

Quarterly Financial Statements of:

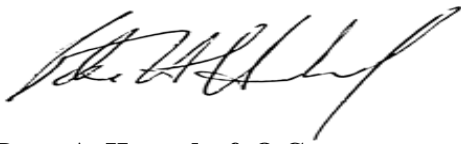
NATIONAL ARTS CENTRE CORPORATION

For the 9 months ended May 31, 2015

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, CPA, CA
Chief Financial Officer

July 24, 2015

NATIONAL ARTS CENTRE CORPORATION

Statement of Financial Position

As at May 31, 2015

(Unaudited)

<i>(in thousands of dollars)</i>	May 31 2015	August 31 2014
ASSETS		
Current		
Cash and cash equivalents	\$ 1,696	\$ 7,562
Restricted cash held for specified capital projects (Note 4)	182	449
Investments	632	710
Accounts receivable	5,247	1,009
Inventories	159	162
Prepaid expenses	1,206	1,623
	9,122	11,515
Investments	7,464	8,840
Capital assets	54,261	56,368
	\$ 70,847	\$ 76,723
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 7,424	\$ 8,122
Deferred parliamentary appropriations (Note 5)	3,405	4,633
Deferred revenue	5,554	6,343
Deferred parliamentary appropriations, specified capital projects (Note 4)	182	449
	16,564	19,547
Deferred capital funding	54,261	56,368
Long-term portion of provision for employee future benefits	1,987	2,028
	72,812	77,943
ACCUMULATED DEFICIT		
Unrestricted	(1,965)	(1,220)
	\$ 70,847	\$ 76,723

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, 2015

(Unaudited)

<i>(in thousands of dollars)</i>	Three month period ended		Nine month period ended	
	May 31 2015	May 31 2014	May 31 2015	May 31 2014
REVENUES				
Commercial operations (Schedule 1)	\$ 3,431	\$ 3,529	\$ 9,422	\$ 10,242
Programming (Schedule 2)	4,714	3,469	11,177	10,948
Grant from the National Arts Centre Foundation	1,027	1,032	4,319	3,820
Other income	396	311	1,022	959
Investment income	338	109	486	331
	<u>9,906</u>	<u>8,450</u>	<u>26,425</u>	<u>26,298</u>
Parliamentary appropriations (Note 6)	10,871	10,131	29,901	29,997
	<u>20,777</u>	<u>18,581</u>	<u>56,326</u>	<u>56,295</u>
EXPENSES (Schedule 3)				
Commercial operations (Schedule 1)	2,168	2,214	5,871	6,523
Programming (Schedule 2)	13,336	11,312	35,110	33,274
Building operations	3,893	4,003	11,560	12,229
Administration and technology	1,244	1,575	4,530	4,563
	<u>20,641</u>	<u>19,104</u>	<u>57,071</u>	<u>56,589</u>
NET RESULTS OF OPERATIONS	\$ 136	\$ (523)	\$ (745)	\$ (294)

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, 2015

(Unaudited)

<i>(in thousands of dollars)</i>	Three month period ended		Nine month period ended	
	May 31 2015	May 31 2014	May 31 2015	May 31 2014
Unrestricted, beginning of the period	\$ (2,101)	\$ (1,164)	\$ (1,220)	\$ (1,393)
Net results of operations	136	(523)	(745)	(294)
Accumulated deficit, end of the period	<u>\$ (1,965)</u>	<u>\$ (1,687)</u>	<u>\$ (1,965)</u>	<u>\$ (1,687)</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, 2015

(Unaudited)

	Three month period ended		Nine month period ended	
	May 31 2015	May 31 2014	May 31 2015	May 31 2014
<i>(in thousands of dollars)</i>				
Operating Activities				
Net results of operations	\$ 136	\$ (523)	\$ (745)	\$ (294)
Items not affecting cash				
Amortization	1,433	1,362	4,286	3,953
Amortization of deferred capital funding	(1,433)	(1,362)	(4,286)	(3,953)
	136	(523)	(745)	(294)
Change in non-cash operating assets and liabilities	(531)	886	(6,535)	(3,418)
Change in long-term portion of provision for employee future benefits	(15)	(23)	(41)	(121)
Cash flow from (used for) operating activities	(411)	340	(7,320)	(3,832)
Capital Activities				
Additions to capital assets	(1,410)	(451)	(2,178)	(5,165)
Cash flow used for capital activities	(1,410)	(451)	(2,178)	(5,165)
Investing Activities				
(Purchase) sale of investments	1,882	1,117	1,454	1,388
Cash flow used for investment activities	1,882	1,117	1,454	1,388
Financing Activities				
Transfer from restricted cash held for specified capital projects	-	140	267	4,183
Parliamentary appropriations received for the acquisition of capital assets	1,410	311	1,911	982
Cash flow from financing activities	1,410	451	2,178	5,165
Increase (decrease) in cash position	1,471	1,457	(5,866)	(2,445)
Cash and cash equivalents at beginning of period	225	4,029	7,562	7,931
Cash and cash equivalents at end of period	\$ 1,696	\$ 5,486	\$ 1,696	\$ 5,486

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

(Unaudited)

For the 3 months ended May 31, 2015

<i>(in thousands of dollars)</i>	2015		
	Revenues	Expenses	Net
Food and Beverage Services	\$ 1,394	\$ 1,404	\$ (10)
Parking Services	1,277	208	1,069
Rental of Halls	760	556	204
	<u>\$ 3,431</u>	<u>\$ 2,168</u>	<u>\$ 1,263</u>

<i>(in thousands of dollars)</i>	2014		
	Revenues	Expenses	Net
Food and Beverage Services	\$ 1,550	\$ 1,463	\$ 87
Parking Services	1,265	230	\$ 1,035
Rental of Halls	714	521	193
	<u>\$ 3,529</u>	<u>\$ 2,214</u>	<u>\$ 1,315</u>

For the 9 months ended May 31, 2015

<i>(in thousands of dollars)</i>	2015		
	Revenues	Expenses	Net
Food and Beverage Services	\$ 4,150	\$ 4,080	\$ 70
Parking Services	3,659	674	2,985
Rental of Halls	1,613	1,117	496
	<u>\$ 9,422</u>	<u>\$ 5,871</u>	<u>\$ 3,551</u>

<i>(in thousands of dollars)</i>	2014		
	Revenues	Expenses	Net
Food and Beverage Services	\$ 4,258	\$ 4,368	\$ (110)
Parking Services	3,872	682	3,190
Rental of Halls	2,112	1,473	639
	<u>\$ 10,242</u>	<u>\$ 6,523</u>	<u>\$ 3,719</u>

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

For the 9 months ended May 31, 2015

(Unaudited)

	Three month period ended		Nine month period ended	
	May 31 2015	May 31 2014	May 31 2015	May 31 2014
<i>(in thousands of dollars)</i>				
REVENUES				
Music	\$ 1,017	\$ 785	\$ 3,457	\$ 3,631
English Theatre	297	634	1,533	2,436
Dance	1,218	899	2,655	2,175
Other Programming	1,634	712	2,357	1,554
Programming Support	273	282	705	783
French Theatre	276	158	470	369
	<u>4,714</u>	<u>3,469</u>	<u>11,177</u>	<u>10,948</u>
EXPENSES				
Music	4,078	3,902	13,770	13,826
English Theatre	813	1,258	3,503	3,840
Dance	1,669	1,150	3,330	2,622
Other Programming	3,706	2,106	5,810	4,358
Programming Support	2,136	2,256	6,763	6,829
French Theatre	934	639	1,934	1,799
	<u>13,336</u>	<u>11,312</u>	<u>35,110</u>	<u>33,274</u>
EXCESS OF EXPENSES OVER REVENUES	<u>\$ 8,622</u>	<u>\$ 7,843</u>	<u>\$ 23,934</u>	<u>\$ 22,326</u>

NATIONAL ARTS CENTRE CORPORATION

Schedule 3

Schedule of Expenses

For the 9 months ended May 31, 2015

(Unaudited)

<i>(in thousands of dollars)</i>	Three month period ended		Nine month period ended	
	May 31 2015	May 31 2014	May 31 2015	May 31 2014
Salaries and benefits	\$ 7,493	\$ 7,318	\$ 21,459	\$ 21,348
Artistic fees	4,652	3,558	10,408	9,913
National Arts Centre Orchestra fees	1,849	1,604	5,981	5,395
Amortization	1,433	1,362	4,286	3,953
Advertising	1,336	1,203	3,617	3,536
Professional fees	475	751	1,232	2,149
Utilities	615	537	1,894	1,836
Maintenance and repairs	377	488	1,244	1,507
Payments to municipalities	509	509	1,530	1,527
Cost of sales	477	495	1,308	1,389
Production	381	242	778	816
Financial charges and bad debts	193	226	661	668
In-kind contributions of goods and services	27	32	293	282
Promotion	232	151	570	467
Staff travel	94	99	390	351
Equipment	37	75	225	237
Education and training	69	84	146	173
Supplies	49	117	144	239
Insurance	66	63	198	188
Rental of facilities	59	29	149	168
Telecommunications	57	45	161	136
Board	36	30	116	107
Office	58	34	178	103
Miscellaneous	68	50	104	104
	\$ 20,641	\$ 19,104	\$ 57,071	\$ 56,589

NATIONAL ARTS CENTRE CORPORATION

Notes to the Quarterly Financial Statements

As at May 31, 2015

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	(267)	
Balance at end of period	\$	182

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	\$ 5,250	\$ (4,360)	\$ 3,269
Programming and operations	2,239	20,152	(22,391)	-
Specific programs	15	500	(378)	137
Total	\$ 4,633	\$ 25,902	\$ (27,129)	\$ 3,405

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	\$ 25,902
Supplementary estimates	-
Appropriations approved	25,902
Portion of parliamentary appropriations used (deferred) for specific projects	1,891
Appropriation used to purchase depreciable property, plant and equipment	(2,178)
Amortization of deferred capital funding	4,286
Parliamentary appropriations	\$ 29,901

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, 2015 the NAC realized revenues of \$56,326,000 and expenses of \$57,071,000, resulting in a deficit from operations of \$745,000. The NAC is on track to achieve its break even budget for this fiscal year, with a surplus planned for the subsequent quarter.

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.

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, 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.