

Signed by:



Alfred Lowrick, Executive Director

Date:

April 12, 2022

K-W Oktoberfest Inc.  
Combined Financial Statements  
For the year ended November 30, 2021

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## Independent Auditor's Report

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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, 2021 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, 2021, 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, 2021 and 2020, current assets as at November 30, 2021 and 2020, and net assets as at December 1 and November 30 for both the 2021 and 2020 years. Our audit opinion on the combined financial statements for the year ended November 30, 2020 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.



## 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  
February 17, 2022

K-W Oktoberfest Inc.  
Combined Statement of Financial Position

| November 30   | 2021         | 2020         |
|---|--------------|--------------|
| <b>Assets</b>   |              |              |
| Current   |              |              |
| Cash (Note 2)   | \$ 306,775   | \$ -         |
| Short-term investments (Note 3)                               | 880,002      | 11,002       |
| Accounts receivable (Notes 4 and 12)                          | 201,610      | 179,347      |
| Inventory (Note 5)  | 27,531       | 46,934       |
| Prepaid expenses and other assets                             | 14,988       | 18,767       |
| Long-lived assets held for sale (Note 6)                      | -            | 487,507      |
|   | 1,430,906    | 743,557      |
| Tangible capital assets (Note 7)                              | 256,520      | 326,608      |
| Intangible assets (Note 8)                                    | 19,500       | 30,000       |
|   | 276,020      | 356,608      |
|   | \$ 1,706,926 | \$ 1,100,165 |
| <b>Liabilities and Net Assets</b>                             |              |              |
| Current   |              |              |
| Bank indebtedness (Note 2)                                    | \$ -         | \$ 243,345   |
| Accounts payable and accrued liabilities (Note 9)             | 44,979       | 24,345       |
| Current portion of deferred contributions - capital (Note 11) | 68,391       | 118,068      |
| Deferred operating grant revenue                              | 46,800       | -            |
|   | 160,170      | 385,758      |
| Long-term debt (Note 10)                                      | 40,000       | 30,000       |
| Deferred contributions - capital (Note 11)                    | 104,182      | 123,574      |
|   | 304,352      | 539,332      |
| Net Assets  |              |              |
| Unrestricted  | 1,299,127    | (41,640)     |
| Internally restricted capital assets                          | 103,447      | 602,473      |
|   | 1,402,574    | 560,833      |
|   | \$ 1,706,926 | \$ 1,100,165 |

Approved by the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

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

For the year ended November 30

2021

2020

|   | Unrestricted | Internally<br>Restricted<br>Capital<br>Assets | Internally<br>Restricted | Total        | Total      |
|---|--------------|---|--------------------------|--------------|------------|
| Net assets, beginning of year                               | \$ (41,640)  | \$ 602,473                                    | \$ -                     | \$ 560,833   | \$ 714,687 |
| Excess (deficiency) of revenue over expenses for the year   | 45,628       | 796,113                                       | -                        | 841,741      | (153,854)  |
| Net investment in tangible capital assets                   | 1,246,139    | (1,246,139)                                   | -                        | -            | -          |
| Deferred contributions received for tangible capital assets | 49,000       | (49,000)                                      | -                        | -            | -          |
| Net assets, end of year                                     | \$ 1,299,127 | \$ 103,447                                    | \$ -                     | \$ 1,402,574 | \$ 560,833 |

K-W Oktoberfest Inc.  
Combined Statement of Operations

| For the year ended November 30                                   | 2021              | 2020                |
|--|-------------------|---------------------|
| Revenue  |                   |                     |
| Ticket sales   | \$ 21,327         | \$ 4,806            |
| Concession sales   | 2,465             | -                   |
| Merchandise  | 57,826            | 65,114              |
| Accreditation fees   | -                 | 4,089               |
| Sponsorship  | 238,750           | 192,739             |
| Grants (Note 12)   | 322,407           | 365,495             |
| Service fees, fundraising and other levies                       | 12,686            | 14,105              |
|  | 655,461           | 646,348             |
| Cost of merchandise, concession and ticket sales (Note 5)        | 43,590            | 97,645              |
|  | 611,871           | 548,703             |
| Expenses   |                   |                     |
| Amortization   | 80,588            | 81,300              |
| Facility, general and administrative                             | 145,229           | 187,886             |
| Marketing and promotion  | 24,026            | 40,392              |
| Event production   | 200,006           | 166,430             |
| Wages and benefits   | 341,874           | 374,563             |
|  | 791,723           | 850,571             |
| Deficiency of revenue over expenses before other income          | (179,852)         | (301,868)           |
| Other income   |                   |                     |
| Canada emergency wage subsidy (Note 12)                          | 156,876           | 133,310             |
| Canada emergency business account loan forgiveness (Note 10)     | 10,000            | 10,000              |
| Canada emergency rent subsidy (Note 12)                          | 24,062            | 4,704               |
| Gain on disposal of tangible capital assets (Note 6)             | 830,655           | -                   |
|  | 1,021,593         | 148,014             |
| <b>Excess (deficiency) of revenue over expenses for the year</b> | <b>\$ 841,741</b> | <b>\$ (153,854)</b> |

K-W Oktoberfest Inc.  
Combined Statement of Cash Flows

| For the year ended November 30                            | 2021              | 2020                |
|---|-------------------|---------------------|
| Cash flows from operating activities                      |                   |                     |
| Excess (deficiency) of revenue over expenses for the year | \$ 841,741        | \$ (153,854)        |
| Items not involving cash                                  |                   |                     |
| Amortization of tangible capital assets                   | 70,088            | 75,800              |
| Amortization of intangible assets                         | 10,500            | 5,500               |
| Amortization of deferred contributions - capital          | (46,048)          | (42,304)            |
| Gain on disposal of tangible capital assets               | (830,655)         | -                   |
| Allowance for inventory obsolescence                      | 16,310            | 78,000              |
| Canada emergency business account loan forgiveness        | (10,000)          | (10,000)            |
|   | <u>51,936</u>     | <u>(46,858)</u>     |
| Changes in non-cash working capital balances              |                   |                     |
| Accounts receivable                                       | (22,263)          | 18,574              |
| Inventory   | 3,093             | 1,723               |
| Prepaid expenses and other assets                         | 3,779             | 14,750              |
| Accounts payable and accrued liabilities                  | 20,634            | (13,642)            |
| Deferred operating grant revenue                          | 46,800            | -                   |
|   | <u>103,979</u>    | <u>(25,453)</u>     |
| Cash flows from investing activities                      |                   |                     |
| Purchase of tangible capital assets                       | -                 | (36,361)            |
| Purchase of intangible assets                             | -                 | (30,000)            |
| Purchase of short-term investments                        | (869,000)         | (11,002)            |
| Proceeds on redemption of short-term investments          | -                 | 10,903              |
| Proceeds on sale of tangible capital assets               | 1,246,141         | -                   |
|   | <u>377,141</u>    | <u>(66,460)</u>     |
| Cash flows from financing activities                      |                   |                     |
| Deferred contributions received                           | 49,000            | 30,000              |
| Proceeds from long-term debt                              | 20,000            | 40,000              |
|   | <u>69,000</u>     | <u>70,000</u>       |
| Increase (decrease) in cash during the year               | 550,120           | (21,913)            |
| Bank indebtedness, beginning of year                      | <u>(243,345)</u>  | <u>(221,432)</u>    |
| Cash (bank indebtedness), end of year                     | <u>\$ 306,775</u> | <u>\$ (243,345)</u> |

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



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K-W Oktoberfest Inc.  
Notes to Combined Financial Statements

November 30, 2021

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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> |
| 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>K-W Oktoberfest Inc. and KWO Productions Inc. are non-profit organizations and as such are not subject to income tax.</p>  |
| Inventory            | <p>Inventory is stated at the lower of cost and net realizable value. Cost is generally determined on first-in first-out basis.</p>   |

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K-W Oktoberfest Inc.  
Notes to Combined Financial Statements

November 30, 2021

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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 |
| Furniture and equipment | - | 20 - 30% | diminishing balance basis |
| Computer hardware       | - | 30%      | diminishing balance 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.

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K-W Oktoberfest Inc.  
Notes to Combined Financial Statements

November 30, 2021

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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.

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K-W Oktoberfest Inc.  
Notes to Combined Financial Statements

November 30, 2021

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- 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 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.
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K-W Oktoberfest Inc.  
Notes to Combined Financial Statements

November 30, 2021

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2. Cash (Bank Indebtedness)

|                          | <u>2021</u>       | <u>2020</u>         |
|--------------------------|-------------------|---------------------|
| Bank balances            | \$ 369,925        | \$ (159,995)        |
| Less: Outstanding items  | <u>(63,150)</u>   | <u>(83,350)</u>     |
| Cash (bank indebtedness) | <u>\$ 306,775</u> | <u>\$ (243,345)</u> |

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

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.

Both facilities are secured by a security agreement granting a first security interest in all present and after acquired personal property, to be registered in the jurisdiction of Ontario for \$119,000 which is secured by a guaranteed investment certificate.

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3. Short-term Investments

Short-term investments consist of guaranteed investment certificates, with interest rates of 0.40% to 0.45% and maturing between March and June 2022.

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4. Accounts Receivable

|                                 | <u>2021</u>       | <u>2020</u>       |
|---------------------------------|-------------------|-------------------|
| Trade accounts receivable       | \$ 41,673         | \$ 41,225         |
| Grants receivable               | 161,437           | 138,122           |
| Allowance for doubtful accounts | <u>(1,500)</u>    | <u>-</u>          |
|                                 | <u>\$ 201,610</u> | <u>\$ 179,347</u> |

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K-W Oktoberfest Inc.  
Notes to Combined Financial Statements

November 30, 2021

5. Inventory

|                                  | 2021      | 2020       |
|----------------------------------|-----------|------------|
| Inventory                        | \$ 43,842 | \$ 124,934 |
| Allowance for obsolete inventory | (16,311)  | (78,000)   |
|                                  | \$ 27,531 | \$ 46,934  |

6. Long-lived Assets Held for Sale

During the prior 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. During the year, the building and land were sold which resulted in a gain of \$830,655.

|                | 2021 |                             | 2020         |                             |
|----------------|------|-----------------------------|--------------|-----------------------------|
|                | Cost | Accumulated<br>Amortization | Cost         | Accumulated<br>Amortization |
| Land           | \$ - | \$ -                        | \$ 180,000   | \$ -                        |
| Building       | -    | -                           | 894,188      | 586,681                     |
|                | \$ - | \$ -                        | \$ 1,074,188 | \$ 586,681                  |
| Net book value |      | \$ -                        |              | \$ 487,507                  |

K-W Oktoberfest Inc.  
Notes to Combined Financial Statements

November 30, 2021

7. Tangible Capital Assets

|                         | 2021                |                          | 2020                |                          |
|-------------------------|---------------------|--------------------------|---------------------|--------------------------|
|                         | Cost                | Accumulated Amortization | Cost                | Accumulated Amortization |
| Glockenspiel            | \$ 286,618          | \$ 198,887               | \$ 286,618          | \$ 170,225               |
| Heritage Carillon       | 110,743             | 33,222                   | 110,743             | 22,148                   |
| Furniture and equipment | 302,871             | 286,804                  | 302,871             | 282,184                  |
| Computer hardware       | 270,392             | 252,298                  | 270,392             | 244,543                  |
| Parade floats           | 112,750             | 95,906                   | 112,750             | 91,454                   |
| Signs                   | 65,067              | 32,996                   | 65,067              | 24,977                   |
| Trailers                | 24,731              | 16,539                   | 24,731              | 15,629                   |
| Warehouse               | 224,587             | 224,587                  | 224,587             | 219,991                  |
|                         | <u>\$ 1,397,759</u> | <u>\$ 1,141,239</u>      | <u>\$ 1,397,759</u> | <u>\$ 1,071,151</u>      |
| Net book value          |                     | <u>\$ 256,520</u>        |                     | <u>\$ 326,608</u>        |

8. Intangible Assets

|                | 2021             |                          | 2020             |                          |
|----------------|------------------|--------------------------|------------------|--------------------------|
|                | Cost             | Accumulated Amortization | Cost             | Accumulated Amortization |
| Trademark      | \$ 7,500         | \$ 3,000                 | \$ 7,500         | \$ 2,500                 |
| Website        | 30,000           | 15,000                   | 30,000           | 5,000                    |
|                | <u>\$ 37,500</u> | <u>\$ 18,000</u>         | <u>\$ 37,500</u> | <u>\$ 7,500</u>          |
| Net book value |                  | <u>\$ 19,500</u>         |                  | <u>\$ 30,000</u>         |

9. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$1,759 (2020 - \$1,123).

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K-W Oktoberfest Inc.  
Notes to Combined Financial Statements

November 30, 2021

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10. Long-term Debt

|  | 2021      | 2020      |
|--|-----------|-----------|
| Canada Emergency Business Account loan, bearing no interest, maturing on December 31, 2023 | \$ 40,000 | \$ 30,000 |

The Canada Emergency Business Account (CEBA) provided an interest-free loan of \$60,000. The agreement with respect to the CEBA loan payable contains a loan forgiveness for early repayment clause where if 75% of the first advance of \$40,000 and 50% of the second advance of \$20,000 is repaid on or prior to the initial term date of December 31, 2023, the bank will forgive the remaining balance of the loan amount as of the initial term date provided that an event of default has not occurred. If the \$40,000 in loan payments have not been made by December 31, 2023, 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, 2026. The 25% forgiven portion of the first advance was recognized as revenue in 2020. The 50% forgiven portion of the second advance was recognized as revenue in 2021. The schedule of the CEBA loan principal repayments is as follows:

| Year | Amount    |
|------|-----------|
| 2022 | \$ -      |
| 2023 | -         |
| 2024 | 40,000    |
|      | \$ 40,000 |

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11. Deferred Contributions - Capital

|  | 2021       | 2020       |
|--|------------|------------|
| Balance, beginning of year                                       | \$ 241,642 | \$ 253,946 |
| Contributions received   | 49,000     | 30,000     |
| Amounts amortized to revenue                                     | (46,048)   | (42,304)   |
| Amounts amortized to gain on disposal of tangible capital assets | (72,021)   | -          |
| Total deferred contributions - capital                           | 172,573    | 241,642    |
| Less: Current portion  | (68,391)   | (118,068)  |
|  | \$ 104,182 | \$ 123,574 |

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K-W Oktoberfest Inc.  
Notes to Combined Financial Statements

November 30, 2021

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12. Government Assistance

Grants recognized as revenue from the Cities of Kitchener and Waterloo and from the Regional Municipality of Waterloo amounted to \$131,560 (2020 - \$114,891). Grants from the Government of Canada amounted to \$107,300 (2020 - \$127,500) and grants from the Province of Ontario amounted to \$47,500 (2020 - \$85,800). The remaining grants relate to tangible capital assets amortized into revenue over the life of the asset. Refer to Note 11 for more details.

Due to the COVID-19 pandemic, the Federal Government of Canada announced the implementation of government assistance measures. Management has determined that the organization qualified for Canada Emergency Wage Subsidy (CEWS) and Canada Emergency Rent Subsidy (CERS). Total assistance under CEWS was \$156,876 (2020 - \$133,310) which was credited directly to income, of this \$22,204 is included in accounts receivable at year end. Total assistance under CERS was \$24,062 (2020 - \$4,704) which was credited directly to income, of this \$2,346 is included in accounts receivable at year end.

The relevant terms and conditions applicable in order to be eligible for the assistance are as follows:

- Applicants must have a CRA payroll account
- Be an eligible type of employer (excludes public institutions)
- Have experienced a drop in revenue

Applicants may be required to return all or part of the subsidy payment if:

- Amendments are required related to previous applications (changes in circumstance, calculation errors)
- The CRA has reviewed the claim and reduced or denied the amount paid
- Applicant no longer qualifies for the payment, after it is received

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13. Commitments

The organization has entered into an operating lease for office space and a photocopier, expiring April and December 2022 respectively. The minimum annual lease payments for the next two years are as follows:

| Year       | Amount           |
|------------|------------------|
| 2022       | \$ 15,935        |
| Thereafter | <u>286</u>       |
|            | <u>\$ 16,221</u> |

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14. Uncertainty due to COVID-19 Pandemic

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K-W Oktoberfest Inc.  
Notes to Combined Financial Statements

November 30, 2021

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The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Due to public health guidelines as a response to the pandemic, the organization shifted its programming from the traditional in-person format to virtual programming for the 2020 and 2021 festival seasons. In response to the COVID-19 outbreak, the organization has leveraged the various government funding programs that have become available in response to the pandemic, reduced its cost structure and sold its land and building assets to generate additional liquidity. The organization continues to explore options for virtual events or other ways to modify the festival programming in order to celebrate the festival in accordance with local public health guidelines. The full magnitude that the pandemic will have on the organization's financial condition, liquidity and future results of operations is not determinable at this time.

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15. 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 cash, 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 cash and 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 long term debt.

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.

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