

Quarterly Financial Statements of:

NATIONAL ARTS CENTRE CORPORATION

For the 6 months ended February 29, 2020

Management Responsibilities

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations, and for such internal controls as management determines is necessary to enable the preparation of quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the quarterly financial statements.

Based on our knowledge, the unaudited quarterly financial report presents fairly, in all material respects, the financial position, results of operations and cash flows of the Corporation, as at the date of and for the periods presented in the quarterly financial report.



Christopher Deacon

President and Chief Executive Officer



Helle Ottosen, CPA, CA

Chief Financial Officer

April 24, 2020

STATEMENT OF FINANCIAL POSITION

As at February 29, 2020

(Unaudited)

<i>(in thousands of dollars)</i>	February 29	August 31
	2020	2019
ASSETS		
Current		
Cash and cash equivalents	\$ 3,222	\$ 6,426
Restricted cash held for specified capital projects (Note 4)	3,352	12,184
Investments	973	981
Accounts receivable	7,054	2,554
Inventories	175	179
Prepaid expenses	2,199	1,903
	<hr/> 16,975	<hr/> 24,227
Investments	6,682	7,287
Capital assets	226,733	230,738
	<hr/> \$ 250,390	<hr/> \$ 262,252
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 20,260	\$ 22,549
Deferred parliamentary appropriations (Note 5)	719	510
Deferred revenue	4,339	6,626
Deferred parliamentary appropriations, specified capital projects (Note 4)	2,747	6,943
	<hr/> 28,065	<hr/> 36,628
Deferred capital funding	224,983	228,925
Long-term portion of provision for employee future benefits	2,641	2,465
	<hr/> 255,689	<hr/> 268,018
ACCUMULATED DEFICIT		
Unrestricted	(5,299)	(5,766)
	<hr/> \$ 250,390	<hr/> \$ 262,252

The accompanying notes and schedules form an integral part of the financial statements.

STATEMENT OF OPERATIONS

For the 6 months ended February 29, 2020

(Unaudited)

	Three month period ended		Six month period ended	
	February 29 2020	February 28 2019	February 29 2020	February 28 2019
<i>(in thousands of dollars)</i>				
REVENUES				
Commercial operations	\$ 4,718	\$ 4,425	\$ 8,931	\$ 8,900
Programming	4,605	4,917	8,389	8,193
Grant from the National Arts Centre Foundation	2,639	1,665	4,830	3,506
Other income	537	620	1,062	1,238
Investment income	59	58	123	126
	<u>12,557</u>	<u>11,685</u>	<u>23,335</u>	<u>21,963</u>
Parliamentary appropriations	12,595	12,500	25,389	24,545
	<u>25,152</u>	<u>24,185</u>	<u>48,724</u>	<u>46,508</u>
EXPENSES				
Commercial operations	2,901	2,678	5,584	5,411
Programming	13,307	13,596	27,788	26,027
Building operations	5,777	5,720	11,111	11,110
Administration and technology	2,035	1,730	3,774	3,450
	<u>24,020</u>	<u>23,724</u>	<u>48,257</u>	<u>45,998</u>
NET RESULTS OF OPERATIONS	<u>\$ 1,132</u>	<u>\$ 461</u>	<u>\$ 467</u>	<u>\$ 510</u>

The accompanying notes and schedules form an integral part of the financial statements.

STATEMENT OF CHANGES IN ACCUMULATED DEFICIT

For the 6 months ended February 29, 2020

(Unaudited)

	Three month period ended		Six month period ended	
	February 29 2020	February 28 2019	February 29 2020	February 28 2019
<i>(in thousands of dollars)</i>				
Unrestricted, beginning of the period	\$ (6,431)	\$ (5,811)	\$ (5,766)	\$ (5,860)
Net results of operations	1,132	461	467	510
Unrestricted, end of the period	<u>\$ (5,299)</u>	<u>\$ (5,350)</u>	<u>\$ (5,299)</u>	<u>\$ (5,350)</u>

The accompanying notes and schedules form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

For the 6 months ended February 29, 2020

(Unaudited)

(in thousands of dollars)

	2020	2019
Operating Activities		
Net results of operations	\$ 467	\$ 510
Items not affecting cash		
Amortization and write-down of capital assets	8,153	7,547
Amortization of deferred capital funding	(8,044)	(7,493)
Change in non-cash operating assets and liabilities	(9,159)	(9,808)
Change in long-term portion of provision for employee future benefits	176	16
Cash flow used for operating activities	(8,407)	(9,228)
Capital Activities		
Additions to capital assets	(4,148)	(16,525)
Cash flow used for capital activities	(4,148)	(16,525)
Investing Activities		
Sale of investments	613	651
Cash flow from investment activities	613	651
Financing Activities		
Restricted cash used for specified capital projects	8,832	20,495
Parliamentary appropriations (used) received for the acquisition of capital assets	(93)	(215)
Cash flow from financing activities	8,738	20,280
Increase (decrease) in cash position	(3,204)	(4,822)
Cash and cash equivalents at beginning of period	6,426	5,588
Cash and cash equivalents at end of period	\$ 3,222	\$ 766

The accompanying notes and schedules form an integral part of the financial statements.

Expenses

For the 6 months ended February 29, 2020

(Unaudited)

	Three month period ended		Six month period ended	
	February 29	February 28	February 29	February 28
	2020	2019	2020	2019
<i>(in thousands of dollars)</i>				
Salaries and benefits	\$ 9,473	\$ 8,806	\$ 18,469	\$ 17,186
Artistic fees	3,806	4,260	8,188	7,931
Amortization and write down of capital assets	4,011	4,003	8,153	7,547
National Arts Centre Orchestra fees	1,929	1,925	3,716	3,888
Advertising	697	745	1,617	1,566
Utilities	834	923	1,325	1,440
Maintenance and repairs	487	392	1,165	1,018
Cost of sales	610	602	1,150	1,187
Payments to municipalities	511	510	1,021	1,021
Professional fees	417	272	756	519
In-kind contributions of goods and services	9	2	50	1
Equipment rental	246	222	434	564
Production	160	122	378	298
Service charges	304	269	589	477
Staff travel	93	100	211	228
Promotion	76	106	265	227
Insurance	93	100	190	180
Telecommunications	71	83	134	156
Supplies	67	86	147	171
Education and training	25	35	46	56
Rental of facilities	22	40	72	81
Office	48	46	98	99
Board	23	50	81	75
Miscellaneous	8	24	2	83
	\$ 24,020	\$ 23,724	\$ 48,257	\$ 45,998

NATIONAL ARTS CENTRE CORPORATION

Notes to the Quarterly Financial Statements

As at February 29, 2020

1. Authority, objectives and operations

The National Arts Centre Corporation (the “Corporation”) was established in 1966 pursuant to the *National Arts Centre Act* and began operating the National Arts Centre (the “Centre”) in 1969. The Corporation is not subject to the provisions of the *Income Tax Act*. In accordance with Section 85 (1.1) of Part X of the *Financial Administration Act*, Divisions I to IV of this *Act* do not apply to the Corporation, except for sections 89.8 to 89.92, subsection 105(2) and sections 113.1, 119, 131 to 148 and section 154.01, which do apply to the Corporation. The Corporation is deemed, under Section 15 of the *National Arts Centre Act*, to be a registered charity within the meaning of that expression in the *Income Tax Act*. The Corporation is not an agent of Her Majesty. Except for the purposes of the *Public Service Superannuation Act* and the *Government Employees Compensation Act*, employees of the Corporation are not part of the federal public administration.

The objectives of the Corporation are to operate and maintain the Centre, to develop the performing arts in the National Capital Region, and to assist the Canada Council for the Arts in the development of the performing arts elsewhere in Canada.

In furtherance of its objectives, the Corporation may arrange for and sponsor performing arts activities at the Centre; encourage and assist in the development of performing arts companies resident at the Centre; arrange for or sponsor radio and television broadcasts and the screening of films in the Centre; provide accommodation at the Centre, on such terms and conditions as the Corporation may fix, for national and local organizations whose objectives include the development and encouragement of the performing arts in Canada and, at the request of the Government of Canada or the Canada Council for the Arts, arrange for performances elsewhere in Canada by performing arts companies, whether resident or non-resident in Canada, and arrange for performances outside Canada by performing arts companies resident in Canada.

2. Notice to reader

These quarterly financial statements have not been audited and must be read in conjunction with the accompanying Narrative Discussion, and the most recent audited annual financial statements. Totals may not add due to rounding.

3. Basis of presentation

These unaudited financial statements have been prepared in accordance with Canadian public sector accounting standards (PSAS) including series 4200 accounting standards for government not-for-profit organizations (GNFPO).

The standard on quarterly financial reports for crown corporations requires that the statement of financial position include the ending balances of the most current quarter, and the balances at the end of the immediately preceding fiscal year as the comparative. The statement of operations must include the current quarterly results as well as the year to date results, along with comparable quarterly and year to date results from the previous fiscal year.

4. Restricted cash held for Specified Capital Projects

In 2015, the Government of Canada approved funding of \$110,500,000 for Architectural Rejuvenation to improve the public spaces of the Centre. In 2016 an additional \$114,900,000 was approved for Production Renewal to modernize performance facilities. Changes in the fund balance are as follows:

(in thousands of dollars)

Restricted cash at beginning of period	\$	12,184
Appropriations received to fund specified capital projects		-
Appropriations invested in specified capital projects		(8,832)
Restricted cash at end of period	\$	3,352
Project related accounts payable		(605)
Deferred parliamentary appropriations, specified capital projects	\$	2,747

5. Deferred parliamentary appropriations

Deferred appropriations represent approved parliamentary appropriations received for work to be completed in a future period. Information on deferred appropriations is as follows:

(in thousands of dollars)

	Beginning	Received	Used	Ending
Building refurbishment	\$ 405	\$ 3,500	\$ (3,186)	\$ 719
Programming and Operations	-	13,960	(13,960)	-
Specific programs	105	-	(105)	-
Total	\$ 510	\$ 17,460	\$ (17,251)	\$ 719

6. Parliamentary appropriations

The Corporation receives parliamentary appropriations from the Government of Canada to support its operating and capital activities. The table below illustrates the parliamentary appropriations received during the fiscal year, and the accounting adjustments required to arrive at the calculation of revenue that conforms to public sector accounting standards.

(in thousands of dollars)

Main estimates amount provided for operating and capital expenditures	\$	17,460
Supplementary estimates		-
Appropriations approved		17,460
Portion of parliamentary appropriations used for specified projects		4,033
Appropriation used to purchase depreciable property, plant and equipment		(4,148)
Amortization of deferred capital funding		8,044
Parliamentary appropriations	\$	25,389

Narrative Discussion

Strategic Goals

The Corporation remains committed to the fulfillment of its strategic goals published in *Canada is our Stage*:

CREATION: Helping artists and arts organizations across Canada create ambitious new work for national and international audiences

PERFORMANCE: Developing a new Department of Indigenous Theatre, and strengthening the NAC's national performance role

LEARNING: Extending the *Music Alive Program* to Atlantic Canada, and our education activities across the country

ARCHITECTURAL REJUVENATION: Shepherding the architectural rejuvenation of the NAC

A NATIONAL, FRANCOPHONE ORGANIZATION: Becoming just as national in French as we are in English by renewing our commitment to Francophone artists, arts organizations and audiences

INCREASING OUR EARNED REVENUES: Increasing our earned revenues to support our national initiatives

AUDIENCES AT THE CENTRE: Building relationships with our audiences

Analysis

The Corporation presents programming in many of the performing art disciplines. The type of program, the availability of performances on specific dates, the number of performers, the scale of the program, and the complexity of the technical elements are different for each performance. In addition, each season is different from the previous one. For instance, one season's first quarter may include a full scale ballet with orchestra, while the same quarter the next season may include a small modern dance duet with recorded music and minimal sets. The Corporation's Food and Beverage Services and Parking Services are also influenced by the level of programming because of the number of patrons that the performances bring to the National Arts Centre.

The Corporation manages this normal business variability through detailed budgeting and scheduling and by the careful analysis of expenditures. For that reason, variances between quarters are to be expected, as are operating deficits early in the season. The Corporation relies on comparisons to expected revenues and expenditures to manage its financial performance.

Financial Highlights

For the six months ending February 29, 2020 the NAC realized revenues of \$48,724,000 and expenses of \$48,257,000, resulting in a surplus from operations of \$467,000. Deficits in the first quarter are a normal part of the business cycle. The NAC is planning a small surplus for this fiscal year.

Risks

The NAC relies on parliamentary appropriations, ticket sales, commercial revenue, donations and sponsorships to fund its programming and to maintain the Centre. These sources of revenue may fluctuate with economic conditions, and programming choices. Additionally, the Centre is 50 years of age with certain building systems requiring replacement during coming years.

Subsequent Events

In March 2020, the National Arts Centre and most other public facilities closed indefinitely to prevent the spread of COVID-19 virus. The closure will result in a significant reduction in revenues and some expenses in the following months. There may also be a negative impact on the values of assets including investments, accounts receivable, inventory and prepaid expenses as well as some liabilities. At this time, the impact of the disruption is not fully known.