

NATIONAL GALLERY OF CANADA
UNAUDITED FINANCIAL STATEMENTS

QUARTERLY RESULTS

Quarter ended June 30, 2013

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



Julie Peckham
Deputy Director,
Administration and Chief Financial Officer

Ottawa, Canada
August 23, 2013

STATEMENT OF FINANCIAL POSITION

(in thousands of dollars)

Assets	As at	
Current	June 30, 2013	March 31, 2013
Cash and cash equivalents	\$ 11,391	\$ 13,063
Restricted cash and cash equivalents	15,600	15,956
Accounts receivable	735	1,635
Inventory	570	525
Prepaid expenses	96	1,495
Total current assets	28,392	32,674
Collection	1	1
Capital assets	87,560	87,085
	115,953	119,760
Liabilities and Net Assets		
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	2,437	5,201
Accrued salaries and benefits	2,375	2,916
Deferred contributions for the purchase of objects for the Collection (Note 4)	4,349	3,066
Deferred contributions for the purchase of capital assets (Note 4)	9,388	11,138
Other deferred contributions (Note 4)	1,747	1,636
Total current liabilities	20,296	23,957
Employee future benefits	2,238	2,238
Deferred contributions for the amortization of capital assets	86,938	86,462
Total liabilities	109,472	112,657
Net Assets		
Unrestricted	5,743	6,365
Investment in capital assets	622	622
Permanently endowed	116	116
Total net assets	6,481	7,103
	\$ 115,953	\$ 119,760

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

STATEMENT OF CHANGES IN NET ASSETS**For the quarter ended June 30**

(in thousands of dollars)

	Unrestricted	Investment in capital assets	Permanently endowed	2013	2012
Net assets, April 1, 2013	\$ 6,365	\$ 622	\$ 116	\$ 7,103	\$ 5,512
Net result of operations for the quarter	(622)	-	-	(622)	544
Excess of revenue over expenses for the remainder of the year	-	-	-	-	1,047
Net assets, June 30, 2013	\$ 5,743	\$ 622	\$ 116	\$ 6,481	\$ 7,103

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

STATEMENT OF OPERATIONS**For the quarter ended June 30**

(in thousands of dollars)

	2013	2012
Operating revenue and contributions (Schedule 1)	\$ 1,419	\$ 3,185
Expenses		
Collection		
Operations	1,735	1,699
Art purchases	517	4,121
Total - Collection	2,252	5,820
Outreach	3,861	3,763
Accommodation	4,807	4,739
Administration	2,134	2,829
Total expenses (Schedule 2)	13,054	17,151
Net results before Parliamentary Appropriations	(11,635)	(13,966)
Parliamentary appropriations (Note 5)	11,013	14,510
Net result of operations	\$ (622)	\$ 544

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

STATEMENT OF CASH FLOWS**For the quarter ended June 30**

(in thousands of dollars)

Operating activities	2013	2012
Cash received from clients	\$ 2,012	\$ 3,511
Parliamentary appropriations received	10,935	11,583
Cash paid to suppliers	(6,584)	(10,473)
Cash paid to employees	(7,031)	(6,302)
Interest received	101	88
Total cash flow from operating activities	(567)	(1,593)
Capital activities		
Acquisition of capital assets	(2,000)	(698)
Total cash flow from capital activities	(2,000)	(698)
Financing activities		
Funding for the acquisition of capital assets	250	1,219
Restricted contributions and related investment income	289	251
Total cash flow from financing activities	539	1,470
Total cash flow	(2,028)	(821)
Cash and cash equivalents, beginning of the year		
Cash and cash equivalents	13,063	8,648
Restricted cash and cash equivalents	15,956	13,631
	29,019	22,279
Cash and cash equivalents, end of the period		
Cash and cash equivalents	11,391	9,398
Restricted cash and cash equivalents	15,600	12,060
	26,991	21,458

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

SELECTED NOTES TO THE UNAUDITED QUARTERLY FINANCIAL STATEMENTS
Quarter ended June 30, 2013

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 AND APPROPRIATIONS

For the quarter ended June 30

(in thousands of dollars)

	Appropriations for the purchase of objects for the Collection		Appropriations for the purchase of capital assets		Other deferred contributions	2013 Total	2012 Total	
Beginning balance, as at April 1	\$	3,066	\$	11,138	\$	15,840	\$	13,515
Appropriations received in the period		2,000		250	-	2,250		3,219
Non-Government funding received in the period		-		-	289	289		251
		5,066		11,388	1,925	18,379		16,985
Amounts recognized as revenue in the period		(717)		-	(178)	(895)		(4,343)
Purchase of capital assets in the period		-		(2,000)	-	(2,000)		(698)
Ending balance, as at June 30	\$	4,349	\$	9,388	\$	15,484	\$	11,944

5. PARLIAMENTARY APPROPRIATIONS

For the quarter ended June 30

(in thousands of dollars)

For operating and capital expenditures	2013	2012
Main estimates	\$ 9,021	\$ 10,052
	9,021	10,052
Appropriations deferred for the purchase of capital assets	(250)	(1,219)
Amortization of deferred funding for capital assets	1,525	1,525
	10,296	10,358
For the purchase of objects for the Collection		
Main estimates	2,000	2,000
Appropriations recognized from prior periods	4,152	2,466
Appropriations deferred to future periods	(5,435)	(314)
	717	4,152
Total Parliamentary appropriations	\$ 11,013	\$ 14,510

6. INVESTMENTS IN CAPITAL ASSETS

For the quarter ended June 30
(in thousands of dollars)

	2013		2012
Capital asset additions in the period	\$ 2,000	\$	698
Less: capital assets financed through contributions	(2,000)		(698)
	-		-
Deferred contributions for the amortization of capital assets	1,525		1,525
Amortization of capital assets	(1,525)		(1,525)
Net change in investment in capital assets	-		-

SCHEDULE 1: SCHEDULE OF OPERATING REVENUE AND CONTRIBUTIONS

For the quarter ended June 30
(in thousands of dollars)

	2013		2012
Operating revenue:			
Bookstore and publishing	\$ 389	\$	932
Admissions	241		1,003
Parking	220		268
Memberships	110		114
Rental of public spaces	32		252
Education services	37		55
Art loans – recovery of expenses	69		10
Travelling exhibitions	11		41
Audio guides	7		78
Food services	-		19
Interest	101		88
Other	24		4
	1,241		2,864
Sponsorships and Contributions:			
Sponsorships	20		130
Contributions:			
From the National Gallery of Canada Foundation	-		-
From other individuals, corporations and foundations	158		191
	178		321
Operating revenue and contributions	\$ 1,419	\$	3,185

SCHEDULE 2: SCHEDULE OF EXPENSES**For the quarter ended June 30**

(in thousands of dollars)

	2013		2012
Salaries and employee benefits	\$ 5,437	\$	5,444
Purchase of works of art for the collection	517		4,121
Amortization of capital assets	1,525		1,525
Payments in lieu of taxes	1,047		1,061
Professional and special services	778		502
Insurance	139		674
Repairs and maintenance of buildings and equipment	973		968
Protection services	702		781
Utilities, materials and supplies	498		472
Freight, cartage and postage	280		205
Travel	341		149
Publications	210		211
Cost of goods sold – bookstore	133		440
Advertising	164		284
Rent	123		114
Communications	56		46
Library purchases	81		68
Rentals of equipment	50		27
Fellowships	0		59
Total expenses	\$ 13,054	\$	17,151

MANAGEMENT DISCUSSION AND ANALYSIS OF QUARTERLY FINANCIAL STATEMENTS

Quarter ended June 30, 2013

Operating Environment

The net results of the first quarter reflect several operational factors affecting self-generated revenue and expenditures for outreach programming both in Ottawa and internationally, as well as capital investment in the Gallery's Great Hall.

From May 17 to September 2, the Gallery is staging one of the most ambitious contemporary art exhibitions in its history, *Sakahàn: International Indigenous Art*. The installations fill both floors of special exhibition spaces as well as contemporary art galleries, and several public spaces inside and outside the Gallery. The summer special exhibition brings together more than 150 works of recent Indigenous art by over 80 artists from 16 countries, celebrating the Gallery's ongoing commitment to the study and appreciation of Indigenous art. The artworks range from video installations to sculptures, drawings, prints, paintings, performance art, murals and other new, site-specific projects created specifically for this exhibition.

Consistent with its mandate related to international outreach and in effort to support Canada's growing international profile as a source of exceptional art, the Gallery, the Canada Council for the Arts and private philanthropists and corporations from across the country partnered to organize the Canadian representation at the 55th Venice Biennale International Art Exhibition in 2013. The 2013 Venice Biennale, open from 29 May to November 24, showcases Shary Boyle, one of the nation's most innovative artists.

In addition, in the last quarter of 2012-13, the Gallery commenced its largest and most complex capital project to date: the Great Hall window and roof replacement. This major capital undertaking has a significant impact on the Gallery's operations, attendance-driven revenue, and capital budget. The Gallery is expecting to complete this project by December 2013.

Financial Overview

Net results for the first quarter of 2013-14 reflect a deficit of \$622,000, a decrease of \$1,166,000 when compared to the same period of the previous fiscal year. A deficit in the first quarter is not unexpected, however the Gallery will continue to monitor its financial situation – and implement corrective action where necessary – with the aim of balancing its budget.

Revenue and Contributions

On a year-to date basis, revenue from all sources totalled \$12,432,000, representing a decrease of \$5,263,000 when compared to the same period last year.

Parliamentary appropriations totalled \$11,013,000 at the end of the first quarter, a decrease of \$3,497,000 over the same period last year. This decrease is the result of reduced appropriations recognized to fund purchases of works of art for the Collection.

Operating revenue decreased \$1,623,000 when compared to the same period last year, from \$2,864,000 to \$1,241,000. Operating revenue is subject to variation depending on attendance at and admission fees to its special exhibitions, particularly the summer exhibition. Admission revenue was \$762,000 lower in the first quarter of 2013-14 due to lower attendance and a combined admission fee for the 2013 summer special exhibition and the Collection. Attendance at the Ottawa venue for the first quarter of 2013-14 was 57,459 compared to 125,852 for the same period last year, and a separate admission fee was charged for the 2012 summer special exhibition, *Van Gogh: Up Close*. Other attendance driven revenue, such as bookstore sales, are also down significantly. Audio guide sales are down as the Gallery is not offering an audio guide for the summer special exhibition.

Revenue generated from the rental of public spaces has also decreased. The Gallery has offered a number of venues for rental at its 380 Sussex Drive campus since 1988. However, increased competition and a slowing economy have contributed to a decline in overall bookings and revenue in recent years. Since the Great Hall, a major rental venue, is unavailable due to the major capital project described above, the Gallery suspended bookings for external rentals to evaluate its position in the events sector and its market strategies going forward with a view to increasing the overall profitability of this activity to the organization.

Sponsorships and contributions represent \$178,000, a decrease of \$143,000 compared to results as of June 30, 2012.

Below is a comparison of self-generated revenue versus Corporate Plan targets for the 2013-14 fiscal year.

	Annual Target for 2013-14	Three months ended June 30, 2013	% of Annual Target
Self-generated revenue	\$ 5,054,000	\$ 1,241,000	24%
Sponsorship & contributions	2,914,000	178,000	6%
Total	\$ 7,968,000	\$ 1,419,000	17%

The Gallery anticipates that it will achieve these annual targets. Unchanged from the same period last year, no contributions have been received in the quarter from the National Gallery of Canada Foundation. It is expected that the Foundation will contribute \$1,000,000 during the year.

Expenditure

Total expenditures at the end of the first quarter were \$13,054,000, a decrease of \$4,097,000 over the same period last year. The majority of the decrease is attributable to reduced purchases of works of art for the Collection. The remainder of the expenditure decrease is due to lower fine art insurance costs for the summer special exhibition, reduced advertising costs and a decrease in cost of goods sold for the bookstore. Some expense categories did increase over the same period in the prior year. The increase in professional services of \$276,000 can be attributed to artist installation and representation fees for the summer special exhibition, exhibition opening costs for the 2013 Venice Biennale, and year-over-year increase in legal fees. Travel expenses also increased over the same period last year, from \$149,000 to \$341,000. The increase is related to travel costs for Indigenous artists participating in *Sakahàn: International Indigenous Art*, and artist and staff travel to install and open the 2013 Venice Biennale. The Venice Biennale project is funded through sponsorships and contributions from individuals, corporations and foundations.

Art

The Gallery purchased \$517,000 in works of art for the Collection during the period, compared to \$4,121,000 during the same period last year, amounting to a decrease of \$3,604,000. As at June 30, 2013, the Gallery had \$4,349,000 in deferred Parliamentary appropriations available for future art purchases.

Capital

Capital expenditures amounted to \$2,000,000 at the end of the first quarter. The majority of the capital costs relate to the Great Hall window and roof replacement project. The project encompasses the replacement of all 1500 windows enclosing the Great Hall and the reconstruction of thirteen roof assemblies within the skylight. This project is expected to be completed by December, 2013. Capital funding was earmarked in previous years to fund this project and the Gallery will utilize all avenues available to ensure it has sufficient resources available to complete this project.