



Financial Statements

Prepared For:

Finance & Labour Relations Sub-Committee

November 2024

To: Mark Hunter and the Finance and Labour Relations Committee
From: Alyson Conrad, CFO
Re: Commentary on FHSI Financial Results –
For the period ended June 30, 2024

The net income for the period was \$5K, which is \$10K lower than budget and \$41K lower than at this point last year. It is however an improvement from Q1 which was a breakeven net income. Detailed commentary on the balance sheet and income statement activity are noted below:

Balance Sheet Commentary:

A/R & Prepaids – This balance is \$4K higher than Q2 2023. There are limited changes compared to the prior year. The prepaid balance includes \$28K for joint pole expenses and the remainder is the quarterly receivable from Wightman.

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 Rhyzome receivables are not impacting Festival's cash flows increasingly.

Capital Asset Additions – Spend to date is \$19K compared to budget of 108K or 18%. Capital spend includes cyber security improvements and network devices as well as well as upgrades to fibre optic splice closures (FOSCs) which was included in the budget plan to assist with expanding capacity. Although spend is down at the end of June, Fibre and WiFi capital is expected to be fully spent by the end of the year as well as \$28K in the remaining computer equipment hardware, software and building buckets.

Due from Festival Hydro Inc. – The balance remains in a receivable position at the end of Q2. This is due to underspending on capital projects and increased FHI work in June specifically to prepare for the CIS go-live.

Deferred Revenue and POP Loan – Deferred revenue and the POP Loan agree to amortization schedules.

Income Statement Commentary:

Revenues – Revenues are \$43K lower than budget in Q2. ISP revenue is down by \$23K due to the budget expectation of growth from the downtown expansion project. Construction is underway but revenues won't be realized until later in the year. Consulting revenue is down \$16K compared to budget due to aggressive estimates on for FHI project work. While work is up in Q2 related to CIS, there is likely not as

much work required on the planned ERP. Remaining revenue streams are relatively close to budget at the end of Q2.

Operating Expenses – Operating expenses are below budget by \$12K at the end of Q2. Due to lower than planned revenue, discretionary expenses have been limited. There have been limited fibre maintenance repairs required compared to budget by \$21K. There were some slightly higher staffing costs due to changes in two positions after the budget was approved which will continue until yearend.

Cash Flow Commentary:

The cash balance has remained flat at \$7K from the March 2024 balance. There have been limited changes to the cash balance in Q2.

FESTIVAL HYDRO SERVICES INC.

Balance Sheet

For the period ending June 30, 2024

	YTD as at Jun 30, 2023	YTD as at Dec 31, 2023	YTD as at Jun 30, 2024		YTD as at Jun 30, 2023	YTD as at Dec 31, 2023	YTD as at Jun 30, 2024
ASSETS				LIABILITIES			
Current Assets				Current Liabilities			
Cash	15,118	6,194	6,877	Accounts Payable	32,014	22,849	38,438
Accounts Receivable & Prepaids	43,342	14,348	47,685	Current Portion of LTD	32,493	44,156	22,078
Inventory	7,410	7,131	7,131	Promissory Note	372,000	372,000	372,000
Due from Festival Hydro Inc.	8,100	29,355	89,054				
Income Tax Receivable/(Payable)	-22,799	3,859	11,859				
Total Current Assets	51,171	60,887	162,607	Total Current Liabilities	436,507	439,004	432,516
Fixed Assets				Other Liabilities			
Gross Book Value	5,537,802	5,464,038	5,483,244	Deferred Revenue	524,217	480,259	436,301
Accumulated Depreciation	-2,780,625	-2,810,234	-2,980,404	Deferred Tax Liabilities	247,000	248,000	248,000
Net Book Value	2,757,177	2,653,805	2,502,840				
				Long Term Debt			
				POP Loan Long Term Portion	277,981	233,825	233,825
				TOTAL LIABILITIES	1,485,704	1,401,088	1,350,642
				EQUITY			
				Share Capital	249,236	249,236	249,236
				Retained Earnings	1,073,407	1,064,368	1,065,569
				TOTAL EQUITY	1,322,643	1,313,604	1,314,804
TOTAL ASSETS	2,808,347	2,714,692	2,665,446	TOTAL LIABILITIES AND EQUITY	2,808,347	2,714,692	2,665,446

FESTIVAL HYDRO SERVICES INC.

Statement of Capital For the period ending June 30, 2024

	YTD as at Jun 30, 2024	YTD Budget at Jun 30, 2024	Cur to Bdg YTD Var\$	Cur to Bdg YTD Var%
CAPITAL				
Computer Equipment - Hardware	4,685	10,000	-5,315	(53%)
Computer Software	—	1,000	-1,000	(100%)
Buildings	789	5,000	-4,211	(84%)
Fibre Capital	13,731	52,000	-38,269	(74%)
WiFi Capital	—	40,000	-40,000	(100%)
TOTAL CAPITAL	19,205	108,000	-88,795	(82%)

FESTIVAL HYDRO SERVICES INC.

Statement of Operations For the period ending June 30, 2024

	YTD as at Jun 30, 2023	YTD as at Jun 30, 2024	YTD Budget at Jun 30, 2024	Cur to Bdg YTD Var\$	Cur to Bdg YTD Var%
TOTAL REVENUE	745,562	696,045	739,213	-43,168	(6%)
TOTAL OPERATING EXPENSES	470,614	506,302	517,853	-11,552	(2%)
NET INCOME BEFORE DEPRECIATION & INTEREST	274,947	189,744	221,360	-31,616	(14%)
Depreciation	187,289	164,400	170,170	-5,770	(3%)
Interest Expense	17,533	18,606	23,484	-4,879	(21%)
Interest Income	-1,172	-232	—	-232	100%
NET INCOME FOR THE PERIOD BEFORE TAXES	71,298	6,970	27,705	-20,735	(75%)
Current Tax Provision	23,000	1,500	8,750	-7,250	(83%)
Future Tax Provision	—	—	3,250	-3,250	(100%)
NET INCOME(LOSS) FOR THE PERIOD	48,298	5,470	15,705	-10,235	(65%)

FESTIVAL HYDRO SERVICES INC.

Cash Flow Statement

For the period ending June 30, 2024

	YTD as at Dec 31, 2023	YTD as at Jun 30, 2024
Cash from Operations		
Net Income	39,259	5,470
Future tax provision	1,000	—
Current tax provision (ITC portion)	21,000	—
Depreciation	373,188	164,400
Amortization of contributed capital	-63,735	-31,867
Amortization of deferred revenue	-6,167	-12,091
Due to/from QR Fibre Co.	49,500	—
Net Change in Receivables/Payables	-53,981	-24,247
Net Cash Provided	360,064	101,665
Cash from Financing		
Capital expenditures - Festival	-165,384	-19,205
Loan - Wightman	-43,324	-22,078
Loan from/(repayment to) Festival	-151,502	-59,699
Net Cash Used	-360,211	-100,982
Increase (Decrease) in Cash Position	-146	683
Cash Beg of Period	6,341	6,194
Cash End of Period	6,194	6,877

To: Mark Hunter and the Finance and Labour Relations Committee
From: Alyson Conrad, CFO
Re: Commentary on FHSI Financial Results –
For the period ended September 30, 2024

The net income for the period was \$6K, which is \$17K lower than budget and \$3K 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 lower than Q2 by \$21K. This is lower due to a portion of the prepaid amount of joint use expenses being recognized in the period. This balance is \$515 lower than the prior year and therefore comparable for this time of year.

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 Rhyzome receivables are not impacting Festival's cash flows increasingly.

Capital Asset Additions – Additions to the end of September 2024 are \$53K, or 67% of Q3 budget. This includes \$15K in computer hardware additions, \$3K on the data centre building, \$32K on fibre related projects and \$3K on WiFi related projects. Details on the capital spend to date are as noted below:

Computer Hardware: Total spend for FHSI on computer hardware YTD is \$15K. The related to hardware required in the data centre to enable the lit fibre build for the downtown expansion project.

Building Capital: Building capital additions total \$3K. This included costs for enhancements to the alarm system in data centre including improved access controls.

Fibre Capital: Total spend on fibre capital YTD is \$32K. This is made up of two key areas including the downtown expansion project which is still ongoing as well as the budgeted remediation plans.

WiFi Capital: Total spend on WiFi capital YTD is \$3K. There is limited spend in this area and only relates to moving equipment to extend the life of the asset. This capital item should be limited for the remainder of 2024.

Due from Festival Hydro Inc. – The balance in this account increased from June 30, 2024, moving to a larger receivable balance of \$174K. This is an atypical balance, however with less capital costs being incurred and more work being done on large corporate projects for FHI this balance has remained flipped into a receivable for several months. This will trend to a more typical balance by the end of the year.

Deferred Revenue – This balance has decreased from the June 2024 balance as a portion of the balance has been recognized into revenue for Q3 2024. No new contributions have been received in the period.

Income Statement Commentary:

Revenues – Revenues are \$42K lower than budget in Q3. Dark fibre, WiFi and ISP revenues are down compared to plan. FHSI is attempting to offset these losses by gaining customers in the downtown core and will see revenue from these customers in Q4. Consulting revenues are down due to lower than expected work from FHI's corporate systems projects. Co-locate revenues are down to the end of Q3 because of delays in renegotiating two contract prices that are up for renewal. These will be renewed in Q4 and will be billed retroactively to the end of the prior contract and should make up this variance.

Operating Expenses – Operating expenses are above budget by \$8K at the end of Q3. Fibre, administration and outside service costs are collectively down \$40K. This is mainly due to less unplanned maintenance required in the year and intentional cost cutting measures due to the decreases in revenue. Employee costs are higher than budget by \$30K. This is due to the individuals who were onboarded in late 2023 being higher cost than what was budgeted.

Depreciation and Interest Expense – Depreciation is below budget by \$6K based on the lower than anticipated capital spend in 2024. Interest expense is lower by \$10K due to the receivable balance from FHI.

Cash Flow Commentary:

The cash balance has decreased to \$1K from the \$7K June 2024 balance. The main variances in cash from Q2 are due to the loss of a couple of larger customers. It is also due to the large increase in the due from FHI balance.

FESTIVAL HYDRO SERVICES INC.

Balance Sheet

For the period ending September 30, 2024

	YTD as at Sep 30, 2023	YTD as at Dec 31, 2023	YTD as at Sep 30, 2024		YTD as at Sep 30, 2023	YTD as at Dec 31, 2023	YTD as at Sep 30, 2024
ASSETS				LIABILITIES			
Current Assets				Current Liabilities			
Cash	17,875	6,194	1,224	Accounts Payable	34,150	22,849	64,708
Accounts Receivable & Prepaids	27,254	14,348	26,739	Current Portion of LTD	10,831	44,156	11,039
Inventory	7,410	7,131	7,131	Promissory Note	372,000	372,000	372,000
Income Tax Receivable	4,159	3,859	19,059				
Due (to) from Festival Hydro Inc.	-20,363	29,355	174,155				
Total Current Assets	36,335	60,887	228,308	Total Current Liabilities	416,981	439,004	447,746
Fixed Assets				Other Liabilities			
Gross Book Value	5,565,498	5,464,038	5,516,846	Deferred Revenue	502,238	480,259	433,576
Accumulated Depreciation	-2,874,270	-2,810,234	-3,065,489	Deferred Tax Liabilities	247,000	248,000	248,000
Net Book Value	2,691,229	2,653,805	2,451,357				
				Long Term Debt			
				POP Loan Long Term Portion	277,981	233,825	233,825
				TOTAL LIABILITIES	1,444,199	1,401,088	1,363,147
				EQUITY			
				Share Capital	249,236	249,236	249,236
				Retained Earnings	1,034,129	1,064,368	1,067,283
				TOTAL EQUITY	1,283,365	1,313,604	1,316,518
TOTAL ASSETS	2,727,564	2,714,692	2,679,665	TOTAL LIABILITIES AND EQUITY	2,727,564	2,714,692	2,679,665

FESTIVAL HYDRO SERVICES INC.

Statement of Capital For the period ending September 30, 2024

	YTD as at Sep 30, 2024	YTD Budget at Sep 30, 2024	Cur to Bdg YTD Var\$	Cur to Bdg YTD Var%
CAPITAL				
Computer Equipment - Hardware	14,741	15,000	-259	(2%)
Computer Software	—	1,500	-1,500	(100%)
Buildings	2,670	7,500	-4,830	(64%)
Fibre Capital	32,577	78,000	-45,423	(58%)
WiFi Capital	2,820	60,000	-57,180	(95%)
TOTAL CAPITAL	52,807	162,000	-109,193	(67%)

FESTIVAL HYDRO SERVICES INC.

Statement of Operations For the period ending September 30, 2024

	YTD as at Sep 30, 2023	YTD as at Sep 30, 2024	YTD Budget at Sep 30, 2024	Cur to Bdg YTD Var\$	Cur to Bdg YTD Var%
TOTAL REVENUE	1,066,861	1,067,202	1,108,820	-41,618	(4%)
TOTAL OPERATING EXPENSES	730,510	784,397	776,780	7,617	1%
NET INCOME BEFORE DEPRECIATION & INTEREST	<u>336,351</u>	<u>282,805</u>	<u>332,039</u>	<u>-49,235</u>	<u>(15%)</u>
Depreciation	280,933	249,423	255,255	-5,832	(2%)
Interest Expense	32,757	24,928	35,227	-10,299	(29%)
Interest Income	-1,358	-292	—	-292	(100%)
NET INCOME FOR THE PERIOD BEFORE TAXES	<u>24,020</u>	<u>8,746</u>	<u>41,558</u>	<u>-32,812</u>	<u>(79%)</u>
Current Tax Provision	15,000	2,318	13,125	-10,807	(82%)
Future Tax Provision	—	—	4,875	-4,875	(100%)
NET INCOME(LOSS) FOR THE PERIOD	<u>9,020</u>	<u>6,428</u>	<u>23,558</u>	<u>-17,129</u>	<u>(73%)</u>

FESTIVAL HYDRO SERVICES INC.

Cash Flow Statement

For the period ending September 30, 2024

	YTD as at Dec 31, 2023	YTD as at Sep 30, 2024
Cash from Operations		
Net Income	39,259	6,428
Future tax provision	1,000	—
Current tax provision (ITC portion)	21,000	2,318
Depreciation	373,188	249,423
Amortization of contributed capital	-63,735	-47,801
Amortization of deferred revenue	-6,167	1,118
Due to/from QR Fibre Co.	49,500	—
Net Change in Receivables/Payables	-53,981	14,268
Net Cash Provided	360,064	225,754
Cash from Financing		
Capital expenditures - Festival Hydro Inc.	-165,384	-52,807
Loan - Wightman	-43,324	-33,117
Due to (from) Festival Hydro Inc.	-151,502	-144,800
Net Cash Used	-360,211	-230,725
Increase (Decrease) in Cash Position	-146	-4,971
Cash Beg of Period	6,341	6,194
Cash End of Period	6,194	1,224