



# Financial Statements

Shaw Festival Theatre, Canada

December 31, 2021

# Contents

	<b>Page</b>
Independent Auditor's Report	1 - 2
Statement of Operations	3
Statement of Changes in Net Assets	4
Statement of Financial Position	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 18

# Independent Auditor's Report

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To the Members of  
Shaw Festival Theatre, Canada

## 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, 2021, and the statements of operations, changes in net assets 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, 2021, 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 ("ASNPO").

## 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 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 financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with ASNPO, 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 a 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 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.



Toronto, Canada  
March 4, 2022

Chartered Professional Accountants  
Licensed Public Accountants

# Shaw Festival Theatre, Canada

## Statement of Operations

Year ended December 31

	2021	2020
		(Note 4)
Earned revenues		
Ticket sales	\$ 2,850,726	\$ -
Ancillary revenues	<u>1,041,754</u>	<u>331,949</u>
	<u>3,892,480</u>	<u>331,949</u>
Contributed revenues		
Fundraising		
Fundraising (Notes 12 and 15)	6,048,414	5,220,214
Shaw Festival Theatre Endowment Foundation (Note 14)	1,256,993	1,089,475
Amortization of deferred capital contributions (Note 9)	<u>882,023</u>	<u>990,021</u>
	<u>8,187,430</u>	<u>7,299,710</u>
Grants		
Canada Council	780,000	780,000
Ontario Arts Council	1,130,633	1,130,633
Reconnect Ontario – Celebrate Ontario	250,000	100,000
Municipal, employment and other	<u>280,503</u>	<u>35,000</u>
	<u>2,441,136</u>	<u>2,045,633</u>
COVID-19 support		
Canada Council	-	195,000
Ontario Arts Council	999,593	-
Federal Economic Development Agency for Southern Ontario	-	203,511
Canada Emergency Wage Subsidy and Tourism and Hospitality Recovery Program	5,956,564	7,387,477
Canada Emergency Rent Subsidy and Tourism and Hospitality Recovery Program	<u>772,392</u>	<u>-</u>
	<u>7,728,549</u>	<u>7,785,988</u>
Total contributed revenues	<u>18,357,115</u>	<u>17,131,331</u>
Performance disruption insurance (Note 13)	<u>4,382,480</u>	<u>6,566,975</u>
Total revenues	<u>26,632,075</u>	<u>24,030,255</u>
Expenses		
Production and artistic	12,647,800	12,137,192
Administration	4,558,882	4,025,269
Marketing, sales and audience services	2,818,101	2,250,388
Facilities	2,024,254	1,662,980
Fundraising	1,461,271	1,305,866
Amortization of capital assets	1,704,934	1,223,153
Ancillary	1,026,461	865,647
Interest (Notes 8 and 10)	<u>221,874</u>	<u>209,437</u>
Total expenses	<u>26,463,577</u>	<u>23,679,932</u>
Excess of revenues over expenses before undernoted item	168,498	350,323
Loss on disposal of capital assets	<u>54,607</u>	<u>196,020</u>
Excess of revenues over expenses	<u>\$ 113,891</u>	<u>\$ 154,303</u>

See accompanying notes to the financial statements.

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**Shaw Festival Theatre, Canada**  
**Statement of Changes in Net Assets**

Year ended December 31

**2021**

2020

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Surplus (deficit), beginning of year, as previously stated	<b>\$ 1,258,371</b>	\$ (291,631)
Prior period adjustment (Note 4)	<u>-</u>	<u>1,395,699</u>
Surplus, beginning of year, as restated	<b>1,258,371</b>	1,104,068
Excess of revenues over expenses	<u>113,891</u>	<u>154,303</u>
Surplus, end of year	<b><u>\$ 1,372,262</u></b>	<b><u>\$ 1,258,371</u></b>

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# Shaw Festival Theatre, Canada

## Statement of Financial Position

December 31

2021

2020

(Note 4)

### Assets

#### Current

Accounts receivable (Note 15)

\$ 3,324,702 \$ 2,780,938

Other assets (Note 3)

998,402 836,085

4,323,104 3,617,023

Capital assets, net (Note 4)

22,764,559 23,745,221

\$ 27,087,663 \$ 27,362,244

### Liabilities

#### Current

Bank indebtedness (Note 10)

\$ 1,721,565 \$ 1,951,129

Accounts payable and accrued liabilities (Note 5)

1,174,223 568,328

Deferred revenues (Note 6)

2,796,404 2,780,845

Deferred contributions (Note 7)

3,205,714 2,976,288

Current portion of long-term debt (Note 8)

227,564 220,058

9,125,470 8,496,648

Long-term debt (Note 8)

2,131,329 2,362,543

Deferred capital contributions (Note 9)

14,458,602 15,244,682

25,715,401 26,103,873

### Net assets

Accumulated surplus from operations

1,372,262 1,258,371

\$ 27,087,663 \$ 27,362,244

Commitments (Note 11)

On behalf of the Board



Director

Peter E.S. Jewett, Chair



Director

Gregory N. Prince, Treasurer

# Shaw Festival Theatre, Canada

## Statement of Cash Flows

Year ended December 31

2021

2020

	2021	2020
Increase (decrease) in cash		(Note 4)
<b>Operating</b>		
Excess of revenues over expenses	\$ 113,891	\$ 154,303
Items not affecting cash		
Deferred contributions recognized as revenue	(5,641,631)	(3,860,617)
Amortization of deferred capital contributions	(882,023)	(990,021)
Amortization of capital assets	1,704,934	1,223,153
Loss on disposal of capital assets	<u>54,607</u>	<u>196,020</u>
	<b>(4,650,222)</b>	<b>(3,277,162)</b>
Change in non-cash working capital items		
Accounts receivable	(543,764)	(1,792,174)
Other assets	(162,317)	66,067
Accounts payable and accrued liabilities	605,895	(812,393)
Deferred revenues	15,559	(249,069)
Deferred contributions received	<u>5,871,057</u>	<u>4,168,866</u>
	<b><u>1,136,208</u></b>	<b><u>(1,895,865)</u></b>
<b>Financing</b>		
Contributions received for capital asset purchases	95,943	463,671
Proceeds from long-term debt	-	771,942
Repayment of long-term debt	<u>(223,708)</u>	<u>(174,089)</u>
	<b><u>(127,765)</u></b>	<b><u>1,061,524</u></b>
<b>Investing</b>		
Purchase of capital assets	<u>(778,879)</u>	<u>(711,196)</u>
Increase (decrease) in cash	<b>229,564</b>	<b>(1,545,537)</b>
Cash (bank indebtedness)		
Beginning of year	<u>(1,951,129)</u>	<u>(405,592)</u>
End of year	<b><u>\$ (1,721,565)</u></b>	<b><u>\$ (1,951,129)</u></b>

See accompanying notes to the financial statements.



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# Shaw Festival Theatre, Canada

## Notes to Financial Statements

December 31, 2021

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### 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 14) and Shaw Festival Foundation, Buffalo; New York (the "Shaw Festival Foundation") (Note 15), as they are independent legal entities. The Foundation and the Shaw Festival Foundation, at their discretion, provide funds to the Theatre each year.

During 2015, the Theatre set up a new, wholly owned holding company, Shaw Anchorage Land Limited, for the sole purpose of holding acquired land (Note 4). Shaw Anchorage Land Limited is a for-profit organization incorporated under the Business Corporations Act (Ontario) and has been consolidated in these financial statements.

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### 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 revenues. The Theatre includes a facility fee of \$3.50 on tickets sold over \$35.00. This amount is recorded consistent with ticket sales in the statement of operations. The fee is used to assist with the Theatre's ongoing working capital needs including 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. Externally restricted contributions are deferred when initially recognized in the accounts and recognized as revenue in the year in which the related expenses are incurred or the restriction is met. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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

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

COVID-19 support representing various government grants, subsidies and insurance proceeds are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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# Shaw Festival Theatre, Canada

## Notes to Financial Statements

December 31, 2021

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### 2. Summary of significant accounting policies (continued)

#### Other assets

Costs directly related to the presentation of 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 in the year in which the performances are presented, or production is initially staged, and are expensed immediately when there is insufficient evidence that the costs are recoverable. For this purpose, “presented” is defined as “the point at which a production in a season is first presented to an intended group, internal or external. This will be ahead of the actual opening and may include invited or open rehearsals, previews or other such events that include those beyond the creative team. Initially staged, is defined as the substantial completion of the process of bringing a play or theatrical event to the initial [first] point at which the production has moved from the rehearsal hall to the performance venue [the stage] in substantial part, or in full.

General costs unrelated to specific productions are expensed as incurred. Other assets also include the Theatre’s food and beverage and merchandise inventories, and prepaid expenses where service is to be received in the subsequent fiscal year.

The exception is production build costs (design, set, props and costumes) for specific productions where a remount is planned which is accounted for as a capital asset.

#### Capital assets (Note 4)

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. Production build costs (design, sets, props and costumes) for specific productions where a remount of the production is planned are capitalized based on the planned number of remounts. Assets are depreciated according to the number of remounts. Amortization for all other capital assets is provided on a straight-line basis using the following estimates of economic life:

Buildings	40 years
Building improvements	5 to 20 years
Furniture, equipment and computers	5 to 25 years
Stage and theatrical equipment	7 to 25 years
Fleet vehicles	10 years
Leasehold improvements	Lease term plus one

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.

Capital assets are tested for impairment when events or changes in circumstances indicate that an asset might be impaired. The assets are tested for impairment by comparing the net carrying value to their fair value or replacement cost. If the asset’s fair value or replacement cost is determined to be less than its net carrying value, the resulting impairment is reported in the statement of operations. Any impairment recognized is not reversed.

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# Shaw Festival Theatre, Canada

## Notes to Financial Statements

December 31, 2021

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### 2. Summary of significant accounting policies (continued)

#### 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 (with the exception of build costs for specific productions where a remount is planned which are accounted for as a capital asset). 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.

#### Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to estimates and assumptions include pledges, useful lives and impairment of capital assets and the allocation of personnel and other expenses to various functions. Actual results could differ from those estimates.

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# Shaw Festival Theatre, Canada

## Notes to Financial Statements

December 31, 2021

### 3. Other assets

Other assets consist of the following:

	<u>2021</u>	<u>2020</u>
Costs of future productions	\$ 536,452	\$ 430,668
Inventories	264,306	206,384
Prepaid expenses	<u>197,644</u>	<u>199,033</u>
	<u>\$ 998,402</u>	<u>\$ 836,085</u>

### 4. Capital assets

In 2018, the Theatre began a thorough review of its amortization policies, beginning with its IT related infrastructure, and changes to the amortization periods of those items were made. In 2021, the Theatre completed a review of its amortization policies for the remainder of its capital assets to ensure that the economic useful lives were reflective of actual use. This review identified that in certain cases the amortization policies required amendment. This resulted in the following changes to amortization periods:

	<u>As previously stated</u>	<u>Restated</u>
Building improvements	10 years	5 to 20 years
Furniture, equipment and computers	5 to 10 years	5 to 25 years
Stage and theatrical equipment	5 to 15 years	7 to 25 years
Fleet vehicles	5 years	10 years

As deferred capital contributions are deferred and amortized over the economic lives of the related capital asset, the change in amortization periods of capital assets also affected the amortization of deferred capital contribution balances within the financial statements.

These changes were applied retrospectively in these financial statements and had the following impact on comparative balances:

	<u>2020</u>		
	<u>As previously stated</u>	<u>Adjustment</u>	<u>Restated</u>
Contributed revenues - Fundraising			
Amortization of deferred capital contributions	\$ 1,071,624	\$ (81,603)	\$ 990,021
Expenses			
Amortization of capital assets	1,274,463	(51,310)	1,223,153
Surplus (deficit), beginning of year	(291,631)	1,395,699	1,104,068
Excess of revenues over expenses	184,596	(30,293)	154,303
Surplus (deficit), end of year	(107,035)	1,365,406	1,258,371

# Shaw Festival Theatre, Canada

## Notes to Financial Statements

December 31, 2021

### 4. Capital assets (continued)

	<u>2020</u>		
	<u>As previously stated</u>	<u>Adjustment</u>	<u>Restated</u>
Assets			
Capital assets	21,955,195	1,790,026	23,745,221
Liabilities			
Deferred capital contributions	14,820,062	424,620	15,244,682

This resulted in the revised capital assets balances as follows:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Cost</u>	<u>Accumulated Amortization</u>
<b>Tangible</b>				
Land	\$ 3,041,975	\$ -	\$ 3,041,975	\$ -
Buildings and building improvements	31,048,517	15,547,972	30,294,344	14,437,736
Furniture, equipment and computers	2,443,959	1,303,713	2,262,634	1,305,703
Stage and theatrical equipment	3,794,731	1,691,938	3,847,513	2,073,277
Fleet vehicles	257,402	113,570	272,017	110,814
Production build costs	1,099,640	549,820	1,868,572	934,286
Art	62,005	-	62,005	-
	<b>41,748,229</b>	<b>\$ 19,207,013</b>	41,649,060	<b>\$ 18,861,816</b>
Less accumulated amortization	<u>(19,207,013)</u>		<u>(18,861,816)</u>	
	<b>22,541,216</b>		22,787,244	
Capital assets not available for use	<b>223,342</b>		957,976	
<b>Intangible</b>				
Royalty rights	<u>1</u>		<u>1</u>	
<b>Net book value</b>	<b><u>\$ 22,764,559</u></b>		<b><u>\$ 23,745,221</u></b>	

During the year, fully amortized capital assets with a value of \$1,417,045 (2020 - \$1,303,363) were disposed of and written off.

On May 17, 2020, Shaw Anchorage Land Limited acquired a property at 285 Wellington Street in Niagara on the Lake to be used for housing purposes by the Theatre for \$1,250,000.

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

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# Shaw Festival Theatre, Canada

## Notes to Financial Statements

December 31, 2021

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### 5. Government remittances payable

As at December 31, 2021, accounts payable and accrued liabilities include government remittances payable of \$28,279 (2020 - \$11,330).

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### 6. Deferred revenues

Deferred revenues consist of:

	<u>2021</u>	<u>2020</u>
Ticket sales	\$ 2,571,159	\$ 2,549,180
Ancillary	<u>225,245</u>	<u>231,665</u>
	<u>\$ 2,796,404</u>	<u>\$ 2,780,845</u>

Deferred ancillary revenues represents unredeemed gifts certificates.

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### 7. Deferred contributions

The continuity of deferred externally restricted contributions is as follows:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 2,976,288	\$ 2,668,039
Amount of grants and donations received	5,871,057	4,168,866
Amount recognized as revenue during the year	<u>(5,641,631)</u>	<u>(3,860,617)</u>
Balance, end of year	<u>\$ 3,205,714</u>	<u>\$ 2,976,288</u>

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# Shaw Festival Theatre, Canada

## Notes to Financial Statements

December 31, 2021

### 8. Long-term debt

Long-term debt consists of the following:

	<b>2021</b>		
	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
Foundation promissory note – 4% (Note 8 (a))	\$ 27,941	\$ 648,526	\$ 676,467
Foundation promissory note – 3.5% (Note 8 (b))	38,805	1,116,769	1,155,574
Second vehicle term loan (Note 8 (c))	6,430	7,913	14,343
Capital term loan – RBC 1 <sup>st</sup> tranche (Note 8 (d))	115,859	241,374	357,233
Capital term loan – RBC 2 <sup>nd</sup> tranche (Note 8 (d))	<u>38,529</u>	<u>116,747</u>	<u>155,276</u>
	<b><u>\$ 227,564</u></b>	<b><u>\$ 2,131,329</u></b>	<b><u>\$ 2,358,893</u></b>
			<b>2020</b>
	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
Foundation promissory note – 4% (Note 8 (a))	\$ 26,867	\$ 676,466	\$ 703,333
Foundation promissory note – 3.5% (Note 8 (b))	37,493	1,155,574	1,193,067
Second vehicle term loan (Note 8 (c))	6,120	14,343	20,463
Capital term loan – RBC 1 <sup>st</sup> tranche (Note 8 (d))	115,859	357,234	473,093
Capital term loan – RBC 2 <sup>nd</sup> tranche (Note 8 (d))	<u>33,719</u>	<u>158,926</u>	<u>192,645</u>
	<b><u>\$ 220,058</u></b>	<b><u>\$ 2,362,543</u></b>	<b><u>\$ 2,582,601</u></b>

Principal payments due within the next five years and thereafter are as follows:

2022	\$ 227,564
2023	230,364
2024	227,335
2025	122,638
2026	77,217
Thereafter	<u>1,473,775</u>
	<b><u>\$ 2,358,893</u></b>

- (a) On February 15, 2020, the Foundation provided a \$750,000 promissory note to the Theatre. The Theatre used the funds from the promissory note to repay the bank financing loan on 178 Victoria Street. The note bears interest at 4% per annum and is repayable in five instalments on December 15 from 2020 to 2023. The Theatre used the funds from the promissory note to repay the bank financing loan on 178 Victoria Street in February 2020. On maturity, the note will have a principal balance of \$619,467. The agreement allows for an extension of the note for an additional term at a rate to be negotiated.

Interest of \$28,133 (2020 - \$29,120) was recognized as interest in the statement of operations.

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# Shaw Festival Theatre, Canada

## Notes to Financial Statements

December 31, 2021

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### 8. Long-term debt (continued)

- (b) On May 15, 2020, the Foundation provided a \$1,250,000 promissory note to the Shaw Anchorage Land Limited and the Theatre. The theatre used the funds from the promissory note to purchase the property at 285 Wellington Avenue. The note bears interest at 3.5% per annum and is repayable in 11 instalments on December 15 from 2020 to 2029. On maturity, the note will have a principal balance of \$833,124. The agreement allows for an extension of the note for an additional 10 year term at a rate to be negotiated. At end of the extension period, the principal repaid shall be one half of the principal at the inception of the term.

Interest of \$41,757 (2020 - \$42,970) was recognized as interest in the statement of operations.

- (c) The second vehicle 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.

Interest of \$873 (2020 - \$1,168) was recognized as interest in the statement of operations.

- (d) On December 12, 2020 the Royal Bank of Canada provided the Theatre with a new credit facility bearing interest at prime to finance the purchase of equipment. The first tranche commenced January 28, 2021 and the second tranche commenced December 21, 2021. The facilities mature on January 28, 2025 and December 21, 2025, respectively.

Interest of \$14,591 (2020 - \$13,080) was recognized as interest in the statement of operations.

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### 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. With the retrospective change in capital asset amortization policies during the year (Note 4), deferred capital contributions were also retrospectively adjusted.

	<u>2021</u>	<u>2020</u> (Note 4)
Balance, beginning of period	<b>\$ 15,244,682</b>	\$ 15,771,032
Amortization of deferred capital contributions	<b>(882,023)</b>	(990,021)
Contributions received for capital asset purchases	<b><u>95,943</u></b>	<u>463,671</u>
Balance, end of period	<b><u>\$ 14,458,602</u></b>	<b><u>\$ 15,244,682</u></b>

As at December 31, 2021, un-allocated deferred capital contributions were \$Nil (2020 – \$231,523) related to a contribution from the Endowment Foundation (Note 14).

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# Shaw Festival Theatre, Canada

## Notes to Financial Statements

December 31, 2021

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### 10. Credit facilities

The Theatre has in place a \$2,000,000 revolving demand operating facility, bearing interest at prime plus 1.73% (2020 – prime plus 1.73%). This facility allowed an extension of borrowing up to \$7,500,000 on May 1, 2021, reducing to \$2,000,000 on March 31, 2022. This facility can be drawn by way of bank overdrafts or operating loans. As at December 31, 2021, \$1,910,000 (2020 – \$2,100,000) was drawn on this operating facility.

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 a revolving credit facility with the Royal Bank for up to \$1,000,000 for the financing of capital equipment purchases. The amount of the loan can not exceed 75% of the value of the equipment being purchased. Each tranche of borrowing is for a five year term bearing a fixed rate of interest at the time of borrowing of RBC prime. Current borrowing is outlined in Note 8.

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

Interest on the credit facilities of \$126,480 (2020 – \$114,125) was recognized as interest in the statement of operations.

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### 11. Commitments

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 are as follows:

2022	\$ 466,601
2023	421,616
2024	233,917
2025	222,735
2026	<u>195,410</u>
Total	<u>\$ 1,540,279</u>

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### 12. Fundraising

Donations in-kind of \$71,480 (2020 – \$88,732) were received during the year and recorded in the accounts. These donations include production props and consumable supplies, and other items, provided through contra agreements.

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# Shaw Festival Theatre, Canada

## Notes to Financial Statements

December 31, 2021

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### 13. Performance disruption insurance

Under a performance disruption policy issued by the Chubb Insurance Company of Canada (the “insurer”), the Theatre is insured for lost business income and extra expenses resulting from the cancellation of performances due to COVID-19. As at year end, the Theatre recognized \$4,382,480 (2020 – \$6,566,975) in proceeds with a final 2021 settlement to be determined in 2022.

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### 14. Shaw Festival Theatre Endowment Foundation

As at December 31, 2021, the Foundation has fund balances of \$39,251,853 (2020 - \$33,116,748), categorized as follows:

	<u>2021</u> (unaudited)	<u>2020</u> (audited)
Unrestricted funds	\$ 12,625	\$ 12,740
Restricted funds	2,590,891	1,651,918
Endowed funds		
Ontario Arts Endowment Fund	4,076,914	2,017,241
Canadian Arts and Heritage Sustainability Fund	1,865,010	895,752
Other external endowments, income restricted	<u>30,706,413</u>	<u>28,539,097</u>
	<u>\$ 39,251,853</u>	<u>\$ 33,116,748</u>

The Governors of the Foundation, at their discretion, can provide support to the Theatre subject to the restrictions thereon.

The Foundation provided the Theatre with an annual distribution of \$1,195,902 (2020 - \$1,165,362) in support of the Theatre.

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

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### 15. Shaw Festival Foundation - Buffalo, New York

Shaw Festival Foundation is a separate 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 of America.

Shaw Festival Foundation provides an annual contribution to the Theatre’s operations, which is included in fundraising revenue. During 2021, an amount of \$865,000 (2020 – \$1,039,000) was contributed to the Theatre, of which \$237,500 (2020 – \$412,500) remains outstanding and is included in accounts receivable on the statement of financial position.

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# Shaw Festival Theatre, Canada

## Notes to Financial Statements

December 31, 2021

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### 16. Financial instruments

Transactions in financial instruments may result in the Theatre assuming or transferring to another party one or more of the financial risks described below. This required disclosure provides information that assists users of the financial statements in assessing the extent of risk related to financial instruments. There have been no changes in these risks over the prior year.

#### 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. The Theatre monitors the fluctuations regularly to ensure significant loss is not incurred.

#### 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 its accounts receivable. Management has adopted credit policies in an effort to minimize those risks and does not believe that there is significant credit concentration or risk. The carrying amount of this balance represents the maximum credit exposure.

#### 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 long-term debt and credit facilities.

#### Liquidity risk

The Theatre manages its liquidity risk by forecasting cash flows from operations continuously, assessing changes to budget and financial circumstances, and working with its bank on financial arrangements that are sufficient for the financial obligations of the Theatre. As a result, management believes the Theatre is not exposed to significant liquidity risk.

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# Shaw Festival Theatre, Canada

## Notes to Financial Statements

December 31, 2021

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### 17. COVID-19

The spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, organizations continue to be forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to organizations worldwide. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Theatre's primary concern is the health and safety of its artists, patrons, staff and communities. It is in a constant state of monitoring the COVID-19 situation and updating or managing plans to mitigate the impact and to deliver its program, in keeping with its charitable purpose.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses (including the closure of non-essential organizations for an undetermined period of time), remains unclear. Accordingly, it is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Theatre or its sector for future periods, but management feels that the return to performances at the earliest opportunity are inherent and necessary in the Theatre to achieve its charitable purposes. To this end, the Theatre has and will prioritize the essential nature of live performance as serving basic human needs and act accordingly to deliver on its core program while maintaining its ability to do so into the future.

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### 18. Comparative figures

The financial statements have been reclassified, where applicable, to conform with the current year presentation. The changes do not affect the prior year excess of revenues over expenses or fund allocations.

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