

**THE STRATFORD SHAKESPEAREAN
FESTIVAL of CANADA**

CONSOLIDATED FINANCIAL STATEMENTS

December 31 2020

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, 2020, 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, 2020 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
February 26, 2021

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

	2020	2019
	\$	\$
Assets		
Current		
Cash (Note 3)	12,583,644	10,071,895
Accounts & Pledges Receivable (Note 12)	2,050,592	4,524,546
Receivable from Stratford Shakespearean Festival Endowment Foundation (Note 11)	2,001,243	4,361,703
Inventory	601,433	370,932
Prepaid Expenses	375,872	2,284,688
Marketable Securities (Note 4)	1,077,251	4,965,407
	18,690,035	26,579,171
Prepaid Pension Cost (Note 9)	6,412,335	5,169,010
Capital Assets (Note 5)	97,017,553	86,668,920
	122,119,923	118,417,101
Liabilities		
Current		
Current Portion of Long-term Debt (Note 16)	338,000	--
Accounts Payable & Accrued Liabilities	3,631,302	10,424,205
Unearned Revenue (Note 8)	11,936,173	14,863,933
	15,905,475	25,288,138
Unearned Revenue (Note 8)	6,547,286	630,286
Accrued Liabilities	2,402,216	2,553,524
Long-term Debt (Note 16)	5,635,458	--
Deferred Capital Contributions (Note 6)	73,612,510	68,639,248
	104,102,945	97,111,196
Net Assets		
Unrestricted	(5,826,942)	(1,892,777)
Investment in Capital Assets (Note 7)	17,431,585	18,029,672
Pension - Restricted (Note 9)	6,412,335	5,169,010
	18,016,978	21,305,905
	122,119,923	118,417,101

(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

	2020				2019
	Unrestricted \$	Investment in Capital Assets \$	Pension - Restricted \$	Total \$	Total \$
Net Assets, Beginning of Year	(1,892,777)	18,029,672	5,169,010	21,305,905	19,357,303
Remeasurements and Other Items, Pension (Note 9)	--	--	998,211	998,211	1,365,305
Contributions Received for the Purchase of Land	--	--	--	--	445,000
Transfers	(742,026)	742,026	--	--	--
	(245,114)	--	245,114	--	--
Net (Loss) Revenue	(2,947,025)	(1,340,113)	--	(4,287,138)	138,297
Net Assets, End of Year	<u>(5,826,942)</u>	<u>17,431,585</u>	<u>6,412,335</u>	<u>18,016,978</u>	<u>21,305,905</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

	2020	2019
	\$	\$
Earned Revenues		
Performance	--	29,353,831
Ancillary	789,931	8,174,872
Financial	172,304	1,625,435
	962,235	39,154,138
Contributed Revenues		
Fundraising	13,282,544	15,129,628
Government Grants (Note 10)	4,655,056	4,415,416
Stratford Shakespearean Festival Endowment Foundation	2,000,000	4,018,303
Amortization of Deferred Capital Contributions (Note 6)	2,432,170	1,126,129
	22,369,770	24,689,476
Total Revenues	23,332,005	63,843,614
Operating Expenses		
Production	12,654,797	35,238,492
Marketing & Sales	2,665,799	7,790,976
Ancillary	648,068	4,879,588
Facilities	2,508,394	4,457,330
Administration	2,847,391	4,108,564
Amortization of Capital Assets	3,772,283	2,265,123
Education	644,350	1,901,406
Fundraising	1,040,624	1,809,020
Financial	837,437	1,254,818
	27,619,143	63,705,317
Net (Loss) Revenue for the Year	(4,287,138)	138,297

(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>2020</u>	<u>2019</u>
	\$	\$
Operating Activities		
Net (Loss) Revenue for the Year	(4,287,138)	138,297
Amortization of Capital Assets	3,772,283	2,265,123
Amortization of Deferred Capital Contributions	(2,432,170)	(1,126,129)
Change in Prepaid Pension Cost	(245,114)	(170,025)
Unrealized Gain on Investments	<u>(50,865)</u>	<u>(100,234)</u>
	(3,243,004)	1,007,032
 Net Change in Non-cash Working Capital Balances		
Receivables	2,473,954	(2,499,711)
Inventory	(230,501)	(104,011)
Prepaid Expenses	1,908,816	(555,446)
Accounts Payable & Accrued Liabilities	(6,944,211)	4,847,374
Unearned Revenue	<u>2,989,240</u>	<u>2,744,694</u>
	<u>(3,045,706)</u>	<u>5,439,932</u>
 Investing Activities		
Purchase of Capital Assets	(14,120,916)	(36,145,774)
Redemption of Marketable Securities	<u>3,939,021</u>	<u>913,815</u>
	<u>(10,181,895)</u>	<u>(35,231,959)</u>
 Financing Activities		
Capital Contributions	7,405,432	34,591,685
Net Change in Amounts Due to/from Stratford Shakespearean Festival Endowment Foundation	2,360,460	(5,528,767)
Proceeds from Long-term Debt	6,000,000	--
Repayments of Long-term Debt	<u>(26,542)</u>	<u>--</u>
	<u>15,739,350</u>	<u>29,062,918</u>
 Net Increase (Decrease) in Cash & Cash Equivalents During the Year	2,511,749	(729,109)
 Cash & Cash Equivalents, Beginning of Year	<u>10,071,895</u>	<u>10,801,004</u>
 Cash & Cash Equivalents, End of Year	<u><u>12,583,644</u></u>	<u><u>10,071,895</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 2020

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 Canada 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 2020

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 2020 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

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 2020

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 2020

3. Cash

As at December 31 cash is held at a chartered bank, earning interest of 0% and 0.75%. Bank balances include \$245,779 in US currency.

4. Marketable Securities

As at December 31 marketable securities are invested in a balanced pooled fund.

5. Capital Assets

As at December 31 capital assets are comprised as follows:

	2020			2019
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Land	7,725,138	--	7,725,138	7,725,138
Buildings	96,399,731	30,757,245	65,642,486	22,339,282
Construction in Progress	--	--	--	51,429,088
Furnishings, Equipment & Leasehold Improvements	34,935,423	12,862,936	22,072,487	3,930,709
Computer Hardware & Software	4,102,857	2,525,415	1,577,442	1,244,703
	143,163,149	46,145,596	97,017,553	86,668,920

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:

	2020	2019
	\$	\$
Balance, Beginning of Year	68,639,248	35,618,692
Government Grants – Government of Canada	6,734,390	13,927,565
Government Grants – Province of Ontario	350,000	10,398,681
Capital Contribution – Capital Campaign	297,027	10,245,252
Capital Contribution – Endowment Foundation	24,015	20,187
Contributions Received for the Purchase of Land	--	(445,000)
Amortization of Deferred Capital Contributions	(2,432,170)	(1,126,129)
Balance, End of Year	73,612,510	68,639,248

THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS

December 31 2020

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:

	2020	2019
	_____ \$	_____ \$
Net Book Value of Capital Assets (Note 5)	97,017,553	86,668,920
Long-term Debt (Note 16)	(5,973,458)	--
Deferred Capital Contributions (Note 6)	<u>(73,612,510)</u>	<u>(68,639,248)</u>
Investment in Capital Assets	<u><u>17,431,585</u></u>	<u><u>18,029,672</u></u>

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

	2020	2019
	_____ \$	_____ \$
Balance, Beginning of Year	18,029,672	17,169,577
Transfers		
Purchase of Capital Assets	14,120,916	36,145,774
Capital Contributions	(7,405,432)	(34,591,685)
Long-Term Debt	(5,973,458)	--
Contributions Received for the Purchase of Land	--	445,000
Net Revenue		
Amortization of Capital Assets	(3,772,283)	(2,265,123)
Amortization of Deferred Capital Contributions	<u>2,432,170</u>	<u>1,126,129</u>
Balance, End of Year	<u><u>17,431,585</u></u>	<u><u>18,029,672</u></u>

8. Unearned Revenue

As at December 31 unearned revenue is comprised as follows:

	2020	2019
	_____ \$	_____ \$
Current		
Future Performances	2,000,000	7,830,069
Government Grants	2,185,611	2,617,650
Restricted Donations	6,289,037	2,222,622
Gift Certificates & Other	<u>1,461,525</u>	<u>2,193,592</u>
	<u><u>11,936,173</u></u>	<u><u>14,863,933</u></u>
Long-Term		
Future Performances	6,000,000	--
Restricted Donations	<u>547,286</u>	<u>630,286</u>
	<u><u>6,547,286</u></u>	<u><u>630,286</u></u>

THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA
NOTES to the CONSOLIDATED FINANCIAL STATEMENTS
December 31 2020

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, 2019 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, 2022.

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>2020</u>	<u>2019</u>
	\$	\$
Defined benefit obligation	13,578,355	13,499,706
Fair value of plan assets	<u>(19,990,690)</u>	<u>(18,668,716)</u>
Funded status – plan surplus	<u><u>(6,412,335)</u></u>	<u><u>(5,169,010)</u></u>

The amount of remeasurements and other items for the year are \$998,211 (2019 – 1,365,305).

All other pension plans are defined contribution plans and the pension expense for these plans for the year ended December 31 is \$448,719 (2019 - \$1,180,769).

THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA
NOTES to the CONSOLIDATED FINANCIAL STATEMENTS
December 31 2020

10. Government Grants

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

	<u>2020</u>	<u>2019</u>
	\$	\$
Ontario Arts Council	2,056,998	2,235,867
Canada Council for the Arts	1,887,500	1,546,848
Other	710,558	632,701
	<u>4,655,056</u>	<u>4,415,416</u>

11. Related Party Transactions

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

	<u>2020</u>	<u>2019</u>
	\$	\$
Revenues and Recoveries		
Festival of America – Donations	5,009,548	5,295,436
The Endowment Foundation		
– Donations	2,000,000	4,018,303
– Recovery of Administrative Expenses	95,000	97,000
– Capital Contributions	5,262,318	9,485,185
– Contributions for the Purchase of Land	--	445,000
– Contributions for Capital Campaign Expenses	--	182,316
	<u>12,366,866</u>	<u>19,523,240</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 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 \$478,655 (2019 - \$749,027) of pledges that remain unpaid at year end.

THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS

December 31 2020

13. Related Organizations

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

	2020	2019
	\$	\$
Financial Position		
Assets		
Cash	22,413,316	14,548,281
Pledges & Other Receivables	5,442,594	5,731,783
Marketable Securities	--	70,036
Investments at Market	87,884,057	88,534,010
Total Assets	<u>115,739,967</u>	<u>108,884,110</u>
Liabilities		
Accounts Payable	7,500	8,755
Payable to the Festival	2,000,000	--
Payable to the Holding Foundation	86,717	--
Unearned Revenue	3,157,614	3,095,700
Total Liabilities	<u>5,251,831</u>	<u>3,104,455</u>
Total Net Assets	<u>110,488,136</u>	<u>105,779,655</u>
Results of Operations		
Donations	12,567,726	11,254,861
Investment Income	3,955,371	5,052,324
Unrealized Gain (Loss) on Investments	(3,868,280)	3,556,057
Grant to the Festival	(2,000,000)	(4,018,303)
Grant to the Holding Foundation	(5,325,020)	(5,750,798)
Other Expenses	(621,316)	(633,750)
	<u>4,708,481</u>	<u>9,460,391</u>
Cash Flow		
Net Revenue for the Year	4,708,481	9,460,391
Loss (Gain) on Disposal of Investments	28,690	(543,991)
Unrealized Loss (Gain) on Investments	3,868,280	(3,556,057)
Changes in Pledges Receivable	289,189	6,373,412
Changes in Marketable Securities	70,036	883,340
Changes in Receivable from/Payable to the Festival	2,000,000	1,167,064
Changes in Payable to the Holding Foundation	86,717	--
Changes in Accounts Payables	(1,255)	(68,657)
Changes in Unearned Revenue	61,914	60,700
Net Purchase of Investments	(3,247,017)	(3,322,690)
Increase in Cash	<u>7,865,035</u>	<u>10,453,512</u>

THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS

December 31 2020

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>2020</u>	<u>2019</u>
	\$	\$
Financial Position		
Assets		
Cash	1,605,856	2,124,741
Pledges & Other Receivables	2,132,576	3,232,218
Receivable from the Festival	83,335	--
Gift Annuity Reserves	32,540	40,380
Total Assets	<u><u>3,854,307</u></u>	<u><u>5,397,339</u></u>
Liabilities		
Accounts Payable	13,092	13,018
Gift Annuity Liabilities	60,991	76,713
Total Liabilities	<u><u>74,083</u></u>	<u><u>89,731</u></u>
Total Net Assets	<u><u>3,780,224</u></u>	<u><u>5,307,608</u></u>
Results of Operations		
Donations & Other Revenues	5,380,792	5,489,246
Grant to the Festival	(4,619,928)	(3,456,419)
Grant to the Endowment Foundation	(2,153,411)	(2,326,147)
Other Expenses	(134,837)	(87,942)
	<u><u>(1,527,384)</u></u>	<u><u>(381,262)</u></u>
Cash Flow		
Net Loss for the Year	(1,527,384)	(381,262)
Changes in Pledges & Other Receivables	1,099,642	(39,089)
Changes in Receivable from the Festival	(83,335)	--
Changes in Value of Annuity Agreements	(7,882)	9,270
Changes in Payables	74	1,667
Decrease in Cash	<u><u>(518,885)</u></u>	<u><u>(409,414)</u></u>

THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS

December 31 2020

14. Operating Leases

For the year ended December 31 expenses relating to operating leases are \$363,089 (2019 - \$455,503). 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>
	\$
2021	268,938
2022	40,410
2023	44,446
2024	44,446
2025	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 (2019 - \$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 \$141,937.

16. Long-term Debt

	<u>2020</u>	<u>2019</u>
	\$	\$
Mortgage Payable – Bank of Montreal Repayable at \$39,529 per month including Interest at 2.33% and due November 27, 2023	5,973,458	--
Less amounts due within one year included in current liabilities	<u>(338,000)</u>	<u>--</u>
	<u><u>5,635,458</u></u>	<u><u>--</u></u>

The mortgage is secured by a first charge over all owned assets of the Holding Foundation and by limited guarantees for the principal outstanding by both the Festival of Canada and the Endowment Foundation. Principal repayments for the next three years are as follows:

<u>Year</u>	<u>Total</u>
	\$
2021	338,000
2022	346,779
2023	5,288,679

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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.

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.

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19. Impacts of COVID-19:

During the month of March, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This declaration has resulted in governments worldwide, including the Canadian and provincial governments, enacting emergency measures to combat the spread of the virus. These measures, including the implementation of travel bans, self-imposed quarantine periods and social distancing, required the cancellation of the Festival's entire 2020 performance season.

On April 11 the Government of Canada passed legislation for the "Canada Emergency Wages Subsidy" (CEWS) to support employers facing financial pressures as measured by certain revenue declines resulting from the pandemic. Monthly qualifying periods took effect from March 15 and the program was subsequently extended into 2021. CEWS provided a reimbursement of compensation expense for employers who met the requirements of the program for any CEWS period.

The Festival suffered significant revenue losses in excess of the required revenue decline criteria and qualified for all program periods in 2020. For the year ended December 31, the Festival received CEWS wage subsidies totaling \$8,520,065 which is netted against the relevant expense lines in the Consolidated Statement of Operations.

At this time, the full impact of COVID-19 on the Festival is not known. The timeframe associated with the recovery from the impact of COVID-19 is anticipated to be a multi-year one. In an effort to maintain connections with audiences, artists, staff and community, the Festival is planning a small season under outdoor canopies in 2021 while continuing to build and share its digital content catalogue. The 2021 season is viewed as a bridge to subsequent seasons when it is safe to gather in large numbers again.