

Quarterly Financial Statements of:

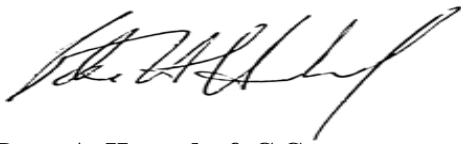
NATIONAL ARTS CENTRE CORPORATION

For the 6 months ended February 28, 2018

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, C.C.
President and Chief Executive Officer



Daniel Senyk, CA
Chief Financial Officer

April 30, 2018

NATIONAL ARTS CENTRE CORPORATION

Statement of financial position

As at February 28, 2018

(Unaudited)

<i>(in thousands of dollars)</i>	February 28 2018	August 31 2017
ASSETS		
Current		
Cash and cash equivalents	\$ 2,446	\$ 5,955
Restricted cash held for specified capital projects (Note 4)	78,971	75,863
Investments	275	1,466
Accounts receivable	8,419	3,842
Inventories	122	108
Prepaid expenses	1,439	2,731
	<u>91,672</u>	<u>89,965</u>
Investments	9,165	7,571
Capital assets	<u>184,809</u>	<u>159,717</u>
	<u>\$ 285,646</u>	<u>\$ 257,253</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 30,237	\$ 31,494
Deferred parliamentary appropriations (Note 5)	1,374	4,495
Deferred revenue	5,336	6,726
Deferred parliamentary appropriations, specified capital projects (Note 4)	67,119	57,559
	<u>104,066</u>	<u>100,274</u>
Deferred capital funding	184,809	159,717
Long-term portion of provision for employee future benefits	<u>2,366</u>	<u>2,335</u>
	291,241	262,326
ACCUMULATED DEFICIT		
Unrestricted	<u>(5,595)</u>	<u>(5,073)</u>
	<u>\$ 285,646</u>	<u>\$ 257,253</u>

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 28, 2018

(Unaudited)

	Three month period ended		Six month period ended	
	February 28 2018	February 28 2017	February 28 2018	February 28 2017
<i>(in thousands of dollars)</i>				
REVENUES				
Commercial operations (Schedule 1)	\$ 3,504	\$ 2,469	\$ 7,185	\$ 4,332
Programming (Schedule 2)	4,851	4,488	8,764	6,915
Grant from the National Arts Centre Foundation	812	1,616	3,440	3,177
Other income	721	503	1,459	836
Investment income	66	64	122	131
	<u>9,954</u>	<u>9,140</u>	<u>20,970</u>	<u>15,390</u>
Parliamentary appropriations (Note 6)	12,616	10,226	24,005	20,298
	<u>22,570</u>	<u>19,366</u>	<u>44,975</u>	<u>35,688</u>
EXPENSES (Schedule 3)				
Commercial operations (Schedule 1)	2,388	1,435	4,671	2,647
Programming (Schedule 2)	11,532	11,705	26,133	21,606
Building operations	5,963	4,711	11,697	8,900
Administration and technology	1,436	1,485	2,996	3,068
	<u>21,319</u>	<u>19,335</u>	<u>45,497</u>	<u>36,222</u>
NET RESULTS OF OPERATIONS	<u>\$ 1,251</u>	<u>\$ 31</u>	<u>\$ (522)</u>	<u>\$ (533)</u>

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 28, 2018

(Unaudited)

	Three month period ended		Six month period ended	
	February 28 2018	February 28 2017	February 28 2018	February 28 2017
<i>(in thousands of dollars)</i>				
Unrestricted, beginning of the period	\$ (6,846)	\$ (1,946)	\$ (5,073)	\$ (1,382)
Net results of operations	1,251	31	(522)	(533)
Unrestricted, end of the period	<u>\$ (5,595)</u>	<u>\$ (1,915)</u>	<u>\$ (5,595)</u>	<u>\$ (1,915)</u>

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 28, 2018

(Unaudited)

(in thousands of dollars)

	2018	2017
Operating Activities		
Net results of operations	\$ (522)	\$ (533)
Items not affecting cash		
Amortization and write-down of capital assets	5,206	2,753
Amortization of deferred capital funding	(5,206)	(2,753)
	(522)	(533)
Change in non-cash operating assets and liabilities	(9,067)	(4,993)
Change in long-term portion of provision for employee future benefits	31	31
Cash flow (used for) from operating activities	(9,558)	(5,495)
Capital Activities		
Additions to capital assets	(30,298)	(39,844)
Cash flow used for capital activities	(30,298)	(39,844)
Investing Activities		
(Purchase) sale of investments	(403)	(172)
Cash flow (used for) from investment activities	(403)	(172)
Financing Activities		
Transfer - restricted cash held for specified capital projects	(3,108)	5,278
Parliamentary appropriations received for the acquisition of capital assets	39,857	34,080
Cash flow from financing activities	36,751	39,358
Increase (decrease) in cash position	(3,509)	(6,153)
Cash and cash equivalents at beginning of period	5,955	6,627
Cash and cash equivalents at end of period	\$ 2,446	\$ 474

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 28, 2018

(Unaudited)

For the 3 months ended February 28, 2018

		2018		
<i>(in thousands of dollars)</i>		Revenues	Expenses	Net
Food and Beverage Services		\$ 1,644	\$ 1,619	\$ 25
Parking Services		1,188	245	944
Rental of Halls		672	524	148
		\$ 3,504	\$ 2,388	\$ 1,116

		2017		
<i>(in thousands of dollars)</i>		Revenues	Expenses	Net
Food and Beverage Services		\$ 908	\$ 924	\$ (16)
Parking Services		1,121	250	\$ 872
Rental of Halls		439	261	179
		\$ 2,469	\$ 1,435	\$ 1,034

For the 6 months ended February 28, 2018

		2018		
<i>(in thousands of dollars)</i>		Revenues	Expenses	Net
Food and Beverage Services		\$ 3,360	\$ 3,073	\$ 287
Parking Services		2,309	488	1,821
Rental of Halls		1,516	1,110	406
		\$ 7,185	\$ 4,671	\$ 2,514

		2017		
<i>(in thousands of dollars)</i>		Revenues	Expenses	Net
Food and Beverage Services		\$ 1,479	\$ 1,658	\$ (179)
Parking Services		2,086	476	1,611
Rental of Halls		767	514	254
		\$ 4,332	\$ 2,647	\$ 1,686

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

For the 6 months ended February 28, 2018

(Unaudited)

	Three month period ended		Six month period ended	
	February 28 2018	February 28 2017	February 28 2018	February 28 2017
<i>(in thousands of dollars)</i>				
REVENUES				
Music	\$ 1,208	\$ 1,294	\$ 2,282	\$ 2,152
English Theatre	1,058	1,043	1,561	1,289
Dance	1,338	1,123	2,068	1,570
Other Programming	762	660	1,901	1,221
Programming Support	292	274	625	513
French Theatre	193	95	327	169
	<u>4,851</u>	<u>4,488</u>	<u>8,764</u>	<u>6,915</u>
EXPENSES				
Music	4,259	4,491	9,768	8,581
English Theatre	1,393	1,628	3,019	2,445
Dance	1,215	1,241	2,574	1,928
Other Programming	1,573	1,297	3,842	2,654
Programming Support	2,428	2,500	4,982	4,962
French Theatre	664	549	1,946	1,036
	<u>11,532</u>	<u>11,705</u>	<u>26,133</u>	<u>21,606</u>
EXCESS OF EXPENSES OVER REVENUES	<u>\$ 6,681</u>	<u>\$ 7,216</u>	<u>\$ 17,369</u>	<u>\$ 14,691</u>

NATIONAL ARTS CENTRE CORPORATION

Schedule 3

Schedule of expenses

For the 6 months ended February 28, 2018

(Unaudited)

<i>(in thousands of dollars)</i>	Three month period ended		Six month period ended	
	February 28	February 28	February 28	February 28
	2018	2017	2018	2017
Salaries and benefits	\$ 8,267	\$ 7,986	\$ 16,702	\$ 14,463
Artistic fees	3,578	3,351	9,110	6,149
National Arts Centre Orchestra fees	1,850	1,759	4,249	3,660
Amortization and write down of capital assets	2,648	1,440	5,206	2,753
Advertising	973	1,049	1,921	2,073
Utilities	902	855	1,669	1,314
Maintenance and repairs	454	426	943	885
Payments to municipalities	511	510	1,021	1,021
Professional fees	278	393	694	819
Production	220	257	740	445
In-kind contributions of goods and services	95	116	95	177
Cost of sales	452	292	908	510
Financial charges and bad debts	250	186	417	319
Rental of facilities	110	139	251	263
Promotion	106	129	297	220
Staff travel	82	113	217	234
Telecommunications	83	71	129	142
Equipment	179	61	278	176
Education and training	18	54	49	74
Insurance	68	72	136	136
Office	81	21	147	156
Supplies	87	42	200	135
Board	26	11	62	40
Miscellaneous	3	1	53	60
	\$ 21,319	\$ 19,335	\$ 45,497	\$ 36,222

NATIONAL ARTS CENTRE CORPORATION

Notes to the Quarterly Financial Statements

As at February 28, 2018

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 this *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 Government 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	\$ 75,863
Appropriations received to fund specified capital projects	40,060
Appropriations invested in specified capital projects	(36,952)
Restricted cash at end of period	\$ 78,971
Project related accounts payable	(11,852)
Deferred parliamentary appropriations, specified capital projects	\$ 67,119

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	\$ 2,091	\$ 2,917	\$ (3,634)	\$ 1,374
Programming and Operations	2,254	12,559	(14,813)	-
Specific programs	150	-	(150)	-
Total	\$ 4,495	\$ 15,476	\$ (18,597)	\$ 1,374

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	\$ 15,476
Supplementary estimates	40,060
Appropriations approved	55,536
Portion of parliamentary appropriations used (deferred) for specific projects	(6,439)
Appropriation used to purchase depreciable property, plant and equipment	(30,298)
Amortization of deferred capital funding	5,206
Parliamentary appropriations	\$ 24,005

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 six months ending February 28, 2018 the NAC realized revenues of \$44,975,000 and expenses of \$45,497,000, resulting in a deficit from operations of \$522,000. 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 and Production Renewal is underway. As with all large construction projects, there are inherent financial and operational risks. The Centre has remained open for business throughout the majority of the construction period. This brings scheduling and logistical risks to the project beyond the scope of typical construction.