

Quarterly Financial Statements of:

NATIONAL ARTS CENTRE CORPORATION

For the 9 months ended May 31, 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

July 31, 2014

NATIONAL ARTS CENTRE CORPORATION

Statement of Financial Position

As at May 31, 2014

(Unaudited)

<i>(in thousands of dollars)</i>	May 31 2014	August 31 2013
ASSETS		
Current		
Cash	\$ 5,486	\$ 7,931
Investments	1,172	2,683
Accounts receivable	4,949	1,596
Inventories	196	241
Prepaid expenses	1,073	1,695
	<hr/> 12,876	<hr/> 14,146
Restricted cash held for specified capital projects (Note 5)	1,641	5,824
Investments	9,348	9,224
Capital Assets	56,127	54,914
	<hr/> \$ 79,992	<hr/> \$ 84,108
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 9,741	\$ 9,831
Deferred parliamentary appropriations (Note 6)	5,613	6,246
Deferred revenue	6,157	6,165
	<hr/> 21,511	<hr/> 22,242
Deferred parliamentary appropriations, specified capital projects (Note 5)	1,641	5,824
Deferred capital funding	56,127	54,914
Long-term provision for employee future benefits	2,400	2,521
	<hr/> 81,679	<hr/> 85,501
ACCUMULATED DEFICIT		
Unrestricted	(1,687)	(1,393)
	<hr/> \$ 79,992	<hr/> \$ 84,108

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, 2014

(Unaudited)

<i>(in thousands of dollars)</i>	Three month period ended		Nine month period ended	
	May 31 2014	May 31 2013	May 31 2014	May 31 2013
REVENUES				
Commercial operations (Schedule 1)	\$ 3,529	\$ 3,197	\$ 10,242	\$ 10,021
Programming (Schedule 2)	3,469	3,963	10,948	10,761
Grants from the National Arts Centre Foundation	1,033	1,535	3,820	3,179
Other income	311	287	959	942
Investment income	109	59	331	319
	<u>8,451</u>	<u>9,041</u>	<u>26,300</u>	<u>25,222</u>
Parliamentary appropriations (Note 7)	10,131	9,621	29,997	28,508
	<u>18,582</u>	<u>18,662</u>	<u>56,297</u>	<u>53,730</u>
EXPENSES (Schedule 3)				
Commercial operations (Schedule 1)	2,214	2,252	6,523	6,695
Programming (Schedule 2)	11,312	11,563	33,274	31,602
Building operations	4,003	3,578	12,230	10,850
Administration and technology	1,575	1,500	4,564	4,792
	<u>19,104</u>	<u>18,893</u>	<u>56,591</u>	<u>53,939</u>
NET RESULTS OF OPERATIONS	<u>\$ (522)</u>	<u>\$ (231)</u>	<u>\$ (294)</u>	<u>\$ (209)</u>

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

Statement of Changes in Accumulated Deficit

For the 9 months ended May 31, 2014

(Unaudited)

<i>(in thousands of dollars)</i>	Three month period ended		Nine month period ended	
	May 31 2014	May 31 2013	May 31 2014	May 31 2013
ACCUMULATED DEFICIT				
Unrestricted, beginning of the period	\$ (1,165)	\$ (1,597)	\$ (1,393)	\$ (1,619)
Net results of operations	<u>(522)</u>	<u>(231)</u>	<u>(294)</u>	<u>(209)</u>
Unrestricted, end of the period	<u>\$ (1,687)</u>	<u>\$ (1,828)</u>	<u>\$ (1,687)</u>	<u>\$ (1,828)</u>

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

NATIONAL ARTS CENTRE CORPORATION

Statement of Cash Flows

For the 9 months ended May 31, 2014

(Unaudited)

<i>(in thousands of dollars)</i>	Three month period ended		Nine month period ended	
	May 31 2014	May 31 2013	May 31 2014	May 31 2013
Operating Activities				
Net results of operations	\$ (522)	\$ (231)	\$ (294)	\$ (209)
Items not affecting cash				
Amortization	1,362	1,265	3,953	3,841
Amortization of deferred capital funding	(1,362)	(1,265)	(3,953)	(3,841)
	(522)	(231)	(294)	(209)
Change in non-cash operating assets and liabilities	885	(420)	(3,417)	1,277
Change in long-term portion of provision for employee future benefits	(22)	75	(121)	138
Cash flow from (used for) operating activities	341	(576)	(3,832)	1,206
Capital Activities				
Additions to capital assets	(1,712)	(368)	(5,166)	(2,814)
Cash flow used for capital activities	(1,712)	(368)	(5,166)	(2,814)
Investing Activities				
Sale (purchase) of investments	1,117	(97)	1,387	(351)
Change in restricted cash held for specified capital projects	(1,260)	(1,572)	(4,183)	(3,738)
Cash flow used for investment activities	(143)	(1,669)	(2,796)	(4,089)
Financing Activities				
Deferred parliamentary appropriations, specified capital projects	1,260	1,572	4,183	3,738
Parliamentary appropriations received for the acquisition of capital assets	1,712	368	5,166	2,814
Cash flow from financing activities	2,972	1,940	9,349	6,552
Increase (decrease) in cash position	1,458	(673)	(2,445)	855
Cash at beginning of period	4,029	4,737	7,931	3,209
Cash at end of period	\$ 5,486	\$ 4,064	\$ 5,486	\$ 4,064

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 9 months ended May 31, 2014
(Unaudited)

For the 3 months ended May 31, 2014

<i>(In thousands of dollars)</i>	2014		
	Revenues	Expenses	Net
Food and Beverage Services	\$ 1,549	\$ 1,463	\$ 86
Parking Services	1,267	229	1,038
Rental of Halls	713	522	191
	<u>\$ 3,529</u>	<u>\$ 2,214</u>	<u>\$ 1,315</u>

<i>(In thousands of dollars)</i>	2013		
	Revenues	Expenses	Net
Food and Beverage Services	\$ 1,353	\$ 1,548	\$ (195)
Parking Services	1,180	236	944
Rental of Halls	664	468	196
	<u>\$ 3,197</u>	<u>\$ 2,252</u>	<u>\$ 945</u>

For the 9 months ended May 31, 2014

<i>(in thousands of dollars)</i>	2014		
	Revenues	Expenses	Net
Food and Beverage Services	\$ 4,257	\$ 4,368	\$ (111)
Parking Services	3,873	682	3,191
Rental of Halls	2,112	1,473	639
	<u>\$ 10,242</u>	<u>\$ 6,523</u>	<u>\$ 3,719</u>

<i>(in thousands of dollars)</i>	2013		
	Revenues	Expenses	Net
Food and Beverage Services	\$ 4,285	\$ 4,474	\$ (189)
Parking Services	3,554	687	2,867
Rental of Halls	2,182	1,534	648
	<u>\$ 10,021</u>	<u>\$ 6,695</u>	<u>\$ 3,326</u>

NATIONAL ARTS CENTRE CORPORATION

Schedule 2

Schedule of revenues and expenses - Programming

For the 9 months ended May 31, 2014

(Unaudited)

	Three month period ended		Nine month period ended	
	May 31 2014	May 31 2013	May 31 2014	May 31 2013
<i>(in thousands of dollars)</i>				
REVENUES				
Music	\$ 786	\$ 1,021	\$ 3,632	\$ 3,594
Dance	899	804	2,175	2,364
Other Programming	711	1,170	1,553	1,960
English Theatre	634	634	2,436	1,776
Programming Support	281	241	783	729
French Theatre	158	93	369	338
	<u>3,469</u>	<u>3,963</u>	<u>10,948</u>	<u>10,761</u>
EXPENSES				
Music	3,903	4,453	13,827	12,890
Dance	1,151	1,043	2,624	2,916
Other Programming	2,106	2,324	4,358	3,961
English Theatre	1,250	997	3,833	3,356
Programming Support	2,255	1,935	6,826	6,481
French Theatre	647	811	1,806	1,998
	<u>11,312</u>	<u>11,563</u>	<u>33,274</u>	<u>31,602</u>
EXCESS OF EXPENSES OVER REVENUES	<u>\$ 7,843</u>	<u>\$ 7,600</u>	<u>\$ 22,326</u>	<u>\$ 20,841</u>

NATIONAL ARTS CENTRE CORPORATION

Schedule 3

Schedule of Expenses

For the 9 months ended May 31, 2014

(Unaudited)

<i>(in thousands of dollars)</i>	Three month period ended		Nine month period ended	
	May 31 2014	May 31 2013	May 31 2014	May 31 2013
Salaries and benefits	\$ 7,318	\$ 7,108	\$ 21,348	\$ 21,316
Artistic fees	3,559	3,771	9,913	9,539
National Arts Centre Orchestra fees	1,604	1,636	5,395	4,976
Amortization	1,362	1,265	3,953	3,841
Advertising	1,202	1,436	3,536	3,375
Utilities	537	570	1,836	1,857
Maintenance and repairs	488	380	1,507	1,288
Payments to municipalities	509	508	1,527	1,525
Cost of sales	495	423	1,389	1,355
Contract fees	505	342	1,156	918
In-kind contributions of goods and services	32	24	282	141
Professional fees	246	118	992	414
Production	242	233	816	482
Financial charges and bad debts	226	211	668	683
Staff travel	99	185	351	442
Promotion	151	187	467	449
Equipment	75	100	237	235
Insurance	63	58	188	171
Supplies	117	64	239	198
Education and training	84	56	173	107
Office expenses	35	16	103	126
Telecommunications	46	41	136	149
Rental of facilities	29	45	168	95
Board expenses	30	33	107	119
Miscellaneous	50	82	104	136
	\$ 19,104	\$ 18,893	\$ 56,591	\$ 53,939

NATIONAL ARTS CENTRE CORPORATION

Notes to the Quarterly Financial Statements

As at May 31, 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 sections 89.8 to 89.92, 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		(4,183)
Balance at end of period	\$	1,641

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	\$ 5,250	\$ (5,814)	\$ 3,361
Programming and Operations	2,204	19,835	(19,800)	2,239
Specific programs	117	325	(429)	13
Total	\$ 6,246	\$ 25,410	\$ (26,043)	\$ 5,613

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	\$ 25,410
Supplementary estimates	-
Appropriations approved	25,410
Portion of parliamentary appropriations used (deferred) for specific projects	5,800
Appropriation used to purchase depreciable property, plant and equipment	(5,166)
Amortization of deferred capital funding	3,953
Parliamentary appropriations	\$ 29,997

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 nine months ending May 31, 2014 the NAC realized revenues of \$56,297,000 and expenses of \$56,591,000, resulting in a deficit from operations of \$294,000. 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.

Programming revenue and commercial revenue have increased over the previous year as the result of the box office success of performances such as *The Sound of Music*.

Building operations costs have increased due to higher utility costs and significant investment in building repairs.

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.