

**THE STRATFORD SHAKESPEAREAN
FESTIVAL OF CANADA**

CONSOLIDATED FINANCIAL STATEMENTS

December 31 2011



Tel: 519 271 2491
Fax: 519 271 4013
www.bdo.ca

BDO Canada LLP
380 Hibernia Street
Stratford ON N5A 5W3 Canada

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, 2011, 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 generally accepted accounting principles, 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, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

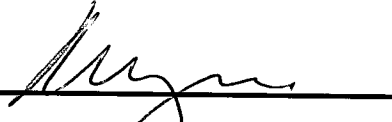
BDO Canada LLP

Chartered Accountants, Licensed Public Accountants
Stratford, Ontario
February 28, 2012


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

	2011	2010
	\$	\$
Assets		
Current		
Cash (Note 3)	1,520,450	807,274
Accounts & Pledges Receivable	2,081,682	1,565,022
Government Grants Receivable	7,746	1,409,837
Inventory	236,825	231,838
Prepaid Expenses	1,687,548	1,786,855
Marketable Securities (Note 4)	10,592,382	10,031,243
	16,126,633	15,832,069
Receivable from Stratford Shakespearean Festival Endowment Foundation	299,238	--
Pledges Receivable	751,328	--
Prepaid Pension Cost (Note 9)	2,003,371	1,605,846
Capital Assets (Note 5)	35,783,791	36,883,787
	54,964,361	54,321,702
Liabilities		
Current		
Accounts Payable & Accrued Liabilities	2,607,313	2,679,962
Unearned Revenue (Note 8)	12,756,997	11,933,739
Payable to Stratford Shakespearean Festival Endowment Foundation	1,167,064	1,167,064
	16,531,374	15,780,765
Unearned Revenue (Note 8)	1,395,110	831,480
Accrued Liabilities	1,445,749	1,350,325
Deferred Capital Contributions (Note 6)	23,134,998	23,954,997
	42,507,231	41,917,567
Net Assets		
Unrestricted	(2,195,034)	(5,108,649)
Investment in Capital Assets (Note 7)	12,648,793	12,928,790
Stability - Internally Restricted (Note 16)	--	2,978,148
Pension - Restricted (Note 9)	2,003,371	1,605,846
	12,457,130	12,404,135
	54,964,361	54,321,702

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

	2011				2010	
	Unrestricted \$	Investment in Capital Assets \$	Stability - Internally Restricted \$	Pension - Restricted \$	Total \$	Total \$
Net Assets, Beginning of Year	(5,108,649)	12,928,790	2,978,148	1,605,846	12,404,135	12,086,858
Transfers	(788,097)	788,097	--	--	--	--
	2,978,148	--	(2,978,148)	--	--	--
	(397,525)	--	--	397,525	--	--
Net Revenue	1,121,089	(1,068,094)	--	--	52,995	317,277
Net Assets, End of Year	(2,195,034)	12,648,793	--	2,003,371	12,457,130	12,404,135

(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

	<u>2011</u>	<u>2010</u>
	\$	\$
Earned Revenues		
Performance	31,282,920	31,759,823
Ancillary	7,387,834	6,502,645
Financial	<u>1,153,620</u>	<u>944,408</u>
	<u>39,824,374</u>	<u>39,206,876</u>
Contributed Revenues		
Fundraising	12,197,740	10,528,257
Government Grants (Note 10)	4,792,781	6,475,571
Stratford Shakespearean Festival Endowment Foundation	1,742,705	1,749,471
Amortization of Deferred Capital Contributions (Note 6)	<u>1,078,843</u>	<u>1,126,522</u>
	<u>19,812,069</u>	<u>19,879,821</u>
Total Revenues	<u>59,636,443</u>	<u>59,086,697</u>
Operating Expenses		
Production	32,339,224	31,770,924
Marketing & Sales	9,537,081	9,351,887
Ancillary	4,639,339	4,215,982
Facilities	3,457,655	3,800,633
Administration	2,399,418	2,604,448
Amortization of Capital Assets	2,146,937	2,244,835
Education	2,001,180	1,810,786
Fundraising	1,873,554	1,821,868
Financial	<u>1,189,060</u>	<u>1,148,057</u>
	<u>59,583,448</u>	<u>58,769,420</u>
Net Revenue for the Year	<u><u>52,995</u></u>	<u><u>317,277</u></u>

(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

	<u>2011</u>	<u>2010</u>
	\$	\$
Operating Activities		
Net Revenue for the Year	52,995	317,277
Amortization of Capital Assets	2,146,937	2,244,835
Amortization of Deferred Capital Contributions	(1,078,843)	(1,126,522)
Change in Prepaid Pension Cost	<u>(397,525)</u>	<u>(441,300)</u>
	723,564	994,290
Capital Contributions & Government Grants	258,844	426,519
Net Change in Non-cash Working Capital Balances		
Receivables	134,103	(1,663,686)
Inventory	(4,987)	(68,776)
Prepaid Expenses	99,307	(487,518)
Accounts Payable & Accrued Liabilities	22,775	556,105
Unearned Revenue	<u>1,386,888</u>	<u>2,008,023</u>
	<u>2,620,494</u>	<u>1,764,957</u>
Investing Activities		
Purchase of Capital Assets	(1,046,941)	(1,398,308)
Net Disposal of Capital Assets	--	422,054
Purchase of Marketable Securities	<u>(561,139)</u>	<u>(1,114,543)</u>
	<u>(1,608,080)</u>	<u>(2,090,797)</u>
Financing Activities		
Net Change in Amounts Due to/from Stratford Shakespearean Festival Endowment Foundation	<u>(299,238)</u>	<u>86,986</u>
Net Increase (Decrease) in Cash & Cash Equivalents During the Year	713,176	(238,854)
Cash & Cash Equivalents, Beginning of Year	<u>807,274</u>	<u>1,046,128</u>
Cash & Cash Equivalents, End of Year	<u><u>1,520,450</u></u>	<u><u>807,274</u></u>

(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 2011

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 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 13. The Archives Trust did not have financial activities in 2010 or 2011.

THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA
NOTES to the CONSOLIDATED FINANCIAL STATEMENTS
December 31 2011

2. Significant Accounting Policies (continued)

Cash & Cash Equivalents

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

Marketable Securities

Marketable securities are shown at market value and have been classified as held for trading. Changes in market value are included in investment income.

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 or 10 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.

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.

THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA
NOTES to the CONSOLIDATED FINANCIAL STATEMENTS
December 31 2011

2. Significant Accounting Policies (continued)

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

The Festival classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The Festival's accounting policy for each category is as follows:

Financial instruments classified as held-for-trading are reported at fair value at each balance sheet date, and any change in fair value is recognized in net revenue (loss) in the period during which the change occurs. Cash and marketable securities have been classified as held for trading. The fair value of the marketable securities is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable and willing parties under no compulsion to act.

Financial instruments classified as loans and receivables and other financial liabilities are carried at amortized cost using the effective interest method. Interest revenue or expense is included in net revenue (loss) over the expected life of the instrument. Trade and pledges receivable, accounts payable and amounts due to (from) related parties have been classified into these categories.

Employee Future Benefits

The actuarial determination of the accrued benefit obligation for the defined benefit pension plan uses the projected benefit method prorated on service, which includes estimates for future cost escalation. The expected return on the plan assets is calculated on the fair value of those assets. Experience gains/losses are being amortized over 12.8 years. The transitional asset is being amortized, using a straight-line method, over 14 years starting in 2001.

3. Cash

As at December 31 cash is held at a chartered bank, earning interest of 0.00% and 1.00%. Bank balances include \$307,645 in US currency.

THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA
NOTES to the CONSOLIDATED FINANCIAL STATEMENTS
December 31 2011

4. Marketable Securities

As at December 31 marketable securities are comprised of government and corporate debt instruments with investment ratings from R1-Mid to R1-High and cashable guaranteed investment certificates. These securities have yields between 0.87% and 1.77% with maturities from January 3, 2012 to December 3, 2012. A significant portion of these securities has been purchased using payments received for future performances and other activities as outlined in Note 8 - Unearned Revenue.

5. Capital Assets

As at December 31 capital assets are comprised as follows:

	2011			2010
	Cost \$	Accumulated Amortization \$	Net Book Value \$	Net Book Value \$
Land	1,319,077	--	1,319,077	1,319,077
Buildings	49,677,568	19,459,659	30,217,909	30,982,110
Furnishings, Equipment & Leasehold Improvements	13,776,687	9,807,555	3,969,132	4,257,344
Computer Hardware & Software	2,592,202	2,314,529	277,673	325,256
	67,365,534	31,581,743	35,783,791	36,883,787

6. 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:

	2011 \$	2010 \$
Balance, Beginning of Year	23,954,997	24,655,000
Government Grants – Canadian Heritage	246,750	414,397
Capital Donation - The Endowment Foundation	12,094	12,122
Amortization of Deferred Capital Contributions	(1,078,843)	(1,126,522)
Balance, End of Year	23,134,998	23,954,997

THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS

December 31 2011

7. 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>2011</u>	<u>2010</u>
	\$	\$
Net Book Value of Capital Assets (Note 5)	35,783,791	36,883,787
Deferred Capital Contributions (Note 6)	<u>(23,134,998)</u>	<u>(23,954,997)</u>
Investment in Capital Assets	<u><u>12,648,793</u></u>	<u><u>12,928,790</u></u>

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

	<u>2011</u>	<u>2010</u>
	\$	\$
Balance, Beginning of Year	12,928,790	13,497,368
Transfers		
Purchase of Capital Assets	1,046,941	1,398,308
Capital Contributions & Government Grants	(258,844)	(426,519)
Net Disposal of Capital Assets	--	(422,054)
Net Revenue		
Amortization of Capital Assets	(2,146,937)	(2,244,835)
Amortization of Deferred Capital Contributions	<u>1,078,843</u>	<u>1,126,522</u>
Balance, End of Year	<u><u>12,648,793</u></u>	<u><u>12,928,790</u></u>

8. Unearned Revenue

As at December 31 unearned revenue is comprised as follows:

	<u>2011</u>	<u>2010</u>
	\$	\$
Current		
Future Performances	5,002,825	5,045,800
Government Grants	3,621,615	2,987,869
Restricted Donations	2,754,457	2,567,481
Gift Certificates & Other	<u>1,378,100</u>	<u>1,332,589</u>
	12,756,997	11,933,739
Long-Term		
Restricted Donations	<u>1,395,110</u>	<u>831,480</u>
	<u><u>14,152,107</u></u>	<u><u>12,765,219</u></u>

THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA
NOTES to the CONSOLIDATED FINANCIAL STATEMENTS
December 31 2011

9. 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, 2009 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, 2012.

The present value of the accrued benefit obligation was determined using the projected benefit method prorated on service and the Festival’s best estimate assumptions. An accounting valuation was performed as at December 31, 2008 and was then extrapolated to December 31, 2011.

The present value of the accrued benefit obligation as at December 31, and the principal components of changes in present values during the year, are as follows:

	<u>2011</u>	<u>2010</u>
	\$	\$
Present Value of Accrued Benefit		
Obligation, Beginning of Year	6,722,133	5,808,700
Benefits Accrued	702,450	567,429
Interest on Accrued Benefits	434,945	375,925
Actuarial Losses	1,344,427	--
Benefits Paid – Regular	<u>(109,898)</u>	<u>(29,921)</u>
Present Value of Accrued Benefit		
Obligation, End of Year	<u><u>9,094,057</u></u>	<u><u>6,722,133</u></u>

THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA
NOTES to the CONSOLIDATED FINANCIAL STATEMENTS
December 31 2011

9. Pension Plans (continued)

	2011	2010
	\$	\$
The calculation of the plan's funded status as at December 31 is as follows:		
Fair Value of Plan Assets	9,451,894	8,565,964
Accrued Benefit Obligation	9,094,057	6,722,133
Funded Status – Plan Surplus	357,837	1,843,831

The reconciliation of the prepaid pension cost recorded in the Consolidated Statement of Financial Position as at December 31 is as follows:

Funded Status – Plan Surplus	357,837	1,843,831
Unamortized Transitional Asset	(119,101)	(161,138)
Unamortized Experience Losses (Gains)	1,764,635	(76,847)
Prepaid Pension Cost	2,003,371	1,605,846

Net pension expense for the year ended December 31 is comprised as follows:

Current Service Cost	533,723	398,301
Interest on Accrued Benefits	434,945	375,925
Expected Return on Pension Fund Assets	(513,958)	(428,594)
Amortization of Transitional Asset	(42,037)	(42,037)
Amortization of Experience Losses	(6,004)	2,593
Net Pension Expense	406,669	306,188

Contributions to the plan for the year ended December 31 are as follows:

Employer Contributions	804,195	747,488
Plan Participants' Contributions	168,727	169,128

THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA
NOTES to the CONSOLIDATED FINANCIAL STATEMENTS
December 31 2011

9. Pension Plans (continued)

The significant actuarial assumptions adopted in measuring the plan's assets and accrued benefit obligation as at December 31 are as follows:

Discount Rate on Liabilities – Beginning of Year	6.0%	6.0%
Discount Rate on Liabilities – End of Year	5.0%	6.0%
Expected Rate of Return on Plan Assets	6.0%	6.0%
Rate of Compensation Increase	3.5%	3.5%

All other pension plans are defined contribution plans and the pension expense for these plans for the year ended December 31 is \$941,042 (2010 - \$891,514).

10. Government Grants

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

	2011	2010
	\$	\$
Ontario Arts Council	3,291,838	1,693,900
Canada Council for the Arts	1,000,000	1,000,000
Canadian Heritage	429,474	300,000
Ontario Trillium Foundation	71,469	--
Industry Canada	--	3,000,000
Ontario Ministry of Culture	--	300,000
Ontario Arts Foundation	--	181,671
	4,792,781	6,475,571

11. Related Party Transactions

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

	2011	2010
	\$	\$
Revenues and Recoveries		
Festival of America – Fundraising	2,144,551	2,184,772
The Endowment Foundation		
– Fundraising	1,742,705	1,749,471
– Recovery of Fundraising Expenses	182,215	(86,986)
– Recovery of Administrative Expenses	117,023	--
– Capital Contributions	12,094	12,122
	4,198,588	3,859,379

THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS

December 31 2011

11. Related Party Transactions (continued)

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:

	<u>2011</u>	<u>2010</u>
	\$	\$
Expenses		
Marketing and Sales	3,855,738	3,940,668
Facilities	36,527	17,972
Production	18,954	14,047
	<u>3,911,219</u>	<u>3,972,687</u>

As at December 31, the following amounts were due (to) from these parties:

	<u>2011</u>	<u>2010</u>
	\$	\$
Accounts Receivable	1,003	478,000
Accounts Payable	(19,596)	(8,994)
	<u>(18,593)</u>	<u>469,006</u>

12. Pledges Receivable

For the year ended December 31 the Festival has recognized as revenue \$721,537 (2010 - \$418,202) of pledges that remain unpaid at year end.

THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS

December 31 2011

13. Related Organizations

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

	2011	2010
	\$	\$
Financial Position		
Assets		
Cash	6,842	195
Receivable from the Festival	1,167,064	1,167,064
Pledges & Other Receivables	133,974	59,060
Investments at Market	53,553,412	53,784,552
Total Assets	<u>54,861,292</u>	<u>55,010,871</u>
Liabilities		
Accounts Payable	45,676	25,784
Payable to the Festival	247,572	21,452
Total Liabilities	<u>293,248</u>	<u>47,236</u>
Total Net Assets	<u>54,568,044</u>	<u>54,963,635</u>
Results of Operations		
Donations	700,222	700,481
Investment Income	1,861,544	1,384,485
Unrealized (Loss) Gain on Investments	(702,576)	3,413,751
Grant to the Festival	(1,742,705)	(1,749,471)
Grant to the Holding Foundation	(12,094)	(12,122)
Other Grants & Expenses	(499,982)	(276,756)
	<u>(395,591)</u>	<u>3,460,368</u>
Cash Flow		
Net (Loss) Revenue for the Year	(395,591)	3,460,368
Loss on Disposal of Investments	441,007	493,740
Unrealized Loss (Gain) on Investments	702,576	(3,413,751)
Changes in Pledges & Other Receivables	(74,914)	13,683
Changes in Payables	19,892	3,112
Change in Payable to the Festival	226,120	--
Net Purchase of Investments	(912,443)	(566,551)
Increase (Decrease) in Cash	<u>6,647</u>	<u>(9,399)</u>

THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS

December 31 2011

13. 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>2011</u>	<u>2010</u>
	\$	\$
Financial Position		
Assets		
Cash	862,587	407,555
Pledges & Other Receivables	277,070	792,609
Gift Annuity Reserves	<u>70,719</u>	<u>79,675</u>
Total Assets	<u><u>1,210,376</u></u>	<u><u>1,279,839</u></u>
Liabilities		
Accounts Payable	8,601	4,788
Gift Annuity Liabilities	<u>84,741</u>	<u>84,733</u>
Total Liabilities	<u>93,342</u>	<u>89,521</u>
Total Net Assets	<u><u>1,117,034</u></u>	<u><u>1,190,318</u></u>
Results of Operations		
Donations & Other Revenues	2,193,878	2,389,682
Grant to the Festival	(1,902,000)	(1,958,000)
Grant to the Endowment Foundation	(266,435)	(316,581)
Other Expenses	<u>(98,727)</u>	<u>(109,178)</u>
	<u><u>(73,284)</u></u>	<u><u>5,923</u></u>
Cash Flow		
Net (Loss) Revenue for the Year	(73,284)	5,923
Changes in Pledges & Other Receivables	515,539	(107,140)
Changes in Value of Annuity Agreements	8,964	2,463
Changes in Payables	<u>3,813</u>	<u>(356)</u>
Increase (Decrease) in Cash	<u><u>455,032</u></u>	<u><u>(99,110)</u></u>

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14. Operating Leases

For the year ended December 31 expenses relating to operating leases are \$359,444 (2010 - \$380,034). The Festival is committed to the following operating lease payments for the Tom Patterson Theatre, rehearsal facilities, retail stores, warehouse and office spaces, residential properties and office equipment during the next five years:

<u>Year</u>	<u>Total</u>
	\$
2012	406,064
2013	153,440
2014	167,223
2015	158,495
2016	172,204

15. Credit Facilities

As at December 31 the Festival has an unsecured line of credit with a maximum limit of \$3,000,000 (2010 - \$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.

16. Internally Restricted Net Assets

The internally restricted net assets entitled "stability" were initially established in 1996 for the purpose of supporting the Festival's operating activities in years of revenue shortfall. In 2011, the remaining balance was transferred to reduce the unrestricted deficit.

17. Management Estimates

The presentation of financial statements in conformity with Canadian generally accepted accounting principles 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.

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18. Financial Instruments

Unless otherwise noted it is management's opinion that the Festival is not exposed to significant interest rate, currency or credit risks arising from its financial instruments.

19. Capital Disclosure

The Festival considers its capital to be its net assets, restricted and unrestricted. Its restricted net assets consist of amounts invested in capital assets (note 7) and amounts for pensions (note 9). The Festival's objective when managing its capital is to safeguard its ability to continue as a going concern to enable it to provide theatrical productions to the public. Annual budgets are developed and monitored to ensure the organization's capital is maintained at an appropriate level.