

Quarterly Financial Statements of:

## **NATIONAL ARTS CENTRE CORPORATION**

For the 9 months ended May 31, 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.



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



**Daniel Senyk, CA**  
Chief Financial Officer

July 27, 2012

# NATIONAL ARTS CENTRE CORPORATION

## Statement of Financial Position

As at May 31, 2012

(Unaudited)

(In thousands of dollars)

	May 31 2012	August 31 2011
<b>ASSETS</b>		
Current		
Cash	\$ 2,360	\$ 6,456
Investments	3,393	807
Accounts receivable	5,061	1,065
Inventories	250	273
Programs in progress	1,318	1,813
Prepaid expenses	565	1,189
	<u>12,947</u>	<u>11,603</u>
Restricted cash held for specified capital projects (Note 4)	13,206	16,811
Investments	9,599	11,882
Capital assets	<u>51,040</u>	<u>49,956</u>
	<u>\$ 86,792</u>	<u>\$ 90,252</u>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	\$ 10,300	\$ 7,040
Deferred parliamentary appropriations (Note 5)	4,554	7,265
Deferred revenue	5,830	6,250
	<u>20,684</u>	<u>20,555</u>
Deferred parliamentary appropriations, specified capital projects (Note 4)	13,206	16,811
Deferred capital funding	51,040	49,956
Long-term portion of provision for employee future benefits	<u>2,398</u>	<u>2,299</u>
	<u>87,328</u>	<u>89,621</u>
<b>NET ASSETS</b>		
Unrestricted	(968)	170
Accumulated remeasurement gains	432	461
	<u>(536)</u>	<u>631</u>
	<u>\$ 86,792</u>	<u>\$ 90,252</u>

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

# NATIONAL ARTS CENTRE CORPORATION

## Statement of Operations

For the 9 months ended May 31, 2012

(Unaudited)

(In thousands of dollars)

	Three month period ended		Nine month period ended	
	May 31 2012	May 31 2011	May 31 2012	May 31 2011
<b>REVENUES</b>				
Commercial operations (Schedule 1)	\$ 3,265	\$ 3,023	\$ 10,215	\$ 9,830
Programming (Schedule 2)	3,707	4,053	10,062	10,459
Grant from the National Arts Centre Foundation	1,531	2,478	3,714	3,582
Investment and other	139	258	628	768
Facility Fees	252	211	755	722
	<u>8,894</u>	<u>10,024</u>	<u>25,374</u>	<u>25,360</u>
Parliamentary appropriations (Note 6)	9,741	10,422	29,136	29,342
	<u>18,635</u>	<u>20,446</u>	<u>54,510</u>	<u>54,702</u>
<b>EXPENSES (Schedule 3)</b>				
Commercial operations (Schedule 1)	2,265	2,183	6,963	6,871
Programming (Schedule 2)	12,219	13,286	32,558	32,343
Building operations	3,633	3,507	10,943	10,331
Administration and technology	1,224	1,518	5,183	5,120
	<u>19,341</u>	<u>20,495</u>	<u>55,647</u>	<u>54,665</u>
<b>NET RESULTS OF OPERATIONS</b>	<u>\$ (704)</u>	<u>\$ (49)</u>	<u>\$ (1,137)</u>	<u>\$ 38</u>

## Statement of Changes in Net Assets and Remeasurement Gains and Losses

For the 9 months ended May 31, 2012

(Unaudited)

(In thousands of dollars)

	Three month period ended		Nine month period ended	
	May 31 2012	May 31 2011	May 31 2012	May 31 2011
<b>NET ASSETS</b>				
Unrestricted, beginning of the period	\$ (264)	\$ (545)	\$ 169	\$ (631)
Net results of operations	(704)	(49)	(1,137)	38
Unrestricted, end of the period	<u>(968)</u>	<u>(594)</u>	<u>(968)</u>	<u>(594)</u>
Accumulated remeasurement gains, beginning of the period	410	542	461	671
Change in unrealized gains on investments	21	79	(29)	(50)
Accumulated remeasurement gains, end of the period	<u>432</u>	<u>621</u>	<u>432</u>	<u>621</u>
<b>NET ASSETS, END OF THE PERIOD</b>	<u>\$ (536)</u>	<u>\$ 27</u>	<u>\$ (536)</u>	<u>\$ 27</u>

**NATIONAL ARTS CENTRE CORPORATION**

**Statement of Cash Flows**

For the 9 months ended May 31, 2012

(Unaudited)

(In thousands of dollars)

	<b>Three month period ended</b>		<b>Nine month period ended</b>	
	<b>May 31 2012</b>	<b>May 31 2011</b>	<b>May 31 2012</b>	<b>May 31 2011</b>
<b>Operating Activities</b>				
Net results of operations	\$ (704)	\$ (49)	\$ (1,137)	\$ 38
Change in unrealized gains on investments	21	79	(29)	(50)
Items not affecting cash				
Amortization	1,258	1,259	3,700	3,594
Amortization of deferred capital funding	(1,258)	(1,259)	(3,700)	(3,594)
	(683)	30	(1,166)	(13)
Change in non-cash operating assets and liabilities	879	1,954	(2,726)	(334)
Changes in long-term portion of provision for employee future benefits	(23)	(10)	99	(55)
Cash flow from (used for) operating activities	174	1,974	(3,793)	(402)
<b>Investing Activities</b>				
Purchase of investments	(124)	(183)	(303)	(1,014)
Change in restricted cash held for specified capital projects	(1,423)	6	(3,605)	(4,473)
Additions to capital assets	(1,680)	(873)	(4,784)	(3,492)
Cash flow used for investment activities	(3,226)	(1,049)	(8,692)	(8,979)
<b>Financing Activities</b>				
Deferred parliamentary appropriations, specified capital projects	1,423	(6)	3,605	4,473
Parliamentary appropriations received for the acquisition of capital assets	1,680	873	4,784	3,492
Cash flow from financing activities	3,102	866	8,389	7,966
Increase (decrease) in cash position	50	1,791	(4,096)	(1,416)
Cash at beginning of period	2,310	1,545	6,456	4,751
Cash at end of period	\$ 2,360	\$ 3,336	\$ 2,360	\$ 3,336

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

(In thousands of dollars)

**For the 3 months ended May 31, 2012**

	May 31, 2012		
	Revenues	Expenses	Net
Food and Beverage Services	\$ 1,672	\$ 1,694	\$ (22)
Parking Services	1,101	224	878
Rental of Halls	492	347	146
	<u>\$ 3,265</u>	<u>\$ 2,265</u>	<u>\$ 1,001</u>

	May 31, 2011		
	Revenues	Expenses	Net
Food and Beverage Services	\$ 1,336	\$ 1,532	\$ (198)
Parking Services	1,044	195	805
Rental of Halls	643	456	187
	<u>\$ 3,023</u>	<u>\$ 2,183</u>	<u>\$ 795</u>

**For the 9 months ended May 31, 2012**

	May 31, 2012		
	Revenues	Expenses	Net
Food and Beverage Services	\$ 5,115	\$ 5,158	\$ (43)
Parking Services	3,411	645	2,766
Rental of Halls	1,689	1,160	529
	<u>\$ 10,215</u>	<u>\$ 6,963</u>	<u>\$ 3,252</u>

	May 31, 2011		
	Revenues	Expenses	Net
Food and Beverage Services	\$ 4,503	\$ 4,720	\$ (218)
Parking Services	3,164	654	2,509
Rental of Halls	2,163	1,495	668
	<u>\$ 9,830</u>	<u>\$ 6,871</u>	<u>\$ 2,960</u>

**NATIONAL ARTS CENTRE CORPORATION**

**Schedule 2**

**Schedule of revenues and expenses - Programming**

For the 9 months ended May 31, 2012

(Unaudited)

(In thousands of dollars)

	Three month period ended		Nine month period ended	
	May 31 2012	May 31 2011	May 31 2012	May 31 2011
<b>REVENUES</b>				
Music	\$ 1,147	\$ 1,142	\$ 3,446	\$ 3,477
English Theatre	800	693	2,297	1,753
French Theatre	230	159	390	423
Dance	1,227	741	2,600	2,835
Other Programming	161	1,144	845	1,496
Programming Support	142	174	484	475
	<u>3,707</u>	<u>4,053</u>	<u>10,062</u>	<u>10,459</u>
<b>EXPENSES</b>				
Music	4,307	3,989	12,761	11,345
English Theatre	1,540	1,186	4,282	3,759
French Theatre	1,148	662	2,264	1,934
Dance	1,596	796	3,412	3,154
Other Programming	1,390	4,265	3,001	5,248
Programming Support	2,239	2,389	6,838	6,903
	<u>12,219</u>	<u>13,286</u>	<u>32,558</u>	<u>32,343</u>
<b>EXCESS OF EXPENSES OVER REVENUES</b>	<u>\$ 6,804</u>	<u>\$ 9,233</u>	<u>\$ 22,496</u>	<u>\$ 21,885</u>

**NATIONAL ARTS CENTRE CORPORATION**

**Schedule 3**

**Schedule of Expenses**

For the 9 months ended May 31, 2012

(Unaudited)

(In thousands of dollars)

	Three month period ended		Nine month period ended	
	May 31	May 31	May 31	May 31
	2012	2011	2012	2011
Salaries and benefits	\$ 7,443	\$ 7,568	\$ 21,863	\$ 21,190
Artistic fees	4,338	4,024	10,005	9,510
National Arts Centre Orchestra fees	1,849	1,735	5,444	5,018
Amortization	1,258	1,259	3,700	3,594
Advertising	1,099	1,366	3,201	3,519
Cost of sales	494	455	1,586	1,404
Maintenance and repairs	352	442	1,344	1,499
Payments to municipalities	508	507	1,523	1,521
Utilities	572	600	1,728	1,661
Financial charges	1	335	633	914
Contract fees	256	465	848	870
Promotion	152	247	514	539
Production	290	407	640	630
Staff travel	106	109	379	272
Professional fees	221	107	576	402
Equipment	77	29	236	204
Office expenses	32	46	172	176
Telecommunications	41	68	187	184
Supplies	46	42	191	146
Miscellaneous	1	71	104	173
Education and training	51	45	144	138
Board expenses	18	36	127	127
In-kind contributions of goods and services	28	428	179	700
Insurance	62	60	185	174
Rental of facilities	44	38	138	102
	<b>\$ 19,341</b>	<b>\$ 20,495</b>	<b>\$ 55,647</b>	<b>\$ 54,665</b>

# NATIONAL ARTS CENTRE CORPORATION

## Notes to the Quarterly Financial Statements

May 31, 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:

	9 months May 31 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	-	-
Appropriations invested in specified capital projects	(3,605)	(2,726)
Balance at end of year	\$ 13,206	\$ 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	4,667	(4,265)	\$ 4,457
Programming and Operations	2,969	18,941	(21,910)	-
Specific programs	241	296	(440)	97
Total	\$ 7,265	23,904	(26,615)	\$ 4,554

## 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 May 31 2012	9 months May 31 2012	12 months August 31 2011
Main estimates amount provided for operating and capital expenditures	\$ 8,908	\$ 26,724	\$ 35,370
Supplementary estimates	-	150	948
Appropriations approved	8,908	26,874	36,318
Portion of parliamentary appropriations used (deferred) for specific projects	1,255	3,346	1,320
Appropriation used to purchase depreciable property, plant and equipment	(1,680)	(4,784)	(3,463)
Amortization of deferred capital funding	1,258	3,700	4,867
Parliamentary appropriations	\$ 9,741	\$ 29,136	\$ 39,042

## 7. Comparative figures

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

## Narrative Discussion

May 31, 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: Focusing 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 May 31, 2012 the NAC realized revenues of \$18,635,000 against expenses of \$19,341,000, resulting in a deficit from operations of \$704,000. These results are in line with expectations for this period, and are partly a result of the acclaimed staging of King Lear, the Bolshoi Ballet, and the Brandenburg Concertos.

For the nine months ended May 31, 2012 revenues of \$54,510,000 were offset by expenses of \$55,649,000 for an operating deficit of \$1,137,000. As explained in the previous section, surpluses and deficits are often dependent on the unique programming of the reporting period. In the final quarter of the year, the NAC will present, the Broadway hit Wicked.

## **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%). Stated on a Government March 31 fiscal year-end basis. The Corporation has an August 31 fiscal year-end.

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 Corporation will incur restructuring costs in the final quarter of this year.

The NAC will adapt, and will continue to be an innovator and leader in the performing arts.