

Quarterly Financial Statements of:

NATIONAL ARTS CENTRE CORPORATION

For the 6 months ended February 29, 2012

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.

A handwritten signature in black ink, appearing to read 'Peter A. Herrndorf', with a stylized, flowing script.

Peter A. Herrndorf, O.C.
President and Chief Executive Officer

A handwritten signature in black ink, appearing to read 'Daniel Senyk', with a stylized, flowing script.

Daniel Senyk, CA
Chief Financial Officer

April 27, 2012

NATIONAL ARTS CENTRE CORPORATION**Statement of Financial Position**

As at February 29, 2012

(Unaudited)

(In thousands of dollars)

	February 29 2012	August 31 2011
ASSETS		
Current		
Cash	\$ 2,310	\$ 6,456
Investments	3,667	807
Accounts receivable	2,803	1,065
Inventories	272	273
Programs in progress	1,923	1,813
Prepaid expenses	459	1,189
	11,433	11,603
Restricted cash held for specified capital projects (Note 4)	14,629	16,811
Investments	9,201	11,882
Capital assets	50,619	49,956
	\$ 85,882	\$ 90,252
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 9,003	\$ 7,040
Deferred parliamentary appropriations (Note 5)	4,386	7,265
Deferred revenue	4,678	6,250
	18,066	20,555
Deferred parliamentary appropriations, specified capital projects (Note 4)	14,629	16,811
Deferred capital funding	50,619	49,956
Long-term portion of provision for employee future benefits	2,421	2,299
	85,735	89,621
NET ASSETS		
Unrestricted	(264)	170
Accumulated remeasurement gains	410	461
	146	631
	\$ 85,881	\$ 90,252

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

NATIONAL ARTS CENTRE CORPORATION

Statement of Operations

For the 6 months ended February 29, 2012

(Unaudited)

(In thousands of dollars)

	Three month period ended		Six month period ended	
	February 29 2012	February 28 2011	February 29 2012	February 28 2011
REVENUES				
Commercial operations (Schedule 1)	\$ 3,372	\$ 3,482	\$ 6,950	\$ 6,807
Programming (Schedule 2)	3,966	3,999	6,355	6,405
Grant from the National Arts Centre Foundation	1,096	84	2,183	1,103
Investment and other	296	201	489	509
Facility Fees	324	305	502	511
	9,054	8,071	16,481	15,336
Parliamentary appropriations (Note 6)	9,804	9,592	19,395	18,920
	18,858	17,663	35,875	34,256
EXPENSES (Schedule 3)				
Commercial operations (Schedule 1)	2,257	2,344	4,698	4,687
Programming (Schedule 2)	9,992	9,848	20,338	19,057
Building operations	3,841	3,629	7,310	6,824
Administration and technology	1,744	1,786	3,962	3,601
	17,834	17,607	36,309	34,170
NET RESULTS OF OPERATIONS	\$ 1,024	\$ 56	\$ (433)	\$ 86

Statement of Changes in Net Assets and Remeasurement Gains and Losses

For the 6 months ended February 29, 2012

(Unaudited)

(In thousands of dollars)

	Three month period ended		Six month period ended	
	February 29 2012	February 28 2011	February 29 2012	February 28 2011
NET ASSETS				
Unrestricted, beginning of the period	\$ (1,288)	\$ (601)	\$ 169	\$ (631)
Net results of operations	1,024	56	(433)	86
Unrestricted, end of the period	(264)	(545)	(264)	(545)
Accumulated remeasurement gains, beginning of the period	380	579	461	671
Change in unrealized gains on investments	30	(37)	(51)	(129)
Accumulated remeasurement gains, end of the period	410	542	410	542
NET ASSETS, END OF THE PERIOD	\$ 146	\$ (3)	\$ 146	\$ (3)

NATIONAL ARTS CENTRE CORPORATION

Statement of Cash Flows

For the 6 months ended February 29, 2012

(Unaudited)

(In thousands of dollars)

	Three month period ended		Six month period ended	
	February 29 2012	February 28 2011	February 29 2012	February 28 2011
Operating Activities				
Net results of operations	\$ 1,024	\$ 56	\$ (433)	\$ 86
Change in unrealized gains on investments	30	(37)	(51)	(129)
Items not affecting cash				
Amortization	1,251	1,268	2,441	2,336
Amortization of deferred capital funding	(1,251)	(1,268)	(2,441)	(2,336)
	1,055	20	(484)	(43)
Change in non-cash operating assets and liabilities	(3,172)	(1,885)	(3,604)	(2,282)
Changes in long-term portion of provision for employee future benefits	51	45	122	(46)
Cash flow from (used for) operating activities	(2,067)	(1,820)	(3,967)	(2,370)
Investing Activities				
Purchase of investments	(133)	(71)	(179)	(831)
Change in restricted cash held for specified capital projects	(1,325)	59	(2,182)	(4,480)
Additions to capital assets	(1,520)	(630)	(3,104)	(2,626)
Cash flow used for investment activities	(2,978)	(641)	(5,465)	(7,937)
Financing Activities				
Deferred parliamentary appropriations, specified capital projects	1,325	(59)	2,182	4,480
Parliamentary appropriations received for the acquisition of capital assets	1,520	630	3,104	2,626
Cash flow from financing activities	2,845	570	5,286	7,106
Increase (decrease) in cash position	(2,200)	(1,891)	(4,146)	(3,201)
Cash at beginning of period	4,510	3,441	6,456	4,751
Cash at end of period	\$ 2,310	\$ 1,550	\$ 2,310	\$ 1,550

NATIONAL ARTS CENTRE CORPORATION
Schedule 1
Schedule of revenues and expenses - Commercial Operations
(Unaudited)

(In thousands of dollars)

For the 3 months ended February 29, 2012

February 29, 2012		
Revenues	Expenses	Net
\$ 1,563	\$ 1,665	\$ (101)
1,226	216	1,010
584	376	207
\$ 3,372	\$ 2,257	\$ 1,116

Food and Beverage Services
Parking Services
Rental of Halls

February 28, 2011		
Revenues	Expenses	Net
\$ 1,555	\$ 1,579	\$ (25)
1,125	227	898
803	538	265
\$ 3,482	\$ 2,344	\$ 1,138

Food and Beverage Services
Parking Services
Rental of Halls

For the 6 months ended February 29, 2012

February 29, 2012		
Revenues	Expenses	Net
\$ 3,442	\$ 3,464	\$ (22)
2,310	421	1,889
1,197	813	384
\$ 6,950	\$ 4,698	\$ 2,252

Food and Beverage Services
Parking Services
Rental of Halls

February 28, 2011		
Revenues	Expenses	Net
\$ 3,167	\$ 3,188	\$ (21)
2,120	460	1,660
1,520	1,039	481
\$ 6,807	\$ 4,687	\$ 2,120

Food and Beverage Services
Parking Services
Rental of Halls

NATIONAL ARTS CENTRE CORPORATION

Schedule 2

Schedule of revenues and expenses - Programming

For the 6 months ended February 29, 2012

(Unaudited)

(In thousands of dollars)

	Three month period ended		Six month period ended	
	February 29 2012	February 28 2011	February 29 2012	February 28 2011
REVENUES				
Music	\$ 1,314	\$ 1,353	\$ 2,298	\$ 2,334
English Theatre	1,174	616	1,497	1,060
French Theatre	48	81	160	264
Dance	1,056	1,665	1,373	2,094
Other Programming	159	92	684	352
Programming Support	215	191	342	301
	<u>3,966</u>	<u>3,999</u>	<u>6,355</u>	<u>6,405</u>
EXPENSES				
Music	4,004	3,748	8,454	7,356
English Theatre	1,794	1,475	2,742	2,573
French Theatre	445	539	1,116	1,272
Dance	1,067	1,539	1,816	2,358
Other Programming	288	208	1,611	983
Programming Support	2,393	2,340	4,599	4,515
	<u>9,992</u>	<u>9,848</u>	<u>20,338</u>	<u>19,057</u>
EXCESS OF EXPENSES OVER REVENUES	<u>\$ 6,026</u>	<u>\$ 5,849</u>	<u>\$ 13,984</u>	<u>\$ 12,652</u>

NATIONAL ARTS CENTRE CORPORATION

Schedule 3

Schedule of Expenses

For the 6 months ended February 29, 2012

(Unaudited)

(In thousands of dollars)

	Three month period ended		Six month period ended	
	February 29	February 28	February 29	February 28
	2012	2011	2012	2011
Salaries and benefits	\$ 7,365	\$ 6,867	\$ 14,421	\$ 13,622
Artistic fees	2,683	2,852	5,667	5,485
National Arts Centre Orchestra fees	1,655	1,682	3,595	3,283
Amortization	1,251	1,268	2,441	2,336
Advertising	1,061	1,268	2,103	2,153
Cost of sales	491	438	1,092	949
Maintenance and repairs	479	465	992	1,058
Payments to municipalities	507	507	1,016	1,014
Utilities	672	628	1,156	1,061
Financial charges	221	441	632	579
Contract fees	317	90	592	405
Promotion	135	113	361	292
Production	141	90	350	223
Staff travel	75	69	273	163
Professional fees	237	192	355	294
Equipment	58	74	160	176
Office expenses	44	45	140	129
Telecommunications	62	40	146	115
Supplies	70	54	145	104
Miscellaneous	33	81	103	101
Education and training	30	45	93	93
Board expenses	47	34	108	92
In-kind contributions of goods and services	89	179	150	271
Insurance	67	57	123	114
Rental of facilities	42	30	94	58
	<u>\$ 17,834</u>	<u>\$ 17,607</u>	<u>\$ 36,309</u>	<u>\$ 34,170</u>

NATIONAL ARTS CENTRE CORPORATION

Notes to the Quarterly Financial Statements

February 29, 2012

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:

	6 months February 29 2012	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	-	-
<u>Appropriations invested in specified capital projects</u>	<u>(2,182)</u>	<u>(2,726)</u>
Balance at end of year	\$ 14,629	\$ 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	2,917	(2,733)	\$ 4,239
Programming and Operations	2,969	11,784	(14,753)	-
Specific programs	241	296	(389)	148
Total	\$ 7,265	14,996	(17,875)	\$ 4,386

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 February 29 2012	6 months February 29 2012	12 months August 31 2011
Main estimates amount provided for operating and capital expenditures	\$ 8,908	\$ 17,816	\$ 35,370
Supplementary estimates	150	150	948
Appropriations approved	9,058	17,966	36,318
Portion of parliamentary appropriations used (deferred) for specific projects	1,015	(217)	1,320
Appropriation used to purchase depreciable property, plant and equipment	(1,520)	(795)	(3,463)
Amortization of deferred capital funding	1,251	2,441	4,867
Parliamentary appropriations	\$ 9,804	\$ 19,395	\$ 39,042

7. Comparative figures

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

Narrative Discussion

February 29, 2012

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 February 29, 2012 the NAC realized revenues of \$18,858,000 against expenses of \$17,834,000, resulting in a surplus from operations of \$1,024,000. These results are in line with expectations for this period, and are partly a result of the exceptional box

office success from the staging of Oliver, the Nutcracker, and the Blue Man Group over the holiday season.

For the six months ended February 29, 2012 revenues of \$35,875,000 were offset by expenses of \$36,309,000 for an operating deficit of \$433,000. An operating deficit of \$1,458,000 in the first quarter of the year was offset by a surplus of \$1,024,000 in the second quarter. As explained in the previous section, surpluses and deficits are often dependent on the unique programming of the reporting period. The Corporation is on track to realize a balanced budget for this fiscal year.

Risks

On March 29, 2012 the Federal Government announced their budget which included \$5.2 billion in annual savings by 2014-15. As part of that budget, the NAC's Parliamentary Appropriations will be reduced by \$105,000 in fiscal 2012-13, \$1,835,000 in fiscal 2013-14, and \$1,935,000 in fiscal 2014-15 (5.43%).

The NAC's senior management team and the Board of Trustees have been working to evaluate the business and artistic alternatives within this budgetary framework. The NAC will adapt, and will continue to be an innovator and leader in the performing arts.

