



Financial Statements

Shaw Festival Theatre, Canada

December 31, 2019

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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, 2019, and the statement 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, 2019, and the results of its operations and its cash flows for the year then ended in accordance with 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.

Other matter

The financial statements for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on February 20, 2019.

Other information

Management is responsible for the other information. Other information comprises the information in the Annual Report.

Our opinion on the financial statements does not cover the 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 identified above 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 on this other information, we conclude that there is a material misstatement of this other

information, we are required to report that fact in this auditor's report. 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 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.

Grant Thornton LLP

Toronto, Canada
February 21, 2020

Chartered Professional Accountants
Licensed Public Accountants

Shaw Festival Theatre, Canada

Statement of Operations

Year ended December 31

2019

2018

Earned revenues		
Ticket sales	\$ 17,797,296	\$ 15,647,713
Ancillary revenues	<u>3,332,616</u>	<u>3,161,496</u>
	<u>21,129,912</u>	<u>18,809,209</u>
Contributed revenues		
Fundraising		
Fundraising (Notes 12 and 14)	7,417,531	7,177,136
Shaw Festival Theatre Endowment Foundation (Note 13)	1,421,494	1,064,476
Amortization of deferred capital contributions (Note 9)	<u>1,866,321</u>	<u>783,876</u>
	<u>10,705,346</u>	<u>9,025,488</u>
Grants		
Ontario Arts Council	1,228,949	1,198,975
Canada Council	780,000	670,000
Celebrate Ontario	250,000	323,579
Other marketing	-	190,000
Municipal, employment and other	<u>55,000</u>	<u>37,000</u>
	<u>2,313,949</u>	<u>2,419,554</u>
	<u>13,019,295</u>	<u>11,445,042</u>
	<u>34,149,207</u>	<u>30,254,251</u>
Expenses		
Production and artistic	16,832,562	14,851,076
Marketing, sales and audience services	5,010,208	4,573,377
Facilities	1,880,392	1,827,563
Ancillary	1,338,251	1,314,444
Administration	4,124,789	3,903,976
Fundraising	2,107,254	1,954,664
Amortization of capital assets	2,196,531	1,199,325
Interest (Notes 8 and 10)	<u>139,899</u>	<u>93,066</u>
	<u>33,629,886</u>	<u>29,717,491</u>
Excess of revenue over expenses before the following	519,321	536,760
Loss on sale of capital assets	<u>-</u>	<u>(4,904)</u>
Excess of revenue over expenses	<u>\$ 519,321</u>	<u>\$ 531,856</u>

See accompanying notes to the financial statements.

Shaw Festival Theatre, Canada

Statement of Changes in Net Assets

Year ended December 31	2019	2018
Deficit, beginning of year	\$ (810,952)	\$ (1,342,808)
Excess of revenue over expenses	<u>519,321</u>	<u>531,856</u>
Deficit, end of year	<u>\$ (291,631)</u>	<u>\$ (810,952)</u>

Shaw Festival Theatre, Canada
Statement of Financial Position

December 31

2019

2018

Assets (Note 10)

Current

Cash	\$ -	\$ 929,759
Accounts receivable (Note 14)	988,764	984,675
Other assets (Note 3)	<u>902,152</u>	<u>935,595</u>
	1,890,916	2,850,029

Capital assets, net (Note 4) 22,714,482 20,945,197\$ 24,605,398 \$ 23,795,226

Liabilities

Current

Bank indebtedness (Note 10)	\$ 405,592	\$ -
Accounts payable and accrued liabilities (Note 5)	1,380,721	1,203,733
Deferred revenue (Note 6)	3,029,914	3,197,202
Deferred contributions (Note 7)	2,668,039	2,571,035
Current portion of long-term debt (Note 8)	<u>67,883</u>	<u>19,264</u>
	7,552,149	6,991,234

Long-term debt (Note 8) 1,916,865 774,407

Deferred capital contributions (Note 9) 15,428,015 16,840,537

24,897,029 24,606,178

Net deficitAccumulated deficit from operations (291,631) (810,952)\$ 24,605,398 \$ 23,795,226

Commitments and subsequent events (Notes 8 and 11)

On behalf of the Board

_____
Director_____
Director

Shaw Festival Theatre, Canada

Statement of Cash Flows

Year ended December 31

2019

2018

Increase (decrease) in cash and cash equivalents

Operating

Excess of revenue over expenses	\$ 519,321	\$ 531,856
Items not affecting cash		
Amortization of capital assets	2,196,531	1,199,325
Amortization of deferred capital contributions	(1,866,321)	(783,876)
Loss on sale of capital assets	<u>-</u>	<u>4,904</u>
	849,531	952,209

Change in non-cash working capital items

Accounts receivable	(4,089)	(540,913)
Other assets	33,443	207,806
Accounts payable and accrued liabilities	176,988	(4,163)
Deferred revenue	(167,288)	(327,895)
Deferred contributions	<u>97,004</u>	<u>400,788</u>
	985,589	687,832

Financing

Contributions received for capital asset purchases	453,799	325,075
Proceeds from long-term debt	2,000,000	-
Repayment of long-term debt	<u>(808,923)</u>	<u>(777,897)</u>
	1,644,876	(452,822)

Investing

Purchase of capital assets	<u>(3,965,816)</u>	<u>(2,183,900)</u>
Decrease in cash	(1,335,351)	(1,948,890)
Cash		
Beginning of year	<u>929,759</u>	<u>2,878,649</u>
End of year	\$ (405,592)	\$ 929,759

Shaw Festival Theatre, Canada

Notes to Financial Statements

December 31, 2019

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, Buffalo, New York (Note 14), 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.

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 in the statement of operations. The fee is used to assist with Shaw'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.

Shaw Festival Theatre, Canada

Notes to Financial Statements

December 31, 2019

2. Summary of significant accounting policies (continued)

Other assets

Costs directly related to the development of future performance seasons and future productions (with the exception of Build costs for specific productions where a remount is planned which is accounted for as a capital asset) 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 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. 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.

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. Build costs (design, sets, props & 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	10 years
Furniture, equipment and computers	5 to 10 years
Stage and theatrical equipment	5 to 15 years
Fleet vehicles	5 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.

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.

Shaw Festival Theatre, Canada

Notes to Financial Statements

December 31, 2019

2. Summary of significant accounting policies (continued)

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.

3. Other assets

Other assets consist of the following:

	<u>2019</u>	<u>2018</u>
Costs of future productions	\$ 480,318	\$ 507,370
Inventories	192,722	184,605
Prepaid expenses and inventories	<u>229,112</u>	<u>428,225</u>
	<u>\$ 902,152</u>	<u>\$ 935,595</u>

Shaw Festival Theatre, Canada

Notes to Financial Statements

December 31, 2019

4. Capital assets

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Cost</u>	<u>Accumulated Amortization</u>
Tangible				
Land	\$ 3,127,329	\$ -	\$ 3,127,329	\$ -
Buildings and building improvements	30,494,306	15,025,970	28,560,049	14,100,432
Stage and theatrical equipment	4,321,156	2,660,428	5,332,701	3,057,827
Furniture, equipment and computers	2,452,211	1,705,551	2,907,216	2,066,424
Build costs	1,868,572	934,286	-	-
Fleet vehicles	222,033	154,487	212,522	125,510
Art	<u>62,005</u>	<u>-</u>	<u>62,005</u>	<u>-</u>
	42,547,612	\$ 20,480,722	40,201,822	\$ 19,350,103
Less accumulated amortization	<u>(20,480,722)</u>		<u>19,350,103</u>	
	22,066,890		20,851,719	
Capital assets not yet in use	647,591		93,477	
Intangible				
Royalty rights	<u>1</u>		<u>1</u>	
Net book value	<u>\$ 22,714,482</u>		<u>\$ 20,945,197</u>	

On May 17, 2019, 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 the year, fully amortized capital assets with a value of \$634,675 (2018 - \$2,800,229) were disposed of and written off.

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, 2019, accounts payable and accrued liabilities include government remittances payable of \$67,501 (2018 - \$73,098).

Shaw Festival Theatre, Canada

Notes to Financial Statements

December 31, 2019

6. Deferred revenue

	<u>2019</u>	<u>2018</u>
Ticket sales	\$ 2,828,632	\$ 2,997,404
Ancillary	<u>201,282</u>	<u>199,798</u>
	<u>\$ 3,029,914</u>	<u>\$ 3,197,202</u>

Deferred ancillary revenues represents unredeemed gifts certificates and theatrical rentals.

7. Deferred contributions

The continuity for deferred externally restricted contributions consists of the following:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 2,571,035	\$ 2,170,247
Amount of grants and donations received (Note 13)	3,676,039	3,124,186
Amount recognized as revenue during the year	<u>(3,579,035)</u>	<u>(2,723,398)</u>
Balance, end of year	<u>\$ 2,668,039</u>	<u>\$ 2,571,035</u>

8. Long-term debt

Long-term debt consists of the following:

	<u>2019</u>		
	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
Foundation promissory note – 4% (Note 8 (b))	\$ 25,833	\$ 703,334	\$ 729,167
Foundation promissory note – 3.5% (Note 8 (c))	36,225	1,193,067	1,229,292
Second vehicle term loan (Note 8 (a))	<u>5,825</u>	<u>20,464</u>	<u>26,289</u>
	<u>\$ 67,883</u>	<u>\$ 1,916,865</u>	<u>\$ 1,984,748</u>
	<u>2018</u>		
	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
Bank financing (Note 8(b))	\$ 13,282	\$ 747,681	\$ 760,963
First vehicle term loan (Note 8 (a))	436	438	874
Second vehicle term loan (Note 8 (a))	<u>5,546</u>	<u>26,288</u>	<u>31,834</u>
	<u>\$ 19,264</u>	<u>\$ 774,407</u>	<u>\$ 793,671</u>

Shaw Festival Theatre, Canada

Notes to Financial Statements

December 31, 2019

8. Long-term debt (continued)

- (a) The Theatre's first vehicle term loan matured on February 27, 2019 and was repaid in full.

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.

As at December 31, 2019, an amount of \$26,289 (2018 - \$32,708) was outstanding. During the year, interest of \$1,448 (2018 - \$1,742) was paid and is included in interest expense in the statement of operations.

- (b) On February 15, 2019, the Foundation provided a \$750,000 promissory note to the Theatre. The note bears interest at 4% per annum and is repayable in five instalments on December 15 from 2019 to 2023. The Theatre used the funds from the promissory note to repay the bank financing loan on 178 Victoria Street in February 2019. 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.

As at December 31, 2019, an amount of \$729,167 (2018 - \$nil) related to the promissory note was outstanding. Interest of \$27,407 (2018 - \$nil) was recognized as interest expense in the statement of operations.

As at December 31, 2019, an amount of \$nil (2018 - \$760,963) related to the bank financing loan was outstanding. Interest of \$7,742 (2018 - \$37,260) was recognized as interest expense in the statement of operations.

- (c) On May 15, 2019, the Foundation provided a \$1,250,000 promissory note to the Shaw Anchorage Land Limited and the Theatre. The note bears interest at 3.5% per annum and is repayable in 11 instalments on December 15 from 2019 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 2nd term the principal repaid shall be one half of the principal at the inception of the term.

As at December 31, 2019, an amount of \$1,229,292 (2018 - \$nil) was outstanding. Interest of \$27,407 (2018 - \$nil) was recognized as an interest expense in the statement of operations.

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.

	<u>2019</u>	<u>2018</u>
Balance, beginning of period	\$ 16,840,537	\$ 17,299,338
Amortization of deferred capital contributions	(1,866,321)	(783,876)
Contributions received for capital asset purchases	<u>453,799</u>	<u>325,075</u>
Balance, end of period	<u>\$ 15,428,015</u>	<u>\$ 16,840,537</u>

As at December 31, 2019, un-allocated deferred capital contributions were \$383,966 (2018 - \$1,572,352), related to a contribution from the Foundation (Note 13). Received in 2019 were \$427,572 in other contributions un-allocated.

Shaw Festival Theatre, Canada

Notes to Financial Statements

December 31, 2019

10. Credit facilities

As at December 31, 2019, the Theatre had in place a \$1,700,000 revolving demand operating facility, which bears interest at prime plus 1.95% (2018 – prime plus 2.70%). This facility allowed an extension of borrowing up to \$3,000,000 from May 15 to September 15, 2019 and then increasing to \$3,750,000 from September 16, 2019 to December 15, 2019. This facility can be drawn by way of bank overdrafts or operating loans. As at December 31, 2019, \$630,000 (2018 – \$nil) was drawn on this operating facility. This facility has a restrictive covenant that requires the Theatre to be free of borrowing for a three-week period from November 15, 2019, to February 28, 2020.

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, 2019 (2018 – \$nil).

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 \$62,554 for the year ended December 31, 2019 (2018 – \$19,091), was paid and is included in interest expense in the statement of operations.

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:

2020	\$ 250,064
2021	85,466
2022	56,606
2023	8,055
2024	<u>6,041</u>
	<u>\$ 406,232</u>

The Theatre has entered into various agreements with actors, stage managers, designers, directors and choreographers for services to be performed in fiscal 2020, totaling \$265,600. Of this amount, \$86,500 was paid in 2019.

12. Fundraising

Donations in-kind of \$48,268 (2018 – \$80,903) were received during the year and recorded in the accounts. These donations include production props and consumable supplies, and other revenue provided through contra agreements.

Shaw Festival Theatre, Canada

Notes to Financial Statements

December 31, 2019

13. Shaw Festival Theatre Endowment Foundation

As at December 31, 2019, the Foundation has total unaudited fund balances of approximately \$29,484,000 (2018 - \$26,617,500), categorized as follows:

	2019 (unaudited)	2018 (audited)
Unrestricted funds	\$ 25,000	\$ 19,465
Restricted funds (contribution and income available for distribution)	1,077,000	1,108,203
Endowed funds		
Ontario Arts Endowment Fund	6,395,000	6,142,333
Canadian Arts and Heritage Sustainability Fund	9,581,000	8,546,033
Other external endowments, income restricted	<u>12,406,000</u>	<u>10,806,881</u>
	<u>\$ 29,484,000</u>	<u>\$ 26,622,915</u>

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 an annual distribution of \$884,190 (2018 – \$850,476) in support of 2019 operations, and a grant from the Andrew Pringle Creative Reserve restricted fund of \$300,000 in support of the production of “Man and Superman” which was received prior to the start of the year and recorded as deferred contributions as at December 31, 2018.

The Theatre received from the Foundation \$237,304 (2018 - \$214,000) for fundraising services provided on its behalf. Accounting services are provided for no fee.

In 2019, the Foundation provided the Theatre with two promissory notes totalling \$2,000,000 (2018 - \$nil) as disclosed in Note 8.

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

14. Shaw Festival Foundation - Buffalo, New York

Shaw Festival Foundation is a separate United States 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 2019, an amount of \$1,300,000 (2018 – \$1,137,500) was contributed to the Theatre, of which \$531,250 (2018 – \$581,250) remained outstanding and is included in accounts receivable on the statement of financial position.

Shaw Festival Theatre, Canada

Notes to Financial Statements

December 31, 2019

15. 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 long-term debt and credit facilities.

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 indebtedness, accounts payable and long-term debt.

16. Comparative financial statements

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2019 financial statements.