

Quarterly Financial Statements of:

## **NATIONAL ARTS CENTRE CORPORATION**

For the 3 months ended November 30, 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

January 31, 2021

# National Arts Centre Corporation

## Statement of Financial Position

As at Nov 30, 2020

(Unaudited)

<i>(in thousands of dollars)</i>	November 30 2020	August 31 2020
<b>Assets</b>		
Current		
Cash and cash equivalents	\$ 16,159	\$ 11,486
Restricted cash held for specified capital projects (Note 4)	436	690
Accounts Receivable	3,332	5,601
Inventories	157	166
Prepaid expenses	1,365	1,420
	21,449	19,363
Capital Assets	217,028	220,635
	\$ 238,477	\$ 239,998
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities	\$ 11,105	\$ 12,182
Deferred parliamentary appropriations (Note 5)	4,012	3,441
Deferred revenue	1,662	1,676
Deferred parliamentary appropriations, specified capital projects (Note 4)	312	611
	17,091	17,910
Deferred capital funding	214,896	218,824
Long-term portion of provision for employee future benefits	2,453	2,493
	234,441	239,227
<b>Accumulated Surplus</b>		
Unrestricted	4,037	771
	\$ 238,477	\$ 239,998

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

# National Arts Centre Corporation

## Statement of Operations

For the 3 months ended November 30, 2020

(Unaudited)

	Three month period ended	
	Nov 30 2020	Nov 30 2019
<i>(in thousands of dollars)</i>		
<b>Revenues</b>		
Commercial operations	\$ 946	\$ 4,213
Programming	123	3,783
Grant from the NAC Foundation	2,172	2,192
Other Income	25	520
Investment income	-	63
	<u>3,266</u>	<u>10,771</u>
Parliamentary appropriations (Note 6)	16,594	12,795
	<u>19,860</u>	<u>23,566</u>
<b>Expenses</b>		
Commercial operations	1,145	2,683
Programming	7,900	14,478
Building operations	5,321	5,334
Administration and technology	2,228	1,736
	<u>16,594</u>	<u>24,231</u>
<b>Net results of operations</b>	<u>\$ 3,266</u>	<u>\$ (665)</u>

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

## Statement of Changes in Accumulated Surplus (Deficit)

For the 3 months ended November 30, 2020

(Unaudited)

	Three month period ended	
	Nov 30 2020	Nov 30 2019
<i>(in thousands of dollars)</i>		
Unrestricted, beginning of the period	\$ 771	\$ (5,766)
Net results of operations	3,266	(665)
Unrestricted, end of the period	<u>\$ 4,037</u>	<u>\$ (6,431)</u>

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

# National Arts Centre Corporation

## Statement of Cash Flows

For the 3 months ended November 30, 2020  
(Unaudited)

<i>(in thousands of dollars)</i>	<b>2020</b>	<b>2019</b>
<b>Operating Activities</b>		
Net results of operations	\$ 3,266	\$ (665)
Items not affecting cash		
Amortization and write-down of capital assets	4,178	4,142
Amortization of deferred capital funding	(3,927)	(4,142)
Change in non-cash operating assets and liabilities	1,514	(10,506)
Change in long-term portion of provision for employee future benefits	(41)	(13)
Cash flow used for operating activities	4,990	(11,184)
<b>Capital Activities</b>		
Additions to capital assets	(571)	(2,861)
Cash flow used for capital activities	(571)	(2,861)
<b>Investing Activities</b>		
Sale of investments	-	(13)
Cash flow from investment activities	-	(13)
<b>Financing Activities</b>		
Restricted cash used for specified projects	254	6,678
Parliamentary appropriations (used) received for the acquisition of capital assets	-	(22)
Cash flow from financing activities	254	6,656
Increase (decrease) in cash position	4,673	(7,402)
Cash and cash equivalents at beginning of period	11,486	6,426
Cash and cash equivalents at end of period	\$ 16,159	\$ (976)

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

# National Arts Centre Corporation

## Schedule of expenses

For the 3 months ended November 30, 2020

(Unaudited)

<i>(in thousands of dollars)</i>	2020	2019
Salaries and benefits	\$ 6,617	\$ 8,995
Amortization and write down of capital assets	4,178	4,142
National Arts Centre Orchestra fees	1,686	1,787
Artistic fees	1,113	4,382
Maintenance and repairs	691	678
Payments to municipalities	511	511
Utilities	480	492
Insurance	400	97
Professional fees	274	339
Advertising	178	917
Cost of Sales	102	539
Equipment rental	74	188
Telecommunications	68	57
Supplies	46	80
Promotion	38	190
Production	37	219
Service charges	36	285
Office	25	50
Rental of facilities	12	50
Education and training	9	20
Board	9	53
Staff travel	8	118
Miscellaneous	2	1
In-kind contributions of goods and services	0	41
	\$ 16,594	\$ 24,231

# National Arts Centre Corporation

## Notes to the Quarterly Financial Statements

As at Nov 30, 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.

### 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	\$	690
Appropriations received to fund specified capital projects		
Appropriations invested in specified capital projects		(254)
Restricted cash at end of period	\$	436
Project related accounts payable		(124)
Deferred parliamentary appropriations, specified capital projects	\$	312

### 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	\$ 1,201	\$ 1,556	\$ (985)	\$ 1,772
Programming and Operations	2,240	11,383	(11,383)	2,240
Total	\$ 3,441	\$ 12,939	\$ (12,368)	\$ 4,012

## 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	\$	12,939
Supplementary estimates		
Appropriations approved		12,939
Portion of parliamentary appropriations used for specified projects		4,226
Appropriation used to purchase depreciable property, plant and equipment		(571)
Parliamentary appropriations	\$	16,594

# **National Arts Centre Corporation**

## **Narrative Discussion**

### Strategic Goals

The Corporation remains committed to the fulfillment of its strategic goals published in *The Next Act* :

- Support renewal through dynamic artistic leadership
- Build community through expanded engagement
- Foster long-term resiliency through learning and innovation
- Maximize impact through operational sustainability

### 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. The Corporation relies on comparisons to expected revenues and expenditures to manage its financial performance.

### Financial Highlights

For the three months ending November 30, 2020 the NAC realized revenues of \$19.9 million and expenses of \$16.6 million resulting in a gain from operations of \$3.3 million.

The National Arts Centre operates in a very challenging context and follows COVID-19 measures set by all level of governments. It is currently closed to any live or recorded performances, with only essential staff present, as per the current Government of Ontario lockdown. The extension of its limited operations and continued closure has resulted in a significant reduction in revenues and some expenses. 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. As the situation extends and evolves, the full financial impact of the disruption is not yet fully known. According to national surveys, the performing arts and live entertainment sector will be one of the hardest hit and amongst the last ones to recover. Regular operations and return of audience and artists will only gradually come back when permitted and depending on vaccine roll out and possible regulations.

### 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.