

National Arts Centre Foundation
Financial Statements
For the Year Ended August 31, 2025

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Independent Auditor's Report

To the board of directors of the National Arts Centre Foundation

Opinion

We have audited the financial statements of the National Arts Centre Foundation (the "Foundation"), which comprise the statement of financial position as at August 31, 2025, 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 Foundation as at August 31, 2025, and its financial performance and 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 Financial Statements* section of our report. We are independent of the 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.

Other Matters

The financial statements for the year ended August 31, 2024 were audited by another auditor who expressed an unmodified opinion on those financial statements on November 13, 2024.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 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 Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the 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 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 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 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.

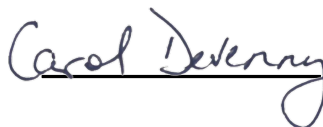
BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Ottawa, Ontario
November 19, 2025

National Arts Centre Foundation Statement of Financial Position

As at August 31, 2025	General Fund	Special Purpose Fund	Endowment Fund	2025 Total	2024 Total
Assets					
Current					
Cash	\$ 8,562,652	\$ -	\$ -	\$ 8,562,652	\$ 5,623,134
Receivables	54,261	-	-	54,261	71,690
	<u>8,616,913</u>	<u>-</u>	<u>-</u>	<u>8,616,913</u>	<u>5,694,824</u>
Restricted cash	-	3,452,482	-	3,452,482	6,930,248
Restricted investments (Note 2)	-	6,160,540	4,775,126	10,935,666	8,831,837
Collections (Note 5)	-	1	-	1	1
	<u>-</u>	<u>1</u>	<u>-</u>	<u>1</u>	<u>1</u>
Total Assets	<u>\$ 8,616,913</u>	<u>\$ 9,613,023</u>	<u>\$ 4,775,126</u>	<u>\$ 23,005,062</u>	<u>\$ 21,456,910</u>
Liabilities and Fund Balances					
Current					
Accounts payable and accrued liabilities	\$ 20,330	\$ -	\$ -	\$ 20,330	\$ 20,750
Amount owing to the National Arts Centre (Note 4)	1,933,320	-	-	1,933,320	1,119,204
	<u>1,953,650</u>	<u>-</u>	<u>-</u>	<u>1,953,650</u>	<u>1,139,954</u>
Fund Balances					
Externally restricted	-	8,536,613	4,775,126	13,311,739	14,685,676
Internally restricted	-	1,076,410	-	1,076,410	1,076,410
Unrestricted	6,663,263	-	-	6,663,263	4,554,870
	<u>6,663,263</u>	<u>9,613,023</u>	<u>4,775,126</u>	<u>21,051,412</u>	<u>20,316,956</u>
Total Liabilities and Fund Balances	<u>\$ 8,616,913</u>	<u>\$ 9,613,023</u>	<u>\$ 4,775,126</u>	<u>\$ 23,005,062</u>	<u>\$ 21,456,910</u>

On behalf of the Board:

 Director

 Director

The accompanying notes are an integral part of these financial statements.

National Arts Centre Foundation
Statement of Changes in Fund Balances

For the year ended August 31, 2025	General Fund	Special Purpose Fund	Endowment Fund	2025 Total	2024 Total
Balance, beginning of the year	\$ 4,554,871	\$11,058,835	\$ 4,703,251	\$20,316,956	\$ 19,857,474
Excess (deficiency) of revenues over expenses	2,108,392	(1,445,812)	71,875	734,455	459,482
Balance, end of the year	\$ 6,663,263	\$ 9,613,023	\$ 4,775,126	\$21,051,411	\$ 20,316,956

The accompanying notes are an integral part of these financial statements.

National Arts Centre Foundation Statement of Operations

For the year ended August 31, 2025	General Fund	Special Purpose Fund	Endowment Fund	2025 Total	2024 Total
Revenue					
Fundraising and donations (Note 3)	\$ 2,412,407	\$ 6,459,345	\$ 71,875	\$ 8,943,627	\$ 7,815,675
Unrealized gains on restricted investments	-	898,892	-	898,892	870,964
Investment income	530,865	502,307	-	1,033,172	1,277,508
	<u>2,943,272</u>	<u>7,860,544</u>	<u>71,875</u>	<u>10,875,691</u>	<u>9,964,147</u>
Expenses					
Fundraising and administration	834,880	2,235,435	-	3,070,315	2,777,171
Excess of revenue over expenses before grants	2,108,392	5,625,109	71,875	7,805,376	7,186,976
Grants to the National Arts Centre (Note 3 and 4)	-	(7,070,921)	-	(7,070,921)	(6,727,494)
Excess (deficiency) of Revenues over Expenses	<u>\$ 2,108,392</u>	<u>\$ (1,445,812)</u>	<u>\$ 71,875</u>	<u>\$ 734,455</u>	<u>\$ 459,482</u>

The accompanying notes are an integral part of these financial statements.

National Arts Centre Foundation Statement of Cash Flows

For the year ended August 31, 2025	2025	2024
Cash flows from operating activities		
Excess of revenues over expenses	\$ 734,455	\$ 459,482
Items not affecting cash:		
Unrealized gains on restricted investments	(898,892)	(870,964)
Changes in non-cash operating working capital items:		
Receivable	17,429	149,139
Accounts payable and accrued liabilities	(420)	-
Amount owing to the National Arts Centre	814,116	1,511,223
	<u>666,688</u>	<u>1,248,880</u>
Cash flows from investing activities		
Purchase of restricted cash and investments	(623,397)	(1,429,784)
Proceeds on disposal of restricted cash and investments	2,896,227	3,400,181
	<u>2,272,830</u>	<u>1,970,397</u>
Net increase in cash	2,939,518	3,219,277
Cash, beginning of the year	<u>5,623,134</u>	<u>2,403,857</u>
Cash, end of the year	<u>\$ 8,562,652</u>	<u>\$ 5,623,134</u>

The accompanying notes are an integral part of these financial statements.

National Arts Centre Foundation

Notes to Financial Statements

August 31, 2025

1. Significant Accounting Policies

Nature and Purpose of Organization	<p>The National Arts Centre Foundation (the "Foundation") was continued under the Canada Not-for-profit Corporations Act on June 18, 2014 as a corporation without share capital. The Foundation is a registered charity under the Income Tax Act and as such is exempt from income taxes and may issue official tax receipts.</p> <p>The objects of the Foundation are to receive or maintain a fund or funds and transfer from time to time all or part thereof or the income therefrom to the National Arts Centre or qualified donees whose objects are in line with the mandate of the National Arts Centre.</p>
Basis of Accounting	<p>The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.</p>
Fund Accounting and Revenue Recognition	<p>The Foundation follows the restricted fund method of accounting for contributions.</p> <p>The General Fund includes the Foundation's day-to-day activities. This fund reports interest earned, unless otherwise specified and contributions that are unrestricted.</p> <p>The Special Purpose Funds includes contributions that are restricted by the donors for specific purposes.</p> <p>The Endowment Fund includes contributions to the Foundation, the principal portion of which must be maintained permanently. The revenue is used according to the conditions attached to the contribution.</p> <p>Unrestricted donations are recognized as contributions of the General Fund. Donations and sponsorship contributions that are restricted by the donors are recognized as fundraising revenue of the Special Purpose Funds when received, while contributions for endowment purposes are recognized as revenue of the Endowment Funds.</p>
Financial Instruments	<p><u>Initial and subsequent measurement</u></p> <p>Arm's length financial instruments are recorded at fair value at initial recognition. Related party financial instruments are recorded at cost at initial recognition.</p> <p>In subsequent periods, financial instruments are reported at fair value. Transaction costs on the acquisition, sale or issue of financial instruments are expensed.</p>

National Arts Centre Foundation Notes to Financial Statements

August 31, 2025

1. Significant Accounting Policies (continued)

Contributed Materials and Services	The Foundation benefits from various donations of materials and services, the fair value of which is recognized in the financial statements, if fair value can be reasonably determined. These are materials and services that would have otherwise been purchased if they were not contributed.
Use of estimates	The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses for the year covered. The main estimates relate to the fair value of investments.
Collections	Musical instruments contributed to the Foundation that have cultural or artistic value are recorded initially and subsequently at nominal value in the statement of financial position. Note 5 discloses the nature of the musical instruments held.

National Arts Centre Foundation Notes to Financial Statements

August 31, 2025

2. Restricted Investments

	2025		2024	
	Cost	Fair market value	Cost	Fair market value
Canadian bonds	\$ 1,494,639	\$ 1,569,906	\$ 1,338,530	\$ 1,366,679
Canadian equities	4,057,033	4,888,000	3,406,650	3,832,959
Foreign equities	3,146,075	4,477,760	2,701,746	3,632,199
Total	\$ 8,697,747	\$10,935,666	\$ 7,446,926	\$ 8,831,837

The Foundation invests endowment funds and some special purpose funds in publicly traded securities. The securities include government and corporate bonds, as well as equities.

The maturity dates of the bonds range from June 2026 to December 2041 with interest rates ranging from 1.85% to 7.00% (2024 - November 2024 to March 2028 with interest rates ranging from 2.4% to 7%).

3. Contributions in-kind

Fundraising revenue and grants to the National Arts Centre include \$512,684 (2024 - \$447,750) of donated goods and services.

4. Related Party Transactions

The Foundation is a separate legal entity from the National Arts Centre Corporation ("NAC"), however they are related parties because the NAC has significant influence over the operating, financing and strategic planning of the Foundation. The Foundation raises funds on behalf of the NAC and the NAC is the principal beneficiary of these funds. As at August 31, 2025, the balance owing to the NAC was \$1,933,320 (2024 - \$1,119,204). The amounts owing to the NAC are non-interest bearing and are due upon demand. These transactions are measured at their exchange amount which is the amount agreed upon by both parties. The operating expenses of the Foundation are managed by the NAC and allocated to the Foundation using guidelines which have been approved by both Board of Directors. During this fiscal year, direct expenses related to fundraising costs, in the amount of \$2,740,275 (2024 - \$2,609,463) were charged to the Foundation. There were also grants to the NAC of \$7,070,921 (2024 - \$6,727,494).

National Arts Centre Foundation Notes to Financial Statements

August 31, 2025

5. Collections

In 2013, the assets of the Zukerman Musical Instrument Foundation for the National Arts Centre Orchestra were transferred to the Foundation, where the collection is now known as the National Arts Centre Orchestra Musical Instrument Collection. Seventeen musical instruments and six bows were transferred. An individual donated four additional musical instruments and four bows. The instruments are available for loan to members of the National Arts Centre Orchestra and to the students of the National Arts Centre music education programs. Loan agreements are signed when an instrument is lent and the Music Department of the NAC is responsible for the use, maintenance and repair of the collection. The instruments are insured for their approximate value of \$1,063,800.

National Arts Centre Foundation

Notes to Financial Statements

August 31, 2025

6. Financial Instruments

Credit risk

The Foundation is exposed to credit risk from maintaining all bank accounts at a single financial institution, with Canada Deposit Insurance Corporation (CDIC) coverage limited to \$100,000 per depositor per category.

Liquidity risk

Liquidity risk is the risk that the Foundation will encounter difficulty in meeting its obligations associated with financial liabilities. The Foundation meets its liquidity requirements by establishing budgets and cash estimates to ensure it has funds necessary to fulfill its obligations.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

i) 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 foreign exchange rates. The Foundation does not use forward exchange contracts to reduce exchange risk exposure. As at August 31, 2025, the Foundation has cash and restricted investments balance of \$4,914,387 (2024 - \$3,979,726) are denominated in US dollars and converted into Canadian dollars.

ii) 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 Foundation is exposed to changes in interest rates related to its investments in marketable securities. The Foundation's primary objective is to ensure the security of principal amounts invested and provide for a high degree of liquidity, while achieving a satisfactory return.

iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Foundation is exposed to other price risk through its investments in quoted shares.

The target allocation guidelines for endowed capital are as follows:

	Minimum	Target	Maximum
Equities	50%	70%	99%
Fixed Income	10%	15%	50%
Alternatives	0%	10%	25%
Cash and equivalents	0%	5%	30%
Foreign Securities	0%	50%	100%

Changes in risk

There have been no significant changes in the Foundation's risk exposures from the prior year.

**National Arts Centre Foundation
Notes to Financial Statements**

August 31, 2025
