

Quarterly Financial Statements of:

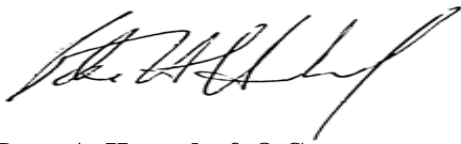
NATIONAL ARTS CENTRE CORPORATION

For the 3 months ended November 30, 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

January 27, 2017

NATIONAL ARTS CENTRE CORPORATION

Statement of Financial Position

As at November 30, 2016

(Unaudited)

<i>(in thousands of dollars)</i>	November 30 2016	August 31 2016
ASSETS		
Current		
Cash and cash equivalents	\$ 845	\$ 6,627
Restricted cash held for specified capital projects (Note 4)	40,876	53,752
Investments	105	109
Accounts receivable	5,313	2,766
Inventories	107	93
Prepaid expenses	2,279	2,093
	49,525	65,440
Investments	8,786	8,796
Capital assets	101,609	81,287
	\$ 159,920	\$ 155,523
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 18,968	\$ 20,956
Deferred parliamentary appropriations (Note 5)	2,442	5,181
Deferred revenue	6,177	5,291
Deferred parliamentary appropriations, specified capital projects (Note 4)	30,454	41,993
	58,041	73,421
Deferred capital funding	101,609	81,287
Long-term portion of provision for employee future benefits	2,216	2,197
	161,866	156,905
ACCUMULATED DEFICIT		
Unrestricted	(1,946)	(1,382)
	\$ 159,920	\$ 155,523

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, 2016

(Unaudited)

(in thousands of dollars)

	2016	2015
REVENUES		
Commercial operations (Schedule 1)	\$ 1,864	\$ 3,018
Programming (Schedule 2)	2,427	2,191
Grant from the National Arts Centre Foundation	1,561	1,549
Other income	332	253
Investment income	66	61
	<u>6,250</u>	<u>7,073</u>
Parliamentary appropriations (Note 6)	10,073	9,619
	<u>16,323</u>	<u>16,691</u>
EXPENSES (Schedule 3)		
Commercial operations (Schedule 1)	1,212	1,916
Programming (Schedule 2)	9,909	10,002
Building operations	4,189	3,730
Administration and technology	1,577	2,028
	<u>16,887</u>	<u>17,676</u>
NET RESULTS OF OPERATIONS	<u>\$ (564)</u>	<u>\$ (985)</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, 2016

(Unaudited)

(in thousands of dollars)

	2016	2015
Unrestricted, beginning of the year	\$ (1,382)	\$ (1,175)
Net results of operations	<u>(564)</u>	<u>(985)</u>
Unrestricted, end of the year	<u>\$ (1,946)</u>	<u>\$ (2,160)</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, 2016

(Unaudited)

(in thousands of dollars)

	2016	2015
Operating Activities		
Net results of operations	\$ (564)	\$ (985)
Items not affecting cash		
Amortization and write-down of capital assets	1,313	1,326
Amortization of deferred capital funding	(1,313)	(1,326)
	(564)	(985)
Change in non-cash operating assets and liabilities	(6,587)	1,158
Change in long-term portion of provision for employee future benefits	19	(79)
Cash flow from (used for) operating activities	(7,132)	94
Capital Activities		
Additions to capital assets	(21,635)	(2,533)
Cash flow used for capital activities	(21,635)	(2,533)
Investing Activities		
Sale (purchase) of investments	14	(398)
Cash flow from investment activities	14	(398)
Financing Activities		
Transfer - restricted cash held for specified capital projects	12,876	(8,007)
Parliamentary appropriations received for the acquisition of capital assets	10,096	10,540
Cash flow from financing activities	22,972	2,533
Increase (decrease) in cash position	(5,782)	(304)
Cash and cash equivalents at beginning of period	6,627	5,989
Cash and cash equivalents at end of period	\$ 845	\$ 5,685

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, 2016

(Unaudited)

(in thousands of dollars)

Food and Beverage Services

Parking Services

Rental of Halls

2016		
Revenues	Expenses	Net
\$ 571	\$ 733	\$ (162)
965	226	739
328	253	75
\$ 1,864	\$ 1,212	\$ 652

(in thousands of dollars)

Food and Beverage Services

Parking Services

Rental of Halls

2015		
Revenues	Expenses	Net
\$ 1,208	\$ 1,247	\$ (39)
1,155	222	933
655	447	208
\$ 3,018	\$ 1,916	\$ 1,102

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

For the 3 months ended November 30, 2016

(Unaudited)

<i>(in thousands of dollars)</i>	2016	2015
REVENUES		
Music	\$ 859	\$ 891
English Theatre	247	238
Dance	447	195
Other Programming	561	532
Programming Support	239	252
French Theatre	74	84
	<u>2,427</u>	<u>2,191</u>
EXPENSES		
Music	4,091	3,910
English Theatre	817	1,179
Dance	688	563
Other Programming	1,357	1,488
Programming Support	2,470	2,276
French Theatre	486	584
	<u>9,909</u>	<u>10,002</u>
EXCESS OF EXPENSES OVER REVENUES	<u>\$ 7,482</u>	<u>\$ 7,810</u>

NATIONAL ARTS CENTRE CORPORATION

Schedule 3

Schedule of Expenses

For the 3 months ended November 30, 2016

(Unaudited)

<i>(in thousands of dollars)</i>	2016	2015
Salaries and benefits	\$ 6,478	\$ 7,112
Artistic fees	2,714	2,809
National Arts Centre Orchestra fees	1,901	1,844
Amortization	1,313	1,326
Advertising	1,024	1,062
Maintenance and repairs	459	455
Utilities	459	515
Payments to municipalities	511	511
Professional fees	426	281
Cost of sales	218	424
Production	188	188
In-kind contributions of goods and services	61	37
Financial charges and bad debts	133	352
Promotion	90	157
Staff travel	121	98
Rental of facilities	124	33
Equipment	115	117
Insurance	64	67
Telecommunications	70	64
Education and training	20	27
Office	135	74
Supplies	93	46
Board	29	49
Miscellaneous	142	30
	<u>\$ 16,887</u>	<u>\$ 17,676</u>

NATIONAL ARTS CENTRE CORPORATION

Notes to the Quarterly Financial Statements

As at November 30, 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

In 2015, the Treasury Board of Canada approved funding of \$110,500,000 for Architectural Rejuvenation to improve the public spaces of the Centre. In 2016 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.

(in thousands of dollars)

Restricted cash at beginning of period	\$ 53,752
Appropriations received to fund specified capital projects	10,442
Appropriations invested in specified capital projects	(23,318)
Restricted cash at end of period	\$ 40,876
Project related accounts payable	(10,422)
Deferred parliamentary appropriations, specified capital projects	\$ 30,454

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	\$ 2,927	\$ 1,750	\$ (2,235)	\$ 2,442
Programming and Operations	2,254	6,762	(9,016)	-
Specific programs	-	-	-	-
Total	\$ 5,181	\$ 8,512	\$ (11,251)	\$ 2,442

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	\$ 8,512
Supplementary estimates	10,442
Appropriations approved	18,954
Portion of parliamentary appropriations used (deferred) for specific projects	11,441
Appropriation used to purchase depreciable property, plant and equipment	(21,635)
Amortization of deferred capital funding	1,313
Parliamentary appropriations	\$ 10,073

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: Becoming just as national in French as we are in English by 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 three months ending November 30, 2016 the NAC realized revenues of \$16,323,000 and expenses of \$16,887,000, resulting in a deficit from operations of \$564,000. This is consistent with the planned deficit for this fiscal year which is partly 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 is underway. As with all large construction projects, there are inherent financial and managerial risks. 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.