

**SHAW FESTIVAL THEATRE, CANADA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2023**

SHAW FESTIVAL THEATRE, CANADA
Financial Statements
December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

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, 2023, and the statement of operations, statement of changes in net assets and statement of 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, 2023, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Theatre in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 going concern and using the going concern basis of accounting unless management either intends to liquidate the Theatre or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ♦ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

AKLER BROWNING LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT, continued

- ♦ 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.

Akler Browning LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada
February 26, 2024

SHAW FESTIVAL THEATRE, CANADA

Statement of Operations

Year ended December 31, 2023

	2023	2022
Earned revenues		
Ticket sales	\$ 12,920,080	\$ 10,608,237
Ancillary revenues	3,288,559	2,619,852
Total earned revenues	16,208,639	13,228,089
Contributed Revenues		
Fundraising		
Fundraising (Notes 11 and 14)	11,215,215	9,079,846
Shaw Festival Theatre Endowment Foundation (Note 13)	4,321,420	2,788,228
	15,536,635	11,868,074
Grants		
Ontario Arts Council	1,130,633	1,130,633
Canada Council	780,000	780,000
Reconnect Ontario/OCAF - Celebrate Ontario	125,000	260,000
	2,035,633	2,170,633
COVID-19 support		
Ontario Arts Council – Pandemic Cultural Workers Support	90,000	-
Federal Economic Development Agency for Southern Ontario (MFESI)	-	5,737,065
Canada Emergency Wage Subsidy and Tourism and Hospitality Recovery Program	-	2,076,245
Canada Emergency Rent Subsidy and Tourism and Hospitality Recovery Program	-	302,641
	90,000	8,115,951
Total contributed revenues	17,662,268	22,154,658
Performance disruption insurance (Note 12)	2,805,277	-
Total operating revenues	36,676,184	35,382,747
Expenses		
Production and artistic (Note 11)	25,370,715	21,034,772
Marketing, sales and audience services	5,423,378	4,875,754
Administration	4,075,233	3,457,170
Fundraising (Note 11)	2,880,790	2,339,381
Facilities	2,453,827	2,301,673
Ancillary	1,507,089	1,123,052
Interest (Notes 7 and 9)	661,548	244,122
Total operating expenses	42,372,580	35,375,924
(Deficiency) excess of operating revenues over operating expenses	(5,696,396)	6,823
Items related to capital assets		
Amortization of deferred capital contributions (Note 8)	922,993	942,130
Amortization of capital assets	(1,706,890)	(2,063,497)
Loss on capital assets disposal (Note 4)	(11,935)	-
Deficiency of revenues over expenses	\$ (6,492,228)	\$ (1,114,544)

SHAW FESTIVAL THEATRE, CANADA**Statement of Changes In Net Assets****Year ended December 31, 2023**

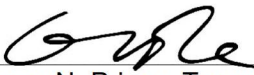
	2023	2022
Balance, beginning of year	\$ 257,718	\$ 1,372,262
Deficiency of revenues over expenses	(6,492,228)	(1,114,544)
Balance, end of year	\$ (6,234,510)	\$ 257,718

SHAW FESTIVAL THEATRE, CANADA
Statement of Financial Position
December 31, 2023

	2023	2022
Assets		
Current		
Accounts receivable (Notes 13 and 14)	\$ 3,024,886	\$ 4,302,707
Other assets (Note 3)	1,161,993	1,015,712
Total current assets	4,186,879	5,318,419
Capital assets, net (Note 4)	23,946,804	23,672,718
Total assets	\$ 28,133,683	\$ 28,991,137
Liabilities		
Current		
Bank indebtedness (Note 9)	\$ 5,271,537	\$ 3,774,358
Accounts payable and accrued liabilities (Note 5)	1,836,073	1,568,465
Deferred revenues	2,392,630	2,451,509
Deferred contributions (Notes 6 and 13)	3,195,081	3,699,465
Current portion of long-term debt (Note 7)	1,217,066	265,968
Total current liabilities	13,912,387	11,759,765
Long-term debt (Note 7)	7,279,575	3,112,402
Deferred capital contributions (Note 8)	13,176,231	13,861,252
Total liabilities	34,368,193	28,733,419
Net assets (deficiency)	(6,234,510)	257,718
Total liabilities and net assets	\$ 28,133,683	\$ 28,991,137

Approved on behalf of the board


 Ian M.H. Joseph, Chair Director


 Gregory N. Prince, Treasurer Director

SHAW FESTIVAL THEATRE, CANADA**Statement of Cash Flows****Year ended December 31, 2023**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Deficiency of revenues over expenses	\$ (6,492,228)	\$ (1,114,544)
Adjustments for non-cash items		
Amortization of capital assets	1,706,890	2,063,497
Amortization of deferred capital contributions	(922,993)	(942,130)
Loss on disposal of capital asset	11,935	-
	(5,696,396)	6,823
Change in non-cash working capital items		
Accounts receivable	1,277,821	(978,005)
Other assets	(146,281)	(17,310)
Accounts payable and accrued liabilities	267,608	394,243
Deferred revenues	(58,879)	(344,894)
Deferred contributions	(504,384)	493,750
	835,885	(452,216)
Cash Used in Operating Activities	(4,860,511)	(445,393)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets, net	(1,992,911)	(2,971,657)
Cash Used in Investing Activities	(1,992,911)	(2,971,657)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt, net of principal repayments	5,118,271	1,019,478
Deferred capital contributions received	237,972	344,779
Cash Provided by Financing Activities	5,356,243	1,364,257
Increase in bank indebtedness	(1,497,179)	(2,052,793)
Bank indebtedness, beginning of year	(3,774,358)	(1,721,565)
Bank indebtedness, end of year	\$ (5,271,537)	\$ (3,774,358)

SHAW FESTIVAL THEATRE, CANADA

Notes to the Financial Statements

December 31, 2023

1. DESCRIPTION OF OPERATIONS

Shaw Festival Theatre, Canada (the "Theatre") is a Canadian cultural institution operating to create intellectually challenging and entertaining theatre, and work that advances the public's appreciation of the arts, of artists and that serves the basic human needs provided through arts and related educational experiences. 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 (the "Shaw Festival Foundation") (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. 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 include the significant accounting policies set out below.

(a) Revenue recognition

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

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

The Theatre follows the deferral method of accounting for contributions. Externally restricted contributions are deferred when initially recognized in the accounts and recognized as revenue in the year in which the related expenses are incurred or the restriction is met. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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

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

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

SHAW FESTIVAL THEATRE, CANADA

Notes to the Financial Statements

December 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(b) Other assets

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

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

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

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

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

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

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

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

SHAW FESTIVAL THEATRE, CANADA

Notes to the Financial Statements

December 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(d) 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.

(e) 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.

(f) Contributed materials and services

Volunteers contribute a significant number of hours per year. 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.

(g) 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 contribution 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.

SHAW FESTIVAL THEATRE, CANADA

Notes to the Financial Statements

December 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(h) Financial instruments

The Theatre's financial assets and liabilities comprise accounts receivable, bank indebtedness, accounts payable and long-term debt.

Initial measurement

The Theatre'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 Theatre 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. All changes in fair value of the Theatre's investments are recorded in the statement of operations.

The Theatre 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 accounts receivable, accounts payable and long-term debt.

For financial assets measured at cost or amortized cost, the Theatre regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Theatre determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, the Theatre 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.

3. OTHER ASSETS

Other assets consist of the following:

	<u>2023</u>	<u>2022</u>
Costs of future productions	\$ 625,828	\$ 450,853
Inventories	299,146	288,806
Prepaid expenses	<u>237,019</u>	<u>276,053</u>
	<u>\$ 1,161,993</u>	<u>\$ 1,015,712</u>

SHAW FESTIVAL THEATRE, CANADA**Notes to the Financial Statements****December 31, 2023****4. CAPITAL ASSETS**

	2023		2022	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Tangible				
Land	\$ 4,236,480	\$ -	\$ 4,236,480	\$ -
Buildings and building improvements	31,266,626	17,306,972	31,241,334	16,414,369
Furniture, equipment and computers	2,700,516	1,640,838	2,502,348	1,482,270
Stage and theatrical equipment	4,307,728	2,160,177	4,071,401	1,915,409
Fleet vehicles	305,960	159,964	257,402	135,958
Production build costs	1,117,902	558,951	2,212,543	1,327,505
Art	62,005	-	62,005	-
	43,997,217	21,826,902	44,583,513	21,275,511
Less accumulated amortization	(21,826,902)		(21,275,511)	
	22,170,315		23,308,002	
Capital assets not available for use	1,776,488		364,715	
Intangible				
Royalty rights	1		1	
Net book value	\$ 23,946,804		\$ 23,672,718	

As at December 31, 2023, the net book value of capital assets owned by Shaw Anchorage Land Limited was \$2,368,787 (2022 - \$2,450,606).

During the year, fully amortized capital assets with a cost of \$1,162,533 (2022 - \$nil) 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, 2023, accounts payable and accrued liabilities include government remittances payable of \$34,275 (2022 - \$31,505).

SHAW FESTIVAL THEATRE, CANADA**Notes to the Financial Statements****December 31, 2023****6. DEFERRED CONTRIBUTIONS**

The continuity of deferred externally restricted contributions is as follows:

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 3,699,465	\$ 3,205,714
Amount of grants and donations received	16,940,180	22,648,409
Amount recognized as revenue	<u>(17,444,564)</u>	<u>(22,154,658)</u>
Balance, end of year	<u>\$ 3,195,081</u>	<u>\$ 3,699,465</u>

7. LONG-TERM DEBT

Long-term debt consists of the following:

	<u>2023</u>		
	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
Foundation promissory note – 4% (Note 7 (a))	\$ 80,806	\$ 1,536,545	\$ 1,617,351
Foundation promissory note – 3.5% (Note 7 (b))	50,412	1,849,256	1,899,668
Foundation promissory note – 3.5% (Note 7 (c))	27,182	1,313,430	1,340,612
Second vehicle term loan (Note 7 (d))	1,158	-	1,158
Capital term loan – 1st tranche (Note 7 (e))	115,859	9,655	125,514
Capital term loan – 2nd tranche (Note 7 (e))	38,529	39,689	78,218
Capital term loan – 3rd tranche (Note 7 (e))	124,370	476,750	601,120
Construction term loan (Note 7 (f))	<u>778,750</u>	<u>2,054,250</u>	<u>2,833,000</u>
	<u>\$ 1,217,066</u>	<u>\$ 7,279,575</u>	<u>\$ 8,496,641</u>

	<u>2022</u>		
	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
Foundation promissory note – 4% (Note 7 (a))	\$ 29,059	\$ 619,467	\$ 648,526
Foundation promissory note – 3.5% (Note 7 (b))	40,163	1,076,606	1,116,769
Foundation promissory note – 3.5% (Note 7 (c))	35,604	1,211,438	1,247,042
Second vehicle term loan (Note 7 (d))	6,754	1,159	7,913
Capital term loan – 1st tranche (Note 7 (e))	115,859	125,514	241,373
Capital term loan – 2nd tranche (Note 7 (e))	<u>38,529</u>	<u>78,218</u>	<u>116,747</u>
	<u>\$ 265,968</u>	<u>\$ 3,112,402</u>	<u>\$ 3,378,370</u>

SHAW FESTIVAL THEATRE, CANADA

Notes to the Financial Statements

December 31, 2023

7. LONG-TERM DEBT, continued

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

2024	\$ 1,217,066
2025	2,391,524
2026	296,435
2027	301,694
2028	1,467,305
Thereafter	<u>2,822,617</u>
	<u>\$ 8,496,641</u>

- (a) On February 15, 2019, the Foundation provided a \$750,000 promissory note to the Theatre, which was used to repay the bank financing loan on 178 Victoria Street. During the current year, the Foundation provided additional financing by increasing the outstanding principal of the promissory note to \$1,650,000. The note bears interest at 4% per annum and is repayable in five blended payments of principal and interest of \$145,500 on December 15 from 2024 to 2028. On maturity, the note will have a principal balance of \$1,179,678. The agreement allows for an extension of the note for an additional term at a rate to be negotiated.

Interest of \$39,036 (2022 - \$27,059) was recognized as interest in the statement of operations.

- (b) On May 15, 2019, the Foundation provided a \$1,250,000 promissory note to Shaw Anchorage Land Limited and the Theatre, which was used to purchase the property at 285 Wellington Avenue. During the current year, the Foundation provided additional financing by increasing the outstanding principal of the promissory note to \$1,950,000. The note bears interest at 3.5% per annum and is repayable in six blended payments of principal and interest of \$116,900 on December 15 from 2024 to 2029. On maturity, the note will have a principal balance of \$1,604,390. The agreement allows for an extension of the note for an additional 10 year term at a rate to be negotiated. At end of the extension period, the principal repaid shall be one half of the principal at the inception of the term.

Interest of \$48,496 (2022 - \$40,445) was recognized as interest in the statement of operations.

- (c) On November 15, 2022, the Foundation provided a \$1,250,000 promissory note to Shaw Anchorage Land Limited and the Theatre, which was used to purchase the property at 188 Victoria Street. During the current year, the Foundation provided additional financing by increasing the outstanding principal of the promissory note to \$1,375,000. The note bears interest at 3.5% per annum and is repayable in nine blended payments of principal and interest of \$74,476 on December 15 from 2024 to 2032. On maturity, the note will have a principal balance of \$1,058,428. The loan may be renewed at the end of the 10 year period, with terms based on 200 basis points above the Bank of Canada's 20 year bond rate.

Interest of \$44,862 (2022 - \$3,646) was recognized as interest in the statement of operations.

SHAW FESTIVAL THEATRE, CANADA

Notes to the Financial Statements

December 31, 2023

7. LONG-TERM DEBT, continued

- (d) The second vehicle term loan matures on February 9, 2024, and bears interest at 4.94%. The loan is repayable in blended monthly installments of \$583.

Interest of \$239 (2022 - \$564) was recognized as interest in the statement of operations.

- (e) On December 12, 2020, the Royal Bank of Canada provided the Theatre with a new credit facility bearing interest at prime to finance the purchase of equipment. The first tranche commenced January 28, 2021, the second tranche commenced December 21, 2021 and the third tranche commenced October 17, 2023. The facilities mature on January 28, 2025, December 21, 2025 and October 17 2028, respectively.

Interest of \$25,059 (2022 - \$17,369) was recognized as interest in the statement of operations.

- (f) On July 31, 2023, the Royal Bank of Canada provided the Theatre with a new credit facility bearing interest at prime plus 2.23% related to pre-construction costs. The facility matures March 31, 2028.

Interest of \$79,651 (2022 - \$nil) was capitalized in capital assets not available for use.

8. 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>2023</u>	<u>2022</u>
Balance, beginning of period	\$ 13,861,252	\$ 14,458,602
Amortization of deferred capital contributions	(922,993)	(942,130)
Contributions received for capital asset purchases	<u>237,972</u>	<u>344,780</u>
Balance, end of period	<u>\$ 13,176,231</u>	<u>\$ 13,861,252</u>

SHAW FESTIVAL THEATRE, CANADA

Notes to the Financial Statements

December 31, 2023

9. CREDIT FACILITIES

The Theatre has the following credit facilities in place with the Royal Bank of Canada:

A \$7,500,000 revolving demand operating facility, bearing interest at prime plus 2.23% (2022 – prime plus 1.73%). This facility can be drawn by way of bank overdrafts or operating loans. As at December 31, 2023, \$5,675,000 (2022 – \$3,950,000) was drawn on this operating facility.

A letter of guarantee for security obligations to the Canadian Actors' Equity Association of \$510,000 through \$700,000 of non-revolving demand credit facilities. If the guarantee facility is activated, it bears interest at 2.3%. There is an annual fee to keep the letter of guarantee in place.

A revolving term facility for up to \$1,000,000 for the financing of capital equipment purchases. The amount of the loan cannot exceed 75% of the value of the equipment being purchased. Each tranche of borrowing is for a five year term bearing a fixed rate of interest at the time of borrowing of the bank's prime rate. Current borrowing is outlined in Note 7.

A \$4,200,000 revolving term facility, bearing interest at prime plus 2.23% (2022 – n/a). This facility can be drawn by way of bank overdrafts or operating loans. Current borrowing is outlined in Note 7.

There is a general security agreement covering all assets of the Theatre in connection with these credit facilities. In addition, a \$15,000,000 collateral mortgage, constituting a first charge on certain properties of the Theatre, has been provided in support of the borrowings.

Interest on the credit facilities of \$515,391 (2022 – \$164,999) was recognized as interest in the statement of operations.

10. 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:

2024	\$	589,770
2025		227,117
2026		217,612
2027		17,316
2028		7,756
Total	\$	<u>1,059,571</u>

SHAW FESTIVAL THEATRE, CANADA

Notes to the Financial Statements

December 31, 2023

11. FUNDRAISING

Donations in-kind of \$64,801 (2022 – \$41,362) were received during the year and recorded in the accounts. These donations include production props and consumable supplies, and other items, provided through contra agreements.

Included in total fundraising contributions for 2023 is \$1,795,328 (2022 – \$682,972) contributed by donors for funding new program initiatives and non-operating fundraising expenses related to the 2022 to 2027 strategic plan. These contributions offset \$609,514 (2022 – \$392,422) in programming and \$1,185,814 (2022 – \$301,463) in strategic planning and fundraising expenses.

12. PERFORMANCE DISRUPTION INSURANCE

Under a performance disruption policy issued by the Chubb Insurance Company of Canada (the “insurer”), the Theatre was insured for lost business income and extra expenses resulting from the cancellation of performances due to COVID-19. The claim was settled during the year.

13. SHAW FESTIVAL THEATRE ENDOWMENT FOUNDATION

As at December 31, 2023, the Foundation has fund balances of \$36,541,431 (2022 - \$36,004,383), categorized as follows:

	2023 <u>(unaudited)</u>	2022 <u>(audited)</u>
Unrestricted funds	\$ 6,721	\$ 7,770
Restricted funds	927,479	1,022,390
Expendable Funds	2,497,084	3,097,192
Endowed funds		
External endowments	<u>33,110,147</u>	<u>31,877,031</u>
	<u>\$ 36,541,431</u>	<u>\$ 36,004,383</u>

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

Included in contributed revenues of the Theatre is an annual distribution of \$4,321,420 (2022 - \$2,788,228) from the Foundation, of which \$2,000,000 (2022 - \$1,140,880) remains outstanding and is included in accounts receivable on the statement of financial position. In addition, the Foundation advanced \$1,710,931 support of the Theatre's 2024 season (2022 - \$1,638,154 in support of the Theatre's 2023 season) which is included in deferred contributions on the statement of financial position.

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

SHAW FESTIVAL THEATRE, CANADA

Notes to the Financial Statements

December 31, 2023

14. SHAW FESTIVAL FOUNDATION - BUFFALO, NEW YORK

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

Shaw Festival Foundation provides an annual contribution to the Theatre's operations, which is included in fundraising revenue. During 2023, an amount of \$1,508,000 (2022 – \$1,498,750) was contributed to the Theatre, of which \$682,500 (2022 – \$625,000) remains outstanding and is included in accounts receivable on the statement of financial position.

15. FINANCIAL INSTRUMENTS

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

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Theatre is exposed to foreign currency risk with respect to cash, accounts receivable and accounts payable denominated in foreign currencies because of fluctuations in the relative value of foreign currencies against the Canadian dollar. The Theatre monitors the fluctuations regularly to ensure significant loss is not incurred.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Theatre is exposed to interest rate risk with respect to its long-term debt and credit facilities.

SHAW FESTIVAL THEATRE, CANADA

Notes to the Financial Statements

December 31, 2023

15. FINANCIAL INSTRUMENTS, continued

Liquidity risk

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

16. COMPARATIVE FIGURES

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