

**THE STRATFORD SHAKESPEAREAN  
FESTIVAL of CANADA**

**CONSOLIDATED FINANCIAL STATEMENTS**

December 31 2021



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## Independent Auditor's Report

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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, 2021, 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, 2021 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.


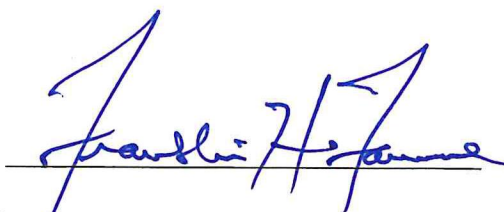
Chartered Professional Accountants, Licensed Public Accountants

Stratford, Ontario  
March 1, 2022

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

	2021	2020
	\$	\$
<b>Assets</b>		
<b>Current</b>		
Cash (Note 3)	9,555,094	12,583,644
Accounts & Pledges Receivable (Note 12)	3,133,600	2,050,592
Receivable from Stratford Shakespearean Festival Endowment Foundation (Note 11)	2,626,314	2,001,243
Inventory	476,259	601,433
Prepaid Expenses	1,114,666	375,872
Marketable Securities (Note 4)	1,263,767	1,077,251
	18,169,700	18,690,035
Prepaid Pension Cost (Note 9)	4,515,477	6,412,335
Capital Assets (Note 5)	93,234,997	97,017,553
	115,920,174	122,119,923
<b>Liabilities</b>		
<b>Current</b>		
Current Portion of Long-term Debt (Note 16)	346,779	338,000
Accounts Payable & Accrued Liabilities	2,872,724	3,631,302
Unearned Revenue (Note 8)	14,877,194	11,936,173
	18,096,697	15,905,475
Unearned Revenue (Note 8)	2,592,481	6,547,286
Accrued Liabilities	2,525,131	2,402,216
Long-term Debt (Note 16)	5,287,897	5,635,458
Deferred Capital Contributions (Note 6)	70,989,314	73,612,510
	99,491,520	104,102,945
<b>Net Assets</b>		
Unrestricted	(4,697,830)	(5,826,942)
Investment in Capital Assets (Note 7)	16,611,007	17,431,585
Pension - Restricted (Note 9)	4,515,477	6,412,335
	16,428,654	18,016,978
	115,920,174	122,119,923

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

	2021			2020	
	Unrestricted \$	Investment in Capital Assets \$	Pension - Restricted \$	Total \$	Total \$
Net Assets, Beginning of Year	(5,826,942)	17,431,585	6,412,335	18,016,978	21,305,905
Remeasurements and Other Items, Pension	--	--	(2,141,382)	(2,141,382)	998,211
Transfers	(537,226)	537,226	--	--	--
	(244,524)	--	244,524	--	--
Net Revenue (Loss)	1,910,862	(1,357,804)	--	553,058	(4,287,138)
<b>Net Assets, End of Year</b>	<b>(4,697,830)</b>	<b>16,611,007</b>	<b>4,515,477</b>	<b>16,428,654</b>	<b>18,016,978</b>

(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

	2021	2020
	\$	\$
<b>Earned Revenues</b>		
Performance	2,329,151	--
Ancillary	1,429,369	789,931
Financial	266,333	172,304
	4,024,853	962,235
<b>Contributed Revenues</b>		
Fundraising	12,433,841	13,282,544
Government Grants (Note 10)	6,361,715	4,655,056
Stratford Shakespearean Festival Endowment Foundation	2,000,000	2,000,000
Amortization of Deferred Capital Contributions (Note 6)	3,752,729	2,432,170
	24,548,285	22,369,770
<b>Total Revenues</b>	28,573,138	23,332,005
<b>Operating Expenses</b>		
Production	9,988,576	12,654,797
Administration	3,449,650	2,847,391
Amortization of Capital Assets	5,110,533	3,772,283
Ancillary	2,167,652	648,068
Education	846,017	644,350
Facilities	2,932,923	2,508,394
Financial	794,536	837,437
Fundraising	822,152	1,040,624
Marketing & Sales	1,908,041	2,665,799
	28,020,080	27,619,143
<b>Net Revenue (Loss) for the Year</b>	553,058	(4,287,138)

(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>2021</u>	<u>2020</u>
	\$	\$
<b>Operating Activities</b>		
Net Revenue (Loss) for the Year	553,058	(4,287,138)
Amortization of Capital Assets	5,110,533	3,772,283
Amortization of Deferred Capital Contributions	(3,752,729)	(2,432,170)
Change in Prepaid Pension Cost	(244,524)	(245,114)
Unrealized Gain on Investments	<u>(186,516)</u>	<u>(50,865)</u>
	1,479,822	(3,243,004)
 Net Change in Non-cash Working Capital Balances		
Receivables	(1,083,008)	2,473,954
Inventory	125,174	(230,501)
Prepaid Expenses	(738,794)	1,908,816
Accounts Payable & Accrued Liabilities	(635,663)	(6,944,211)
Unearned Revenue	<u>(1,013,784)</u>	<u>2,989,240</u>
	<u>(1,866,253)</u>	<u>(3,045,706)</u>
 <b>Investing Activities</b>		
Purchase of Capital Assets	(1,327,977)	(14,120,916)
Redemption of Marketable Securities	<u>--</u>	<u>3,939,021</u>
	<u>(1,327,977)</u>	<u>(10,181,895)</u>
 <b>Financing Activities</b>		
Capital Contributions	1,129,533	7,405,432
Net Change in Amounts Due to/from Stratford Shakespearean Festival Endowment Foundation	(625,071)	2,360,460
Proceeds from Long-term Debt	--	6,000,000
Repayments of Long-term Debt	<u>(338,782)</u>	<u>(26,542)</u>
	<u>165,680</u>	<u>15,739,350</u>
 Change in Cash & Cash Equivalents During the Year	(3,028,550)	2,511,749
Cash & Cash Equivalents, Beginning of Year	<u>12,583,644</u>	<u>10,071,895</u>
Cash & Cash Equivalents, End of Year	<u><u>9,555,094</u></u>	<u><u>12,583,644</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 2021

### 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 2021

**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 2021 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 2021

**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 2021

**3. Cash**

As at December 31 cash is held at a chartered bank, earning interest of 0% and 0.65%. Bank balances include \$942,776 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:

	2021			2020
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Land	7,725,138	--	7,725,138	7,725,138
Buildings	97,207,769	33,204,043	64,003,726	65,642,486
Furnishings, Equipment & Leasehold Improvements	33,705,347	13,280,221	20,425,126	22,072,487
Computer Hardware & Software	3,914,039	2,833,032	1,081,007	1,577,442
	142,552,293	49,317,296	93,234,997	97,017,553

**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:

	2021	2020
	\$	\$
Balance, Beginning of Year	73,612,510	68,639,248
Government Grants – Government of Canada	25,000	6,734,390
Government Grants – Province of Ontario	25,000	350,000
Capital Contribution – Capital Campaign	1,056,129	297,027
Capital Contribution – Endowment Foundation	23,404	24,015
Amortization of Deferred Capital Contributions	(3,752,729)	(2,432,170)
Balance, End of Year	70,989,314	73,612,510

**THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA**  
**NOTES to the CONSOLIDATED FINANCIAL STATEMENTS**  
December 31 2021

**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>2021</u>	<u>2020</u>
	\$	\$
Net Book Value of Capital Assets (Note 5)	93,234,997	97,017,553
Long-term Debt (Note 16)	(5,634,676)	(5,973,458)
Deferred Capital Contributions (Note 6)	<u>(70,989,314)</u>	<u>(73,612,510)</u>
Investment in Capital Assets	<u><u>16,611,007</u></u>	<u><u>17,431,585</u></u>

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

	<u>2021</u>	<u>2020</u>
	\$	\$
Balance, Beginning of Year	17,431,585	18,029,672
Transfers		
Purchase of Capital Assets	1,327,977	14,120,916
Capital Contributions	(1,129,533)	(7,405,432)
Long-Term Debt	338,782	(5,973,458)
Net Revenue		
Amortization of Capital Assets	(5,110,533)	(3,772,283)
Amortization of Deferred Capital Contributions	<u>3,752,729</u>	<u>2,432,170</u>
Balance, End of Year	<u><u>16,611,007</u></u>	<u><u>17,431,585</u></u>

**8. Unearned Revenue**

As at December 31 unearned revenue is comprised as follows:

	<u>2021</u>	<u>2020</u>
	\$	\$
Current		
Future Performances	4,774,961	2,000,000
Government Grants	2,174,221	2,185,611
Restricted Donations	6,331,736	6,289,037
Gift Certificates & Other	<u>1,596,276</u>	<u>1,461,525</u>
	<u><u>14,877,194</u></u>	<u><u>11,936,173</u></u>
Long-Term		
Future Performances	2,387,481	6,000,000
Restricted Donations	<u>205,000</u>	<u>547,286</u>
	<u><u>2,592,481</u></u>	<u><u>6,547,286</u></u>

**THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA**  
 NOTES to the CONSOLIDATED FINANCIAL STATEMENTS  
 December 31 2021

**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>2021</u>	<u>2020</u>
	\$	\$
Defined benefit obligation	10,665,755	13,578,355
Fair value of plan assets	<u>(15,181,232)</u>	<u>(19,990,690)</u>
Funded status – plan surplus	<u><u>(4,515,477)</u></u>	<u><u>(6,412,335)</u></u>

All other pension plans are defined contribution plans and the pension expense for these plans for the year ended December 31 is \$512,777 (2020 - \$448,719).

**THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA**  
**NOTES to the CONSOLIDATED FINANCIAL STATEMENTS**  
December 31 2021

**10. Government Grants**

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

	<u>2021</u>	<u>2020</u>
	\$	\$
Ontario Arts Council	3,875,590	2,056,998
Canada Council for the Arts	1,500,000	1,887,500
Other	986,125	710,558
	<u>6,361,715</u>	<u>4,655,056</u>

**11. Related Party Transactions**

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

	<u>2021</u>	<u>2020</u>
	\$	\$
<b>Revenues and Recoveries</b>		
Festival of America – Donations	2,326,098	5,009,548
The Endowment Foundation		
– Donations	2,000,000	2,000,000
– Recovery of Administrative Expenses	103,000	95,000
– Capital Contributions	1,079,533	5,262,318
	<u>5,508,631</u>	<u>12,366,866</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 \$844,652 (2020 - \$478,655) of pledges that remain unpaid at year end.

**THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA**

NOTES to the CONSOLIDATED FINANCIAL STATEMENTS

December 31 2021

**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>2021</u>	<u>2020</u>
	\$	\$
<b>Financial Position</b>		
Assets		
Cash	25,714,962	22,413,316
Pledges & Other Receivables	4,369,925	5,442,594
Investments at Market	<u>102,231,248</u>	<u>87,884,057</u>
Total Assets	<u><u>132,316,135</u></u>	<u><u>115,739,967</u></u>
Liabilities		
Accounts Payable	7,700	7,500
Payable to the Festival	2,000,000	2,000,000
Payable to the Holding Foundation	530,089	86,717
Unearned Revenue	<u>--</u>	<u>3,157,614</u>
Total Liabilities	<u><u>2,537,789</u></u>	<u><u>5,251,831</u></u>
Total Net Assets	<u><u>129,778,346</u></u>	<u><u>110,488,136</u></u>
<b>Results of Operations</b>		
Donations	7,577,093	12,567,726
Investment Income	4,579,857	3,955,371
Unrealized Gain (Loss) on Investments	10,473,197	(3,868,280)
Grant to the Festival	(2,000,000)	(2,000,000)
Grant to the Holding Foundation	(642,623)	(5,325,020)
Other Expenses	<u>(697,314)</u>	<u>(621,316)</u>
	<u><u>19,290,210</u></u>	<u><u>4,708,481</u></u>
<b>Cash Flow</b>		
Net Revenue for the Year	19,290,210	4,708,481
(Gain) Loss on Disposal of Investments	(465,674)	28,690
Unrealized (Gain) Loss on Investments	(10,473,197)	3,868,280
Changes in Pledges Receivable	1,072,669	289,189
Changes in Marketable Securities	--	70,036
Changes in Receivable from/Payable to the Festival	--	2,000,000
Changes in Payable to the Holding Foundation	443,372	86,717
Changes in Accounts Payables	200	(1,255)
Changes in Unearned Revenue	(3,157,614)	61,914
Net Purchase of Investments	<u>(3,408,320)</u>	<u>(3,247,017)</u>
Increase in Cash	<u><u>3,301,646</u></u>	<u><u>7,865,035</u></u>

**THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA**  
NOTES to the CONSOLIDATED FINANCIAL STATEMENTS  
December 31 2021

**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>2021</u>	<u>2020</u>
	\$	\$
<b>Financial Position</b>		
Assets		
Cash	3,764,310	1,605,856
Pledges & Other Receivables	1,851,247	2,132,576
Receivable from the Festival	--	83,335
Gift Annuity Reserves	27,815	32,540
Total Assets	<u>5,643,372</u>	<u>3,854,307</u>
Liabilities		
Accounts Payable	17,660	13,092
Gift Annuity Liabilities	58,765	60,991
Total Liabilities	<u>76,425</u>	<u>74,083</u>
Total Net Assets	<u>5,566,947</u>	<u>3,780,224</u>
<b>Results of Operations</b>		
Donations & Other Revenues	4,304,680	5,380,792
Grant to the Festival	(1,819,763)	(4,619,928)
Grant to the Endowment Foundation	(642,051)	(2,153,411)
Other Expenses	(56,143)	(134,837)
	<u>1,786,723</u>	<u>(1,527,384)</u>
<b>Cash Flow</b>		
Net Revenue (Loss) for the Year	1,786,723	(1,527,384)
Changes in Pledges & Other Receivables	281,329	1,099,642
Changes in Receivable from the Festival	83,335	(83,335)
Changes in Value of Annuity Agreements	2,499	(7,882)
Changes in Payables	4,568	74
Change in Cash	<u>2,158,454</u>	<u>(518,885)</u>



# THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA

## NOTES to the CONSOLIDATED FINANCIAL STATEMENTS

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### 14. Operating Leases

For the year ended December 31 expenses relating to operating leases are \$264,097 (2020 - \$363,089). 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>
	\$
2022	460,071
2023	44,446
2024	44,446
2025	44,446
2026	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 (2020 - \$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.

### 16. Long-term Debt

	<u>2021</u>	<u>2020</u>
	\$	\$
Mortgage Payable – Bank of Montreal Repayable at \$39,529 per month including Interest at 2.33% and due November 27, 2023	5,634,676	5,973,458
Less amounts due within one year included in current liabilities	<u>(346,779)</u>	<u>(338,000)</u>
	<u><u>5,287,897</u></u>	<u><u>5,635,458</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 two years are as follows:

<u>Year</u>	<u>Total</u>
	\$
2022	346,779
2023	5,287,897

# THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA

## NOTES to the CONSOLIDATED FINANCIAL STATEMENTS

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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.

**THE STRATFORD SHAKESPEAREAN FESTIVAL OF CANADA**  
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**19. Impacts of COVID-19:**

During the month of March 2020, 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. In 2021, the introduction of vaccines and other public health measures enabled a season mainly held under outdoor canopies.

On April 11 2020 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 2020 and the program was subsequently extended to October 2021. CEWS provided a reimbursement of compensation expense for employers who met the requirements of the program for any CEWS period. Starting in November 2021 the Government of Canada passed legislation for the Tourism and Hospitality Recovery Program (THRP) as a continuation of the previous CEWS program.

The Festival suffered significant revenue losses in excess of the required revenue decline criteria and qualified for all program periods in 2021. For the year ended December 31, the Festival received CEWS and THRP wage subsidies totaling \$6,524,987 (2020 - \$8,520,065) which is netted against the relevant expense lines in the Consolidated Statement of Operations.

The timeframe associated with the recovery from the impact of COVID-19 is a multi-year one and the Festival's plans have responded to the marketplace realities. In an effort to maintain connections with audiences, artists, staff and community, the Festival held a small season under outdoor canopies in 2021 while continuing to build and share its digital content catalogue. The 2022 season plan includes a return to producing theatre in all four indoor venues with seating capacity that enables audience numbers to grow as consumer confidence returns.