

K-W OKTOBERFEST INC. >

combined financial statements

>YEAR ENDED NOVEMBER 30, 2024

K-W OKTOBERFEST INC. >

combined financial statements

>YEAR ENDED NOVEMBER 30, 2024

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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., the "Organization", which comprise the combined statement of financial position as at November 30, 2024, 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 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 combined financial position of the Organization as at November 30, 2024, and the results of its combined as revenue and its combined 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, K-W Oktoberfest Inc. derives revenue from events, sponsorships and non-monetary contributions, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of K-W Oktoberfest Inc.. Therefore, we were unable to determine whether any adjustments might have been found necessary with respect to revenues, excess of revenues over expenses, and cash flows for the years ended November 30, 2024 and November 30, 2023 and current assets and net assets as at November 30, 2024 and November 30, 2023. Our conclusion on the combined financial statements as at and for the year ended November 30, 2024 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 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 opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated 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 Consolidated 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 risks 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.

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.

Elmira, Ontario
March 25, 2025

MAC LLP.
LICENSED PUBLIC ACCOUNTANTS
CHARTERED PROFESSIONAL ACCOUNTANT

K-W OKTOBERFEST INC. >

combined statement of financial position

>NOVEMBER 30, 2024

	2024	2023
<i>assets</i>		
current		
Cash	\$ 339,960	\$ 181,803
Other investments (Note 3)	704,119	726,497
Accounts receivable (Note 4)	220,022	257,372
Government remittances recoverable	-	12,440
Inventory (Note 5)	18,807	28,988
Prepaid expenses	<u>18,645</u>	<u>40,955</u>
	1,301,553	1,248,055
non-current		
Capital assets (Note 6)	565,503	664,732
Intangible assets (Note 7)	<u>18,076</u>	<u>48,733</u>
	<u>\$ 1,885,132</u>	<u>\$ 1,961,520</u>
<i>liabilities</i>		
current		
Accounts payable and accrued liabilities	\$ 85,494	\$ 216,435
Government remittances payable	46,540	-
Deferred contributions - operations (Note 9)	42,338	-
Current portion of deferred contributions - capital	<u>103,565</u>	<u>145,594</u>
	277,937	362,029
non-current		
Long term debt (Note 10)	-	40,000
Deferred contributions - capital (Note 11)	<u>384,447</u>	<u>480,599</u>
	<u>662,384</u>	<u>882,628</u>
commitments (Note 12)		
<i>net assets</i>		
Unrestricted	1,161,027	988,573
Internally restricted capital assets	<u>61,721</u>	<u>90,319</u>
	<u>1,222,748</u>	<u>1,078,892</u>
	<u>\$ 1,885,132</u>	<u>\$ 1,961,520</u>

Approved on behalf of the board:

Director

Director

K-W OKTOBERFEST INC. >

combined statement of changes in net assets

>YEAR ENDED NOVEMBER 30, 2024

	unrestricted	internally restricted capital assets	2024 total	2023 total
balance, beginning of year	\$ 988,573	\$ 90,319	\$ 1,078,892	\$ 1,222,280
Excess of revenue over expenses for year	155,920	(12,064)	143,856	(143,388)
Investment in capital assets	(17,366)	17,366	-	-
Deferred contributions for capital assets	<u>33,900</u>	<u>(33,900)</u>	<u>-</u>	<u>-</u>
balance, end of year	<u>\$ 1,161,027</u>	<u>\$ 61,721</u>	<u>\$ 1,222,748</u>	<u>\$ 1,078,892</u>

K-W OKTOBERFEST INC. >

combined statement of operations

>YEAR ENDED NOVEMBER 30, 2024

	2024	2023
revenue		
Ticket sales	\$ 87,317	\$ 97,297
Concession sales	176,767	82,799
Merchandise	80,698	79,240
Sponsorship	728,951	541,725
Grants	477,337	506,032
Service fees, fundraising and other levies	<u>138,427</u>	<u>146,143</u>
	<u>1,689,497</u>	<u>1,453,236</u>
expenses		
Amortization	147,286	136,853
Cost of merchandise, concession and ticket sales	148,303	70,366
Event production	537,657	590,755
Facility, general and administrative	166,747	250,255
Marketing and promotion	135,677	76,997
Wages and benefits	<u>409,971</u>	<u>471,398</u>
	<u>1,545,641</u>	<u>1,596,624</u>
excess of revenue over expenses for year	<u>\$ 143,856</u>	<u>\$ (143,388)</u>

K-W OKTOBERFEST INC. >

combined statement of cash flows

>YEAR ENDED NOVEMBER 30, 2024

	2024	2023
operating activities		
Excess of revenue over expenses for year	\$ 143,856	\$ (143,388)
Adjustments for:		
Amortization	147,286	136,853
Amortization of deferred contributions - capital	<u>(172,081)</u>	<u>(132,977)</u>
	119,061	(139,512)
Changes in non-cash working capital:		
Accounts receivable	37,350	67,552
Inventory	10,181	(8,418)
Prepaid expenses	22,310	(106)
Accounts payable and accrued liabilities	(130,941)	49,002
Government remittances payable	58,980	37,098
Deferred contributions - operations	42,338	-
Deferred contributions - capital	<u>33,900</u>	<u>470,733</u>
	<u>193,179</u>	<u>476,349</u>
financing activities		
Repayment of long term debt	<u>(40,000)</u>	<u>-</u>
investing activities		
Purchase of capital assets	(17,400)	(469,727)
Net decrease in other investments	<u>22,378</u>	<u>57,465</u>
	<u>4,978</u>	<u>(412,262)</u>
Increase in cash	158,157	64,087
Cash balance, beginning of year	<u>181,803</u>	<u>117,716</u>
cash balance, end of year	<u>\$ 339,960</u>	<u>\$ 181,803</u>

notes to financial statements

>NOVEMBER 30, 2024

1. nature of organization

K-W Oktoberfest Inc. is incorporated without share capital under the laws of the Province of Ontario. The principal activity is the operation of a Bavarian festival in Kitchener-Waterloo and surrounding municipalities.

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.

2. significant accounting policies

Basis of Accounting - These financial statements have been prepared in accordance with Canadian accounting standards for Not-for-Profit organizations.

Basis of Combination - 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.

Revenue Recognition - The organization follows the deferral method of accounting for revenue. Restricted revenues is recognized as revenue in the year 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 revenues is recognised when the event occurs.

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

Financial Instruments

Initial measurement - The Organization initially measures its financial assets and liabilities originated or exchanged in arm's length transactions at fair value.

The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms. If it does, the cost is determined using its rediscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. Otherwise, the cost is determined using the consideration transferred or received by the Organization in the transaction.

Subsequent measurement - The Organization subsequently measures all its financial assets and financial liabilities originated or exchanged in arm's length transactions at amortized cost. Financial assets and financial liabilities originated in related party transactions are subsequently measured at cost. Any reduction for impairment is recognized in net income, in the period incurred.

Financial assets measured at amortized cost include cash, accounts receivable, other investments and government remittances receivable.

The Organization has not designated any financial asset or liability to be measured at fair value.

notes to financial statements

>NOVEMBER 30, 2024

Transaction costs - The Organization recognizes its transaction costs attributable to financial instruments subsequently measured at fair value and to those originated or exchanged in a related party transaction in income in the period incurred. Transaction costs related to financial instruments originated or exchanged in an arm's length transaction that are subsequently measured at costs or amortized cost are recognized in the original cost of the instrument. When the instrument is measured at amortized cost, transaction costs are recognized in income over the life of the instrument using the straight line method.

Impairment - For financial assets measured at cost or amortized cost, the Organization determines whether there are indications of possible impairment. When there are, and the Organization determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write down is recognized in income. If the indicators of impairment have decreased or no longer exist, the previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may be no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

Cloud Computing Arrangements - At the inception of a cloud computing arrangement, the Organization allocates the consideration to significant separable elements based on their specific sales price. Development costs and costs related to the right to use a tangible asset are recognized according to the applicable accounting policies for such elements.

To account for expenditures in a cloud computing arrangement that fall within the scope of AcG-20, Customer's Accounting for Cloud Computing Arrangements, the Organization has opted for the simplification approach. Accordingly, such expenditures are treated as the supply of services and recognized as an expense when the services are received. These expenses are presented under the "Facility, general and administrative" line on the income statement.

The Organization recognizes prepayments as an asset when payments are made in advance for services not yet received. These prepayments are subsequently expensed as the services are consumed.

Costs related to implementation activities, including configuration and customization, are expensed as incurred unless they meet the criteria for capitalization under other applicable accounting standards.

Inventory - Inventory is valued at the lower of cost and net realizable value. The method of determining cost is on the first-in first-out basis. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

notes to financial statements

>NOVEMBER 30, 2024

Capital assets - Capital assets are recorded at historical cost. Amortization is provided in the accounts using the following methods and annual rates:

Asset	Method	Rate
Glockenspiel	Straight line	10 years
Heritage Carillon	Straight line	10 years
Furniture and equipment	Reducing balance	20-30%
Computer hardware	Reducing balance	30%
Parade floats	Straight line	10 years
Signs	Reducing balance	20%
Trailers	Reducing balance	10%
Warehouse	Straight line	25 years

Capital assets acquired during the year are amortized at one half the above annual rates.

Intangible Assets - Purchased intangible assets are recorded at cost and are amortized over their estimated useful life unless the asset is determined to have an indefinite life in which case the asset is assessed for fair value when there are events or circumstances that indicate the carrying value exceeds fair value. When the carrying value of an unamortized intangible asset exceeds fair value, an impairment loss is recognized. When events or circumstances indicate the carrying amount of an amortized intangible asset exceeds the undiscounted future cash flows associated with the asset, an impairment loss is recognized to the extent the carrying value exceeds fair value which becomes the new cost amortized.

Contributed Materials and Services - The Organization is dependent upon many hours of service contributed by volunteers. Because of the difficulty in determining their fair value, contributed services are not recognized in these financial statements.

The Organization receives contribution of materials, the fair value of which may or may not be reasonably determinable. Contributed materials are recognized as donations when fair values can be determined. No contributed materials were recognized as donation revenue during the year.

Disclosure and Use of Estimates - The preparation of financial statements in accordance with Canadian accounting standards for Not-for-Profit enterprises requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the year. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known.

Estimates are used when accounting for certain items such as revenues, allowance for doubtful accounts, useful lives capital assets, asset impairments and inventory reserves.

3. other investments

Other investments consist of guaranteed investment certificates, with interest rates ranging from 3.40% to 4.80% and maturing between June 2025 and March 2026.

notes to financial statements

>NOVEMBER 30, 2024

4. accounts receivable

Accounts receivable is comprised of the following:

	2024	2023
Unsecured:		
Trade accounts receivable	\$ 217,845	\$ 210,762
Grants receivable	16,500	55,000
Allowance for doubtful accounts	<u>(14,323)</u>	<u>(8,390)</u>
	<u>\$ 220,022</u>	<u>\$ 257,372</u>

5. inventory

Inventory is comprised of the following:

	2024	2023
Product for resale	\$ <u>18,807</u>	\$ <u>28,988</u>

Inventory expensed during the year was \$148,303 (2023 - \$70,366).

6. capital assets

	cost	accumulated amortization	net 2024	net 2023
Glockenspiel	\$ 286,618	\$ 284,873	\$ 1,745	\$ 30,407
Heritage Carillon	110,743	66,444	44,299	55,373
Furniture and equipment	376,121	309,751	66,370	81,881
Computer hardware	287,205	261,512	25,693	12,369
Parade floats	541,429	174,288	367,141	413,461
Signs	85,152	54,273	30,879	38,600
Trailers	52,951	23,575	29,376	32,641
Warehouse	<u>224,587</u>	<u>224,587</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,964,806</u>	<u>\$ 1,399,303</u>	<u>\$ 565,503</u>	<u>\$ 664,732</u>

7. intangible assets

	cost	accumulated amortization	net 2024	net 2023
Trademark	\$ 7,500	\$ 4,500	\$ 3,000	\$ 3,500
Website	<u>120,468</u>	<u>105,392</u>	<u>15,076</u>	<u>45,233</u>
	<u>\$ 127,968</u>	<u>\$ 109,892</u>	<u>\$ 18,076</u>	<u>\$ 48,733</u>

notes to financial statements

>NOVEMBER 30, 2024

8. bank indebtedness

The organization has a business credit card facility with a limit of \$85,000 for operations. At year-end, the organization has unused credit capacity of approximately \$80,360 on this facility. The Organization also has a letter of credit issued in favour of a vendor in the amount of \$29,000, of which \$Nil was outstanding at 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.

9. deferred contributions - operations

	2024	2023
Balance, beginning of year	\$ -	\$ -
Received during the year	42,338	-
Recognized as revenue	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 42,338</u>	<u>\$ -</u>

10. long term debt

	2024	2023
Canada Emergency Business Assistance loan, interest free until January 2024, interest at 5% thereafter, \$20,000 eligible for forgiveness if remainder is repaid by January 2024, repaid during the year.	\$ -	\$ 60,000
Less forgivable portion	<u>-</u>	<u>20,000</u>
	<u>\$ -</u>	<u>\$ 40,000</u>

11. deferred contributions - capital

	2024	2023
Balance, beginning of year	\$ 626,193	\$ 288,437
Received during the year	33,900	470,733
Recognized as revenue	<u>(172,081)</u>	<u>(132,977)</u>
Balance, end of year	488,012	626,193
Less: current portion	<u>(103,565)</u>	<u>(145,594)</u>
	<u>\$ 384,447</u>	<u>\$ 480,599</u>

notes to financial statements

>NOVEMBER 30, 2024

12. commitments

The Organization is obligated under leasing contracts for a photocopier. The leases expire in 2027 and the future minimum lease payments are as follows:

2025	\$ 3,363
2026	3,363
2027	<u>3,083</u>
	<u>\$ 9,809</u>

13. financial instruments

Risk Management - The significant risks to which the Organization is exposed are credit risk, liquidity risk and interest rate risk. There has been no change to the risk exposures from the prior year.

Credit Risk - The Organization is exposed to credit risk in the event of non-performance by counterparties in connection with its cash, accounts receivable and other investments. Accounts receivable relates to corporate sponsors and is mitigated through execution of written agreements and relevant credit checks on sponsors and customers. Cash and other investments are primarily comprised of instruments issued by large financial institutions in which management believes the risk of loss to be limited.

Interest Rate Risk - The Organization's interest-bearing assets and liabilities include other investments and long-term debt.

Liquidity Risk - Liquidity risk is the risk that the Organization will not be able to meet its obligations associated with financial liabilities. Cash flow from operations provides a substantial portion of the Organization's cash requirements. Additional cash requirements are met with the use of the available operating line of credit and bank borrowings under long term credit arrangements. The available operating line of credit provides flexibility in the short term to meet operational needs and bridge long term financing. The Organization's borrowing arrangements are concentrated with a single Canadian financial institution.