

Quarterly Financial Statements of:

NATIONAL ARTS CENTRE CORPORATION

For the 3 months ended November 30, 2019

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 my 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

January 31, 2020

STATEMENT OF FINANCIAL POSITION

As at November 30, 2019

(Unaudited)

<i>(in thousands of dollars)</i>	November 30	August 31
	2019	2019
ASSETS		
Current		
Cash and cash equivalents	\$ (976)	\$ 6,426
Restricted cash held for specified capital projects (Note 4)	5,506	12,184
Investments	997	981
Accounts receivable	4,822	2,554
Inventories	182	179
Prepaid expenses	1,351	1,903
	<hr/> 11,883	<hr/> 24,227
Investments	7,284	7,287
Capital assets	<hr/> 229,457	<hr/> 230,738
	<hr/> <hr/> \$ 248,624	<hr/> <hr/> \$ 262,252
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 13,574	\$ 22,549
Deferred parliamentary appropriations (Note 5)	609	510
Deferred revenue	6,715	6,626
Deferred parliamentary appropriations, specified capital projects (Note 4)	4,052	6,943
	<hr/> 24,950	<hr/> 36,628
Deferred capital funding	227,653	228,925
Long-term portion of provision for employee future benefits	<hr/> 2,452	<hr/> 2,465
	<hr/> 255,055	<hr/> 268,018
ACCUMULATED DEFICIT		
Unrestricted	<hr/> (6,431)	<hr/> (5,766)
	<hr/> <hr/> \$ 248,624	<hr/> <hr/> \$ 262,252

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

STATEMENT OF OPERATIONS

For the 3 months ended November 30, 2019

(Unaudited)

<i>(in thousands of dollars)</i>	2019	2018
REVENUES		
Commercial operations	\$ 4,213	\$ 4,475
Programming	3,783	3,276
Grant from the National Arts Centre Foundation	2,192	1,841
Other income	520	619
Investment income	63	69
	<u>10,771</u>	<u>10,280</u>
Parliamentary appropriations	<u>12,795</u>	<u>12,045</u>
	<u>23,566</u>	<u>22,325</u>
EXPENSES		
Commercial operations	2,683	2,733
Programming	14,478	12,431
Building operations	5,334	5,390
Administration and technology	1,736	1,722
	<u>24,231</u>	<u>22,276</u>
NET RESULTS OF OPERATIONS	<u>\$ (665)</u>	<u>\$ 49</u>

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

STATEMENT OF CHANGES IN ACCUMULATED DEFICIT

For the 3 months ended November 30, 2019

(Unaudited)

<i>(in thousands of dollars)</i>	2019	2018
Unrestricted, beginning of the period	\$ (5,766)	\$ (5,860)
Net results of operations	<u>(665)</u>	<u>49</u>
Unrestricted, end of the period	<u>\$ (6,431)</u>	<u>\$ (5,811)</u>

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

STATEMENT OF CASH FLOWS

For the 3 months ended November 30, 2019

(Unaudited)

(in thousands of dollars)

	2019	2018
Operating Activities		
Net results of operations	\$ (665)	\$ 49
Items not affecting cash		
Amortization and write-down of capital assets	4,142	3,544
Amortization of deferred capital funding	(4,142)	(3,544)
	(665)	49
Change in non-cash operating assets and liabilities	(10,506)	(5,245)
Change in long-term portion of provision for employee future benefits	(13)	48
Cash flow used for operating activities	(11,184)	(5,148)
Capital Activities		
Additions to capital assets	(2,861)	(13,166)
Cash flow used for capital activities	(2,861)	(13,166)
Investing Activities		
Purchase of investments	(13)	624
Cash flow from investment activities	(13)	624
Financing Activities		
Transfer - restricted cash used (held) for specified capital projects	6,678	16,380
Parliamentary appropriations (used) received for the acquisition of capital assets	(22)	(157)
Cash flow from financing activities	6,656	16,223
Decrease in cash position	(7,402)	(1,467)
Cash and cash equivalents at beginning of period	6,426	5,588
Cash and cash equivalents at end of period	\$ (976)	\$ 4,121

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

Expenses

For the 3 months ended November 30, 2019

(Unaudited)

<i>(in thousands of dollars)</i>	2019	2018
Salaries and benefits	\$ 8,995	\$ 8,380
Artistic fees	4,382	3,671
Amortization and write down of capital assets	4,142	3,544
National Arts Centre Orchestra fees	1,787	1,963
Advertising	917	821
Utilities	492	516
Maintenance and repairs	678	625
Cost of sales	539	585
Payments to municipalities	511	511
Professional fees	339	247
In-kind contributions of goods and services	41	9
Equipment	188	341
Production	219	165
Financial charges and bad debts	285	209
Staff travel	118	129
Promotion	190	121
Insurance	97	80
Telecommunications	57	74
Supplies	80	85
Education and training	20	21
Rental of facilities	50	40
Office	50	54
Board	53	26
Miscellaneous	2	59
	\$ 24,231	\$ 22,276

NATIONAL ARTS CENTRE CORPORATION

Notes to the Quarterly Financial Statements

As at November 30, 2019

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		(6,678)
Restricted cash at end of period	\$	5,506
Project related accounts payable		(1,454)
Deferred parliamentary appropriations, specified capital projects	\$	4,052

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	\$ 1,750	\$ (1,546)	\$ 609
Programming and Operations	-	6,980	(6,980)	-
Specific programs	105	-	(105)	-
Total	\$ 510	\$ 8,730	\$ (8,631)	\$ 609

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	\$	8,730
Supplementary estimates		-
Appropriations approved		8,730
Portion of parliamentary appropriations used for specified projects		2,843
Appropriation used to purchase depreciable property, plant and equipment		(2,861)
Amortization of deferred capital funding		4,083
Parliamentary appropriations	\$	12,795

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 three months ending November 30, 2019 the NAC realized revenues of \$23,566,000 and expenses of \$24,230,000, resulting in a deficit from operations of \$664,000. 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.