loans payable that are at fixed term rates, or are non-interest bearing and do not affect interest rate risk. The Organization does not use derivative instruments to reduce its exposure to interest rate risk.

12. 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. These uncertainties arise from the inability to predict the ultimate geographic spread of the virus and duration of the outbreak, forced closures or disruptions and quarantine/isolation measures that are currently, or may be put in place by government authorities to fight the virus. The Organization continues to assess the impact COVID-19 will have on its business activities in the future, however, the extent of the effect of the COVID-19 pandemic remains uncertain.