

Quarterly Financial Statements of:

## **NATIONAL ARTS CENTRE CORPORATION**

For the 3 months ended November 30, 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

January 30, 2015

# NATIONAL ARTS CENTRE CORPORATION

## Statement of Financial Position

As at November 30, 2014

(Unaudited)

<i>(in thousands of dollars)</i>	November 30 2014	August 31 2014
<b>ASSETS</b>		
Current		
Cash and cash equivalents	\$ 1,262	\$ 7,562
Restricted cash held for specified capital projects (Note 4)	280	449
Investments	755	710
Accounts receivable	3,456	1,009
Inventories	161	162
Prepaid expenses	1,589	1,623
	7,503	11,515
Investments	8,829	8,840
Capital assets	55,313	56,368
	\$ 71,645	\$ 76,723
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	\$ 6,708	\$ 8,122
Deferred parliamentary appropriations (Note 5)	2,135	4,633
Deferred revenue	6,836	6,343
Deferred parliamentary appropriations, specified capital projects (Note 4)	280	449
	15,959	19,547
Deferred capital funding	55,313	56,368
Long-term portion of provision for employee future benefits	2,006	2,028
	73,278	77,943
<b>ACCUMULATED DEFICIT</b>		
Unrestricted	(1,633)	(1,220)
	\$ 71,645	\$ 76,723

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, 2014

(Unaudited)

<i>(in thousands of dollars)</i>	November 30 2014	November 30 2013
<b>REVENUES</b>		
Commercial operations (Schedule 1)	\$ 3,358	\$ 3,424
Programming (Schedule 2)	2,702	2,887
Grant from the National Arts Centre Foundation	2,168	2,173
Other income	275	300
Investment income	68	142
	8,571	8,926
Parliamentary appropriations (Note 6)	9,368	9,827
	17,939	18,753
<b>EXPENSES</b> (Schedule 3)		
Commercial operations (Schedule 1)	2,060	2,228
Programming (Schedule 2)	11,137	11,938
Building operations	3,553	3,686
Administration and technology	1,602	1,488
	18,352	19,340
<b>NET RESULTS OF OPERATIONS</b>	\$ (413)	\$ (587)

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

## Statement of Changes in Accumulated Deficit

For the 3 months ended November 30, 2014

(Unaudited)

<i>(in thousands of dollars)</i>	November 30 2014	November 30 2013
Unrestricted, beginning of the period	\$ (1,220)	\$ (1,393)
Net results of operations	(413)	(587)
Accumulated deficit, end of the period	(1,633)	(1,980)

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

# NATIONAL ARTS CENTRE CORPORATION

## Statement of Cash Flows

For the 3 months ended November 30, 2014

(Unaudited)

<i>(in thousands of dollars)</i>	<b>November 30 2014</b>	<b>November 30 2013</b>
<b>Operating Activities</b>		
Net results of operations	\$ (413)	\$ (587)
Items not affecting cash		
Amortization	1,421	1,236
Amortization of deferred capital funding	(1,421)	(1,236)
	(413)	(587)
Change in non-cash operating assets and liabilities	(5,831)	(3,157)
Change in long-term portion of provision for employee future benefits	(22)	18
Cash flow from (used for) operating activities	(6,266)	(3,727)
<b>Capital Activities</b>		
Additions to capital assets	(365)	(2,178)
Cash flow used for capital activities	(365)	(2,178)
<b>Investing Activities</b>		
(Purchase) sale of investments	(34)	66
Cash flow used for investment activities	(34)	66
<b>Financing Activities</b>		
Transfer from restricted cash held for specified capital projects	169	2,029
Parliamentary appropriations received for the acquisition of capital assets	196	149
Cash flow from financing activities	365	2,178
Increase (decrease) in cash position	(6,300)	(3,661)
Cash and cash equivalents at beginning of period	7,562	7,931
Cash and cash equivalents at end of period	\$ 1,262	\$ 4,270

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 3 months ended November 30, 2014

(Unaudited)

<i>(in thousands of dollars)</i>	<b>2014</b>		
	Revenues	Expenses	Net
Food and Beverage Services	\$ 1,594	\$ 1,428	\$ 166
Parking Services	1,160	216	944
Rental of Halls	604	416	188
	<u>\$ 3,358</u>	<u>\$ 2,060</u>	<u>\$ 1,298</u>

<i>(in thousands of dollars)</i>	<b>2013</b>		
	Revenues	Expenses	Net
Food and Beverage Services	\$ 1,402	\$ 1,451	\$ (49)
Parking Services	1,230	218	1,012
Rental of Halls	792	559	233
	<u>\$ 3,424</u>	<u>\$ 2,228</u>	<u>\$ 1,196</u>

**NATIONAL ARTS CENTRE CORPORATION**  
**Schedule 2**  
**Schedule of revenues and expenses - Programming**

For the 3 months ended November 30, 2014

(Unaudited)

<i>(in thousands of dollars)</i>	<b>November 30 2014</b>	<b>November 30 2013</b>
<b>REVENUES</b>		
Music	\$ 1,110	\$ 1,479
English Theatre	430	372
Dance	279	211
Other Programming	551	520
Programming Support	187	185
French Theatre	147	120
	2,702	2,887
<b>EXPENSES</b>		
Music	5,302	5,869
English Theatre	1,089	1,006
Dance	579	588
Other Programming	1,255	1,451
Programming Support	2,326	2,341
French Theatre	586	683
	11,137	11,938
<b>EXCESS OF EXPENSES OVER REVENUES</b>	<b>\$ 8,435</b>	<b>\$ 9,051</b>

# NATIONAL ARTS CENTRE CORPORATION

## Schedule 3

### Schedule of Expenses

For the 3 months ended November 30, 2014

(Unaudited)

<i>(in thousands of dollars)</i>	November 30 2014	November 30 2013
Salaries and benefits	\$ 6,703	\$ 6,960
Artistic fees	3,150	3,540
National Arts Centre Orchestra fees	2,192	2,211
Amortization	1,421	1,236
Advertising	1,166	1,233
Professional fees	369	519
Utilities	483	520
Maintenance and repairs	417	496
Payments to municipalities	510	508
Cost of sales	470	479
Production	214	369
Financial charges and bad debts	180	196
In-kind contributions of goods and services	159	150
Promotion	197	213
Staff travel	205	144
Equipment	97	73
Education and training	57	52
Supplies	44	69
Insurance	66	65
Rental of facilities	23	29
Telecommunications	48	45
Board	40	38
Office	87	50
Miscellaneous	52	144
	\$ 18,352	\$ 19,340

# NATIONAL ARTS CENTRE CORPORATION

## Notes to the Quarterly Financial Statements

*As at November 30, 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. 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	\$	449
Appropriations received to fund specified capital projects	-	
Appropriations invested in specified capital projects	(169)	
Balance at end of period	\$	280

#### 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:

*(in thousands of dollars)*

	Beginning	Received	Used	Ending
Building refurbishment	\$ 2,379	\$ 1,750	\$ (2,007)	\$ 2,122
Programming and Operations	2,239	6,717	(8,956)	-
Specific programs	15	-	(2)	13
Total	\$ 4,633	\$ 8,467	\$ (10,965)	\$ 2,135

#### 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 public sector accounting standards.

*(in thousands of dollars)*

Main estimates amount provided for operating and capital expenditures	\$	8,467
Supplementary estimates	-	
Appropriations approved		8,467
Portion of parliamentary appropriations used (deferred) for specific projects		(155)
Appropriation used to purchase depreciable property, plant and equipment		(365)
Amortization of deferred capital funding		1,421
Parliamentary appropriations	\$	9,368

# 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 three months ending November 30, 2014 the NAC realized revenues of \$17,939,000 and expenses of \$18,352,000, resulting in a deficit from operations of \$413,000. The NAC is on track to achieve its break even budget for this fiscal year.

The National Arts Centre Orchestra travelled to the United Kingdom in October of this year. The tour was a resounding success, thanks to funding from the National Arts Centre Foundation. The Orchestra toured to China in the previous year, with slightly more revenues and expenses.

## **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 replacement in the coming years. The Federal Government has announced \$110 million of funding for a new entrance, and enhanced exterior and public spaces within the Centre. This project will be completed over the next three years, and will have an impact on some operations during the construction period.