

MANAGEMENT DISCUSSION AND ANALYSIS

The National Arts Centre Corporation (the “Corporation”) regularly presents subscription seasons in music, theatre and dance in both of Canada’s official languages. In addition, the Corporation presents a variety of other programming and makes its facilities available to other presenters and artists. The Corporation also offers educational opportunities for students across Canada through its *Music Alive Program*, and over the past decade the NAC Orchestra has become known as one of Canada’s leading teaching orchestras, offering masterclasses and school performances across Canada and internationally. The Corporation also engages young people through dance workshops, theatre classes and student matinees in Ottawa.

The Corporation remains committed to the fulfillment of its strategic goals published in its Strategic Plan, *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;

Production Renewal: Overseeing the renewal of the NAC’s performance halls and production facilities;

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 Revenue: Increasing our earned revenues to support our national initiatives;

Audiences at the Centre: Building relationships with our audiences.

These strategic goals support the Corporation’s legislative mandates, which are to maintain and operate the National Arts Centre (the “Centre”), to develop the performing arts in the National Capital Region, and to assist the Canada Council for the Arts in developing the performing arts elsewhere in Canada.

PHYSICAL RESOURCES

The Corporation owns and operates the National Arts Centre, the largest bilingual performing arts centre in Canada. The Centre is situated on 2.6 hectares in downtown Ottawa, bordering on the Rideau Canal, a UNESCO World Heritage Site. The Centre’s performance facilities include four halls (Southam Hall, 2,076 seats; Babs Asper Theatre, 897 seats; Azrieli Studio, 305 seats; Fourth Stage, 160 seats), dressing rooms, workshops and rehearsal halls. A box office, restaurant, interior parking and intermission bars provide services to patrons. The NAC’s Public Spaces host free events and programming. In addition, several multi-purpose rooms are available for education, performances and receptions.

In 2015, the Government of Canada approved funding of \$110.5 million for the Architectural Rejuvenation of the National Arts Centre to revitalize its facility, including, notably, “enhancing public spaces, performance venues, and patron services.” In a separate but complementary initiative, in 2016, the Government of Canada announced a grant of \$114.9 million for Production Renewal, citing the “renewal of the National Arts Centre’s performance venues and related infrastructure.”

The National Arts Centre’s Board of Trustees, Senior Management, and the Office of the Comptroller General of Canada share the view that the NAC spending on Production Renewal conforms to the spending authority granted by Treasury Board. Furthermore, this view is supported by an independent legal opinion.

HUMAN RESOURCES

The Corporation is comprised of a 10-member Board of Trustees and led by a Chief Executive Officer, supported by 17 directors and eight artistic and creative leaders. The Corporation has 259 full time-employees and 562 part-time employees, averaging to approximately 403 full-time equivalent employees.

Performances are labour-intensive and rely on a large number of behind-the-scenes personnel. The Corporation employs people with varied specialized skills, including non-union staff and unionized staff who are organized into five collective bargaining units. A large number of employees, whose work is dependent on the demands of programming and sales, have variable schedules and work on an as-needed basis. National Arts Centre Orchestra musicians are self-employed, although a collective agreement sets out their fees and working conditions.

FINANCIAL OVERVIEW

2017-2018 was the third year in a particularly complex period for the National Arts Centre. Dislocation costs associated with the Architectural Rejuvenation and Production Renewal projects, along with Canada 150 programming, resulted in a planned deficit of \$787,000 for this fiscal year and an accumulated deficit of \$5,860,000 for the three years of construction. The NAC is planning a balanced budget for 2018–2019, followed by a series of planned surpluses to reduce the accumulated deficit that has grown during the construction process. The new and improved Public Spaces and multi-purpose rooms have resulted in renewed excitement at the Centre, and significant increases in commercial revenues.

The NAC staged 1,411 performances last season. Total box office revenue for all performances was \$19,520,664. The total 2017–2018 box office for NAC programming (subscription and ticket sales) was \$10,746,109. The NAC attracted 933,794 patrons to performances, events and commercial activities at the NAC.

Commercial Operations

Commercial Operations consists of Food and Beverage sales, Parking fees, and Hall Rentals (performance spaces). Revenues from Parking and Food and Beverage vary according to the level of programming and attendance. Hall Rental revenues vary based on both the availability of touring productions, and the availability of the Centre’s halls on dates suitable to touring companies. Offering food, beverages and parking to customers enhances the experience of an evening’s performance, and provides additional financial support for the Corporation’s activities.

For this fiscal year, construction activities prevented the NAC from achieving normal revenue levels. Now that construction is substantially complete, there will be enhanced opportunities for commercial operations.

Programming

Programming activities consist mainly of the five disciplines – Music, English Theatre, French Theatre, Dance and *NAC Presents* – plus a variety of other programs such as galas and festivals. Box Office, Marketing, Production, Digital Engagement and Public Spaces departments support these activities. The type of programming varies each season. There were also a number of major national initiatives this year. *Gabriel Dumont’s Wild West Show*, a new creation by English, French, Indigenous and Métis artists, led by French Theatre, premiered at the NAC and toured to Montreal, Winnipeg and Saskatoon. The NAC Orchestra completed the western and northern leg of the *Canada 150 Tour*. And the *National Creation Fund*, which annually invests up to \$3 million of privately raised funds in the development of ambitious new work from across Canada, officially opened on November 1, 2017. On June 14, 2018, it announced the first nine projects to receive a total of \$1.4 million.

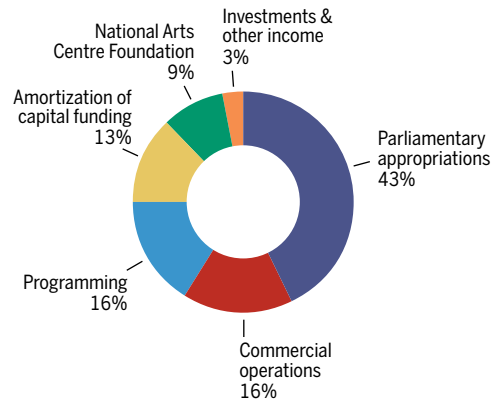
Grants from the National Arts Centre Foundation

The Board of Directors of the National Arts Centre Foundation (the “Foundation”) authorized a grant of \$7,938,000 to the Corporation for designated programs. The Foundation is a key element of the Corporation’s strategy of increasing earned revenues. The Foundation concluded their *Creation Campaign* this year, raising more than \$25 million to help artists and arts organizations across Canada create ambitious new work in theatre, music and dance.

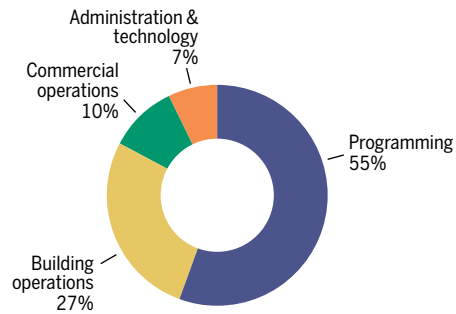
Parliamentary Appropriations

Parliamentary appropriations include base funding for operations, special programming, capital repairs and maintenance, and the amortization of deferred capital funding. Investment in capital repairs over the past few years has been significant, including the Architectural Rejuvenation and

REVENUES



EXPENSES



Production Renewal projects. However, as part of the measures adopted in the 2012 Federal Budget, the Corporation's base funding for operations was reduced by \$1,935,000 annually and has been subject to freezes on appropriations for salary and wage increases. There has not been an increase to funding for programming inflation since 2004. In addition, the new Indigenous Theatre Department begins its first season of programming in 2019.

RISKS

The Architectural Rejuvenation and Production Renewal projects have resolved the Centre's immediate capital needs. An independent engineering consultant produced a 30-year capital plan that outlines the work required to maintain the Centre's physical infrastructure, which will be addressed in the near future.

The Corporation continues to review its security processes and emergency response preparedness to ensure the safety of its patrons, artists and employees. Architectural Rejuvenation and Production Renewal have provided an opportunity to modernize some safety systems.

Local and global economic conditions may have an impact on government funding, ticket sales, commercial revenue, sponsorship and donations. The Corporation regularly monitors economic conditions in order to mitigate current and future funding risks.

OUTLOOK

Architectural Rejuvenation and Production Renewal resulted in many short-term financial and managerial challenges. Now that the construction is substantially complete, the NAC's new public spaces and renewed performance halls will provide additional programming, social and commercial opportunities for the NAC.

The popularity of the Corporation's national, educational, touring, Indigenous and outreach programs continues to grow. The Corporation will pursue its goals of artistic expansion, excellence and relevance on the national stage in the performing arts.

The NAC's historic new Indigenous Theatre department, led by the renowned playwright, actor and director Kevin Loring, has begun to lay the foundation for its first season in 2019. Planning is also underway to celebrate the NAC's 50th anniversary that same year.

The NAC is in a unique position to support artistic, educational and community outreach initiatives across Canada. The Corporation will be working with its artistic partners and stakeholders to create and support exciting new opportunities for Canadian artists, arts organizations and Canadians across the country.