

Quarterly Financial Statements of

NATIONAL ARTS CENTRE CORPORATION

For the three-months ended November 30, 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.



Christopher Deacon

President and Chief Executive Officer



Ikram Zouari, CPA, CGA

Chief Financial Officer

January 10, 2023

National Arts Centre Corporation

Statement of Financial Position

As at November 30, 2022

(Unaudited)

	November 30 2022	August 31 2022
<i>(in thousands of dollars)</i>		
Assets		
Current		
Cash and cash equivalents (Note 4)	\$ 25,695	\$ 21,577
Restricted cash held for specified capital projects (Note 5)	1,157	1,575
Investments	223	214
Accounts receivable	6,503	10,298
Inventories	206	195
Prepaid expenses	2,292	1,778
	36,076	35,637
Investments	804	804
Capital assets	199,106	201,269
	\$ 235,986	\$ 237,710
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 14,826	\$ 17,680
Deferred parliamentary appropriations (Note 7)	2,187	2,575
Deferred revenue	4,324	3,932
Deferred parliamentary appropriations, specified capital projects (Note 5)	1,157	1,387
	22,494	25,574
Deferred capital funding (Note 8)	194,755	196,499
Long-term portion of provision for employee future benefits	1,858	1,945
	219,107	224,018
Accumulated Surplus		
Unrestricted	16,879	13,692
	\$ 235,986	\$ 237,710

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

National Arts Centre Corporation

Statement of Operations

For the three months ended November 30, 2022

(Unaudited)

	Three month period ended	
	November 30 2022	November 30 2021 ¹
<i>(in thousands of dollars)</i>		
Revenues		
Commercial operations	\$ 5,179	\$ 1,812
Programming	2,069	546
Grant from the NAC Foundation	3,256	1,054
Other Income	192	69
Investment income	9	-
	10,705	3,481
Parliamentary appropriations (Note 9)	19,136	18,346
	29,841	21,827
Expenses (Note 10)		
Commercial operations	2,805	1,651
Programming	15,238	12,046
Building operations	5,928	4,963
Administration and technology	2,683	2,173
	26,654	20,833
Net results of operations	\$ 3,187	\$ 994

¹ 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 months ended November 30, 2022

(Unaudited)

	Three month period ended	
	November 30 2022	November 30 2021
<i>(in thousands of dollars)</i>		
Unrestricted, beginning of the period	\$ 13,692	\$ 5,030
Net results of operations	3,187	994
Unrestricted, end of the period	\$ 16,879	\$ 6,024

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

National Arts Centre Corporation

Statement of Cash Flows

For the three months ended November 30, 2022

(Unaudited)

	Three month period ended	
	November 30 2022	November 30 2021
<i>(in thousands of dollars)</i>		
Operating Activities		
Net results of operations	\$ 3,187	\$ 994
Items not affecting cash		
Amortization of capital assets	3,615	4,058
Amortization of deferred capital funding	(3,624)	3,970
Loss on disposal of capital assets	100	-
Change in non-cash operating assets and liabilities	181	717
Change in long-term portion of provision for employee future benefits	(87)	(31)
Cash flow from for operating activities	3,372	1,768
Capital Activities		
Additions to capital assets, net	(1,552)	(1,049)
Cash flow used for capital activities	(1,552)	(1,049)
Investing Activities		
Purchase of investments	-	(1,668)
Cash flow used for investment activities	-	(1,668)
Financing Activities		
Restricted cash used (received) for specified projects	418	(541)
Parliamentary appropriations used for the acquisition of capital assets	1,880	679
Cash flow from financing activities	2,298	138
Increase (decrease) in cash position	4,118	(811)
Cash and cash equivalents at beginning of period	21,577	21,801
Cash and cash equivalents at end of period	\$ 25,695	\$ 20,990

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 November 30, 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

The balance held relates to: (in thousands of dollars)	November 30 2022	August 31 2022
Operating	\$ 16,922	\$ 12,811
Advanced ticket sales (Note 6)	4,619	5,385
Deferred revenue	3,058	2,285
Employee benefits	1,096	1,096
Balance at end of period	\$ 25,695	\$ 21,577

5. Restricted cash held for specified capital projects and deferred parliamentary appropriations, specified capital projects

In 2020, 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:

(in thousands of dollars)	November 30 2022	August 31 2022 ¹
Restricted cash at beginning of period	\$ 1,387	\$ 185
Appropriations received to fund specified capital projects (Digital Infrastructure)	610	2,382
Appropriations invested in specified capital projects	(840)	(992)
Restricted cash held for specified capital project balance at end of period	\$ 1,157	\$ 1,575
Project related accounts payable	-	(188)
Deferred parliamentary appropriations, specified capital projects balance at end of period	\$ 1,157	\$ 1,387

¹ Certain comparative figures have been reclassified to conform to the presentation adopted in the current year

6. Accounts payable and accrued liabilities

The balance consists of: (in thousands of dollars)	November 30 2022	August 31 2022
Advanced ticket sales (Note 4)	\$ 4,619	\$ 5,385
Trade payables	156	1,021
Accrued liabilities	9,486	10,709
Employee short term benefits	565	565
Balance at end of period	\$ 14,826	\$ 17,680

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

7. Deferred parliamentary appropriations

Deferred parliamentary appropriations represent approved parliamentary appropriations received in advance of the period they were intended to cover, or for building refurbishment or specific programs, as follows:

(in thousands of dollars)	Building Refurbishment	Specific Programs	November 30 2022 Total	August 31 2022 Total
Balance at beginning of period	\$ 2,575	\$ -	\$ 2,575	\$1,685
Appropriations received	1,750	-	1,750	7,583
Appropriations used	(2,138)	-	(2,138)	(6,693)
Balance at end of period	\$ 2,187	\$ -	\$ 2,187	\$ 2,575

8. 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:

(in thousands of dollars)	November 30 2022	August 31 2022
Balance at beginning of period	\$ 196,499	\$ 205,475
Appropriations used to purchase depreciable capital assets	1,211	1,078
Recognition of deferred capital funding	(3,624)	(15,961)
Deferred ESAP funding	669	5,907
Balance at end of period	\$ 194,755	\$ 196,499

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.

(in thousands of dollars)	November 30 2022	November 30 2021 ¹
Appropriations received and receivable:		
Main estimates amount provided for operating and capital expenditures	\$ 15,494	\$ 14,744
Digital Infrastructure	610	585
Appropriations approved	16,104	15,329
Portion of parliamentary appropriations received in current year deferred for building refurbishment or specific projects (Note 5 and 7)	(1,749)	(2,330)
Previous year's appropriations used in current year to complete specific projects (Note 5 and 7)	2,368	1,442
Appropriation used to purchase depreciable capital assets (Note 8)	(1,211)	(65)
Deferred capital funding – amortization and write down (Note 8)	3,624	3,970
Parliamentary appropriations	\$ 19,136	\$ 18,346

¹ Certain comparative figures have been reclassified to conform to the presentation adopted in the current year

10. Summary of expenses by object

National Arts Centre Corporation

Schedule of expenses

For the three months ended November 30, 2022

(Unaudited)

	November 30 2022	November 30 2021
<i>(in thousands of dollars)</i>		
Salaries and benefits	\$ 10,844	\$ 8,419
Artistic fees	5,014	3,094
Amortization of capital assets	3,615	4,058
National Arts Centre Orchestra fees	1,806	1,798
Maintenance and repairs	922	509
Advertising	750	535
Professional fees	673	369
Cost of sales	578	268
Payments to municipalities	543	533
Utilities	533	380
Service charges	187	69
Insurance	187	141
Staff travel	139	89
Supplies	127	76
Promotion	126	94
Equipment rental	123	137
Production	120	97
Loss on disposal of capital assets	100	-
Office	63	43
Board	62	29
Telecommunications	62	54
Education and training	31	12
In-kind contributions of goods and services	27	-
Rental of facilities	15	24
Miscellaneous	6	4
	\$ 26,654	\$ 20,833

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; and
4. Maximize impact through operational sustainability.

The NAC is also guided by five values — Inclusion, Creativity, Generosity, Sustainability and Engagement.

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 three-month period ended November 30, 2022, amounted to \$10.7 million, an increase of \$7.2 million compared to \$3.5 million for the three-month period of the previous year. The increase is mainly due to a higher commercial and programming revenue as the Centre has gradually returned to normal operations, post pandemic, in addition to a planned increase in the grant from the National Art Centre Foundation.

On an accrual basis, parliamentary appropriations for the three-month period ended November 30, 2022, amounted to \$19.1 million compared to \$18.3 million for the three-month period of the previous year. The difference is due to timing of appropriations recognition.

Expenses

Expenses for the three-month period ended November 30, 2022, amounted to \$26.7 million, an increase of \$5.9 million compared to \$20.8 million for the three-month period of the previous year. The increase is due the Centre's gradual return to full capacity.

Net Results of Operations

The net results of operations for the three-month period ended November 30, 2022, was a surplus of \$3.2 million. The surplus is mainly attributable to additional grant from the National Art Centre Foundation for Un. Deux. Trois. and Fall on Your Knees productions, timing of appropriations recognition, and the gradual return of patrons.

Statement of Financial Position

Assets

The level of cash and cash equivalents of \$25.7 million as at November 30, 2022, represents an increase of \$4.1 million from the August 31, 2022, level. This increase is mainly due to timing of parliamentary appropriations and receipt of outstanding receivable from the NAC foundation, which were partially offset by timing of capital asset purchases and payment of accounts payable and accrued liabilities.

Accounts receivables of \$6.5 million as at November 30, 2022, represents a decrease of \$3.8 million from the August 31, 2022, level. This decrease is mainly due to settlement of NAC Foundation grant.

Capital assets decreased to \$199.1 million as at November 30, 2022 from \$201.3 million as at August 31, 2022, mainly due to capital assets acquisitions of \$1.5 million offset by amortization and loss on disposal of capital assets of \$3.6 million and \$0.1 million respectively.

Liabilities

Accounts payable and accrued liabilities decreased by \$2.9 million to \$14.8 million as at November 30, 2022, compared to \$17.7 million as at August 31, 2022. This decrease is mainly due to payment of accounts payable and accrued liabilities and lower advanced ticket sales compared to August 31, 2022 level.

Deferred revenue increased to \$4.3 million as at November 30, 2022, compared to \$3.9 million as at August 31, 2021. This increase of \$0.4 million is mainly due to increased programming.

Accumulated surplus

Accumulated surplus as of November 30, 2022, is \$16.9 million. This is an increase due to the net result of operations surplus of \$3.2 million.

The National Arts Centre operates in a very challenging context. It is currently gradually reopening to live performances and welcoming back patrons. The NAC continues to pivot between online streaming to resuming in-person performances. According to national surveys, the performing arts and live entertainment sector is one of the hardest hit and amongst the last ones to recover.

The return to normal operations, post pandemic, has significantly impacted the NAC's expenses by increasing many areas of expenses, including scheduling of part-time and contractual workers, and increasing programming, building maintenance, office overhead and travel.

The NAC has been entrepreneurial reallocating resources internally while developing new programming streams, diversifying artistic programming, engaging new audiences, and investing in the arts across Canada through co-productions. In addition, developing new revenue streams through philanthropy and sponsorships through the fundraising activities of the NAC Foundation

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.