

Quarterly Financial Statements of:

**NATIONAL ARTS CENTRE CORPORATION**

For the 6 months ended February 28, 2014

**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

April 30, 2014

# NATIONAL ARTS CENTRE CORPORATION

## Statement of Financial Position

As at February 28, 2014

(Unaudited)

<i>(in thousands of dollars)</i>	<b>February 28 2014</b>	<b>August 31 2013</b>
<b>ASSETS</b>		
Current		
Cash	\$ 4,029	\$ 7,931
Investments	1,992	2,683
Accounts receivable	2,273	1,596
Inventories	201	241
Prepaid expenses	1,191	1,695
	<u>9,686</u>	<u>14,146</u>
Restricted cash held for specified capital projects (Note 5)	2,901	5,824
Investments	9,645	9,224
Capital Assets	55,777	54,914
	<u>\$ 78,009</u>	<u>\$ 84,108</u>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	\$ 7,735	\$ 9,831
Deferred parliamentary appropriations (Note 6)	6,011	6,246
Deferred revenue	4,327	6,165
	<u>18,073</u>	<u>22,242</u>
Deferred parliamentary appropriations, specified capital projects (Note 5)	2,901	5,824
Deferred capital funding	55,777	54,914
Long-term provision for employee future benefits	2,423	2,521
	<u>79,174</u>	<u>85,501</u>
<b>ACCUMULATED DEFICIT</b>		
Unrestricted	<u>(1,165)</u>	<u>(1,393)</u>
	<u>\$ 78,009</u>	<u>\$ 84,108</u>

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 28, 2014  
(Unaudited)

<i>(in thousands of dollars)</i>	<b>Three month period ended</b>		<b>Six month period ended</b>	
	<b>February 28 2014</b>	<b>February 28 2013</b>	<b>February 28 2014</b>	<b>February 28 2013</b>
<b>REVENUES</b>				
Commercial operations (Schedule 1)	\$ 3,289	\$ 3,200	\$ 6,713	\$ 6,824
Programming (Schedule 2)	4,592	4,409	7,479	6,798
Grant from the National Arts Centre Foundation	614	610	2,787	1,644
Other income	349	363	648	655
Investment income	80	107	222	260
	<u>8,925</u>	<u>8,689</u>	<u>17,849</u>	<u>16,181</u>
Parliamentary appropriations (Note 7)	10,039	9,382	19,866	18,887
	<u>18,964</u>	<u>18,071</u>	<u>37,715</u>	<u>35,068</u>
<b>EXPENSES</b> (Schedule 3)				
Commercial operations (Schedule 1)	2,081	2,066	4,309	4,443
Programming (Schedule 2)	10,024	10,354	21,962	20,039
Building operations	4,545	3,775	8,227	7,272
Administration and technology	1,499	1,434	2,989	3,291
	<u>18,149</u>	<u>17,629</u>	<u>37,487</u>	<u>35,045</u>
<b>NET RESULTS OF OPERATIONS</b>	<u>\$ 815</u>	<u>\$ 442</u>	<u>\$ 228</u>	<u>\$ 22</u>

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

### Statement of Changes in Accumulated Deficit

For the 6 months ended February 28, 2014  
(Unaudited)

<i>(in thousands of dollars)</i>	<b>Three month period ended</b>		<b>Six month period ended</b>	
	<b>February 28 2014</b>	<b>February 28 2013</b>	<b>February 28 2014</b>	<b>February 28 2013</b>
<b>ACCUMULATED DEFICIT</b>				
Unrestricted, beginning of the period	\$ (1,980)	\$ (2,039)	\$ (1,393)	\$ (1,619)
Net results of operations	815	442	228	22
Unrestricted, end of the period	<u>\$ (1,165)</u>	<u>\$ (1,597)</u>	<u>\$ (1,165)</u>	<u>\$ (1,597)</u>

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

# NATIONAL ARTS CENTRE CORPORATION

## Statement of Cash Flows

For the 6 months ended February 28, 2014

(Unaudited)

<i>(in thousands of dollars)</i>	Three month period ended		Six month period ended	
	February 28 2014	February 28 2013	February 28 2014	February 28 2013
<b>Operating Activities</b>				
Net results of operations	\$ 815	\$ 442	\$ 228	\$ 22
Items not affecting cash				
Amortization	1,355	1,323	2,591	2,576
Amortization of deferred capital funding	(1,355)	(1,323)	(2,591)	(2,576)
	815	442	228	22
Change in non-cash operating assets and liabilities	(1,144)	(1,440)	(4,302)	1,697
Change in long-term portion of provision for employee future benefits	(116)	31	(98)	63
Cash flow from (used for) operating activities	(445)	(967)	(4,172)	1,782
<b>Capital Activities</b>				
Additions to capital assets	(1,277)	(1,490)	(3,454)	(2,446)
Cash flow used for capital activities	(1,277)	(1,490)	(3,454)	(2,446)
<b>Investing Activities</b>				
Purchase of investments	204	(106)	270	(257)
Change in restricted cash held for specified capital projects	(894)	(938)	(2,923)	(2,166)
Cash flow used for investment activities	(690)	(1,044)	(2,653)	(2,423)
<b>Financing Activities</b>				
Deferred parliamentary appropriations, specified capital projects	894	938	2,923	2,166
Parliamentary appropriations received for the acquisition of capital assets	1,277	1,490	3,454	2,446
Cash flow from financing activities	2,171	2,428	6,377	4,612
Increase (decrease) in cash position	(241)	(1,073)	(3,902)	1,525
Cash at beginning of period	4,270	5,807	7,931	3,209
Cash at end of period	\$ 4,029	\$ 4,734	\$ 4,029	\$ 4,734

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

# NATIONAL ARTS CENTRE CORPORATION

## Schedule 1

### Schedule of revenues and expenses - Commercial Operations

For the 6 months ended February 28, 2014  
(Unaudited)

#### For the 3 months ended February 28, 2014

<i>(In thousands of dollars)</i>	2014		
	Revenues	Expenses	Net
Food and Beverage Services	\$ 1,306	\$ 1,454	\$ (148)
Parking Services	1,376	235	1,141
Rental of Halls	607	392	215
	<u>\$ 3,289</u>	<u>\$ 2,081</u>	<u>\$ 1,208</u>

<i>(In thousands of dollars)</i>	2013		
	Revenues	Expenses	Net
Food and Beverage Services	\$ 1,295	\$ 1,385	\$ (90)
Parking Services	1,242	224	1,018
Rental of Halls	663	457	206
	<u>\$ 3,200</u>	<u>\$ 2,066</u>	<u>\$ 1,134</u>

#### For the 6 months ended February 28, 2014

<i>(in thousands of dollars)</i>	2014		
	Revenues	Expenses	Net
Food and Beverage Services	\$ 2,708	\$ 2,905	\$ (197)
Parking Services	2,606	453	2,153
Rental of Halls	1,399	951	448
	<u>\$ 6,713</u>	<u>\$ 4,309</u>	<u>\$ 2,404</u>

<i>(in thousands of dollars)</i>	2013		
	Revenues	Expenses	Net
Food and Beverage Services	\$ 2,932	\$ 2,926	\$ 6
Parking Services	2,374	451	1,923
Rental of Halls	1,518	1,066	452
	<u>\$ 6,824</u>	<u>\$ 4,443</u>	<u>\$ 2,381</u>

# NATIONAL ARTS CENTRE CORPORATION

## Schedule 2

### Schedule of revenues and expenses - Programming

For the 6 months ended February 28, 2014

(Unaudited)

	Three month period ended		Six month period ended	
	February 28	February 28	February 28	February 28
<i>(in thousands of dollars)</i>	2014	2013	2014	2013
<b>REVENUES</b>				
Music	\$ 1,366	\$ 1,610	\$ 2,846	\$ 2,573
Dance	1,065	1,082	1,276	1,560
Other Programming	322	521	842	790
English Theatre	1,430	818	1,802	1,142
Programming Support	317	273	502	488
French Theatre	92	106	212	246
	<u>4,592</u>	<u>4,409</u>	<u>7,479</u>	<u>6,798</u>
<b>EXPENSES</b>				
Music	4,055	4,209	9,924	8,437
Dance	884	1,047	1,473	1,873
Other Programming	800	912	2,252	1,637
English Theatre	1,575	1,362	2,583	2,359
Programming Support	2,232	2,319	4,571	4,546
French Theatre	478	504	1,161	1,187
	<u>10,024</u>	<u>10,354</u>	<u>21,962</u>	<u>20,039</u>
<b>EXCESS OF EXPENSES OVER REVENUES</b>	<u>\$ 5,432</u>	<u>\$ 5,945</u>	<u>\$ 14,483</u>	<u>\$ 13,241</u>

# NATIONAL ARTS CENTRE CORPORATION

## Schedule 3

### Schedule of Expenses

For the 6 months ended February 28, 2014

(Unaudited)

<i>(in thousands of dollars)</i>	Three month period ended		Six month period ended	
	February 28 2014	February 28 2013	February 28 2014	February 28 2013
Salaries and benefits	\$ 7,070	\$ 7,010	\$ 14,030	\$ 14,208
Artistic fees	2,814	3,157	6,354	5,768
National Arts Centre Orchestra fees	1,580	1,595	3,791	3,340
Amortization	1,355	1,323	2,591	2,576
Advertising	1,101	982	2,334	1,939
Utilities	779	747	1,299	1,287
Maintenance and repairs	523	363	1,019	908
Payments to municipalities	510	508	1,018	1,017
Cost of sales	415	409	894	932
Contract fees	334	265	651	576
In-kind contributions of goods and services	100	93	250	117
Professional fees	544	185	746	296
Production	205	121	574	249
Financial charges and bad debts	246	311	442	472
Staff travel	108	110	252	257
Promotion	103	145	316	262
Equipment	89	34	162	135
Insurance	60	57	125	113
Supplies	53	71	122	134
Education and training	37	21	89	51
Office expenses	18	50	68	110
Telecommunications	45	40	90	108
Rental of facilities	15	4	139	50
Board expenses	39	28	77	86
Miscellaneous	5	2	54	54
	<b>\$ 18,149</b>	<b>\$ 17,629</b>	<b>\$ 37,487</b>	<b>\$ 35,045</b>

# NATIONAL ARTS CENTRE CORPORATION

## Notes to the Quarterly Financial Statements

As at February 28, 2014

### 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*, 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 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. Change in accounting policies

Effective September 1, 2012, the National Arts Centre Corporation adopted Public Sector Accounting Standards including the 4200 series of accounting standards applicable for Government Not-For-Profit Organizations. This change has been applied retrospectively and prior periods have been restated.

#### 5. 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 are expected to be depleted in this fiscal year.

Changes in the fund balance are as follows:

*(in thousands of dollars)*

Balance at beginning of period	\$	5,824
Appropriations received to fund specified capital projects	-	
Appropriations invested in specified capital projects	(2,923)	
Balance at end of period	\$	2,901

#### 6. 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	\$ 3,925	\$ 3,500	\$ (3,649)	\$ 3,776
Programming and Operations	2,204	13,223	(13,223)	2,204
Specific programs	117	325	(411)	31
Total	\$ 6,246	\$ 17,048	\$ (17,283)	\$ 6,011

## 7. 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	\$ 17,048
Supplementary estimates	-
Appropriations approved	17,048
Portion of parliamentary appropriations used (deferred) for specific projects	3,681
Appropriation used to purchase depreciable property, plant and equipment	(3,454)
Amortization of deferred capital funding	2,591
Parliamentary appropriations	\$ 19,866

## 8. Comparative figures

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

# Narrative Discussion

## 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 six months ending February 28, 2014 the NAC realized revenues of \$37,715,000 and expenses of \$37,487,000, resulting in a surplus from operations of \$228,000. The NAC is on track to achieve its break even budget for this fiscal year.

The National Arts Centre Orchestra travelled to China in October of this year. The tour was a resounding success, with thanks to additional grants from the National Arts Centre Foundation and support from the Government of Canada through the Parliamentary Appropriation, which supported increased programming expenditures in Music.

In December English Theatre presented the Sound of Music which resulted in record ticket sales and increased revenues. Other programming costs were up due to Festival Zone Théâtrale and the 20th anniversary Gala. The Corporation also incurred increased utility and building repair costs.

## **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 approaching 50 years of age and some building systems will require significant rejuvenation in the coming years.

The NAC's management team and the Board of Trustees have developed budgets and long-term plans to address these risks.