

**THE STRATFORD SHAKESPEAREAN
FESTIVAL of CANADA**

CONSOLIDATED FINANCIAL STATEMENTS

December 31 2019



Independent Auditor's Report

To the Members of The Stratford Shakespearean Festival of Canada

Opinion

We have audited the consolidated financial statements of The Stratford Shakespearean Festival of Canada and its subsidiaries (the Festival), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of operations, the consolidated statement of changes in net assets and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Festival as at December 31, 2019 and its consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 Consolidated Financial Statements* section of our report. We are independent of the Festival in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Festival'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 Festival or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise

professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Festival'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 Festival'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 consolidated 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 Festival to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Festival to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Festival audit. We remain solely responsible for our audit opinion.

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.

Chartered Professional Accountants, Licensed Public Accountants

Stratford, Ontario
March 2, 2020

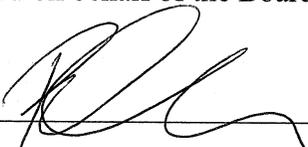
THE STRATFORD SHAKESPEAREAN FESTIVAL of CANADA

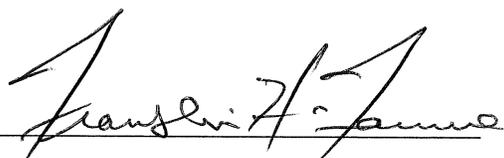
CONSOLIDATED STATEMENT of FINANCIAL POSITION

as at December 31

	<u>2019</u>	<u>2018</u>
	\$	\$
Assets		
Current		
Cash (Note 3)	10,071,895	10,801,004
Accounts & Pledges Receivable (Note 12)	4,524,546	2,024,835
Receivable from Stratford Shakespearean Festival Endowment Foundation (Note 11)	4,361,703	--
Inventory	370,932	266,921
Prepaid Expenses	2,284,688	1,729,242
Marketable Securities (Note 4)	4,965,407	5,778,988
	<u>26,579,171</u>	<u>20,600,990</u>
Prepaid Pension Cost (Note 9)	5,169,010	3,633,680
Capital Assets (Note 5)	86,668,920	52,788,269
	<u>118,417,101</u>	<u>77,022,939</u>
Liabilities		
Current		
Accounts Payable & Accrued Liabilities	10,424,205	5,758,429
Unearned Revenue (Note 8)	14,863,933	12,268,525
	<u>25,288,138</u>	<u>18,026,954</u>
Unearned Revenue (Note 8)	630,286	481,000
Accrued Liabilities	2,553,524	2,371,926
Payable to Stratford Shakespearean Festival Endowment Foundation (Note 11)	--	1,167,064
Deferred Capital Contributions (Note 6)	68,639,248	35,618,692
	<u>97,111,196</u>	<u>57,665,636</u>
Net Assets		
Unrestricted	(1,892,777)	(1,445,954)
Investment in Capital Assets (Note 7)	18,029,672	17,169,577
Pension - Restricted (Note 9)	5,169,010	3,633,680
	<u>21,305,905</u>	<u>19,357,303</u>
	<u>118,417,101</u>	<u>77,022,939</u>

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

	2019			2018	
	Unrestricted \$	Investment in Capital Assets \$	Pension - Restricted \$	Total \$	Total \$
Net Assets, Beginning of Year	(1,445,954)	17,169,577	3,633,680	19,357,303	16,418,119
Remeasurements and Other Items, Pension (Note 9)	--	--	1,365,305	1,365,305	(4,951,931)
Contributions Received for the Purchase of Land	--	445,000	--	445,000	5,961,061
Transfers	(1,554,089)	1,554,089	--	--	--
	(170,025)	--	170,025	--	--
Net Revenue (Loss)	1,277,291	(1,138,994)	--	138,297	1,930,054
Net Assets, End of Year	<u>(1,892,777)</u>	<u>18,029,672</u>	<u>5,169,010</u>	<u>21,305,905</u>	<u>19,357,303</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

	2019	2018
	\$	\$
Earned Revenues		
Performance	29,353,831	32,963,180
Ancillary	8,174,872	9,129,649
Financial	1,625,435	1,507,878
	39,154,138	43,600,707
Contributed Revenues		
Fundraising	15,129,628	14,481,758
Government Grants (Note 10)	4,415,416	4,242,790
Stratford Shakespearean Festival Endowment Foundation	4,018,303	2,329,000
Amortization of Deferred Capital Contributions (Note 6)	1,126,129	1,110,858
	24,689,476	22,164,406
Total Revenues	63,843,614	65,765,113
Operating Expenses		
Production	35,238,492	35,049,343
Marketing & Sales	7,790,976	7,954,787
Ancillary	4,879,588	5,457,403
Facilities	4,457,330	4,392,312
Administration	4,108,564	3,895,717
Amortization of Capital Assets	2,265,123	2,195,351
Education	1,901,406	1,779,628
Fundraising	1,809,020	1,915,486
Financial	1,254,818	1,195,032
	63,705,317	63,835,059
Net Revenue for the Year	138,297	1,930,054

(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

	2019	2018
	\$	\$
Operating Activities		
Net Revenue for the Year	138,297	1,930,054
Amortization of Capital Assets	2,265,123	2,195,351
Amortization of Deferred Capital Contributions	(1,126,129)	(1,110,858)
Change in Prepaid Pension Cost	(170,025)	(245,231)
Unrealized (Gain) Loss on Investments	(100,234)	13,434
	1,007,032	2,782,750
 Net Change in Non-cash Working Capital Balances		
Receivables	(2,499,711)	1,539,830
Inventory	(104,011)	1,087
Prepaid Expenses	(555,446)	363,792
Accounts Payable & Accrued Liabilities	4,847,374	2,989,390
Unearned Revenue	2,744,694	(1,014,722)
	5,439,932	6,662,127
 Investing Activities		
Purchase of Capital Assets	(36,145,774)	(20,218,989)
Redemption (Purchase) of Marketable Securities	913,815	(5,010,801)
	(35,231,959)	(25,229,790)
 Financing Activities		
Capital Contributions	34,591,685	19,174,061
Net Change in Amounts Due to/from Stratford Shakespearean Festival Endowment Foundation	(5,528,767)	(32,879)
	29,062,918	19,141,182
 Net (Decrease) Increase in Cash & Cash Equivalents During the Year	(729,109)	573,519
Cash & Cash Equivalents, Beginning of Year	10,801,004	10,227,485
Cash & Cash Equivalents, End of Year	10,071,895	10,801,004

(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 2019

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 (“Archives”) is incorporated without share capital under the Corporations Act of Canada. Its purpose is to maintain 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 2019

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 and the Festival of America, related organizations over which the Festival management and Board have significant influence 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. Financial activities of the Archives in 2019 are immaterial.

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

Construction in Progress costs for the new Tom Patterson Theatre will not be amortized until the project is completed or substantially so.

Deferred Capital Contributions

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

THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA
NOTES to the CONSOLIDATED FINANCIAL STATEMENTS
December 31 2019

2. Significant Accounting Policies (continued)

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. Restricted contributions for the purchase of land are recognized as direct increases in net assets. 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.

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 2019

3. Cash

As at December 31 cash is held at a chartered bank, earning interest of 0.75% and 2.25%. Bank balances include \$632,228 in US currency.

4. Marketable Securities

As at December 31 marketable securities are invested in a balanced pooled fund and a cashable GIC earning interest of 2.14%

5. Capital Assets

As at December 31 capital assets are comprised as follows:

	2019			2018
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Land	7,725,138	--	7,725,138	7,280,138
Buildings	51,264,316	28,925,034	22,339,282	23,567,547
Construction in Progress	51,429,088	--	51,429,088	17,503,644
Furnishings, Equipment & Leasehold Improvements	15,469,970	11,539,261	3,930,709	3,150,635
Computer Hardware & Software	3,153,721	1,909,018	1,244,703	1,286,305
	<u>129,042,233</u>	<u>42,373,313</u>	<u>86,668,920</u>	<u>52,788,269</u>

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:

	2019	2018
	\$	\$
Balance, Beginning of Year	35,618,692	23,516,550
Government Grants – Government of Canada	13,927,565	50,000
Government Grants – Province of Ontario	10,398,681	7,126,319
Capital Contribution – Capital Campaign	10,245,252	11,985,226
Capital Contribution – Endowment Foundation	20,187	12,516
Contributions Received for the Purchase of Land	(445,000)	(5,961,061)
Amortization of Deferred Capital Contributions	(1,126,129)	(1,110,858)
Balance, End of Year	<u>68,639,248</u>	<u>35,618,692</u>

THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA
NOTES to the CONSOLIDATED FINANCIAL STATEMENTS
December 31 2019

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>2019</u>	<u>2018</u>
	\$	\$
Net Book Value of Capital Assets (Note 5)	86,668,920	52,788,269
Deferred Capital Contributions (Note 6)	<u>(68,639,248)</u>	<u>(35,618,692)</u>
Investment in Capital Assets	<u><u>18,029,672</u></u>	<u><u>17,169,577</u></u>

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

	<u>2019</u>	<u>2018</u>
	\$	\$
Balance, Beginning of Year	17,169,577	11,248,081
Transfers		
Purchase of Capital Assets	36,145,774	20,218,989
Capital Contributions	(34,591,685)	(19,174,061)
Contributions Received for the Purchase of Land	445,000	5,961,061
Net Revenue		
Amortization of Capital Assets	(2,265,123)	(2,195,351)
Amortization of Deferred Capital Contributions	<u>1,126,129</u>	<u>1,110,858</u>
Balance, End of Year	<u><u>18,029,672</u></u>	<u><u>17,169,577</u></u>

8. Unearned Revenue

As at December 31 unearned revenue is comprised as follows:

	<u>2019</u>	<u>2018</u>
	\$	\$
Current		
Future Performances	7,830,069	5,677,592
Government Grants	2,617,650	2,535,867
Restricted Donations	2,222,622	2,149,327
Gift Certificates & Other	<u>2,193,592</u>	<u>1,905,739</u>
	14,863,933	12,268,525
Long-Term		
Restricted Donations	<u>630,286</u>	<u>481,000</u>
	<u><u>15,494,219</u></u>	<u><u>12,749,525</u></u>

THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA
NOTES to the CONSOLIDATED FINANCIAL STATEMENTS
December 31 2019

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, 2017 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, 2020.

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>2019</u>	<u>2018</u>
	\$	\$
Defined benefit obligation	13,499,706	12,431,380
Fair value of plan assets	<u>(18,668,716)</u>	<u>(16,065,060)</u>
Funded status – plan surplus	<u><u>(5,169,010)</u></u>	<u><u>(3,633,680)</u></u>

The amount of remeasurements and other items for the year are \$1,365,305 (2018 – (\$4,951,931)). The 2018 remeasurements were due to the change in discount rate and new provision for adverse deviations (\$2,648,527), the difference between actual and expected return on plan assets (\$929,102) and an annuity purchase (\$1,374,302).

All other pension plans are defined contribution plans and the pension expense for these plans for the year ended December 31 is \$1,180,769 (2018 - \$1,136,374).

10. Government Grants

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

	<u>2019</u>	<u>2018</u>
	\$	\$
Ontario Arts Council	2,235,867	1,880,846
Canada Council for the Arts	1,546,848	1,715,000
Other	<u>632,701</u>	<u>646,944</u>
	<u><u>4,415,416</u></u>	<u><u>4,242,790</u></u>

THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA
NOTES to the CONSOLIDATED FINANCIAL STATEMENTS
December 31 2019

11. Related Party Transactions

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

	2019	2018
	\$	\$
Revenues and Recoveries		
Festival of America – Donations	5,295,436	3,215,910
The Endowment Foundation		
– Donations	4,018,303	2,329,000
– Recovery of Administrative Expenses	97,000	92,000
– Capital Contributions	9,485,185	6,269,854
– Contributions for the Purchase of Land	445,000	5,961,061
– Contributions for Capital Campaign Expenses	182,316	283,000
	19,523,240	18,150,825

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 which is the amount agreed to by the related parties. The resulting balances do not bear interest and have no specific terms of repayment.

12. Pledges Receivable

For the year ended December 31 the Festival has recognized as revenue \$749,027 (2018 - \$500,916) of pledges that remain unpaid at year end.

THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS

December 31 2019

13. Related Organizations

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

	2019	2018
	_____ \$	_____ \$
Financial Position		
Assets		
Cash	14,548,281	4,094,769
Pledges & Other Receivables	5,731,783	12,105,195
Marketable Securities	70,036	953,376
Receivable from the Festival	--	1,167,064
Investments at Market	88,534,010	81,111,272
Total Assets	_____ 108,884,110	_____ 99,431,676
Liabilities		
Accounts Payable	8,755	77,412
Unearned Revenue	3,095,700	3,035,000
Total Liabilities	_____ 3,104,455	_____ 3,112,412
Total Net Assets	_____ 105,779,655	_____ 96,319,264
Results of Operations		
Donations	11,254,861	27,526,578
Investment Income	5,052,324	5,762,559
Unrealized Gain (Loss) on Investments	3,556,057	(5,569,767)
Grant to the Festival	(4,018,303)	(2,329,000)
Grant to the Holding Foundation	(5,750,798)	(12,513,915)
Other Expenses	(633,750)	(569,776)
	_____ 9,460,391	_____ 12,306,679
Cash Flow		
Net Revenue for the Year	9,460,391	12,306,679
Gain on Disposal of Investments	(543,991)	(561,875)
Unrealized (Gain) Loss on Investments	(3,556,057)	5,569,767
Changes in Pledges Receivable	6,373,412	(11,678,682)
Changes in Marketable Securities	883,340	(953,376)
Changes in Receivable from the Festival	1,167,064	--
Changes in Accounts Payables	(68,657)	73,113
Changes in Unearned Revenue	60,700	3,035,000
Net Purchase of Investments	(3,322,690)	(4,114,299)
Increase in Cash	_____ 10,453,512	_____ 3,676,327

THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS

December 31 2019

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>2019</u>	<u>2018</u>
	\$	\$
Financial Position		
Assets		
Cash	2,124,741	2,534,155
Pledges & Other Receivables	3,232,218	3,193,129
Gift Annuity Reserves	40,380	44,077
Total Assets	<u>5,397,339</u>	<u>5,771,361</u>
Liabilities		
Accounts Payable	13,018	11,351
Gift Annuity Liabilities	76,713	71,140
Total Liabilities	<u>89,731</u>	<u>82,491</u>
Total Net Assets	<u>5,307,608</u>	<u>5,688,870</u>
Results of Operations		
Donations & Other Revenues	5,489,246	7,349,211
Grant to the Festival	(3,456,419)	(2,648,143)
Grant to the Endowment Foundation	(2,326,147)	(1,433,568)
Other Expenses	(87,942)	(183,924)
	<u>(381,262)</u>	<u>3,083,576</u>
Cash Flow		
Net (Loss) Revenue for the Year	(381,262)	3,083,576
Changes in Pledges & Other Receivables	(39,089)	(2,196,111)
Changes in Value of Annuity Agreements	9,270	(2,021)
Changes in Payables	1,667	(8,272)
(Decrease) Increase in Cash	<u>(409,414)</u>	<u>877,172</u>

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14. Operating Leases

For the year ended December 31 expenses relating to operating leases are \$455,503 (2018 - \$455,697). The Festival is committed to the following operating lease payments for the rehearsal facilities, retail stores, office spaces and residential properties during the next five years:

<u>Year</u>	<u>Total</u>
	\$
2020	555,922
2021	161,054
2022	48,348
2023	44,446
2024	44,446

15. Credit Facilities

As at December 31 the Festival has an unsecured line of credit with a maximum limit of \$3,000,000 (2018 - \$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 \$675,000 and two letters of credit in favour of the City of Stratford in relation to the TPT construction project totaling \$657,995.

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.

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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.