



Financial Statements

Shaw Festival Theatre Endowment Foundation

December 31, 2020

Contents

	Page
Independent Auditor's Report	1
Statement of Operations	3
Statement of Changes in Fund Balances	4
Statement of Financial Position	5
Statement of Cash Flows	6
Notes to the Financial Statements	7-15

Independent Auditor's Report

Grant Thornton LLP
11th Floor
200 King Street West, Box 11
Toronto, ON
M5H 3T4
T +1 416 366 0100
F +1 416 360 4949

To the Members of
Shaw Festival Theatre Endowment Foundation

Opinion

We have audited the financial statements of Shaw Festival Theatre Endowment Foundation (the "Endowment Foundation"), which comprise the statement of financial position as at December 31, 2020, and the statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of the Endowment Foundation as at December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

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 financial statements section of our report. We are independent of the Endowment Foundation in accordance with the ethical requirements that are relevant to our audit of the 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 financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with ASPNO, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Endowment Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Endowment Foundation or to cease operations, or has no realistic alternative to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Endowment Foundation'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 Endowment Foundation'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 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 Endowment Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Grant Thornton LLP

Toronto, Canada
April 29, 2021

Chartered Professional Accountants
Licensed Public Accountants

Shaw Festival Theatre Endowment Foundation Statement of Operations

Year ended December 31

	<u>Unrestricted Fund</u>		<u>Restricted Fund</u>		<u>Endowment Fund</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenue								
Contributions	\$ -	\$ -	\$ 925,225	\$ 525,000	\$ 562,502	\$ 831,101	\$ 1,487,727	\$ 1,356,101
Grants	-	-	-	-	1,077,362	670,365	1,077,362	670,365
Investment income, net of investment management fees (Notes 3(b) and 5)	-	-	59,265	32,781	2,200,952	2,243,130	2,260,217	2,275,911
	-	-	984,490	557,781	3,840,816	3,744,596	4,825,306	4,302,377
Expenses								
Administration (Note 9(b))	282,942	256,509	-	-	-	-	282,942	256,509
(Deficiency) excess of revenue over expenses before distributions	(282,942)	(256,509)	984,490	557,781	3,840,816	3,744,596	4,542,364	4,045,868
Distributions								
Shaw Festival Theatre, Canada (Note 9(a))	-	-	910,208	1,184,190	-	-	910,208	1,184,190
(Deficiency) excess of revenue over expenses and distributions	\$ (282,942)	\$ (256,509)	\$ 74,282	\$ (626,409)	\$ 3,840,816	\$ 3,744,596	\$ 3,632,156	\$ 2,861,678

See accompanying notes to the financial statements.

Shaw Festival Theatre Endowment Foundation
Statement of Changes in Fund Balances

Year ended December 31

2020	Unrestricted Fund	Restricted Fund	Endowment Fund				Total
			Endowed	Restricted	Unrestricted	Total	
Fund balances, beginning of year	\$ 24,760	\$ 1,076,517	\$ 26,467,467	\$ 596,608	\$ 1,319,241	\$ 28,383,316	\$ 29,484,593
(Deficiency) excess of revenue over expense and distributions	(282,942)	74,282	1,639,863	660,286	1,540,667	3,840,816	3,632,156
Interfund transfers (Note 8)	<u>270,922</u>	<u>501,119</u>	<u>431,767</u>	<u>(361,142)</u>	<u>(842,686)</u>	<u>(772,041)</u>	-
Fund balances, end of year	<u>\$ 12,740</u>	<u>\$ 1,651,918</u>	<u>\$ 28,539,097</u>	<u>\$ 895,752</u>	<u>\$ 2,017,242</u>	<u>\$ 31,452,091</u>	<u>\$ 33,116,749</u>

2019	Unrestricted Fund	Restricted Fund	Endowment Fund				Total
			Endowed	Restricted	Unrestricted	Total	
Fund balances, beginning of year	\$ 19,465	\$ 1,108,203	\$ 24,664,001	\$ 292,920	\$ 538,326	\$ 25,495,247	\$ 26,622,915
(Deficiency) excess of revenue over expense and distributions	(256,509)	(626,409)	1,501,466	628,076	1,615,054	3,744,596	2,861,678
Interfund transfers (Note 8)	<u>261,804</u>	<u>594,723</u>	<u>302,000</u>	<u>(324,388)</u>	<u>(834,139)</u>	<u>(856,527)</u>	-
Fund balances, end of year	<u>\$ 24,760</u>	<u>\$ 1,076,517</u>	<u>\$ 26,467,467</u>	<u>\$ 596,608</u>	<u>\$ 1,319,241</u>	<u>\$ 28,383,316</u>	<u>\$ 29,484,593</u>

See accompanying notes to the financial statements.

Shaw Festival Theatre Endowment Foundation

Statement of Financial Position

December 31

2020

2019

Assets

Current assets

Cash	\$ 297,237	\$ 39,028
Accounts receivable (Note 10)	24,498	183,893
Advance to Shaw Festival Theatre, Canada (Note 9(a))	917,902	1,210,208
Investments (Note 3)	<u>1,762,500</u>	<u>-</u>

3,002,137 1,433,129

Investments (Note 3)

30,169,211 28,074,055

\$ 33,171,348 \$ 29,507,184

Liabilities

Accounts payable and accrued liabilities

\$ 54,599 \$ 22,591

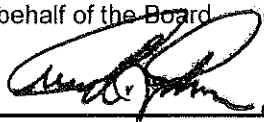
Fund balances

Unrestricted Fund	12,740	24,760
Restricted Fund (Note 4)	1,651,918	1,076,517
Endowment Fund (Note 5)		
Unrestricted	2,017,242	1,319,241
Restricted	895,752	596,608
Endowed	<u>28,539,097</u>	<u>26,467,467</u>

33,116,749 29,484,593

\$ 33,171,348 \$ 29,507,184

On behalf of the Board



Director



Director

Shaw Festival Theatre Endowment Foundation

Statement of Cash Flows

Year ended December 31	2020	2019
Increase (decrease) in cash		
Operating		
Excess of revenue over expenses and distributions	\$ 3,632,156	\$ 2,861,678
Realized loss (gain) on investments (Note 3)	277,846	(3,362,620)
Unrealized (gain) loss on investments (Note 3)	(2,064,314)	1,961,951
Reinvested dividends and interest, net	(370,746)	(883,502)
Change in non-cash working capital items		
Accounts receivable	159,395	203,463
Advance to Shaw Festival Theatre, Canada	292,306	(26,018)
Accounts payable and accrued liabilities	<u>32,008</u>	<u>3,982</u>
	1,958,651	758,934
Investing		
Investments purchased	(5,020,000)	(27,311,000)
Investments sold	3,257,500	26,393,639
Principal repayments on promissory notes (Note 9(c))	<u>62,058</u>	<u>41,541</u>
	<u>(1,700,442)</u>	<u>(875,820)</u>
Increase (decrease) in cash	258,209	(116,886)
Cash		
Beginning of year	<u>39,028</u>	<u>155,914</u>
End of year	<u>\$ 297,237</u>	<u>\$ 39,028</u>

See accompanying notes to the financial statements.

Shaw Festival Theatre Endowment Foundation

Notes to Financial Statements

December 31, 2020

1. Description of organization

The Shaw Festival Theatre Endowment Foundation (the "Endowment Foundation") was incorporated under the Corporations Act (Ontario) on November 22, 2002 as a corporation without share capital. The Endowment Foundation's objectives are to receive, hold and maintain one or more funds and to transfer from time to time all or part of the income therefrom and the capital thereof (unless endowed by the contributor) for the benefit of the Shaw Festival Theatre, Canada (the "Theatre").

The Endowment Foundation is a registered charitable public foundation as defined in the Income Tax Act (Canada) and, as such, is exempt from income taxes and able to issue donation receipts for income tax purposes.

2. Summary of significant accounting policies

These financial statements are prepared in accordance with Part III of the *CPA Canada Handbook - Accounting*, "Accounting Standards for Not-for-Profit Organizations", which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies set out below.

Fund accounting

For financial presentation purposes, the accounts of the Endowment Foundation have been classified into the following funds:

The Unrestricted Fund reports unrestricted resources available for any purpose.

The Restricted Fund reflects contributions and grants that are to be used for specific purposes as specified by the contributor. It is the Endowment Foundation's policy to allocate investment income, irrespective of any restriction thereon, to the Restricted Fund based on its proportionate share of the underlying investments. Unrestricted investment income is subsequently transferred out to the Unrestricted or Endowment Fund (if used for matching purposes – Notes 6 and 7) when the underlying conditions are met.

The Endowment Fund reflects contributions and grants that are to be permanently maintained as specified by the contributor. It is the Endowment Foundation's policy to allocate investment income, irrespective of any restrictions thereon, to the Endowment Fund based on its proportionate share of the underlying investments. Restricted and unrestricted investment income is subsequently transferred out to the relevant Restricted or Unrestricted Fund when the underlying conditions are met.

The Endowment Fund also includes the balances of the Ontario Arts Endowment Fund ("OAEF") (Note 6) and Canadian Arts and Heritage Sustainability Fund ("CAHCIF") (Note 7) whose contributions, including any matched funds, must also be maintained in perpetuity.

The investment income earned on the Endowment Fund are administered in accordance with the Endowment Foundation's endowment management policies (Note 5) or the policies of OAEF (Note 6) and CAHCIF (Note 7).

Shaw Festival Theatre Endowment Foundation

Notes to Financial Statements

December 31, 2020

2. Summary of significant accounting policies (continued)

Revenue recognition

The Endowment Foundation follows the restricted fund method of accounting for contributions, which include grants, bequests, donations and other contributions. Contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted contributions are recognized as revenue in the Unrestricted Fund when received or receivable. Externally restricted contributions, except endowment contributions, are recorded in the Restricted Fund when initially received or receivable. Externally restricted endowment contributions are recognized in the Endowment Fund when received or receivable.

Investment income (loss) consists of interest, dividends, distributions from pooled funds, realized and unrealized gains and losses including foreign exchange, net of investment management fees. Investment income (loss) earned is allocated to each of the funds on a monthly basis, based on each fund's investment balance at the beginning of the respective month.

Financial instruments

The Endowment Foundation's financial assets and liabilities comprise cash, accounts receivable, advances to the Theatre, investments, and accounts payable.

Initial measurement

The Endowment Foundation's financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

Subsequent measurement

At each reporting date, the Endowment Foundation measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets), except for equities and market funds quoted in an active market, which are measured at fair value, and investments in pooled funds, which the Endowment Foundation has elected to measure at fair value. All changes in fair value of the Endowment Foundation's investments in pooled funds are recorded in the statement of operations.

The Corporation uses the effective interest rate method to amortize any premiums, discounts, transaction fees and financing fees to the statement of operations. The financial instruments measured at amortized cost are cash, accounts receivable, advances to the Theatre, investments in bonds, notes, guaranteed investment certificates and promissory notes receivable from the Theatre, and accounts payable.

For financial assets measured at cost or amortized cost, the Endowment Foundation regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Endowment Foundation determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, the Endowment Foundation recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

Shaw Festival Theatre Endowment Foundation

Notes to Financial Statements

December 31, 2020

2. Summary of significant accounting policies (continued)

Distributions

Distributions by the Endowment Foundation are recorded as an expense when approved by the Board of Governors and all conditions are met by the grantee.

Contributed materials and services

Contributed materials and services are not recognized in the financial statements.

3. Investments and investment income

a) Investments consist of the following:

	<u>2020</u>	<u>2019</u>
Investments recorded at fair value:		
Pooled funds		
<u>Short term</u>		
Fiera Short Term Investment Series A	\$ 105,631	\$ 279,601
<u>Debt</u>		
RP Debt Opportunities Fund Trust	6,526,806	6,388,258
<u>Non-traditional income</u>		
Fiera Diversified Lending Series A	638,859	2,750,000
Fiera Multi-Strategy Income Series A	-	2,584,235
Fiera Global Agriculture – Class A	1,113,000	-
Fiera Infrastructure – Class 1	1,607,090	-
Fiera Real Estate – Class A	1,240,842	-
<u>Equity</u>		
Fiera Canadian Equity Series A	3,476,209	3,431,153
Fiera Canadian Equity Low Beta Series A	1,990,960	1,958,727
Fiera US Equity Series A	5,479,063	3,456,820
Fiera International Equity Series A	5,363,709	3,911,788
Fiera Emerging Markets Equity Series A	730,641	1,289,328
Cash		
Cash	-	65,686
	<u>28,272,810</u>	<u>26,115,596</u>

Shaw Festival Theatre Endowment Foundation

Notes to Financial Statements

December 31, 2020

3. Investments and investment income (continued)

a) Investments consist of the following (continued):

	<u>2020</u>	<u>2019</u>
Investments recorded at amortized cost:		
Royal Bank – Guaranteed investment certificates	\$ 1,762,500	\$ -
Promissory notes (Note 9 (c))		
Shaw Festival Theatre Canada, due 2023	703,334	729,167
Shaw Festival Theatre Canada, due 2029	<u>1,193,067</u>	<u>1,229,292</u>
	<u>3,658,901</u>	1,958,459
	31,931,711	28,074,055
Less: current investments	<u>1,762,500</u>	<u>-</u>
	<u>\$ 30,169,211</u>	<u>\$ 28,074,055</u>

The pooled funds are invested in Canadian, US and International equities, debt securities, and money market funds.

Investments in GIC's and money market funds mature at various dates to December 2021 with interest rates ranging from 0.4% to 0.6%.

b) Investment income, net of investment management fees, consists of the following:

	<u>2020</u>	<u>2019</u>
Realized (loss) gain, net, inclusive of foreign exchange	\$ (277,846)	\$ 3,362,620
Equity fund distribution	245,499	-
Dividends	-	578,069
Unrealized gain (loss), net	2,064,314	(1,961,951)
Lending fund distribution	136,789	123,268
Non-traditional fund distribution	107,810	-
Bank and promissory note interest	<u>79,429</u>	<u>273,414</u>
Total investment income before investment management fees	2,355,995	2,375,420
Custodial fees	-	(30,911)
Investment management fees	<u>(95,778)</u>	<u>(68,598)</u>
	<u>\$ 2,260,217</u>	<u>\$ 2,275,911</u>

Shaw Festival Theatre Endowment Foundation

Notes to Financial Statements

December 31, 2020

4. Restricted Fund

Temporarily restricted amounts represent contributions earmarked for matching related to the OAEF (Note 6) and CAHCIF (Note 7) programs. To the extent these amounts are matched, they will be transferred to the Endowment Fund. To the extent these amounts are not matched, they will revert to the fund from which they originated.

The Andrew Pringle Creative Reserve—Restricted Fund was established to provide the Shaw Festival Theatre's Artistic Director additional funding for specialized programming. Both the contributions and net investment income in this fund are available for distribution.

The Shaw Resiliency Fund is to provide essential financial relief to the Theatre and to assist with the longer term impacts and costs associated COVID-19 and the strategic objectives of the Theatre. These contributions will be restricted and invested by the Endowment Foundation, to ensure availability when needed, as determined by the Theatre's Board of Directors. The investment income earned on this fund is restricted. Part of the Theatre's mission as a charitable theatre company is one of public trust – to keep the Theatre as whole as possible for future generations – to survive and grow from challenging times like these.

	<u>2020</u>	<u>2019</u>
Temporarily restricted	\$ 550,000	\$ 654,192
Andrew Pringle Creative Reserve – Restricted Fund	726,693	422,325
Resiliency - Restricted Fund	<u>375,225</u>	<u>-</u>
	<u>\$ 1,651,918</u>	<u>\$ 1,076,517</u>

5. Endowment Fund

The Endowment Fund consists of amounts whereby the original principal must be maintained in perpetuity and the investment income is used for contributor-restricted activities and general support of the Theatre's operations.

<u>2020</u>	<u>Endowed</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Ontario Arts Endowment Fund (Note 6)	\$ 5,398,767	\$ -	\$ -	\$ 5,398,767
Canadian Arts and Heritage Sustainability Fund (Note 7)	9,844,343	-	-	9,844,343
Other endowments (including OAEF and CAHCIF matching amounts)	13,295,987	-	-	13,295,987
Unrestricted	-	-	2,017,242	2,017,242
Restricted	<u>-</u>	<u>895,752</u>	<u>-</u>	<u>895,752</u>
	<u>\$ 28,539,097</u>	<u>\$ 895,752</u>	<u>\$ 2,017,242</u>	<u>\$ 31,452,091</u>

Shaw Festival Theatre Endowment Foundation

Notes to Financial Statements

December 31, 2020

5. Endowment Fund (continued)

<u>2019</u>	<u>Endowed</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Ontario Arts Endowment Fund (Note 6)	\$ 5,398,767	\$ -	\$ -	\$ 5,398,767
Canadian Arts and Heritage Sustainability Fund (Note 7)	8,766,982	-	-	8,766,982
Other endowments (including OAEF and CAHCIF matching amounts)	12,301,718	-	-	12,301,718
Unrestricted	-	-	1,319,241	1,319,241
Restricted	-	596,608	-	596,608
	<u>\$ 26,467,467</u>	<u>\$ 596,608</u>	<u>\$ 1,319,241</u>	<u>\$ 28,383,316</u>

The Endowment Foundation established an investment policy with the objective of protecting the real value of the endowments by limiting the annual distribution of investment income to 3.5% of the average fair market value of investment assets for the trailing eight quarters, unless otherwise specified by an underlying endowment agreement. The policy also allows 1% of the average fair market value of endowment net assets for the trailing eight quarters to be made available for unrestricted use by the Board of the Theatre. In any year, should the investment income recognized be insufficient to fund the annual distribution or the investment return is negative, the amount that is made available for distribution is restricted to any previously accumulated amounts not yet distributed. Should a distribution be made in excess of this amount, the difference would be recuperated over time from any future undistributed amounts in excess of the annual 4.5% distribution amount.

In fiscal 2020, investment income of \$2,200,952 (2019 - income of \$2,243,130) was recorded in the Endowment Fund. In accordance with the Endowment Foundation's distribution policy, \$910,208 (2019 - \$884,190) was transferred to the Restricted Fund for distribution and \$270,922 (2019 - \$261,804) was transferred to the Unrestricted Fund (Note 8) for unrestricted use by the Board of the Theatre.

6. Ontario Arts Endowment Fund

Pursuant to an agreement with the OAEF, the Endowment Foundation participates in a program whereby it is eligible to receive a contribution from the OAEF that matches, subject to a maximum amount, qualifying funds raised. Under the agreement, the OAEF and matching contributions must be maintained in perpetuity. Investment income earned on these funds may be transferred to the Theatre for operating purposes. The agreement specifies that the Endowment Foundation use the same distribution policy for investment income as it has for its other endowed funds (Note 5).

7. Canadian Arts and Heritage Cultural Investment Fund

Pursuant to an agreement with CAHCIF, the Endowment Foundation participates in a program whereby it is eligible to receive a contribution from the CAHCIF that matches, subject to a maximum amount, qualifying funds raised. Under the agreement, the CAHCIF and matching contributions must be maintained in perpetuity. Investment income earned on these funds may be transferred to the Theatre for operating purposes. The agreement allows the Endowment Foundation to use the same distribution policy for investment income as it has for its other endowed funds (Note 5).

Shaw Festival Theatre Endowment Foundation

Notes to Financial Statements

December 31, 2020

8. Interfund transfers

Transfers between funds consist of the following:

	Unrestricted Fund		Restricted Fund		Endowment Fund	
	2020	2019	2020	2019	2020	2019
Distribution of investment income in accordance with Board policy (Note 5)	\$ -	\$ -	\$ 910,208	\$ 884,190	\$ (910,208)	\$ (884,190)
Transfer from Endowed to Restricted Fund – Pringle Reserve	-	-	26,348	16,228	(26,348)	(16,228)
Transfer from Endowed to Unrestricted Fund	270,922	261,804	(3,670)	(3,695)	(267,252)	(258,109)
Transfer from Restricted Fund resulting from Heritage match	-	-	(431,767)	(302,000)	431,767	302,000
	<u>\$ 270,922</u>	<u>\$ 261,804</u>	<u>\$ 501,119</u>	<u>\$ 594,723</u>	<u>\$ (772,041)</u>	<u>\$ (856,527)</u>

Certain gifts within the Restricted Fund have been designated by the contributor to be pledged as endowed contributions, to the extent matched in accordance with the agreement with the Canadian Arts and Heritage Cultural Investment Fund (Note 7). In 2020, \$431,767 (2019 - \$302,000) of these contributions were matched and transferred from the Restricted Fund to the Endowment Fund.

9. Shaw Festival Theatre, Canada

- (a) During the year ended December 31, 2020, the Endowment Foundation distributed \$910,208 (2019 - \$1,184,190) to the Theatre in support of 2020 operating and other specific purposes (Note 8). In 2019, included in this amount was a special distribution of \$300,000 from the Andrew Pringle Creative Restricted Fund for the production of Mahabharata in 2020. Due to the cancellation of the production of Mahabharata, the \$300,000 was returned to the Andrew Pringle Restricted Fund by the Theatre.

In addition, in 2020, a distribution in support of the Theatre's 2021 season of \$917,902 (2019 - \$1,210,208) was provided as an advance and recorded as advance to Shaw Festival Theatre, Canada in the statement of financial position.

- (b) The Theatre provides fundraising services to the Endowment Foundation. In accordance with a policy adopted in 2010 by the Board of Governors, an unrestricted distribution of 1% of the average fair market value of assets for the trailing eight quarters less direct administrative costs incurred by the Endowment Foundation is provided to the Theatre. During the year, the unrestricted distribution paid to the Theatre was \$255,154 (2019 - \$237,304) and is included in administration expenses on the statement of operations. The unrestricted distribution is prorated between the Endowed and Restricted Funds.

Shaw Festival Theatre Endowment Foundation

Notes to Financial Statements

December 31, 2020

9. Shaw Festival Theatre, Canada (continued)

- (c) On February 15, 2019, The Endowment Foundation provided a \$750,000 promissory note to the Theatre. The note bears interest at 4% and is repayable in five instalments on December 15 from 2019 to 2023.

As at December 31, 2020, an amount of \$703,334 (2019 - \$729,167) (Note 3) related to the promissory note was outstanding.

On May 15, 2019, the Foundation provided a \$1,250,000 promissory note to the Shaw Anchorage Land Limited and the Theatre. The note bears interest at 3.5% per annum and is repayable in 11 instalments on December 15 from 2019 to 2029.

As at December 31, 2020, an amount of \$1,193,067 (2019 - \$1,229,292) (Note 3) was outstanding.

The promissory notes are secured by a charge on two residential properties owned by the Theatre and Shaw Anchorage Land Limited.

- (d) Transactions with the Theatre are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

10. Accounts receivable

Included in accounts receivable are contributions receivable of \$12,637 (2019 - \$181,875).

11. Financial instruments

The Endowment Foundation is exposed to various financial risks through transactions in financial instruments.

Currency risk

The Endowment Foundation is exposed to foreign currency risk with respect to its investments denominated in foreign currencies because the fair value and future cash flows will fluctuate due to the changes in the relative value of foreign currencies against the Canadian dollar. The Endowment Foundation manages this risk by using professional portfolio managers and maintaining a diversified portfolio.

Interest rate risk

The Endowment Foundation is exposed to interest rate risk with respect to its investments in fixed income securities because the fair value will fluctuate due to changes in market interest rates. The Endowment Foundation does not use derivative instruments to reduce its exposure to interest rate risk.

Shaw Festival Theatre Endowment Foundation

Notes to Financial Statements

December 31, 2020

11. Financial instruments (continued)

Other price risk

The Endowment Foundation is subject to other price risk on its investments carried at fair value. These investments are subject to market risk such that the fair value of these investments may change as a result of factors specific to a particular investment or as a result of factors affecting all instruments trading in the market. The Endowment Foundation manages this risk by using professional portfolio managers and maintaining a diversified portfolio with a mix of bonds, equity funds, and non-traditional funds.

12. COVID-19

The spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, organizations are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to organizations worldwide, resulting in an economic slowdown. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

At this time, there has been limited impact to the Endowment Foundation. The Endowment Foundation's investment horizon with endowed contributions is long term and requires limited liquidity in the short term.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses (including the closure non-essential businesses for an undetermined period of time), remains unclear. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Endowment Foundation for future periods.

13. Comparative figures

Certain comparative figures have been reclassified to conform to changes in the current year presentation.