

## Quarterly Financial Statements of

# NATIONAL ARTS CENTRE CORPORATION

For the nine-months ended May 31, 2022

## 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 our 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.



**Robert Gagné**

Acting President and Chief Executive Officer



**Ikram Zouari, CPA, CGA**

Chief Financial Officer

July 07, 2022

# National Arts Centre Corporation

## Statement of Financial Position

As at May 31, 2022

(Unaudited)

	May 31 2022	August 31 2021
<i>(in thousands of dollars)</i>		
<b>Assets</b>		
Current		
Cash and cash equivalents (Note 4)	\$ 32,395	\$ 21,801
Restricted cash held for specified capital projects (Note 5)	1,055	185
Investments	-	-
Accounts receivable	6,213	5,192
Inventories	174	140
Prepaid expenses	1,051	1,630
	<b>40,888</b>	<b>28,948</b>
Investments (Note 4)	1,665	-
Capital assets	202,404	209,456
	<b>\$ 244,957</b>	<b>\$ 238,404</b>
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 20,827	\$ 21,868
Deferred parliamentary appropriations (Note 7)	2,758	1,685
Deferred revenue	3,359	2,225
Deferred parliamentary appropriations, specified capital projects (Note 5)	1,054	57
	<b>27,998</b>	<b>25,835</b>
Deferred capital funding (Note 8)	198,286	205,475
Long-term portion of provision for employee future benefits	1,999	2,064
	<b>228,283</b>	<b>233,374</b>
<b>Accumulated Surplus</b>		
Unrestricted	<b>16,674</b>	<b>5,030</b>
	<b>\$ 244,957</b>	<b>\$ 238,404</b>

The accompanying notes and schedules form an integral part of the financial statements.

## National Arts Centre Corporation

### Statement of Operations

For the three- and Nine-months ended May 31

(Unaudited)

	Three month period ended		Nine month period ended	
	May 31	May 31	May 31	May 31
(in thousands of dollars)	2022	2021 <sup>1</sup>	2022	2021 <sup>1</sup>
<b>Revenues</b>				
Commercial operations	\$ 3,038	\$ 625	\$ 6,084	\$ 2,194
Programming	1,107	107	2,851	432
Grant from the NAC Foundation	945	942	3,145	5,516
Other Income	254	31	451	89
Investment income	5	-	5	-
	<b>5,349</b>	<b>1,705</b>	<b>12,536</b>	<b>8,231</b>
Parliamentary appropriations (Note 9)	17,826	21,714	64,419	53,535
	<b>23,175</b>	<b>23,419</b>	<b>76,955</b>	<b>61,766</b>
<b>Expenses (Note 10)</b>				
Commercial operations	2,063	626	4,747	2,399
Programming	13,105	9,748	33,270	26,717
Building operations	6,966	5,440	20,897	16,537
Administration and technology	2,418	1,961	6,397	6,211
	<b>24,552</b>	<b>17,775</b>	<b>65,311</b>	<b>51,864</b>
<b>Net results of operations</b>	<b>\$ (1,377)</b>	<b>\$ 5,644</b>	<b>\$ 11,644</b>	<b>\$ 9,902</b>

<sup>1</sup> Certain comparative figures have been reclassified to conform to the presentation adopted in the current year

The accompanying notes and schedules form an integral part of the financial statements.

### Statement of Changes in Accumulated Surplus

For the three- and Nine-months ended May 31

(Unaudited)

	Three month period ended		Seven month period ended	
	May 31	May 31	May 31	May 31
(in thousands of dollars)	2022	2021	2022	2021
Unrestricted, beginning of the period	\$ 18,051	\$ 5,029	\$ 5,030	\$ 771
Net results of operations	(1,377)	5,644	11,644	9,902
<b>Unrestricted, end of the period</b>	<b>\$ 16,674</b>	<b>\$ 10,673</b>	<b>\$ 16,674</b>	<b>\$ 10,673</b>

The accompanying notes and schedules form an integral part of the financial statements.

# National Arts Centre Corporation

## Statement of Cash Flows

For the nine-months ended May 31

(Unaudited)

	2022	2021
<i>(in thousands of dollars)</i>		
<b>Operating Activities</b>		
Net results of operations	\$ 11,644	\$ 9,902
Items not affecting cash		
Amortization and write-down of capital assets	12,334	12,814
Amortization of deferred capital funding	(12,067)	(12,663)
Change in non-cash operating assets and liabilities	1,687	(2,944)
Change in long-term portion of provision for employee future benefits	(65)	(330)
Cash flow from for operating activities	<b>13,533</b>	<b>6,779</b>
<b>Capital Activities</b>		
Additions to capital assets, net	(5,282)	(4,295)
Cash flow used for capital activities	<b>(5,282)</b>	<b>(4,295)</b>
<b>Investing Activities</b>		
Purchase of investments	(1,665)	-
Cash flow used for investment activities	<b>(1,665)</b>	<b>-</b>
<b>Financing Activities</b>		
Restricted cash used for specified projects	(870)	502
Parliamentary appropriations (used) received for the acquisition of capital assets	4,878	2,824
Cash flow from financing activities	<b>4,008</b>	<b>3,326</b>
Increase in cash position	10,594	5,810
Cash and cash equivalents at beginning of period	21,801	11,486
Cash and cash equivalents at end of period	<b>\$ 32,395</b>	<b>\$ 17,296</b>

The accompanying notes and schedules form an integral part of the financial statements.

# National Arts Centre Corporation

## Notes to the Quarterly Financial Statements

(Unaudited)

As at May 31, 2022

### 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.

### 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. Cash and Cash Equivalents & Investment

The balance held relates to: <i>(in thousands of dollars)</i>	May 31 2022	August 31 2021
Operating	\$ 18,247	\$ 10,114
Advanced ticket sales (Note 6)	12,239	8,714
Deferred revenue	1,381	777
Employee benefits	528	2,196
Cash and Cash Equivalent at end of period	\$ 32,395	\$ 21,801
Investments	\$ 1,665	\$ -
Cash and Cash Equivalents and Investment	\$ 34,060	\$ 21,801

Investments are monies held for the long-term provision of employee severance; previously reported as employee benefits.

## 5. Restricted cash held for Specified Capital Projects

In 2020, through the Government of Canada Fall Economic Statement, entitled “Supporting Canadians and Fighting COVID-19,” the Government of Canada allocated \$9.5M over eleven years starting in 2021–2022 for Modernization of Digital Infrastructure.

Changes in the fund balance are as follows:

<i>(in thousands of dollars)</i>	May 31 2022	August 31 2021
Restricted cash at beginning of period	\$ 57	\$ 690
Appropriations received to fund specified capital projects (Digital Infrastructure)	1,772	-
Appropriations invested in specified capital projects	(775)	(505)
Restricted cash at end of period	\$ 1,054	\$ 185
Project related accounts payable	-	(128)
Deferred parliamentary appropriations, specified capital projects	\$ 1,054	\$ 57

## 6. Accounts payable and accrued liabilities

The balance consists of: (in thousands of dollars)	May 31 2022	August 31 2021
Advanced ticket sales	\$ 12,239	\$ 8,714
Trade payables	341	2,835
Accrued liabilities	7,719	9,791
Employee short term benefits	528	528
	<b>\$ 20,827</b>	<b>\$ 21,868</b>

Advanced ticket sales are monies received for future non-NAC programming.

## 7. 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)	May 31 2022				August 31 2021
	Beginning	Received	Used	Ending	
Building refurbishment	\$ 1,496	\$ 5,833	\$ (4,571)	\$ 2,758	\$ 1,495
Programming and Operations	-	47,414	(47,414)	-	-
Special Programs	190	-	(190)	-	190
Total	<b>\$ 1,686</b>	<b>\$ 53,247</b>	<b>\$ (52,175)</b>	<b>\$ 2,758</b>	<b>\$ 1,685</b>

## 8. Deferred capital funding

Deferred capital funding represents the unamortized portion of parliamentary appropriations used to purchase depreciable capital assets. Information on deferred capital funding is as follows:

(in thousands of dollars)	May 31 2022				August 31 2021
	Beginning	Received	Used	Ending	
Balance at beginning of year	\$ 197,930	\$ -	\$ -	\$ 197,930	\$ 218,824
Appropriations used to purchase depreciable capital assets	-	114	(4)	110	1,218
Recognition of deferred capital funding depreciation	-	-	(11,884)	(11,884)	(22,112)
Recognition of deferred capital funding disposal	-	-	(124)	(124)	-
Deferred ESAP funding	7,545	4,279	(241)	11,583	7,545
Digital Infrastructure	-	1,772	(1,101)	671	-
Total	<b>\$ 205,475</b>	<b>\$ 6,165</b>	<b>\$ (13,354)</b>	<b>\$ 198,286</b>	<b>\$ 205,475</b>

## 9. 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.

<i>(in thousands of dollars)</i>	May 31 2022	May 31 2021
Appropriations received and receivable:		
Main estimates amount provided for operating and capital expenditures	\$ 31,881	\$ 19,348
Digital Infrastructure	1,772	-
Supplementary estimates	4,167	190
Statutory COVID 19	17,200	5,200
Appropriations approved	55,020	24,738
Portion of parliamentary appropriations received in current year deferred for building refurbishment or specific projects	(4,530)	(4,662)
Previous year's appropriations used in current year to complete specific projects	1,685	3,441
Appropriation used to purchase depreciable capital assets	236	(236)
Deferred capital funding – amortization and write down	12,008	8,540
Parliamentary appropriations	\$ 64,419	\$ 31,821



## 10. Schedule of expenses

For the three- and Nine-months ended May 31

(Unaudited)

	Three month period ended		Nine month period ended	
	May 31	May 31	May 31	May 31
(in thousands of dollars)	2022	2021 1	2022	2021
Salaries and benefits	\$ 9,359	\$ 6,426	\$ 25,054	\$ 19,535
Amortization and write down of capital assets	4,048	4,173	12,422	12,814
National Arts Centre Orchestra fees	1,986	1,856	5,636	5,377
Artistic fees	3,761	2,177	9,631	5,161
Maintenance and repairs	499	718	1,470	1,956
Payments to municipalities	543	529	1,615	1,561
Utilities	529	535	1,700	1,805
Insurance	130	2	409	442
Professional fees	668	621	1,559	1,221
Advertising	893	262	1,940	689
Cost of sales	349	2	750	110
Equipment rental	268	45	483	178
Telecommunications	107	61	216	185
Supplies	89	33	244	111
Promotion	584	37	703	115
Production	153	49	331	111
Service charges	125	100	276	185
Office	44	62	107	113
Rental of facilities	109	17	152	40
Education and training	118	47	167	75
Board	54	14	103	64
Staff travel	127	7	307	12
Miscellaneous	6	3	35	6
In-kind contributions of goods and services	1	-	1	-
	<b>\$ 24,552</b>	<b>\$ 17,775</b>	<b>\$ 65,311</b>	<b>\$ 51,864</b>

## Narrative Discussion

### Objects of Corporation

The NAC is governed by the National Arts Centre Act, which defines its mandate as follows: 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. As a Crown Corporation, the NAC reports to Parliament through the Minister of Canadian Heritage.

In furtherance of its objects as defined in the NAC Act, but without limiting the generality of subsection (1), of its objects the Corporation may:

- (a) arrange for and sponsor performing arts activities at the Centre;
- (b) encourage and assist in the development of performing arts companies resident at the Centre;
- (c) arrange for or sponsor radio and television broadcasts from the Centre and the showing of films in the Centre;
- (d) provide accommodation at the Centre, on such terms and conditions as the Corporation may fix, for national and local organizations the objects of which include the development and encouragement of the performing arts in Canada; and
- (e) 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.

### Strategic Goals

To fulfil its mandate to operate and maintain the Centre and develop and present the performing arts, the Corporation is guided by strategic priorities.

The Corporation's 2020-2023 priorities and commitments are detailed in the Next Act, its current strategic plan focusing on four pillars:

1. Support renewal through dynamic artistic leadership
2. Build community through expanded engagement
3. Foster long-term resiliency through learning and innovation
4. Maximize impact through operational sustainability

## Analysis

The Corporation is a bilingual multi-disciplinary Centre for the performing arts. It presents, creates, produces and co-produces performing arts programming in various streams — the NAC Orchestra, Dance, English Theatre, French Theatre, Indigenous Theatre, and Popular Music and Variety. 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. The Corporation relies on comparisons to expected revenues and expenditures to manage its financial performance.

## Financial Highlights

### Revenue

Revenue for the nine-month period ended May 31, 2022 amounted to \$12.5 million, an increase of \$4.3 million compared to \$8.2 million for the nine-month period of the previous year. The increase is mainly due to a higher commercial and programming revenue as pandemic restrictions ease offset by a planned reduction in the grant from the National Art Centre Foundation.

Revenue for the three-month period ended May 31, 2022 amounted to \$5.3 million, an increase of \$3.6 million compared to \$1.7 million for the three-month period of the previous year. The increase is mainly due to a higher commercial and programming revenue as pandemic restrictions ease offset by a planned reduction in the grant from the National Art Centre Foundation.

On an accrual basis, parliamentary appropriations for the nine-month period ended May 31, 2022, amounted to \$64.4 million compared to \$53.5 million for the six-month period of the previous year. The difference is due to timing of appropriations recognition.

On an accrual basis, parliamentary appropriations for the three-month period ended May 31, 2022, amounted to \$17.8 million compared to \$21.7 million for the three-month period of the previous year. The difference is due to timing of appropriations recognition.

## Expenses

Expenses for the nine-month period ended May 31, 2022, amounted to \$65.3 million, an increase of \$13.5 million compared to \$51.9 million for the nine-month period of the previous year. The increase is mainly due to the gradual return to operations and increased programming compared to the corresponding previous period.

Expenses for the three-month period ended May 31, 2022, amounted to \$24.6 million, an increase of \$6.8 million compared to \$17.8 million for the three-month period of the previous year. The increase is mainly due to the gradual return to operations and increased programming compared to the corresponding previous period.

## Net Results of Operations

The net results of operations for the nine-month period ended May 31, 2022, was a surplus of \$11.6 million. The surplus is mainly attributable to the timing of appropriations recognition and, the postponement of Q2 and Q3 21-2022 programming to Q4 21-2022 resulted of gathering restrictions and downtown Ottawa closures.

## Statement of Financial Position

### Assets

The level of cash and cash equivalents of \$32.4 million as at May 31, 2022, represents an increase of \$10.6 million from the August 31, 2021 level. This increase is mainly due to timing of parliamentary appropriations, higher advanced ticket sales and deferred revenue associated with programming offset by the purchase of investment and timing differences in payment of accounts payable.

Accounts receivables of \$6.2 million as at May 31, 2022 represents an increase of \$1 million from the August 31, 2021, level. This increase is mainly due to timing differences in project progress payments and settlement of NAC Foundation grant.

Capital assets decreased to \$202.4 million as at May 31, 2022 from \$209.5 million as at August 31, 2021, mainly due to amortization and write-down expense of \$12.4 million offset by capital assets acquisitions of \$5.3 million.

### Liabilities

Accounts payable and accrued liabilities decreased by \$1.1 million to \$20.8 million as at May 31, 2022, compared to \$21.9 million as at August 31, 2021. This decrease is mainly due to lower accrued liabilities and trade payables. Which was partially offset by higher advanced ticket sales compared to August 31, 2021 level.

Deferred revenue increased to \$3.4 million as at May 31, 2022, compared to \$2.2 million as at August 31, 2021. This increase of \$1.2 million is mainly due to increased programming.

### Accumulated surplus

Accumulated surplus as at May 31, 2022 is \$16.7 million. This is an increase due to the net result of operations surplus of \$11.6 million.

The National Arts Centre operates in a very challenging context and follows COVID-19 measures set by all level of governments. It is currently slowly reopening to live and recorded performances, within the current Government of Ontario guidelines. The extension of limited operations and continued restrictions has resulted in a significant reduction in both revenues and various expenses, as compared to previous years. There may also be a negative impact on the values of assets including investments, accounts receivable, inventory and prepaid expenses as well as some liabilities. As the situation extends and evolves, the full financial impact of the disruption is not yet fully known. According to national surveys, the performing arts and live entertainment sector will be one of the hardest hit and amongst the last ones to recover. Regular operations and return of audience and artists will only gradually come back depending on vaccine roll out, permitted hall capacity and additional provincial regulations.

## Risks

The Corporation's Corporate Risk Profile identifies five risks and their related mitigation strategies. The mitigation step involves the identification of strategies designed to manage, eliminate or reduce risk to an acceptable level.

1. COVID-19 as a Transformational Event – The Corporation might not be prepared to address the potentially transformational impacts of COVID-19 over the long run. This risk is mitigated by the implementation of policies and procedures in response to evolving public health advice, continuous review of revenue and expenditure planning, and tracking of responses from audiences and stakeholders.
2. Uncertain Financial Environment – The Corporation may not have an appropriate funding model to navigate through the changing environment. This risk is mitigated by ongoing dialogue around long-term sustainable funding, exploring additional opportunities for revenue generation through unconventional models, transformation of audience development approaches, and the gradual increase of programming traditional revenue-generating performances over time.
3. Equity, Diversity and Inclusion – The Corporation may not be able to effectively deliver on Equity, Diversity and Inclusion engagements. This risk is mitigated by an audit of Equity, Diversity and Inclusion (EDI) practices within the Corporation, developing a strategy and prioritized action plan throughout the Corporation, and monitoring the results on an ongoing basis.
4. Human Capital – The Corporation might not have sufficient human resources with the necessary skills and/or training to effectively support this transformational period. This risk is mitigated by working with collective bargaining units, by adopting new recruitment strategies to diversify the workforce, by ensuring training of staff and providing professional development opportunities, and by engaging with new and diverse companies or communities across the country to obtain support and help with productions.
5. Programming – The Corporation may be unable to regain both its artistic programming integrity and re-engage its audience through relevance within its community. This risk is mitigated by monitoring the results of surveys to track the responses of audiences and stakeholders, working with artists and arts companies from Equity-Seeking Groups to deliver more representative and relevant programming, and by ensuring digital experiences and online content find diverse audiences.