

Quarterly Financial Statements of

NATIONAL ARTS CENTRE CORPORATION

For the three-month period ended November 30, 2023.

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



Ikram Zouari, CPA, CGA
Chief Financial Officer

January 12, 2024

National Arts Centre Corporation

Statement of Financial Position

As at November 30, 2023

(Unaudited)

	November 30 2023	August 31 2023
<i>(in thousands of dollars)</i>		
Assets		
Current		
Cash and cash equivalents (Note 4)	\$ 34,713	\$ 31,027
Restricted cash held for specified capital projects (Note 5)	570	760
Investments	896	889
Accounts receivable	3,693	1,988
Inventories	176	193
Prepaid expenses	2,128	1,975
	42,177	36,832
Investments	304	304
Capital assets	192,280	195,065
	\$ 234,761	\$ 232,201
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 13,019	\$ 13,033
Deferred parliamentary appropriations (Note 7)	764	1,245
Deferred revenue	6,164	5,183
Deferred parliamentary appropriations, specified capital projects (Note 5)	407	489
	20,354	19,950
Deferred capital funding (Note 8)	187,970	190,509
Asset Retirement Obligations	1,598	1,598
Long-term portion of provision for employee future benefits	1,862	1,862
	211,784	213,919
Accumulated Surplus		
Unrestricted	22,977	18,282
	\$ 234,761	\$ 232,201

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

National Arts Centre Corporation

Statement of Operations

For the three months ended November 30, 2023

(Unaudited)

	Three month period ended	
	November 30 2023	November 30 2022 ¹
<i>(in thousands of dollars)</i>		
Revenues		
Commercial operations	\$ 5,796	\$ 5,179
Programming	2,233	2,069
Grant from the NAC Foundation	1,483	3,256
Other Income	472	192
Investment income	10	9
	9,993	10,705
Parliamentary appropriations (Note 9)	19,875	19,136
	29,868	29,841
Expenses (Note 10)		
Commercial operations	3,320	2,805
Programming	13,987	15,238
Building operations	5,451	5,928
Administration and technology	2,416	2,683
	25,173	26,654
Net results of operations	\$ 4,695	\$ 3,187

¹ Certain comparative figures have been reclassified to conform to the presentation adopted in the current year. The accompanying notes and schedules form an integral part of the financial statements.

Statement of Changes in Accumulated Surplus

For the three months ended November 30, 2023

(Unaudited)

	Three month period ended	
	November 30 2023	November 30 2022
<i>(in thousands of dollars)</i>		
Unrestricted, beginning of the period	\$ 18,282	\$ 13,692
Net results of operations	4,695	3,187
Unrestricted, end of the period	\$ 22,977	\$ 16,879

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

National Arts Centre Corporation

Statement of Cash Flows

For the three months ended November 30, 2023

(Unaudited)

	Three month period ended	
	November 30 2023	November 30 2022
<i>(in thousands of dollars)</i>		
Operating Activities		
Net results of operations	\$ 4,695	\$ 3,187
Items not affecting cash		
Amortization of capital assets	3,645	3,615
Amortization of deferred capital funding	(3,520)	(3,624)
Loss on disposal of capital assets	-	100
Change in non-cash operating assets and liabilities	(1,444)	181
Change in long-term portion of provision for employee future benefits	-	(87)
Cash flow from for operating activities	3,376	3,372
Capital Activities		
Additions to capital assets, net	(860)	(1,552)
Cash flow used for capital activities	(860)	(1,552)
Financing Activities		
Restricted cash used (received) for specified projects	190	418
Parliamentary appropriations used for the acquisition of capital assets	981	1,880
Cash flow from financing activities	1,170	2,298
Increase in cash position	3,686	4,118
Cash and cash equivalents at beginning of period	31,027	21,577
Cash and cash equivalents at end of period	\$ 34,713	\$ 25,695

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

Notes to the Financial Statements

(Unaudited)

As at November 30, 2023

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. 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, subsections 105(2) and sections 113.1, 119, 131 to 148 and section 154.01, which do apply to the Corporation. The Corporation is not an agent of His Majesty and 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*. As a result, the Corporation is not subject to the provisions of the *Income Tax Act*. 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 most recent annual financial statements for the year ended August 31, 2023, and the accompanying Narrative Discussion. 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. Cash and cash equivalents

At November 30, the cash and cash equivalents were as follows:

<i>(in thousands of dollars)</i>	November 30 2023	August 31 2023
Operating	\$ 26,278	\$ 23,477
Advanced ticket sales (Note 6)	3,845	3,606
Deferred revenue	4,089	3,170
Employee benefits	501	774
Balance at end of period	\$ 34,713	\$ 31,027

5. Restricted cash held for specified capital projects and deferred parliamentary appropriations, specified capital projects

Restricted cash held for specified capital projects represents the unused portion of Parliamentary appropriations received and designated for specified capital projects within the Centre.

In 2020, the Government of Canada allocated \$9.5 million over eleven years starting in 2021–2022 for Modernization of Digital Infrastructure.

In 2023, the Government of Canada allocated \$1.5 million to support the upgrade of the air filtration system.

Changes in the fund balance are as follows:

<i>(in thousands of dollars)</i>	November 30 2023	August 31 2023
Restricted cash at beginning of period	\$ 760	\$ 1,575
Appropriations received to fund specified capital projects (Digital Infrastructure)	633	2,923
Appropriations invested in specified capital projects	(823)	(3,738)
Restricted cash held for specified capital project balance at end of period	\$ 570	\$ 760
Project related accounts payable	(163)	(271)
Deferred parliamentary appropriations, specified capital projects balance at end of period	\$ 407	\$ 489

¹ Certain comparative figures have been reclassified to conform to the presentation adopted in the current year

6. Accounts payable and accrued liabilities

The balance consists of:

The balance consists of: (in thousands of dollars)	November 30 2023	August 31 2023
Advanced ticket sales (Note 4)	\$ 3,845	\$ 3,606
Trade payables and Accrued liabilities	8,673	4,766
Employee short term benefits	501	501
Balance at end of period	\$ 13,019	\$ 13,033

Advanced ticket sales are monies received for future non-NAC programming.

7. Deferred parliamentary appropriations

Deferred parliamentary appropriations represent amounts approved or received in advance of the period they were intended to cover, or for building refurbishment or specific programs, as follows:

(in thousands of dollars)	Building Refurbishment	Specific Programs	November 30 2023 Total	August 31 2023 Total
Balance at beginning of period	\$ 1,055	\$ 190	\$ 1,245	\$2,575
Appropriations received	1,750	-	1,750	8,341
Appropriations used	(2,041)	(190)	(2,231)	(9,671)
Balance at end of period	\$ 764	\$ -	\$ 764	\$ 1,245

8. Deferred capital funding

Deferred capital funding represents the unamortized portion of parliamentary appropriations used to purchase depreciable capital assets.

Changes in the deferred capital funding balance are as follows:

(in thousands of dollars)	November 30 2023	August 31 2023
Balance at beginning of period	\$ 190,509	\$ 196,499
Appropriations used to purchase depreciable capital assets	777	4,857
Recognition of deferred capital funding	(3,520)	(14,164)
Deferred ESAP funding	204	3,317
Balance at end of period	\$ 187,970	\$ 190,509

9. Parliamentary appropriations

The Corporation receives Parliamentary appropriations from the Government of Canada in support of its operating and capital activities. The table below illustrates the parliamentary appropriations approved for the fiscal year, and the accounting adjustments required to arrive at the calculation of revenue that conforms to PSAS.

<i>(in thousands of dollars)</i>	November 30 2023	November 30 2022 ¹
Appropriations received and receivable:		
Main estimates amount provided for operating and capital expenditures	\$ 15,936	\$ 15,494
Digital Infrastructure	632	610
Appropriations approved	16,568	16,104
Portion of parliamentary appropriations received in current year deferred for building refurbishment or	(1,442)	(1,749)
Previous year's appropriations used in current year to complete specific projects (Note 5 and 7)	2,006	2,368
Appropriation used to purchase depreciable capital assets (Note 8)	(777)	(1,211)
Deferred capital funding – amortization and write down (Note 8)	3,520	3,624
Parliamentary appropriations	\$ 19,875	\$ 19,136

¹ Certain comparative figures have been reclassified to conform to the presentation adopted in the current year

10. Summary of expenses by object

For the three months ended November 30, 2023

(Unaudited)

<i>(in thousands of dollars)</i>	November 30 2023	November 30 2022
Salaries and benefits	\$ 10,199	\$ 10,844
Artistic fees	3,658	5,014
Amortization of capital assets	3,645	3,615
National Arts Centre Orchestra fees	1,939	1,806
Maintenance and repairs	890	922
Professional fees	789	673
Advertising	741	750
Cost of sales	716	578
Payments to municipalities	559	543
Utilities	525	533
Production	233	120
Service charges	213	187
Promotion	165	126
Insurance	153	187
Staff travel	128	139
Supplies	120	127
Equipment rental	110	123
Office	72	63
Telecommunications	63	62
Rental of facilities	60	15
Board	55	62
Education and training	54	31
Miscellaneous	7	6
Loss on disposal of capital assets	-	100
In-kind contributions of goods and services	-	27
Prepayment of Credit Cards	79	-
	\$ 25,173	\$ 26,654

Narrative Discussion

Objects of Corporation

The NAC is governed by the National Arts Centre Act, which defines its mandate as follows: 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. As a Crown Corporation, the NAC reports to Parliament through the Minister of Canadian Heritage.

In furtherance of its objects as defined in the NAC Act, but without limiting the generality of subsection (1), of its objects the Corporation may:

- (a) arrange for and sponsor performing arts activities at the Centre.
- (b) encourage and assist in the development of performing arts companies' resident at the Centre.
- (c) arrange for or sponsor radio and television broadcasts from the Centre and the showing of films in the Centre.
- (d) provide accommodation at the Centre, on such terms and conditions as the Corporation may fix, for national and local organizations the objects of which include the development and encouragement of the performing arts in Canada; and
- (e) 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.

Strategic Goals

The Journey Ahead: Our 2023–2026 Strategic Plan

Beginning on September 1, 2023, and over the next three years, the NAC will work with artists and arts organizations from across Canada to revitalize the performing arts sector. The journey ahead will pursue five strategic goals:

1. Develop the Canadian performing arts through the work on the stage.
2. Elevate Indigenous voices and stories at the NAC and across the land.
3. Engage meaningfully with audiences and communities.
4. Support engagement in the arts for children, youth, and families
5. Foster best practices in management

Through collaboration and investment in creation, production, co-production, and dissemination, along with a heightened focus on community engagement, learning and innovation, the NAC is shaping a more diverse, equitable, accessible, and inclusive future for the performing arts in Canada. While the performing arts sector responds to profound challenges flowing from changes by the tumultuous events from the past three years, it has also witnessed an extraordinary burst of creativity from artists and arts organizations, and realized new opportunities presented by the changed landscape.

The following six values will guide the NAC priorities and actions:

1. Creativity
2. Grounded in Communities
3. Sense of Belonging
4. Generous Collaboration
5. Walking Gently on the Land
6. Children of Today, Future of Tomorrow

Analysis

The Corporation is a bilingual multi-disciplinary Centre for the performing arts. It presents, creates, produces and co-produces performing arts programming in various streams — the NAC Orchestra, Dance, English Theatre, French Theatre, Indigenous Theatre, and Popular Music and Variety. 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 expenditure to manage its financial performance.

Financial Highlights

Revenue

Revenue for the three-month period ended November 30, 2023, amounted to \$10 million, a decrease of \$0.7 million compared to \$10.7 million for the three-month period of the previous year. The decrease in revenue is primarily due to a lower grant from the NAC Foundation due to timing of show specific grants.

On an accrual basis, parliamentary appropriations for the three-month period ended November 30, 2023, amounted to \$19.9 million compared to \$19.1 million for the three-month period of the previous year. The difference is due to timing of appropriations recognition.

Expenses

Expenses for the three-month period ended November 30, 2023, amounted to \$25.2 million, a decrease of \$1.5 million compared to \$26.7 million for the three-month period of the previous year. The decrease is mainly due to timing of programming offset by increased commercial operations expenses.

Net Results of Operations

The net results of operations for the three-month period ended November 30, 2023, was a surplus of \$4.7 million. The surplus is primarily attributable to the timing difference in the recognition of appropriation and programming.

Statement of Financial Position

Assets

The level of cash and cash equivalents of \$34.7 million as at November 30, 2023, represents an increase of \$3.7 million from the August 31, 2023, level. This increase is mainly due to the timing of parliamentary appropriations partially offset by timing of capital asset purchases and payment of accounts payable and accrued liabilities.

Accounts receivables of \$3.7 million as at November 30, 2023, represents an increase of \$1.7 million from the August 31, 2023, level. This increase is mainly due to the timing of grant disbursement from Foundation to National Arts Centre Corporation .

Capital assets decreased to \$192.3 million as at November 30, 2023, from \$195.1 million as at August 31, 2023, mainly due to capital assets acquisitions of \$0.8 million offset by amortization of capital assets of \$3.7 million.

Liabilities

Deferred capital funding as of November 30, 2023, is \$187.9 million, decreased by \$2.5 million from August 31, 2023, level. The Decrease is mainly due to amortization of capital assets of \$3.5 million offset by capital assets acquisitions of \$0.9 million.

Accumulated Surplus

Accumulated surplus as of November 30, 2023, is \$23 million. An increase due to the net result of operating surplus of \$4.7 million.

Risks

The Corporation's Corporate Risk Profile identifies five top risks and their related mitigation strategies. The mitigation step involves the identification of strategies designed to manage, eliminate or reduce risk to an acceptable level.

1. Uncertain Financial Environment – The Corporation may not have an appropriate funding model to navigate through the changing environment. This risk is mitigated by ongoing dialogue around long-term sustainable funding, exploring additional opportunities for revenue generation through unconventional models, transformation of audience development approaches, and the gradual increase of programming traditional revenue-generating performances over time.
2. Building infrastructure – The NAC may be unable to undertake imperative physical infrastructure repairs required to meet basic code and statutory requirements. This risk is mitigated by the completion for a building condition report and the establishment of a long-term capital plan. The Corporation submitted both reports to the government.
3. Equity, Diversity, and Inclusion – The Corporation may not be able to effectively deliver on Equity, Diversity, and Inclusion (EDI) engagements. This risk is mitigated by an audit of EDI practices within the Corporation, developing a strategy and prioritized action plan throughout the Corporation, and monitoring the results on an ongoing basis.
4. Human Capital – The Corporation might not have sufficient human resources with the necessary skills and/or training to effectively support this transformational period. This risk is mitigated by working with collective bargaining units, by adopting new recruitment strategies to diversify the workforce, by ensuring training of staff and providing professional development opportunities, and by engaging with new and diverse companies or communities across the country to obtain support and help with productions.
5. Programming – The Corporation may be unable to regain both its artistic programming integrity and re-engage its audience through relevance within its community. This risk is mitigated by monitoring the results of surveys to track the responses of audiences and stakeholders, working with artists and arts companies from Equity-Deserving Groups to deliver more representative and relevant programming, and by ensuring digital experiences and online content find diverse audiences.










Q1 English - Financial statements V4 FINAL-s

Final Audit Report

2024-02-19

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