

**THE STRATFORD SHAKESPEAREAN
FESTIVAL of CANADA**

CONSOLIDATED FINANCIAL STATEMENTS

December 31 2013



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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, 2013, 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, 2013 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.

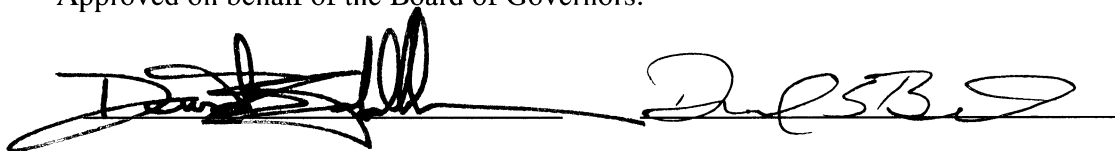
BDO Canada LLP

Chartered Accountants, Licensed Public Accountants
Stratford, Ontario
February 27, 2014

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

	2013	2012
	\$	\$
Assets		
Current		
Cash (Note 3)	2,450,395	1,483,323
Accounts & Pledges Receivable	1,490,015	1,139,416
Government Grants Receivable	175,000	59,479
Inventory	242,459	250,052
Prepaid Expenses	1,548,036	1,568,721
Marketable Securities (Note 4)	6,371,415	7,185,634
	12,277,320	11,686,625
Receivable from Stratford Shakespearean Festival Endowment Foundation		
	21,644	135,669
Pledges Receivable	545,638	848,231
Prepaid Pension Cost (Note 9)	1,523,994	1,719,388
Capital Assets (Note 5)	33,997,277	35,671,002
	48,365,873	50,060,915
Liabilities		
Current		
Accounts Payable & Accrued Liabilities	2,570,639	2,323,160
Unearned Revenue (Note 8)	10,153,955	12,331,412
	12,724,594	14,654,572
Unearned Revenue (Note 8)	774,190	1,017,377
Accrued Liabilities	1,624,142	1,506,684
Payable to Stratford Shakespearean Festival Endowment Foundation	1,167,064	1,167,064
Deferred Capital Contributions (Note 6)	21,625,525	22,652,457
	37,915,515	40,998,154
Net Assets		
Unrestricted	(3,445,388)	(5,675,172)
Investment in Capital Assets (Note 7)	12,371,752	13,018,545
Pension - Restricted (Note 9)	1,523,994	1,719,388
	10,450,358	9,062,761
	48,365,873	50,060,915

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

	2013				2012
	Unrestricted \$	Investment in Capital Assets \$	Pension - Restricted \$	Total \$	Total \$
Net Assets, Beginning of Year	(5,675,172)	13,018,545	1,719,388	9,062,761	12,457,130
Transfers	(458,718)	458,718	--	--	--
	195,394	--	(195,394)	--	--
Net Revenue (Loss)	2,493,108	(1,105,511)	--	1,387,597	(3,394,369)
Net Assets, End of Year	(3,445,388)	12,371,752	1,523,994	10,450,358	9,062,761

(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>2013</u>	<u>2012</u>
	\$	\$
Earned Revenues		
Performance	29,721,778	27,446,637
Ancillary	6,887,006	5,014,445
Financial	<u>1,064,466</u>	<u>874,958</u>
	<u>37,673,250</u>	<u>33,336,040</u>
Contributed Revenues		
Fundraising	12,381,496	12,257,246
Government Grants (Note 10)	5,012,677	5,385,561
Amortization of Deferred Capital Contributions (Note 6)	1,032,665	1,025,008
Stratford Shakespearean Festival Endowment Foundation	<u>997,198</u>	<u>2,333,550</u>
	<u>19,424,036</u>	<u>21,001,365</u>
Total Revenues	<u>57,097,286</u>	<u>54,337,405</u>
Operating Expenses		
Production	31,298,947	33,317,317
Marketing & Sales	8,471,281	8,633,191
Facilities	3,393,952	3,313,780
Ancillary	3,028,260	2,836,129
Administration	2,606,697	2,384,179
Amortization of Capital Assets	2,138,176	2,137,929
Education	1,995,472	1,889,169
Fundraising	1,637,520	2,136,260
Financial	<u>1,139,384</u>	<u>1,083,820</u>
	<u>55,709,689</u>	<u>57,731,774</u>
Net Revenue (Loss) for the Year	<u><u>1,387,597</u></u>	<u><u>(3,394,369)</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

	2013	2012
	\$	\$
Operating Activities		
Net Revenue (Loss) for the Year	1,387,597	(3,394,369)
Amortization of Capital Assets	2,138,176	2,137,929
Amortization of Deferred Capital Contributions	(1,032,665)	(1,025,008)
Change in Prepaid Pension Cost	195,394	283,983
Unrealized Gain on Investments	38,204	--
	2,726,706	(1,997,465)
Capital Contributions & Government Grants	5,733	542,467
Net Change in Non-cash Working Capital Balances		
Receivables	(163,527)	793,630
Inventory	7,593	(13,227)
Prepaid Expenses	20,685	118,827
Accounts Payable & Accrued Liabilities	364,937	(223,218)
Unearned Revenue	(2,420,644)	(803,318)
	541,483	(1,582,304)
Investing Activities		
Purchase of Capital Assets	(464,451)	(2,025,140)
Redemption of Marketable Securities	776,015	3,406,748
	311,564	1,381,608
Financing Activities		
Net Change in Amounts Due to/from Stratford Shakespearean Festival Endowment Foundation	114,025	163,569
Net Increase (Decrease) in Cash & Cash Equivalents During the Year	967,072	(37,127)
Cash & Cash Equivalents, Beginning of Year	1,483,323	1,520,450
Cash & Cash Equivalents, End of Year	2,450,395	1,483,323

(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 2013

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 2013

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 13. The Archives Trust did not have financial activities in 2012 or 2013.

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 2013

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 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 10.5 years.

3. Cash

As at December 31 cash is held at a chartered bank, earning interest of 0.00% and 1.00%. Bank balances include \$319,639 in US currency.

THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA
NOTES to the CONSOLIDATED FINANCIAL STATEMENTS
December 31 2013

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 1.00% and 2.00% with maturities from March 2, 2014 to July 25, 2015. 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 8 - Unearned Revenue.

5. Capital Assets

As at December 31 capital assets are comprised as follows:

	2013			2012
	Cost \$	Accumulated Amortization \$	Net Book Value \$	Net Book Value \$
Land	1,319,077	--	1,319,077	1,319,077
Buildings	49,714,899	21,775,383	27,939,516	29,075,792
Furnishings, Equipment & Leasehold Improvements	15,811,563	11,372,524	4,439,039	4,949,384
Computer Hardware & Software	2,857,374	2,557,729	299,645	326,749
	69,702,913	35,705,636	33,997,277	35,671,002

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:

	2013 \$	2012 \$
Balance, Beginning of Year	22,652,457	23,134,998
Capital Contribution – Endowment Foundation	5,733	5,591
Government Grants – Canadian Heritage	--	536,876
Amortization of Deferred Capital Contributions	(1,032,665)	(1,025,008)
Balance, End of Year	21,625,525	22,652,457

THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS

December 31 2013

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>2013</u>	<u>2012</u>
	\$	\$
Net Book Value of Capital Assets (Note 5)	33,997,277	35,671,002
Deferred Capital Contributions (Note 6)	<u>(21,625,525)</u>	<u>(22,652,457)</u>
Investment in Capital Assets	<u><u>12,371,752</u></u>	<u><u>13,018,545</u></u>

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

	<u>2013</u>	<u>2012</u>
	\$	\$
Balance, Beginning of Year	13,018,545	12,648,793
Transfers		
Purchase of Capital Assets	464,451	2,025,140
Capital Contributions & Government Grants	(5,733)	(542,467)
Net Revenue		
Amortization of Capital Assets	(2,138,176)	(2,137,929)
Amortization of Deferred Capital Contributions	<u>1,032,665</u>	<u>1,025,008</u>
Balance, End of Year	<u><u>12,371,752</u></u>	<u><u>13,018,545</u></u>

8. Unearned Revenue

As at December 31 unearned revenue is comprised as follows:

	<u>2013</u>	<u>2012</u>
	\$	\$
Current		
Future Performances	4,763,862	5,075,391
Government Grants	2,278,165	3,058,396
Restricted Donations	1,585,739	2,021,431
Gift Certificates & Other	<u>1,526,189</u>	<u>2,176,194</u>
	10,153,955	12,331,412
Long-Term		
Restricted Donations	<u>774,190</u>	<u>1,017,377</u>
	<u><u>10,928,145</u></u>	<u><u>13,348,789</u></u>

THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA
 NOTES to the CONSOLIDATED FINANCIAL STATEMENTS
 December 31 2013

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, 2012 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, 2013.

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, 2012 and was then extrapolated to December 31, 2013.

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>2013</u>	<u>2012</u>
	\$	\$
Present Value of Accrued Benefit		
Obligation, Beginning of Year	10,995,343	9,094,057
Benefits Accrued	673,599	786,557
Interest on Accrued Benefits	513,560	477,123
Actuarial (Gain) Loss	(29,143)	908,242
Benefits Paid	<u>(323,804)</u>	<u>(270,636)</u>
Present Value of Accrued Benefit		
Obligation, End of Year	<u><u>11,829,555</u></u>	<u><u>10,995,343</u></u>

THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA
NOTES to the CONSOLIDATED FINANCIAL STATEMENTS
December 31 2013

9. Pension Plans (continued)

	2013	2012
	\$	\$
The calculation of the plan's funded status as at December 31 is as follows:		
Fair Value of Plan Assets	12,710,713	10,559,598
Accrued Benefit Obligation	11,829,555	10,995,343
Funded Status – Plan Surplus (Deficit)	881,158	(435,745)

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 (Deficit)	881,158	(435,745)
Unamortized Transitional Asset	--	(77,064)
Unamortized Experience Losses	642,836	2,232,197
Prepaid Pension Cost	1,523,994	1,719,388

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

Current Service Cost	521,900	624,456
Interest on Accrued Benefits	513,560	477,123
Expected Return on Pension Fund Assets	(633,576)	(567,113)
Amortization of Transitional Asset	(77,064)	(42,037)
Amortization of Experience Losses	212,590	137,862
Net Pension Expense	537,410	630,291

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

Employer Contributions	342,016	346,308
Plan Participants' Contributions	151,699	162,101

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	4.5%	5.0%
Discount Rate on Liabilities – End of Year	4.5%	4.5%
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 \$979,267 (2012 - \$1,037,256).

THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA
 NOTES to the CONSOLIDATED FINANCIAL STATEMENTS
 December 31 2013

10. Government Grants

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

	2013	2012
	\$	\$
Ontario Arts Council	2,545,810	3,159,621
Canada Council for the Arts	1,000,000	1,000,000
Other	1,466,867	1,225,940
	5,012,677	5,385,561

11. Related Party Transactions

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

	2013	2012
	\$	\$
Revenues and Recoveries		
Festival of America – Donations	2,740,985	2,252,647
The Endowment Foundation		
– Donations	997,198	2,333,550
– Recovery of Fundraising Expenses	--	(32,895)
– Recovery of Administrative Expenses	124,296	116,898
– Capital Contributions	5,733	5,591
	3,868,212	4,675,791

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 STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS

December 31 2013

11. Related Party Transactions (continued)

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>2013</u>	<u>2012</u>
	\$	\$
Expenses		
Marketing and Sales	915,067	2,446,102
Facilities	2,069	533
Production	14,435	16,270
	<u>931,571</u>	<u>2,462,905</u>

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

	<u>2013</u>	<u>2012</u>
	\$	\$
Accounts Payable	<u>(9)</u>	<u>(724)</u>
	<u>(9)</u>	<u>(724)</u>

12. Pledges Receivable

For the year ended December 31 the Festival has recognized as revenue \$391,835 (2012 - \$377,340) of pledges that remain unpaid at year end.

THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS

December 31 2013

13. Related Organizations

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

	<u>2013</u>	<u>2012</u>
	\$	\$
Financial Position		
Assets		
Cash	625	1,969
Pledges & Other Receivables	41,852	32,223
Receivable from the Festival	1,167,064	1,167,064
Investments at Market	61,154,384	54,891,008
Total Assets	<u>62,363,925</u>	<u>56,092,264</u>
Liabilities		
Accounts Payable	43,197	42,568
Payable to the Festival	--	116,411
Total Liabilities	<u>43,197</u>	<u>158,979</u>
Total Net Assets	<u>62,320,728</u>	<u>55,933,285</u>
Results of Operations		
Donations	340,128	216,445
Investment Income	3,364,292	1,675,261
Unrealized Gain on Investments	4,083,370	2,181,279
Grant to the Festival	(997,198)	(2,333,550)
Grant to the Holding Foundation	(5,733)	(5,591)
Other Grants & Expenses	(397,416)	(368,603)
	<u>6,387,443</u>	<u>1,365,241</u>
Cash Flow		
Net Revenue for the Year	6,387,443	1,365,241
Gain on Disposal of Investments	(436,506)	(41,650)
Unrealized Gain on Investments	(4,083,370)	(2,181,279)
Changes in Pledges & Other Receivables	(9,629)	101,751
Changes in Payables	629	(3,108)
Change in Payable to the Festival	(116,411)	(131,161)
Net (Purchase) Redemption of Investments	(1,743,500)	885,333
Decrease in Cash	<u>(1,344)</u>	<u>(4,873)</u>

THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS

December 31 2013

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>2013</u>	<u>2012</u>
	\$	\$
Financial Position		
Assets		
Cash	2,968,752	810,553
Pledges & Other Receivables	355,831	491,489
Gift Annuity Reserves	<u>69,363</u>	<u>69,419</u>
Total Assets	<u><u>3,393,946</u></u>	<u><u>1,371,461</u></u>
Liabilities		
Accounts Payable	8,833	3,402
Gift Annuity Liabilities	<u>76,154</u>	<u>85,156</u>
Total Liabilities	<u>84,987</u>	<u>88,558</u>
Total Net Assets	<u><u>3,308,959</u></u>	<u><u>1,282,903</u></u>
Results of Operations		
Donations & Other Revenues	4,599,638	2,623,335
Grant to the Festival	(2,320,000)	(2,252,000)
Grant to the Endowment Foundation	(122,955)	(131,631)
Other Expenses	<u>(130,627)</u>	<u>(72,330)</u>
	<u><u>2,026,056</u></u>	<u><u>167,374</u></u>
Cash Flow		
Net Revenue for the Year	2,026,056	167,374
Changes in Pledges & Other Receivables	135,658	(214,419)
Changes in Value of Annuity Agreements	(8,946)	1,715
Changes in Payables	<u>5,431</u>	<u>(5,199)</u>
Increase (Decrease) in Cash	<u><u>2,158,199</u></u>	<u><u>(50,529)</u></u>

THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS

December 31 2013

14. Operating Leases

For the year ended December 31 expenses relating to operating leases are \$458,672 (2012 - \$406,064). 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>
	\$
2014	472,089
2015	169,741
2016	176,923
2017	184,292
2018	202,127

15. Credit Facilities

As at December 31 the Festival has an unsecured line of credit with a maximum limit of \$3,000,000 (2012 - \$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. 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.

17. 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.

THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS

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17. 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.