

Shaw Festival Theatre, Canada

Financial statements

December 31, 2018



Independent auditor's report

To the Members of
Shaw Festival Theatre, Canada

Report on the audit of the financial statements

Opinion

We have audited the financial statements of **Shaw Festival Theatre, Canada** [the "Theatre"], which comprise the statement of financial position as at December 31, 2018 and the statements of operations, changes in net assets (deficit) and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Theatre as at December 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for opinion

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 Theatre in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our 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.

Other information included in Shaw's 2018 Annual Report

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Annual Report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Theatre'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 Theatre or to cease operations, or has no realistic alternative but to do so.



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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Theatre'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 Theatre'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 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 Theatre to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the 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.

Report on other legal and regulatory requirements

As required by the *Corporations Act* (Ontario), we report that, in our opinion, Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Toronto, Ontario
February 20, 2019

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants



Shaw Festival Theatre, Canada

Statement of financial position

As at December 31

	2018	2017
	\$	\$
Assets [note 10]		
Current		
Cash	929,759	2,878,649
Accounts receivable [notes 14 and 15]	1,596,297	1,055,384
Other assets [note 3]	935,595	1,143,401
Total current assets	3,461,651	5,077,434
Capital assets, net [note 4]	20,945,197	19,965,526
	24,406,848	25,042,960
Liabilities and net deficit		
Current		
Accounts payable and accrued liabilities [note 5]	1,203,733	1,207,896
Deferred revenue [note 6]	3,808,824	4,136,719
Deferred contributions [note 7]	2,571,035	2,170,247
Current portion of long-term debt [note 8]	19,264	28,416
Total current liabilities	7,602,856	7,543,278
Long-term debt [note 8]	774,407	1,543,152
Deferred capital contributions [note 9]	16,840,537	17,299,338
Total liabilities	25,217,800	26,385,768
Commitments and subsequent events [notes 8[d] and 11]]		
Net deficit		
Accumulated deficit from operations	(810,952)	(1,342,808)
Total net deficit	(810,952)	(1,342,808)
	24,406,848	25,042,960

See accompanying notes

On behalf of the Board:



Governor



Governor

Shaw Festival Theatre, Canada

Statement of operations

	Year ended December 31, 2018 \$	Year ended November 30, 2017 \$	13-month period ended December 31, 2017 \$
	<i>[unaudited]</i>		
Earned revenues			
Ticket sales	15,647,713	14,083,140	14,136,862
Ancillary revenues	3,161,496	2,927,054	3,057,585
	18,809,209	17,010,194	17,194,447
Contributed revenues			
Fundraising			
Fundraising <i>[notes 12 and 14]</i>	7,177,136	6,468,463	7,128,085
Shaw Festival Theatre Endowment Foundation <i>[note 13]</i>	1,064,476	2,195,526	2,195,526
Amortization of deferred capital contributions <i>[notes 4 and 9]</i>	783,876	532,000	522,457
	9,025,488	9,195,989	9,846,068
Grants			
Ontario Arts Council	1,198,975	1,158,430	1,158,430
Canada Council	670,000	1,340,000	1,340,000
Celebrate Ontario	323,579	94,317	94,317
Other marketing	190,000	—	—
Municipal, employment and other	37,000	75,858	75,858
	2,419,554	2,668,605	2,668,605
Total contributed revenues	11,445,042	11,864,594	12,514,673
Total revenues	30,254,251	28,874,788	29,709,120
Expenses			
Production and artistic	14,851,076	15,386,486	16,036,801
Marketing, sales and audience services	4,573,377	4,346,368	4,902,303
Facilities	1,827,563	1,763,919	1,901,479
Ancillary	1,314,444	1,171,372	1,130,329
Administration	3,903,976	3,382,468	3,711,596
Fundraising	1,954,664	1,734,610	1,778,926
Amortization of capital assets <i>[note 4]</i>	1,199,325	862,894	936,149
Interest <i>[notes 8 and 10]</i>	93,066	162,171	201,767
	29,717,491	28,810,288	30,599,350
Excess (deficiency) of revenue over expenses before the following	536,760	64,500	(890,230)
Loss on sale of capital assets <i>[note 4]</i>	(4,904)	(366,369)	(362,086)
Excess (deficiency) of revenue over expenses for the period	531,856	(301,869)	(1,252,316)

See accompanying notes

Shaw Festival Theatre, Canada

Statement of changes in net assets (deficit)

	Year ended December 31, 2018 \$	13-month period ended December 31, 2017 \$
Net assets (deficit), beginning of period	(1,342,808)	3,616,508
Excess (deficiency) of revenue over expenses for the period	531,856	(1,252,316)
Transfer to deferred capital contributions <i>[note 13]</i>	—	(3,707,000)
Deficit, end of period	(810,952)	(1,342,808)

See accompanying notes

Shaw Festival Theatre, Canada

Statement of cash flows

	Year ended December 31, 2018 \$	13-month period ended December 31, 2017 \$
Operating activities		
Excess (deficiency) of revenue over expenses for the period	531,856	(1,252,316)
Add (deduct) non-cash items		
Amortization of capital assets	1,199,325	936,149
Amortization of deferred capital contributions	(783,876)	(522,457)
Loss on sale of capital assets	4,904	362,086
	<u>952,209</u>	<u>(476,538)</u>
Changes in non-cash working capital balances related to operations		
Accounts receivable	(540,913)	413,812
Other assets	207,806	(263,501)
Accounts payable and accrued liabilities	(4,163)	24,599
Deferred revenue	(327,895)	2,518,052
Deferred contributions	400,788	(134,348)
Cash provided by operating activities	<u>687,832</u>	<u>2,082,076</u>
Investing activities		
Purchase of capital assets	(2,183,900)	(2,580,489)
Cash used in investing activities	<u>(2,183,900)</u>	<u>(2,580,489)</u>
Financing activities		
Repayment of bank loan	—	(1,235,000)
Proceeds from sale of capital assets		
Designated for future capital contributions	—	3,707,000
To be used for other purposes	—	786,283
Contributions received for capital asset purchases	325,075	2,046,823
Proceeds from long-term debt	—	41,318
Repayment of long-term debt	(777,897)	(2,079,500)
Cash provided by (used in) financing activities	<u>(452,822)</u>	<u>3,266,924</u>
Net increase (decrease) in cash during the period	(1,948,890)	2,768,511
Cash, beginning of period	2,878,649	110,138
Cash, end of period	<u>929,759</u>	<u>2,878,649</u>

See accompanying notes

Shaw Festival Theatre, Canada

Notes to financial statements

December 31, 2018

1. Description of organization

Shaw Festival Theatre, Canada [the "Theatre"] is a Canadian cultural institution operating to create intellectually challenging and entertaining theatre. The Theatre is incorporated without share capital under the laws of Ontario. The Theatre is a registered Canadian charitable organization and, as such, is exempt from income taxes under the *Income Tax Act* (Canada).

The financial statements of the Theatre do not include the net assets and results of operations of the Shaw Festival Theatre Endowment Foundation [the "Foundation"] [note 13] and Shaw Festival Foundation (US) [note 14], as they are independent legal entities. The Foundation and Shaw Festival Foundation, at their discretion, provide funds to the Theatre each year.

During the period ended December 31, 2017, the Theatre changed its year-end from November 30 to December 31. The comparative information presented in these financial statements includes the 13-month period ended December 31, 2017. As a result, the audited information contained in these financial statements is not comparable to the previously reported 13-month period and as such, the unaudited 12-month information for the year ended November 30, 2017 has been included in the statement of operations for information.

2. Summary of significant accounting policies

These financial statements are prepared in accordance with Part III of the *CPA Canada Handbook – Accounting*, "Accounting Standards for Not-for-Profit Organizations" and Part II of the *CPA Canada Handbook – Accounting*, "Accounting Standards for Private Enterprises" where Part III does not apply, which set out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies set out below.

Revenue recognition

Ticket sales are recognized as revenue in the year in which the related performances occur. Advance ticket sales for the following year are included in deferred revenue. The Theatre includes a facility fee of \$3.50 on tickets sold over \$35.00. This amount is recorded in ticket sales on the statement of operations. The fee is used to assist with the Theatre's ongoing state of good repair and replacement upgrades.

Ancillary revenues are recognized at point of sale or when the service has been performed.

The Theatre follows the deferral method of accounting for contributions, which include donations and government grants. Contributions including grants, bequests and donations related to specific events or programs are recorded in the accounts when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted contributions are recognized as revenue when initially recorded in the accounts. Externally restricted contributions are deferred when initially recognized in the accounts and recognized as revenue in the year in which the related expenses are recognized.

Externally restricted contributions for depreciable capital assets are deferred and amortized over the useful life of the related capital asset.

Externally restricted capital contributions for land are recorded as a direct increase in net assets.

Shaw Festival Theatre, Canada

Notes to financial statements

December 31, 2018

Other assets

Costs directly related to the development of future performance seasons and future productions are presented as other assets when the Theatre can reliably demonstrate that there is a future economic benefit associated with these costs. These costs are expensed over their useful life, which is the year in which the performance season is presented or production is initially staged. Such costs are expensed immediately when there is insufficient evidence that the costs are recoverable. General costs unrelated to specific productions are expensed as incurred.

Capital assets

Purchased capital assets are stated at cost and contributed capital assets are recorded at fair value at the date of contribution. When an estimate of the fair value of a contributed capital asset cannot reasonably be made, the asset is recognized at nominal value. Amortization is provided on a straight-line basis using the following annual rates:

Tangible

Buildings and building improvements	2.5% or 10%
Stage and theatrical equipment	6.5% to 10%
Furniture, equipment and computers	10% to 20%
Vehicles	20%

Amortization of capital assets begins when they are put into use.

Royalty rights recorded at a nominal amount are not amortized. Art is considered to have permanent value and is not amortized.

Foreign currency translation

The Canadian dollar is the functional currency of the Theatre. Monetary assets and liabilities of the Theatre that are denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the statement of financial position date. Non-monetary assets and liabilities are translated at the historical exchange rates. Revenues and expenses are translated at an average rate for the month during which the transaction occurred. Foreign exchange gains and losses are included in the statement of operations.

Allocation of expenses

The costs of each function include the costs of personnel and other expenses that are directly related to the function. Costs directly related to productions are applied and accounted for based on the accounting policy for other assets. General support, fundraising and other costs are not allocated.

Contributed services and materials

Volunteers contribute a significant number of hours per year. Because of the difficulty of determining their fair value, volunteer services are not recognized in these financial statements. The Theatre recognizes contributions of materials and services if a fair value can be reasonably estimated and they are used in the normal course of operations and would otherwise have been purchased.

Shaw Festival Theatre, Canada

Notes to financial statements

December 31, 2018

3. Other assets

Other assets consist of the following:

	2018 \$	2017 \$
Costs of future productions	507,370	698,450
Prepaid expenses and inventories	428,225	444,951
	935,595	1,143,401

4. Capital assets

Capital assets consist of the following:

	2018		2017	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Tangible				
Land <i>[note 8]</i>	3,127,329	—	3,127,329	—
Buildings and building improvements	28,560,049	14,100,432	28,028,768	14,906,044
Stage and theatrical equipment	5,332,701	3,057,827	4,415,490	3,512,160
Furniture, equipment and computers	2,907,216	2,066,424	2,744,342	2,425,399
Vehicles <i>[note 8]</i>	212,522	125,510	197,340	107,404
Art	62,005	—	62,005	—
	40,201,822	19,350,103	38,575,274	20,951,007
Less accumulated amortization	19,350,103		20,951,007	
	20,851,719		17,624,267	
Capital assets not yet in use	93,477		2,341,258	
Intangible				
Royalty rights	1		1	
Net book value	20,945,197		19,965,526	

During the year, fully amortized capital assets of \$2,800,229 [period ended December 31, 2017 – \$336,084] were written off.

Effective January 1, 2018, the Theatre revised the estimated useful life of computers. For the year ended December 31, 2018, the statement of operations reflects an accelerated expense of \$132,538, as a result of the change in accounting estimate. The change in accounting estimate also resulted in \$39,891 accelerated amortization of related deferred capital contributions *[note 9]*.

Shaw Festival Theatre, Canada

Notes to financial statements

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In December 2014, the Theatre purchased land from LAIS Hotel Properties Limited ["LAIS"] under an agreement between the Theatre and LAIS that LAIS retained the right to repurchase the property for a purchase price of \$4,507,000 in the event that the Theatre did not build a theatre on the site. During the period ended December 31, 2017, the Theatre made the decision not to build a theatre on the site and sold the property back to LAIS on November 28, 2017. As a result of this sale, the Theatre removed capitalized costs related to the land in the amount of \$4,845,668 from capital assets, which resulted in a loss of \$338,668 recorded within the loss on sale of capital assets line in the statement of operations.

During 2011, the Theatre received the rights to royalties for productions of certain George Bernard Shaw plays and movies.

5. Government remittances payable

As at December 31, 2018, accounts payable and accrued liabilities include government remittances payable of \$73,098 [2017 – \$75,890].

6. Deferred revenue

Deferred revenue consists of the following:

	2018 \$	2017 \$
Ticket sales	3,808,824	4,077,211
Ancillary	—	59,508
	<u>3,808,824</u>	<u>4,136,719</u>

Deferred ticket sales represent proceeds from the sale of tickets for the subsequent season.

Deferred ancillary revenues represent advances received for touring performances in the subsequent season.

7. Deferred contributions

Deferred contributions represent grants and donations received by the Theatre in respect of operations for the subsequent season.

	2018 \$	2017 \$
Balance, beginning of period	2,170,247	2,304,595
Amount of grants and donations received [note 13]	3,124,186	3,332,783
Amount recognized as revenue during the period	(2,723,398)	(3,467,131)
Balance, end of period	<u>2,571,035</u>	<u>2,170,247</u>

Shaw Festival Theatre, Canada

Notes to financial statements

December 31, 2018

8. Long-term debt

[a] Long-term debt consists of the following:

	2018		
	Current \$	Long-term \$	Total \$
Bank financing <i>[note 8[d]]</i>	13,282	747,681	760,963
First vehicle term loan <i>[note 8[c]]</i>	436	438	874
Second vehicle term loan <i>[note 8[c]]</i>	5,546	26,288	31,834
	19,264	774,407	793,671

	2017		
	Current \$	Long-term \$	Total \$
Foundation promissory notes <i>[notes 8[b]]</i>	—	750,000	750,000
Bank financing <i>[note 8[d]]</i>	17,983	760,444	778,427
First vehicle term loan <i>[note 8[c]]</i>	5,154	873	6,027
Second vehicle term loan <i>[note 8[c]]</i>	5,279	31,835	37,114
	28,416	1,543,152	1,571,568

[b] On October 19, 2015, the Foundation provided a \$2,000,000 promissory note to the Theatre. The note had interest at 3.5% and was repayable in three instalments on December 15 in 2016, 2017 and 2018. The instalments were \$500,000, \$750,000 and \$750,000, respectively. The note was secured by a negative pledge on the land. The interest on the note for the year amounted to \$26,250 [period ended December 31, 2017 – \$69,161], was paid in December 2018 and is included in interest expense in the statement of operations. During the period ended December 31, 2017, the Theatre paid the \$500,000 and \$750,000 instalments on the note payable. The final instalment of \$750,000 was paid in December 2018.

[c] The Theatre has two vehicle term loans:

The first term loan matures on February 27, 2019 and bears interest at a rate of 3.02%. The loan is repayable in blended monthly installments of \$439. An amount of \$874 [2017 – \$6,027] was outstanding as at December 31, 2018, of which \$436 [2017 – \$5,154] is the current portion. During the year, interest of \$111 [period ended December 31, 2017 – \$292] was paid and is included in interest expense in the statement of operations.

The second term loan matures on February 9, 2024, and bears interest at a rate of 4.94%. The loan is repayable in blended monthly installments of \$583. An amount of \$31,834 [2017 – \$37,114] was outstanding as at December 31, 2018, of which \$5,546 [2017 – \$5,279] is the current portion. During the year, interest of \$1,742 [period ended December 31, 2017 – \$1,624] was paid and is included in interest expense in the statement of operations.

Shaw Festival Theatre, Canada

Notes to financial statements

December 31, 2018

[d] On October 31, 2016, the Theatre acquired property in Niagara-on-the-Lake at 178 Victoria Street. The property's purpose is to provide subsidized housing for the Theatre's non-resident artists and creative people during each season. The property is included in capital assets at its acquired cost of \$1,052,283 [land \$500,000 and buildings \$552,283]. Bank financing with an interest rate of 3.55%, a 10% prepayment option and blended monthly payments of \$4,025 over 300 months was provided for \$800,000 of the acquisition cost. During the period ended December 31, 2017, the terms of the financing were amended to reflect blended monthly payments of \$4,560 over 286 months, interest at 4.77% and no repayment option.

In December 2018, the terms of the financing were amended to reflect blended monthly payments of \$5,806 over 274 months, interest at RBC prime plus 3.52%. An amount of \$760,963 [2017 – \$778,427] was outstanding as at December 31, 2018, of which \$13,282 [2017 – \$17,983] is the current portion. The interest on the note for the year amounted to \$37,260 [period ended December 31, 2017 – \$31,508], was paid and is included in interest expense in the statement of operations.

Subsequent to year-end, the Foundation provided a \$750,000 promissory note to the Theatre. The note bears interest at 4% and is repayable in five instalments on December 15, 2019; December 15, 2020; December 15, 2021; December 15, 2022 and December 15, 2023 for the final payment for the balance of principal and interest. The Theatre used the funds from the promissory note to repay the loan on 178 Victoria Street in February 2019.

9. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

	2018	2017
	\$	\$
Balance, beginning of period	17,299,338	12,067,972
Amortization of deferred capital contributions [note 4]	(783,876)	(522,457)
Contributions received for capital asset purchases	325,075	2,046,823
Transfer from net assets [note 13]	—	3,707,000
Balance, end of period	16,840,537	17,299,338

In November 2016, the Theatre entered into a contribution agreement with the Department of Canadian Heritage for a capital grant which covered costs from April 2016 to June 2018. As at December 31, 2018, the Theatre has received \$2,770,277 in capital contributions related to this grant.

As at December 31, 2018, \$1,572,352 [2017 – \$3,707,000], related to a contribution from the Foundation in 2017 [note 13], remains unspent as it has not yet been allocated to specific projects.

Shaw Festival Theatre, Canada

Notes to financial statements

December 31, 2018

10. Credit facilities

As at December 31, 2018, the Theatre had in place a \$1,700,000 revolving demand operating facility, which bears interest at prime plus 2.7% [2017 – prime plus 2.7%]. This facility can be drawn by way of bank overdrafts or operating loans. As at December 31, 2018, no amount [2017 – nil] has been drawn on this operating facility. In addition, the Theatre had an extension of borrowing up to \$3,000,000 from April 15, 2018 to December 3, 2018. This facility has a restrictive covenant that requires the Theatre to be free of borrowing for a three-week period from December 4, 2018, to February 28, 2019. All other terms for this facility are consistent with the revolving line of credit.

In addition, the Theatre has in place a letter of guarantee for security obligations to the Canadian Actors' Equity Association of \$450,000 through a \$530,000 non-revolving demand credit facility with the Royal Bank. If the guarantee facility is activated, it bears interest at 2.5%. There is an annual fee to keep the letter of guarantee in place.

The Theatre also has available a \$100,000 non-revolving demand facility by way of letters of guarantee, bearing interest at 2.75%, and letters of credit. No amounts have been drawn on this facility as at December 31, 2018 or December 31, 2017.

There is a general security agreement covering all assets of the Theatre in connection with these credit facilities. In addition, a \$10,000,000 freehold mortgage, constituting a second charge on certain properties of the Theatre, has been provided in support of the borrowings.

Interest on the credit facilities for the year amounted to \$19,091 [period ended December 31, 2017 – \$64,787], was paid and is included in interest expense in the statement of operations.

11. Commitments

[a] The Theatre is committed to the following operating lease payments for the Court House Theatre, storage facilities, office equipment and automobiles during the next five years:

	\$
2019	253,783
2020	95,388
2021	72,459
2022	2,413
2023	201
	<u>424,244</u>

[b] The Theatre has entered into various agreements with artists for services to be performed in fiscal 2019, aggregating to \$255,080.

Shaw Festival Theatre, Canada

Notes to financial statements

December 31, 2018

12. Fundraising

Contributions and donations in-kind of \$80,903 [period ended December 31, 2017 – \$25,322] were received during the year ended December 31, 2018 and recorded in the accounts.

13. Shaw Festival Theatre Endowment Foundation

As at December 31, 2018, the Foundation has total unaudited fund balances of approximately \$26,617,500 [2017 – \$25,969,000], categorized as follows:

	2018	2017
	\$	\$
	<i>[unaudited]</i>	
Unrestricted funds	19,500	17,500
Restricted funds to be used for specified purposes	1,091,000	1,006,000
Endowed funds		
Ontario Arts Endowment Fund	6,145,000	6,883,500
Canadian Arts and Heritage Sustainability Fund	8,550,000	8,427,000
Other external endowments, income restricted	10,812,000	10,635,000
	26,617,500	25,969,000

The Governors of the Foundation, at their discretion, can provide support to the Theatre as determined by restrictions on the various funds comprising the net assets.

The Foundation provides the Theatre with an annual distribution in the current year that is in support of the subsequent years' operations. As at December 31, 2018, \$1,184,190 was received in support of 2019 operations and is recorded as deferred contributions [note 7]. The amount received in 2017 in support of 2018 operations was \$850,476 and was recorded as deferred contributions as at December 31, 2017 and recognized into revenue in 2018.

In 2017, the Foundation provided the Theatre with a special distribution of \$1,200,000 to improve the Theatre's working capital position following the Theatre's significant investments in renewed capital infrastructure.

The Theatre received from the Foundation \$214,000 [period ended December 31, 2017 – \$200,000] for fundraising services provided on its behalf. Accounting services are provided for no fee.

In 2015, the Foundation provided the Theatre with a \$4,000,000 contribution for the purchase of land from LAIS and provided financing for the land, to enable the Theatre to build a new theatre. With the Theatre's sale of the property back to LAIS in 2017 [note 4], the Board of Governors of the Foundation agreed that \$3,707,000 of the proceeds from the sale can be redirected to be used for other capital asset purchases. The amount of \$3,707,000 originally recorded as a contribution for land and an increase to net assets was transferred to deferred capital contributions [note 9] in the statement of changes in net assets (deficit).

Transactions with the Foundation are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

Shaw Festival Theatre, Canada

Notes to financial statements

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14. Shaw Festival Foundation (US)

Shaw Festival Foundation is a separate US not-for-profit organization incorporated under the laws of New York State. Its purpose is to solicit, hold, invest, reinvest and administer any gifts, bequests, grants, contributions, benefits of trusts [but not to act as trustee of any trust] and property of any sort, without limitation as to amount or value, from the public generally; and to expend, contribute, disburse, and otherwise dispose of its money, income and other property by making grants and contributions to, and cooperating with and otherwise voluntarily financially assisting any other corporation, foundation, agency, organization, institution, fund, trust or community chest, whether now existing or hereafter established, organized and operated exclusively for charitable, scientific, literary or educational purposes. Shaw Festival Foundation can issue US tax receipts and is exempt from federal and state income taxes in the United States.

Shaw Festival Foundation provides an annual contribution to the Theatre, which is included in fundraising revenue. During 2018, an amount of \$1,137,500 [period ended December 31, 2017 – \$1,329,250] was contributed to the Theatre, of which \$425,000 [2017 – \$156,225] remained outstanding and is included in accounts receivable on the statement of financial position.

15. Accounts receivable

Included in accounts receivable and fundraising revenue is \$225,460 [2017 – \$225,460] representing the estimated outstanding payments with respect to one bequest [2017 – one bequest]. Also included in accounts receivable is \$611,622 in group ticket sales for the 2019 season [2018 – \$578,999].

16. Financial instruments

The Theatre is exposed to various financial risks through transactions in financial instruments.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Theatre is exposed to foreign currency risk with respect to cash, accounts receivable and accounts payable denominated in foreign currencies because of fluctuations in the relative value of foreign currencies against the Canadian dollar.

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 Theatre is exposed to credit risk with respect to its accounts receivable.

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 Theatre is exposed to interest rate risk with respect to its credit facilities since the interest rate is linked to the bank's prime rate, which changes from time to time.

Notes to financial statements

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Liquidity risk

Liquidity risk is the risk that the Theatre will encounter difficulty in meeting obligations associated with financial liabilities. The Theatre is exposed to the risk that it will encounter difficulty in meeting obligations in connection with its term loans, long-term debt and accounts payable and accrued liabilities.

17. Comparative financial statements

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2018 financial statements.