

Quarterly Financial Statements of:

NATIONAL ARTS CENTRE CORPORATION

For the 9 months ended May 31, 2020

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



Helle Ottosen, CPA, CA

Chief Financial Officer

July 31, 2020

National Arts Centre Corporation

Statement of Financial Position

As at May 31, 2020

(Unaudited)

<i>(in thousands of dollars)</i>	May 31 2020	August 31 2019
Assets		
Current		
Cash and cash equivalents	\$ 4,617	\$ 6,426
Restricted cash held for specified capital projects (Note 4)	1,326	12,184
Investments	-	981
Accounts Receivable	6,345	2,554
Inventories	160	179
Prepaid expenses	739	1,903
	<u>13,187</u>	<u>24,227</u>
Investments	-	7,287
Capital Assets	<u>224,099</u>	<u>230,738</u>
	<u>\$ 237,286</u>	<u>\$ 262,252</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 15,090	\$ 22,549
Deferred parliamentary appropriations (Note 5)	954	510
Deferred revenue	1,899	6,626
Deferred parliamentary appropriations, specified capital projects (Note 4)	1,131	6,943
	<u>19,074</u>	<u>36,628</u>
Deferred capital funding	222,404	228,925
Long-term portion of provision for employee future benefits	2,449	2,465
	<u>243,927</u>	<u>268,018</u>
Accumulated Deficit		
Unrestricted	<u>(6,642)</u>	<u>(5,766)</u>
	<u>\$ 237,286</u>	<u>\$ 262,252</u>

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

National Arts Centre Corporation

Statement of Operations

For the 9 months ended May 31, 2020

(Unaudited)

	Three month period ended		Nine month period ended	
	May 31	May 31	May 31	May 31
	2020	2019	2020	2019
<i>(in thousands of dollars)</i>				
Revenues				
Commercial operations	\$ 1,274	\$ 4,072	\$ 10,205	\$ 12,972
Programming	328	3,763	8,717	11,956
Grant from the NAC Foundation	2,929	4,397	7,759	7,903
Other Income	337	510	1,399	1,747
Investment income	67	64	190	191
	<u>4,935</u>	<u>12,805</u>	<u>28,270</u>	<u>34,769</u>
Parliamentary appropriations	12,690	13,008	38,079	37,553
	<u>17,625</u>	<u>25,813</u>	<u>66,349</u>	<u>72,322</u>
Expenses				
Commercial operations	1,619	2,565	7,203	7,976
Programming	10,510	16,475	38,298	42,502
Building operations	5,111	5,744	16,222	16,854
Administration and technology	1,728	1,513	5,502	4,963
	<u>18,968</u>	<u>26,296</u>	<u>67,225</u>	<u>72,295</u>
Net results of operations	\$ (1,343)	\$ (483)	\$ (876)	\$ 27

The accompanying notes and schedules form an integral part of

Statement of Changes in Accumulated Deficit

For the 9 months ended May 31, 2020

(Unaudited)

	Three month period ended		Nine month period ended	
	May 31	May 31	May 31	May 31
	2020	2019	2020	2019
<i>(in thousands of dollars)</i>				
Unrestricted, beginning of the period	\$ (5,299)	\$ (5,350)	\$ (5,766)	\$ (5,860)
Net results of operations	(1,343)	(483)	(876)	27
Unrestricted, end of the period	<u>\$ (6,642)</u>	<u>\$ (5,833)</u>	<u>\$ (6,642)</u>	<u>\$ (5,833)</u>

The accompanying notes and schedules form an integral part of

National Arts Centre Corporation

Statement of Cash Flows

For the 9 months ended May 31, 2020

(Unaudited)

<i>(in thousands of dollars)</i>	2020	2019
Operating Activities		
Net results of operations	\$ (876)	\$ 27
Items not affecting cash		
Amortization and write-down of capital assets	12,406	11,431
Amortization of deferred capital funding	(12,247)	(11,431)
Change in non-cash operating assets and liabilities	(20,161)	(13,419)
Change in long-term portion of provision for employee future benefits	(15)	(26)
Cash flow used for operating activities	(20,893)	(13,418)
Capital Activities		
Additions to capital assets	(5,767)	(20,204)
Cash flow used for capital activities	(5,767)	(20,204)
Investing Activities		
Sale of investments	8,268	946
Cash flow from investment activities	8,268	946
Financing Activities		
Restricted cash used for specified capital projects	10,858	28,081
Parliamentary appropriations (used) received for the acquisition of capital assets	5,725	(2)
Cash flow from financing activities	16,583	28,079
Increase (decrease) in cash position	(1,809)	(4,597)
Cash and cash equivalents at beginning of period	6,426	5,588
Cash and cash equivalents at end of period	\$ 4,617	\$ 991

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

National Arts Centre Corporation

Schedule of expenses

For the 9 months ended May 31, 2020

(Unaudited)

	Three month period ended		Nine month period ended	
	May 31 2020	May 31 2019	May 31 2020	May 31 2019
<i>(in thousands of dollars)</i>				
Salaries and benefits	\$ 7,328	\$ 8,847	\$ 25,797	\$ 26,033
Artistic fees	2,321	4,806	10,509	12,737
Amortization and write down of capital assets	4,253	3,884	12,406	11,431
National Arts Centre Orchestra fees	1,862	2,602	5,578	6,489
Advertising	579	1,464	2,196	3,030
Utilities	366	710	1,691	2,149
Maintenance and repairs	461	610	1,626	1,628
Cost of Sales	86	469	1,236	1,656
Payments to municipalities	511	510	1,532	1,531
Professional fees	448	456	1,204	975
In-kind contributions of goods and services	128	2	178	1
Equipment rental	83	306	517	870
Production	170	601	548	900
Service charges	78	204	667	682
Staff travel	11	212	222	441
Promotion	16	116	281	344
Insurance	91	79	281	259
Telecommunications	66	76	200	232
Supplies	28	51	175	222
Education and training	2	135	48	191
Rental of facilities	18	71	90	151
Office	53	28	151	127
Board	11	48	92	123
Miscellaneous	(3)	10	(1)	92
	\$ 18,968	\$ 26,296	\$ 67,225	\$ 72,295

National Arts Centre Corporation

Notes to the Quarterly Financial Statements

As at May 31, 2020

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. Restricted cash held for Specified Capital Projects

In 2015, the Government of Canada approved funding of \$110,500,000 for Architectural Rejuvenation to improve the public spaces of the Centre. In 2016 an additional \$114,900,000 was approved for Production Renewal to modernize performance facilities.

Changes in the fund balance are as follows:

(in thousands of dollars)

Restricted cash at beginning of period	\$	12,184
Appropriations received to fund specified capital projects		
Appropriations invested in specified capital projects		(10,858)
Restricted cash at end of period	\$	1,326
<hr/>		
Project related accounts payable		(195)
Deferred parliamentary appropriations, specified capital projects	\$	1,131

5. Deferred parliamentary appropriations

Deferred appropriations represent approved parliamentary appropriations received for work to be completed in a future period. Information on deferred appropriations is as follows:

(in thousands of dollars)

	Beginning	Received	Used	Ending
Building refurbishment	\$ 405	\$ 5,250	\$ (4,701)	\$ 954
Programming and Operations		20,940	(20,940)	
Specific programs	105		(105)	
Total	\$ 510	\$ 26,190	\$ (25,746)	\$ 954

6. Parliamentary appropriations

The Corporation receives parliamentary appropriations from the Government of Canada to support its operating and capital activities. The table below illustrates the parliamentary appropriations received during the fiscal year, and the accounting adjustments required to arrive at the calculation of revenue that conforms to public sector accounting standards.

(in thousands of dollars)

Main estimates amount provided for operating and capital expenditures	\$ 26,190
Supplementary estimates	
Appropriations approved	26,190
Portion of parliamentary appropriations used for specified projects	5,408
Appropriation used to purchase depreciable property, plant and equipment	(5,767)
Amortization of deferred capital funding	12,247
Parliamentary appropriations	\$ 38,079

National Arts Centre Corporation

Narrative Discussion

Strategic Goals

The Corporation remains committed to the fulfillment of its strategic goals published in *Canada is our Stage* :

CREATION: Helping artists and arts organizations across Canada create ambitious new work for national and international audiences

PERFORMANCE: Developing a new Department of Indigenous Theatre, and strengthening the NAC's national performance role

LEARNING: Extending the *Music Alive Program* to Atlantic Canada, and our education activities across the country

ARCHITECTURAL REJUVENATION: Shepherding the architectural rejuvenation of the NAC

A NATIONAL, FRANCOPHONE ORGANIZATION: Becoming just as national in French as we are in English by renewing our commitment to Francophone artists, arts organizations and audiences

INCREASING OUR EARNED REVENUES: Increasing our earned revenues to support our national initiatives

AUDIENCES AT THE CENTRE: Building relationships with our audiences

Analysis

The Corporation presents programming in many of the performing art disciplines. The type of program, the availability of performances on specific dates, the number of performers, the scale of the program, and the complexity of the technical elements are different for each performance. In addition, each season is different from the previous one. For instance, one season's first quarter may include a full scale ballet with orchestra, while the same quarter the next season may include a small modern dance duet with recorded music and minimal sets. The Corporation's Food and Beverage Services and Parking Services are also influenced by the level of programming because of the number of patrons that the performances bring to the National Arts Centre.

The Corporation manages this normal business variability through detailed budgeting and scheduling and by the careful analysis of expenditures. For that reason, variances between quarters are to be expected, as are operating deficits early in the season. The Corporation relies on comparisons to expected revenues and expenditures to manage its financial performance.

Financial Highlights

For the nine months ending May 31, 2020 the NAC realized revenues of \$66,349,000 and expenses of \$67,225,000, resulting in a loss from operations of \$876,000.

In March 2020, the National Arts Centre and most other public facilities closed indefinitely to prevent the spread of COVID-19 virus. The closure has resulted in a significant reduction in revenues and some expenses. 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. At this time, the full impact of the disruption is not fully known.

Risks

The NAC relies on parliamentary appropriations, ticket sales, commercial revenue, donations and sponsorships to fund its programming and to maintain the Centre. These sources of revenue may fluctuate with economic conditions, and programming choices. Additionally, the Centre is 50 years of age with certain building systems requiring replacement during coming years.

Subsequent Events

On July 7, 2020, the National Arts Centre was granted \$18.2 million by the Department of Heritage in emergency funding relief.