

NATIONAL GALLERY OF CANADA
UNAUDITED FINANCIAL STATEMENTS
QUARTERLY RESULTS

Nine months ended December 31, 2012


STATEMENT OF MANAGEMENT RESPONSIBILITY

Management is responsible for the preparation and fair presentation of these quarterly financial statements of the National Gallery of Canada (the Gallery) in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations, and for such internal controls as management determines are 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, these unaudited quarterly financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Gallery, as at the date of and for the periods presented in the quarterly financial statements.



Marc Mayer
Director



David A. Baxter
Deputy Director,
Administration and Finance

Ottawa, Canada
February 26, 2013

STATEMENT OF FINANCIAL POSITION

(in thousands of dollars)

Unaudited

	As at Dec. 31, 2012	As at March 31, 2012
Assets		
Current		
Cash and cash equivalents	\$11,940	\$8,648
Restricted cash and cash equivalents	17,752	13,631
Accounts receivable	1,837	2,058
Inventories	706	1,056
Prepaid expenses	282	1,412
Total current	32,517	26,805
Collection	1	1
Capital assets	85,146	88,350
	117,664	115,156
Liabilities and Net Assets		
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	3,389	5,610
Deferred contributions for the purchase of objects for the Collection (Note 4)	4,146	2,466
Deferred contributions for the purchase of capital assets (Note 4)	11,835	9,550
Other deferred contributions (Note 4)	1,655	1,499
Total current liabilities	21,025	19,125
Employee future benefits	2,792	2,792
Deferred contributions for the amortization of capital assets	84,524	87,727
Total liabilities	108,341	109,644
Net Assets		
Unrestricted	8,585	4,774
Investment in capital assets	622	622
Permanently endowed	116	116
Total net assets	9,323	5,512
	\$117,664	\$115,156

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

STATEMENT OF CHANGES IN NET ASSETS

(in thousands of dollars)

Unaudited

Nine months ended December 31, 2012

	Unrestricted	Investment in capital assets	Permanently endowed	Total Net Assets	2011-2012
Net assets, beginning of the year	\$4,774	\$622	\$116	\$5,512	\$3,874
Excess of revenue over expenses for the nine month period	3,811	-	-	3,811	468
Excess of revenue over expenses for the remainder of the year	-	-	-	-	1,170
Net assets, end of the period	\$8,585	\$622	\$116	\$9,323	\$5,512

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

STATEMENT OF OPERATIONS

(in thousands of dollars)

Unaudited

	Nine months ended Dec. 31, 2012	Nine months ended Dec. 31, 2011	Three months ended Dec. 31, 2012	Three months ended Dec. 31, 2011
Operating revenue and contributions (Schedule 1)	\$11,972	\$7,828	\$1,712	\$2,230
Expenses				
Collection				
Operations	5,188	5,422	1,754	1,620
Art purchases	5,889	4,401	1,129	1,567
Total - Collection	11,077	9,823	2,883	3,187
Outreach	11,574	11,706	3,636	3,803
Accommodation	14,567	14,063	4,865	4,507
Administration	8,336	7,047	2,223	2,165
Total expenses (Schedule 2)	45,554	42,639	13,607	13,662
Net results of operations before parliamentary appropriations	(33,582)	(34,811)	(11,895)	(11,432)
Parliamentary appropriations (Note 5)	37,393	35,915	11,687	12,068
Net results of operations	\$3,811	\$1,104	(\$208)	\$636

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

STATEMENT OF CASH FLOWS

(in thousands of dollars)

Unaudited	Nine months ended Dec. 31, 2012	Nine months ended Dec. 31, 2011	Three months ended Dec. 31, 2012	Three months ended Dec. 31, 2011
Operating activities				
Cash received from clients	\$11,089	\$7,519	\$964	\$1,866
Parliamentary appropriations received	35,248	35,030	8,833	11,167
Cash paid to suppliers	(25,639)	(22,339)	(6,163)	(6,745)
Cash paid to employees	(16,832)	(17,667)	(5,072)	(4,973)
Interest income	258	230	152	75
Total cash flow from operations	4,124	2,773	(1,286)	1,390
Capital activities				
Acquisition of capital assets	(1,372)	(1,229)	(378)	(297)
Total cash flow from capital activities	(1,372)	(1,229)	(378)	(297)
Investing activities				
Increase in restricted cash and cash equivalents	(4,121)	(5,754)	375	(1,910)
Total cash flow from investing activities	(4,121)	(5,754)	375	(1,910)
Financing activities				
Funding for the acquisition of capital assets	3,657	3,885	1,220	1,295
Restricted contributions and related investment income	1,004	1,366	114	811
Total cash flow from financing activities	4,661	5,251	1,334	2,106
Total cash flow	3,292	1,041	45	1,289
Cash and cash equivalents, beginning of period	8,648	9,167	11,895	8,919
Cash and cash equivalents, end of period	\$11,940	\$10,208	\$11,940	\$10,208

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

SELECTED NOTES TO THE UNAUDITED QUARTERLY FINANCIAL STATEMENTS

Quarter ended December 31, 2012

1. NOTICE TO READER

The unaudited quarterly financial statements must be read in conjunction with the most recent annual audited financial statements and with the narrative discussion that follows.

2. AUTHORITY, OBJECTIVES AND ACTIVITIES

The National Gallery of Canada (the Gallery) was established on July 1st, 1990 by the *Museums Act* as a Crown corporation under Part I of Schedule III to the *Financial Administration Act* and is not subject to income tax under the provisions of the *Income Tax Act*.

The Gallery's mandate as stated in the *Museums Act* is to develop, maintain and make known throughout Canada and internationally, a collection of works of art, both historic and contemporary, with special but not exclusive reference to Canada, and to further knowledge, understanding and enjoyment of art in general among all Canadians. The Gallery's operations include its affiliate, the Canadian Museum of Contemporary Photography (CMCP).

The Gallery's operations are divided into four mutually supportive activities which work together to meet all aspects of its mandate. These activities are:

Collection

To acquire, preserve, research and document historic and contemporary works of art in order to represent and present arts heritage. It includes curatorial research, acquisitions and preservation.

Outreach

To foster broad access nationally and internationally to the Gallery's collection, research, exhibitions and expertise. It includes exhibitions, both in the National Capital Region and other venues in Canada and abroad, educational programming and publications, fundraising, communications and marketing activities designed to reach as wide an audience as possible.

Accommodation

To provide secure and suitable facilities which are readily accessible to the public, for the preservation and exhibition of the national collections.

Administration

To provide direction, control and effective development and administration of resources.

3. BASIS OF PRESENTATION

These unaudited financial statements have been prepared in accordance with Canadian public sector accounting standards (PSAS) for government not-for-profit organizations (GNFPO). The Gallery has prepared these financial statements under Section 4200 series of PSAS. The Gallery applies the deferral method of accounting for contributions for not-for-profit organizations.

4. DEFERRED CONTRIBUTIONS

(in thousands of dollars)

Unaudited

	Contributions for the purchase of objects for the Collection	Contributions for the purchase of capital assets	Other Contributions	Nine months ended Dec. 31, 2012	Nine months ended Dec. 31, 2011
Beginning balance	\$2,466	\$9,550	\$1,499	\$13,515	\$10,725
Appropriations received in the period	8,000	3,657	-	11,657	11,885
Non-Government contributions received in the period	-	-	1,232	1,232	1,366
	10,466	13,207	2,731	26,404	23,976
Amounts recognized as revenue in the period	(6,320)	-	(1,076)	(7,396)	(6,267)
Purchase of capital assets in the period	-	(1,372)	-	(1,372)	(1,229)
Ending balance	\$4,146	\$11,835	\$1,655	\$17,636	\$16,480

5. PARLIAMENTARY APPROPRIATIONS

(in thousands of dollars)

Unaudited

	Nine months ended Dec. 31, 2012	Nine months ended Dec. 31, 2011	Three months ended Dec. 31, 2012	Three months ended Dec. 31, 2011
For operating and capital expenditures				
Main estimates	\$30,155	\$30,455	\$10,053	\$10,152
Supplementary estimates	-	310	-	310
	30,155	30,765	10,053	10,462
Appropriations deferred for the purchase of capital assets	(3,657)	(3,885)	(1,220)	(1,295)
Amortization of deferred funding for capital assets	4,575	4,350	1,525	1,450
	31,073	31,230	10,358	10,617
For the purchase of objects for the Collections				
Main estimates	8,000	8,000	-	2,000
Appropriations recognized from prior periods	2,466	1,607	5,475	4,373
Appropriations deferred to future periods	(4,146)	(4,922)	(4,146)	(4,922)
	6,320	4,685	1,329	1,451
Total Parliamentary appropriations	\$37,393	\$35,915	\$11,687	\$12,068

6. INVESTMENT IN CAPITAL ASSETS

(in thousands of dollars)

Unaudited

	Nine months ended Dec. 31, 2012	Nine months ended Dec. 31, 2011
Capital asset additions in the period	\$1,372	\$1,229
Less: capital assets financed through contributions	(1,372)	(1,229)
	-	-
Deferred contributions for the amortization of capital assets	4,575	4,350
Amortization of capital assets	(4,575)	(4,350)
Net change in investment in capital assets	-	-

SCHEDULE #1: OPERATING REVENUE AND CONTRIBUTIONS

(in thousands of dollars)

Unaudited

	Nine months ended Dec. 31, 2012	Nine months ended Dec. 31, 2011	Three months ended Dec. 31, 2012	Three months ended Dec. 31, 2011
Operating revenue:				
Admissions	\$4,113	\$1,502	\$107	\$176
Bookstore and publishing	3,550	2,037	462	647
Parking	893	710	205	189
Rental of public spaces	592	490	160	145
Memberships	459	392	83	214
Interest	258	230	85	75
Audio guides	358	159	47	6
Education services	70	87	11	16
Travelling exhibitions	391	127	198	57
Food services	72	54	11	11
Art loans – recovery of expenses	129	61	109	29
Other	11	38	4	4
	10,896	5,887	1,482	1,569
Sponsorships and contributions				
Sponsorships	217	359	10	34
Contributions from the National Gallery of Canada Foundation	331	337	-	337
Contributions from other individuals, corporations and foundations	528	1,245	220	290
	1,076	1,941	230	661
	\$11,972	\$7,828	\$1,712	\$2,230

SCHEDULE 2 - EXPENSES

(in thousands of dollars) Unaudited	Nine months ended Dec. 31, 2012	Nine months ended Dec. 31, 2011	Three months ended Dec. 31, 2012	Three months ended Dec. 31, 2011
Salaries and employee benefits	\$16,663	\$16,974	\$5,582	\$5,367
Purchase of works of art for the collection	5,889	4,401	1,129	1,567
Amortization of capital assets	4,575	4,350	1,525	1,450
Payments in lieu of taxes	3,140	3,182	1,063	924
Repairs and maintenance of buildings and equipment	2,745	2,764	981	847
Protection services	2,300	1,994	627	565
Utilities, materials and supplies	1,584	1,466	511	455
Cost of goods sold – bookstore	1,553	765	182	188
Professional and special services	2,162	1,919	654	738
Insurance	1,241	411	287	106
Advertising	676	514	140	54
Publications	719	787	264	236
Freight, cartage and postage	774	1,789	149	692
Travel	585	507	223	185
Rent	357	361	120	121
Library purchases	154	164	53	78
Fellowships	78	40	0	12
Communications	180	173	68	53
Rentals of equipment	95	70	47	24
Miscellaneous	84	8	2	-
	\$45,554	\$42,639	\$13,607	\$13,662

MANAGEMENT DISCUSSION AND ANALYSIS OF QUARTERLY FINANCIAL STATEMENTS

Quarter ended December 31, 2012

The Gallery has identified the following five strategic priorities in the *2012-13 to 2016-17 Corporate Plan*.

- **Strengthening the Collection** – to enhance and capitalize on the strengths of the national Collection while focusing on excellence
- **Engagement and Appreciation of Art** – to become widely accessible in Canada and play a key innovative role in promoting the importance of the visual arts
- **Diversity** – to respond to the changing face of Canada by adapting its programming and promotion, and by implementing a comprehensive employment equity plan
- **Infrastructure** – to increase space quality and efficiency and enhance the visitor experience. Also, to manage information as a strategic resource supported by enterprise-wide integrated processes and enabling technologies
- **Funding** – to maximize contributed and self-generated revenues to equal and stabilize at \$9.85M annually

Operations

Net results as of the end of the third quarter of 2012-2013 amounted to \$3,811,000, an increase of \$2,707,000 when compared to the same period of the previous fiscal year. This surplus can largely be attributed to the success of the Gallery's summer exhibition, *Van Gogh: Up Close*. This summer exhibition drew more than 230,000 visitors to the Gallery, making it the most successful exhibit in 14 years and the fourth most highly attended in the history of the Gallery.

Revenue

On a year-to date basis, revenues from all sources totalled \$11,972,000, representing an increase of \$4,144,000 when compared to the same period last year. Parliamentary appropriations totalled \$37,393,000 at the end of the third quarter, an increase of \$1,478,000 over the same period last year.

For the nine-month period ending December 31, 2012, the Gallery achieved operating revenue of \$10,896,000, or an increase of \$5,009,000 over the same period last year. This increase is attributable to strong attendance-driven revenues, due to the success of the summer exhibition, including admissions, bookstore sales, parking and audio guide rentals.

Sponsorships and contributions represent \$1,076,000, a decrease of \$865,000 compared to results as of December 2011, as a result of the contributions received in 2011-12 to support the Venice Biennale.

Below is a comparison of self-generated revenue versus Corporate Plan targets for the 2012-13 fiscal year.

	Annual Target for 2012-13	Nine months ended December 31, 2012	% of Annual Target
Self-generated revenue	\$ 9,600,000	\$ 10,896,000	114%
Sponsorship & contributions	1,600,000	1,076,000	67%
Total	\$ 11,200,000	\$ 11,972,000	107%

Expenditure

Total expenditures at the end of the third quarter were \$45,554,000, an increase of \$2,915,000 over the same period last year. This is primarily attributable to increased art acquisition activities as described below. The remainder of the expenditure increases at the end of the third quarter are due to costs related to the summer exhibition. The Gallery recorded higher costs in insurance, protection services, advertising, and cost of goods sold. The increase is partially offset by lower costs for salaries, benefits, and art transportation costs.

Art

The Gallery purchased \$5,889,000 in works for the Collection during the period, representing an increase of \$1,319,000 over the same period last year. The most significant work purchased, which occurred during the first quarter of 2012-13, was the oil painting *L'Amour séduit l'Innocence, le Plaisir l'entraîne, le Repentir suit* by Pierre-Paul Prud'hon, completed circa 1809. As at December 31, 2012, the Gallery had \$4,146,000 in deferred Parliamentary appropriations available for future art purchases.

Capital

Capital expenditures represent \$1,372,000 at the end of the third quarter. As of December 31, 2012, the Gallery had \$11,835,000 in deferred appropriations available to finance future capital acquisitions. The majority of the deferred funds have been earmarked for the Great Hall window and roof replacement project. This major capital undertaking will commence near the end of 2012-13 and will put significant strain on the Gallery's operations, attendance-driven revenues, and capital budget.