



Financial Statements

Shaw Festival Theatre Endowment
Foundation

December 31, 2021

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Independent Auditor's Report

Grant Thornton LLP
11th Floor
200 King Street West, Box 11
Toronto, ON
M5H 3T4
T +1 416 366 0100
F +1 416 360 4949

To the Members of
Shaw Festival Theatre Endowment Foundation

Opinion

We have audited the financial statements of Shaw Festival Theatre Endowment Foundation (the "Endowment Foundation"), which comprise the statement of financial position as at December 31, 2020, and the statements of operations, changes in fund balances 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 Endowment Foundation as at December 31, 2020, 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 Endowment Foundation 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 ASPNO, 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 Endowment Foundation'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 Endowment Foundation or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing the Endowment Foundation'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 Endowment Foundation'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 Endowment Foundation'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 Endowment Foundation 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
April 26, 2022

Chartered Professional Accountants
Licensed Public Accountants

Shaw Festival Theatre Endowment Foundation

Statement of Operations

Year ended December 31

	<u>Unrestricted Fund</u>		<u>Restricted Fund</u>		<u>Endowment Fund</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenue								
Contributions	\$ -	\$ -	\$ 1,061,536	\$ 925,225	\$ 1,080,464	\$ 562,502	\$ 2,142,000	\$ 1,487,727
Grants	-	-	-	-	754,851	1,077,362	754,851	1,077,362
Investment income, net of investment management fees (Notes 3(b) and 5)	-	-	180,953	59,265	4,267,431	2,200,952	4,448,384	2,260,217
		-	1,242,489	984,490	6,102,746	3,840,816	7,345,235	4,825,306
Expenses								
Administration (Note 9(b))	292,228	282,942	-	-	-	-	292,228	282,942
(Deficiency) excess of revenue over expenses before distributions	(292,228)	(282,942)	1,242,489	984,490	6,102,746	3,840,816	7,053,007	4,542,364
Distributions								
Shaw Festival Theatre, Canada (Note 9(a))	-	-	917,902	910,208	-	-	917,902	910,208
(Deficiency) excess of revenue over expenses and distributions	\$ (292,228)	\$ (282,942)	\$ 324,587	\$ 74,282	\$ 6,102,746	\$ 3,840,816	\$ 6,135,105	\$ 3,632,156

See accompanying notes to the financial statements.

Shaw Festival Theatre Endowment Foundation

Statement of Changes in Fund Balances

Year ended December 31

2021	Unrestricted Fund	Restricted Fund	Endowment Fund				Total
			Endowed	Restricted	Unrestricted	Total	
Fund balances, beginning of year	\$ 12,740	\$ 1,651,918	\$ 28,539,097	\$ 895,752	\$ 2,017,242	\$ 31,452,091	\$ 33,116,749
(Deficiency) excess of revenue over expense and distributions	(292,228)	324,587	1,835,315	1,365,578	2,901,853	6,102,746	6,135,105
Interfund transfers (Note 8)	292,113	614,386	332,000	(396,320)	(842,179)	(906,499)	-
Fund balances, end of year	\$ 12,625	\$ 2,590,891	\$ 30,706,412	\$ 1,865,010	\$ 4,076,916	\$ 36,648,338	\$ 39,251,854

2020	Unrestricted Fund	Restricted Fund	Endowment Fund				Total
			Endowed	Restricted	Unrestricted	Total	
Fund balances, beginning of year	\$ 24,760	\$ 1,076,517	\$ 26,467,467	\$ 596,608	\$ 1,319,241	\$ 28,383,316	\$ 29,484,593
(Deficiency) excess of revenue over expense and distributions	(282,942)	74,282	1,639,863	660,286	1,540,667	3,840,816	3,632,156
Interfund transfers (Note 8)	270,922	501,119	431,767	(361,142)	(842,666)	(772,041)	-
Fund balances, end of year	\$ 12,740	\$ 1,651,918	\$ 28,539,097	\$ 895,752	\$ 2,017,242	\$ 31,452,091	\$ 33,116,749

See accompanying notes to the financial statements.

Shaw Festival Theatre Endowment Foundation

Statement of Financial Position

December 31

2021

2020

Assets

Current assets

Cash	\$ 548,654	\$ 297,237
Accounts receivable (Note 10)	768,216	24,498
Advance to Shaw Festival Theatre, Canada (Note 9(a))	1,329,809	917,902
Investments (Note 3)	<u>1,212,500</u>	<u>1,762,500</u>
	3,859,179	3,002,137

Investments (Note 3)	<u>35,440,575</u>	<u>30,169,211</u>
	\$ 39,299,754	\$ 33,171,348

Liabilities

Accounts payable and accrued liabilities	<u>\$ 47,900</u>	<u>\$ 54,599</u>
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Fund balances

Unrestricted Fund	12,625	12,740
Restricted Fund (Note 4)	2,590,891	1,651,918
Endowment Fund (Note 5)		
Unrestricted	4,076,916	2,017,242
Restricted	1,865,010	895,752
Endowed	<u>30,706,412</u>	<u>28,539,097</u>
	39,251,854	33,116,749
	\$ 39,299,754	\$ 33,171,348

On behalf of the Board

 _____ Director

 _____ Director

Shaw Festival Theatre Endowment Foundation

Statement of Cash Flows

Year ended December 31

2021

2020

Increase (decrease) in cash

Operating

Excess of revenue over expenses and distributions	\$ 6,135,105	\$ 3,632,156
Realized (gain) loss on investments (Note 3)	(393,959)	277,846
Unrealized gain on investments (Note 3)	(3,455,992)	(2,064,314)
Reinvested dividends and interest, net	(635,772)	(370,746)
Change in non-cash working capital items		
Accounts receivable	(743,718)	159,395
Advance to Shaw Festival Theatre, Canada	(411,907)	292,306
Accounts payable and accrued liabilities	(6,699)	<u>32,008</u>
	487,058	1,958,651

Investing

Investments purchased	(4,275,000)	(5,020,000)
Investments sold	3,975,000	3,257,500
Principal repayments on promissory notes (Notes 3 and 9(c))	64,359	<u>62,058</u>
	(235,641)	<u>(1,700,442)</u>

Increase (decrease) in cash

251,417 258,209

Cash

Beginning of year	<u>297,237</u>	<u>39,028</u>
End of year	<u>\$ 548,654</u>	<u>\$ 297,237</u>

Shaw Festival Theatre Endowment Foundation

Notes to Financial Statements

December 31, 2021

1. Description of organization

The Shaw Festival Theatre Endowment Foundation (the “Endowment Foundation”) was incorporated under the Corporations Act (Ontario) on November 22, 2002 as a corporation without share capital. The Endowment Foundation’s objectives are to receive, hold and maintain one or more funds and to transfer from time to time all or part of the income therefrom and the capital thereof (unless endowed by the contributor) for the benefit of the Shaw Festival Theatre, Canada (the “Theatre”).

The Endowment Foundation is a registered charitable public foundation as defined in the Income Tax Act (Canada) and, as such, is exempt from income taxes and able to issue donation receipts for income tax purposes.

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”, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies set out below.

Fund accounting

For financial presentation purposes, the accounts of the Endowment Foundation have been classified into the following funds:

The Unrestricted Fund reports unrestricted resources available for any purpose.

The Restricted Fund reflects contributions and grants that are to be used for specific purposes as specified by the contributor.

The Endowment Fund reflects contributions and grants that are to be permanently maintained as specified by the contributor. The Endowment Fund also includes the balances of the Ontario Arts Endowment Fund (“OAEF”) (Note 6) and Canadian Arts and Heritage Sustainability Fund (“CAHCIF”) (Note 7) whose contributions, including any matched funds, must also be maintained in perpetuity.

It is the Endowment Foundation’s policy to allocate investment income, irrespective of any restrictions thereon, to the Restricted Fund and Endowment Fund based on its proportionate share of each fund’s underlying investments. Restricted and unrestricted investment income is subsequently transferred out to the relevant Restricted, Endowed (if used for matching purposes (Notes 6 and 7) or Unrestricted Fund when the underlying conditions are met.

The investment income earned on the Endowment Fund is administered in accordance with the Endowment Foundation’s endowment management policies (Note 5) or the policies of OAEF (Note 6) or CAHCIF (Note 7).

Shaw Festival Theatre Endowment Foundation

Notes to Financial Statements

December 31, 2021

2. Summary of significant accounting policies (continued)

Revenue recognition

The Endowment Foundation follows the restricted fund method of accounting for contributions, which include grants, bequests, donations and other contributions.

Contributions are recognized as revenue in the fund to which they relate when received or receivable.

Investment income (loss) consists of interest, distributions from pooled funds, realized and unrealized gains and losses including foreign exchange, net of investment management fees. Net investment income (loss) earned is allocated to each of the funds on a monthly basis, based on each fund's investment balance at the beginning of the respective month.

Financial instruments

The Endowment Foundation's financial assets and liabilities comprise cash, accounts receivable, advances to the Theatre, investments, and accounts payable.

Initial measurement

The Endowment Foundation's financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

Subsequent measurement

At each reporting date, the Endowment Foundation measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets), except for equities and market funds quoted in an active market, which are measured at fair value, and investments in pooled funds, which the Endowment Foundation has elected to measure at fair value. All changes in fair value of the Endowment Foundation's investments in pooled funds are recorded in the statement of operations.

The Corporation uses the effective interest rate method to amortize any premiums, discounts, transaction fees and financing fees to the statement of operations. The financial instruments measured at amortized cost are cash, accounts receivable, advances to the Theatre, investments in bonds, notes, guaranteed investment certificates and promissory notes receivable from the Theatre, and accounts payable.

For financial assets measured at cost or amortized cost, the Endowment Foundation regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Endowment Foundation determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, the Endowment Foundation recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

Shaw Festival Theatre Endowment Foundation

Notes to Financial Statements

December 31, 2021

2. Summary of significant accounting policies (continued)

Distributions

Distributions by the Endowment Foundation are recorded as an expense in the fiscal year to which the distribution applies when approved by the Board of Governors and all conditions are met by the grantee.

Contributed materials and services

Contributed materials and services are not recognized in the financial statements.

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. Investments and investment income

a) Investments consist of the following:

	<u>2021</u>	<u>2020</u>
Investments recorded at fair value:		
Pooled funds		
<u>Short term</u>		
Fiera Short Term Investment Series A	\$ 106,244	\$ 105,631
<u>Debt</u>		
RP Debt Opportunities Fund Trust	7,164,969	6,526,806
<u>Non-traditional income</u>		
Fiera Diversified Lending Series A	673,076	638,859
Fiera Multi-Strategy Income Series A	303,977	-
Fiera Global Agriculture – Class A	1,174,565	1,113,000
Fiera Infrastructure – Class 1	1,676,193	1,607,090
Fiera Real Estate – Class A	1,429,714	1,240,842
<u>Equity</u>		
Fiera Canadian Equity Series A	3,757,528	3,476,209
Fiera Canadian Equity Low Beta Series A	2,361,635	1,990,960
Fiera US Equity Series A	7,120,502	5,479,063
Fiera International Equity Series A	6,966,306	5,363,709
Fiera Emerging Markets Equity Series A	873,825	730,641
	<u>\$ 33,608,534</u>	<u>\$ 28,272,810</u>

Shaw Festival Theatre Endowment Foundation

Notes to Financial Statements

December 31, 2021

3. Investments and investment income (continued)

a) Investments consist of the following (continued):

	<u>2021</u>	<u>2020</u>
Investments recorded at amortized cost:		
Royal Bank – Guaranteed investment certificates	\$ 1,212,500	\$ 1,762,500
Promissory notes (Note 9 (c) and (d))		
Shaw Festival Theatre Canada, due 2023	676,467	703,334
Shaw Festival Theatre Canada, due 2029	<u>1,155,574</u>	<u>1,193,067</u>
	<u>3,044,451</u>	<u>3,658,901</u>
	36,653,075	31,931,711
Less: current investments	<u>1,212,500</u>	<u>1,762,500</u>
	<u>\$ 35,440,575</u>	<u>\$ 30,169,211</u>

The pooled funds are invested in Canadian, US and International equities, debt securities, and money market funds.

Investments in GIC's and money market funds mature at various dates to December 2021 with interest rates ranging from 0.4% to 0.55%.

b) Investment income, net of investment management fees, consists of the following:

	<u>2021</u>	<u>2020</u>
Realized (loss) gain on investments, net, inclusive of foreign exchange	\$ 393,959	\$ (277,846)
Equity fund distribution	466,326	245,499
Unrealized gain on investments, net	3,455,992	2,064,314
Lending fund distribution	83,266	136,789
Non-traditional fund distribution	86,180	107,810
Bank and promissory note interest	<u>82,069</u>	<u>79,429</u>
Total investment income before investment management fees	4,567,792	2,355,995
Investment management fees	<u>(119,408)</u>	<u>(95,778)</u>
	<u>\$ 4,448,384</u>	<u>\$ 2,260,217</u>

Shaw Festival Theatre Endowment Foundation

Notes to Financial Statements

December 31, 2021

4. Restricted Fund

The Restricted Fund comprises:

	<u>2021</u>	<u>2020</u>
Andrew Pringle Creative Reserve – Restricted Fund	\$ 1,114,250	\$ 726,693
Philip Akin Black Shoulders Legacy Reserve – Restricted Fund	30,506	-
Shaw Resiliency - Restricted Fund	1,146,135	375,225
Temporarily restricted	<u>300,000</u>	<u>550,000</u>
	<u>\$ 2,590,891</u>	<u>\$ 1,651,918</u>

The Andrew Pringle Creative Reserve was established to provide the Shaw Festival Theatre's Artistic Director additional funding for specialized initiatives, programming and projects that might require additional resources in order to be fully realized. Both the contributions and net investment income in this fund are available for distribution.

In late 2021, The Foundation agreed, alongside the Shaw Festival, to manage the Philip Akin Black Shoulders Legacy Award holdings on behalf of the greater Canadian Theatre community. These funds, which include both endowed and restricted portions, aim to support and nurture emerging Black Canadian theatre artists through financial support, artistic guidance, and national promotion. Five artists will be selected each year via submission and awarded a \$5,000 honorarium towards training and other opportunities to enhance and grow their artistic craft. This national award will be given to both performing and non-performing artists who show promise and are working towards a future in theatre, further amplifying Black voices in the Canadian theatre landscape.

The Shaw Resiliency Fund is to provide essential financial relief to the Theatre and to assist with the longer-term impacts and costs associated with COVID-19 and the strategic objectives of the Theatre. These contributions will be restricted and invested by the Endowment Foundation, to ensure availability when needed, as determined by the Theatre's Board of Directors. The investment income earned on this fund is restricted. Part of the Theatre's mission as a charitable theatre company is one of public trust – to keep the Theatre as whole as possible for future generations – to survive and grow from challenging times like these.

Temporarily restricted amounts represent contributions earmarked for matching related to the CAHCIF (Note 7) program. To the extent these amounts are matched, they will be transferred to the Endowment Fund. To the extent these amounts are not matched, they will revert to the fund from which they originated.

5. Endowment Fund

The Endowment Fund consists of amounts whereby the original principal must be maintained in perpetuity and the investment income is used for contributor-restricted activities and general support of the Theatre's operations.

Shaw Festival Theatre Endowment Foundation

Notes to Financial Statements

December 31, 2021

5. Endowment Fund (continued)

<u>2021</u>	<u>Endowed</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Ontario Arts Endowment Fund (Note 6)	\$ 5,398,767	\$ -	\$ -	\$ 5,398,767
Canadian Arts and Heritage Sustainability Fund (Note 7)	10,599,195	-	-	10,599,195
Other endowments (including OAEF and CAHCIF matching amounts)	14,708,450	-	-	14,708,450
Unrestricted	-	-	4,076,916	4,076,916
Restricted	-	1,865,010	-	1,865,010
	<u>\$ 30,706,412</u>	<u>\$ 1,865,010</u>	<u>\$ 4,076,916</u>	<u>\$ 36,648,338</u>
<u>2020</u>	<u>Endowed</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Ontario Arts Endowment Fund (Note 6)	\$ 5,398,767	\$ -	\$ -	\$ 5,398,767
Canadian Arts and Heritage Sustainability Fund (Note 7)	9,844,343	-	-	9,844,343
Other endowments (including OAEF and CAHCIF matching amounts)	13,295,987	-	-	13,295,987
Unrestricted	-	-	2,017,242	2,017,242
Restricted	-	895,752	-	895,752
	<u>\$ 28,539,097</u>	<u>\$ 895,752</u>	<u>\$ 2,017,242</u>	<u>\$ 31,452,091</u>

The Endowment Foundation established an investment policy with the objective of protecting the real value of the endowments by limiting the annual distribution of investment income to 3.5% of the average fair market value of investment assets for trailing eight quarters, unless otherwise specified by an underlying endowment agreement. The policy also allows 1% of the average fair market value of endowment investments for the trailing eight quarters to be made available for unrestricted use by the Board of the Theatre. In any year, should the investment income recognized be insufficient to fund the annual distribution or the investment return is negative, the amount that is made available for distribution is restricted to any previously accumulated amounts not yet distributed. Should a distribution be made in excess of this amount, the difference would be recuperated over time from any future undistributed amounts in excess of the annual 4.5% distribution amount.

6. Ontario Arts Endowment Fund

Pursuant to an agreement with the OAEF, the Endowment Foundation participates in a program whereby it is eligible to receive a contribution from the OAEF that matches, subject to a maximum amount, qualifying funds raised. Under the agreement, the OAEF and matching contributions must be maintained in perpetuity. Investment income earned on these funds may be transferred to the Theatre for operating purposes. The agreement specifies that the Endowment Foundation use the same distribution policy for investment income as it has for its other endowed funds (Note 5).

Shaw Festival Theatre Endowment Foundation

Notes to Financial Statements

December 31, 2021

7. Canadian Arts and Heritage Cultural Investment Fund

Pursuant to an agreement with CAHCIF, the Endowment Foundation participates in a program whereby it is eligible to receive a contribution from the CAHCIF that matches, subject to a maximum amount, qualifying funds raised. Under the agreement, the CAHCIF and matching contributions must be maintained in perpetuity. Investment income earned on these funds may be transferred to the Theatre for operating purposes. The agreement allows the Endowment Foundation to use the same distribution policy for investment income as it has for its other endowed funds (Note 5).

8. Interfund transfers

Transfers between funds consist of the following:

	<u>Unrestricted Fund</u>		<u>Restricted Fund</u>		<u>Endowment Fund</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Distribution of investment income in accordance with Board policy	\$ -	\$ -	\$ 917,902	\$ 910,208	\$ (917,902)	\$ (910,208)
Transfer from Endowed to Restricted Fund – Pringle Reserve	-	-	40,425	26,348	(40,425)	(26,348)
Transfer from Endowed to Restricted and Unrestricted Fund	292,113	270,922	(11,941)	(3,670)	(280,172)	(267,252)
Transfer from Restricted Fund resulting from CAHCIF match	-	-	(332,000)	(431,767)	332,000	431,767
	<u>\$ 292,113</u>	<u>\$ 270,922</u>	<u>\$ 614,386</u>	<u>\$ 501,119</u>	<u>\$ (906,499)</u>	<u>\$ (772,041)</u>

Certain gifts within the Restricted Fund have been designated by the contributor to be pledged as endowed contributions, to the extent matched in accordance with the agreement with CHACIF (Note 7). In 2021, \$332,000 (2020 - \$431,767) of these contributions were matched and transferred from the Restricted Fund to the Endowment Fund.

9. Shaw Festival Theatre, Canada

- (a) During the year ended December 31, 2021, the Endowment Foundation distributed \$917,902 (2020 - \$910,208) to the Theatre in support of 2021 operating and other specific purposes (Note 8).

In addition, in 2021, a distribution in support of the Theatre's 2022 season of \$1,329,809 (2020 - \$917,902) was provided as an advance and recorded as an advance to the Theatre in the statement of financial position.

- (b) The Theatre provides fundraising services to the Endowment Foundation. In accordance with a policy adopted in 2010 by the Board of Governors, an unrestricted distribution of 1% of the average fair market value of assets for the trailing eight quarters less direct administrative costs incurred by the Endowment Foundation is provided to the Theatre. During the year, the unrestricted distribution paid to the Theatre was \$278,000 (2020 - \$255,154) and is included in administration expenses on the statement of operations. The unrestricted distribution is prorated between the Endowed and Restricted Funds.

Shaw Festival Theatre Endowment Foundation

Notes to Financial Statements

December 31, 2021

9. Endowment Fund (continued)

- (c) On February 15, 2020, The Endowment Foundation provided a promissory note of \$750,000 to the Theatre. The note bears interest at 4% and is repayable in five instalments on December 15 from 2020 to 2023.

As at December 31, 2021, an amount of \$676,467 (2020 - \$703,334) (Note 3) related to the promissory note was outstanding.

- (d) On May 15, 2020, the Foundation provided a promissory note of \$1,250,000 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 2020 to 2029.

As at December 31, 2021, an amount of \$1,155,574 (2020 - \$1,193,067) (Note 3) was outstanding.

The promissory notes in (c) and (d) are secured by a charge on two residential properties owned by the Theatre and Shaw Anchorage Land Limited.

- (e) Transactions with the Theatre are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

10. Accounts receivable

Included in accounts receivable are contributions receivable of \$738,801 (2020 - \$12,637). These funds were received in a grant from the Shaw Festival Foundation [USA] and include a significant bequest received by the Foundation Endowment in the last quarter of 2021.

11. Financial instruments

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

Currency risk

The Endowment Foundation is exposed to foreign currency risk with respect to its investments denominated in foreign currencies because the fair value and future cash flows will fluctuate due to the changes in the relative value of foreign currencies against the Canadian dollar. The Endowment Foundation manages this risk by using professional portfolio managers and maintaining a diversified portfolio.

Interest rate risk

The Endowment Foundation is exposed to interest rate risk with respect to its investments in fixed income securities because the fair value will fluctuate due to changes in market interest rates. The Endowment Foundation does not use derivative instruments to reduce its exposure to interest rate risk.

Shaw Festival Theatre Endowment Foundation

Notes to Financial Statements

December 31, 2021

11. Financial instruments (continued)

Other price risk

The Endowment Foundation is subject to other price risk on its investments carried at fair value. These investments are subject to market risk such that the fair value of these investments may change as a result of factors specific to a particular investment or as a result of factors affecting all instruments trading in the market. The Endowment Foundation manages this risk by using professional portfolio managers and maintaining a diversified portfolio with a mix of bonds, equity funds, and non-traditional funds.