



Festival Hydro Services Inc.

Financial Statements

Prepared For:

The Finance & Labour Relations

Committee

January 2023

**To:** The Finance and Labour Relations Committee  
**From:** Alyson Conrad, CFO  
**Re:** Commentary on FHSI Financial Results –  
For the period ended September 30, 2022

The net income for the period was \$53K which is \$14K higher than budget but \$54K lower than at this point last year. Detailed commentary on the balance sheet and income statement activity are noted below:

**Balance Sheet Commentary:**

**A/R & Prepaids** – This balance is slightly lower than Q2 by \$6K. This is lower due to a portion prepaid amount of joint use expenses being recognized in the period.

Outstanding accounts receivable balances are generally held in Festival Hydro as they hit the intercompany account and revenues when they are billed, not when they are collected. They are being monitored through the monitoring of the miscellaneous AR aging in Festival Hydro. We will continue to monitor the aged miscellaneous AR balances regularly to ensure Rhizome receivables are not impacting Festival's cash flows increasingly.

**Capital Asset Additions** – Additions to the end of September 2022 are \$89K, or 75% of Q3 budget. This includes \$59K in computer hardware additions, \$24K on Fibre and \$6K on WIFI related projects. Details on the capital spend to date are as noted below:

**Computer Hardware:** Total spend for FHSI on hardware YTD is \$59K of which \$52K was spent on our new server project. We had budgeted \$55K for this project. These are the main network servers as the previous servers (4) were nearing end of life from an age perspective and were at risk of failure. A couple of the old servers may be repurposed for a sandbox environment and potentially as a backup server. There was also a purchase of rack extenders for the data centre totalling \$3.5K.

**Fibre Capital:** Total spend on fibre capital YTD is \$24K, \$8K was spent on AdTran spare parts. This allows for quick access to critical parts in case of component failures on the primary Stratford fibre device and therefore significantly decreases lengthy outage time risks. \$11K was spent on the AdTran migration in St. Mary's. There have been limited costs related to Wightman network expansion.

**WI-FI Capital:** Total YTD spend on WIFI related activity is \$6K. This was spent to prepare for the St. Mary's Wi-Fi upgrade project that was delayed from 2021. This project is currently on hold.

**Due to Festival Hydro Inc.** – The balance in this account decreased from June 30, 2022, balance by \$95K. The change is due to ongoing work being completed by FHSI staff for FHI as well as a HST refund of \$29K.

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**Deferred Revenue** – This balance has decreased from the June 2022 balance as a portion of the balance has been recognized into revenue for Q3 2022. No new contributions have been received in the year.

**Income Statement Commentary:**

**Revenues** – Revenues are \$62K lower than budget in Q3. Consulting revenue is down from budget by \$51K because of labour challenges in the first two quarters. A full staff compliment is in place as of the beginning of Q3. This decrease is partially offset by the increase in LIT revenue by \$24K. This revenue line is down from prior year due to the change in the Wightman contract however higher than budgeted revenues have remained consistent throughout the year. We are also behind budget for fibre, Wi-Fi and co-locate revenues by \$34K due to slower growth than projected.

**Operating Expenses** – Operating expenses are below budget by \$76K at the end of Q3 but higher than Q3 2021 by \$43K. While we did not have a full staff compliment in the first half of 2022, we have improved compared to the prior year which is why the business development expenses are lower than budget but higher than prior year. There are also decreases in fibre and Wi-Fi expenses compared to budget as the pole attachment rate determined by the OEB dropped from \$44.50 in 2021 to \$34.76.

**Cash Flow Commentary:**

The cash balance has increased to \$21K from the \$18K June 2022 balance. As discussed above, net income is ahead of budget. The variances in cash from year end and Q2 are due to the net change in receivables and payables loan repayments, capital purchases and working capital items.

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# FESTIVAL HYDRO SERVICES INC.

## Balance Sheet

For the period ending September 30, 2022

	YTD as at Sep 30, 2021	YTD as at Dec 31, 2021	YTD as at Sep 30, 2022		YTD as at Sep 30, 2021	YTD as at Dec 31, 2021	YTD as at Sep 30, 2022
<b>ASSETS</b>				<b>LIABILITIES</b>			
<b>Current Assets</b>				<b>Current Liabilities</b>			
Cash	44,500	9,016	20,824	Accounts Payable	63,667	33,211	32,269
Accounts Receivable & Prepaids	80,780	62,215	57,840	Due to Festival Hydro Inc.	418,025	332,803	201,894
Income Tax Receivable/(Payable)	—	(62,500)	(7,299)	Current Portion of LTD	10,427	42,508	10,627
Other Assets	—	—	—	Promissory Note	372,000	372,000	372,000
Inventory	7,773	7,617	7,617				
<b>Total Current Assets</b>	<b>133,053</b>	<b>16,347</b>	<b>78,981</b>	<b>Total Current Liabilities</b>	<b>864,119</b>	<b>780,522</b>	<b>616,789</b>
<b>Fixed Assets</b>				<b>Other Liabilities</b>			
Gross Book Value	5,442,441	5,362,691	5,451,735	Deferred Revenue	619,573	597,465	543,857
Accumulated Depreciation	(2,283,160)	(2,254,559)	(2,536,415)	Deferred Tax Liabilities	238,000	212,000	243,000
<b>Net Book Value</b>	<b>3,159,281</b>	<b>3,108,132</b>	<b>2,915,321</b>				
<b>Other Assets</b>				<b>Long Term Debt</b>			
Investment in QR Fibre Co.	—	—	—	RBC Financing	—	—	—
Investment Tax Credit Receivable	6,000	6,000	—	POP Loan Long Term Portion	363,813	321,305	321,305
				<b>TOTAL LIABILITIES</b>	<b>2,085,505</b>	<b>1,911,292</b>	<b>1,724,952</b>
				<b>EQUITY</b>			
				Share Capital	249,236	249,236	249,236
				Retained Earnings	963,594	969,952	1,020,115
				<b>TOTAL EQUITY</b>	<b>1,212,829</b>	<b>1,219,187</b>	<b>1,269,350</b>
<b>TOTAL ASSETS</b>	<b>3,298,335</b>	<b>3,130,479</b>	<b>2,994,302</b>	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>3,298,335</b>	<b>3,130,479</b>	<b>2,994,302</b>

# FESTIVAL HYDRO SERVICES INC.

## Statement of Operations For the period ending September 30, 2022

	YTD as at Sep 30, 2021	YTD as at Sep 30, 2022	YTD Budget at Sep 30, 2022	Cur to Bdg YTD Var\$	Cur to Bdg YTD Var%
<b>REVENUE</b>					
Sentinel Lights Rental	7,834	7,702	8,250	(548)	(7%)
Dark Fibre Rental	314,386	310,922	318,750	(7,828)	(2%)
WiFi Revenue	204,725	195,690	212,250	(16,560)	(8%)
LIT Revenue	217,361	194,579	171,000	23,579	14%
Consulting Revenue	165,363	192,586	243,750	(51,164)	(21%)
Services	—	—	—	—	—
Co-Locate Revenue	91,324	91,324	101,250	(9,926)	(10%)
Other Revenue - Miscellaneous	3,542	3,605	3,525	80	2%
<b>TOTAL REVENUE</b>	<b>1,004,535</b>	<b>996,409</b>	<b>1,058,775</b>	<b>(62,367)</b>	<b>(6%)</b>
<b>EXPENSES</b>					
Sentinel Lights	943	1,662	3,494	(1,832)	(52%)
Fibre Optics	99,150	94,861	107,472	(12,611)	(12%)
WiFi	103,031	102,981	116,861	(13,879)	(12%)
Business Development	302,501	334,240	386,506	(52,266)	(14%)
Administration Costs	61,363	68,599	74,371	(5,773)	(8%)
Outside Services	19,092	27,093	16,541	10,552	64%
Change in Fair Value of Stock Options	—	—	—	—	—
Donations	—	—	—	—	—
<b>TOTAL EXPENSES</b>	<b>586,080</b>	<b>629,436</b>	<b>705,245</b>	<b>(75,810)</b>	<b>(11%)</b>
<b>NET INCOME BEFORE DEP'N. &amp; INTEREST</b>	<b>418,455</b>	<b>366,973</b>	<b>353,530</b>	<b>13,443</b>	<b>4%</b>
Depreciation	274,811	281,892	281,892	0	0%
Interest Expense	37,559	32,293	32,865	(572)	(2%)
Interest Income	(131)	161	—	161	—
<b>NET INCOME(LOSS) FOR PERIOD BEFORE TAXES</b>	<b>106,216</b>	<b>52,626</b>	<b>38,773</b>	<b>13,854</b>	<b>36%</b>
Current Tax	—	—	—	—	—
Future Tax	—	—	—	—	—
<b>Total Taxes</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>NET INCOME(LOSS) FOR THE PERIOD</b>	<b>106,216</b>	<b>52,626</b>	<b>38,773</b>	<b>13,854</b>	<b>36%</b>

<b>Wightman Revenue:</b>	<b>YTD as at Sep 30, 2022</b>
Dark Fibre Rental	4,500
ISP Revenue	86,772
FTTH Revenue	59,293
Rental of Server Building	15,750
<b>Total</b>	<b>166,315</b>

# FESTIVAL HYDRO SERVICES INC.

## Cash Flow Statement

For the period ending September 30, 2022

	YTD as at Dec 31, 2021	YTD as at Sep 30, 2022
<b>Cash from Operations</b>		
Net Income	172,110	52,626
Future tax provision	(57,000)	—
Current tax provision (ITC portion)	34,000	(20,701)
Depreciation	362,439	281,892
Amortization of contributed capital	(72,698)	(53,321)
Amortization of deferred revenue	(17,437)	(287)
Accretion of interest	—	—
Investment in QR Fibre Co.	—	—
Net Change in Receivables/Payables	(1,388)	3,433
<b>Net Cash Provided</b>	<b>420,026</b>	<b>263,642</b>
<b>Cash from Financing</b>		
Capital expenditures - Festival	(84,563)	(89,044)
Contributed capital received DSRC - AVIN	—	—
Loan - Wightman	(41,707)	(31,881)
Loan - RBC	—	—
Loan from/(repayment to) Festival	(294,268)	(130,910)
<b>Net Cash Used</b>	<b>(420,539)</b>	<b>(251,835)</b>
<b>Increase (Decrease) in Cash Position</b>	<b>(513)</b>	<b>11,807</b>
<b>Cash Beg of Period</b>	<b>9,529</b>	<b>9,016</b>
<b>Cash End of Period</b>	<b>9,016</b>	<b>20,824</b>

# FESTIVAL HYDRO SERVICES INC.

## Statement of Capital For the period ending September 30, 2022

	YTD as at Sep 30, 2022	YTD Budget at Sep 30, 2022	Cur to Bdg YTD Var\$	Cur to Bdg YTD Var%
<b>CAPITAL</b>				
Office Furniture & Equipment	—	—	—	—
Computer Equipment - Hardware	58,363	78,622	(20,260)	(26%)
Computer Software	—	2,982	(2,982)	(100%)
Sentinel Lighting Rental Units	—	—	—	—
Buildings	911	—	911	—
Fibre Capital	23,807	30,750	(6,943)	(23%)
WiFi Capital	5,964	5,749	215	4%
<b>TOTAL CAPITAL</b>	<b>89,044</b>	<b>118,103</b>	<b>(29,059)</b>	<b>(25%)</b>