

**THE STRATFORD SHAKESPEAREAN
FESTIVAL of CANADA**

CONSOLIDATED FINANCIAL STATEMENTS

December 31 2014



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BDO Canada LLP
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Independent Auditors' Report

To the Members of The Stratford Shakespearean Festival of Canada:

We have audited the accompanying consolidated financial statements of The Stratford Shakespearean Festival of Canada, which comprise the consolidated statement of financial position as at December 31, 2014, the consolidated statements of operations, changes in net assets, and cash flows for the year then ended, a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of The Stratford Shakespearean Festival of Canada as at December 31, 2014 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Stratford, Ontario
February 25, 2015

THE STRATFORD SHAKESPEAREAN FESTIVAL of CANADA
CONSOLIDATED STATEMENT of FINANCIAL POSITION
as at December 31

	2014	2013
	\$	\$
Assets		
Current		
Cash (Note 4)	2,395,785	2,450,395
Accounts & Pledges Receivable	934,709	1,490,015
Government Grants Receivable	50,000	175,000
Inventory	262,240	242,459
Prepaid Expenses	1,644,628	1,548,036
Marketable Securities (Note 5)	7,279,439	6,371,415
	12,566,801	12,277,320
Receivable from Stratford Shakespearean Festival Endowment Foundation	--	21,644
Accounts & Pledges Receivable	254,250	545,638
Prepaid Pension Cost (Note 10)	5,226,747	3,751,100
Capital Assets (Note 6)	32,485,284	33,997,277
	50,533,082	50,592,979
Liabilities		
Current		
Accounts Payable & Accrued Liabilities	2,221,876	2,570,639
Unearned Revenue (Note 9)	10,587,100	10,153,955
	12,808,976	12,724,594
Unearned Revenue (Note 9)	53,151	774,190
Accrued Liabilities	1,693,467	1,624,142
Payable to Stratford Shakespearean Festival Endowment Foundation	1,167,064	1,167,064
Deferred Capital Contributions (Note 7)	20,600,596	21,625,525
	36,323,254	37,915,515
Net Assets		
Unrestricted	(2,901,607)	(3,445,388)
Investment in Capital Assets (Note 8)	11,884,688	12,371,752
Pension - Restricted (Note 10)	5,226,747	3,751,100
	14,209,828	12,677,464
	50,533,082	50,592,979

Approved on behalf of the Board of Governors:




(The accompanying notes are an integral part of these financial statements.)

THE STRATFORD SHAKESPEAREAN FESTIVAL of CANADA
CONSOLIDATED STATEMENT of CHANGES in NET ASSETS
for the year ended December 31

	2014			2013	
	Unrestricted \$	Investment in Capital Assets \$	Pension - Restricted \$	Total \$	Total \$
Net Assets, Beginning of Year, As Previously Stated	(3,445,388)	12,371,752	1,523,994	10,450,358	9,062,761
Prior Period Adjustment (Note 3)	--	--	2,227,106	2,227,106	989,112
Net Assets, Beginning of Year, As Restated	(3,445,388)	12,371,752	3,751,100	12,677,464	10,051,873
Remeasurements and Other Items, Pension (Note 10)	--	--	737,610	737,610	880,090
Transfers	(586,760)	586,760	--	--	--
	(738,037)	--	738,037	--	--
Net Revenue (Loss)	1,868,578	(1,073,824)	--	794,754	1,745,501
Net Assets, End of Year	<u>(2,901,607)</u>	<u>11,884,688</u>	<u>5,226,747</u>	<u>14,209,828</u>	<u>12,677,464</u>

(The accompanying notes are an integral part of these financial statements.)

THE STRATFORD SHAKESPEAREAN FESTIVAL of CANADA
CONSOLIDATED STATEMENT of OPERATIONS
for the year ended December 31

	2014	2013
	\$	\$
Earned Revenues		
Performance	28,229,899	29,721,778
Ancillary	6,163,625	6,887,006
Financial	1,263,764	1,064,466
	35,657,288	37,673,250
Contributed Revenues		
Fundraising	14,054,815	12,381,496
Government Grants (Note 11)	3,870,731	5,012,677
Amortization of Deferred Capital Contributions (Note 7)	1,031,726	1,032,665
Stratford Shakespearean Festival Endowment Foundation	2,738,887	997,198
	21,696,159	19,424,036
Total Revenues	57,353,447	57,097,286
Operating Expenses		
Production	30,522,690	31,298,947
Marketing & Sales	8,383,713	8,471,281
Ancillary	4,136,139	2,670,356
Facilities	3,648,472	3,393,952
Administration	3,203,784	2,606,697
Amortization of Capital Assets	2,105,550	2,138,176
Education	1,835,496	1,995,472
Fundraising	1,571,168	1,637,520
Financial	1,151,681	1,139,384
	56,558,693	55,351,785
Net Revenue for the Year	794,754	1,745,501

(The accompanying notes are an integral part of these financial statements.)

THE STRATFORD SHAKESPEAREAN FESTIVAL of CANADA
CONSOLIDATED STATEMENT of CASH FLOWS
for the year ended December 31

	2014	2013
	\$	\$
Operating Activities		
Net Revenue for the Year	794,754	1,745,501
Amortization of Capital Assets	2,105,550	2,138,176
Amortization of Deferred Capital Contributions	(1,031,726)	(1,032,665)
Change in Prepaid Pension Cost	(738,037)	(162,510)
Unrealized Gain on Investments	20,012	38,204
	1,150,553	2,726,706
Capital Contributions	6,797	5,733
Net Change in Non-cash Working Capital Balances		
Receivables	971,694	(163,527)
Inventory	(19,781)	7,593
Prepaid Expenses	(96,592)	20,685
Accounts Payable & Accrued Liabilities	(279,438)	364,937
Unearned Revenue	(287,894)	(2,420,644)
	1,445,339	541,483
Investing Activities		
Purchase of Capital Assets	(593,557)	(464,451)
(Purchase) Redemption of Marketable Securities	(928,036)	776,015
	(1,521,593)	311,564
Financing Activities		
Net Change in Amounts Due to/from Stratford Shakespearean Festival Endowment Foundation	21,644	114,025
Net (Decrease) Increase in Cash & Cash Equivalents During the Year	(54,610)	967,072
Cash & Cash Equivalents, Beginning of Year	2,450,395	1,483,323
Cash & Cash Equivalents, End of Year	2,395,785	2,450,395

(The accompanying notes are an integral part of these financial statements.)

THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS

December 31 2014

1. Statement of Purpose

The Stratford Shakespearean Festival of Canada (“the Festival”) is incorporated, without share capital, under the Corporations Act of Ontario for the purpose of producing and presenting live theatrical performances. It is a not-for-profit organization and is a registered charity under the Income Tax Act of Canada and is exempt from income taxes.

The Stratford Shakespearean Festival Holding Foundation (“the Holding Foundation”) is incorporated, without share capital, under the Corporations Act of Ontario for the purpose of holding and maintaining the major capital assets of the Festival. It is a not-for-profit organization and is a registered charity under the Income Tax Act of Canada and is exempt from income taxes.

The Stratford Shakespearean Festival Endowment Foundation (“the Endowment Foundation”) is incorporated without share capital under the Corporations Act of Canada. Its purpose is to raise funds that are to be maintained permanently and, at the discretion of its Trustees, to make available the income earned on these funds to finance various activities such as artist training, artistic ventures, classical productions and related capital expenditures. It is a not-for-profit organization and is a registered charity under the Income Tax Act of Canada and is exempt from income taxes.

The Stratford Shakespearean Festival of America (“Festival of America”) is incorporated under the laws of the State of Michigan for the purpose of supporting a variety of work at the Festival. Festival of America is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

The Stratford Festival Archives Trust (“Archives Trust”) is incorporated under Ontario Statute as a corporation without share capital for the purpose of maintaining the Archives of the Festival. It is a not-for-profit organization and is a registered charity under the Income Tax Act of Canada and is exempt from income taxes.

2. Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS

December 31 2014

2. Significant Accounting Policies (continued)

Basis of Consolidation

These financial statements consolidate the assets, liabilities, fund balances, revenues and expenses of the Festival and the Holding Foundation. The Endowment Foundation, Festival of America and the Archives Trust, related organizations over which the Festival management and Board have significant influence but do not exercise control, are not consolidated in these financial statements. Disclosure of the Endowment Foundation and Festival of America's summarized financial activities is made in Note 14. The Archives Trust did not have financial activities in 2013 or 2014.

Cash & Cash Equivalents

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents is defined as cash only.

Foreign Currency

At the transaction date, each asset, liability, revenue or expense is translated to Canadian dollars by the use of the exchange rate in effect at that date. At the year end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date and the resulting foreign exchange gains and losses are included in income in the current year.

Inventory

Inventory is reported at the lower of cost and net realizable value, on the average cost basis.

Capital Assets

Capital assets are recorded at cost. Amortization is provided on the straight-line basis over the estimated useful lives of the assets as follows:

Buildings	40 years
Furnishings, Equipment & Leasehold Improvements	5, 10 or 20 years
Computer Hardware & Software	5 years

Revenue Recognition

The Festival follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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. Performance revenue is recognized as productions are staged. Ancillary and financial revenue are recognized as they are earned.

THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS

December 31 2014

2. Significant Accounting Policies (continued)

Deferred Capital Contributions

Donations and government grants received for the purpose of financing capital expenditures are deferred and amortized to revenue on the same basis as the related capital assets.

Contributed Services

Volunteers contribute a significant amount of time each year to assist the Festival in carrying out its activities. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

Donations in Kind

The value of donations in kind is not included in the financial statements. The amount is primarily comprised of various forms of advertising, as well as products and services related to the Festival's major fundraising event.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any unrealized gains and losses reported in operations. In addition, the Festival's management elects that all fixed income securities are to be measured at fair value subsequent to initial recognition, with gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets recorded at cost or amortized cost are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items re-measured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Employee Future Benefits

The organization has a defined benefit pension plan. The defined benefit obligation is determined using an actuarial valuation prepared for funding purposes. Pension fund assets are measured at fair value at the balance sheet date. The total cost of the defined benefit plans for the year is comprised of the current service cost, finance cost, and remeasurement and other items. The current service cost and finance cost are charged to operations for the period, while remeasurement and other items are charged directly to net assets as they occur.

THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS

December 31 2014

3. Change in Accounting Policy

Effective January 1, 2014, the Festival adopted the new CPA Canada accounting standard, 3463 Reporting Employee Future Benefits for Not-for-Profit Organizations. Under the previous deferral and amortization approach, organizations could defer and amortize actuarial gains/losses and past service costs, which are now referred to as “remeasurements”. Under the new standard S.3463, such remeasurements and other items are recognized directly in net assets in the period they occur. The remeasurements and other items are presented as a separate line in the statement of changes in net assets.

As well, the new standard allows organizations to choose to measure their plan obligations using a funding valuation or an accounting valuation. The Festival has chosen to use the funding valuation.

This change in accounting policy had the following effect on the financial statements:

Statement of Financial Position at December 31, 2013

Assets	
Increase in Prepaid Pension Cost	<u>2,227,106</u>
Net Assets	
Increase in Pension – Restricted	<u>2,227,106</u>

Statement of Changes in Net Assets for the year ended December 31, 2013

Increase in Net Assets, Pension – Beginning of the year	989,112
New Line – Remeasurements and Other Items, Pension	880,090
Increase in Transfers, Pension	357,904
Decrease in Transfers, Unrestricted	(357,904)
Increase in Net Revenue, Unrestricted	<u>357,904</u>
Increase in Net Assets, Pension – End of Year	<u>2,227,106</u>

Statement of Operations for the year ended December 31, 2013

Decrease in Operating Expenses - Ancillary	<u>357,904</u>
Increase in Net Revenue for the Year	<u>357,904</u>

4. Cash

As at December 31 cash is held at a chartered bank, earning interest of 0.00% and 1.00%. Bank balances include \$181,882 in US currency.

THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS

December 31 2014

5. Marketable Securities

As at December 31 marketable securities are comprised of government and corporate debt instruments with investment ratings of R1-High and cashable guaranteed investment certificates. These securities have yields between 0.98% and 2.00% with maturities from March 10, 2015 to May 24, 2017. The organization also holds an investment in a pooled fund. A significant portion of these securities has been purchased using payments received for future performances and other activities as outlined in Note 9 - Unearned Revenue.

6. Capital Assets

As at December 31 capital assets are comprised as follows:

	2014			2013
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Land	1,319,077	--	1,319,077	1,319,077
Buildings	49,720,787	22,933,771	26,787,016	27,939,516
Furnishings, Equipment & Leasehold Improvements	16,025,344	12,131,994	3,893,350	4,439,039
Computer Hardware & Software	1,633,991	1,148,150	485,841	299,645
	<u>68,699,199</u>	<u>36,213,915</u>	<u>32,485,284</u>	<u>33,997,277</u>

7. Deferred Capital Contributions

Deferred capital contributions represent the unamortized portion of donations and government grants received for the purchase of capital assets. Changes in deferred capital contributions for the year ended December 31 are as follows:

	2014	2013
	\$	\$
Balance, Beginning of Year	21,625,525	22,652,457
Capital Contribution – Endowment Foundation	6,797	5,733
Amortization of Deferred Capital Contributions	<u>(1,031,726)</u>	<u>(1,032,665)</u>
Balance, End of Year	<u>20,600,596</u>	<u>21,625,525</u>

THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS

December 31 2014

8. Investment in Capital Assets

Investment in capital assets represents the unamortized portion of the Festival's purchases of capital assets not funded by donations, government grants and debt. The investment in capital assets as at December 31 is calculated as follows:

	<u>2014</u>	<u>2013</u>
	\$	\$
Net Book Value of Capital Assets (Note 6)	32,485,284	33,997,277
Deferred Capital Contributions (Note 7)	<u>(20,600,596)</u>	<u>(21,625,525)</u>
Investment in Capital Assets	<u><u>11,884,688</u></u>	<u><u>12,371,752</u></u>

Changes in investment in capital assets for the year ended December 31 are as follows:

	<u>2014</u>	<u>2013</u>
	\$	\$
Balance, Beginning of Year	12,371,752	13,018,545
Transfers		
Purchase of Capital Assets	593,557	464,451
Capital Contributions	(6,797)	(5,733)
Net Revenue		
Amortization of Capital Assets	(2,105,550)	(2,138,176)
Amortization of Deferred Capital Contributions	<u>1,031,726</u>	<u>1,032,665</u>
Balance, End of Year	<u><u>11,884,688</u></u>	<u><u>12,371,752</u></u>

9. Unearned Revenue

As at December 31 unearned revenue is comprised as follows:

	<u>2014</u>	<u>2013</u>
	\$	\$
Current		
Future Performances	5,565,743	4,763,862
Government Grants	2,436,357	2,278,165
Gift Certificates & Other	1,495,954	1,526,189
Restricted Donations	<u>1,089,046</u>	<u>1,585,739</u>
	10,587,100	10,153,955
Long-Term		
Restricted Donations	<u>53,151</u>	<u>774,190</u>
	<u><u>10,640,251</u></u>	<u><u>10,928,145</u></u>

THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS

December 31 2014

10. Pension Plans

The Festival sponsors one defined benefit registered pension plan (“the plan”). The plan provides its members with a pension based on final average earnings on service prior to 2008 and on a percentage of contributions for service from 2008 forward. The plan is not indexed. The plan covers full-time and permanent part-time employees. The plan is a contributory plan as both the employees and the Festival make contributions toward the cost of accruing benefits. The employee contributions are fixed by a formula and the Festival makes contributions to the plan as required to ensure that the plan has sufficient assets to pay the promised benefits.

The last funding valuation for the purpose of determining the Festival’s required contributions was performed as at December 31, 2013 and indicated that the plan was in a surplus position on a going concern basis. The next funding valuation is required as at December 31, 2016.

The Festival uses the funding valuation approach to measure its defined benefit obligations.

The funded status of the defined benefit plan is as follows:

	<u>2014</u>	<u>2013</u>
	\$	\$
Defined benefit obligation	9,814,564	8,850,800
Fair value of plan assets	<u>(15,041,311)</u>	<u>(12,601,900)</u>
Funded status – plan surplus	<u><u>(5,226,747)</u></u>	<u><u>(3,751,000)</u></u>

The amount of remeasurements and other items for the year is \$(737,610) (2013 – (\$880,090)).

All other pension plans are defined contribution plans and the pension expense for these plans for the year ended December 31 is \$980,389 (2013 - \$979,267).

11. Government Grants

For the year ended December 31 the Festival recognized government grants as follows:

	<u>2014</u>	<u>2013</u>
	\$	\$
Ontario Arts Council	1,744,065	2,545,810
Canada Council for the Arts	970,000	1,000,000
Other	<u>1,156,666</u>	<u>1,466,867</u>
	<u><u>3,870,731</u></u>	<u><u>5,012,677</u></u>

THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS

December 31 2014

12. Related Party Transactions

For the year ended December 31 the Festival had transactions with related organizations as follows:

	2014	2013
	\$	\$
Revenues and Recoveries		
Festival of America – Donations	2,835,185	2,740,985
The Endowment Foundation		
– Donations	2,738,887	997,198
– Recovery of Administrative Expenses	148,985	124,296
– Capital Contributions	6,797	5,733
	<u>5,729,854</u>	<u>3,868,212</u>

The various Stratford organizations transfer funds between themselves from time to time to maximize the Festival's overall effectiveness. These transactions are recorded at the exchange amount, the amount agreed to by the related parties, and is intended to approximate fair value. The resulting balances do not bear interest and have no specific terms of repayment.

The Festival also has transactions with members of its Board of Governors or corporations controlled by these individuals. These transactions are entered into on the same terms as if the parties were unrelated. The following transactions occurred during the year:

	2014	2013
	\$	\$
Expenses		
Marketing and Sales	--	915,067
Facilities	--	2,069
Production	--	14,435
	<u>--</u>	<u>931,571</u>

13. Pledges Receivable

For the year ended December 31 the Festival has recognized as revenue \$490,207 (2013 - \$391,835) of pledges that remain unpaid at year end.

THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS

December 31 2014

14. Related Organizations

For the year ended October 31 the following information has been obtained from the audited financial statements of the Endowment Foundation:

	2014	2013
	\$	\$
Financial Position		
Assets		
Cash	14,513	625
Pledges & Other Receivables	34,132	41,852
Receivable from the Festival	1,167,064	1,167,064
Investments at Market	68,814,348	61,154,384
Total Assets	<u>70,030,057</u>	<u>62,363,925</u>
Liabilities		
Accounts Payable	30,825	43,197
Total Liabilities	<u>30,825</u>	<u>43,197</u>
Total Net Assets	<u>69,999,232</u>	<u>62,320,728</u>
Results of Operations		
Donations	3,402,141	340,128
Investment Income	5,171,651	3,364,292
Unrealized Gain on Investments	2,326,319	4,083,370
Grant to the Festival	(2,738,887)	(997,198)
Grant to the Holding Foundation	(6,797)	(5,733)
Other Grants & Expenses	(475,923)	(397,416)
	<u>7,678,504</u>	<u>6,387,443</u>
Cash Flow		
Net Revenue for the Year	7,678,504	6,387,443
Gain on Disposal of Investments	(475,546)	(436,506)
Unrealized Gain on Investments	(2,326,319)	(4,083,370)
Changes in Pledges & Other Receivables	7,720	(9,629)
Changes in Payables	(12,372)	629
Change in Payable to the Festival	--	(116,411)
Net Purchase of Investments	(4,858,099)	(1,743,500)
Increase (Decrease) in Cash	<u>13,888</u>	<u>(1,344)</u>

THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS

December 31 2014

14. Related Organizations (continued)

For the year ended October 31 the following information has been obtained from the audited financial statements of Festival of America (in US\$):

	<u>2014</u>	<u>2013</u>
	\$	\$
Financial Position		
Assets		
Cash	2,067,843	2,968,752
Pledges & Other Receivables	838,387	355,831
Gift Annuity Reserves	<u>65,419</u>	<u>69,363</u>
Total Assets	<u><u>2,971,649</u></u>	<u><u>3,393,946</u></u>
Liabilities		
Accounts Payable	3,676	8,833
Gift Annuity Liabilities	<u>88,349</u>	<u>76,154</u>
Total Liabilities	<u>92,025</u>	<u>84,987</u>
Total Net Assets	<u><u>2,879,624</u></u>	<u><u>3,308,959</u></u>
Results of Operations		
Donations & Other Revenues	2,933,596	4,599,638
Grant to the Festival	(2,514,000)	(2,320,000)
Grant to the Endowment Foundation	(704,489)	(122,955)
Other Expenses	<u>(144,442)</u>	<u>(130,627)</u>
	<u><u>(429,335)</u></u>	<u><u>2,026,056</u></u>
Cash Flow		
Net (Loss) Revenue for the Year	(429,335)	2,026,056
Changes in Pledges & Other Receivables	(482,556)	135,658
Changes in Value of Annuity Agreements	16,139	(8,946)
Changes in Payables	<u>(5,157)</u>	<u>5,431</u>
(Decrease) Increase in Cash	<u><u>(900,909)</u></u>	<u><u>2,158,199</u></u>

THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS

December 31 2014

15. Operating Leases

For the year ended December 31 expenses relating to operating leases are \$518,201 (2013 - \$458,672). The Festival is committed to the following operating lease payments for the Tom Patterson Theatre, rehearsal facilities, retail stores, office spaces and residential properties during the next five years:

<u>Year</u>	<u>Total</u>
	\$
2015	507,285
2016	200,083
2017	207,914
2018	202,127
2019	216,420

16. Credit Facilities

As at December 31 the Festival has an unsecured line of credit with a maximum limit of \$3,000,000 (2013 - \$3,000,000) bearing interest at prime. At year end no amounts were drawn against the line of credit. Also outstanding at the year end was a letter of credit in favour of the Canadian Actors' Equity Association in the amount of \$600,000.

17. Management Estimates

The presentation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from these estimates.

18. Financial Instrument Risk

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 organization is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of fixed income investments. Interest rate risk is managed by utilizing short term and highly liquid investments.

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18. Financial Instrument Risk (continued)

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 organization is exposed to credit risk arising from its accounts and pledges receivable. Credit risk is the risk that the counterparty to the transaction will not pay. The majority of the organization's pledges receivable are from long-standing members and annual donors, and the organization monitors and follows up on outstanding pledges to ensure their collection.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in international currencies. The organization is exposed to currency risk relating to the balance in their US bank account. The organization does not use derivative instruments to reduce exposure to currency risk.

Market Risk

Market risk is the risk that the value of investments may decline over a period of time due to economic changes or other events that impact large portions of the market. The organization addresses market risk through diversification of its investments in different business sectors and different sizes of investee companies.