

Quarterly Financial Statements of:

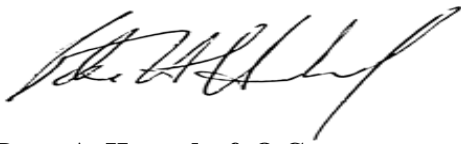
NATIONAL ARTS CENTRE CORPORATION

For the 9 months ended May 31, 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

July 28, 2016

NATIONAL ARTS CENTRE CORPORATION

Statement of Financial Position

As at May 31, 2016

(Unaudited)

<i>(in thousands of dollars)</i>	May 31 2016	August 31 2015
ASSETS		
Current		
Cash and cash equivalents	\$ 6,084	\$ 5,989
Restricted cash held for specified capital projects (Note 4)	13,731	4,209
Investments	104	109
Accounts receivable	6,448	1,577
Inventories	171	194
Prepaid expenses	1,740	2,235
	28,278	14,313
Investments	8,814	8,668
Capital assets	65,222	52,750
	\$ 102,314	\$ 75,731
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 12,611	\$ 7,854
Deferred parliamentary appropriations (Note 5)	5,726	4,717
Deferred revenue	4,785	5,387
Deferred parliamentary appropriations, specified capital projects (Note 4)	13,731	4,209
	36,853	22,167
Deferred capital funding	65,222	52,750
Long-term portion of provision for employee future benefits	1,928	1,989
	104,003	76,906
ACCUMULATED DEFICIT		
Unrestricted	(1,689)	(1,175)
	\$ 102,314	\$ 75,731

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, 2016

(Unaudited)

	Three month period ended		Nine month period ended	
	May 31 2016	May 31 2015	May 31 2016	May 31 2015
<i>(in thousands of dollars)</i>				
REVENUES				
Commercial operations (Schedule 1)	\$ 2,540	\$ 3,431	\$ 8,564	\$ 9,422
Programming (Schedule 2)	3,227	4,714	9,448	11,177
Grant from the National Arts Centre Foundation	1,995	1,027	5,069	4,319
Other income	363	396	1,080	1,022
Investment income	66	338	192	486
	<u>8,191</u>	<u>9,906</u>	<u>24,353</u>	<u>26,426</u>
Parliamentary appropriations (Note 6)	11,788	10,871	31,729	29,901
	<u>19,979</u>	<u>20,777</u>	<u>56,082</u>	<u>56,327</u>
EXPENSES (Schedule 3)				
Commercial operations (Schedule 1)	1,568	2,168	5,245	5,871
Programming (Schedule 2)	11,313	13,336	31,979	35,110
Building operations	6,087	3,893	14,512	11,560
Administration and technology	1,374	1,244	4,860	4,531
	<u>20,342</u>	<u>20,641</u>	<u>56,596</u>	<u>57,072</u>
NET RESULTS OF OPERATIONS	<u>\$ (363)</u>	<u>\$ 136</u>	<u>\$ (514)</u>	<u>\$ (745)</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, 2016

(Unaudited)

	Three month period ended		Nine month period ended	
	May 31 2016	May 31 2015	May 31 2016	May 31 2015
<i>(in thousands of dollars)</i>				
Unrestricted, beginning of the period	\$ (1,326)	\$ (2,101)	\$ (1,175)	\$ (1,220)
Net results of operations	(363)	136	(514)	(745)
Unrestricted, end of the period	<u>\$ (1,689)</u>	<u>\$ (1,965)</u>	<u>\$ (1,689)</u>	<u>\$ (1,965)</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, 2016

(Unaudited)

	Three month period ended		Nine month period ended	
	May 31 2016	May 31 2015	May 31 2016	May 31 2015
<i>(in thousands of dollars)</i>				
Operating Activities				
Net results of operations	\$ (363)	\$ 136	\$ (514)	\$ (745)
Items not affecting cash				
Amortization and write-down of capital assets	2,608	1,433	5,503	4,286
Amortization of deferred capital funding	(2,608)	(1,433)	(5,503)	(4,286)
	(363)	136	(514)	(745)
Change in non-cash operating assets and liabilities	7,241	(531)	812	(6,534)
Change in long-term portion of provision for employee future benefits	(11)	(15)	(61)	(41)
Cash flow used for operating activities	6,867	(411)	236	(7,320)
Capital Activities				
Additions to capital assets	(10,536)	(1,410)	(17,975)	(2,178)
Cash flow used for capital activities	(10,536)	(1,410)	(17,975)	(2,178)
Investing Activities				
(Purchase) sale of investments	21	1,882	(142)	1,454
Cash flow from investment activities	21	1,882	(142)	1,454
Financing Activities				
Transfer (to) from restricted cash held for specified capital projects	(3,850)	98	(9,522)	267
Parliamentary appropriations received for the acquisition of capital assets	14,386	1,312	27,496	1,911
Cash flow from financing activities	10,536	1,410	17,975	2,178
(Decrease) in cash position	6,888	1,471	95	(5,866)
Cash and cash equivalents at beginning of period	(804)	225	5,989	7,562
Cash and cash equivalents at end of year	\$ 6,084	\$ 1,696	\$ 6,084	\$ 1,696

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, 2016

(Unaudited)

For the 3 months ended May 31, 2016

<i>(in thousands of dollars)</i>	2016		
	Revenues	Expenses	Net
Food and Beverage Services	\$ 906	\$ 998	\$ (92)
Parking Services	1,160	247	913
Rental of Halls	474	323	151
	<u>\$ 2,540</u>	<u>\$ 1,568</u>	<u>\$ 972</u>

<i>(in thousands of dollars)</i>	2015		
	Revenues	Expenses	Net
Food and Beverage Services	\$ 1,395	\$ 1,404	\$ (9)
Parking Services	1,277	208	\$ 1,069
Rental of Halls	759	556	203
	<u>\$ 3,431</u>	<u>\$ 2,168</u>	<u>\$ 1,263</u>

For the 9 months ended May 31, 2016

<i>(in thousands of dollars)</i>	2016		
	Revenues	Expenses	Net
Food and Beverage Services	\$ 3,247	\$ 3,408	\$ (161)
Parking Services	3,592	692	2,900
Rental of Halls	1,725	1,145	580
	<u>\$ 8,564</u>	<u>\$ 5,245</u>	<u>\$ 3,319</u>

<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>

NATIONAL ARTS CENTRE CORPORATION
Schedule 2
Schedule of revenues and expenses - Programming
For the 9 months ended May 31, 2016

(Unaudited)

	Three month period ended		Nine month period ended	
	May 31	May 31	May 31	May 31
	2016	2015	2016	2015
<i>(in thousands of dollars)</i>				
REVENUES				
Music	\$ 1,014	\$ 1,017	\$ 3,352	\$ 3,457
English Theatre	610	297	1,718	1,533
Dance	790	1,218	2,033	2,655
Other Programming	293	1,634	1,088	2,357
Programming Support	252	273	823	705
French Theatre	268	276	433	470
	<u>3,227</u>	<u>4,714</u>	<u>9,448</u>	<u>11,177</u>
EXPENSES				
Music	5,074	4,078	13,528	13,770
English Theatre	972	813	3,742	3,503
Dance	1,102	1,669	2,640	3,330
Other Programming	839	3,706	3,166	5,810
Programming Support	2,370	2,136	6,899	6,763
French Theatre	957	934	2,003	1,934
	<u>11,313</u>	<u>13,336</u>	<u>31,979</u>	<u>35,110</u>
EXCESS OF EXPENSES OVER REVENUES	<u>\$ 8,086</u>	<u>\$ 8,622</u>	<u>\$ 22,531</u>	<u>\$ 23,934</u>

NATIONAL ARTS CENTRE CORPORATION

Schedule 3

Schedule of Expenses

For the 9 months ended May 31, 2016

(Unaudited)

	Three month period ended		Nine month period ended	
	May 31	May 31	May 31	May 31
	2016	2015	2016	2015
<i>(in thousands of dollars)</i>				
Salaries and benefits	\$ 7,323	\$ 7,493	\$ 21,916	\$ 21,459
Artistic fees	3,157	4,652	9,055	10,408
National Arts Centre Orchestra fees	1,874	1,849	5,438	5,981
Amortization	2,608	1,433	5,503	4,286
Advertising	1,353	1,336	3,306	3,617
Utilities	632	615	1,932	1,894
Payments to municipalities	510	509	1,531	1,530
Maintenance and repairs	761	377	1,990	1,244
Professional fees	339	475	931	1,232
Cost of sales	281	477	1,061	1,308
In-kind contributions of goods and services	11	27	71	293
Financial charges and bad debts	151	193	715	661
Production	414	381	857	778
Promotion	153	232	399	570
Staff travel	95	94	289	390
Equipment	68	37	245	225
Education and training	102	69	162	146
Insurance	68	66	208	198
Telecommunications	86	57	203	161
Rental of facilities	151	59	258	149
Supplies	100	49	181	144
Office	48	58	160	178
Board	37	36	90	116
Miscellaneous	23	68	96	104
	\$ 20,342	\$ 20,641	\$ 56,596	\$ 57,072

NATIONAL ARTS CENTRE CORPORATION

Notes to the Quarterly Financial Statements

As at May 31, 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. An additional \$114,900,000 was approved for Production Renewal to modernize performance facilities. Progress payments are being received on a monthly basis to match the construction schedule.

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		28,480
Appropriations invested in specified capital projects		(18,958)
Balance at end of period	\$	13,731

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	\$ 5,250	\$ (4,814)	\$ 3,122
Programming and Operations	1,961	20,651	\$(20,358)	2,254
Specific programs	70	350	(70)	350
Total	\$ 4,717	\$ 26,251	\$(25,242)	\$ 5,726

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	\$	54,731
Supplementary estimates		
Appropriations approved		54,731
Portion of parliamentary appropriations used (deferred) for specific projects		(10,530)
Appropriation used to purchase depreciable property, plant and equipment		(17,975)
Amortization of deferred capital funding		5,503
Parliamentary appropriations	\$	31,729

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 nine months ending May 31, 2016 the NAC realized revenues of \$56,082,000 and expenses of \$56,596,000, resulting in a deficit from operations of \$514,000. 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 is now underway. 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, \$20.5 million was received by March 31, 2016. An additional \$45 million was approved as part of the 2016-2017 Federal Budget, 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.