

**CANADIAN ASSOCIATION OF EXPOSITION MANAGEMENT
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

Draft for discussion purposes only

Completed by	Reviewed by

PALMER REED
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Members of Canadian Association of Exposition Management

Qualified Opinion

We have audited the financial statements of Canadian Association of Exposition Management (the Association), which comprise the statement of financial position as at December 31, 2018, and the statements of changes in net assets, operations 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 possible 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 Association as at December 31, 2018, 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, the 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 the 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 December 31, 2018, current assets and net assets as at December 31, 2018.

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 Association 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit 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 Association's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

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

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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 Association'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 Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 Association 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.

Toronto, Ontario
May 21, 2019

Chartered Accountants
Licensed Public Accountants

CANADIAN ASSOCIATION OF EXPOSITION MANAGEMENT
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	2018	2017
ASSETS		
Current		
Bank (Note 3)	\$ 197,579	\$ 118,958
Short term investments (Note 4)	204,599	202,161
Accounts receivable	10,115	5,563
Prepaid expenses (Note 5)	17,913	19,037
	430,206	345,719
Capital assets (Note 6)	-	5,953
Total assets	\$ 430,206	\$ 351,672
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 42,955	\$ 29,072
Deferred revenue	45,445	58,270
Total liabilities	88,400	87,342
NET ASSETS		
Health and safety fund (Note 3)	2,050	2,050
General fund	339,756	262,280
	341,806	264,330
	\$ 430,206	\$ 351,672

On behalf of the Board

_____ Director

_____ Director

Printed: May 21, 2019 1:51 PM Prep _____ Added _____ Approved _____

The attached notes form an integral part of these financial statements.

**CANADIAN ASSOCIATION OF EXPOSITION MANAGEMENT
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General Fund	Health and Safety Fund	2018	2017
Net assets - beginning of year	\$ 262,280	\$ 2,050	\$ 264,330	\$ 201,441
Excess of revenues over expenses	77,476	-	77,476	62,889
Net assets - end of year	\$ 339,756	\$ 2,050	\$ 341,806	\$ 264,330

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CANADIAN ASSOCIATION OF EXPOSITION MANAGEMENT
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
Revenues		
Awards Gala	\$ 38,855	\$ 30,636
Conference revenues	180,050	181,010
Holiday season luncheon	30,850	28,794
Investment income	2,438	2,220
Membership fees	95,105	98,716
Membership – National Strategy Sponsorship	-	7,750
Newsletter and publications	5,900	7,525
Seminars, CEM courses and networking	46,589	50,666
Summer Social Event	11,060	15,685
Summit	38,770	18,651
Website revenue	12,639	3,269
	<u>462,256</u>	<u>444,922</u>
Expenses		
Accounting, audit and legal fees	9,125	7,850
Administration	132,138	167,949
Amortization	5,188	5,330
Awards Gala	19,008	20,841
Bad debts	3,380	-
Board meetings and Annual General Meeting	2,110	699
Conference (Schedule 1)	110,800	95,583
Holiday season luncheon	18,013	11,642
Memberships	1,320	99
Miscellaneous (Schedule 2)	13,875	12,643
Postage	437	421
Printing and stationery	875	36
Seminars, CEM courses and networking	37,070	35,339
Summer social event	3,963	7,274
Summit	23,599	14,351
Telephone	922	1,246
Website subscriptions and maintenance	2,192	730
	<u>384,015</u>	<u>382,033</u>
Excess of revenues over expenses from operations	78,241	62,889
Other income (expenses)		
Loss on disposal of capital assets	(765)	-
Excess of revenues over expenses	\$ 77,476	\$ 62,889

CANADIAN ASSOCIATION OF EXPOSITION MANAGEMENT

CONFERENCE EXPENSES

(Schedule 1)

FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
Meals and entertainment	\$ 72,496	\$ 60,709
General and miscellaneous	1,233	1,609
Education/Speaker expense	34,395	27,936
Printing	1,608	-
Transportation	1,068	4,829
Trade summit	-	500
	\$ 110,800	\$ 95,583

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The attached notes form an integral part of these financial statements.

CANADIAN ASSOCIATION OF EXPOSITION MANAGEMENT

MISCELLANEOUS EXPENSES

(Schedule 2)

YEAR ENDED DECEMBER 31, 2018

	2018	2017
General and directors insurance	\$ 3,121	\$ 3,088
Bank and credit card charges	9,022	8,988
Office supplies	1,732	567
	<u>\$ 13,875</u>	<u>\$ 12,643</u>

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CANADIAN ASSOCIATION OF EXPOSITION MANAGEMENT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
Cash flows from operating activities		
Excess of revenues over expenses	\$ 77,476	\$ 62,889
Items not affecting cash:		
Amortization	5,188	5,330
Loss on disposal of capital assets	765	-
	<u>83,429</u>	<u>68,219</u>
Changes in non-cash working capital:		
Accounts receivable	(4,552)	(1,670)
Accounts payable and accrued liabilities	13,883	12,638
Deferred revenue	(12,825)	(5,013)
Prepaid expenses	1,124	(533)
	<u>(2,370)</u>	<u>5,422</u>
Cash flows from operating activities	<u>81,059</u>	<u>73,641</u>
Cash flows from investing activity		
Purchase of capital assets	-	(10,774)
Cash flows from investing activity	<u>-</u>	<u>(10,774)</u>
Increase in cash flow	81,059	62,867
Cash - beginning of year	<u>321,119</u>	<u>258,252</u>
Cash - end of year	<u>\$ 402,178</u>	<u>\$ 321,119</u>
Cash consists of:		
Bank	\$ 197,579	\$ 118,958
Short term investments	204,599	202,161
	<u>\$ 402,178</u>	<u>\$ 321,119</u>

**CANADIAN ASSOCIATION OF EXPOSITION MANAGEMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

1. Purpose of the association

Canadian Association of Exposition Management (the "association") is a not-for-profit organization incorporated provincially under the Not-for-profit Corporations Act of Ontario. As a registered charity the association is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

The association operates to develop, expand and improve the exposition industry in Canada.

2. Summary of significant accounting policies

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO) and, in management's opinion, with consideration of materiality and within the framework of the following accounting policies:

Revenue recognition

Canadian Association of Exposition Management follows the deferral method of accounting for contributions.

Revenue is recognized on the accrual basis. Membership fees, convention and course revenue and related expenses are recognized in the year to which they pertain.

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.

Financial Instruments

The Canadian Association of Exposition Management initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. CAEM subsequently measures all of its financial assets and financial liabilities at amortized cost except for marketable securities quoted in an active market, which it subsequently measures at fair value, changes in fair value are recognized in the statement of operations.

Financial assets measured at cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

The organization's financial assets measured at fair value include marketable securities.

Capital assets

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:

Equipment	20% declining balance method
Website	100% declining balance method

Additions during the year are amortized at one half of this rate.

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CANADIAN ASSOCIATION OF EXPOSITION MANAGEMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

2. Summary of significant accounting policies (continued)

Cash and cash equivalents

CAEM's policy is to disclose operating bank balances not otherwise included with short term investments under cash and cash equivalents.

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.

3. Health and safety reserve fund

Included in cash balances are Health and Safety reserve funds of \$2,050 (\$2,050 in 2017). The Health and Safety Fund was established to raise funds to cover the cost of the production of the CAEM Health and Safety Best Practices Guidelines for the Exposition Industry in Canada. The fund is also being used towards the development of a national course in health and safety. Revenue is derived from membership and association donations.

4. Short term investments

	2018	2017
Home Trust Company GIC Annual (due 4/10/18 @ 1.45%)	\$ -	\$ 101,045
RBC Investment Savings Account	204,599	101,116
	\$ 204,599	\$ 202,161

Short term deposits have been placed in an account at RBC Dominion Securities. At December 31, 2018 the funds were invested in an Investment Savings account and cash. The savings account is equivalent to cash. This deposit is readily convertible to cash. These funds are recorded at market and changes in market values are included in investment income. The investment is categorized as Held-for-Trading.

5. Prepaid expenses

Prepaid expenses include prepaid conference fees, insurance and equipment rental.

CANADIAN ASSOCIATION OF EXPOSITION MANAGEMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

6. Capital assets

Capital assets are comprised as follows:

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Equipment	\$ -	\$ -	\$ -	\$ 407
Furniture and fixtures	-	-	-	358
Website	10,376	10,376	-	5,188
	\$ 10,376	\$ 10,376	\$ -	\$ 5,953

During the year, the Association disposed of various equipment and furniture and fixtures no longer in use.

7. Related party transactions

The association paid for administrative service and out-of-pocket expense of \$177,526 to Redstone Agency Inc. (related by virtue of management service). As at December 31, 2018, \$13,439 is due to Redstone Agency Inc. and is subject to normal trade terms. This amount is included in accounts payable.

8. Contractual obligations

The contract with Red Stone Agency Inc. (Redstone) expires December 31, 2020. The organization entered into a long term contract with Redstone to provide management services.

The Association has entered into an agreement with The Westin Calgary for June 21, 2019 – June 26, 2019 for its annual conference. Deposits of \$6,500 are included in prepaid expenses, and the further deposits of \$10,000 each are due on January 21, 2019 and March 21, 2019, with the balance due on May 21, 2019. The cancellation fees range from 60% - 90% of the total estimated cost of \$153,310.

The Association has entered into an agreement with Four Points by Sheraton for February 28, 2019 for its awards gala. Deposits of \$10,113 have been included in prepaid expenses, with the balance of \$2,528 due on January 28, 2019. The cancellation fees for this event are a minimum of \$9,728.

The Association has entered into various short term commitments for 2019 events such as the annual conference. Deposits have been made on these events, total commitments are contingent upon attendance at these events.

Redstone contractual payment schedule:

2019	\$ 138,338
2020	146,475

9. Financial instruments

The association is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the association's risk exposure and concentration as of December 31, 2018.

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CANADIAN ASSOCIATION OF EXPOSITION MANAGEMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

9. Financial instruments (continued)

(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 with respect to term deposits and accounts receivable. CAEM is exposed to the risk of financial loss occurring as a result of a default or insolvency of a counter party on its obligations to the Association.

The Association determines, on a continuous basis, amounts receivable on the basis of amounts it is virtually certain to receive based on their estimated realizable value.

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

CAEM is exposed to liquidity risk which is the risk of being unable to meet a demand for cash or fund obligations as they come due. It stems from the possibility of a delay in realizing the fair value of investments.

The Canadian Association of Exposition Management manages its liquidity risk by constantly monitoring forecasted and actual cash flow and financial liability maturities, and by holding assets that can be readily converted into cash.

(c) Currency risk

Currency risk is the risk to the company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates.

The functional currency of CAEM is the Canadian dollar. CAEM infrequently transacts in U.S. dollars due to certain operating costs being denominated in U.S. dollars, such as certain memberships, some conference expenses and CAEM courses.

CAEM does not use foreign exchange forward contracts to manage foreign exchange transaction exposures.

(d) 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.

Fixed-rate instruments subject the Association to a fair value risk. As at December 31, 2018 the Association's financial instruments consist of low risk savings accounts. The interest rate risk is therefore minimal.

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

10. Capital disclosures

The Association's capital is made up of net assets. The Association's capital management objectives consist in ensuring that it continues as a going concern in order to fulfill its mission. The Association manages its capital structure by preparing and monitoring its annual budgets to maintain a satisfactory level of capital.