

Quarterly Financial Statements of:

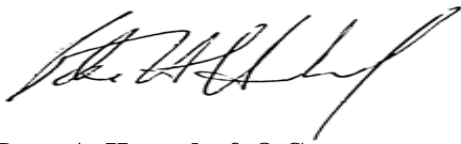
NATIONAL ARTS CENTRE CORPORATION

For the 3 months ended November 30, 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, CA
Chief Financial Officer

January 27, 2016

NATIONAL ARTS CENTRE CORPORATION

Statement of Financial Position

As at November 30, 2015

(Unaudited)

	November 30	August 31
<i>(in thousands of dollars)</i>	2015	2015
ASSETS		
Current		
Cash and cash equivalents	\$ 5,685	\$ 5,989
Restricted cash held for specified capital projects (Note 4)	12,216	4,209
Investments	105	109
Accounts receivable	3,918	1,577
Inventories	180	194
Prepaid expenses	2,586	2,235
	<u>24,690</u>	<u>14,313</u>
Investments	9,069	8,668
Capital assets	<u>53,956</u>	<u>52,750</u>
	<u>\$ 87,715</u>	<u>\$ 75,731</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 10,316	\$ 7,854
Deferred parliamentary appropriations (Note 5)	5,098	4,717
Deferred revenue	6,380	5,387
Deferred parliamentary appropriations, specified capital projects (Note 4)	12,216	4,209
	<u>34,010</u>	<u>22,167</u>
Deferred capital funding	53,956	52,750
Long-term portion of provision for employee future benefits	<u>1,910</u>	<u>1,989</u>
	89,876	76,906
ACCUMULATED DEFICIT		
Unrestricted	<u>(2,160)</u>	<u>(1,175)</u>
	<u>\$ 87,715</u>	<u>\$ 75,731</u>

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, 2015

(Unaudited)

	November 30	November 30
	2015	2014
<i>(in thousands of dollars)</i>		
REVENUES		
Commercial operations (Schedule 1)	\$ 3,018	\$ 3,358
Programming (Schedule 2)	2,191	2,702
Grant from the National Arts Centre Foundation	1,549	2,168
Other income	253	275
Investment income	61	68
	<u>7,073</u>	<u>8,571</u>
Parliamentary appropriations (Note 6)	9,619	9,368
	<u>16,691</u>	<u>17,939</u>
EXPENSES (Schedule 3)		
Commercial operations (Schedule 1)	1,916	2,060
Programming (Schedule 2)	10,002	11,137
Building operations	3,730	3,553
Administration and technology	2,028	1,602
	<u>17,676</u>	<u>18,352</u>
NET RESULTS OF OPERATIONS	<u>\$ (985)</u>	<u>\$ (413)</u>

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, 2015

(Unaudited)

	November 30	November 30
	2015	2014
<i>(in thousands of dollars)</i>		
Unrestricted, beginning of the year	\$ (1,175)	\$ (1,220)
Net results of operations	(985)	(413)
Unrestricted, end of the year	<u>\$ (2,160)</u>	<u>\$ (1,633)</u>

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, 2015

(Unaudited)

<i>(in thousands of dollars)</i>	November 30 2015	November 30 2014
Operating Activities		
Net results of operations	\$ (985)	\$ (413)
Items not affecting cash		
Amortization and write-down of capital assets	1,326	1,421
Amortization of deferred capital funding	(1,326)	(1,421)
	(985)	(413)
Change in non-cash operating assets and liabilities	1,159	(5,831)
Change in long-term portion of provision for employee future benefits	(79)	(22)
Cash flow used for operating activities	94	(6,266)
Capital Activities		
Additions to capital assets	(2,533)	(365)
Cash flow used for capital activities	(2,533)	(365)
Investing Activities		
Purchase of investments	(398)	(34)
Cash flow from investment activities	(398)	(34)
Financing Activities		
Transfer (to) from restricted cash held for specified capital projects	(8,007)	169
Parliamentary appropriations received for the acquisition of capital assets	10,540	196
Cash flow from financing activities	2,533	365
(Decrease) in cash position	(304)	(6,300)
Cash and cash equivalents at beginning of year	5,989	7,562
Cash and cash equivalents at end of year	\$ 5,685	\$ 1,262

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, 2015

(Unaudited)

	2015		
<i>(in thousands of dollars)</i>	Revenues	Expenses	Net
Food and Beverage Services	\$ 1,207	\$ 1,247	\$ (39)
Parking Services	1,155	222	933
Rental of Halls	655	446	209
	<u>\$ 3,018</u>	<u>\$ 1,916</u>	<u>\$ 1,103</u>

	2014		
<i>(in thousands of dollars)</i>	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>

NATIONAL ARTS CENTRE CORPORATION
Schedule 2
Schedule of revenues and expenses - Programming
For the 3 months ended November 30, 2015

(Unaudited)

<i>(in thousands of dollars)</i>	November 30	November 30
	2015	2014
REVENUES		
Music	\$ 891	\$ 1,110
English Theatre	238	430
Dance	195	279
Other Programming	532	551
Programming Support	252	187
French Theatre	84	147
	2,191	2,702
EXPENSES		
Music	3,910	5,302
English Theatre	1,179	1,089
Dance	563	579
Other Programming	1,488	1,255
Programming Support	2,276	2,326
French Theatre	584	586
	10,002	11,137
EXCESS OF EXPENSES OVER REVENUES	\$ 7,810	\$ 8,434

NATIONAL ARTS CENTRE CORPORATION

Schedule 3

Schedule of Expenses

For the 3 months ended November 30, 2015

(Unaudited)

<i>(in thousands of dollars)</i>	November 30 2015	November 30 2014
Salaries and benefits	\$ 7,112	\$ 6,703
Artistic fees	2,809	3,150
National Arts Centre Orchestra fees	1,844	2,192
Amortization	1,326	1,421
Advertising	1,062	1,166
Utilities	515	483
Payments to municipalities	511	510
Maintenance and repairs	455	417
Professional fees	281	369
Cost of sales	424	470
In-kind contributions of goods and services	37	159
Financial charges and bad debts	352	180
Production	188	214
Promotion	157	197
Staff travel	98	205
Equipment	117	97
Education and training	27	57
Insurance	67	66
Telecommunications	64	48
Rental of facilities	33	23
Supplies	46	44
Office	74	87
Board	49	40
Miscellaneous	30	52
	\$ 17,676	\$ 18,352

NATIONAL ARTS CENTRE CORPORATION

Notes to the Quarterly Financial Statements

As at November 30, 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 February 3, 2015, the Treasury Board of Canada approved funding of \$110,500,000 for Architectural Rejuvenation to improve the public spaces of the Centre. Of this amount, Parliament has approved \$20.5 million to be paid on a monthly basis, ending March 31, 2016. An additional \$45 million is scheduled for approval as part of the Federal Budget for 2016-2017, and the final \$45 million within the 2017-2018 budget.

Changes in the fund balance are as follows:

(in thousands of dollars)

Balance at beginning of period	\$	4,209
Appropriations received to fund specified capital projects		10,550
Appropriations invested in specified capital projects		(2,543)
Balance at end of period	\$	12,216

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	\$ 2,686	\$ 1,750	\$ (1,494)	\$ 2,942
Programming and Operations	1,961	6,914	(6,719)	\$ 2,156
Specific programs	70	-	(70)	-
Total	\$ 4,717	\$ 8,664	\$ (8,283)	\$ 5,098

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	\$	8,664
Supplementary estimates		10,550
Appropriations approved		19,214
Portion of parliamentary appropriations used (deferred) for specific projects		(8,388)
Appropriation used to purchase depreciable property, plant and equipment		(2,533)
Amortization of deferred capital funding		1,326
Parliamentary appropriations	\$	9,619

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, 2015 the NAC realized revenues of \$16,691,000 and expenses of \$17,676,000, resulting in a deficit from operations of \$985,000. This is consistent with the planned deficit for this fiscal year which is the result of dislocation costs associated with the Architectural Rejuvenation Project.

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 replacement in the coming years.

Physical construction of the Architectural Rejuvenation Project will begin in the coming months. As with all large construction projects, there are inherent financial and managerial risks. \$110.5 million of funding for the project has been approved by Treasury Board. Of this amount, Parliament has approved \$20.5 million to be paid on a monthly basis, ending March 31, 2016. An additional \$45 million is scheduled for approval as part of the Federal Budget for 2016-2017, and the final \$45 million within the 2017-2018 budget. The Centre will remain open for business throughout the majority of the construction period. This will bring scheduling and logistical risks to the project beyond the scope of typical construction.