PRINCE ALBERT EXHIBITION ASSOCIATION

Financial Statements

Year Ended September 30, 2018

Cogent

CHARTERED PROFESSIONAL
ACCOUNTANTS LLP

PRINCE ALBERT EXHIBITION ASSOCIATION
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Year Ended September 30, 2018

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Management's Responsibility for Financial Reporting

The financial statements of Prince Albert Exhibition Association have been prepared in accordance with generally accepted accounting principles. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

The integrity and reliability of Prince Albert Exhibition Association's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee. The Audit Committee is appointed by the Board and meets periodically with management and the shareholders' auditors to review significant accounting, reporting and internal control matters. Following its review of the financial statements and discussions with the auditors, the Audit Committee reports to the Board of Directors prior to its approval of the financial statements. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors.

The financial statements have been audited on behalf of the shareholders by , in accordance with generally accepted auditing standards.

Robbie Ross, Acting President

Huseyin Gumus, General Manager

Prince Albert, SK
November 21, 2018

INDEPENDENT AUDITOR'S REPORT

To the Members of Prince Albert Exhibition Association

We have audited the accompanying financial statements of Prince Albert Exhibition Association, which comprise the statement of financial position as at September 30, 2018 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation 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 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.

Basis for Qualified Opinion

In common with many not-for-profit organizations, Prince Albert Exhibition Association derives revenue from 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 Prince Albert Exhibition Association. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended September 30, 2018, current assets and net assets as at September 30, 2018.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section, the financial statements present fairly, in all material respects, the financial position of Prince Albert Exhibition Association as at September 30, 2018 and the results of its operations and its cash flows for the year then ended in accordance with the Canadian accounting standards for not-for-profit organizations.

Other Matter

The financial statements for the year ended September 30, 2017 were audited by another auditor who expressed a modified opinion on those financial statements on November 10, 2017

Rosthern, SK
November 29, 2018

Chartered Professional Accountants

Cogent

CHARTERED PROFESSIONAL
ACCOUNTANTS LLP

INDEPENDENT AUDITOR'S REPORT

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Cogent CPA LLP.

Rosthern, SK
November 29, 2018

Chartered Professional Accountants

PRINCE ALBERT EXHIBITION ASSOCIATION

Statement of Financial Position

September 30, 2018

	2018	2017
ASSETS		
CURRENT		
Cash and cash equivalents *(Note 4)*	$ 736,597	$ 650,232
Term deposits *(Note 6)*	137,339	134,587
Accounts receivable *(Note 5)*	105,908	65,567
Inventory	-	1,392
Prepaid expenses	16,889	21,026
	996,733	872,804
TANGIBLE CAPITAL ASSETS *(Note 7)*	375,322	407,715
	$ 1,372,055	$ 1,280,519
LIABILITIES AND NET ASSETS		
CURRENT		
Wages payable *(Note 10)*	$ 18,034	$ 12,799
Employee deductions payable	4,146	-
Accounts payable	118,056	35,760
Provincial sales tax payable	19	-
Deposits received	6,650	13,786
Goods and services tax payable	8,291	-
Deferred contributions *(Note 11)*	53,467	53,467
Callable debt *(Note 9)*	-	17,958
	208,663	133,770
Callable debt due thereafter *(Note 9)*	-	48,787
	208,663	182,557
NET ASSETS		
Unrestricted net assets	929,071	863,641
Internally restricted net assets	234,321	234,321
	1,163,392	1,097,962
	$ 1,372,055	$ 1,280,519

ON BEHALF OF THE BOARD

Director

Director

See notes to financial statements

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PRINCE ALBERT EXHIBITION ASSOCIATION

Statement of Operations

Year Ended September 30, 2018

	2018	2017
REVENUES		
Grounds and facilities rentals	$ **280,798**	$ 295,684
Gate receipts	**240,645**	258,531
Midway	**187,631**	163,116
Provincial government - Casino closure funding	**178,223**	178,223
Ticket sales, entry fees and parking	**72,101**	75,944
Sponsorships and donations	**65,931**	75,604
Beverage sales	**55,155**	115,768
Grants	**21,050**	17,500
Miscellaneous	**13,260**	12,578
Interest income	**6,555**	3,010
Live stock commission	**5,495**	11,597
Memberships	**200**	160
Gains on disposal of assets	**95**	4,229
	1,127,139	1,211,944
EXPENSES		
Salaries and wages	**291,086**	278,974
Attraction and show expenses	**272,072**	261,714
Utilities	**83,656**	89,565
Amortization	**82,548**	74,031
Beverage sales expenses	**55,425**	48,286
Insurance	**54,766**	52,134
Advertising and promotion	**50,324**	33,577
Banquet and catering	**33,888**	32,346
Repairs and maintenance	**33,581**	46,958
Office	**32,212**	23,884
Bad debts	**16,296**	3,335
Professional fees	**13,409**	35,111
Telephone	**11,645**	7,901
Miscellaneous	**10,067**	2,813
Equipment rentals	**7,418**	23,431
Interest and bank charges	**5,403**	11,291
Memberships	**4,373**	4,028
Travel	**2,798**	7,011
Tool allowance and equipment	**742**	223
Donations	**-**	15
	1,061,709	1,036,628
EXCESS OF REVENUES OVER EXPENSES	$ **65,430**	$ 175,316

See notes to financial statements

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PRINCE ALBERT EXHIBITION ASSOCIATION

Statement of Changes in Net Assets

Year Ended September 30, 2018

	Unrestricted Net Assets	Internally Restricted Net Assets	2018	2017
NET ASSETS - BEGINNING OF YEAR	$ 863,641	$ 234,321	**$ 1,097,962**	$ 922,646
EXCESS OF REVENUES OVER EXPENSES	65,430	-	**65,430**	175,316
NET ASSETS - END OF YEAR	$ 929,071	$ 234,321	**$ 1,163,392**	$ 1,097,962

By resolution of the Board of Directors, various reserve funds ("Internally Restricted Net Assets") are established by an appropriation from the operating fund ("Unrestricted Net Assets") of the Association. Withdrawals from the reserve funds can only be made after approval by the Board of Directors

Currently, two such reserve funds exist. The Capital Reserve has been established for the purpose of acquiring property and equipment and its balance as at September 30, 2018 is $50,000 (2017 - $50,000). The Special Reserve has been established to provide funds for specific purposes of the Association and its balance as at September 30, 2018 is $184,321 (2017 - $184,321).

See notes to financial statements

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PRINCE ALBERT EXHIBITION ASSOCIATION

Statement of Cash Flows

Year Ended September 30, 2018

	2018	2017
OPERATING ACTIVITIES		
Excess of revenues over expenses	$ 65,430	$ 175,316
Items not affecting cash:		
Amortization of tangible capital assets	82,548	74,031
Gain on disposal of tangible capital assets	-	(4,229)
Donations in-kind	(20,000)	-
	127,978	245,118
Changes in non-cash working capital:		
Accounts receivable	(40,341)	11,931
Interest receivable	-	2,110
Inventory	1,392	109
Prepaid expenses	4,137	(474)
Wages payable	5,235	4,359
Employee deductions payable	4,146	-
Accounts payable	82,296	3,228
Provincial Sales Tax payable	19	-
Deposits received	(7,136)	(239)
Goods and services tax payable	8,291	322
	58,039	21,346
Cash flow from operating activities	186,017	266,464
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(30,155)	(28,718)
Proceeds on disposal of tangible capital assets	-	4,229
Term deposits	(2,752)	35,843
Cash flow from (used by) investing activities	(32,907)	11,354
FINANCING ACTIVITY		
Repayment of callable debt	(66,745)	(56,661)
INCREASE IN CASH FLOW	86,365	221,157
CASH - BEGINNING OF YEAR	650,232	429,075
CASH - END OF YEAR *(Note 4)*	$ 736,597	$ 650,232

See notes to financial statements

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1. PURPOSE OF THE ASSOCIATION

Prince Albert Exhibition Association (the "association") is a not-for-profit organization incorporated provincially under an Act within the Province of Saskatchewan.Management has determined that they are exempt from payment of income tax under Section 149(1) of the Income Tax Act.

The association operates to provide an annual exhibition and fair and carries on certain other activities conducive to the forwarding of agricultural development and interest in the City of Prince Albert, SK and surrounding area.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Revenue recognition

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

Sales revenue including beverage sales, gate receipts, ticket sales, entry fees, parking, rentals, livestock commission and sponsorships are recognized as the services are provided and collection is reasonably assured.

Contributions from the Community Initiative Fund are received in two (2) annual payments, 80% up front and 20% upon completion of the annual agreement. 1/12th of the total annual contribution is recognized as revenue each month. Due to the timing of the first annual payment a portion of that payment is deferred into the subsequent fiscal year.

Government grants

Government grants are recorded when there is a reasonable assurance that the association had complied with and will continue to comply with, all the necessary conditions to obtain the grants.

Donated goods

Donated goods are recorded at their fair market value at the time of the donation. During the year $20,000 in goods were donated to the association (2017 - $0).

Contributed services

The operations of the organization depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials and services cannot be reasonably determined and are therefore not reflected in these financial statements.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Measurement uncertainty

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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Financial instruments policy

Financial assets include cash, term deposits, accounts receivable and inventory and are measured at amortized cost as presented on the Statement of Financial Position. Financial liabilities include the callable debt, accounts payable, and amounts due to employees and are measured at amortized cost as presented on the Statement of Financial Position.

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments held at the Conexus Credit Union equity accounts (redeemable and non-redeemable) and are valued at cost.

Term deposits

Short term investments, with original maturities at date of purchase beyond three months and less than twelve months, are carried at amortized cost.

Inventory

Inventory is valued at the lower of cost and net realizable value with cost being determined on a first-in, first-out basis.

Tangible capital assets

Tangible capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives at the following rates and methods:

Land improvements	20 years	straight-line method
Buildings	20 and 25 years	straight-line method
Equipment	5 and 10 years	straight-line method
Motor vehicles	5 years	straight-line method

Included in the above categories are:

- Land improvements: Paving and fencing projects.
- Buildings: Original costs, major renovations, additions, electrical upgrades.
- Equipment: Casino, computer, and office equipment, mobile stages, and trailers.

The association regularly reviews its tangible capital assets to eliminate obsolete items.

Tangible capital assets acquired during the year are not amortized until they are placed into use.

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fund accounting

Prince Albert Exhibition Association follows the deferral method of accounting for contributions.

Revenues and expenses related to program delivery and administrative activities are reported under the Unrestricted Net Assets.

Internally Restricted Net Assets represents amounts that have been appropriationed from the Unrestricted Net Assets by the Board of Directors for specific future use.

3. FINANCIAL INSTRUMENTS

The association is exposed to various risks through its financial instruments and monitors, evaluates and manages these risks. The following analysis provides information about the association's risk exposure and concentration as of September 30, 2018.

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The association is exposed to credit risk from customers. In order to reduce its credit risk, the association reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The association has a significant number of customers which minimizes concentration of credit risk.

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The association is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, long-term debt, obligations under capital leases, contributions to the pension plan, and accounts payable.

(c) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the association manages exposure through its normal operating and financing activities. The association is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

Unless otherwise noted, it is management's opinion that the association is not exposed to significant other price risks arising from these financial instruments.

4. CASH AND CASH EQUIVALENTS

	2018	2017
Conexus Credit Union - savings	$ **370,378**	$ 428,569
Conexus Credit Union - operating	**333,566**	179,330
ATM	**21,820**	27,720
Conexus Credit Union - mastercard	**8,410**	13,339
Petty cash float	**1,000**	350
Conexus Credit Union - non-redeemable equity	**748**	831
Petty cash float	**500**	-
Conexus Credit Union - redeemable equity	**175**	93
	$ **736,597**	$ 650,232

5. TERM DEPOSITS

Consist of a non-redeemable term deposit that matures on January 23, 2019, and has an interest rate of 1%.

6. ACCOUNTS RECEIVABLE

	2018	2017
Trade	$ **86,108**	$ 31,133
Community Initiative Fund grant	**35,645**	35,645
	121,753	66,778
Allowance for doubtful accounts	**(15,845)**	(1,211)
	$ **105,908**	$ 65,567

7. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Land improvements	$ 400,682	$ 353,626	$ **47,056**	$ 2,694
Buildings	3,401,203	3,127,365	**273,838**	334,776
Equipment	805,607	751,179	**54,428**	70,245
Motor vehicles	85,261	85,261	**-**	-
	$ 4,692,753	$ 4,317,431	$ **375,322**	$ 407,715

During the year $20,000 of paving was donated to the Association.

8. LINE OF CREDIT

The Association maintains an authorized line of credit of $25,000 (2017 - $25,000). At September 30, 2018, there were no amounts drawn against the line of credit (2017 - $0). Interest on any outstanding credit is calculated at prime plus 0.5%. Prime at September 30, 2018 was 3.70% (2017 - 3.20%).

9. WAGES PAYABLE

	2018	2017
Accrued wages payable	$ **11,230**	$ 4,912
Accrued vacation payable	**6,803**	7,887
	$ **18,033**	$ 12,799

10. DEFERRED CONTRIBUTIONS

	2018	2017
Community Initiatives Fund grant	$ **53,467**	$ 53,467

11. CALLABLE DEBT

	2018	2017
Conexus Credit Union loan bearing interest at prime plus 2% per annum, repayable in monthly blended payments of $1,750. The loan was paid in full on January 25, 2018 and was secured by a term deposit. Loan was callable on demand.	$ -	$ 66,745
Principal due in one year	-	(17,958)
	$ -	$ 48,787

12. COMPARATIVE FIGURES

The prior year comparative figures were audited by another firm of public accountants.

Some of the comparative figures may have been reclassified to conform to the current year's presentation.