

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

SHAW FESTIVAL THEATRE ENDOWMENT FOUNDATION
Financial Statements
December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

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, 2023, and the statement of operations, statement of changes in fund balances 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 Endowment Foundation 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 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 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 Endowment Foundation'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 Endowment Foundation or to cease operations, or has no realistic alternative but 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:

AKLER BROWNING LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT, continued

- ♦ 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.

Akler Browning LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada
May 2, 2024

SHAW FESTIVAL THEATRE ENDOWMENT FOUNDATION
Statement of Operations
Year ended December 31, 2023

	Unrestricted Fund		Restricted Fund		Endowment Fund		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Revenues								
Contributions	\$ -	\$ -	\$ 52,434	\$ 112,685	\$ 641,839	\$ 462,241	\$ 694,273	\$ 574,926
Grants	-	-	-	-	591,274	544,878	591,274	544,878
Investment income (loss), net of investment management fees (Note 3(b), 5 and 9)	-	-	98,635	(87,928)	3,475,010	(1,445,244)	3,573,645	(1,533,172)
	-	-	151,069	24,757	4,708,123	(438,125)	4,859,192	(413,368)
Expenses								
Administration	21,181	19,913	-	-	-	-	21,181	19,913
Excess (deficiency) of revenues over expenses before distributions	(21,181)	(19,913)	151,069	24,757	4,708,123	(438,125)	4,838,011	(433,281)
Distributions								
Shaw Festival Theatre, Canada (Note 9(a))	332,304	318,500	3,988,154	2,495,690	-	-	4,320,458	2,814,190
Excess (deficiency) of revenues over expenses and distributions	\$ (353,485)	\$ (338,413)	\$ (3,837,085)	\$ (2,470,933)	\$ 4,708,123	\$ (438,125)	\$ 517,553	\$ (3,247,471)

SHAW FESTIVAL THEATRE ENDOWMENT FOUNDATION

Statement of Changes in Fund Balances

Year ended December 31, 2023

	<u>Unrestricted Fund</u>	<u>Restricted Fund</u>	<u>Endowment Fund</u>				<u>Total</u>
			<u>Endowed</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>	
Fund balance, beginning of year	\$ 7,770	\$ 1,022,390	\$ 31,877,031	\$ 954,695	\$ 2,142,497	\$ 34,974,223	\$ 36,004,383
Excess (deficiency) of revenues over expenses and distributions	(353,485)	(3,837,085)	1,233,112	1,146,754	2,328,257	4,708,123	517,553
Interfund transfer (Note 8)	352,436	3,741,705	-	(1,351,067)	(2,743,074)	(4,094,141)	-
Fund balances, end of year	\$ 6,721	\$ 927,010	\$ 33,110,143	\$ 750,382	\$ 1,727,680	\$ 35,588,205	\$ 36,521,936

Year ended December 31, 2022

	<u>Unrestricted Fund</u>	<u>Restricted Fund</u>	<u>Endowment Fund</u>				<u>Total</u>
			<u>Endowed</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>	
Fund balances, beginning of year	\$ 12,625	\$ 2,590,891	\$ 30,706,412	\$ 1,865,010	\$ 4,076,916	\$ 36,648,338	\$ 39,251,854
(Deficiency) excess of revenues over expense and distributions	(338,413)	(2,470,933)	1,007,119	(462,478)	(982,766)	(438,125)	(3,247,471)
Interfund transfer (Note 8)	333,558	902,432	163,500	(447,837)	(951,653)	(1,235,990)	-
Fund balances, end of year	\$ 7,770	\$ 1,022,390	\$ 31,877,031	\$ 954,695	\$ 2,142,497	\$ 34,974,223	\$ 36,004,383

SHAW FESTIVAL THEATRE ENDOWMENT FOUNDATION**Statement of Financial Position****December 31, 2023**

	2023	2022
Assets		
Current assets		
Cash	\$ 249,262	\$ 271,492
Accounts receivable (Note 10)	53,566	84,925
Advance to Shaw Festival Theatre, Canada (Note 9(a))	1,710,930	1,638,154
Total current assets	2,013,758	1,994,571
Investments (Note 3(a))	36,563,333	35,219,349
Total assets	\$ 38,577,091	\$ 37,213,920
Liabilities		
Accounts payable and accrued liabilities (Note 9(a))	\$ 2,055,155	\$ 1,209,537
Fund balances		
Unrestricted funds	6,721	7,770
Restricted funds (Note 4)	927,010	1,022,390
Income from endowed funds (Note 5)		
Unrestricted	1,727,680	2,142,497
Restricted	750,382	954,695
Endowed funds (Note 5)		
External endowments	33,110,143	31,877,031
Total fund balances	36,521,936	36,004,383
Total liabilities and fund balances	\$ 38,577,091	\$ 37,213,920

Approved on behalf of the board

_____
Director_____
Director

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

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses and distributions	\$ 517,553	\$ (3,247,471)
Realized (gain) on investments (Note 3)	(1,175,229)	(534,925)
Unrealized (gain) loss on investments (Note 3)	(1,566,475)	2,807,787
Reinvested dividends and interest, net (Note 3)	(830,582)	(771,342)
	(3,054,733)	(1,745,951)
Change in non-cash working capital items		
Accounts receivable	31,359	683,290
Advance to Shaw Festival Theatre, Canada	(72,776)	(308,345)
Accounts payable and accrued liabilities	845,618	1,161,639
	804,201	1,536,584
Cash Used in Operating Activities	(2,250,532)	(209,367)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments, net	4,073,596	1,112,500
Principal issued on promissory notes (Notes 3 and 9)	(1,845,294)	(1,180,295)
Cash Provided by (Used in) Investing Activities	2,228,302	(67,795)
Decrease in cash	(22,230)	(277,162)
Cash, beginning of year	271,492	548,654
Cash, end of year	\$ 249,262	\$ 271,492

SHAW FESTIVAL THEATRE ENDOWMENT FOUNDATION

Notes to the Financial Statements

December 31, 2023

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" 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) 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 the Financial Statements

December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

(b) 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.

(c) 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 Endowment Foundation 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 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 the Financial Statements

December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

(d) 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.

(e) Contributed materials and services

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

(f) 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 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>2023</u>	<u>2022</u>
Investments recorded at fair value:		
Pooled Funds		
<u>Short Term</u>		
Fiera Short Term Investment - Class A	\$ 3,746	\$ 3,361
<u>Debt</u>		
RP Debt Opportunities Fund Trust	7,111,146	7,941,678
<u>Non-Traditional Income</u>		
Fiera Global Agriculture – Class A	2,460,752	1,241,568
Fiera Global Infrastructure – Class 1	2,293,427	2,290,120
Fiera Diversified Real Estate – Class A	2,255,082	2,272,690
Fiera Global Private Equity - Class P	2,478,117	-
<u>Equity</u>		
Fiera Canadian Equity - Class A	2,540,098	3,303,106
Fiera Canadian Equity Low Beta - Class P	2,493,612	3,365,968
Fiera US Equity - Class A	4,338,942	5,247,021
Fiera International Equity - Class A	4,482,377	5,305,224
Fiera Emerging Markets Equity - Class A	1,248,404	1,236,277
	<u>31,705,703</u>	<u>32,207,013</u>

SHAW FESTIVAL THEATRE ENDOWMENT FOUNDATION

Notes to the Financial Statements

December 31, 2023

3. INVESTMENTS AND INVESTMENT INCOME, continued

	<u>2023</u>	<u>2022</u>
a) Investments consist of the following (continued):		
Investments recorded at amortized cost:		
Promissory notes (Note 9 (b)(c)(d))		
Shaw Festival Theatre Canada, due 2028	1,617,350	648,526
Shaw Festival Theatre Canada, due 2029	1,899,668	1,116,769
Shaw Festival Theatre Canada, due 2032	<u>1,340,612</u>	<u>1,247,041</u>
	<u>4,857,630</u>	<u>3,012,336</u>
	<u>\$ 36,563,333</u>	<u>\$ 35,219,349</u>

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

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

	<u>2023</u>	<u>2022</u>
Realized gain on investments, net, inclusive of foreign exchange		
\$ 1,175,229	\$ 534,925	
Equity fund distribution	431,428	455,171
Unrealized gain (loss) on investments, net	1,566,475	(2,807,787)
Lending fund distribution	349,833	218,120
Non-traditional fund distribution	49,321	98,051
Bank and promissory note interest	<u>138,232</u>	<u>90,213</u>
Total investment income (loss) before investment management fees	3,710,518	(1,411,307)
Investment management fees	<u>(136,873)</u>	<u>(121,865)</u>
	<u>\$ 3,573,645</u>	<u>\$ (1,533,172)</u>

SHAW FESTIVAL THEATRE ENDOWMENT FOUNDATION

Notes to the Financial Statements

December 31, 2023

4. RESTRICTED FUND

The Restricted Fund comprises:

	<u>2023</u>	<u>2022</u>
Andrew Pringle Creative Reserve	\$ 827,385	\$ 955,637
Baillie Fund for Education	54,358	50,000
Philip Akin Black Shoulders Legacy Reserve	42,974	16,753
Shaw Resiliency	<u>2,293</u>	<u>-</u>
	<u>\$ 927,010</u>	<u>\$ 1,022,390</u>

In 2022, the Endowment Foundation distributed the total amount in the Shaw Resiliency - Restricted Fund to the Shaw Festival Theatre, Canada as the fund had served its purpose and a contribution of \$1,140,880 was included in distributions expense on the Statement of Operations and accounts payable and accrued liabilities on the Statement of Financial Position. In 2023, additional funds were received from the US Foundation. The Theatre Board will be requesting the distribution of this residual amount in 2024.

Individual named restricted funds are set up with a provision that both the capital contributed and net investment income is available for distribution to the Theatre for the purpose set out in the donor agreements. Distributions either follow the donor agreement or are approved by the Board of Directors for specific amounts as requested by the Board of Directors of the Theatre.

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.

SHAW FESTIVAL THEATRE ENDOWMENT FOUNDATION

Notes to the Financial Statements

December 31, 2023

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.

<u>2023</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)	11,735,347	-	-	11,735,347
Donor endowments	15,976,029	-	-	15,976,029
Income from endowed funds	-	750,382	1,727,680	2,478,062
	<u>\$ 33,110,143</u>	<u>\$ 750,382</u>	<u>\$ 1,727,680</u>	<u>\$ 35,588,205</u>
<u>2022</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)	11,144,070	-	-	11,144,070
Donor endowments	15,334,194	-	-	15,334,194
Income from endowed funds	-	954,695	2,142,497	3,097,192
	<u>\$ 31,877,031</u>	<u>\$ 954,695</u>	<u>\$ 2,142,497</u>	<u>\$ 34,974,223</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. In 2023, the Canada Revenue Agency increased this mandatory distribution to 5.0%. 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 5.0% distribution amount.

SHAW FESTIVAL THEATRE ENDOWMENT FOUNDATION

Notes to the Financial Statements

December 31, 2023

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).

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>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Distribution of investment income in accordance with Board policy	\$ -	\$ -	\$ 1,638,154	\$ 1,029,809	\$ (1,638,154)	\$ (1,029,809)
Transfer from Endowed to Restricted Fund - Special Distribution	-	-	2,000,000	-	(2,000,000)	-
Transfer from Endowed to Restricted Fund - Pringle Reserve	-	-	114,972	54,975	(114,972)	(54,975)
Transfer from Endowed and Restricted Fund to Unrestricted Fund	352,436	333,558	(11,421)	(18,852)	(341,015)	(314,706)
Transfer from Restricted Fund resulting from CAHCIF match	-	-	-	(163,500)	-	163,500
	<u>\$ 352,436</u>	<u>\$ 333,558</u>	<u>\$ 3,741,705</u>	<u>\$ 902,432</u>	<u>\$ (4,094,141)</u>	<u>\$ (1,235,990)</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 CAHCIF (Note 7). In 2023, \$nil (2022 - \$163,500) of these contributions were matched and transferred from the Restricted Fund to the Endowment Fund.

SHAW FESTIVAL THEATRE ENDOWMENT FOUNDATION

Notes to the Financial Statements

December 31, 2023

9. SHAW FESTIVAL THEATRE, CANADA

- (a) During the year ended December 31, 2023, the Endowment Foundation distributed \$4,320,458 (2022 - \$2,814,190) to the Theatre in support of 2023 operating and other specific purposes (Note 8) of which \$2,000,000 (2022 - \$1,140,881) is included in accounts payable. In 2023, a distribution in support of the Theatre's 2024 season of \$1,710,930 (2022 - \$1,638,154) was provided as an advance and recorded as an advance to the Theatre in the statement of financial position.
- (b) On February 15, 2019, the Endowment Foundation provided a \$750,000 promissory note to the Theatre. On July 13, 2023, the Board approved a revaluation of the loan based on the fair market value of the property. The loan was increased to \$1,650,000. The note bears interest at 4% per annum and is repayable in five instalments 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. As at December 31, 2023, an amount of \$1,617,350 (2022 - \$648,526) (Note 3) related to the promissory note was outstanding. Interest of \$39,036 (2022 - \$27,059) was recognized as interest 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. On July 13, 2023, the Board approved a revaluation of the loan based on the fair market valuation of the property. The loan was increased to \$1,950,000. The note bears interest at 3.5% per annum and is repayable in six instalments on December 15 from 2019 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. As at December 31, 2023, an amount of \$1,899,668 (2022 - \$1,116,769) (Note 3) was outstanding. Interest of \$48,496 (2022 - \$40,445) was recognized as interest in the statement of operations.
- (d) On November 15, 2022, the Foundation provided a \$1,250,000 promissory note to the Shaw Anchorage Land Limited and the Theatre. On July 13, 2023, the Board approved a revaluation of the loan based on the fair market valuation of the property. The loan was increased to \$1,375,000. The note bears interest at 3.5% per annum and is repayable in nine instalments on December 15 from 2022 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. As at December 31, 2023, an amount of \$1,340,612 (2022 - \$1,247,041) (Note 3) was outstanding. Interest of \$44,862 (2022 - \$3,646) was recognized as interest in the statement of operations.
- (e) The promissory notes in (b), (c), and (d) are secured by a charge on two residential and one commercial properties owned by the Theatre and Shaw Anchorage Land Limited.
- (f) Transactions with the Theatre are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.
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SHAW FESTIVAL THEATRE ENDOWMENT FOUNDATION

Notes to the Financial Statements

December 31, 2023

10. ACCOUNTS RECEIVABLE

Included in accounts receivable are contributions receivable of \$2,600 (2022 - \$38,629). These funds were received in a grant from the Shaw Festival Foundation - Buffalo, New York.

11. FINANCIAL INSTRUMENTS

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

Foreign 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.

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 Endowment Foundation 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 Endowment Foundation is exposed to interest rate risk with respect to its investments in fixed income securities. The Endowment Foundation does not use derivative instruments to reduce its exposure to interest rate risk.

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.
