

Alberta Association of Agricultural Societies

Community Benefits, Economic Stimulation,  
and Sustainability

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## Executive Summary

This analysis is part of a qualitative and quantitative review conducted by the Alberta Association of Agricultural Societies to explore opportunities for enhanced strategic direction of its members, Alberta's Agricultural Societies. The attached report addresses quantitative aspects of the research. A companion report, entitled "Within Reach – Strategic Direction for Alberta's Agricultural Societies" addresses qualitative aspects of the research.

This component of the research focuses on community benefits, economic stimulation, and sustainability associated with Alberta's 286 smaller Agricultural Societies. The research was conducted by reviewing and analyzing the 2009 financial statements and activity reports published by the Agricultural Societies. The following notes summarize highlights of the findings and conclusions drawn from the quantitative research.

## Key Findings

- The balance sheets of these Agricultural Societies show that current assets significantly exceed current liabilities plus long term debt and deferred capital. More than \$135 million is reported held in land, buildings, and equipment, or is in restricted accounts. Approximately \$33.8 million is in unrestricted funds. In most cases, the unrestricted equity is retained to support future capital, programming, or other major projects and to provide security for the aging capital assets maintained by the societies
- Total, overall income was projected to be \$42.2 million, of which two thirds (65.1%) resulted from active business operations and one third (33.8%) from grants.
- Alberta Agriculture and Rural Development is a vital partner for the Agricultural Societies.
  - Through the funding agreement with ARD grant, each Agricultural Society received \$17,500, amounting to a total of \$5.005 million. Agricultural Societies may also apply for additional grants within an additional ARD grant program budget of \$3.665 million.
  - Granting criteria for these funds have changed significantly since 1992. In 1992 the equivalent ARD budget was \$7.15 million and in 2009 it was \$8.67 million, an increase of 21%. However, other grant funding opportunities have been eliminated or reduced.
- More than one third (37.9%) of revenue was used for expenses related to delivering programs and activities. Facility operation and maintenance consumed a further 23.8% of revenue and a further 12.9% of revenue was used for capital programs. Just 15.5% of revenue funded internal support expenses (e.g., payroll and office expenses) and 7.2% was consumed by externally levied charges, such as insurance and accounting fees.
- The financial statements indicate that in 2009, revenue exceeded expenses by 2.8%. However, while Agricultural Societies with facilities retained 4.4% of their revenue after expenses, for those without facilities their expenses exceeded revenue by 5.9%.
- Financial statements for the year ending 2009 showed that Agricultural Societies retained \$1.2 million. In 2008, overall revenue exceeded expenses by \$7.9 million and many new projects were initiated.
- A special Government of Alberta grant of \$16,608 was provided to each of the Agricultural Societies in 2008. Expenditures related to that special grant will take place in 2008, 2009, and subsequent years and the grant is reflected as revenue as funds are used.
- More than 65,000 volunteers contributed 640,000 hours of service to their Agricultural Societies. Wrestling with challenging personal priorities, these active supporters of the

Agricultural Societies clearly prioritize the important contribution of the Agricultural Society to their community. However, it is noted that the number of hours contributed by volunteers has decreased by one third since 1992, with a notable reduction in the number of hours contributed to the administration of the Agricultural Society.

- Consistent with the increasing cost of operations experienced by Agricultural Societies:
  - Attendance at events staged by the Agricultural Societies, reported as 1.6 million in 2009, has doubled since 1992
  - Attendance at events staged in the Agricultural Society facilities by other organizations (i.e., tenants), reported as 2.1 million in 2009, has also almost doubled since 1992.
- Attendees reported by the Agricultural Societies are estimated to have spent more than \$580 million in connection with their attendance at Agricultural Societies' events and facilities. Approximately half of that spending results from attendance by non-residents of the communities.

## Discussion

Agricultural Societies are challenged by their increasingly fragile financial circumstances. Agricultural Societies face the demand of changing demographics and often changing population, increasing financial and governance rigor, and the impact of increasing costs associated with aging facilities that require increasing operation and maintenance expenses.

The Agricultural Societies' financial statements reviewed in this research were presented in many different forms, leading to difficult comparison. For future comparability, it is recommended that more standardized reporting methods are used in financial statements. A common chart of accounts for Agricultural Societies would be a valuable enhancement for the industry. Accounting methods employed also influence understanding of the industry's financial status.

In the 18 years since 1992, total grant revenue has increased by 32% while the operating expenses of the Agricultural Societies have almost doubled. While Agricultural Societies have doubled their non-grant revenue during this time period, the security for facilities and programming afforded by retained income has decreased.

Agricultural Societies must be innovative to increase their income to fund the expectations of their local and visitor populations and to maintain the safety and utility of their facilities. Enhanced relationships within the community and within sub-regions may lead to improved financial performance, as may innovative partnerships and delivery methods.

Decreasing voluntarism relative to the continuing growth of the Agricultural Societies is also particularly challenging. Additional human resources are required to support the growth of the Agricultural Societies as attendance and operating expenses have doubled between 1992 and 2009, placing increasing demand on human resources. Innovative approaches are recommended to offset this challenge.

Clearly attendance at Agricultural Society events and facilities motivates significant spending that benefits the community and contributes to funding the Agricultural Societies. It is perceived that this provides a significant growth opportunity. However, the challenging financial circumstances of the Agricultural Societies constrain this potential community and population benefit.

Significant economic benefits for Alberta and Canada, including support for wages and salaries, taxes, and other value added benefits, are stimulated by attendee spending and by the operation of the Agricultural Societies. The gross output of the industry may have exceeded \$99 million in 2009.

## Conclusions

The quantitative research shows that despite increasing financial challenges, Alberta's Agricultural Societies continue to deliver essential benefits for their communities and for rural development.

- They directly attract non-resident spending, which benefits their local business community
- They provide a wide range of programming to engage the local and regional populations in activities focused on rural, community, and agricultural development
- They motivate local populations to join in the development and delivery of programming and the maintenance and operation of community facilities
- They stage events that bring the community together
- They provide facilities and events for the community and the rural area that would not be able to take place otherwise.

As recommended in the qualitative research, innovative approaches to strategic direction are expected to yield further growth and enhanced positioning for the Agricultural Societies that will expand the benefits for their communities.

Alberta's Agricultural Societies are significant and vital contributors to the health of their province, their rural areas, and their communities.

# Community Benefits, Economic Stimulation, and Sustainability

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## Introduction

Alberta's Agricultural Societies drive significant economic benefits for their communities and for Alberta. At the national level, impacts include Federal government taxation revenues, corporate revenues, and employment benefits.

This report addresses the benefits for local communities and economic stimulation resulting from the operation of Agricultural Societies, and assesses the sustainability of the industry. A companion report, entitled "Within Reach" (2011), focuses on qualitative research conducted through direct consultation with Agricultural Societies and related organizations.

Data used for calculations in this report were provided by Agricultural Societies in 2009 and 2010 through financial statements and activity reports they provided to Alberta Agriculture and Rural Development and to AAAS. Interpretive comments provided by Agricultural Societies were gathered during the qualitative component of this research and have contributed further insight to the interpretation of the data. Economic data provided by Travel Alberta and Alberta Finance, Statistics were employed to estimate economic stimulation.

The report addresses four key areas of consideration:

1. The financial performance of the industry
2. Government investment in Agricultural Societies
3. Community Economic Benefits
4. Activity reporting submitted by Agricultural Societies.

## Local Economic Stimulation

The economic stimulation felt locally as a result of the operation of the Agricultural Society is of significant importance to Agricultural Societies and their stakeholders. It is experienced through three definable influences:

1. Local spending by the Agricultural Society
  - a. Agricultural Societies have traditionally indicated that 90% of their spending is focused locally or in close-by regional communities. Spending could be associated with construction, contracted through or provided directly by local contractors, or spending on general items such as supplies, goods, and services.
  - b. Beneficiaries are local retailers and producers/manufacturers, service providers, etc.
    - i. Except in the case of the local producers or manufacturers, the direct local benefit is associated with mark ups or commissions on sales, plus locally provided labour.

2. Spending by the Agricultural Society on human resources
  - a. Local employees spend their wages or salaries on accommodation, groceries, household supplies, services, transportation, taxation, etc., part or all of which remain with suppliers in the community.
3. Spending by the attendees at events staged by the Agricultural Society or staged by other organizations renting the Agricultural Society's facilities
  - a. The value of non-resident spending is particularly important. Non-residents spend money in the community in connection with Agricultural Society events, taking little away except their purchases and their experiences. Much of what they spend remains in the community.
    - i. Primary non-resident visitor expenditures are in the areas of overnight accommodation, food and beverage, entertainment/recreation and admission fees, retail purchases, and local transportation.
    - ii. Non residents also spend on other items while they are in the community. For example, many retailers indicate that visitors to the community spend money on groceries, clothing, supplies, equipment "while they are in the community" in connection with their attendance at an Agricultural Society event.
  - b. Local residents spend money at events they attend. However, many local retailers indicate that their local resident shoppers do not patronize their outlets during events staged by the Agricultural Society. They do acknowledge, though, that the local residents will return to make the purchases they missed on another day.

## **Sustainability**

Sustainability is a two-way street. Most Agricultural Societies are unable to operate exclusively on grants provided by ARD or on revenue earned from operations. However, the ARD investment in Agricultural Societies stimulates development of additional earned or grant revenue to support the Agricultural Society and its activities. The Agricultural Societies derive the additional earned revenue from corporate or personal sponsorships, business arrangements (e.g., rental income), attendee spending at events and activities, user fees, etc. Further, additional grants available to Agricultural Societies include grants associated with specific government program priorities, employment, etc. These grants may be Alberta Government grants or grants from local municipalities. Some revenue is also obtained from federal employment programs.

A key factor in sustainability is the extent of additional funds that the Agricultural Societies are able to generate to deliver their programming for the benefit of their community, because some or all of their core needs are met by their ARD grants. Thus we seek to identify the productivity of the government investment: "for every dollar invested by ARD, an additional  $\$(n)$  is obtained by government and corporate investment and  $\$(n1)$  is earned in operating revenue".

This equation will illustrate that the enormous benefit for the community delivered by Agricultural Societies is significantly enhanced by the fact that government funds are leveraged to maintain and expand programming.

## **Context**

The context of this work is to identify the application and influential value of the public funds and to assess the local benefits that are generated at the community level from the operation of the Agricultural Societies.

## **Financial Review**

This section of the report presents and discusses a projected cumulative balance sheet and statement of revenue and expenses for Alberta's 286 community Agricultural Societies. This analysis does not include the seven Regional Exhibition Organizations, Northlands Park Edmonton, or the Calgary Stampede and Exhibition. The tables included in the analysis were constructed from the financial statements provided by the Agricultural Societies.

Prior to the analysis Agricultural Societies were asked to approve release of their data for this purpose. In all, of the 188 Agricultural Societies that gave this approval, the financial statements reviewed indicate that 137 were Agricultural Societies that own their own facilities and 51 that do not. The financial data provided by those 188 societies were used to construct the projections, with the presumption that the remaining 98 societies would be characterized similarly. Most of the financial statements examined were Review Engagement statements prepared by external accountants. However, the financial statements were not presented in the format used in this analysis and presented below.

Using fund accounting methods, as approved by ARD, most Agricultural Societies report their programming and operations in schedules to the financial statement and report only net results of operations in their own statement of revenue and expenses. Some do not provide a statement summarizing their combined operations. With this method of presentation, for example, detailed revenue and expenses associated with specific funds (e.g., building operation, event or program operation, general administration) are identified only in the financial report schedule for that specific fund. Revenue, net of expenses, for the fund (either positive or negative) may then be identified in a statement of revenue and expenses for the society and may appear as a revenue item or as an expense item.

Further, cash accounting methods approved by Canada Revenue Agency for Not for Profit Societies result in investment in a capital expense being identified as an expense in the year in which it is made. Further, grants obtained for capital projects are reported as deferred revenue until the year in which they are used.

This is a very important issue in this analysis. In 2008, the year prior to the year used for this analysis, the Government of Alberta provided a special additional grant of \$16,608 for each Agricultural Society – or a total of \$4.75 million. This amount may have been reported as grant income in the 2008 year or in a subsequent year, depending on when it was used. As a further complication, capital or other projects or programs funded by this additional grant also will be shown in the year in which their expenditure took place. This may have significant implication on the financial projections.

To build the projected statement of revenue and expenses presented below, data from each of the 188 financial statements were examined and re-presented in a consistent format that captures and analyzes revenue from all sources, and expenses for all aspects of operations and administration. It should be noted that in some cases allocations to revenue and expense categories was inconsistent or unclear. For

example, operating revenues were allocated by some societies as “fundraising” and by others in earned revenue categories; some societies clearly identified allocations to specific categories and others did not. It is strongly recommended that AAAS pursue the adoption of a standard chart of accounts to facilitate future analyses of this nature. Data from the resulting table, including capital expenditure and funds invested in capital assets were employed to select Agricultural Society with capital facilities and those without.

## The Cumulative Balance Sheet

The following table presents a representative cumulative balance sheet for Alberta’s 286 community Agricultural Societies. The table is based on data provided in the financial statements of the Agricultural Societies for their fiscal year ending in 2009.

Financial ratios evident in the table suggest overall an industry with strong financial resources and the ability to maintain its operations.

Alberta's Agricultural Societies Projected Cumulative Balance Sheet 2009	No Facilities 78 Societies	With Facilities 208 Societies	Combined Total 286 Societies
<b>Assets</b>			
Current Assets	\$ 6,663,246	\$ 31,558,627	\$ 38,221,873
Capital Assets	\$ 3,467,024	\$ 144,293,060	\$ 147,760,084
<b>Total Assets</b>	<b>\$ 10,130,270</b>	<b>\$ 175,851,687</b>	<b>\$ 185,981,957</b>
<b>Liabilities</b>			
Current Liabilities	\$ 415,668	\$ 5,469,941	\$ 5,885,610
Long Term Debt, deferred capital	\$ 196,525	\$ 10,975,211	\$ 11,171,736
<b>Total Liabilities</b>	<b>\$ 612,193</b>	<b>\$ 16,445,153</b>	<b>\$ 17,057,346</b>
<b>Members' Equity</b>			
Invested in Capital Assets	\$ 6,211	\$ 132,173,225	\$ 132,179,436
Other Restricted	\$ 456,124	\$ 2,522,670	\$ 2,978,794
Unrestricted	\$ 9,055,742	\$ 24,710,640	\$ 33,766,382
<b>Total Member's Equity</b>	<b>\$ 9,518,077</b>	<b>\$ 159,406,534</b>	<b>\$ 168,924,611</b>
<b>Total Liabilities and Members' Equity</b>	<b>\$ 10,130,270</b>	<b>\$ 175,851,687</b>	<b>\$ 185,981,957</b>

Current assets considerably exceed current liabilities. There is little debt. Long-term liabilities reported are predominantly deferred capital associated with grants allocated for future capital uses. Significantly, in many Agricultural Societies deferred capital may include the 2008 special grant provided by the Government of Alberta. Unrestricted equity provides security for the capital assets maintained by the societies.

Most Agricultural Societies with facilities maintain unrestricted members’ equity to support capital requirements associated with facility ownership, future programming, and financial security. Agricultural Societies without facilities indicate their unrestricted equity is allocated for programming, to fund operations, or for future major projects. However, some Agricultural Societies provided no clear plan for their unrestricted equity balance.

In many cases the facilities owned and operated by the Agricultural Societies are significantly aging and require ongoing programs of renovation and replacement to meet the needs of the residential, business,

and regional communities they serve. In addition to retained equity, grants also contribute significantly to maintaining facility standards.

Recent research made available to AAAS related to insurance valuations indicates that the replacement value of buildings owned by these Agricultural Societies is approximately \$765 million, not including land value. Replacement value of the facilities owned by the Regional Agricultural Societies amounts to a further \$705 million. It should be noted that under the cash accounting and fund accounting depreciation policy rules, not for profit societies do not reflect this value in their financial statements. Thus it is of considerable importance that Agricultural Societies retain funds for significant repairs and maintenance, restoration and renovation, or replacement.

## Projected Statement of Revenue and Expenses

The following table presents a projected cumulative statement of revenue and expenses for all of Alberta's 286 community Agricultural Societies. The statement includes and categorizes revenue from all sources and all expenses associated with programming, facility operations, administration, etc.

Alberta's Agricultural Societies Projected Combined Statement of Revenue and Expenses 2009									
	No Facilities			With Facilities			Combined Total		
	78 Societies	% of Revenue	Average per Society	208 Societies	% of Revenue	Average per Society	286 Societies	% of Revenue	Average per Society
<b>Revenue</b>									
Active Income Generation	4,204,931	61.1	53,909	23,237,150	65.8	111,717	27,442,081	65.1	95,951
Grant Revenue	2,658,864	38.6	34,088	11,593,187	32.8	55,736	14,252,051	33.8	49,832
Miscellaneous Revenue	22,956	0.3	294	467,034	1.3	2,245	489,991	1.2	1,713
<b>Total Revenue</b>	<b>6,886,752</b>	<b>100.0</b>	<b>88,292</b>	<b>35,297,371</b>	<b>100.0</b>	<b>169,699</b>	<b>42,184,123</b>	<b>100.0</b>	<b>147,497</b>
<b>Expenses</b>									
Expenses Related to Programs and Activities	3,605,890	52.4	46,229	12,373,692	35.1	59,489	15,979,582	37.9	55,873
Internal Support Expenses	1,202,131	17.5	15,412	5,318,012	15.1	25,567	6,520,143	15.5	22,798
Facility Operation and Maintenance	1,562,693	22.7	20,035	8,463,871	24.0	40,692	10,026,564	23.8	35,058
Externally Levied Expenses	499,884	7.3	6,409	2,538,789	7.2	12,206	3,038,672	7.2	10,625
Capital Programs	425,028	6.2	5,449	5,033,957	14.3	24,202	5,458,985	12.9	19,087
<b>Total Expenses</b>	<b>7,295,626</b>	<b>105.9</b>	<b>93,534</b>	<b>33,728,320</b>	<b>95.6</b>	<b>162,155</b>	<b>41,023,946</b>	<b>97.2</b>	<b>143,440</b>
Excess of Revenue over Expenses 2009	- 407,729	- 5.9	- 5,227	1,569,050	4.4	7,544	1,161,322	2.8	4,061
Excess of Revenue over Expenses 2008	1,402,432		17,980	6,471,398		31,112	7,873,830		27,531

In this presentation, projected statements of revenue and expenses are grouped for those Agricultural Societies with no facilities, for those with facilities, and for all 286 community Agricultural Societies. Although data were analyzed in detail for the Agricultural Society's fiscal year ending in 2009, the table also reports the excess (or deficiency) of revenue over expenses for the year ending 2008.

The 2009 financial statements report an alarming reduction in the excess of revenue after expenses in 2009 compared with 2008. This occurred in both Agricultural Societies with and without facilities. The 2009 projection suggests that overall, the excess of revenue after expenses for Alberta's Agricultural Societies eroded from a gain of \$7.87 million in 2008 to \$1.16 million in 2009. In 2008, the special Government of Alberta grant of \$16,608 was provided to each of the Agricultural Societies. It should be noted that most Agricultural Societies have a year end of October 31 and did not receive the cash from the special grant until shortly before their 2008 year end, so many did not use those funds in their 2008 fiscal year. It should be noted that variations in year-to-year performance reported in the financial statements may be associated with the timing of use of the special grant and expenditures on major projects and expenses.

However, although some Agricultural Societies reported all or part of this additional grant as deferred capital while others used the funds for capital or program activities, the trend in revenue and expenses suggests a dramatic concern for the future for some societies struggling to deliver their mandate for their stakeholders and to maintain aging facilities that are increasingly expensive to operate. In quite broad terms, the more active the societies were in generating earned income, the more likely they were to have maintained consistent performance and financial strength. Consequently, the Agricultural Societies with opportunities to secure income from facility operations withstood the reduction in income more readily.

This was the year after the 2008 economic crash. It is also possible that the Agricultural Societies may have made operating decisions and initiated capital programs prior to the crash based on assumptions that became no longer valid. Operating revenue, corporate or community support, and some grant revenue became less available and expenses continued to increase.

Discussions with Agricultural Societies during the qualitative component of this research confirmed that they wrestle with increasing costs and decreasing operating revenue and other financial support to the extent that they have had to cut programs and take other significant steps in order to accommodate their changing financial circumstances. Deleting programs directly reduces the community's benefit from their Agricultural Society and acts contrary to the key role of the Agricultural Society as a facilitator and stager of rural community programs.

The trend towards operating losses was observed in a large number of the financial statements. In 2009, 55 of 137 financial statements reviewed for the Agricultural Societies with facilities reported an operating loss compared with 25 in 2008. Among the Agricultural Societies with facilities, revenue remaining after expenses dropped from \$6.47 million, an average of \$31,112 per society, in 2008 to \$1.57 million, an average of \$7,544 per society, in 2009.

Among the societies without facilities the average revenue remaining after expenses reported dropped from a gain of \$1.4 million, or an average of \$17,980 per society, to a deficit of \$407,729, or an average of \$5,227 per society. The financial statements show that 30 of the 51 Agricultural Societies without facilities reported an operating deficit in 2009.

Due to the presentation of the financial statements it is difficult to segment capital transactions from the cumulative financial results. Removing capital expenses and amortization/depreciation from expense categories as well as removing "other" revenue items is not difficult, but grants focused on capital projects cannot reasonably be extracted and the challenge of timing of grants and capital project expenses remains. Therefore, the median findings are noted: the median excess of revenue over expenses reported for Agricultural Societies with facilities in 2008 was a gain of \$18,781 and in 2009 a gain of \$5,216 and for those without facilities a gain of \$16,872 in 2008 and a loss of \$2,515 in 2009. The median is the point at which half of the results fall above and half fall below. This is reported in an attempt to reflect general results with less influence from major positive or negative implications from grant funding and capital programs that may affect averages.

In addition to issues noted previously, other reasons for this dramatic shift varied widely, including lower revenue or financial support (from a variety of sources) and higher operating, program, administrative, or capital expenses (associated with a variety of categories).

It is clear that 2009 was a challenging year with many surprises. Agricultural Societies dealt with them however they could. In several cases programs were cancelled in order to accommodate the financial stress. However, as illustrated in their financial statements and in discussions in the qualitative component of this research, many Agricultural Societies were required to revert to their unrestricted equity or to slash costs in order to maintain their operations

## Revenue Analysis

In 2009, total revenue supporting the operation of the 286 Agricultural Societies was an estimated \$42.18 million. Analysis shows that overall, two thirds (65.1%) of the total revenue was generated from active income generation and most of the remainder (33.8% of total revenue) was from grants.

Alberta's Agricultural Societies Projected Combined Statement of Revenue and Expenses 2009									
Revenue	No Facilities			With Facilities			Combined Total		
	78 Societies	% of Revenue	Average per Society	208 Societies	% of Revenue	Average per Society	286 Societies	% of Revenue	Average per Society
<b>Active Income Generation</b>	<b>4,204,931</b>	<b>61.1</b>	<b>53,909</b>	<b>23,237,150</b>	<b>65.8</b>	<b>111,717</b>	<b>27,442,081</b>	<b>65.1</b>	<b>95,951</b>
Earned Revenue from Operations	2,825,033	41.0	36,218	13,903,891	39.4	66,846	16,728,924	39.7	58,493
Rental Income	514,138	7.5	6,592	4,355,938	12.3	20,942	4,870,075	11.5	17,028
Donations, Sponsorships, Fundraising	732,457	10.6	9,390	3,923,440	11.1	18,863	4,655,897	11.0	16,279
Interest Income	112,533	1.6	1,443	881,817	2.5	4,240	994,350	2.4	3,477
Memberships	20,771	0.3	266	172,065	0.5	827	192,836	0.5	674
									-
<b>Grant Revenue</b>	<b>2,658,864</b>	<b>38.6</b>	<b>34,088</b>	<b>11,593,187</b>	<b>32.8</b>	<b>55,736</b>	<b>14,252,051</b>	<b>33.8</b>	<b>49,832</b>
Government of Alberta Primary Grants	2,364,545	34.3	30,315	6,305,455	17.9	30,315	8,670,000	20.6	30,315
Other Contributors	294,319	4.3	3,773	5,287,732	15.0	25,422	5,582,051	13.2	19,518
									-
<b>Miscellaneous Revenue</b>	<b>22,956</b>	<b>0.3</b>	<b>294</b>	<b>467,034</b>	<b>1.3</b>	<b>2,245</b>	<b>489,991</b>	<b>1.2</b>	<b>1,713</b>
GST recovery	4,356	0.1	56	717	0.0	3	5,072	0.0	18
Other revenue	18,601	0.3	238	466,318	1.3	2,242	484,918	1.1	1,696
<b>Total Revenue</b>	<b>6,886,752</b>	<b>100.0</b>	<b>88,292</b>	<b>35,297,371</b>	<b>100.0</b>	<b>169,699</b>	<b>42,184,123</b>	<b>100.0</b>	<b>147,497</b>

Both earned income from operations and rental income exceeded the total amount of grant revenue. However, the importance to the Agricultural Societies of both sources of income is clear from the table and from the analysis of expenditure (below). Grant income is essential to contribute to operating expenses and to fund capital improvements, providing stability from which the Agricultural Societies can base revenue generation activities to deliver their optimum programming for their communities.

The table shows, not surprisingly, that the Agricultural Societies with facilities generated significantly more revenue from business activities than those without. Agricultural Societies are clearly focused on generating sufficient revenue from programming and rentals to fund their programming and to maintain and update their facilities.

### Agricultural Societies Without Facilities

The following notes address observations drawn from the combined projection for Agricultural Societies without facilities:

- Agricultural Societies without facilities are estimated to have achieved active income generation amounting to 1.6 times the value of the grants they received, indicating good leverage on the investment of the granters.

- They generated a total of \$4.2 million (an average of \$53,909 per society) in active income, constituting 61.1% of their total revenue
- They received a total of \$2.7 million in grants, most of which (\$2.4 million) was granted from ARD allocated funds. The remaining grants were from a variety of sources, including local municipalities, some other Government of Alberta program, and Federal employment programs such as STEP.
- Less than one third (31%) earned less in active income generation than the value of the basic ARD grant of \$17,500;
  - 40% generated less in active income generation than they received in total in grants
- 28% have unrestricted members equity exceeding one-year's expense requirements (net of capital purchases and depreciation/amortization).

### **Agricultural Societies With Facilities**

The Agricultural Societies with facilities are significantly active in revenue generation. Cumulative projected revenue of \$35.3 million among this group includes \$23.2 million in active income generation and \$11.6 million in grants.

These Agricultural Societies report \$132.3 million invested in land, buildings, and equipment. Much of this inventory is in aging buildings that are expensive to operate. As noted previously, the buildings owned by the Agricultural Societies with facilities are estimated to have a replacement value of perhaps \$0.765 Billion. However, analysis of the financial statements shows that most of these Agricultural Societies are innovative and aggressive in programming and using their facilities. Further, prior research and the interview program with Agricultural Societies reveals that these facilities are available in the community only because they have been provided by the Agricultural Society, generally with strong support from ARD.

These Agricultural Societies display a broad base of revenue, lending security to their key role in their communities. Their \$23.2 million in revenue from active income generation amounts to 65.8% of their total revenue. A cumulative \$13.9 million results from income earned from programming and other operations - an average of \$66,846 per society – and constitutes 60% of their active income generation and 39.4% of their total revenue. Rental income accounts for a further \$4.4 million (12.3% of revenue) and donations/sponsorship/fundraising accounts for approximately \$3.9 million or approximately 11.1% of total revenue.

### **Expense Analysis**

Detailed analysis of expenses is presented in the following table. The table contains projections for Agricultural Societies with no facilities, those with facilities, and cumulative results.

The projection shows that expense related to staging and delivering the Agricultural Societies' full range of programs and activities is \$16.0 million, equivalent to 37.9% of revenue. \$12.2 million, or 29.0% of total revenue, is consumed directly by programming and operational expenses.

A further \$10.0 million (23.8% of total revenue) is used for facility operation (repairs and maintenance and utilities and telephones). Expenditure on insurance and professional fees and accounting accounted for a total of \$2.8 million (an average of \$9,664 per society or 6.5% of revenue). Among the societies with facilities, capital expenditures amounted to \$3.68 million and depreciation and amortization, for those reporting it, amounted to \$1.35 million.

Alberta's Agricultural Societies Projected Combined Statement of Revenue and Expenses 2009									
Expenses	No Facilities			With Facilities			Combined Total		
	78 Societies	% of Revenue	Average per Society	208 Societies	% of Revenue	Average per Society	286 Societies	% of Revenue	Average per Society
<b>Expenses Related to Programs and Activities</b>	<b>3,605,890</b>	<b>52.4</b>	<b>46,229</b>	<b>12,373,692</b>	<b>35.1</b>	<b>59,489</b>	<b>15,979,582</b>	<b>37.9</b>	<b>55,873</b>
Programming and Operational Expenses	2,480,896	36.0	31,806	9,758,818	27.6	46,917	12,239,714	29.0	42,796
Awards, Prizes, Scholarships, Bursaries	245,353	3.6	3,146	1,122,640	3.2	5,397	1,367,993	3.2	4,783
Rural Development, Leadership and Training	89,249	1.3	1,144	178,947	0.5	860	268,196	0.6	938
Donations to Other Organizations	677,797	9.8	8,690	800,393	2.3	3,848	1,478,190	3.5	5,168
Advertising and Promotion	112,595	1.6	1,444	512,895	1.5	2,466	625,490	1.5	2,187
<b>Internal Support Expenses</b>	<b>1,202,131</b>	<b>17.5</b>	<b>15,412</b>	<b>5,318,012</b>	<b>15.1</b>	<b>25,567</b>	<b>6,520,143</b>	<b>15.5</b>	<b>22,798</b>
Human Resources, Volunteer Support	789,265	11.5	10,119	4,350,186	12.3	20,914	5,139,452	12.2	17,970
Office and Admin	196,705	2.9	2,522	593,670	1.7	2,854	790,375	1.9	2,764
Other Expenses	216,161	3.1	2,771	374,156	1.1	1,799	590,317	1.4	2,064
<b>Facility Operation and Maintenance</b>	<b>1,562,693</b>	<b>22.7</b>	<b>20,035</b>	<b>8,463,871</b>	<b>24.0</b>	<b>40,692</b>	<b>10,026,564</b>	<b>23.8</b>	<b>35,058</b>
Repairs and Maintenance	730,758	10.6	9,369	4,052,198	11.5	19,482	4,782,956	11.3	16,724
Utilities and Telephones	831,936	12.1	10,666	4,411,672	12.5	21,210	5,243,608	12.4	18,334
<b>Externally Levied Expenses</b>	<b>499,884</b>	<b>7.3</b>	<b>6,409</b>	<b>2,538,789</b>	<b>7.2</b>	<b>12,206</b>	<b>3,038,672</b>	<b>7.2</b>	<b>10,625</b>
Insurance	338,959	4.9	4,346	1,522,507	4.3	7,320	1,861,466	4.4	6,509
Professional Fees and Accounting	134,961	2.0	1,730	767,426	2.2	3,690	902,387	2.1	3,155
Memberships	17,640	0.3	226	62,866	0.2	302	80,506	0.2	281
Interest and Bank Charges	8,323	0.1	107	185,990	0.5	894	194,313	0.5	679
<b>Capital Programs</b>	<b>425,028</b>	<b>6.2</b>	<b>5,449</b>	<b>5,033,957</b>	<b>14.3</b>	<b>24,202</b>	<b>5,458,985</b>	<b>12.9</b>	<b>19,087</b>
Capital expenditures	198,200	2.9	2,541	3,680,281	10.4	17,694	3,878,480	9.2	13,561
Amortization and Depreciation	226,829	3.3	2,908	1,353,676	3.8	6,508	1,580,505	3.7	5,526
<b>Total Expenses</b>	<b>7,295,626</b>	<b>105.9</b>	<b>93,534</b>	<b>33,728,320</b>	<b>95.6</b>	<b>162,155</b>	<b>41,023,946</b>	<b>97.2</b>	<b>143,440</b>
Excess of Revenue over Expenses 2009	- 407,729	- 5.9	- 5,227	1,569,050	4.4	7,544	1,161,322	2.8	4,061
Excess of Revenue over Expenses 2008	1,402,432		17,980	6,471,398		31,112	7,873,830		27,531

Further, it is interesting to observe that internal support expenses, for human resources, office and administration, and other expenses (15.5% of revenue) and externally levied expenses, for insurance, professional fees and accounting, memberships, and interest and bank charges (7.2% of revenue) consume a consistent proportion of revenue among both the Agricultural Societies with facilities and those without.

The table shows that donations made to other community organizations by Agricultural Societies without facilities consume a higher proportion of revenue (9.8%) than those with facilities (2.3%). Some Agricultural Societies have identified supporting other community priorities as a key responsibility. Less than 7% of Agricultural Societies, most of them Agricultural Societies without facilities, grant more to other organizations than they report in active income generation.

However, for those Agricultural Societies without facilities, these donations may also be in lieu of rent or other expenses supporting the Agricultural Society.

## Human Resources

The expense category "Human Resources and Volunteer Support" is predominantly associated with employment expenses. The following table summarizes estimated employment in "full time equivalents", based on an average FTE cost of \$20,000.

Human Resources	No Facilities 78 Societies	With Facilities 208 Societies	Combined Total 286 Societies
Human Resources Expenditure	789,265	4,350,186	5,139,452
Full Time Equivalent Employees (based on \$20,000 per FTE per annum)	39	218	257
Average per Society	0.51	1.05	0.90

Most of the employees in these Agricultural Societies are associated with maintaining or operating facilities or with office work, including bookings, some bookkeeping, etc.

## Local Spending

Prior research shows that Agricultural Societies are conscious of the importance of “shopping locally”. They have reported in the past that they spend approximately 90% of their expenses locally or in a nearby community. The following table summarizes a projection of the local spending benefit associated with the Agricultural Societies

Local Spending	No Facilities 78 Societies	With Facilities 208 Societies	Combined Total 286 Societies
Total Spending	7,295,626	33,728,320	41,023,946
Local or Regional/Nearby Spending	6,566,063	30,355,488	36,921,552
Average per Society	84,180.30	145,939.85	129,096

This is an important measure for Agricultural Societies to discuss with their local and regional stakeholders. Agricultural Societies are encouraged to analyze their own spending to determine the amount of money they spend within their community and how much they spend in nearby or regional communities.

## Agricultural Societies Without facilities

Among the Agricultural Societies without facilities, one third report unrestricted equity reserves greater than their total annual revenue.

- More than one third of the total expenses (equivalent to 36.0% of total revenue) of the Agricultural Societies without facilities was consumed by programming and operational expenses.
- In addition to expenses incurred in staging programming and activities, the financial statements show that \$1.0 million (or an average of \$12,980 per society), constituting nearly 14.7% of the total revenue generated from all sources is directly re-distributed in the local community:
  - \$245,000 (3.6% of total revenue) is provided for awards, prizes, scholarships, bursaries,
  - \$89,000 (1.3% of total revenue) is used for rural development, leadership and training
  - \$678,000 (9.8% of total revenue) is distributed to other organizations in the community

Although these Agricultural Societies do not appear to own their community facilities several operate or manage facilities on behalf of their municipality or other community organization. However, facility operation expenses accounted for 22.7% of total revenue.

A further 17.5% of total funds generated was used for staffing, office and administrative expenses, and required external expenses.

- Direct employment and volunteer support consumes a total of \$0.79 million, an average of \$10,000 per society, equivalent to 11.5% of total revenue
- These Agricultural Societies spent \$135,000 (2.0% of total revenue, or \$1,730 per society) on professional fees and accounting.
- Insurance accounted for \$339,000 (4.9% of revenue and an average of \$4,346 per society).

In all, the Agricultural Societies without facilities spent a total of \$1.6 million on repairs and maintenance and utilities and telephones, constituting 22.7% of their revenue and an average of \$20,000 per society, likely on facilities they do not own. Due to the presentation of the financial statements, it is possible that some Agricultural Societies classified as not having facilities do, in fact, operate their own facilities. Some were seen to pay for operation of facilities owned by the municipality or another community organization. Two thirds of these Agricultural Societies reported spending nothing or less than \$1,000 per month on utilities.

However, the importance of volunteers adds critical value in this respect. Board members and other volunteers frequently take care of many operational and maintenance priorities, thus significantly reducing the potential cost for the Agricultural Society.

### **Agricultural Societies with facilities**

The Agricultural Societies with facilities distributed a total of \$2.1 million (an average of \$10,100 per society or 6.0% of total revenue) in their communities in awards, prizes, scholarships, bursaries, rural development and leadership training, and donations to other organizations. It should be noted that many Agricultural Societies did not identify such an expenditure category. This is an important category that should be categorized in the financial statements.

Spending related to programs and activities amounted to \$12.4 million, of which \$9.8 million was allocated to programming and operational expenses. The average per society expenditure on programming and operational expenses was \$46,917 and the median in the range was \$29,202.

It is clear from the financial statements that even some of these Agricultural Societies with facilities are not significantly focused on program delivery. However, several of those organizations operate facilities that are used for primarily for rental (e.g., arenas, curling rinks, community halls, etc.) and their primary focus is on renting the facilities to other organizations. Most Agricultural Societies with facilities are aggressive in income generation and pursue a wide range of programming.

### **Comparison of 1992 and 2009 Financial Data**

The following table provides comparative revenue and expense summaries for 1992 and 2009 to address trends in grant/non-grant revenue and expenses.

Comparison of Revenue and Expense Budgets	1992	2009	Growth factor 1992-2009
<b>Grant Revenue</b>	10,794,290	14,252,051	1.32
<b>Total Non-Grant Revenue</b>	14,354,478	27,932,072	1.95
<b>Total Projected Revenue</b>	<b>25,148,768</b>	<b>42,184,123</b>	1.68
<b>Total Expenses</b>	<b>22,793,669</b>	<b>41,023,946</b>	1.80
<b>Expenses as a Percentage of Revenue</b>	90.6	1.0	

Clearly the Agricultural Societies are challenged by their eroding financial circumstances. Total revenues have increased by 68% over the 17 year period from 1992 to 2009. Total expenses have nearly doubled. It should be noted that amortization and depreciation are not included in the expense analysis for 1992. This expense category amounted to \$1.58 million in 2009.

The analysis shows that non-grant revenue has nearly doubled, keeping slightly ahead of increasing expenses, but revenue from grants has increased only 32%. It should be kept in mind, though, that the 2009 data reflect a very challenging year of global uncertainty following the 2008 economic crash that has clearly affected the financial performance of the Agricultural Societies and the very important special Government of Alberta grant of \$16,608 that each Agricultural Society received in 2008.

Analysis of equivalent ARD funding from 1992 to 2009 shows that cumulative funding previously categorized as “Operating”, Fair Day”, and “Unconditional” yielded \$7.2 million in 1992 and \$8.7 million in 2009 – an increase of 21%.

The analysis shows that for every \$1.00 invested in Agricultural Societies by ARD, Agricultural Societies obtain an additional \$0.64 through government and corporate investment and \$3.17 in earned operating revenue

Overall, it is clear that the excess of revenue over expenses has decreased significantly. This will impact the financial strength of the Agricultural Societies and their ability to respond to opportunities as they plan for a stronger profile in their communities. It is clear, however, that Agricultural Societies need to continue to pursue non-grant revenue aggressively in order to fund their priorities and to assume their rightful role in their communities. Innovative partnerships and stronger engagement of their stakeholders will serve to build new vitality as Agricultural Societies seize their opportunity for growth.

## Agricultural Society Activity Reports

The Agricultural Societies are required to provide Activity Reports addressing selected operating information. Key data include volunteer statistics and the number of attendees at Agricultural Society events. The following table shows how detailed data from the Activity Reports were classified and how they were categorized into groupings for analysis.

Summary Groupings	Detailed Category Groupings
<b>AAAS</b>	AAAS
<b>Agriculture</b>	4-H Ag Education Agricultural Issues - BSE, Ag Awareness, Consumerism, Drought Agri-tourism & Cowboy Poetry Horse Events Horticulture Meetings (Agriculture)
<b>Agribusiness</b>	Farmers Market Livestock Shows
<b>Business Development (Trade Shows)</b>	Trade Shows
<b>Community and Economic Development</b>	Community/Economic Development
<b>Community and Rural Events</b>	Awards/Appreciation Nights Craft Fairs/Sales Dances/Dinners Fairs Meetings (Non-agriculture e.g., Weddings, Funerals, Showers) Misc. Community Events (non-agriculture) Seasonal Celebrations
<b>Education and Training</b>	Scholarships/Sponsorships Youth/Adult Training
<b>Entertainment</b>	Bingos & Casinos
<b>Miscellaneous</b>	Miscellaneous
<b>Ag Society operating priorities</b>	Capital Development Fundraising Operate/Maintain facilities
<b>Sport and Rodeo</b>	Rodeo Sports Activities

## Activities

In all, 141 activity reports were included in this portion of the analysis. The incidence of attendee data in the activity reports shows that the Agricultural Societies reported a total of 991 activities undertaken during the year. These activities were distributed across the activity categories presented in the preceding table. The analysis did not include participation in AAAS events as those events are not attendee-focused. This analysis shows that the Agricultural Societies stage an average of 7 activities per year (the median number of activities was also 7, suggesting little influence of outlying data).

The activity reports indicate that Agricultural Societies actively serve their communities with events and activities. The following table shows the number of events and activities reported by the Agricultural Societies:

# of Events Reported	# of Agricultural Societies reporting this incidence of events	Total number of events
1	4	4
2	9	18
3	3	9
4	19	76
5	13	65
6	19	114
7	15	105
8	17	136
9	11	99
10	9	90
11	10	110
12	4	48
13	1	13
14	4	56
15	1	15
16	1	16
17	1	17
<b>Totals</b>	<b>141</b>	<b>991</b>

The table suggests that approximately 90% of the Agricultural Societies stage four or more events annually.

## Volunteers

The following table presents summary data concerning voluntarism that is projected to include the 286 Agricultural Societies, based on data provided by the 140 Agricultural Societies contributing data in their Activity Reports. It is clear from the table that the support of the volunteers is broadly contributed across the priority areas of the Agricultural Societies.

The Agricultural Societies report a cumulative 65,610 volunteers, or an average of 229 volunteers per Agricultural Society, participated in the delivery of their mandate in their communities. However, it is anticipated that due to the method of data collection implied in the Activity Report format, there is significant duplication as the same volunteers may participate in many events. This statistic does, though, indicate the depth of support for the Agricultural Society in the communities.

It is important to acknowledge that the contribution of volunteers goes way beyond assisting at events. They offset many expenses that would otherwise have to be borne by the Agricultural Society, including repairs and maintenance, administration, event support, etc.

The following table shows that these volunteers contributed a total of more than 640,000 hours to the service of their communities. This is more valuable for consideration as the Activity Report format gathers the number of hours contributed to each detailed activity. This illustrates the strong commitment of community residents to supporting their Agricultural Society as a key community organization.

However, as described clearly by the Agricultural Societies during the qualitative research, the support of volunteers is an increasing challenge for Agricultural Societies. The following table presents comparison data illustrating this change, drawn from 2009 data and from the 1992 AAAS "Impact of Agricultural Societies in Alberta" study (ibid).

Activity Category	Projected Cumulative Number of Volunteers	Average per society	Projected Cumulative Volunteer Hours	Average per society
AAAS	568	2	8,261	29
Agriculture	15,152	53	140,089	490
Agribusiness	3,463	12	40,348	141
Business Development (Trade Shows)	554	2	4,233	15
Community and Economic Development	1,757	6	8,131	28
Community and Rural Events	19,916	70	154,226	539
Education and Training	1,506	5	12,316	43
Sport and Rodeo	12,774	45	127,446	446
Entertainment	1,788	6	13,528	47
Ag.Society Operating Priorities	6,899	24	118,036	413
Miscellaneous	1,236	4	13,800	48
<b>Totals</b>	<b>65,610</b>	<b>229</b>	<b>640,413</b>	<b>2,239</b>

The following table shows a comparison of volunteer commitment between 1992 and 2009:

Comparison with 2002 data	1992	2009
Hours used in events	548,445	500,316
Hours used in administration	391,324	140,097
Total hours	939,769	640,413
Value of Volunteer Hours	\$ 9,397,690	\$ 9,606,199

\* 1992 - \$10.00 per hour; 2009 - \$15 per hour

## Attendance at Events

Although it should be noted that different methodologies were used for these analyses, the table shows that the total number of volunteer hours has declined by about one third since 1992. However, as is

shown in the following table, the Agricultural Societies hosted significantly larger attendance in 2009 than they staged in 1992.

<b>Attendees: Comparison with 2002 data</b>	<b>1992</b>	<b>2009</b>
Attendees at Agricultural Society's own events	894,353	1,563,002
Average attendance at all other events staged in the facilities of the Agricultural Society, including rentals by community organization, agricultural businesses, private or business tenants, and non-local tenants, as reported *	1,224,741	2,140,399
Estimated total	2,119,093	3,703,401

\* Data for this type of attendee is not clarified in the Activity Report. 2009 data is simply interpolated from 1992, on the basis that both categories of attendee would grow at a similar rate.

Due to different methodologies in data collection between 1992 (direct survey data) and 2009 (Activity Reports) it is possible that 2009 reported attendance shown in the above table includes some events that were staged by other organizations in the Agricultural Society's facilities in addition to the events staged by the Agricultural Societies. A perspective on this may be obtained by examining the detailed list of events used for classification, presented in the following table (presented previously). However, the table suggests this overlap would be small.

Therefore, it is a reasonable conclusion that the Agricultural Societies are handling significantly larger attendance at events than was the case in 1992, but with a smaller complement of volunteer hours and significantly larger budgets (as presented previously in this report).

## **Tourism Benefits**

Tourism is an important growth area of opportunity for Agricultural Societies. Tourism is important because non-residents of the community who are attracted to the community by a local event spend money in the community. This directly benefits local retailers, hoteliers, restaurateurs, transportation providers, and entertainment ventures.

This research did not attempt to gather data to quantify the value of non-resident spending in connection with the operation of the Agricultural Societies. However, interpreting data from the activity reports in light of prior research findings and secondary research data provides a view of this value.

In the Activity Reports, Agricultural Societies indicated the total attendance at their events and programmed activities was 1.56 million. Interpolating with data from 1992 and subsequent research in this industry, it may be estimated that total attendance at events staged by other organizations in the Agricultural Society's facilities adds approximately 150% to that reported attendance. Therefore, total attendance facilitated by the Agricultural Societies may be a total of 3.7 million. This presumption is made in the preceding table (above).

Prior research studies conducted over several years have identified that a range of 63% to 90% of attendees at Agricultural Society facilities and programming are local residents (i.e., resident within one hour of the community). In general, this research suggests for the smaller Agricultural Societies such as most of those included in this research (that is, not including the nine Major or Regional Exhibition Organizations) approximately 85% of attendees are local or resident within one hour's drive of the host community. Therefore, this proportion is used in the following analysis.

Other attendees (the remaining 15%) are visitors to the community, who may be:

- General tourists attracted to the event
  - Research shows that travellers from most markets are attracted to attend local festivals and other events during their travels. While they may not be motivated to take their whole trip by the local community event, they may decide to visit the community specifically to experience it.
- Guests of event organizers (e.g., meeting attendees, wedding, other event, or trade show attendees, etc.)
  - They may come from anywhere. They are motivated to travel by the event. That is, they would not make their trip were it not for the event.
- Exhibitors or exhibit attendees
  - They are motivated to travel by the event. That is, they would not make their trip were it not for the event. They also may come from anywhere. They are likely to spend more than many other attendees.

In conjunction with event organizers, Agricultural Societies have the opportunity to promote many kinds of event that will take place in their facilities, in markets appropriate to the event.

## Estimated Attendee Spending

The following table summarizes a projection of estimated spending by local and non-resident visitors in connection with their visit to the event. The table is built from spending data estimated from prior research and from research conducted by Travel Alberta for non-resident spending and from the results of prior research for attendees resident locally or within one hour's drive.

Attendee Spending, noting local residents and visitors to the community	Calculation Factors: Spending by Local Attendees - estimated based on prior research	Local attendees (resident within one hour's drive)	Calculation Factors - Non-Resident Per Capita Spending - based on Travel Alberta research	Non-local resident attendees (visitors)	2009 Estimated Total
<b>Estimated total attendance at events staged by the Agricultural Society and other organization using the Agricultural Society's facilities</b>		3,147,891		555,510	3,703,401
Spending on admission and entertainment at the event (based on prior research - ibid)	\$40 per person per day on admission and entertainment at the event	\$ 125,915,634	\$40 per person per day on admission and entertainment at the event	22,220,406	148,136,040
Spending on public or local transportation *	\$0.001 per dollar spent on admission and entertainment at the event	\$ 125,916	\$0.09 per dollar spent on admission and entertainment at the event	1,999,836.54	2,125,752
Spending on private automobile operation *	\$0.25 per dollar spent on admission and entertainment at the event	\$ 31,478,909	\$5.15 per dollar spent on admission and entertainment at the event	114,435,090.90	145,913,999
Spending on accommodation, food, and beverage *	\$0.50 per dollar spent on admission and entertainment at the event	\$ 62,957,817	\$5.19 per dollar spent on admission and entertainment at the event	115,323,907.14	178,281,724
Spending on retail *	\$0.50 per dollar spent on admission and entertainment at the event	\$ 62,957,817	\$2.06 per dollar spent on admission and entertainment at the event	45,774,036.36	108,731,853
<b>Total</b>		<b>\$ 283,436,092</b>		<b>299,753,277</b>	<b>583,189,369</b>

\* Based on Travel Alberta analysis for non-resident overnight and day trip visitors

The analysis reported in this table suggests that the events the Agricultural Society stages, and the facilities it makes available for other organizations to stage their own events, stimulate significant spending by attendees. Likely a total of more than \$200 million is spent in Alberta by attendees in connection with their attendance at events staged by the Agricultural Society or its tenants. Much of this spending is expected occur within the community or very close by, and includes spending by both local residents and visitors.

The following table (next page) provides a summary of average total estimated attendee spending per Agricultural Society. This average will not represent any particular Agricultural Society.

### Average Attendee Spending at all Events per Agricultural Society:

Spending at the event	\$	517,958
Spending on public or local transportation *	\$	7,433
Spending on private automobile operation *	\$	510,189
Spending on accommodation, food, and beverage *	\$	623,363
Spending on retail *	\$	380,181
<b>Total spent, not including spending on admission and entertainment at the event</b>	<b>\$</b>	<b>1,521,165</b>
<b>Total spent, including admission and entertainment at the event</b>	<b>\$</b>	<b>2,039,124</b>

\* Based on Travel Alberta analysis for non-resident overnight and day trip visitors

For communication with local stakeholders it is important for Agricultural Societies to be able to discuss the economic benefits for the community that result from the operation of the Agricultural Society. Spending in the community by visitors is an important component of that communication. Agricultural Societies are encouraged to gather data to estimate their own results concerning spending by visitors and local attendees, using the tool included in the Agricultural Society Implementation Toolkit. Simple methods are described to identify the number and origin of attendees and to estimate their spending.

The following table estimates average spending by per local resident attendee and per non-resident attendee based on the preceding data.

Average Attendee Spending at all Events per Agricultural Society:	Average spending per local resident attendee-day		Average spending per non- resident visitor-day	
Spending at the event	\$	40.00	\$	40.00
Spending on public or local transportation *	\$	0.04	\$	3.60
Spending on private automobile operation *	\$	10.00	\$	206.00
Spending on accommodation, food, and beverage *	\$	20.00	\$	207.60
Spending on retail *	\$	20.00	\$	82.40
<b>Total spent, not including spending on admission and entertainment at the event</b>	<b>\$</b>	<b>50.04</b>	<b>\$</b>	<b>499.60</b>
<b>Total spent, including admission and entertainment at the event</b>	<b>\$</b>	<b>90.04</b>	<b>\$</b>	<b>539.60</b>

\* Based on Travel Alberta analysis for non-resident overnight and day trip visitors

Agricultural Societies may apply these data to their own attendee statistics, with the caveat that the data are estimates based on broad research and may not accurately represent their own event. Further, it should be noted that different spending profiles will apply to different types of event.

**The average shown per Agricultural Society is based on broad data for the 286 Agricultural Societies included in the analysis.**

## Economic Stimulation

Economic impacts may be estimated at the Provincial and Federal levels using a variety of statistical and financial methodologies. Economic impact assessment uses cause and effect approaches to measure the secondary and tertiary impacts of initial spending on projects or programs. For example:

- When money is spent by the Agricultural Society or its visitors or attendees, some of the money is used to purchase goods, supplies, or services that may be supplied or manufactured/produced locally and some may be on items “imported” from other parts of Alberta, from other provinces, or from other countries.
- Employees hired by an Agricultural Society buy or rent homes, buy cars, consume groceries and gasoline, educate their children, borrow money, pay taxes, etc. The beneficiaries of these various expenditures by the employee of an Alberta Agricultural Society may be located elsewhere in Alberta, in other parts of Canada, or in other countries. Thus the money spent by the Agricultural Society on employees’ wages contributes in very small measures to the income of these various suppliers. Those suppliers pay taxes to Canada, including (in non-Canadian produced or manufactured goods) import duties.
- Economic impact estimates attempt to measure the effect of both of these types of expenditure at the provincial and national levels.

Economic impact is measured in incremental spending. In other words, spending that would not have taken place had the event not taken place, or the organization not existed.

However, there is no reasonable foundation for true economic impact assessment at the level of small communities. Economic impacts would be measured at the Provincial and National level and would be misleading if applied at the community level in a small community.

## Economic Impact of Attendee Spending

Based on Travel Alberta published economic impact data, the following table summarizes the high level economic impacts of attendee spending among these 286 Agricultural Societies. As noted previously, the following table refers to Provincial or Federal level impacts and cannot be applied relative to local communities.

		Visitor Spending
Initial expenditure	100.00	299,753,277
Value added	1.06	316,820,689
Gross output	2.35	704,726,476
Wages and salaries	0.53	157,380,332
Taxes	0.34	100,856,576

The table employs factors from 2009 economic impact estimates related to tourism in Central Alberta and published by Travel Alberta for the Central Alberta region. The table suggests:

- The value added as a result of the re-spending of the initial expenditure by non-resident attendees in connection with their trip is approximately \$317 million
- Gross output associated with spending by non-resident attendees is approximately \$704 million
- Approximately 4,200 full time equivalent jobs are supported by non-resident spending
- Taxes of more than \$100 million accrue to a combination of all three levels of government.

## **Economic Impact of Agricultural Society Operations**

As the operation of Agricultural Societies is closely comparable to the operation of tourism businesses, it is not unreasonable to approximate the economic impact of the operation of the Agricultural Society using similar factors. The initial spending on which the economic impact estimate is based is the cumulative total expenditure of the 286 Agricultural Societies, not including amortization and depreciation. The following summary provides an approximation of the broad economic impact associated with the operation of Agricultural Societies:

Thus, based on initial expenditure by Agricultural Societies of \$42.18 million

- The value added as a result of the re-spending of the initial expenditure by Agricultural Societies in connection with their operations is approximately \$45 million (value added factor assumed to be 1.06)
- Gross output associated with spending in connection with the operation of Agricultural Societies is approximately \$99 million (gross output factor assumed to be 2.35)
- Approximately 638 full time equivalent jobs are supported by Agricultural Society operations (wages and salaries factor assumed to be 0.53)
- Taxes of approximately \$14 million accrue to a combination of all three levels of government (taxation factor assumed to be 0.34).

These estimated impacts address the broad provincial and national level stimulation of economic activity associated with the spending and operation of Agricultural Societies.

## Summary and Overview

Alberta's Agricultural Societies are clearly dedicated to providing quality facilities and programming for their community. In order to continue to do so they must build stronger financial performance. They have the opportunity to do this. Appropriate strategies may include:

- Prioritize diversification to build new streams of revenue and to expand the profile and presence of the Agricultural Society in its sphere of influence
- Expand and build on community leadership and integration to facilitate pursuing community priorities, thus regaining the traditional role of the Agricultural Society as community and rural development facilitator and builder
- Develop partnerships and alliances within the community and among stakeholder groups to enhance community integration, volunteer assistance, and other support
- Regain their traditional role and relevance in their community and rural area to enhance community benefits and support
- Form agreements with other Agricultural Societies to build stronger integration of events offered on a sub-regional basis.

These issues are addressed in further depth in the accompanying report "Within Reach".

This research has shown that Agricultural Societies deliver on their priorities in their communities, although with increasing caution, given changing financial circumstances. The quantitative research shows that Agricultural Societies continue to deliver benefits for their communities.

- They directly attract non-resident spending, which benefits their local business community
- They provide a wide range of programming to engage the local and regional populations in activities focused on rural, community, and agricultural development
- They motivate local populations to join in the development and delivery of programming and the maintenance and operation of community facilities
- They stage events that bring the community together
- They provide facilities for community and other events that would not be able to take place otherwise.

The qualitative research noted the sincere commitment of Agricultural Society Boards of Directors and their concern that they find solutions to their challenging financial circumstances. They note they are challenged by increasing operating costs relative to their revenue and that their volunteer resources are harder to attract. These factors are confirmed in this research. Unless the financial and operating trends noted in this research are addressed, Agricultural Societies will be hard-pressed to assume and reinforce their traditional role in rural community development.

Despite the financial performance delivered by the Agricultural Societies in challenging economic times, the Agricultural Societies must continue to pursue their critical community and rural development

mandate in concert with their stakeholders. Retention of rural values requires strong programming of community- and rurally-oriented activities and this can only be achieved by increasing focus and expanded investment in infrastructure and programming.

However, Agricultural Societies must address a specific and somewhat unique challenge. In many communities, facilities provided by the Agricultural Society are viewed as provided by “the (undefined) government”. Motivated by a view that “government” provides the facilities without cost, residents resist paying the commercial rates for rentals, entry and other participation fees, etc., that Agricultural Societies must charge in order to operate their facilities and programs.

Agricultural Societies should consult with their municipalities to seek their support in addressing this significant challenge. It appears that in some cases municipalities view Agricultural Societies as competitors, rather than community leaders and facilitators. Further, as Agricultural Societies expand their role in their community to regain their traditional role and relevance, they should also address this issue through strong communication.

Agricultural Societies with facilities are uniquely positioned to contribute economic strength through programming focused on providing display and business development opportunities for the business community. All Agricultural Societies can contribute strongly to raising the profile and awareness of their community in markets outside the community and in attracting non-residents to come to the community to spend money.

As noted in the qualitative component of this research, several Agricultural Societies recommended an activity-based funding model for Agricultural Societies. Such a model should include consideration of the following key components:

- Strategic planning focused on positioning the Agricultural Society as a key component of community leadership and facilitation
- Stakeholder involvement
- Growth in non-grant revenue
- Increased activity through enhanced programming and facility use.

The future of the Agricultural Societies should be a function of their past strengths and carefully researched and developed opportunities in economic, community, and rural development. This research has illustrated the strong contribution of Agricultural Societies in their communities and rural economy. However, despite their success in revenue generation from many sources, it is clear that the potential for many Agricultural Societies to deliver even greater benefits in their communities and in rural development is constrained by their precarious financial status.