

Financial Statements

**Shaw Festival Theatre, Canada**  
November 30, 2015



# INDEPENDENT AUDITORS' REPORT

To the Members of  
**Shaw Festival Theatre, Canada**

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **Shaw Festival Theatre, Canada**, which comprise the statement of financial position as at November 30, 2015 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the financial statements**

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

### **Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Shaw Festival Theatre, Canada** as at November 30, 2015, 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.

**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, Canada  
January 26, 2016

*Ernst + Young LLP*

Chartered Professional Accountants  
Licensed Public Accountants

## Shaw Festival Theatre, Canada

### STATEMENT OF FINANCIAL POSITION

As at November 30

|  | 2015              | 2014              |
|--|-------------------|-------------------|
|  | \$                | \$                |
| <b>ASSETS</b> [note 11]                                  |                   |                   |
| <b>Current</b>   |                   |                   |
| Cash and cash equivalents                                | 329,837           | 1,036,961         |
| Accounts receivable [note 15]                            | 776,701           | 386,607           |
| Other assets [note 3]                                    | 1,051,421         | 981,833           |
| <b>Total current assets</b>                              | <b>2,157,959</b>  | <b>2,405,401</b>  |
| Other long-term assets [note 3]                          | —                 | 158,588           |
| Capital assets, net [note 4]                             | 22,359,107        | 17,720,549        |
|  | <b>24,517,066</b> | <b>20,284,538</b> |
| <b>LIABILITIES AND NET ASSETS</b>                        |                   |                   |
| <b>Current</b>   |                   |                   |
| Bank loan [note 11]                                      | —                 | 550,000           |
| Accounts payable and accrued liabilities [notes 5 and 8] | 1,193,247         | 999,860           |
| Deferred revenue [note 6]                                | 1,570,973         | 1,666,266         |
| Deferred contributions [note 7]                          | 2,473,054         | 2,381,540         |
| <b>Total current liabilities</b>                         | <b>5,237,274</b>  | <b>5,597,666</b>  |
| Notes payable [note 8]                                   | 2,811,014         | —                 |
| Deferred capital contributions [note 9]                  | 12,572,726        | 13,030,347        |
| <b>Total liabilities</b>                                 | <b>20,621,014</b> | <b>18,628,013</b> |
| Commitments [note 12]                                    |                   |                   |
| <b>Net assets</b>  |                   |                   |
| Accumulated surplus from operations                      | 2,896,052         | 656,525           |
| Subject to Board restrictions [note 10]                  | 1,000,000         | 1,000,000         |
| <b>Total net assets</b>                                  | <b>3,896,052</b>  | <b>1,656,525</b>  |
|  | <b>24,517,066</b> | <b>20,284,538</b> |

See accompanying notes

On behalf of the Board:



Governor



Governor

## Shaw Festival Theatre, Canada

### STATEMENT OF OPERATIONS

Year ended November 30

|  | 2015               | 2014       |
|--|--------------------|------------|
|  | \$                 | \$         |
| <b>EARNED REVENUES</b>   |                    |            |
| Ticket sales   | 14,333,806         | 16,152,532 |
| Ancillary revenues   | 2,521,550          | 2,921,868  |
|  | <b>16,855,356</b>  | 19,074,400 |
| <b>CONTRIBUTED REVENUES</b>                                      |                    |            |
| Fundraising <i>[notes 13, 14 and 15]</i>                         | 6,814,562          | 6,502,125  |
| Grants   |                    |            |
| Ontario Arts Council   | 1,219,400          | 1,219,400  |
| Canada Council   | 670,000            | 670,000    |
| Shaw Festival Theatre Endowment Foundation <i>[note 14]</i>      | 791,524            | 694,308    |
| Celebrate Ontario grant  | 236,335            | —          |
| Employment and other grants                                      | 54,520             | 41,385     |
| Amortization of deferred capital contributions <i>[note 9]</i>   | 573,442            | 453,300    |
|  | <b>10,359,783</b>  | 9,580,518  |
| Unusual gain <i>[note 4]</i>                                     | —                  | 574,521    |
| <b>Total revenues</b>  | <b>27,215,139</b>  | 29,229,439 |
| <b>EXPENSES</b>  |                    |            |
| Production and other   | 22,818,432         | 22,371,192 |
| Administration   | 3,376,804          | 3,214,854  |
| Fundraising  | 1,849,727          | 1,895,968  |
| Amortization of capital assets                                   | 856,805            | 919,844    |
| Interest <i>[notes 8 and 11]</i>                                 | 73,844             | 12,131     |
| <b>Total expenses</b>  | <b>28,975,612</b>  | 28,413,989 |
| <b>Excess (deficiency) of revenue over expenses for the year</b> | <b>(1,760,473)</b> | 815,450    |

*See accompanying notes*

**Shaw Festival Theatre, Canada**

**STATEMENT OF CHANGES IN NET ASSETS**

Year ended November 30

|  | 2015   |   |                  | 2014        |
|--|--|---|------------------|-------------|
|  | Accumulated<br>surplus<br>from<br>operations<br>\$ | Subject<br>to Board<br>restrictions<br>\$ | Total<br>\$      | Total<br>\$ |
|  | <i>[note 10]</i>                                   |   |                  |             |
| <b>Balance, beginning of year</b>                            | <b>656,525</b>                                     | <b>1,000,000</b>                          | <b>1,656,525</b> | 841,075     |
| Excess (deficiency) of revenue<br>over expenses for the year | (1,760,473)  | —   | (1,760,473)      | 815,450     |
| Contribution for land <i>[note 14]</i>                       | <b>4,000,000</b>                                   | —   | <b>4,000,000</b> | —           |
| <b>Balance, end of year</b>                                  | <b>2,896,052</b>                                   | <b>1,000,000</b>                          | <b>3,896,052</b> | 1,656,525   |

*See accompanying notes*

## Shaw Festival Theatre, Canada

### STATEMENT OF CASH FLOWS

Year ended November 30

|  | 2015        | 2014      |
|--|-------------|-----------|
|  | \$          | \$        |
| <b>OPERATING ACTIVITIES</b>  |             |           |
| Excess (deficiency) of revenue over expenses for the year          | (1,760,473) | 815,450   |
| Add (deduct) non-cash items  |             |           |
| Amortization of capital assets                                     | 856,805     | 919,844   |
| Loss on disposal of capital assets                                 | —           | 8,486     |
| Amortization of deferred capital contributions                     | (573,442)   | (453,300) |
|  | (1,477,110) | 1,290,480 |
| Changes in non-cash working capital balances related to operations |             |           |
| Accounts receivable  | (390,094)   | (100,373) |
| Other assets   | 89,000      | 21,635    |
| Accounts payable and accrued liabilities                           | 193,387     | (906,480) |
| Deferred revenue   | (95,293)    | (132,936) |
| Deferred contributions   | 91,514      | 26,471    |
| <b>Cash (used in) provided by operating activities</b>             | (1,588,596) | 198,797   |
| <b>INVESTING ACTIVITIES</b>  |             |           |
| Purchase of capital assets   | (5,495,363) | (473,753) |
| <b>Cash used in investing activities</b>                           | (5,495,363) | (473,753) |
| <b>FINANCING ACTIVITIES</b>  |             |           |
| Contributions received for capital asset purchases                 | 115,821     | 70,744    |
| Proceeds from notes payable  | 2,811,014   | —         |
| Contribution received for land purchase                            | 4,000,000   | —         |
| <b>Cash provided by financing activities</b>                       | 6,926,835   | 70,744    |
| <b>Net decrease in cash and cash equivalents during the year</b>   | (157,124)   | (204,212) |
| Cash and cash equivalents, beginning of year                       | 486,961     | 691,173   |
| <b>Cash and cash equivalents, end of year</b>                      | 329,837     | 486,961   |
| <b>Consisting of:</b>  |             |           |
| Cash and cash equivalents  | 329,837     | 1,036,961 |
| Bank loan  | —           | (550,000) |
|  | 329,837     | 486,961   |

*See accompanying notes*

## Shaw Festival Theatre, Canada

# NOTES TO FINANCIAL STATEMENTS

November 30, 2015

## 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 [note 15], as they are independent legal entities. The Foundation and 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Part III of the Chartered Professional Accountants of Canada [“CPA Canada”] Handbook – Accounting, which sets 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; accordingly, advance ticket sales for the following year are included in deferred revenue.

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. Grants and donations related to specific events or programs and bequests are recorded in the accounts when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Other donations are recorded when received since pledges are not legally enforceable claims. 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.

## Shaw Festival Theatre, Canada

# NOTES TO FINANCIAL STATEMENTS

November 30, 2015

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

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

### **Cash and cash equivalents**

Cash and cash equivalents consist of cash on deposit and term deposits with maturities of less than three months at the date of acquisition.

### **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 it 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%         |
| Vehicles                            | 20%         |

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

## Shaw Festival Theatre, Canada

### NOTES TO FINANCIAL STATEMENTS

November 30, 2015

liabilities are translated at the historical exchange rates. Revenues and expenses are translated at the 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 individual productions are allocated to the productions 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 an indeterminable 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.

### 3. OTHER ASSETS

Other assets consist of the following:

|                             | 2015             | 2014      |
|-----------------------------|------------------|-----------|
|                             | \$               | \$        |
| Costs of future productions | <b>561,068</b>   | 592,469   |
| Prepaid expenses and other  | <b>490,353</b>   | 547,952   |
|                             | <b>1,051,421</b> | 1,140,421 |
| Less long-term portion      | —                | 158,588   |
|                             | <b>1,051,421</b> | 981,833   |

**Shaw Festival Theatre, Canada**

**NOTES TO FINANCIAL STATEMENTS**

November 30, 2015

**4. CAPITAL ASSETS**

Capital assets consist of the following:

|                                     | 2015         |                                   | 2014         |                                   |
|-------------------------------------|--------------|-----------------------------------|--------------|-----------------------------------|
|                                     | Cost<br>\$   | Accumulated<br>amortization<br>\$ | Cost<br>\$   | Accumulated<br>amortization<br>\$ |
| <b>Tangible</b>                     |              |                                   |              |                                   |
| Land                                | 7,472,997    | —                                 | 2,627,329    | —                                 |
| Buildings and building improvements | 27,622,587   | 13,878,356                        | 27,418,572   | 13,289,261                        |
| Stage and theatrical equipment      | 4,672,619    | 3,847,389                         | 4,297,570    | 3,724,224                         |
| Furniture, equipment and computers  | 3,573,364    | 3,355,128                         | 3,520,270    | 3,230,674                         |
| Vehicles                            | 180,095      | 143,688                           | 189,467      | 150,506                           |
| Art                                 | 62,005       | —                                 | 62,005       | —                                 |
|                                     | 43,583,667   | 21,224,561                        | 38,115,213   | 20,394,665                        |
| Less accumulated amortization       | (21,224,561) |                                   | (20,394,665) |                                   |
|                                     | 22,359,106   |                                   | 17,720,548   |                                   |
| <b>Intangible</b>                   |              |                                   |              |                                   |
| Royalty rights                      | 1            |                                   | 1            | —                                 |
| <b>Net book value</b>               | 22,359,107   |                                   | 17,720,549   |                                   |

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

On May 12, 2011, the Theatre entered into an option agreement with LAIS Hotel Properties Limited to purchase the land on which the Anchorage Motel is currently located. The original purchase price included interest equal to the greater of 5% or prime plus 1% is payable upon exercising the option.

In August 2014, the Board of Directors gave legal notice of their intent to acquire the Anchorage property through exercise of the option.

By way of an amending agreement as of November 28, 2014 to the original agreement between the Theatre and LAIS Hotel Properties Limited, the parties have agreed to waive the interest payable on the purchase price in exchange for LAIS Hotel Properties Limited retaining the right to repurchase the property for a purchase price of \$4,507,000 in the event that the Theatre does not build a theatre on the site. The interest expense recorded in prior years under the option agreement

## Shaw Festival Theatre, Canada

### NOTES TO FINANCIAL STATEMENTS

November 30, 2015

of \$574,521 was recognized as an unusual gain in the statement of operations for the year ended November 30, 2014.

The land was purchased on December 30, 2014.

#### 5. GOVERNMENT REMITTANCES PAYABLE

As at November 30, 2015, accounts payable and accrued liabilities include government remittances payable of \$65,908 [2014 – \$129,659].

#### 6. DEFERRED REVENUE

Deferred revenue consists of the following:

|              | 2015             | 2014      |
|--------------|------------------|-----------|
|              | \$               | \$        |
| Ticket sales | 1,543,348        | 1,631,506 |
| Ancillary    | 27,625           | 34,760    |
|              | <b>1,570,973</b> | 1,666,266 |

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

Deferred ancillary revenues represent handbook revenue received for the subsequent season.

#### 7. DEFERRED CONTRIBUTIONS

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

|  | 2015             | 2014        |
|--|------------------|-------------|
|  | \$               | \$          |
| Balance, beginning of year                   | 2,381,540        | 2,319,453   |
| Amount of grants and donations received      | 3,063,293        | 2,687,180   |
| Amount recognized as revenue during the year | (2,971,779)      | (2,625,093) |
| Balance, end of year                         | <b>2,473,054</b> | 2,381,540   |

## Shaw Festival Theatre, Canada

### NOTES TO FINANCIAL STATEMENTS

November 30, 2015

#### 8. NOTES PAYABLE

On December 30, 2014, the Shaw Festival Theatre Endowment Foundation provided an \$800,000 promissory note to the Theatre for the purpose of acquiring land in the town of Niagara-on-the-Lake for future use. The note is due on November 30, 2024 and bears interest at 3.5% until November 30, 2019 at which time the rate can be renegotiated. The note is secured by a charge on the land.

On October 19, 2015, the Shaw Festival Theatre Endowment Foundation provided a \$2,000,000 promissory note to the Theatre. The note bears interest at 3.5% and is repayable in three instalments on December 15 in 2016, 2017 and 2018. The instalments are \$500,000, \$750,000 and \$750,000, respectively. The note is secured by a charge on the land.

The Theatre has a vehicle term loan, which matures on February 17, 2019 and bears interest at a rate of 3.02%. The loan is repayable in monthly installments of \$439. An amount of \$16,279 was outstanding as at November 30, 2015, of which \$5,265 is the current portion recorded in accounts payable and accrued liabilities.

#### 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 revenues in the statement of operations.

|  | 2015              | 2014       |
|--|-------------------|------------|
|  | \$                | \$         |
| <b>Balance, beginning of year</b>                  | <b>13,030,347</b> | 13,412,903 |
| Amortization of deferred capital contributions     | <b>(573,442)</b>  | (453,300)  |
| Contributions received for capital asset purchases | <b>115,821</b>    | 70,744     |
| <b>Balance, end of year</b>                        | <b>12,572,726</b> | 13,030,347 |

As at November 30, 2015, unspent deferred capital contributions were \$20,000 [2014 – nil].

#### 10. NET ASSETS SUBJECT TO BOARD RESTRICTIONS

Net assets subject to Board restrictions represent amounts received by the Theatre that have been restricted for specific purposes by the Board of Governors. In 2009, the Board of Governors

**Shaw Festival Theatre, Canada**

**NOTES TO FINANCIAL STATEMENTS**

November 30, 2015

approved the transfer of \$1,000,000 to net assets subject to Board restrictions. In 2014, the Board approved the use of the Board Restricted Fund as operating working capital.

**11. CREDIT FACILITIES**

At year end, the Theatre had in place a \$1,700,000 revolving demand operating facility which bears interest at prime plus 1.2% [2015 – 3.9%]. This facility can be drawn by way of bank overdraft or operating loans. In addition, the Theatre has in place a \$500,000 operating facility which is available from September 15 to November 30. All other terms for this facility are consistent with the revolving line of credit. As at November 30, 2015, no amount [2014 – \$550,000] has been drawn on this operating facility.

In addition, the Theatre has activated \$450,000 of a \$480,000 non-revolving demand credit facility, which bears interest at 1.8%, by way of letters of guarantee as security for obligations to the Canadian Actors' Equity Association during the season.

The Theatre also has available a \$100,000 non-revolving demand facility by way of letters of guarantee, bearing interest at 2.0%, and letters of credit. No amounts have been drawn on this facility as at November 30, 2015 or 2014.

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 Theatre properties, has been provided in support of the borrowings.

## Shaw Festival Theatre, Canada

### NOTES TO FINANCIAL STATEMENTS

November 30, 2015

#### 12. 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:

|      | \$                  |
|------|---------------------|
| 2016 | 250,937             |
| 2017 | 188,059             |
| 2018 | 174,709             |
| 2019 | 166,145             |
| 2020 | 26,445              |
|      | <hr/> 806,295 <hr/> |

[b] The Theatre has entered into various agreements with artists for services to be performed in fiscal 2016, aggregating \$290,678.

#### 13. FUNDRAISING

Donations in-kind of \$60,059 [2014 – \$44,061] were received and recorded in the accounts. These donations include production props and consumable supplies.

#### 14. SHAW FESTIVAL THEATRE ENDOWMENT FOUNDATION

As at November 30, 2015, the Foundation has total net assets at market value of approximately \$22,700,000 [2014 - \$26,300,000].

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 provided the Theatre with a grant of \$791,524 [2014 – \$694,308] in support of 2015 operations, which was received prior to the start of the year and recorded as deferred revenue as at November 30, 2014. In addition, a grant of \$844,568 was received in fiscal 2015 in support of 2016 operations and recorded as deferred revenue as at November 30, 2015.

During the year, the Foundation provided the Theatre with a \$4,000,000 contribution for the purchase of the Anchorage property [note 4] and provided financing for the property and Theatre operations [note 8].

## **Shaw Festival Theatre, Canada**

### **NOTES TO FINANCIAL STATEMENTS**

November 30, 2015

The Theatre received from the Foundation \$211,644 [2014 – \$187,206] for fundraising and administrative services provided on its behalf. This revenue is included in fundraising on the statement of operations.

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

#### **15. SHAW FESTIVAL FOUNDATION**

Shaw Festival Foundation is a separate United States not for profit 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.

The Shaw Festival Foundation provides an annual grant funding to the Theatre, which is included in fundraising revenue. During 2015, an amount of \$1,012,000 [2014 - \$935,000] was granted to the Theatre, of which \$450,461 [2014 - \$228,220] remained outstanding and is included in accounts receivable on the statement of financial position.

#### **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 and cash equivalents, accounts receivable and accounts payable denominated in foreign currencies because of fluctuations in the relative value of foreign currencies against the Canadian dollar.

## **Shaw Festival Theatre, Canada**

### **NOTES TO FINANCIAL STATEMENTS**

November 30, 2015

#### **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 operating line of credit since the interest rate is linked to the bank's prime rate, which changes from time to time.

#### **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 bank loan, notes payable 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 2015 financial statements.

