

K-W Oktoberfest Inc.
Combined Financial Statements
For the year ended November 30, 2020

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Independent Auditor's Report

To the Members of
K-W Oktoberfest Inc.

Qualified Opinion

We have audited the combined financial statements of K-W Oktoberfest Inc., which comprise the combined statement of financial position as at November 30, 2020 and the combined statements of operations, changes in net assets and cash flows for the year then ended, and notes to the combined financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying combined financial statements present fairly, in all material respects, the financial position of K-W Oktoberfest Inc. as at November 30, 2020, and the results of operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the organization derives revenue from events, sponsorships and non-monetary contributions, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the organization. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, and cash flows from operations for the years ended November 30, 2020 and 2019, current assets as at November 30, 2020 and 2019, and net assets as at December 1 and November 30 for both the 2020 and 2019 years. Our audit opinion on the combined financial statements for the year ended November 30, 2019 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Combined Financial Statements section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the combined financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Uncertainty Related to Going Concern

We draw attention to Note 1 in the combined financial statements, which indicates that the organization has incurred net losses over the last five fiscal years, and as at November 30, 2020 the organization's current liabilities exceeded its current assets. As stated in Note 1, these conditions, along with other matters as set forth in Note 1, indicate that an uncertainty exists that may cast significant doubt on the organization's ability to continue as a going concern. Our opinion is not modified in respect of this matter.



Responsibilities of Management and Those Charged with Governance for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the combined financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the combined financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the organization to express an opinion on the combined financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Ontario
March 9, 2021

K-W Oktoberfest Inc.
Combined Statement of Financial Position

November 30	2020	2019
Assets		
Current		
Short-term investments (Note 3)	\$ 11,002	\$ 10,903
Accounts receivable (Note 4)	179,347	197,921
Inventory (Note 5)	46,934	126,657
Prepaid expenses and other assets	18,767	33,517
Long-lived assets held for sale (Note 6)	487,507	487,507
	743,557	856,505
Tangible capital assets (Note 7)	326,608	366,047
Intangible assets (Note 8)	30,000	5,500
	356,608	371,547
	\$ 1,100,165	\$ 1,228,052
Liabilities and Net Assets		
Current		
Bank indebtedness (Note 2)	\$ 243,345	\$ 221,432
Accounts payable and accrued liabilities (Note 9)	24,345	37,987
Current portion of deferred contributions - capital (Note 11)	118,068	40,908
	385,758	300,327
Long-term debt (Note 10)	30,000	-
Deferred contributions - capital (Note 11)	123,574	213,038
	539,332	513,365
Net Assets		
Unrestricted	(41,640)	34,579
Internally restricted capital assets	602,473	605,108
Internally restricted (Note 14)	-	75,000
	560,833	714,687
	\$ 1,100,165	\$ 1,228,052

Approved by the Board:

_____ Director

_____ Director

K-W Oktoberfest Inc.
Combined Statement of Changes in Net Assets

For the year ended November 30

2020

2019

	Unrestricted	Internally Restricted Capital Assets	Internally Restricted	Total	Total
Net assets, beginning of year	\$ 34,579	\$ 605,108	\$ 75,000	\$ 714,687	\$ 930,965
Deficiency of revenue over expenses for the year	(114,858)	(38,996)	-	(153,854)	(216,278)
Transfers (Note 14)	75,000	-	(75,000)	-	-
Net investment in tangible capital assets and intangible capital assets	(66,361)	66,361	-	-	-
Deferred contributions received	30,000	(30,000)	-	-	-
Net assets, end of year	\$ (41,640)	\$ 602,473	\$ -	\$ 560,833	\$ 714,687

K-W Oktoberfest Inc.
Combined Statement of Operations

For the year ended November 30	2020	2019
Revenue		
Ticket sales (Note 13)	\$ 4,806	\$ 274,650
Concession sales	-	397,601
Merchandise	65,114	135,821
Accreditation fees	4,089	61,725
Sponsorship	192,739	524,014
Grants (Notes 11 and 12)	365,495	287,216
Service fees, fundraising and other levies	14,105	218,868
	646,348	1,899,895
Cost of merchandise, concession and ticket sales (Note 5)	97,645	272,005
	548,703	1,627,890
Expenses		
Amortization	81,300	108,102
Facility, general and administrative	187,886	271,173
Marketing and promotion	40,392	194,580
Event production	166,430	766,432
Wages and benefits	374,563	503,881
	850,571	1,844,168
Deficiency of revenue over expenses before other income	(301,868)	(216,278)
Other income		
Canada emergency wage subsidy (Note 12)	133,310	-
Canada emergency business account loan forgiveness (Note 10)	10,000	-
Canada emergency rent subsidy (Note 12)	4,704	-
	148,014	-
Deficiency of revenue over expenses for the year	\$ (153,854)	\$ (216,278)

K-W Oktoberfest Inc.
Combined Statement of Cash Flows

For the year ended November 30	2020	2019
Cash flows from operating activities		
Deficiency of revenue over expenses for the year	\$ (153,854)	\$ (216,278)
Items not involving cash		
Amortization of tangible capital assets	75,800	107,602
Amortization of intangible assets	5,500	500
Amortization of deferred contributions - capital	(42,304)	(58,035)
Allowance for inventory obsolescence	78,000	-
Canada emergency business account loan forgiveness	(10,000)	-
	<u>(46,858)</u>	<u>(166,211)</u>
Changes in non-cash working capital balances		
Accounts receivable	18,574	229,211
Inventory	1,723	(22,867)
Prepaid expenses and other assets	14,750	5,918
Accounts payable and accrued liabilities	(13,642)	(152,568)
	<u>(25,453)</u>	<u>(106,517)</u>
Cash flows from investing activities		
Purchase of tangible capital assets	(36,361)	(8,918)
Purchase of intangible assets	(30,000)	-
Purchase of short-term investments	(11,002)	(10,903)
Proceeds on redemption of short-term investments	10,903	10,616
	<u>(66,460)</u>	<u>(9,205)</u>
Cash flows from financing activities		
Deferred contributions received	30,000	-
Proceeds from long-term debt	40,000	-
Repayment of short-term loan	-	(75,000)
	<u>70,000</u>	<u>(75,000)</u>
Decrease in cash during the year	(21,913)	(190,722)
Bank indebtedness, beginning of year	<u>(221,432)</u>	<u>(30,710)</u>
Bank indebtedness, end of year	<u>\$ (243,345)</u>	<u>\$ (221,432)</u>

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

K-W Oktoberfest Inc.
Notes to Combined Financial Statements

November 30, 2020

1. Summary of Significant Accounting Policies

Nature of Business	<p>K-W Oktoberfest Inc. is incorporated without share capital under the laws of Ontario and is engaged in the operation of a Bavarian festival in Kitchener-Waterloo and surrounding municipalities.</p> <p>KWO Productions Inc. was incorporated without share capital under the Canada Not-for-profit Corporations Act on August 2, 2018 and is engaged in supporting activities for K-W Oktoberfest Inc.</p>
Going Concern	<p>The organization has incurred increasing operating losses over the last five years. The net loss for the year ended November 30, 2020 is \$153,854. The organization's current liabilities, excluding deferred contributions, exceeded its current assets, excluding assets held for sale by \$7,050. As a result, there is uncertainty that may cast significant doubt as to whether the organization will have the ability to continue as a going concern.</p> <p>The organization's ability to continue as a going concern is dependent upon its continued access to the organization's credit facilities with the chartered bank, selling the organization's under utilized assets, and achieving a profitable level of operations to provide it with sufficient funds to operate the business. If the organization is unable to achieve the above, there is a possibility that the organization may be unable to continue to realize its assets and to discharge its liabilities in the normal course of operations. See Note 16 for the uncertainty due to COVID-19 on the operations of the organization.</p> <p>These combined financial statements are prepared on a going concern basis in accordance with Canadian accounting standards for not-for-profit organizations which assumes that the organization will be able to obtain adequate financing as required and realize its assets and discharge its liabilities in the normal course of operations. If the going concern assumption was not appropriate for these combined financial statements then adjustments would be necessary to the carrying value of the assets and liabilities.</p>
Basis of Accounting	<p>The combined financial statements have been prepared using Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO).</p>
Basis of Combination	<p>These financial statements include the combined results of K-W Oktoberfest Inc. and KWO Productions Inc. All intercompany transactions and balances are eliminated on combination.</p>
Income Taxes	<p>Kitchener-Waterloo Oktoberfest Inc. and KWO Productions Inc. are non-profit organizations and as such are not subject to income tax.</p>

K-W Oktoberfest Inc.
Notes to Combined Financial Statements

November 30, 2020

Inventory Inventory is stated at the lower of cost and net realizable value. Cost is generally determined on first-in first-out basis.

Tangible Capital Assets All tangible capital assets are recorded at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is as follows:

Glockenspiel	-	10	years straight line basis
Heritage Carillon	-	10	years straight line basis
Building	-	5%	diminishing balance basis
Furniture and equipment	-	20 - 30%	diminishing balance basis
Computer hardware	-	30%	diminishing balance basis
Computer software	-	100%	straight line basis
Parade floats	-	10	years straight line basis
Signs	-	20%	diminishing balance basis
Trailers	-	10%	diminishing balance basis
Warehouse	-	25	years straight line basis

One-half of the annual rate is provided in the year of acquisition and disposal, except for the Glockenspiel and the Heritage Carillon which is amortized in equal amounts over a ten year period.

When a tangible capital asset no longer contributes to an organization's ability to provide goods and services, or the future economic benefits or service potential of the tangible capital asset is less than its carrying value, the excess of its net carrying amount over its fair value or replacement cost is recognized as an expense in the statement of operations. Any unamortized deferred contribution amount related to the tangible capital asset is recognized in revenue in the statement of operations, provided that all restrictions have been complied with.

When a tangible capital asset is disposed of, the difference between the net proceeds on disposition and the net carrying amount is recognized in the statement of operations. Any unamortized deferred contribution amount related to the tangible capital asset disposed of is recognized in revenue in the statement of operations, provided that all restrictions have been complied with.

K-W Oktoberfest Inc.
Notes to Combined Financial Statements

November 30, 2020

Intangible Assets Purchased intangible assets are recorded at cost. Intangible assets with finite lives are amortized over their estimated useful lives as follows:

	Method	Rate
Trademark	Straight Line	15 years
Website	Straight Line	3 years

When an intangible asset no longer contributes to an organization's ability to provide goods and services, or the value of future economic benefits or service potential of the intangible asset is less than its net carrying amount, the excess of its net carrying amount over its fair value or replacement cost is recognized as an expense in the statement of operations. Any unamortized deferred contribution amount related to the intangible asset is recognized in revenue in the statement of operations, provided that all restrictions have been complied with.

Revenue Recognition The organization follows the deferral method of accounting for revenue. Restricted revenue is recognized as revenue in the year in which the related expenses are incurred. Unrestricted revenue is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Merchandise and concession sales are recognized at the point of delivery of the product. Ticket revenue is recognized when the event occurs.

Restricted capital contributions are deferred and recognized as revenue over the useful life of the related tangible capital asset.

Contributed Services Volunteers contribute thousands of hours per year to assist the organization to carry out its activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the combined financial statements.

Contributed Materials Contributed materials are not recognized in the combined financial statements unless they would normally be purchased by the organization and their fair market value can be ascertained.

K-W Oktoberfest Inc.
Notes to Combined Financial Statements

November 30, 2020

Use of Estimates	The preparation of combined financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the combined financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's estimates as additional information becomes available in the future. Significant estimates were used in the valuation of accounts receivable, inventory and long-lived assets held for sale and the estimated useful lives of tangible capital assets.
Financial Instruments	Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any unrealized gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale and issue of financial instruments are expensed for those items remeasured at fair value and charged to the financial instrument for those measured at amortized cost.

K-W Oktoberfest Inc.
Notes to Combined Financial Statements

November 30, 2020

2. Bank Indebtedness

	2020	2019
Bank balances	\$ (159,995)	\$ 157,385
Less: Outstanding items	<u>(83,350)</u>	<u>(378,817)</u>
Bank indebtedness	<u>\$ (243,345)</u>	<u>\$ (221,432)</u>

The organization's bank accounts are held at one chartered bank and earn nominal interest.

The organization has available a bank demand operating loan facility with a limit of \$700,000. The organization had unused credit capacity of \$519,300 on this facility as at November 30, 2020. The facility bears interest at the prime rate plus 0.25% per annum and is secured by an assignment of fire and other perils insurance over business assets, a general security agreement, and a \$1,000,000 first collateral mortgage on the land and building at 17 Benton Street, Kitchener.

The organization has a business credit card facility with a limit of \$85,000 for operations. At year end, the organization had unused credit capacity of approximately \$82,300 on this facility.

The organization also has a letter of credit issued in favour of a vendor in the amount of \$34,000, of which nil was outstanding at the year-end.

3. Short-term Investments

Short-term investments consist of a guaranteed investment certificate, 0.45%, maturing March 2022.

4. Accounts Receivable

	2020	2019
Trade accounts receivable	\$ 41,225	\$ 184,145
Grants receivable	<u>138,122</u>	<u>13,776</u>
	<u>\$ 179,347</u>	<u>\$ 197,921</u>

K-W Oktoberfest Inc.
Notes to Combined Financial Statements

November 30, 2020

5. Inventory

	2020	2019
Inventory	\$ 124,934	\$ 126,657
Allowance for obsolete inventory	(78,000)	-
	\$ 46,934	\$ 126,657

Included in costs of goods sold is a provision of \$78,000 to record the allowance for obsolete inventory.

6. Long-lived Assets Held for Sale

During the year, the organization made the decision to reassess its future office and retail space needs which resulted in the decision to put the building and land assets up for sale. These assets are accounted for at the lower of the carrying value or fair value less costs to sell. No amortization was taken on the building once the decision was made to sell the building.

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 180,000	\$ -	\$ 180,000	\$ -
Building	894,188	586,681	894,188	586,681
	\$ 1,074,188	\$ 586,681	\$ 1,074,188	\$ 586,681
Net book value		\$ 487,507		\$ 487,507

Subsequent to the year end, the organization finalized an agreement to sell the land and building for \$1,300,000. The sale will close in April 2021.

K-W Oktoberfest Inc.
Notes to Combined Financial Statements

November 30, 2020

7. Tangible Capital Assets

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Glockenspiel	\$ 286,618	\$ 170,225	\$ 286,618	\$ 141,563
Heritage Carillon	110,743	22,148	110,743	11,074
Furniture and equipment	302,871	282,184	302,871	276,155
Computer hardware	270,392	244,543	259,585	235,782
Computer software	-	-	535,642	535,642
Parade floats	112,750	91,454	112,750	87,002
Signs	65,067	24,977	39,513	18,149
Trailers	24,731	15,629	24,731	14,618
Warehouse	224,587	219,991	224,587	211,008
	<u>\$ 1,397,759</u>	<u>\$ 1,071,151</u>	<u>\$ 1,897,040</u>	<u>\$ 1,530,993</u>
Net book value		<u>\$ 326,608</u>		<u>\$ 366,047</u>

8. Intangible Assets

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Trademark	\$ 7,500	\$ 2,500	\$ 7,500	\$ 2,000
Website	30,000	5,000	-	-
	<u>\$ 37,500</u>	<u>\$ 7,500</u>	<u>\$ 7,500</u>	<u>\$ 2,000</u>
Net book value		<u>\$ 30,000</u>		<u>\$ 5,500</u>

9. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$1,123 (2019 - \$1,321).

K-W Oktoberfest Inc.
Notes to Combined Financial Statements

November 30, 2020

10. Long-term Debt

	2020	2019
Canada Emergency Business Account loan, bearing no interest, maturing on December 31, 2022	\$ 30,000	\$ -

In 2020, the Company received a \$40,000 Canada Emergency Business Account (CEBA) loan to finance qualifying non-deferrable expenses during COVID. The loan is non-interest bearing with no scheduled payments until December 31, 2022. If \$30,000 of the loan has been repaid by that date, the remaining \$10,000 will be forgiven. If the \$30,000 in loan payments have not been made by December 31, 2022, the full outstanding balance will be converted to a 5% interest bearing loan to be repaid in monthly installments over a three year period ending December 31, 2025. The \$10,000 forgivable portion has been recorded as income.

11. Deferred Contributions - Capital

	2020	2019
Balance, beginning of year	\$ 253,946	\$ 311,981
Contributions received	30,000	-
Amounts amortized to revenue	(42,304)	(58,035)
Total deferred contributions - capital	241,642	253,946
Less: Current portion	(118,068)	(40,908)
	\$ 123,574	\$ 213,038

12. Government Assistance

Grants recognized as revenue from the Cities of Kitchener and Waterloo and from the Regional Municipality of Waterloo amounted to \$114,891 (2019 - \$114,601). Grants from the Government of Canada amounted to \$127,500 (2019 - \$114,577) and grants from the Province of Ontario amounted to \$85,800 (2019 - \$Nil). The remaining grants relate to tangible capital assets amortized into revenue over the life of the asset. Refer to Note 11 for more details.

The organization received Canada Emergency Wage Subsidy in the amount of \$133,310 and Canada Emergency Rent Subsidy in the amount of \$4,704 in response to the COVID-19 pandemic.

K-W Oktoberfest Inc.
Notes to Combined Financial Statements

November 30, 2020

13. Ticket Sales

During the year, the Organization collected \$Nil (2019 - \$67,850) of ticket sales revenue on behalf of the various Festenhallen participating in the Festival. As the organization was the agent of these sales, this amount is not included in ticket sales revenue.

14. Internally Restricted Fund

The Internally Restricted Fund is used to fund building upgrades and large maintenance projects and working capital during periods of low cash flows. The fund's use is controlled by the Board of Directors. The Board of Directors approved a transfer of \$75,000 to the operating fund.

15. Commitments

The Organization has entered into a lease for an event premises expiring in October 2022 with the option to renew for an additional five years. Minimum lease payments are based on a set fee per ticket at gate. The organization has the ability to cancel the lease without penalty by providing six months written notice.

16. Uncertainty due to COVID-19 Pandemic

The ongoing global pandemic continues to disrupt Canadian economic activities. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time. Due to public health guidelines as a response to the pandemic, the organization was not able to run a traditional festival in 2020. There is uncertainty as to whether a traditional festival can be held in 2021. The organization continues to explore options for virtual festivals or other ways to modify the festival in order to celebrate and still be in compliance with public health guidelines. At this time, impact on future revenues is not determinable. The organization applied for and received the Canadian Emergency Wage Subsidy, the Canada Emergency Rent Subsidy and the Canada Emergency Business Account loan. The organization's ability to continue to service debt and meet financial obligations as they come due is dependent on the continued ability to generate earnings and cash flow, including the use of existing credit facilities, and through funds generated from the sale of under utilized assets.

K-W Oktoberfest Inc.
Notes to Combined Financial Statements

November 30, 2020

17. Financial Instruments

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization's financial instruments that are exposed to concentrations of credit risk relate primarily to accounts receivable and short-term investments. The organization's risk with respect to accounts receivable relates to corporate sponsors and it is mitigated through execution of written agreements and relevant credit checks on sponsors and customers. The organization has deposited its short-term investments with a reputable financial institution, from which management believes the risk of loss to be remote.

Liquidity Risk

Liquidity risk is the risk that the organization encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the organization will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which are less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable and accrued liabilities and bank indebtedness.

The liquidity risk related to the organization's bank indebtedness, accounts payable, and commitments has increased due to the impact of COVID-19. The extent of any future impact on the organization's operational results is unknown.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is exposed to interest rate risk arising from the possibility that changes in interest rate will affect the value of fixed income denominated investments. In addition, the organization is exposed to interest rate risk on its floating interest rate operating facility.

Apart from the specific comments above related to COVID-19, these risks have not changed from the prior year.
