

DRESDEN AGRICULTURAL SOCIETY

FINANCIAL STATEMENTS

OCTOBER 31, 2019

DRESDEN AGRICULTURAL SOCIETY

OCTOBER 31, 2019

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INDEPENDENT AUDITORS' REPORT

PARTNERS

STEPHEN J. OUTRIDGE, CPA, CA
KEVIN M. SABOURIN, CPA, CA
JAMES D. KEARNEY, CPA, CA (RET.)

To the Members of
Dresden Agricultural Society

Qualified Opinion

We have audited the accompanying financial statements of Dresden Agricultural Society (the Organization), which comprise the statement of financial position as at October 31, 2019, and the statements of operations, changes in fund balances 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 October 31, 2019 and the results of its 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, Dresden Agricultural Society 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 these revenues, excess of revenues over expenses, cash flows from operations for the years ended October 31, 2019 and October 31, 2018, current assets as at October 31, 2019 and October 31, 2018, and net assets as at November 1, 2018 and 2017, and October 31 for both 2019 and 2018. Our audit opinion on the financial statements for the year ended October 31, 2018 was modified accordingly, because of the possible effects of this scope limitation.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' 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 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 these 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 the Board of Directors 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.



Auditors' Responsibilities for the Audit of the Financial Statements

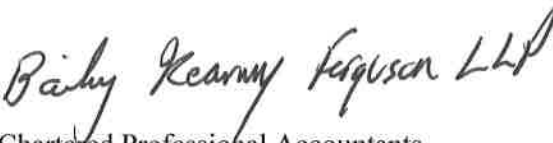
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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 auditors' 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 auditors' 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.

Wallaceburg, Ontario
April 30, 2020


Chartered Professional Accountants
Licensed Public Accountants

DRESDEN AGRICULTURAL SOCIETY
(Incorporated under the Laws of Ontario)

STATEMENT OF FINANCIAL POSITION

AS AT OCTOBER 31, 2019

ASSETS

	Operating Fund	Restricted Fund	Investment in Capital Assets	2019	2018
CURRENT					
Cash and bank	\$ 311,865	\$ 47,223	\$ -	\$ 359,088	\$ 216,230
Accounts receivable	38,809	53	-	38,862	28,527
Other government receivables	63,508	-	-	63,508	-
Prepaid expenses	22,922	-	-	22,922	7,471
Interfund balances (Note 2)	67,039	(67,039)	-	-	-
	504,143	(19,763)	-	484,380	252,228
CAPITAL ASSETS (Note 3)	-	-	638,042	638,042	320,746
	\$ 504,143	\$ (19,763)	\$ 638,042	\$ 1,122,422	\$ 572,974

LIABILITIES AND NET ASSETS

	Operating Fund	Restricted Fund	Investment in Capital Assets	2019	2018
CURRENT					
Accounts payable and accrued liabilities (Note 4)	\$ 91,204	\$ 1,379	\$ -	\$ 92,583	\$ 51,933
Current portion of long-term debt	-	-	10,026	10,026	13,671
	91,204	1,379	10,026	102,609	65,604
LONG-TERM DEBT (Note 5)	-	-	10,751	10,751	20,777
DEFERRED CAPITAL (Note 6)	-	-	271,219	271,219	-
NET ASSETS					
Operating	412,939	-	-	412,939	221,623
Restricted	-	(21,142)	-	(21,142)	(21,328)
Investment in capital assets	-	-	346,046	346,046	286,298
	412,939	(21,142)	346,046	737,843	486,593
	\$ 504,143	\$ (19,763)	\$ 638,042	\$ 1,122,422	\$ 572,974

APPROVED ON BEHALF OF THE BOARD

_____ DIRECTOR

_____ DIRECTOR

The accompanying notes are an integral part of these financial statements.

DRESDEN AGRICULTURAL SOCIETY

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED OCTOBER 31, 2019

	Operating Fund	Restricted Fund	Investment in Capital Assets	2019	2018
REVENUE (See schedules)	\$ 825,487	\$ 228	\$ -	\$ 825,715	\$ 1,108,975
EXPENSES					
Operating (See schedules)	551,796	42	-	551,838	931,375
Amortization	-	-	20,814	20,814	7,021
Interest on long-term debt	-	-	1,813	1,813	3,353
	551,796	42	22,627	574,465	941,749
EXCESS OF REVENUE OVER EXPENSES					
(EXPENSES OVER REVENUE)	\$ 273,691	\$ 186	\$ (22,627)	\$ 251,250	\$ 167,226

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED OCTOBER 31, 2019

	Operating Fund	Restricted Fund	Investment in Capital Assets	Total 2019	Total 2018
BALANCE , beginning of the year	\$ 221,623	\$ (21,328)	\$ 286,298	\$ 486,593	\$ 319,367
Excess of revenue over expenses (expenses over revenue)	273,691	186	(22,627)	251,250	167,226
Interfund transfers	(82,375)	-	82,375	-	-
BALANCE , end of the year	\$ 412,939	\$ (21,142)	\$ 346,046	\$ 737,843	\$ 486,593

The accompanying notes are an integral part of these financial statements.

DRESDEN AGRICULTURAL SOCIETY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED OCTOBER 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 251,250	\$ 167,226
Items not requiring cash		
Amortization	20,814	7,021
Amortization of deferred capital contributions	(9,578)	-
	262,486	174,247
Net change in non-cash working capital balances		
Accounts receivable	(10,335)	(3,078)
Other government receivables	(63,508)	-
Prepaid expenses	(15,451)	(243)
Accounts payable and accrued liabilities	40,650	(16,856)
Cash provided by operating activities	213,842	154,070
INVESTING ACTIVITIES		
Additions to capital assets		
Buildings and grandstand	(212,094)	(23,243)
Automotive equipment	(9,699)	(42,527)
Furniture and equipment	(116,317)	-
Cash used in investing activities	(338,110)	(65,770)
FINANCING ACTIVITIES		
Proceeds from long-term debt	-	38,847
Repayment of long-term debt	(13,671)	(59,503)
Deferred capital contributions	280,797	-
Cash provided by (used in) financing activities	267,126	(20,656)
INCREASE IN CASH AND BANK, during the year	142,858	67,644
CASH AND BANK, beginning of the year	216,230	148,586
CASH AND BANK, end of the year	\$ 359,088	\$ 216,230

The accompanying notes are an integral part of these financial statements.

DRESDEN AGRICULTURAL SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

OCTOBER 31, 2019

ORGANIZATION

The Dresden Agricultural Society was established for the purpose of encouraging an awareness of agriculture generally and to promote improvement in the life skills and quality of life of persons living in the agricultural community. Effective April 30, 2018 the organization has entered into a membership agreement with Horse Racing Ontario with respect to enhancement and maintenance of issues related to horse racing in Ontario. Additionally, the Society has entered into an additional funding enhancement arrangement with the Ontario Lottery and Gaming Corporation to receive operational funding in the amount of \$250,000 per year for the period March 31, 2019 through March 31, 2026. The organization is incorporated without share capital under the laws of Ontario and accordingly is exempt from income taxes under the Income Tax Act.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook and include the following significant accounting policies:

(a) BASIS OF ACCOUNTING

The financial statements separately disclose the following funds maintained by the organization:

The Operating fund reflects activities associated with the organization's day-to-day operations.

The Restricted fund accounts for purse monies received and paid out and designated amounts payable to the Ontario Harness Horse Association.

The Investment in capital assets reflects the activities associated primarily with the organization's capital requirements.

(b) FINANCIAL INSTRUMENTS

The organization recognizes and measures financial assets and financial liabilities on the statement of financial position when they become a party to the contractual provisions of a financial instrument. All financial instruments are measured at fair value on initial recognition.

Financial assets measured at amortized cost include cash and bank, accounts receivable and other government receivables.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and long-term debt.

Financial assets measured at cost or amortized cost are tested for impairment if there are indications of possible impairment. The amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, either directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment loss been recognized previously. The amount of the reversal is recognized in net income.

DRESDEN AGRICULTURAL SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

OCTOBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) CAPITAL ASSETS

Capital assets are recorded at cost. Amortization has been recorded in the accounts on the declining balance basis over their estimated useful lives at the following annual rates:

Buildings and grandstand	5%
Automotive equipment	10%
Furniture and equipment	10%

(d) REVENUE RECOGNITION

The organization follows the restricted fund method of accounting whereby externally restricted revenue is recognized in the fund corresponding to the purpose for which they were contributed.

Revenue is recognized in the Operating fund in the year received or receivable if the amount to be received can be reasonably established and collection is reasonably assured.

Revenue from grants and donations are recorded on a cash received basis.

Deferred capital contributions represent the unamortized amount of contributions received for purchase of capital assets. The amortization of capital contributions is recorded in the statement of operations.

Interest income is recorded on the accrual basis.

(e) USE OF ESTIMATES

The preparation of financial statements in accordance 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 at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Financial statement accounts specifically affected by management estimates include collectability of accounts receivable, useful life of capital assets and accounts payable and accrued liabilities.

(f) CONTRIBUTED SERVICES

Volunteers contribute significant hours per year to assist the organization in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

2. INTERFUND BALANCES

Interfund balances are non-interest bearing and have no specific terms of repayment.

DRESDEN AGRICULTURAL SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

OCTOBER 31, 2019

3. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2019	Net 2018
Land and improvements	\$ 188,242	\$ -	\$ 188,242	\$ 188,242
Buildings and grandstand	2,046,898	1,763,295	283,603	80,857
Automotive equipment	58,856	11,085	47,771	42,841
Furniture and equipment	134,424	15,998	118,426	8,806
	<u>\$ 2,428,420</u>	<u>\$ 1,790,378</u>	<u>\$ 638,042</u>	<u>\$ 320,746</u>

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2019	2018
Accounts payable and accrued liabilities	\$ 92,583	\$ 39,094
Government remittances payable	-	12,839
	<u>\$ 92,583</u>	<u>\$ 51,933</u>

5. LONG-TERM DEBT

Long-term debt is comprised of the following:

	2019	2018
3.9% Mortgage repayable	\$ -	\$ 4,321
7.0% Finance contract repayable in blended monthly instalments of \$930, due October, 2021 secured by automotive equipment with a carrying value of \$28,281 (2018 - \$40,401)	20,777	30,127
	20,777	34,448
Less: Amount due within one year	10,026	13,671
	<u>\$ 10,751</u>	<u>\$ 20,777</u>

Principal repayments required during the next two years are estimated to be as follows:

2020	\$ 10,026
2021	<u>10,751</u>
	<u>20,777</u>

DRESDEN AGRICULTURAL SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

OCTOBER 31, 2019

6. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions consist of the following:

	2019	2018
Balance, beginning of the year	\$ -	\$ -
Additional contributions received	280,797	-
Less: Amounts amortized to revenue	(9,578)	-
Balance, end of the year	\$ 271,219	\$ -

7. INTERFUND TRANSFERS

During the year \$82,375 (2018 - \$89,779) was transferred from the Operating fund to the Investment in capital assets for the purchase of certain capital assets and repayment of long-term debt.

DRESDEN AGRICULTURAL SOCIETY

SCHEDULES OF REVENUE AND EXPENSES - AGRICULTURAL SOCIETY

FOR THE YEAR ENDED OCTOBER 31, 2019

	2019	2018
REVENUE		
Demolition Derby	\$ 20,886	\$ 36,959
Rental	167,603	159,019
Dresden Exhibition	3,230	3,640
Bar	30,739	39,346
Tractor Pull	53,831	42,760
Grants and donations	2,228	1,716
Other income	3,293	4,443
Membership fees	330	310
Amortization - deferred capital contributions	9,578	-
	291,718	288,193
OPERATING		
Demolition Derby	21,818	24,555
Dresden Exhibition	21,790	26,770
Bar	24,909	18,943
Tractor Pull	58,610	51,643
Utilities and telephone	18,878	9,915
Sub-contractors	8,137	11,949
Building and grounds repair	17,109	14,480
Advertising	5,858	4,094
Professional fees	7,750	7,500
Insurance	5,314	4,314
Office	3,809	5,239
Directors and volunteers	1,180	519
Donations and gifts	450	200
Interest and bank charges	4,561	1,039
Equipment rental	2,673	1,553
	202,846	182,713
	\$ 88,872	\$ 105,480

The accompanying notes are an integral part of these financial statements.

DRESDEN AGRICULTURAL SOCIETY

SCHEDULE OF REVENUE AND EXPENSES - RACEWAY

FOR THE YEAR ENDED OCTOBER 31, 2019

	Operating Fund	Restricted Fund	2019	2018
REVENUE				
Racing commissions	\$ 446,000	\$ -	\$ 446,000	\$ 750,388
Specialty Race registration fees	-	-	-	2,700
Program sales	8,440	-	8,440	9,872
Wagering	76,393	-	76,393	57,822
Interest revenue	2,936	228	3,164	-
	533,769	228	533,997	820,782
OPERATING				
Purse costs	-	-	-	456,914
Wages and benefits	67,140	-	67,140	47,833
Tote fees	-	-	-	22,498
ORC fees	74,628	-	74,628	20,912
CTA fees	7,022	-	7,022	7,420
Horse Association fees	-	-	-	10,218
Filming and photofinishing	31,943	-	31,943	14,379
Sub-contractors	58,470	-	58,470	59,756
Repairs and maintenance	34,848	-	34,848	27,816
Supplies	10,162	-	10,162	9,903
Veterinary services	5,696	-	5,696	5,500
Medication control and drug task force fees	-	-	-	3,455
Insurance	2,862	-	2,862	2,774
Advertising	14,541	-	14,541	13,945
Other memberships and dues	-	-	-	688
Equipment rental	3,062	-	3,062	8,377
Utilities	9,218	-	9,218	9,508
Telephone	11,398	-	11,398	10,236
Office	4,691	-	4,691	3,529
Professional fees	7,750	-	7,750	7,500
Interest and bank charges	2,209	42	2,251	2,201
Miscellaneous	3,310	-	3,310	3,300
	348,950	42	348,992	748,662
	\$ 184,819	\$ 186	\$ 185,005	\$ 72,120

The accompanying notes are an integral part of these financial statements.