

Audited Financial Statements

OF THE NATIONAL ARTS CENTRE CORPORATION FOR THE YEAR ENDED AUGUST 31, 2002



**NATIONAL ARTS CENTRE
CENTRE NATIONAL DES ARTS**

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Management Responsibilities

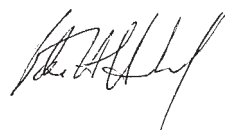
The Board of Trustees, which is responsible for, among other things, the financial statements of the Corporation, delegates to Management the responsibility for the preparation of the financial statements and the annual report. Responsibility for their review is that of the Finance and Audit Committee of the Board of Trustees. The financial statements were prepared by Management in accordance with Canadian generally accepted accounting principles and include estimates based on Management's experience and judgement. The financial statements have been approved by the Board of Trustees on the recommendation of the Finance and Audit Committee. Other financial and operating information appearing in this annual report is consistent with that contained in the financial statements.

Management maintains books and records, financial and management control and information systems designed in such a manner as to provide a reasonable assurance that reliable and accurate information is produced on a timely basis and that the transactions are in accordance with the *National Arts Centre Act* and the by-laws of the Corporation.

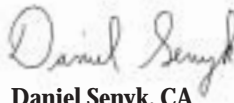
The Board of Trustees of the Corporation is responsible for ensuring that Management fulfils its responsibilities for financial reporting and internal control, and exercises this responsibility

through the Finance and Audit Committee. The Finance and Audit Committee discharges the responsibilities conferred upon it by the Board of Trustees, and meets on a regular basis with Management, and with the Auditor General of Canada, who has unrestricted access to the Committee.

The Auditor General of Canada conducts an independent audit of the complete financial statements of the Corporation in accordance with Canadian generally accepted auditing standards and reports on the results of that audit to the Chair of the Board of Trustees of the National Arts Centre Corporation on an annual basis.



Peter A. Herrndorf, O.C.
President and Chief Executive Officer



Daniel Senyk, CA
Chief Financial Officer

October 25, 2002

Auditor's report

To the Chair of the Board of Trustees of the National Arts Centre Corporation

I have audited the balance sheet of the National Arts Centre Corporation as at August 31, 2002 and the statements of operations and equity and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles

used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at August 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Richard Flageole, FCA
*Assistant Auditor General
for the Auditor General of Canada*

Ottawa, Canada
October 25, 2002

Balance Sheet

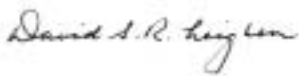
As at August 31

	2002	2001
	\$	\$
Assets		
Current		
Cash	6,893,605	1,276,100
Short-term investments (Note 3)	11,687,848	9,389,151
Accounts receivable	2,053,133	1,863,632
Restricted cash and investments (Note 4)	73,178	69,546
Inventories	388,748	332,539
Programmes in progress	1,765,812	1,551,744
Prepaid expenses	581,721	661,245
	<u>23,444,045</u>	<u>15,143,957</u>
Investments (Note 5)	2,000,000	—
Capital assets (Note 6)	17,210,407	16,874,221
	<u>42,654,452</u>	<u>32,018,178</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	6,214,651	5,340,216
Deferred revenues and parliamentary appropriations (Note 7)	16,326,771	7,020,522
	<u>22,541,422</u>	<u>12,360,738</u>
Deferred contributions (Note 8)	39,903	41,271
Deferred capital funding (Note 9)	17,210,407	16,874,221
Long-term portion of provision for employee severance benefits (Note 10)	1,718,415	1,685,950
	<u>41,510,147</u>	<u>30,962,180</u>
Endowment Fund (Note 11)	33,275	33,275
Equity of Canada		
Accumulated surplus	1,111,030	1,022,723
	<u>42,654,452</u>	<u>32,018,178</u>

Contingencies and commitments (Notes 15 and 16)

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

Approved by the Board of Trustees:



Chair



Chair of the Finance and Audit Committee

Statement of Operations and Equity

For the year ended August 31

	2002	2001
	\$	\$
Revenues		
Commercial operations (Schedule 1)	11,236,268	11,646,316
Programming (Schedule 2)	9,974,073	9,913,541
National Arts Centre Foundation (Note 12)	2,850,000	1,125,000
Facility fees	563,492	561,421
Fundraising	—	1,831,918
Investments and other	581,788	1,061,821
	<u>25,205,621</u>	<u>26,140,017</u>
Parliamentary appropriations (Note 13)	25,665,004	25,231,398
	<u>50,870,625</u>	<u>51,371,415</u>
Expenses		
Commercial operations (Schedule 1)	7,676,897	7,868,645
Programming (Schedule 2)	26,332,947	25,543,108
Fundraising and development	1,650,226	1,402,742
Building operations	9,206,589	9,970,475
Administration and other	4,411,537	4,670,060
Information technology	1,504,122	1,754,848
	<u>50,782,318</u>	<u>51,209,878</u>
Net results of operations	<u>88,307</u>	<u>161,537</u>
Equity of Canada		
Equity - beginning of year	1,022,723	861,186
Equity - end of year	<u>1,111,030</u>	<u>1,022,723</u>

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

Statement of Cash Flows

For the year ended August 31

	2002	2001
	\$	\$
Operating activities		
Net results of operations	88,307	161,537
Item not affecting cash and investments		
Amortization	2,912,111	2,951,362
	<u>3,000,418</u>	<u>3,112,899</u>
Changes in non-cash operating assets and liabilities	9,800,430	1,160,658
Changes in deferred contributions	(1,368)	(136,302)
Changes in deferred capital funding	336,186	(11,845)
Changes in long-term portion of provision for employee severance benefits	32,465	346,578
Cash flows provided by operating activities	<u>13,168,131</u>	<u>4,471,988</u>
Investing activities		
Investments	(2,000,000)	—
Additions to capital assets	(3,248,297)	(2,939,517)
Changes to restricted cash and investments	(3,632)	136,369
Cash flows used for investing activities	<u>(5,251,929)</u>	<u>(2,803,148)</u>
Increase in cash position	7,916,202	1,668,840
Cash position at beginning of year	<u>10,665,251</u>	<u>8,996,411</u>
Cash position at end of year	<u>18,581,453</u>	<u>10,665,251</u>
Composed of:		
Cash	6,893,605	1,276,100
Short-term investments	11,687,848	9,389,151
	<u>18,581,453</u>	<u>10,665,251</u>
Supplementary disclosure of cash flow information		
Interest received	<u>481,706</u>	<u>544,898</u>

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

Notes to the Financial Statements

August 31, 2002

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*. Pursuant to Section 85 (1) of Part X of the *Financial Administration Act*, Divisions I to IV do not 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 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 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, 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. Significant Accounting Policies

(a) Short-term and restricted investments

Short-term and restricted investments are valued at the lower of cost and market value.

(b) Parliamentary appropriations

The Government of Canada provides funding to the Corporation. The portion of the parliamentary appropriations used to purchase depreciable capital assets is recorded as deferred capital funding and amortized to revenue on the same basis and over the same periods as the related capital assets. Parliamentary appropriations approved and received for specific capital and operating purposes which exceed related expenses for the year are deferred and recognized as revenue when related expenses are incurred. The remaining portion of the appropriations is recognized as revenue on the statement of operations.

The parliamentary appropriations approved for the period from April 1 to August 31 are in respect of the Government of Canada's fiscal year ending on March 31 of the following year. Accordingly, the portion of the amounts received to August 31, which is in excess of 5/12ths of the appropriations, is recorded as deferred revenue. Similarly, the portion of the 5/12ths of the appropriations not received by August 31 is recorded as a receivable.

(c) Inventories

Inventories are valued at cost for restaurant supplies, food and beverages.

(d) Programmes in progress

Direct costs, including advances to performing arts companies and artists related to programmes (performances) that will be held after the fiscal year-end, are deferred, and are charged to expenses in the year in which the programmes take place.

(e) Investments

Investments are intended to be held to maturity and are reported at cost.

(f) Capital assets

Capital assets are recorded at cost net of accumulated amortization. Amortization is calculated using the straight-line method, over the estimated useful lives of the assets as follows:

Building	40 years
Building improvements	7 to 10 years
Equipment	2 to 10 years
Computer software and hardware	3 to 5 years

(g) Deferred revenue

Funds received in return for future services are deferred. Revenue is recognized in the year that the services are provided.

(h) Contributions

The Corporation follows the deferral method of accounting for contributions. Contributions externally restricted, and related investment income, are deferred and recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received.

Donations in kind are recorded at their estimated fair market value when they are received. Volunteers contribute a significant number of hours per year. Because of the difficulty of determining their fair value, contributed services are not recognized in these financial statements.

(i) Operating expenses

Expenses relating to commercial operations, programming, development and fundraising do not include costs relating to building and equipment maintenance, and administrative services.

(j) Employee future benefits

(i) Pension plan

Employees of the Corporation participate in the Public Service Superannuation Plan, administered by the Government of Canada. Contributions to the Plan are required by both the employees and the Corporation. The Corporation's contribution is 2.14 times the employees' share. The Treasury Board of Canada sets the required contributions to the Plan. These contributions represent the total pension obligation of the Corporation. The Corporation is not required to make contributions with respect to employees for actuarial deficiencies of the Public Service Superannuation Account.

(ii) Employee severance benefits

Employees of the Corporation are entitled to specified benefits on termination as provided for under their respective contracts and conditions of employment. The liability for these benefits is recorded as the benefits accrue to the employees.

3. Short-Term Investments

The Corporation's policy is to invest temporary excess cash in short-term deposit certificates, bonds, and commercial paper with Canadian financial institutions. The average yield of the portfolio was 3.77% for the year ended August 31, 2002 (5.20% in 2001). All short-term investments are rated "A" or "A1/R1" or better by a recognized bond rating agency. The fair value of short-term investments approximates the book value due to their impending maturity.

4. Restricted Cash and Investments

Restricted cash and investments arise from contributions received from individuals and corporate entities for a specified purpose.

5. Investments

During the year the Corporation determined that its cash flows allowed it to invest cash in longer-term deposit certificates, bonds, and commercial paper with Canadian financial institutions in order to improve yields for financing performing arts programmes and the operation of the Centre. The average yield of the portfolio was 4.98% for the year ended August 31, 2002. All investments are rated "A" or "A1/R1" or better by a recognized bond rating agency.

6. Capital Assets

	Cost	2002 Accumulated amortization	Net book value	2001 Net book value
Land	\$ 1	\$ —	\$ 1	\$ 1
Building	46,400,000	38,553,872	7,846,128	9,008,550
Building improvements	31,338,117	25,389,571	5,948,546	5,819,200
Equipment	6,129,515	4,996,223	1,133,292	1,213,137
Computer software and hardware	2,081,608	1,766,362	315,246	558,750
Assets under construction	1,967,194	—	1,967,194	274,583
	<u>\$ 87,916,435</u>	<u>\$ 70,706,028</u>	<u>\$ 17,210,407</u>	<u>\$ 16,874,221</u>

7. Deferred Revenues and Parliamentary Appropriations

Deferred revenues represent amounts received from the Corporation's box office for programmes not yet presented and other amounts received in advance of services rendered. Deferred parliamentary appropriations represent approved parliamentary appropriations received for work not yet completed or received in advance. Information on the deferred revenues and parliamentary appropriations is as follows:

	2002	2001
Advanced sales - programming	\$ 5,141,575	\$ 5,315,545
Revenues from commercial operations and other	1,046,956	1,071,716
Appropriations received for the next fiscal year	4,138,000	—
Unused appropriations received for building refurbishment	2,002,073	633,261
Unused appropriations received for specific purposes	3,998,167	—
Balance at end of year	\$ 16,326,771	\$ 7,020,522

8. Deferred Contributions

Deferred Contributions represent amounts held for the National Arts Centre Orchestra Trust Fund. Changes in the deferred contributions balance are as follows:

	2002	2001
Balance at beginning of year	\$ 41,271	\$ 177,573
Interest income	3,232	4,721
Donations	8,850	10,573
Funds directed by donor to NAC Foundation	—	(51,271)
Amount recognized as revenue on the statement of operations	—	(87,825)
Distributions to NACO Bursary recipients	(13,450)	(12,500)
Balance at end of year	\$ 39,903	\$ 41,271

9. Deferred Capital Funding

Deferred capital funding represents the unamortized portion of parliamentary appropriations used to purchase depreciable capital assets.

Changes in the deferred capital funding balance are as follows:

	2002	2001
Balance at beginning of year	\$ 16,874,221	\$16,886,066
Appropriations used to purchase depreciable capital assets	3,248,297	2,939,517
Amortization	(2,912,111)	(2,951,362)
Balance at end of year	\$ 17,210,407	\$16,874,221

10. Employee Future Benefits

(i) Pension plan

The Public Service Superannuation Plan required the Corporation to contribute at a rate of 2.14 times the employees contribution (2001 - 2.14). The Corporation's contribution to the plan during the year was \$1,009,579 (2001 - \$1,021,102).

(ii) Employee severance benefits

The Corporation provides severance benefits to its employees. This benefit plan is not pre-funded and has no assets, resulting in a plan deficit equal to the accrued benefit obligation. Information on the employee severance benefits is as follows:

	2002	2001
Balance at beginning of year	\$ 1,868,488	\$ 1,502,815
Expense for the year	314,753	438,000
Benefits paid during the year	(81,957)	(72,327)
Balance at end of year	\$ 2,101,284	\$ 1,868,488
Short-term portion	\$ 382,869	\$ 182,538
Long-term portion	1,718,415	1,685,950
	\$ 2,101,284	\$ 1,868,488

11. Endowment Fund

The initial capital of \$33,275 for the National Arts Centre Orchestra Trust Fund is subject to an externally imposed restriction stipulating that the original capital be maintained permanently. The interest earned during the year of \$1,576 (2001 - \$1,802) is included in deferred contributions.

12. The National Arts Centre Foundation

The National Arts Centre Foundation (the "Foundation") was incorporated under the *Canada Corporations Act* in July 2000 and received its registered charitable status under the *Income Tax Act* in August 2000. This is a separate entity from the Corporation and all funds raised are used for the priorities of the Corporation, as determined between the Corporation and Foundation from time to time.

The Foundation raises funds from patrons and from the community. The voting members of the Foundation are the current Corporation Board of Trustee. The Board of Directors of the Foundation is elected by the voting members of the Foundation. The financial position and results of operations of the Foundation have been audited and have not been consolidated in the Corporation's financial statements. All of the direct expenses related to the operation of the Foundation to August 31, 2002, with the exception of legal, audit and insurance expenses, have been reported in the statement of operations and equity of the Corporation as Fundraising and development expenses. The distributed amounts to the Corporation by the Foundation are recorded as National Arts Centre Foundation revenues in the Corporation's statement of operations and equity. The financial statements of the Foundation are available upon request.

The financial position and the results of operations of the Foundation as at August 31, 2002 for the period then ended are as follows:

Financial position	2002	2001
Total assets	\$ 1,806,985	\$ 1,041,651
Total liabilities	683,703	137,315
Total net assets *	\$ 1,123,282	\$ 904,336

* All of the Foundation's net assets must be provided for the sole use of the National Arts Centre Corporation. An amount of \$140,963 (2001 - \$121,989) of the Foundation's net assets is subject to donor imposed restrictions that it be maintained permanently in the Foundation and that the related investment revenue be used for the benefit of the National Arts Centre's music programming and youth and education programmes.

Results of operations	2002	2001
Total revenues	\$ 3,087,692	\$ 1,047,537
Total expenses	18,746	18,201
Total distributions to the National Arts Centre **	2,850,000	1,125,000
Excess (Deficiency) of revenues over distributions and expenses	\$ 218,946	\$ (95,664)

**The distribution to the Corporation by the Foundation was made in accordance with the restrictions approved by the Foundation's Board of Directors and supported Music, English Theatre, French Theatre, Dance, community programming, the Fourth Stage, Live Rush, programming aimed at youth, educational activities and other initiatives of the Corporation at the Centre and elsewhere.

13. Parliamentary Appropriations

	2002	2001
Main Estimates amount provided for operating and capital expenditures	\$ 24,304,168	\$22,507,250
Supplementary estimates	7,064,000	3,345,564
Appropriations approved	31,368,168	25,852,814
Portion of parliamentary appropriations deferred for future projects	(5,366,978)	(633,261)
Appropriation used to purchase depreciable capital assets	(3,248,297)	(2,939,517)
Amortization of deferred capital funding	2,912,111	2,951,362
Parliamentary appropriations	\$ 25,665,004	\$25,231,398

14. Related Party Transactions

The Corporation is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business.

15. Contingencies

The Corporation is the claimant or defendant in certain pending claims and lawsuits. In management's opinion, the outcome of these actions is not likely to result in any material amounts. The Corporation intends to vigorously defend these suits and claims.

16. Commitments

As at August 31, 2002, there remains approximately \$1,144,000 (\$2,097,000 in 2001) to be paid pursuant to agreements for information technology, telephony services and leased vehicles. The future minimum payments are as follows:

2002 — 03	1,086,000
2003 — 04	53,000
2004 — 05	5,000
2005 — 06	—
2006 — 07	—

17. Comparative Figures

Certain figures for 2001 have been reclassified to conform to the presentation adopted this year.

Schedule 1
Schedule of revenues and expenses
Commercial Operations
For the year ended August 31

	Revenues	2002 Expenses	Net
Restaurants	\$ 6,099,863	\$ 5,940,223	\$ 159,640
Parking Services	3,367,262	654,415	2,712,847
Rental of Halls	1,769,143	1,082,259	686,884
	<u>\$ 11,236,268</u>	<u>\$ 7,676,897</u>	<u>\$ 3,559,371</u>

	Revenues	2001 Expenses	Net
Restaurants	\$ 6,449,686	\$ 5,990,131	\$ 459,555
Parking Services	3,103,814	602,535	2,501,279
Rental of Halls	2,092,816	1,275,979	816,837
	<u>\$ 11,646,316</u>	<u>\$ 7,868,645</u>	<u>\$ 3,777,671</u>

Schedule 2
Schedule of revenues and expenses
Programming
For the year ended August 31

	2002	2001
Revenues		
Music	\$ 4,247,096	\$ 4,742,082
Dance	2,218,361	1,305,624
English Theatre	2,173,248	1,980,349
French Theatre	610,620	893,179
Other programmes	388,698	621,805
Programming Support	336,050	370,502
	<u>\$ 9,974,073</u>	<u>\$ 9,913,541</u>
Expenses		
Music	\$ 10,981,450	\$ 11,976,827
Dance	2,596,979	1,672,324
English Theatre	3,330,972	3,176,903
French Theatre	2,030,759	2,196,019
Other programmes	1,567,229	1,522,583
Programming Support	5,825,558	4,998,452
	<u>\$ 26,332,947</u>	<u>\$ 25,543,108</u>
Excess of expenses over revenues	<u>\$ 16,358,874</u>	<u>\$ 15,629,567</u>

Schedule 3
Schedule of expenses by type
For the year ended August 31

	2002	2001
Salaries and benefits	\$ 19,203,741	\$ 17,616,591
Artistic fees	7,411,433	7,772,558
National Arts Centre Orchestra fees	4,862,336	5,128,959
Advertising	3,294,464	3,309,604
Amortization	2,912,111	2,951,362
Contract fees	2,111,622	2,377,959
Cost of sales	1,968,261	2,136,967
Utilities	1,681,999	1,407,788
Maintenance and repairs	1,612,207	1,140,013
Payments in lieu of taxes	1,250,000	2,758,373
Promotion	478,492	703,856
Financial charges	452,176	499,172
Equipment	424,912	211,299
Office expenses	419,549	459,668
Staff travel	418,365	406,828
Professional fees	388,376	279,049
Production	341,978	421,631
Supplies	292,595	288,550
Rental of facilities	241,005	177,491
Telecommunications	223,135	210,330
Education and training	182,620	107,687
Miscellaneous	180,921	282,989
In-kind contributions of goods and services	146,007	251,605
Board expenses	143,069	142,029
Insurance	140,944	167,520
	<u>\$ 50,782,318</u>	<u>\$ 51,209,878</u>

Management Discussion and Analysis

During 2001-2002, the National Arts Centre undertook a process to develop a Corporate Plan. The purpose of this Plan is to help to ensure that management has effective strategies for fulfilling the organization's mandate and the delivery of its operational programs, consistent with the government's objectives in particular those of the Department of Canadian Heritage in consideration of the fact that the National Arts Centre is a member of the Canadian Heritage Portfolio. This planning process continues into 2002-2003 and we hope the end result will allow us to report on our performance in a more thorough and measurable way in our future annual reports.

One way that we have enhanced our financial reporting this year is to re-introduce a detailed Management Discussion and Analysis section, which will help to facilitate the comparison of results year over year by our stakeholders.

Financial Overview

For the fourth consecutive year, the National Arts Centre (NAC) is reporting a surplus from operations. This year's surplus amounts to \$88,307, compared to \$161,537 in 2000-01, for an accumulated surplus of \$1,111,030.

Total revenues, including parliamentary appropriations, fell by \$500,790 to \$50,870,625. Earned revenues — that is, revenues that the NAC generates itself — decreased marginally as a percentage of total revenues (from 50.8% to 49.5%), mainly due to decreased revenues from commercial activities and investments.

Total expenditures decreased by \$427,560 as a result of decreased commercial activities and improved efficiencies in administration and building operations. In keeping with *Restoring the Vision*, the NAC's strategic plan, cost savings were re-invested in programming and fundraising, with an emphasis on stage performances.

Statement of Operations, Revenues

Commercial Operations

Commercial revenues are produced by Food Services, Parking Services and Hall Rentals. Revenues in Food Services decreased significantly from last year (\$350,000), driven by decreased sales for Le Café (\$211,000) and Catering (\$145,000). Le Café's reduced sales resulted from bad weather in June, normally its most profitable month, while Catering revenues suffered from post-9/11 concerns and the economic downturn. In contrast, revenues from Parking Services continued to increase (\$263,000) due to last year's revised pricing strategies. However, revenues from Hall Rentals decreased by \$324,000, since the NAC Orchestra (NACO) did not tour, which left fewer dates available for rentals.

Programming

Music revenues decreased by \$495,000, mainly due to revenues lost when NACO did not tour.

English Theatre's revenues are ahead of those for last year by \$193,000 as a result of higher sales volumes and, to some extent, increased prices. French Theatre's results show a decrease of \$282,000 because the biennial *Festival du théâtre des régions* did not take place in 2001–02. Dance results were up by \$913,000, mainly due to the very successful presentation of the National Ballet's *The Nutcracker*.

Overall, revenues from Other Programming decreased by \$233,000 from last year: there were fewer variety shows, which resulted in a decrease of \$240,000; furthermore, all revenues for the Galas flowed through the NAC Foundation in the current year, which accounts for a decrease of \$209,000 as shown under NAC revenues. These decreases were partly offset by increased revenues from Special programming (\$163,000) and presentations on the Fourth Stage (\$52,000).

Revenues from Programming Support decreased by \$34,000 due to reduced advertising in *Prelude*, which reflected the response of the retail sector to post-9/11 concerns and the economic downturn.

Fundraising

This year, all fundraising revenues flowed through the NAC Foundation. The amount of \$2,850,000 represents funds that were distributed to the NAC from the Foundation.

Facility Fees

Facility fees are based on \$1.50 per ticket when the ticket value exceeds \$10.00. The slight increase is due to greater ticket sales for *The Nutcracker*.

Investments and Other

The changes from last year are mostly accounted for by last year's one-time grant of \$304,000 from Public Works and Government Services Canada for an acoustic control system and the sale of a grand piano (\$50,000). Investment income was down by \$63,000 as a result of donations being funnelled through the NAC Foundation, as well as lower interest rates.

Parliamentary Appropriations

The increase in parliamentary appropriations for operations was essentially due to funding for wage adjustments.

Deferred capital funding represents the amounts set aside from the parliamentary appropriations to purchase capital assets. These funds are then recognized as revenue at the same rate as the depreciation of the underlying asset. The amount is drawn down from the deferred parliamentary appropriations.

Statement of Operations, Expenses

Commercial

A large proportion of these costs is variable. Food Services costs decreased by \$50,000 from last year, corresponding to lower sales. Expenses for Parking Services increased by \$52,000, mainly as result of an unfilled staff position for part of the previous year, while costs for Hall Rentals decreased by \$194,000 as a result of lower sales.

Programming

Music expenses show a decrease of \$995,000 from last year, mainly due to the fact the NACO did not tour (last year's tour cost \$2.108 million). However, these savings were offset by increased costs for NACO musicians (\$465,000); higher administrative costs due to full staffing in the department (\$59,000); and increased programming and artistic costs associated with the Connaisseur series (\$323,000), the Great Composers series (\$69,000) and Special programming (\$334,000).

English Theatre expenses are greater than last year's by \$154,000. While costs decreased in the Main stage series (\$94,000) and Studio series (\$55,000), these savings were offset by increased investments in Special programming for *Twelfth Night* and *the far side of the moon* (\$130,000); youth programming (\$60,000); administration (\$25,000); subscription advertising (\$51,000); and seed funding for Magnetic North, the new English-language theatre festival (\$30,000).

In French Theatre, total costs decreased by \$165,000. The fact that the biennial *Festival du théâtre des régions* was not presented in the current year accounts for cost reductions of \$366,000. However, this amount was largely offset by administrative costs, which increased by \$209,000 over last year due to a number of staffing changes. The current year was Artistic Director Denis Marleau's first full season; the positions of Assistant to the Artistic Director and Project Manager were created in anticipation of a return to in-house production.

Dance costs increased by \$924,000, mainly as a result of the National Ballet's *The Nutcracker* (\$567,000); increased co-production and seed funding for new works (\$55,000) and the Canada Dance Festival (\$100,000); re-emergence of Series C after several years in hiatus (\$49,000); and a fully staffed administrative department (\$32,000). The remainder of the cost increase is spread through the other series and subscription advertising.

Other Programming costs increased by \$44,000 overall. The fact that there was no Command Performance in the current year accounts for cost reductions of \$153,000; however, this saving was offset by increased spending for the Galas (\$76,000) and the Fourth Stage (\$57,000).

Expenditures for Programming Support increased by \$827,000. New Media's Hexagon and ArtsAlive initiatives account for \$688,000 of this increase and these initiatives were mostly funded by the department of Canadian Heritage and Telus Corporation. Production department costs increased by \$170,000 due to increased costs for warehousing and for moving staff to a full-time basis.

The balance of Programming increases stems from wage increases: costs for stagehands and ushers increased in keeping with collective agreements (these costs vary depending on programming).

Fundraising

The Fundraising department is in a start-up phase. Expenditures are expected to continue to increase in this department until it reaches optimal size to generate revenue.

Building Operations

In accordance with the NAC's long-term agreement with the City of Ottawa, there was a decrease of \$1.5 million in *ex gratia* payments to the city. However, this decrease was partly offset by increases in amortization, due mainly to building improvements and new equipment (\$132,000); utility costs,

primarily due to increased rates (\$269,000); repair projects, as more funding for building became available this year (\$246,000); and wage increases arising from collective agreements.

Administration

The administration departments provide governance, executive, financial, communications, legal, purchasing, and human resource services for the entire corporation. These costs are not charged back to other departments. Administration costs decreased by \$258,000 from last year: retroactive pay adjustments for the previous year led to a reduction of \$149,000, while accruals of termination benefits were \$68,000 lower. In addition, the Corporate Services Department decreased expenditures in two ways: first, the Director of Patron Services covered the function of Corporate Secretary, and second, there was an \$84,000 reduction in legal fees. However, these savings were partly offset by increases in Corporate Communications (\$205,000), which became fully staffed after nearly a year without a director and other senior staff.

Information Technology

In 1998 the Information Technology (IT) function changed from an internal management information system to an out-sourced IT service provided by Digital (now Hewlett Packard). The decrease of \$250,000 from last year is due to a reduction in depreciation expenses.

Balance Sheet

Cash and Short-term investments

Increases in cash resulted from the early deposit of September's parliamentary appropriations (\$4.1 million). The Corporation also received funding for specific projects that have not yet been completed; these funds are invested in short-term instruments until they are required.

Investments

During the year, the Corporation determined that its cash flow supported investing for longer terms to generate more income to support mandated activities.

Deferred Revenue and Parliamentary Appropriations

The increase in this balance is due to the parliamentary appropriations received early (\$4.1 million), in addition to the unused portion of the appropriation for building refurbishment (\$1.4 million) and the unused portion of supplementary funding for specific projects (\$4 million). The unused portions of the latter two items will flow through to revenues or deferred capital funding once the projects and repairs are completed.

Outlook

The NAC has rebuilt its management group and has put in place one of the leading artistic teams in Canada, in accordance with its strategic planning document *Restoring the Vision*. To continue expansion and the pursuit of excellence in all of the performing arts will be management's highest priority in the coming years and will require continued government support and increased fundraising through the NAC Foundation.

Chronological Listing of Artistic Events

September 1, 2001 to August 31, 2002

	Dates	Dept	Loc		Dates	Dept	Loc
Sept 01				Australian Dance Theatre - Birdbrain	18	D	TH
Michaela Foster Marsh	8	CP	FS	Lynn Myles	19, 20	CP	FS
Stomp	12 - 16	V	SH	Salome, Opera Lyra	20, 22, 24, 27	R	SH
Ottawa International Writers' Festival	13 - 22	CP	FS	Just For Laughs	21	R	SH
Fall Gala 2001 - Yo-Yo Ma	19	SP	SH	Diana Krall	23	R	SH
An Enemy of The People	Sept.19 - Oct. 6	ET	TH	François Morency	25	R	SH
Audi Signature Series - Zukerman	20, 21	M	SH	24 Poses	Oct 25 - 27, Nov.2 - 3	FT	TH
Yuk Yuk's 25th Anniversary	22	R	SH	Quo Vadis (Film)	26	R	SH
Ottawa Life Magazine	26	CP	FS	APCM Deux Saisons	26	CP	FS
Moi, Feuerbach	26 - 29	FT	ST	Ottawa Guitar School	27	CP	FS
Ovation Series - Zukerman / Parker	27, 28	M	SH	Pas de problèmes	27, 28	FT	ST
Isabelle Boulay	29	R	SH	Music For A Sunday Afternoon Zukerman / Gilbert Kalish	28	M	NG
Girlz Nite Out	29	CP	FS	Bill Jupp Big Band	28	CP	FS
Writers Festival	30	SP	FS	Reading, The Barber of Seville	29	ET	FS
Ottawa Breast Cancer Society	30	CP	FS	Halloween	31	V	
Oct 01				Nov 01			
Ottawa Symphony Orchestra	1	R	SH	Raga Rang	2	CP	FS
Algonquin College Hot House Reading Series	1	CP	FS	Governor General's Performing Arts Awards	3	SP	SH
Medeski Martin & Wood	2	V	SH	Algonquin College Hot House Reading Series	5	CP	FS
A Room of One's Own	2 - 13	ET	ST	Canadian Institute For Mediterranean Studies	6	CP	FS
Bravo Series - Zukerman / Bronfman / Forsyth	4, 5	M	SH	Akram Khan	6, 7	D	ST
Italian Embassy - Il Ruggiero	4	CP	FS	Norteno Tango Nuevo	8	CP	FS
Nicholas William	5	CP	FS	Bravo Series - Foster / Kaplan / Kalichstein	7, 8	M	SH
Rise Ashen	6	CP	FS	Zachary Richard	9	R	SH
Jesse Cook & Natalie MacMaster	9	R	SH	Terry Tufts K. Briggs & P. White	9	CP	FS
Rosas - Rain	9	D	TH	Warren Miller Ski Film	10	R	SH
CJOH Pops Series - Burt Bacharach	11, 12, 13	M	SH	Young People's Concert / Brott - Drummers	10	M	SH
J.M Parent	12	V	TH	Guangdong Modern Dance Company	10	D	TH
Lemmon Sisters	12	CP	FS	James Moore	10	CP	FS
Geggie Cubed, DD Jackson	13	CP	FS	Ottawa Symphony Orchestra	12	R	SH
School Daze	16 - 21	ET	ST	Ovation Series - Foster / Lemper / Hudson Shad	14, 15	M	SH
SRC Bande a part	18	CP	FS	Novcento	14 - 17	FT	ST

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	Dates	Dept	Loc		Dates	Dept	Loc
The Drawer Boy	Nov. 14 - Dec. 1	ET	TH	Audi Signature Series - Zukerman / Biss / Murphy	16, 17	M	SH
Norteno Tango Nuevo	15	CP	FS	Ottawa Storytellers	17	CP	FS
Cullberg Ballet - Sleeping Beauty	16, 17	D	SH	The Seven Ravens	17 - 20	ET	ST
Great Performers Zukerman / Neikrug	19	M	SH	The Four Lads, The Mills Brothers, The Ink Spots	18	R	SH
Audi Signature Series - Zukerman / Bashkirova / Donnelly	21, 22	M	SH	Fourth Stage Folk - The Mighty Popo	19	CP	FS
William Cyr	23	CP	FS	Cu'fu Charlie Chiarelli	Jan 21 - Feb 3	CP	FS
NWOLC	24, 25	FT	ST	L'âme qui sortait par la bouche	23	FT	ST
Music For A Sunday Afternoon Zukerman / Bashkirova	25	M	NG	Quebec Symphony Orchestra	24	M	SH
The National Ballet of Canada - The Nutcracker	Nov. 30 - Dec. 8	D	SH	Compagnie Flak - The Haman / Navas Project	25, 26	D	ST
				Marc Dupré	25, 26	R	SH
				Ottawa Symphony Orchestra	28	R	SH
				NACO Student Matinée / Brott	29, 30	M	SH
				CJOH Pops Series - Marko Martin	Jan. 31 - Feb. 2	M	SH
Dec 01				Feb 02			
Bruce House	1	CP	FS	Nombril	2, 3	FT	ST
Algonquin College Hot House Reading Series	3	CP	FS	Algonquin College Hot House Reading Series	4	CP	FS
Ottawa School of Speech and Drama	4 - 6	CP	FS	Raising The Roof	5	CP	FS
La Double Inconstance	6, 7, 8, 14, 15	FT	TH	Bravo Series - Zukerman / Podles / G'froerer	6, 8	M	SH
Mel' M'rabet	7	CP	FS	Alex Houghton	7	CP	FS
Geggie Cubed, Roddy Elias	8	CP	FS	Latin Nights	8	CP	FS
Levesque & Turcotte	11	R	SH	Patrick Huard	9	R	SH
Twelfth Night	11 - 31	ET	ST	Compagnie Marie Chouinard	9	D	TH
CJOH Pops Series - John Pizzarelli	13 - 15	M	SH	Geggie Cubed, Rob Graves	9	CP	FS
Ottawa Folklore Centre	14	CP	FS	Le Pingouin	9, 10	FT	ST
Holly Cole	16	R	SH	Sol Y Luna Madeleine Owen	10	CP	FS
Handel's Messiah	18, 19	M	SH	Music For A Sunday Afternoon Zukerman	10	M	NG
Vagina Monologues	18 - 23	R	TH	Reading, The Caretaker	11	ET	FS
Holiday Fantasy	20, 21	M	SH	Audi Signature Series - Zukerman / Lupu	13, 14	M	SH
APCM R. Paquette & C. Labelle	21	CP	FS	Jivewires	14	CP	FS
Werbo	22	CP	FS	Au coeur de la rose	14, 15, 16, 22, 23	FT	TH
New Years Eve - Jesse Cook	31	SP	SH	APCM Eric Dubeau	15	CP	FS
Michaela Foster Marsh	31	CP	FS	Ottawa Folk Festival, Contradance	16	CP	FS
				B&W Opera Soiree	16	M	SH
Jan 02				Theatre Lis	17	CP	FS
New Year's Day - Traditional Concert	1	M		George Carlin	18	R	SH
Company of Fools	5	CP	FS	Ovation Series - Levi / Mintz	19, 20	M	SH
Ovation Series - Zukerman / Hagner / Goodyear / Neikrug	9, 10	M	SH	When We Were Singing	Feb. 19 - Mar. 2	ET	ST
Vinci	9 - 26	ET	TH	Ottawa Storytellers	21	CP	FS
Great Performers Upshaw	12	M	SH	Scouts Canada / Ottawa	22	CP	FS
Young People's Concert / Brott - Strings	12	M	SH				
TSURU	12, 13	FT	ST				
Tim Berne & Paraphrase	14	V	ST				
Debut Series/Meyer	15	M	ST				

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	Dates	Dept	Loc		Dates	Dept	Loc
Les Grands Ballets Canadiens de Montréal				Apr 02			
- The Queen of Spades	22, 23	D	SH	Algonquin College Hot House Reading Series	1	CP	FS
Fourth Stage Folk Jacob Two Two	23	CP	FS	Lyon Opera Ballet - All-Ravel Evening	2	D	SH
Ottawa Symphony Orchestra	25	R	SH	CJOH Pops Series - Broadway Spectacular	4 - 6	M	SH
Onistudio	26	CP	FS	Company of Fools	5	CP	FS
NACO Student Matinée / Brott	Feb 26 - Mar 1	M	SH	Fourth Stage Folk - S. Foley & C. Linden	6	CP	FS
Present Laughter	Feb. 27 - Mar. 16	ET	TH	Blues in the School	9 - 11	CP	FS
Steven Wright	28	R	SH	Canadian Improv Games, National tournament	9 - 13	ET	TH
The School of Dance	Feb 28 - Mar 2	CP	FS	Cabaret des mots	10 - 13	FT	ST
				APCM Pierre Robichaud	12	CP	FS
				Charlotte Hebert	13	CP	FS
Mar 02				Opera Lyra, La Bohème	13, 15, 17, 20	R	SH
Amanda Marshall	1	R	SH	Charles Aznavour	16	R	SH
Algonquin College Hot House Reading Series	4	CP	FS	Debut Series / Salvalaggio	16	M	ST
Broue	4	R	SH	George Sapounidis Trio	17	CP	FS
Canadian Improv Games, Ottawa	4 - 9	ET	ST	Ottawa Storytellers	18	CP	FS
Bravo Series - Valdes / G' Froerer / Vancouver Choir	7, 8	M	SH	L'hiver de force	18, 19, 20	FT	TH
Ottawa Storytellers	8	CP	FS	Dib & Dob and The Journey Home	18 - 21	ET	ST
Fourth Stage Folk - Ian Tamblyn	9	CP	FS	Lara Fabian	19	R	SH
Lord of The Dance	9, 10	R	SH	Ottawa Folk Festival - Contradance	20	CP	FS
Audi Signature Series - Valdes / Chang	13, 14	M	SH	Tony Turner	21	CP	FS
Debut Series/Bolshoy	14	M	ST	Music For A Sunday Afternoon Zukerman / John Mack	21	M	NG
Nutshell Music Trace Elements	15	CP	FS	Great Performer Zimmerman	22	M	SH
Galitcha Band Kuljit Sodhi	16	CP	FS	Student Matinée - Giselle	25	D	SH
Jean Lapointe	15, 16	R	ST	Royal Winnipeg Ballet - Giselle	25 - 27	D	SH
Garth Fagan Dance	16	D	SH	B.B. King	28	R	SH
The Commitments	17	R	SH	Théâtre Français Soirées poétiques	29	CP	FS
Jann Arden	18, 19	R	SH	Les Ballets Trockadero De Monte Carlo	30	D	SH
Les Concerts Ponticello	20	CP	FS	Belle	April 30 - May 11	ET	ST
Rachel Chantal	21	CP	FS				
la face cachée de la lune	21, 22, 23, 29, 30	FT	TH				
Mel' M'rabet	22	CP	FS	May 02			
Christine Graves	23	CP	FS	Théâtre Français Soirées poétiques	1, 3	CP	FS
Un Autre Monde	23, 24	FT	ST	NACO Student Matinée / Brott, Canadian Brass	3	M	SH
JS Woodsworth High School	24	CP	FS	Student Matinée - Rennie Harris Puremovement	3	D	TH
Debut Series/Marks	25	M	ST	CJOH Pops Series - The Canadian Brass	3, 4	M	SH
the far side of the moon	26, 27, 28	ET	TH	Rennie Harris Puremovement	3, 4	D	TH
Ovation Series - Decker / Cantata / OCS / Ewashko	27, 28	M	SH	Young People's Concerts / Brott - Brass	4	M	SH
Ottawa Storytellers	28	CP	FS	Fourth Stage Folk - M. McLauchlan	4	CP	FS
Fourth Stage Folk, Tony D	29	CP	FS	National Student Commonwealth	5	CP	FS
Ottawa Folk Festival / Contradance	30	CP	FS	Can. Youth Orchestra Festival	5		SH
Young People's Concert / Brott - Winds	30	M	SH	Ottawa Symphony Orchestra	7	R	SH
Kids In The Hall	31	R	SH	Indian Ink	8 - 25	ET	TH

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Bravo Series - Judd / Zukerman / Forsyth	9, 10	M	SH	Allegro Music School	15	CP	FS
Nordic Night	10	ET&CP	FS	Prince	16	R	SH
Nordic Countries' Storytelling	11	CP	FS	Stage for Aids 2002	17	SP	SH
Malaika	12	CP	FS	DCH / Dreamweavers	18	SP	TH
Garou	12	FT	SH	Debut Series / Sylvestre	19	M	ST
Ottawa School of Speech and Drama	13 - 15	CP	FS	CJOH Pops Series - Celtic Celebration	20 - 22	M	SH
Great Performers Hamelin	13	M	SH	Ottawa School of Speech and Drama Awards	21	ET	TH
Michael Trent - The Memory Show	14, 15	D	ST	Ottawa Fringe Festival	21 - 28	SP	FS
Ovation Series - Zukerman / Judd	15, 16	M	SH	Hancock, Hargrove, Brecker	26	V	SH
Debut Series / Guth	16	M	ST				
Canterbury High School	16	CP	FS				
Ottawa Storytellers	17	CP	FS	Jul 02			
Geggie Cubed, Chelsea Bridge	18	CP	FS	Canada Day Celebrations	1	SP SH / Foyer	
Alain Morisod	18	R	SH	Buena Vista Social Club	2	V	SH
Carmen Campagne	18	R	SH	Great Composers Festival - Conductors Programme	3	M	SH
Lee Hayes	19	CP	FS	Blood On The Moon	4 - 20	ET	ST
The Ottawa Klezmer Band	22	CP	FS	Great Composers Festival - Zukerman	5	M	SH
The National Ballet of Canada - The Contract	23 - 25	D	SH	Reflexion Canada Congo Action	6	CP	FS
APCM Serge Monette	24	CP	FS	Chamber Music Extravaganza	6	M	SH
Canadian Musical Odyssey	25	CP	FS	Great Composers Festival - Zukerman	9	M	SH
Les Gardiens du feu	25, 26	FT	ST	Great Composers Festival - Zukerman	11	M	SH
The Platters and Nylons	26	R	SH	Great Composers Festival - Zukerman	16	M	SH
Tournesol Dance	26	CP	FS	Broken English Theatre	16	CP	FS
Ottawa School of Speech and Drama	27, 28	CP	FS	Marianne Lundstrom	18	CP	FS
On the Verge Festival	May 28 - June 2	ET	AC	L'Orchestre de la Francophonie canadienne / Tremblay	19	R	SH
Audi Signature Series - Chmura / Ohlsson	29, 30	M	SH	Salamander Theatre For Youth Audiences	19 - 28	CP	FS
Ce n'est pas de la manière ...	29 - 31, June 1	FT	ST	Judy and David's Symphonic Adventure / Tremblay	20	M	SH
				Ottawa Folk Festival - Noon Concert	20 - 22	CP	FS
				Great Composers Festival - Vajda / Hewitt / NACO	25	M	SH
				National Youth Orchestra of Canada	26	M	SH
Jun 02				Ottawa International Jazz Festival	July	R	
Bravo Series - Bernardi / Chi	4, 5	M	SH				
The School of Dance	4 - 8	CP	FS				
Wayne Brady	6	R	SH				
Canada Dance Festival, NAC Co-Production	7 - 15	SP	V	Aug 02			
Juliana Pulford	12	CP	FS	Romeo & Juliette	8 - 11, 13 - 15	R	SH
English Theatre	13	CP	FS	Lord of The Dance	20 - 22	R	SH
Bill Jupp Big Band	14	CP	FS	The Wiggles	24	R	SH

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