

Quarterly Financial Statements of:

NATIONAL ARTS CENTRE CORPORATION

For the 9 months ended May 31, 2019

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.



Christopher Deacon
President and Chief Executive Officer



Helle Ottosen, CPA, CA
Chief Financial Officer

July 31, 2019

NATIONAL ARTS CENTRE CORPORATION

Statement of financial position

As at May 31, 2019

(Unaudited)

<i>(in thousands of dollars)</i>	May 31 2019	August 31 2018
ASSETS		
Current		
Cash and cash equivalents	\$ 991	\$ 5,588
Restricted cash held for specified capital projects (Note 4)	16,632	44,713
Investments	598	1,108
Accounts receivable	8,605	3,732
Inventories	168	117
Prepaid expenses	1,355	1,770
	<u>28,349</u>	<u>57,028</u>
Investments	7,690	8,125
Capital assets	<u>225,246</u>	<u>216,473</u>
	<u>\$ 261,285</u>	<u>\$ 281,626</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 17,378	\$ 23,639
Deferred parliamentary appropriations (Note 5)	1,534	3,850
Deferred revenue	6,536	6,868
Deferred parliamentary appropriations, specified capital projects (Note 4)	14,630	34,696
	<u>40,078</u>	<u>69,053</u>
Deferred capital funding	224,478	215,844
Long-term portion of provision for employee future benefits	<u>2,563</u>	<u>2,589</u>
	267,118	287,486
ACCUMULATED DEFICIT		
Unrestricted	<u>(5,833)</u>	<u>(5,860)</u>
	<u>\$ 261,285</u>	<u>\$ 281,626</u>

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, 2019

(Unaudited)

	Three month period ended		Nine month period ended	
	May 31 2019	May 31 2018	May 31 2019	May 31 2018
<i>(in thousands of dollars)</i>				
REVENUES				
Commercial operations (Schedule 1)	\$ 4,072	\$ 4,326	\$ 12,972	\$ 11,511
Programming (Schedule 2)	3,763	4,204	11,956	12,967
Grant from the National Arts Centre Foundation	4,397	1,839	7,903	5,279
Other income	510	776	1,747	2,235
Investment income	64	69	191	191
	<u>12,805</u>	<u>11,214</u>	<u>34,768</u>	<u>32,183</u>
Parliamentary appropriations (Note 6)	13,008	11,570	37,553	35,575
	<u>25,813</u>	<u>22,784</u>	<u>72,321</u>	<u>67,758</u>
EXPENSES (Schedule 3)				
Commercial operations (Schedule 1)	2,565	2,619	7,976	7,290
Programming (Schedule 2)	16,475	12,565	42,502	38,702
Building operations	5,744	5,941	16,854	17,638
Administration and technology	1,513	1,682	4,963	4,673
	<u>26,296</u>	<u>22,807</u>	<u>72,295</u>	<u>68,303</u>
NET RESULTS OF OPERATIONS	<u>\$ (483)</u>	<u>\$ (23)</u>	<u>\$ 27</u>	<u>\$ (545)</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, 2019

(Unaudited)

	Three month period ended		Nine month period ended	
	May 31 2019	May 31 2018	May 31 2019	May 31 2018
<i>(in thousands of dollars)</i>				
Unrestricted, beginning of the period	\$ (5,350)	\$ (5,595)	\$ (5,860)	\$ (5,073)
Net results of operations	(483)	(23)	27	(545)
Unrestricted, end of the period	<u>\$ (5,833)</u>	<u>\$ (5,618)</u>	<u>\$ (5,833)</u>	<u>\$ (5,618)</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, 2019

(Unaudited)

<i>(in thousands of dollars)</i>	2019	2018
Operating Activities		
Net results of operations	\$ 27	\$ (545)
Items not affecting cash		
Amortization and write-down of capital assets	11,431	8,048
Amortization of deferred capital funding	(11,431)	(8,048)
	27	(545)
Change in non-cash operating assets and liabilities	(13,419)	(9,936)
Change in long-term portion of provision for employee future benefits	(26)	206
Cash flow used for operating activities	(13,418)	(10,275)
Capital Activities		
Additions to capital assets	(20,204)	(44,903)
Cash flow used for capital activities	(20,204)	(44,903)
Investing Activities		
Sale (purchase) of investments	946	(389)
Cash flow from investment activities	946	(389)
Financing Activities		
Transfer - restricted cash used (held) for specified capital projects	28,081	1,884
Parliamentary appropriations (used) received for the acquisition of capital	(2)	43,958
Cash flow from financing activities	28,079	45,843
Decrease in cash position	(4,597)	(9,725)
Cash and cash equivalents at beginning of period	5,588	5,955
Cash and cash equivalents at end of period	\$ 991	\$ (3,770)

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

(Unaudited)

For the 3 months ended May 31, 2019

<i>(in thousands of dollars)</i>	2019		
	Revenues	Expenses	Net
Food and Beverage Services	\$ 2,391	\$ 1,941	\$ 450
Parking Services	1,208	308	900
Rental of Halls	473	317	157
	<u>\$ 4,072</u>	<u>\$ 2,565</u>	<u>\$ 1,507</u>

<i>(in thousands of dollars)</i>	2018		
	Revenues	Expenses	Net
Food and Beverage Services	\$ 2,546	\$ 2,010	\$ 536
Parking Services	1,251	249	\$ 1,002
Rental of Halls	529	360	169
	<u>\$ 4,326</u>	<u>\$ 2,619</u>	<u>\$ 1,708</u>

For the 9 months ended May 31, 2019

<i>(in thousands of dollars)</i>	2019		
	Revenues	Expenses	Net
Food and Beverage Services	\$ 7,653	\$ 6,026	\$ 1,626
Parking Services	3,700	832	2,868
Rental of Halls	1,619	1,117	502
	<u>\$ 12,972</u>	<u>\$ 7,976</u>	<u>\$ 4,996</u>

<i>(in thousands of dollars)</i>	2018		
	Revenues	Expenses	Net
Food and Beverage Services	\$ 5,906	\$ 5,083	\$ 823
Parking Services	3,560	737	2,823
Rental of Halls	2,045	1,470	574
	<u>\$ 11,511</u>	<u>\$ 7,290</u>	<u>\$ 4,221</u>

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

For the 9 months ended May 31, 2019

(Unaudited)

	Three month period ended		Nine month period ended	
	May 31 2019	May 31 2018	May 31 2019	May 31 2018
<i>(in thousands of dollars)</i>				
REVENUES				
Music	\$ 1,769	\$ 1,810	\$ 4,188	\$ 4,092
English Theatre	536	609	1,725	2,170
Dance	739	639	2,294	2,707
Other Programming	385	487	2,542	2,388
Programming Support	243	278	852	903
French Theatre	90	380	354	707
	<u>3,763</u>	<u>4,204</u>	<u>11,956</u>	<u>12,967</u>
EXPENSES				
Music	6,645	5,271	15,524	15,047
English Theatre	987	1,457	3,158	4,475
Dance	970	832	2,812	3,406
Other Programming	3,358	1,212	8,151	5,054
Programming Support	4,013	2,931	11,075	7,914
French Theatre	503	863	1,783	2,806
	<u>16,475</u>	<u>12,565</u>	<u>42,502</u>	<u>38,702</u>
EXCESS OF EXPENSES OVER REVENUES	<u>\$ 12,712</u>	<u>\$ 8,361</u>	<u>\$ 30,546</u>	<u>\$ 25,734</u>

NATIONAL ARTS CENTRE CORPORATION

Schedule 3

Schedule of expenses

For the 9 months ended May 31, 2019

(Unaudited)

<i>(in thousands of dollars)</i>	Three month period ended		Nine month period ended	
	May 31	May 31	May 31	May 31
	2019	2018	2019	2018
Salaries and benefits	\$ 8,847	\$ 9,191	\$ 26,033	\$ 25,894
Artistic fees	4,806	3,366	12,737	12,500
Amortization and write down of capital assets	3,884	2,842	11,431	8,048
National Arts Centre Orchestra fees	2,602	1,901	6,489	6,149
Advertising	1,464	1,032	3,030	2,962
Utilities	710	756	2,149	2,425
Payments to municipalities	510	511	1,531	1,532
Maintenance and repairs	610	440	1,628	1,383
Professional fees	456	339	975	1,033
Cost of sales	469	515	1,656	1,422
Production	601	280	900	1,020
In-kind contributions of goods and services	2	339	1	434
Financial charges and bad debts	204	197	682	614
Equipment	306	270	870	549
Promotion	116	121	344	418
Staff travel	212	140	441	357
Rental of facilities	71	91	151	342
Supplies	51	86	222	286
Insurance	79	78	259	215
Telecommunications	76	73	232	202
Education and training	135	146	191	195
Office	28	59	127	207
Board	48	24	123	86
Miscellaneous	10	1	92	32
	\$ 26,296	\$ 22,807	\$ 72,295	\$ 68,303

NATIONAL ARTS CENTRE CORPORATION

Notes to the Quarterly Financial Statements

As at May 31, 2019

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.

Totals may not add due to rounding.

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.

Changes in the fund balance are as follows:

(in thousands of dollars)

Restricted cash at beginning of period	\$ 44,713
Appropriations received to fund specified capital projects	-
Appropriations invested in specified capital projects	(28,081)
Restricted cash at end of period	\$ 16,632
Project related accounts payable	(2,002)
Deferred parliamentary appropriations, specified capital projects	\$ 14,630

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	\$ 1,525	\$ 3,500	\$ (3,641)	\$ 1,384
Programming and Operations	2,325	13,985	(16,310)	-
Specific programs	-	150	-	150
Total	\$ 3,850	\$ 17,635	\$ (19,951)	\$ 1,534

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	\$ 17,635
Supplementary estimates	-
Appropriations approved	17,635
Portion of parliamentary appropriations used (deferred) for specific projects	28,691
Appropriation used to purchase depreciable property, plant and equipment	(20,204)
Amortization of deferred capital funding	11,431
Parliamentary appropriations	\$ 37,553

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 nine months ending May 31, 2019 the NAC realized revenues of \$72,321,000 and expenses of \$72,295,000, resulting in a surplus from operations of \$27,000. This is consistent with the budget for this fiscal year.

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 with certain building systems requiring replacement during coming years.