

NATIONAL GALLERY OF CANADA
UNAUDITED FINANCIAL STATEMENTS
QUARTERLY RESULTS

Six months ended September 30, 2014

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
November 24th, 2014

STATEMENT OF FINANCIAL POSITION

(in thousands of dollars)

Assets		As at	As at
Current		Sep 30, 2014	Mar 31, 2014
Cash and cash equivalents	\$	12,556	\$ 7,106
Restricted cash and cash equivalents		12,548	10,924
Investment		5,100	5,100
Accounts receivable		501	1,617
Inventory		519	542
Prepaid expenses		1,301	1,456
Total current assets		32,525	26,745
Collection		1	1
Capital assets		86,930	89,399
	\$	119,456	\$ 116,145

Liabilities and Net Assets

Liabilities

Current liabilities

Accounts payable and accrued liabilities	\$	6,160	\$ 3,367
Accrued salaries and benefits		2,900	2,905
Deferred contributions for the purchase of objects for the Collection (Note 4)		7,049	5,008
Deferred contributions for the purchase of capital assets (Note 4)		3,672	3,911
Other deferred contributions (Note 4)		1,711	1,889
Total current liabilities		21,492	17,080
Employee future benefits		2,494	2,494
Deferred contributions for the amortization of capital assets		86,308	88,776
Total liabilities		110,294	108,350

Net Assets

Unrestricted		8,424	7,057
Investment in capital assets		622	622
Permanently endowed		116	116
Total net assets		9,162	7,795
	\$	119,456	\$ 116,145

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

STATEMENT OF CHANGES IN NET ASSETS**For the six months ended September 30**

(in thousands of dollars)

	Unrestricted	Investment in capital assets	Permanently endowed	2014	2013
Net assets, beginning of period	\$ 7,057	\$ 622	\$ 116	7,795	7,103
Net result of operations for the six month period	1,367	-	-	1,367	313
Net results of operations for the remainder of the year	-	-	-	-	379
Net assets, end of period	\$ 8,424	\$ 622	\$ 116	9,162	7,795

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

STATEMENT OF OPERATIONS

(in thousands of dollars)

	6 months ended Sept 30, 2014	6 months ended Sept 30, 2013	3 months ended Sept 30, 2014	3 months ended Sept 30, 2013
Operating revenue and contributions (Schedule 1)	\$ 3,834	\$ 4,089	\$ 2,296	\$ 2,670
Expenses				
Collection				
Operations	3,350	3,283	1,632	1,548
Art purchases	3,593	1,670	1,810	1,153
Total - Collection	6,943	4,953	3,442	2,701
Outreach	6,187	6,930	3,438	3,069
Accommodation	9,690	9,570	4,946	4,763
Internal Services	4,199	4,656	1,958	2,522
Total expenses (Schedule 2)	27,019	26,109	13,784	13,055
Net results before Parliamentary Appropriations	(23,185)	(22,020)	(11,488)	(10,385)
Parliamentary appropriations (Note 5)	24,552	22,333	12,273	11,320
Net result of operations	\$ 1,367	\$ 313	\$ 785	\$ 935

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

STATEMENT OF CASH FLOWS

(in thousands of dollars)

	6 months ended Sept 30, 2014	6 months ended Sept 30, 2013	3 months ended Sept 30, 2014	3 months ended Sept 30, 2013
Operating activities				
Cash received from clients	\$ 4,694	\$ 3,689	\$ 2,934	\$ 1,677
Parliamentary appropriations received	23,442	26,329	11,693	15,394
Cash paid to suppliers	(11,463)	(14,747)	(8,384)	(8,163)
Cash paid to employees	(9,945)	(11,768)	(4,677)	(4,737)
Interest received	97	200	13	99
Total cash flow from operating activities	6,825	3,703	1,579	4,270
Investing activities				
Acquisition of investments	-	-	-	-
Total cash flow from investing activities	-	-	-	-
Capital activities				
Acquisition of capital assets	(739)	(3,369)	(295)	(1,369)
Total cash flow from capital activities	(739)	(3,369)	(295)	(1,369)
Financing activities				
Funding for the acquisition of capital assets	500	500	250	250
Restricted contributions and related investment income	488	1,565	291	1,276
Total cash flow from financing activities	988	2,065	541	1,526
Total cash flow	7,074	2,399	1,825	4,427
Cash and cash equivalents, beginning of the period				
Cash and cash equivalents	7,106	13,063	11,520	11,391
Restricted cash and cash equivalents	10,924	15,956	11,759	15,600
	18,030	29,019	23,279	26,991
Cash and cash equivalents, end of the period				
Cash and cash equivalents	12,556	14,331	12,556	14,331
Restricted cash and cash equivalents	12,548	17,087	12,548	17,087
	\$ 25,104	\$ 31,418	\$ 25,104	\$ 31,418

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

SELECTED NOTES TO THE UNAUDITED QUARTERLY FINANCIAL STATEMENTS

Six months ended September 30, 2014

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

For the six months ended September 30

(in thousands of dollars)

	Appropriations for the purchase of objects for the Collection	Appropriations for the purchase of capital assets	Other deferred contributions	2014	2013
Balance, beginning of period	\$ 5,008	\$ 3,911	\$ 1,889	10,808	15,840
Appropriations received in the period	6,000	500	-	6,500	6,500
Non-Government funding received in the period	-	-	488	488	1,565
	11,008	4,411	2,377	17,796	23,905
Amounts recognized as revenue in the period	(3,959)	-	(666)	(4,625)	(3,566)
Purchase of capital assets in the period	-	(739)	-	(739)	(3,369)
Balance, end of period	\$ 7,049	\$ 3,672	\$ 1,711	12,432	16,970

5. PARLIAMENTARY APPROPRIATIONS

(in thousands of dollars)

	6 months ended Sept 30, 2014	6 months ended Sept 30, 2013	3 months ended Sept 30, 2014	3 months ended Sept 30, 2013
For operating and capital expenditures				
Main estimates	\$ 17,886	\$ 17,713	\$ 8,943	8,692
Supplementary estimates	-	-	-	-
	17,886	17,713	8,943	8,692
Appropriations deferred for the purchase of capital assets	(500)	(500)	(250)	(250)
Amortization of deferred funding for capital assets	3,207	3,050	1,604	1,525
	20,593	20,263	10,297	9,967
For the purchase of objects for the Collection				
Main estimates	6,000	6,000	3,000	4,000
Appropriations recognized from prior periods	5,008	3,066	6,025	4,349
Appropriations deferred to future periods	(7,049)	(6,996)	(7,049)	(6,996)
	3,959	2,070	1,976	1,353
Total Parliamentary appropriations	\$ 24,552	\$ 22,333	\$ 12,273	11,320

6. INVESTMENTS IN CAPITAL ASSETS

For the six months ended September 30

(in thousands of dollars)

		2014		2013
Capital asset additions in the period	\$	739	\$	3,369
Less: capital assets financed through contributions		(739)		(3,369)
		-		-
Deferred contributions for the amortization of capital assets		3,207		3,050
Amortization of capital assets		(3,207)		(3,050)
Net change in investment in capital assets	\$	-	\$	-

SCHEDULE 1: SCHEDULE OF OPERATING REVENUE AND CONTRIBUTIONS

(in thousands of dollars)

		6 months ended Sept 30, 2014		6 months ended Sept 30, 2013		3 months ended Sept 30, 2014		3 months ended Sept 30, 2013
Operating revenue:								
Bookstore and publishing	\$	949	\$	836	\$	557	\$	447
Admissions		811		594		527		353
Parking		460		455		245		235
Memberships		257		212		116		102
Rental of public spaces		153		82		68		50
Education services		72		43		4		6
Art loans – recovery of expenses		47		91		16		22
Travelling exhibitions		50		33		20		22
Audio guides		46		15		32		8
Food services		20		1		14		1
Interest		97		200		13		99
Other		49		31		46		7
		3,011		2,593		1,658		1,352
Sponsorships and Contributions:								
Sponsorships		155		303		38		283
Contributions:								
From the National Gallery of Canada Foundation		328		438		328		438
From other individuals, corporations and foundations		340		755		272		597
		823		1,496		638		1,318
Operating revenue and contributions	\$	3,834	\$	4,089	\$	2,296	\$	2,670

SCHEDULE 2: SCHEDULE OF EXPENSES

(in thousands of dollars)

	6 months ended Sept 30, 2014	6 months ended Sept 30, 2013	3 months ended Sept 30, 2014	3 months ended Sept 30, 2013
Salaries and employee benefits	\$ 9,940	\$ 10,960	\$ 4,940	\$ 5,523
Purchase of works of art for the collection	3,593	1,670	1,810	1,153
Amortization of capital assets	3,207	3,050	1,604	1,525
Payments in lieu of taxes	2,044	2,183	983	1,136
Professional and special services	1,010	1,182	519	404
Insurance	223	163	57	24
Repairs and maintenance of buildings and equipment	1,825	1,795	866	822
Protection services	1,443	1,471	762	769
Utilities, materials and supplies	850	879	518	381
Freight, cartage and postage	973	464	698	184
Travel	292	672	155	331
Publications	174	396	118	186
Cost of goods sold	554	354	296	221
Advertising	348	277	205	113
Rent	223	244	112	121
Communications	115	106	61	50
Library purchases	108	131	30	50
Fellowship	28	-	11	-
Rentals of equipment	53	93	31	43
Miscellaneous	16	19	8	19
Total expenses	\$ 27,019	\$ 26,109	\$ 13,784	\$ 13,055

MANAGEMENT DISCUSSION AND ANALYSIS OF QUARTERLY FINANCIAL STATEMENTS

For the six months ended September 30, 2014

Operating Environment

The National Gallery of Canada (the Gallery) maintains a broad program of exhibitions that provide visitors with stimulating, informative and enjoyable experiences of the visual arts.

The Gallery presented from May 10 to August 14, *The Governor General's Awards in Visual and Media Arts*, a celebration of artistic excellence in Canada.

From June 12th to September 14th, the Gallery hosted the critically acclaimed major summer exhibition *Gustave Doré (1832–1883): Master of Imagination*. This ambitious exhibition, prepared in coordination with the Musée d'Orsay in Paris, included sketches, paintings, sculptures and audio visual presentations.

The Gallery also hosted from June 27, 2014 to November 16, 2014, *The Great War: The Persuasive Power of Photography*, an exhibition that brings together a diverse and remarkable selection of photographs drawn from national and international collections to illustrate the many important roles that photography played during the First World War.

On-tour exhibitions were also presented during the second quarter in different locations across the country. They range in size, subject matter and media and feature a range of works from historical to contemporary.

During the first six month of the fiscal year, the Gallery welcomed 167,657 visitors to the main facility in Ottawa during the period and an additional 205,143 at travelling exhibitions and NGC@ partner sites.

In addition to its outreach activities, the Gallery undertakes to provide secure and suitable facilities that are readily accessible to the public, for the preservation and exhibition of the Collection.

Financial Overview

The Gallery achieved a net operating surplus of \$1.4 million during the first six months of the year. Given the seasonal nature of the Gallery operations, with the majority of revenues earned during the summer, a surplus at this time of the year is common.

Revenues and Contributions

The Gallery reported Parliamentary appropriations for the period in the amount of \$24.5 million. The increase of \$2.2 million when comparing to the prior year results is mainly due to increased appropriations used for the purchase of art works for the Collection.

Self-generated operating revenues for the period were \$3.0 million compared to \$2.6 million, for the same period in the prior year. Admission revenues increased by \$217,000, when compared to the same period last year, and the increase is explained by higher attendance in 2014 and is also due to the separate admission fee charged for the 2014 summer special exhibition, whereas a separate admission fee was not charged for last year's summer exhibition. Bookstore, membership and rental of public spaces revenues also increased.

Sponsorships and contributions recognized during the period were \$0.8 million compared to \$1.5 million in the prior year when the Gallery organized Canada's exhibit at the *2013 Venice Biennale*. This international exhibition is funded exclusively by the support of individuals, corporations and foundations.

Self-generated revenue, sponsorships and contributions in comparison to Corporate Plan targets are presented below. The Gallery anticipates that it will achieve its revenue generation targets for the year. Further significant contributions from the National Gallery of Canada Foundation are anticipated.

	Annual Target for 2014-15	Six months ended Sept 30, 2014	% of Annual Target
Self-generated revenue	\$ 5,565,000	\$ 3,011,000	54%
Sponsorship & contributions	1,950,000	823,000	42%
Total	\$ 7,515,000	\$ 3,834,000	51%

Expenditures

In support of programming and acquisitions, the Gallery spent \$27.0 million in the period compared to \$26.1 million for the same period of the prior year. This variance is principally the result of increased purchase of art works for the Collection. Operationally, freight, cartage and postage costs are higher, in comparison to the same period of the prior year, mainly due to costs associated with the transportation of borrowed works of art for the summer special exhibition.

The increase is partially offset by savings in salaries and employee benefits as a result of the workforce reductions in 2013 and a decrease of \$380,000 and \$172,000, respectively, for travel costs and professional services. The September 30, 2013 results included the travel and professional costs for Indigenous artists participating in the 2013 summer exhibition, Sakahàn:International Indigenous Art and staff travel to install the 2013 Venice Biennale exhibit. Higher materials, supplies and publication costs were also incurred in 2013 due to the Venice Biennale.

Collection

The Gallery spent \$3.6 million on works of art for the Collection in the period compared to \$1.7 million in the comparative period. Notable purchases include the painting, *Souvenir de Loch Lomond* by Gustave Doré, and terracotta sculpture, *Boulonnaise allaitant son Enfant* by Jules Dalou. At the end of September, the Gallery had \$7.0 million available for further purchases of art works.

Capital

The Gallery spent \$0.7 million on capital assets during the period compared to \$3.4 million for the same period in the prior year. The capital costs as of September 2013 were mainly associated with the Great Hall Window and Roof Replacement project. At the end of September 2014, the Gallery had \$3.7 million available for capital purchases.

Outlook

The Gallery expects to achieve a balanced budget for the year but there are several challenges to attaining this goal. The Gallery has entered into a conciliation process for the renewal of the collective agreement with the Public Sector Alliance of Canada (PSAC). An agreement will have material impacts on the Gallery's salary-related costs. The Gallery will also continue to negotiate with the Canadian Artists Representation/Front des artistes canadiens (CARFAC) and le Regroupement des artistes en arts Visuels du Quebec (RAAV) the terms and conditions for the exhibition and the reproduction of works of art, as well as the provision of professional services by living Canadian artists at the National Gallery of Canada, pursuant to the federal Status of the Artist Act. Given frozen government funding, any cost or salary increases must be funded either by internal reallocation or by increasing and diversifying self-generated revenue.