

Audited Financial Statements
Kent County Youth Agricultural Association
Year Ended October 31, 2022
with Report of Independent Auditors

Kent County Youth Agricultural Association

Audited Financial Statements

Year Ended October 31, 2022

Contents

Report of Independent Auditors.....	1
Statement of Financial Position	3
Statement of Activities.....	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements.....	7

Report of Independent Auditors

Board of Directors
Kent County Youth Agricultural Association
Lowell, Michigan

Opinion

We have audited the accompanying financial statements of Kent County Youth Agricultural Association (a not-for-profit organization), which comprise the statement of financial position as of October 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kent County Youth Agricultural Association as of October 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 required to be independent of Kent County Youth Agricultural Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Kent County Youth Agricultural Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- 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 Kent County Youth Agricultural Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kent County Youth Agricultural Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Andrews Hooper Paulik PLC

Grand Rapids, Michigan
September 14, 2023

Kent County Youth Agricultural Association

Statement of Financial Position

October 31, 2022

Assets

Current assets:

Cash and cash equivalents:	
Operating	\$ 322,579
Restricted	2,590,254
Total cash and cash equivalents	<u>2,912,833</u>
Pledges receivable, current portion	399,840
Prepaid expenses	1,789
Total current assets	<u>3,314,462</u>
Pledges receivable, net of current portion and discount	119,902
Property and equipment, net	4,626,420
Intangible asset, net	<u>21,667</u>
Total assets	<u><u>\$ 8,082,451</u></u>

Liabilities and net assets

Current liabilities:

Accounts payable	\$ 371,461
Accrued payroll	6,446
Unearned revenue:	
Grants	1,057,779
Rentals	19,280
Loan payable	3,121
Total current liabilities	<u>1,458,087</u>

Net assets:

Without donor restrictions:	
Undesignated	4,648,384
Board designated	191,126
With donor restrictions	1,784,854
Total net assets	<u>6,624,364</u>
Total liabilities and net assets	<u><u>\$ 8,082,451</u></u>

Kent County Youth Agricultural Association

Statement of Activities

Year Ended October 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Donations and grants	\$ 7,491	\$ 2,545,223	\$ 2,552,714
Fair revenue	1,256,988	-	1,256,988
Fairway revenue	99,175	-	99,175
Rental income	50,108	-	50,108
Interest and dividends	10,546	-	10,546
Other revenue	4,681	-	4,681
In-kind contributions	36,563	-	36,563
Net assets released from restrictions	1,618,479	(1,618,479)	-
Total support and revenue	3,084,031	926,744	4,010,775
Expenses:			
Program expenses	1,270,774	-	1,270,774
Supporting expenses:			
Management and general	201,381	-	201,381
Fundraising	103,010	-	103,010
Total expenses	1,575,165	-	1,575,165
Change in net assets	1,508,866	926,744	2,435,610
Net assets – beginning of year	3,330,644	858,110	4,188,754
Net assets – end of year	\$ 4,839,510	\$ 1,784,854	\$ 6,624,364

Kent County Youth Agricultural Association

Statement of Functional Expenses

Year Ended October 31, 2022

	Program Expenses					Supporting Expenses			
	Auction	Exhibition	Fair	Fairway	Other Programming	Total Program	Management and General	Fundraising	Total Expenses
General and administrative	\$ -	\$ -	\$ 20,798	\$ 14,704	\$ 597	\$ 36,099	\$ 21,282	\$ 7,420	\$ 64,801
Payroll	-	-	-	40,210	-	40,210	56,069	-	96,279
Fair costs	991,422	55,060	52,659	-	2,699	1,101,840	-	-	1,101,840
Fairway costs	-	-	-	21,696	-	21,696	-	-	21,696
Occupancy	-	-	6,892	20,811	554	28,257	42,193	-	70,450
Professional services	-	-	10,626	7,831	323	18,780	41,363	95,590	155,733
Interest	-	-	-	-	-	-	515	-	515
Depreciation and amortization	-	-	-	23,892	-	23,892	26,419	-	50,311
Miscellaneous	-	-	-	-	-	-	13,540	-	13,540
Total expenses	<u>\$ 991,422</u>	<u>\$ 55,060</u>	<u>\$ 90,975</u>	<u>\$ 129,144</u>	<u>\$ 4,173</u>	<u>\$ 1,270,774</u>	<u>\$ 201,381</u>	<u>\$ 103,010</u>	<u>\$ 1,575,165</u>

See accompanying notes.

Kent County Youth Agricultural Association

Statement of Cash Flows

Year Ended October 31, 2022

Operating activities

Change in net assets	\$ 2,435,610
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation and amortization	50,311
Change in assets and liabilities:	
Pledges receivable	(389,119)
Prepaid expenses	(1,789)
Accounts payable	364,863
Accrued payroll	5,528
Unearned revenue	1,064,059
Net cash from operating activities	<u>3,529,463</u>

Investing activities

Purchases of property and equipment	(1,549,455)
-------------------------------------	-------------

Financing activities

Payments on loan payable	<u>(6,743)</u>
--------------------------	----------------

Net change in cash and cash equivalents	1,973,265
Cash and cash equivalents – beginning of year	939,568
Cash and cash equivalents – end of year	<u>\$ 2,912,833</u>

Cash and cash equivalents as shown on the Statement of Financial Position

Cash and cash equivalents – operating	\$ 322,579
Cash and cash equivalents – restricted	2,590,254
	<u>\$ 2,912,833</u>

Kent County Youth Agricultural Association

Notes to Financial Statements

October 31, 2022

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Kent County Youth Agricultural Association (Association) is a not-for-profit organization that is dedicated to providing an equal opportunity learning environment with a focus on agriculture and the personal growth of all youth.

The Association's primary operating function is the annual Kent County Youth Fair once a year for one week. The fair includes the parking, carnival, campground, and auction during that week, which is its significant source of operating revenue for the entire year.

The Association rents out the fairgrounds and buildings in the off-season for other events throughout the year. Included in this is also storage provided for campers, boats, and cars during the months of October through April. Additionally, the Fairway is an event center that is able to be rented out year-round except during fair week.

The Association started a capital campaign during the year to fund the development and construction of the new Kent County Youth Fairgrounds. This is an ongoing campaign and multiple donations and grants were received after the year ended October 31, 2022 to further support the construction efforts, see Notes 5 and 10 for further details.

Method of Accounting

The records of the Association are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Financial Statement Presentation and Net Asset Classifications

The financial statements of the Association have been prepared in accordance with U.S. GAAP, which require the Association to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Association. These net assets may be used at the discretion of the Association's management and the Board of Directors.

Kent County Youth Agricultural Association

Notes to Financial Statements

October 31, 2022

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Financial Statement Presentation and Net Asset Classifications (continued)

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. Once the restrictions have been met, the contributions will be released from their restrictions and reported in the statement of activities as net assets released from restriction.

Cash and Cash Equivalents

The Association considers all highly liquid investments with initial maturities of one year or less to be cash equivalents. Restricted cash and cash equivalents consist of cash and cash equivalents that relate to contributions where the donor restricted the use of the funds for a designated purpose or board-designated restrictions.

The first \$250,000 of deposits held at each institution is insured by the Federal Deposit Insurance Corporation. The Association had approximately \$2,539,000 of uninsured funds as of October 31, 2022.

Pledges Receivable

Pledges receivable are recognized as revenue in the period the pledge is made. Amounts expected to be collected in future periods in excess of one year are recognized at the present value of estimated future cash flows at the time the pledge is received using a discount rate of 7%. Conditional pledges are recognized when the conditions upon which they depend are substantially met.

Pledges receivable are stated at the amount management expects to collect on the outstanding balances, discounted to present value. Management provides for probable uncollectible amounts through an allowance that is based on its assessment of the current status of individual accounts, prior experience, and the donors' current financial condition. Balances that are still outstanding after management has used reasonable collection efforts are written off to bad debt expense. Management reviewed the collectability of the Association's outstanding pledges receivable and determined that no allowance was necessary as of October 31, 2022.

Kent County Youth Agricultural Association

Notes to Financial Statements

October 31, 2022

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Property and Equipment

All purchased or donated property and equipment in excess of \$2,500 are capitalized. Purchased property and equipment are stated at cost. Donated property and equipment are stated at the estimated fair value on the date received and are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as support with donor restrictions.

Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets, which range from 5 to 39 years.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Association utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Association is required to provide information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 – Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Unearned Revenue

Unearned revenue represents grant funds received in advance of fulfilling revenue recognition requirements and deposits received for fair and fairway rentals for future dates.

Kent County Youth Agricultural Association

Notes to Financial Statements

October 31, 2022

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Donated Services and Equipment

Many individuals selflessly volunteer their time and perform a variety of tasks which assure the ongoing success of the Association. U.S. GAAP requires the fair value of donated services to be recognized in the financial statements if the services either (a) create or enhance a non-financial asset, or (b) require specialized skills, are provided by entities or persons possessing those skills, and would need to be purchased if they were not donated. Services that do not meet either of the preceding criteria are not recognized.

Total contributed non-financial assets consisted of the following for the year ended October 31, 2022:

Equipment rentals	\$ 8,280
Professional services	25,960
Entertainment	500
Marketing and advertising	1,500
Repairs and maintenance	323
	<u>\$ 36,563</u>

The Association had equipment rentals donated for the performance stage, light towers, and a skid steer with a bucket and forks that were all used to assist with general operations during the week of the fair. These services were valued and reported at estimated fair market value in the financial statements based on current rates for similar rentals.

Professional services, including tree removal, accounting, pest control services, and repairs and maintenance were provided to aid in the overall betterment of the fair. These services were valued and were reported at the estimated fair market value in the financial statements based on current rates for similar services.

The contributed entertainment and marketing and advertising consisted of a television news segment to highlight the week of the fair and a musical performance during the week of the fair. These services were valued and reported at the estimated fair market value in the financial statements based on current rates for similar services.

It is the Association's policy to record all donated equipment at fair market value and depreciate it over the remaining useful life of the asset. There was no equipment received during the year ended October 31, 2022.

Kent County Youth Agricultural Association

Notes to Financial Statements

October 31, 2022

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Donated Services and Equipment (continued)

The value of volunteer services is not reflected in the statement of activities since these services do not meet the criteria for recognition.

Advertising Costs

The Association expenses advertising costs as incurred. Advertising expenses are included in the statement of activities and were \$33,487 for the year ended October 31, 2022.

Allocation of Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among general and administrative, fundraising, capital campaign, fair, other programming, and fairway. Such allocations are determined by management and based on time and effort.

Income Taxes

The Association is exempt from federal income taxes under 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Association's tax-exempt purpose may be subject to taxation as unrelated business income. Since the Association is exempt from federal income taxes, no provision for income taxes is included in the accompanying financial statements.

Generally, tax years from 2019 through the current year remain open to examination. The Association does not believe that the results from the examination of any open years would have a material adverse effect on the Association.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

Kent County Youth Agricultural Association

Notes to Financial Statements

October 31, 2022

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Adoption of New Accounting Standard

On November 1, 2021, the Association adopted ASU 2020-07, *Accounting for Contributed Nonfinancial Assets by Not-for-Profit Organizations*. This standard requires not-for-profit organizations to present contributed nonfinancial assets (CNA) as a separate line item in the statement of activities, apart from contributions of cash or other financial assets and requires additional disclosures.

Subsequent Events

Management has evaluated subsequent events for potential recognition and disclosure in the financial statements through September 14, 2023, which is the date the financial statements were available to be issued.

2. Liquidity and Availability

As of October 31, 2022, the Association had \$331,919 of current assets available for general expenditure in the following year. The restricted cash balance of \$2,590,254 and \$390,500 of current pledges receivable are restricted for the capital campaign project. Based on total expenses of \$1,575,165 for the year ended October 31, 2022, the current assets available would cover approximately two and a half months of expenses. However, the nature of the Association's operations is heavily dependent on one week of the year when the fair occurs. Fair revenue of \$1,256,988 exceeded fair expenses of \$1,101,840 for the year ended October 31, 2022. The fair week revenues typically exceed the expenses incurred and the remaining current assets are then available for other operating expenses.

3. Pledges Receivable

Future payments of pledges receivable consisted of the following as of October 31, 2022:

Due in less than 1 year	\$ 399,840
Due in 1 to 5 years	114,000
Due in 6 to 10 years	<u>30,000</u>
Total pledges receivable	543,840
Net present value adjustment	<u>(24,098)</u>
Pledges receivable, net	<u>\$ 519,742</u>

Kent County Youth Agricultural Association

Notes to Financial Statements

October 31, 2022

4. Property, Equipment, and Intangible Asset

Property and equipment consisted of the following as of October 31, 2022:

Land	\$ 1,985,000
Buildings	799,053
Equipment	55,296
Construction in progress	<u>2,103,397</u>
	4,942,746
Accumulated depreciation	<u>(316,326)</u>
Property and equipment, net	<u>\$ 4,626,420</u>

Intangible asset consisted of the following as of October 31, 2022:

Liquor license	\$ 25,000
Accumulated amortization	<u>(3,333)</u>
Intangible asset, net	<u>\$ 21,667</u>

For the year ended October 31, 2022, depreciation expense was \$48,644 and amortization expense was \$1,667.

5. Net Assets

Net assets without donor restrictions that are designated by the Board of Directors consisted of the following as of October 31, 2022:

Dairy	\$ 120,025
Dog	94
Goat	19,494
Horse	36,603
Poultry	1,371
Rabbit	4,534
Sheep	4,665
Swine	4,340
Total board designated net assets	<u>\$ 191,126</u>

Net assets with donor restrictions consisted of \$1,784,854 as of October 31, 2022 for the capital campaign.

Kent County Youth Agricultural Association

Notes to Financial Statements

October 31, 2022

6. Major Funding Sources

The Association receives support from various donors in the community, including individuals, corporations, foundations, and governmental entities. During the year ended October 31, 2022, approximately 38% of revenue was from one grantor and approximately 77% of receivables were due from two sources.

7. Future Commitments

The Association entered into a contract for the construction of the new fairgrounds. Under the contract, the Association expects to make payments of approximately \$4.1 million subsequent to the year ended October 31, 2022.

8. Revenue Recognition

Revenue from Contracts with Customers

Each revenue transaction contains a single delivery element and revenue is recognized at a single point in time when services, risks, and rewards transfer. There were no significant contracts in process as of October 31, 2022. The Association's contracts with customers and methods of revenue recognition include the following:

- Animal departments. Throughout the year, patrons can make donations to support particular animal departments and exhibition fees. Revenue is recognized when the exhibition has taken place.
- Books and supplies. During the week of the fair, the Association sells fair books and little red barn supplies. Revenue is recognized upon tender of payment for these items.
- Camping passes. The Association's fairgrounds has camp sites and charges to camp during the week of the fair, which can be purchased for one day or the whole week. Revenue is recognized at the time the fair is held and for the particular day(s) passes are sold for.
- Carnival tickets. The Association's annual fair has carnival games and rides, and tickets can be purchased at the fair during fair week only. Revenue is recognized upon tender of payment for these activities.
- Exhibitor Fee. The Association's annual fair charges exhibitors a fee for each project entered to compete at the Fair. Revenue is recognized at the time the fair is held.
- Liquor sales and tips. Patrons can buy alcoholic beverages during the week of the fair or when the Fairway event space is rented out. Revenue is recognized upon tender of payment for these items.
- Livestock sales. During the week of the fair, after all judging is completed, the livestock are sold to the highest bidders. Revenue is recognized upon tender of payment for these sales.

Kent County Youth Agricultural Association

Notes to Financial Statements

October 31, 2022

8. Revenue Recognition (continued)

Revenue from Contracts with Customers (continued)

- Parking passes. The Association's annual fair charges a parking fee before entering, which can be purchased for one day or the whole week. Revenue is recognized at the time the fair is held and for the particular day(s) passes are sold for.
- Sponsorships. The Association receives sponsorship for the annual fair which creates the opportunity for advertising for the sponsor. The sponsorships are purchased prior to the fair and the revenue is recognized during the week of the fair.
- Commission on vendor sales. During the week of the fair there are various vendors selling food and drink to the patrons. Revenue is recognized upon tender of payment for these items.

As of November 1, 2021 and October 31, 2022, the Association had no significant receivables related to contracts with customers or bad debt expense on revenue from these contracts.

Rental Revenue

The Association generates rental income through the following sources:

- Fairway rentals. The Association rents out event space throughout the year except during fair week. Patrons make a deposit in advance for the venue. Revenue is recognized at the time the events are held.
- Other rentals. The Association rents out space in the fairgrounds throughout the year except during fair week. Patrons pay for the space monthly, and revenue is recognized at the time the payment is made.

Kent County Youth Agricultural Association

Notes to Financial Statements

October 31, 2022

8. Revenue Recognition (continued)

Revenue Recognition

Revenue from contracts with customers and rentals consisted of the following as of October 31, 2022:

Animal departments	\$ 31,294
Books and supplies	5,284
Camping passes	18,720
Carnival tickets	12,632
Exhibitor fee	5,151
Liquor sales and tips	40,143
Livestock sales	1,077,341
Parking passes	47,746
Sponsorships	49,954
Commission on vendor sales	8,866
Total revenue from contracts with customers	<u>1,297,131</u>
Fairway rentals	59,032
Other rentals	50,108
Total rentals	<u>109,140</u>
Total	<u><u>\$ 1,406,271</u></u>

The following economic factors affect the nature, amount, timing, and uncertainty of the Association's revenue and cash flows as indicated:

- Economic trends: Services to all customers correlate with economic cycles and based on personal discretion.
- Geographical location of customers: Services are to customers located primarily in the area that includes West Michigan and the surrounding areas; therefore, revenue is correlated to the local economy.
- Weather conditions: Overall revenue from camping passes, carnival tickets, fair admission, fairway rentals, livestock sales, other rentals, parking passes, and vendor revenues can be dependent on weather conditions, as the fairgrounds are almost entirely outdoors.

Kent County Youth Agricultural Association

Notes to Financial Statements

October 31, 2022

9. Risk and Uncertainties

The Association is subject to various risks and uncertainties related to operations and financial performance. The Association utilizes a number of suppliers and vendors to fulfill business needs, and this exposes them to risks and uncertainties, including supply chain risks. These supply chain risks include availability of sources of supply for materials, labor, and services, in addition to increases in prices. Due to the level of risk associated with the supply chain and other potential risks and uncertainties, it is at least reasonably possible these risks could have an impact in the near term and could materially affect the operations of the Association and the amounts reported in the financial statements.

10. Subsequent Events

Subsequent to October 31, 2022, the Association continued to receive significant amounts of campaign funding which includes over \$10.9 million for the development of the new fairgrounds from four grantors.

In January 2023, the Association entered into a construction contract to build a new show barn, on the new fairgrounds, with an estimated cost to complete of approximately \$471,500.