

Quarterly Financial Statements of:

NATIONAL ARTS CENTRE CORPORATION

For the 3 months ended November 30, 2011

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.



Peter A. Herrndorf, O.C.

President and Chief Executive Officer



Daniel Senyk, CA

Chief Financial Officer

January 27, 2012

NATIONAL ARTS CENTRE CORPORATION

Statement of Financial Position

As at November 30, 2011

(In thousands of dollars)	(Unaudited)	
	November 30 2011	August 31 2011
ASSETS		
Current		
Cash	\$ 4,510	\$ 6,456
Investments	1,684	807
Accounts receivable	3,880	1,065
Inventories	269	273
Programs in progress	2,295	1,813
Prepaid expenses	692	1,189
	13,330	11,603
Restricted cash held for specified capital projects (Note 4)	15,954	16,811
Investments	11,051	11,882
Capital assets	50,350	49,956
	\$ 90,685	\$ 90,252
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 8,927	\$ 7,040
Deferred parliamentary appropriations (Note 5)	7,045	7,265
Deferred revenue	6,947	6,250
	22,919	20,555
Deferred parliamentary appropriations, specified capital projects (Note 4)	15,954	16,811
Deferred capital funding	50,350	49,956
Long-term portion of provision for employee future benefits	2,370	2,299
	91,592	89,621
NET ASSETS		
Unrestricted	(1,288)	170
Unrealized gains on investments	380	461
	(908)	631
	\$ 90,685	\$ 90,252

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, 2011

(Unaudited)

(In thousands of dollars)	November 30 2011	November 30 2010
REVENUES		
Commercial operations (Schedule 1)	\$ 3,577	\$ 3,324
Programming (Schedule 2)	2,389	2,406
Grant from the National Arts Centre Foundation	1,088	1,019
Investment and other	194	309
Facility Fees	178	207
	<u>7,426</u>	<u>7,265</u>
Parliamentary appropriations (Note 6)	9,591	9,328
	<u>17,017</u>	<u>16,593</u>
EXPENSES (Schedule 3)		
Commercial operations (Schedule 1)	2,441	2,343
Programming (Schedule 2)	10,347	9,209
Building operations	3,469	3,196
Administration and technology	2,218	1,815
	<u>18,475</u>	<u>16,563</u>
NET RESULTS OF OPERATIONS	\$ (1,458)	\$ 30

Statement of Changes in Net Assets

For the 3 months ended November 30, 2011

(Unaudited)

(In thousands of dollars)	November 30 2011	November 30 2010
NET ASSETS, BEGINNING OF THE PERIOD	\$ 631	\$ 40
Net results of operations	(1,458)	30
Net unrealized gains and (losses) on investments	(81)	(92)
NET ASSETS, END OF THE PERIOD	\$ (908)	\$ (22)

NATIONAL ARTS CENTRE CORPORATION

Statement of Cash Flows

For the 3 months ended November 30, 2011

(Unaudited)

(In thousands of dollars)

	November 30 2011	November 30 2010
Operating Activities		
Net results of operations	\$ (1,458)	\$ 30
Net unrealized gain (loss) on investments	(81)	(92)
Other comprehensive income	-	346
Items not affecting cash		
Amortization	1,191	1,068
Amortization of deferred capital funding	(1,191)	(1,068)
	(1,539)	284
Change in non-cash operating assets and liabilities	(432)	(726)
Changes in long-term portion of provision for employee future benefits	71	(91)
Cash flow from (used for) operating activities	(1,900)	(532)
Investing Activities		
Purchase of investments	(46)	(760)
Change in restricted cash held for specified capital projects	(857)	(4,539)
Additions to capital assets	(1,183)	(2,055)
Cash flow used for investment activities	(2,086)	(7,354)
Financing Activities		
Deferred parliamentary appropriations, specified capital projects	857	4,539
Parliamentary appropriations received for the acquisition of capital assets	1,183	2,055
Cash flow from financing activities	2,040	6,594
Increase (decrease) in cash position	(1,946)	(1,293)
Cash at beginning of period	6,456	4,751
Cash at end of period	\$ 4,510	\$ 3,459

NATIONAL ARTS CENTRE CORPORATION

Schedule 1

Schedule of revenues and expenses - Commercial Operations

For the 3 months ended November 30, 2011

(Unaudited)

(In thousands of dollars)	November 30, 2011		
	Revenues	Expenses	Net
Food and Beverage Services	\$ 1,879	\$ 1,799	\$ 80
Parking Services	1,084	205	879
Rental of Halls	614	437	177
	\$ 3,577	\$ 2,441	\$ 1,136

	November 30, 2010		
	Revenues	Expenses	Net
Food and Beverage Services	\$ 1,612	\$ 1,609	\$ 3
Parking Services	995	233	762
Rental of Halls	717	501	216
	\$ 3,324	\$ 2,343	\$ 981

NATIONAL ARTS CENTRE CORPORATION

Schedule 2

Schedule of revenues and expenses - Programming

For the 3 months ended November 30, 2011

(Unaudited)

(In thousands of dollars)		
	November 30 2011	November 30 2010
REVENUES		
Music	\$ 984	\$ 980
English Theatre	322	444
French Theatre	113	183
Dance	318	429
Other Programming	525	260
Programming Support	127	110
	<u>2,389</u>	<u>2,406</u>
EXPENSES		
Music	4,450	3,609
English Theatre	949	1,098
French Theatre	670	734
Dance	749	819
Other Programming	1,323	775
Programming Support	2,206	2,174
	<u>10,347</u>	<u>9,209</u>
EXCESS OF EXPENSES OVER REVENUES	<u>\$ 7,958</u>	<u>\$ 6,803</u>

NATIONAL ARTS CENTRE CORPORATION

Schedule 3

Schedule of Expenses

For the 3 months ended November 30, 2011

(Unaudited)

(In thousands of dollars)	November 30	November 30
	2011	2010
Salaries and benefits	\$ 7,056	\$ 6,755
Artistic fees	2,983	2,633
National Arts Centre Orchestra fees	1,940	1,601
Amortization	1,191	1,068
Advertising	1,041	885
Cost of sales	601	511
Maintenance and repairs	513	592
Payments to municipalities	508	507
Utilities	484	433
Financial charges	411	138
Contract fees	275	315
Promotion	227	179
Production	209	133
Staff travel	198	94
Professional fees	117	102
Equipment	102	102
Office expenses	95	85
Telecommunications	84	76
Supplies	76	51
Miscellaneous	70	20
Education and training	63	48
Board expenses	62	57
In-kind contributions of goods and services	61	92
Insurance	56	57
Rental of facilities	52	29
	\$ 18,475	\$ 16,563

NATIONAL ARTS CENTRE CORPORATION

Notes to the Quarterly Financial Statements

November 30, 2011

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 the *Act* do not apply to the Corporation, except for 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*, the President and Chief Executive Officer, the officers, and 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.

3. Basis of presentation

These financial statements are prepared in accordance with Canadian generally accepted accounting principles, Part V, using the deferral method of accounting for revenues, on a consistent basis with the previous fiscal year. The Corporation must transition to Public Sector Accounting standards in the next fiscal year and will elect to apply the accounting standards for Government Not For Profit Organizations.

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

On November 2, 2006, the Treasury Board of Canada approved funding for health and safety upgrades and repairs to the existing facilities of the National Arts Centre. Restricted cash held for specified capital projects represents the unused portion of parliamentary appropriations received and designated for the refurbishment of certain building structures and mechanical systems within the National Arts Centre. The funds earn a combination of variable and fixed rate interest, which is recorded in investment and other revenue. Interest income is subject to fluctuation based on the bank's prime rate and term deposit rates. The funds are expected to be disbursed within the next two fiscal years. This financial instrument is classified as *held-for-trading*, and is recorded at fair value.

Changes in the fund balance are as follows:

	3 months November 30 2011	12 months August 31 2011
<i>(in thousands of dollars)</i>		
Balance at beginning of year	\$ 16,811	\$ 19,537
Appropriations received to fund specified capital projects	-	-
Appropriations invested in specified capital projects	(857)	(2,726)
Balance at end of year	\$ 15,954	\$ 16,811

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:

<i>(in thousands of dollars)</i>	Beginning	Received	Used	Ending
Building refurbishment	\$ 4,055	1,750	(1,246)	\$ 4,559
Programming and Operations	2,969	7,070	(7,683)	2,356
Specific programs	241	88	(199)	130
Total	\$ 7,265	8,908	(9,128)	\$ 7,045

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 generally accepted accounting principles.

<i>(in thousands of dollars)</i>	3 months November 30 2011	12 months August 31 2011
Main estimates amount provided for operating and capital expenditures	\$ 8,908	\$ 35,370
Supplementary estimates	-	948
Appropriations approved	8,908	36,318
Portion of parliamentary appropriations used (deferred) for specific projects	217	1,320
Appropriation used to purchase depreciable property, plant and equipment	(725)	(3,463)
Amortization of deferred capital funding	1,191	4,867
Parliamentary appropriations	\$ 9,591	\$ 39,042

7. Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted this year.

Narrative Discussion

November 30, 2011

General

These quarterly financial statements have not been audited and must be read in conjunction with the most recent annual audited financial statements.

Strategic Goals

The Corporation remains committed to the fulfillment of its strategic goals published in *Performing for Canadians*:

- Artistic Excellence: Creating, producing and performing great work;
- Going National: Expanding our national role;
- The Art of Learning: Focussing on youth and education;
- Earning Our Way: Increasing our earned revenues; and
- Audiences at the Centre: Building relationships with our customers.

These strategic goals support the Corporation's legislative mandates, which are to maintain and operate the National Arts Centre (the "Centre"), to develop the performing arts in the national capital region, and to assist the Canada Council for the Arts in developing the performing arts elsewhere in Canada.

The Canada Council recognizes the role that the National Arts Centre has played and continues to play in the creation, production and distribution of the performing arts across Canada and abroad, as well as the development of individual artists.

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, 2011 the NAC realized revenues of \$17,017,000 against expenditures of \$18,475,000, resulting in a net deficit from operations of \$1,458,000. These results are in line with expectations for this period.

Deficits early in the season are part of the normal cycle of the Corporation. In general, the first 2 quarters produce deficits which are reduced and eliminated in the third and fourth quarters. The Corporation has presented a balanced budget to the Board of Trustees for the current fiscal period.

The results of the three month period ending November 30, 2010, were revenues of \$16,593,000 and expenses of \$16,563,000 resulting in a surplus of \$30,000. Revenues were \$424,000 higher and expenses were \$1,912,000 higher than the same three month period of the previous year.

Notable changes are due to the Atlantic Canada Tour and the Festival Zone Théâtrale. The Atlantic Canada Tour's expenditures were \$653,000 and there were no major tours in the same period last year. The biennial Festival Zone Théâtrale's costs were \$439,000. Building operation costs were higher by \$274,000 due to increased cost of utilities and non-capitalized repairs. There was an increase in the provision for bad debts, as a prudent measure to recognize the uncertainty surrounding collecting debts from some of the Corporation's performing arts partners. This accounts for the major changes in the Administration and IT. As noted in the table below, the Centre was slightly less active, in part due to the Orchestra being away on tour between November 13th and November 25th 2011.

Selected Statistics

	November 30 2011	November 30 2010	Change	%
Performances	464	472	(8)	-2%
Paid Attendance	96,310	105,372	(9,062)	-9%
Number of visits	259,693	262,794	(3,101)	-1%