

Quarterly Financial Statements of:

## **NATIONAL ARTS CENTRE CORPORATION**

For the 6 months ended February 29, 2016

### **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 29, 2016

# NATIONAL ARTS CENTRE CORPORATION

## Statement of Financial Position

As at February 29, 2016

(Unaudited)

<i>(in thousands of dollars)</i>	February 29 2016	August 31 2015
<b>ASSETS</b>		
Current		
Cash and cash equivalents	\$ (804)	\$ 5,989
Restricted cash held for specified capital projects (Note 4)	9,880	4,209
Investments	108	109
Accounts receivable	6,026	1,577
Inventories	171	194
Prepaid expenses	2,003	2,235
	17,384	14,313
Investments	8,832	8,668
Capital assets	57,296	52,750
	\$ 83,512	\$ 75,731
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	\$ 9,597	\$ 7,854
Deferred parliamentary appropriations (Note 5)	2,354	4,717
Deferred revenue	3,770	5,387
Deferred parliamentary appropriations, specified capital projects (Note 4)	9,880	4,209
	25,602	22,167
Deferred capital funding	57,296	52,750
Long-term portion of provision for employee future benefits	1,939	1,989
	84,837	76,906
<b>ACCUMULATED DEFICIT</b>		
Unrestricted	(1,326)	(1,175)
	\$ 83,512	\$ 75,731

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 29, 2016

(Unaudited)

	Three month period ended		Six month period ended	
	February 29 2016	February 28 2015	February 29 2016	February 28 2015
<i>(in thousands of dollars)</i>				
<b>REVENUES</b>				
Commercial operations (Schedule 1)	\$ 3,005	\$ 2,632	\$ 6,023	\$ 5,990
Programming (Schedule 2)	4,029	3,760	6,221	6,463
Grant from the National Arts Centre Foundation	1,526	1,125	3,074	3,292
Other income	463	352	717	626
Investment income	65	80	126	148
	9,087	7,949	16,161	16,518
Parliamentary appropriations (Note 6)	10,322	9,663	19,940	19,031
	19,409	17,612	36,101	35,549
<b>EXPENSES (Schedule 3)</b>				
Commercial operations (Schedule 1)	1,761	1,643	3,677	3,703
Programming (Schedule 2)	10,661	10,638	20,663	21,774
Building operations	4,696	4,115	8,425	7,668
Administration and technology	1,457	1,684	3,485	3,285
	18,575	18,079	36,252	36,430
<b>NET RESULTS OF OPERATIONS</b>	<b>\$ 834</b>	<b>\$ (468)</b>	<b>\$ (151)</b>	<b>\$ (881)</b>

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 29, 2016

(Unaudited)

	Three month period ended		Six month period ended	
	February 29 2016	February 28 2015	February 29 2016	February 28 2015
<i>(in thousands of dollars)</i>				
Unrestricted, beginning of the year	\$ (2,160)	\$ (1,633)	\$ (1,175)	\$ (1,220)
Net results of operations	834	(468)	(151)	(881)
Unrestricted, end of the year	\$ (1,326)	\$ (2,101)	\$ (1,326)	\$ (2,101)

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 29, 2016

(Unaudited)

	Three month period ended		Six month period ended	
	February 29 2016	February 28 2015	February 29 2016	February 28 2015
<i>(in thousands of dollars)</i>				
<b>Operating Activities</b>				
Net results of operations	\$ 834	\$ (468)	\$ (151)	\$ (881)
Items not affecting cash				
Amortization and write-down of capital assets	1,569	1,432	2,895	2,853
Amortization of deferred capital funding	(1,569)	(1,432)	(2,895)	(2,853)
	834	(468)	(151)	(881)
Change in non-cash operating assets and liabilities	(7,586)	(171)	(6,427)	(6,002)
Change in long-term portion of provision for employee future benefits	29	(4)	(50)	(26)
Cash flow used for operating activities	(6,723)	(643)	(6,629)	(6,909)
<b>Capital Activities</b>				
Additions to capital assets	(4,908)	(403)	(7,441)	(768)
Cash flow used for capital activities	(4,908)	(403)	(7,441)	(768)
<b>Investing Activities</b>				
(Purchase) sale of investments	234	(394)	(163)	(428)
Cash flow from investment activities	234	(394)	(163)	(428)
<b>Financing Activities</b>				
Transfer (to) from restricted cash held for specified capital projects	2,335	98	(5,671)	267
Parliamentary appropriations received for the acquisition of capital assets	2,572	305	13,112	501
Cash flow from financing activities	4,908	403	7,441	768
(Decrease) in cash position	(6,489)	(1,037)	(6,793)	(7,337)
Cash and cash equivalents at beginning of year	5,685	1,262	5,989	7,562
Cash and cash equivalents at end of year	\$ (804)	\$ 225	\$ (804)	\$ 225

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 29, 2016

(Unaudited)

#### For the 3 months ended February 29, 2016

<i>(in thousands of dollars)</i>	2016		
	Revenues	Expenses	Net
Food and Beverage Services	\$ 1,131	\$ 1,164	\$ (32)
Parking Services	1,277	223	1,054
Rental of Halls	596	373	222
	<u>\$ 3,005</u>	<u>\$ 1,761</u>	<u>\$ 1,244</u>

<i>(in thousands of dollars)</i>	2015		
	Revenues	Expenses	Net
Food and Beverage Services	\$ 1,161	\$ 1,246	\$ (85)
Parking Services	1,223	251	\$ 972
Rental of Halls	249	146	103
	<u>\$ 2,632</u>	<u>\$ 1,643</u>	<u>\$ 989</u>

#### For the 6 months ended February 29, 2016

<i>(in thousands of dollars)</i>	2016		
	Revenues	Expenses	Net
Food and Beverage Services	\$ 2,340	\$ 2,410	\$ (71)
Parking Services	2,432	445	1,986
Rental of Halls	1,251	821	430
	<u>\$ 6,023</u>	<u>\$ 3,677</u>	<u>\$ 2,346</u>

<i>(in thousands of dollars)</i>	2015		
	Revenues	Expenses	Net
Food and Beverage Services	\$ 2,755	\$ 2,675	\$ 81
Parking Services	2,382	467	1,915
Rental of Halls	852	561	291
	<u>\$ 5,990</u>	<u>\$ 3,703</u>	<u>\$ 2,287</u>

**NATIONAL ARTS CENTRE CORPORATION**  
**Schedule 2**  
**Schedule of revenues and expenses - Programming**  
For the 6 months ended February 29, 2016

(Unaudited)

	<b>Three month period ended</b>		<b>Six month period ended</b>	
	<b>February 29</b>	<b>February 28</b>	<b>February 29</b>	<b>February 28</b>
<i>(in thousands of dollars)</i>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>REVENUES</b>				
Music	\$ 1,447	\$ 1,331	\$ 2,338	\$ 2,440
English Theatre	870	807	1,108	1,237
Dance	1,048	1,158	1,243	1,436
Other Programming	263	172	795	723
Programming Support	320	245	571	432
French Theatre	81	47	165	194
	<u>4,029</u>	<u>3,760</u>	<u>6,221</u>	<u>6,463</u>
<b>EXPENSES</b>				
Music	4,540	4,390	8,450	9,692
English Theatre	1,592	1,601	2,770	2,690
Dance	975	1,082	1,538	1,662
Other Programming	840	852	2,328	2,105
Programming Support	2,253	2,297	4,529	4,625
French Theatre	462	415	1,046	1,000
	<u>10,661</u>	<u>10,638</u>	<u>20,663</u>	<u>21,774</u>
<b>EXCESS OF EXPENSES OVER REVENUES</b>	<u>\$ 6,632</u>	<u>\$ 6,878</u>	<u>\$ 14,442</u>	<u>\$ 15,312</u>

# NATIONAL ARTS CENTRE CORPORATION

## Schedule 3

### Schedule of Expenses

For the 6 months ended February 29, 2016

(Unaudited)

	Three month period ended		Six month period ended	
	February 29	February 28	February 29	February 28
	2016	2015	2016	2015
<i>(in thousands of dollars)</i>				
Salaries and benefits	\$ 7,481	\$ 7,263	\$ 14,593	\$ 13,966
Artistic fees	3,089	2,605	5,897	5,756
National Arts Centre Orchestra fees	1,720	1,940	3,564	4,132
Amortization	1,569	1,432	2,895	2,853
Advertising	891	1,116	1,953	2,282
Utilities	785	796	1,300	1,279
Payments to municipalities	510	511	1,021	1,021
Maintenance and repairs	774	451	1,229	867
Professional fees	312	388	593	757
Cost of sales	356	361	780	832
In-kind contributions of goods and services	23	107	60	267
Financial charges and bad debts	212	289	564	468
Production	256	183	443	397
Promotion	90	141	246	338
Staff travel	96	91	194	296
Equipment	60	89	177	187
Education and training	33	19	60	76
Insurance	73	66	140	132
Telecommunications	54	55	117	103
Rental of facilities	74	67	107	90
Supplies	35	51	81	95
Office	38	33	112	120
Board	4	20	53	80
Miscellaneous	42	8	73	37
	<b>\$ 18,575</b>	<b>\$ 18,079</b>	<b>\$ 36,252</b>	<b>\$ 36,430</b>

# NATIONAL ARTS CENTRE CORPORATION

## Notes to the Quarterly Financial Statements

As at February 29, 2016

### 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		13,290
Appropriations invested in specified capital projects		(7,619)
Balance at end of period	\$	9,880

#### 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	\$ 2,917	\$ (3,249)	\$ 2,354
Programming and Operations	1,961	11,589	(13,550)	-
Specific programs	70	-	(70)	-
Total	\$ 4,717	\$ 14,505	\$(16,869)	\$ 2,354

#### 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	\$	14,505
Supplementary estimates		13,290
Appropriations approved		27,795
Portion of parliamentary appropriations used (deferred) for specific projects		(3,309)
Appropriation used to purchase depreciable property, plant and equipment		(7,441)
Amortization of deferred capital funding		2,895
Parliamentary appropriations	\$	19,940

## 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 *Canada is our Stage*:

**CREATION:** Helping artists and arts organizations across Canada create ambitious new work for national and international audiences

**PERFORMANCE:** Developing a new Department of Indigenous Theatre, and strengthening the NAC's national performance role

**LEARNING:** Extending the *Music Alive Program* to Atlantic Canada, and our education activities across the country

**ARCHITECTURAL REJUVENATION:** Shepherding the architectural rejuvenation of the NAC

**A NATIONAL, FRANCOPHONE ORGANIZATION:** Renewing our commitment to

Francophone artists, arts organizations and audiences

**INCREASING OUR EARNED REVENUES:** Increasing our earned revenues to support our national initiatives

**AUDIENCES AT THE CENTRE:** Building relationships with our audiences

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.

### 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 29, 2016 the NAC realized revenues of \$36,101,000 and expenses of \$36,252,000, resulting in a deficit from operations of \$151,000. 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. On March 22, 2016, the Government of Canada approved funding of \$114.9 million to renew production and other systems within the Centre. Of this amount, Parliament has approved \$38 million to be paid in fiscal 2016-2017, and an additional \$76.9 million in 2017-2018.

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.