

**NATIONAL GALLERY OF CANADA**  
**UNAUDITED FINANCIAL STATEMENTS**  
**QUARTERLY RESULTS**

**Nine months ended December 31, 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  
February 26<sup>th</sup>, 2015

**STATEMENT OF FINANCIAL POSITION**

(in thousands of dollars)

<b>Assets</b>	<b>As at</b>	
<b>Current</b>	<b>Dec 31, 2014</b>	<b>Mar 31, 2014</b>
Cash and cash equivalents	\$ 9,723	\$ 7,106
Restricted cash and cash equivalents	11,534	10,924
Investment	5,100	5,100
Accounts receivable	808	1,617
Inventory	519	542
Prepaid expenses	449	1,456
<b>Total current assets</b>	<b>28,133</b>	<b>26,745</b>
Collection	1	1
<b>Capital assets</b>	<b>85,495</b>	<b>89,399</b>
	\$ <b>113,629</b>	\$ <b>116,145</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 2,594	\$ 3,367
Accrued salaries and benefits	2,722	2,905
Deferred contributions for the purchase of objects for the Collection (Note 4)	5,916	5,008
Deferred contributions for the purchase of capital assets (Note 4)	3,753	3,911
Other deferred contributions (Note 4)	1,749	1,889
<b>Total current liabilities</b>	<b>16,734</b>	<b>17,080</b>
Employee future benefits	2,494	2,494
Deferred contributions for the amortization of capital assets	84,873	88,776
<b>Total liabilities</b>	<b>104,101</b>	<b>108,350</b>
<b>Net Assets</b>		
Unrestricted	8,790	7,057
Investment in capital assets	622	622
Permanently endowed	116	116
<b>Total net assets</b>	<b>9,528</b>	<b>7,795</b>
	\$ <b>113,629</b>	\$ <b>116,145</b>

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

**STATEMENT OF CHANGES IN NET ASSETS****For the nine months ended December 31**

(in thousands of dollars)

	Unrestricted	Investment in capital assets	Permanently endowed	<b>For the nine months ended Dec 31, 2014</b>	For the year ended Mar 31, 2014
Net assets, beginning of year	\$ 7,057	\$ 622	\$ 116	\$ <b>7,795</b>	\$ 7,103
Net result of operations for the nine month period	1,733	-	-	<b>1,733</b>	486
Net results of operations for the remainder of the year	-	-	-	-	206
<b>Net assets, end of period</b>	<b>\$ 8,790</b>	<b>\$ 622</b>	<b>\$ 116</b>	<b>\$ 9,528</b>	<b>\$ 7,795</b>

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

**STATEMENT OF OPERATIONS**

(in thousands of dollars)

	<b>9 months ended Dec 31, 2014</b>	9 months ended Dec 31, 2013	3 months ended Dec 31, 2014	3 months ended Dec 31, 2013
Operating revenue and contributions (Schedule 1)	\$ <b>5,572</b>	\$ 5,283	\$ 1,738	\$ 1,194
Expenses				
Collection				
Operations	<b>4,972</b>	4,984	1,622	1,701
Art purchases	<b>5,525</b>	3,489	1,932	1,819
Total - Collection	<b>10,497</b>	8,473	3,554	3,520
Outreach	<b>9,613</b>	9,959	3,426	3,029
Accommodation	<b>14,546</b>	14,680	4,856	5,110
Internal Services	<b>6,166</b>	6,355	1,967	1,699
Total expenses (Schedule 2)	<b>40,822</b>	39,467	13,803	13,358
Net results before Parliamentary Appropriations	<b>(35,250)</b>	(34,184)	(12,065)	(12,164)
Parliamentary appropriations (Note 5)	<b>36,983</b>	34,670	12,431	12,337
Net result of operations	\$ <b>1,733</b>	\$ 486	\$ 366	\$ 173

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

**STATEMENT OF CASH FLOWS**

(in thousands of dollars)

	<b>9 months ended Dec 31, 2014</b>	9 months ended Dec 31, 2013	3 months ended Dec 31, 2014	3 months ended Dec 31, 2013
<b>Operating activities</b>				
Cash received from clients	\$ 6,040	\$ 5,128	\$ 1,346	\$ 1,439
Parliamentary appropriations received	33,137	37,280	6,714	10,951
Cash paid to suppliers	(21,569)	(19,947)	(7,125)	(5,200)
Cash paid to employees	(15,366)	(16,948)	(5,421)	(5,180)
Interest received	182	268	85	68
Total cash flow from operating activities	<b>2,424</b>	5,781	(4,401)	2,078
<b>Investing activities</b>				
Acquisition of investments	-	-	-	-
Total cash flow from investing activities	-	-	-	-
<b>Capital activities</b>				
Acquisition of capital assets	(908)	(6,313)	(169)	(2,944)
Total cash flow from capital activities	(908)	(6,313)	(169)	(2,944)
<b>Financing activities</b>				
Funding for the acquisition of capital assets	750	750	250	250
Restricted contributions and related investment income	961	1,748	473	183
Total cash flow from financing activities	1,711	2,498	723	433
Total cash flow	<b>3,227</b>	1,966	(3,847)	(433)
<b>Cash and cash equivalents, beginning of the period</b>				
Cash and cash equivalents	7,106	13,063	12,556	14,332
Restricted cash and cash equivalents	10,924	15,956	12,548	17,086
	<b>18,030</b>	29,019	25,104	31,418
<b>Cash and cash equivalents, end of the period</b>				
Cash and cash equivalents	9,723	16,335	9,723	16,335
Restricted cash and cash equivalents	11,534	14,650	11,534	14,650
	<b>\$ 21,257</b>	\$ 30,985	\$ 21,257	\$ 30,985

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

## **SELECTED NOTES TO THE UNAUDITED QUARTERLY FINANCIAL STATEMENTS**

### **Nine months ended December 31, 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 1<sup>st</sup>, 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 nine months ended December 31

(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	<b>10,808</b>	15,840
Appropriations received in the period	7,000	750	-	<b>7,750</b>	8,750
Non-Government funding received in the period	-	-	961	<b>961</b>	1,748
	12,008	4,661	2,850	<b>19,519</b>	26,338
Amounts recognized as revenue in the period	(6,092)	-	(1,101)	<b>(7,193)</b>	(5,491)
Purchase of capital assets in the period	-	(908)	-	<b>(908)</b>	(6,313)
<b>Balance, end of period</b>	<b>\$ 5,916</b>	<b>\$ 3,753</b>	<b>\$ 1,749</b>	<b>11,418</b>	14,534

#### 5. PARLIAMENTARY APPROPRIATIONS

(in thousands of dollars)

	9 months ended Dec 31, 2014	9 months ended Dec 31, 2013
<b>For operating and capital expenditures</b>		
Main estimates	\$ 26,828	26,569
Supplementary estimates	3	345
	<b>26,831</b>	26,914
Appropriations deferred for the purchase of capital assets	(750)	(750)
Amortization of deferred funding for capital assets	4,810	4,575
	<b>30,891</b>	30,739
<b>For the purchase of objects for the Collection</b>		
Main estimates	7,000	8,000
Appropriations recognized from prior periods	5,008	3,066
Appropriations deferred to future periods	(5,916)	(7,135)
	<b>6,092</b>	3,931
Total Parliamentary appropriations	\$ 36,983	34,670

## 6. INVESTMENTS IN CAPITAL ASSETS

For the nine months ended December 31

(in thousands of dollars)

		<b>2014</b>		2013
Capital asset additions in the period	\$	<b>908</b>	\$	6,313
Less: capital assets financed through contributions		<b>(908)</b>		(6,313)
		-		-
Deferred contributions for the amortization of capital assets		<b>4,810</b>		4,575
Amortization of capital assets		<b>(4,810)</b>		(4,575)
Net change in investment in capital assets	\$	<b>-</b>	\$	-

## SCHEDULE 1: SCHEDULE OF OPERATING REVENUE AND CONTRIBUTIONS

(in thousands of dollars)

		<b>9 months ended Dec 31, 2014</b>		9 months ended Dec 31, 2013		3 months ended Dec 31, 2014		3 months ended Dec 31, 2013
<b>Operating revenue:</b>								
Bookstore and publishing	\$	<b>1,504</b>	\$	1,267	\$	555	\$	431
Admissions		<b>1,069</b>		778		258		184
Parking		<b>707</b>		661		247		206
Memberships		<b>364</b>		300		107		88
Rental of public spaces		<b>192</b>		129		39		47
Education services		<b>84</b>		59		12		16
Art loans – recovery of expenses		<b>143</b>		150		96		59
Travelling exhibitions		<b>50</b>		53		-		20
Audio guides		<b>57</b>		22		11		7
Food services		<b>28</b>		1		8		-
Interest		<b>182</b>		268		85		68
Other		<b>51</b>		35		2		4
		<b>4,431</b>		3,723		1,420		1,130
<b>Sponsorships and Contributions:</b>								
Sponsorships		<b>307</b>		385		152		64
Contributions:								
From the National Gallery of Canada Foundation		<b>328</b>		438		-		-
From other individuals, corporations and foundations		<b>506</b>		737		166		-
		<b>1,141</b>		1,560		318		64
Operating revenue and contributions	\$	<b>5,572</b>	\$	5,283	\$	1,738	\$	1,194

**SCHEDULE 2: SCHEDULE OF EXPENSES**

(in thousands of dollars)

	<b>9 months ended Dec 31, 2014</b>	9 months ended Dec 31, 2013	3 months ended Dec 31, 2014	3 months ended Dec 31, 2013
Salaries and employee benefits	\$ 15,183	\$ 15,939	\$ 5,243	\$ 4,979
Purchase of works of art for the collection	5,525	3,539	1,932	1,869
Amortization of capital assets	4,810	4,575	1,603	1,525
Payments in lieu of taxes	3,066	3,343	1,022	1,160
Professional and special services	1,638	1,643	628	461
Insurance	269	209	46	46
Repairs and maintenance of buildings and equipment	2,738	2,729	913	934
Protection services	2,102	2,123	659	652
Utilities, materials and supplies	1,335	1,317	485	438
Freight, cartage and postage	1,269	702	296	238
Travel	525	870	233	198
Publications	404	689	230	293
Cost of goods sold	731	531	177	177
Advertising	415	376	67	99
Rent	335	365	112	121
Communications	176	184	61	78
Library purchases	161	160	53	29
Fellowship	45	28	17	28
Rentals of equipment	69	115	16	22
Miscellaneous	26	30	10	11
<b>Total expenses</b>	<b>\$ 40,822</b>	<b>\$ 39,467</b>	<b>\$ 13,803</b>	<b>\$ 13,358</b>



## MANAGEMENT DISCUSSION AND ANALYSIS OF QUARTERLY FINANCIAL STATEMENTS

For the nine months ended December 31, 2014

### Operating Environment

The Gallery maintains a broad program of exhibitions that provide visitors with stimulating, informative and enjoyable experiences in the visual arts. During the nine month period, the Gallery welcomed 224,909 visitors and an additional 278,103 at travelling exhibitions and NGC@ partner sites in Toronto, Winnipeg and Edmonton.

During the third quarter, temporary exhibitions on view in Ottawa included *Shine a Light: Canadian Biennial 2014*, the *Jack Bush* retrospective exhibition, and *M.C. Escher: The Mathematician*. The *Canadian Biennial* aims to highlight a selection of recent acquisitions to the National Gallery of Canada's Canadian Contemporary, Indigenous and Photography collection. The *Jack Bush* retrospective spans five decades and paints a full picture of the artist's achievements, including his paintings, drawings and commercial illustrations. The *M.C. Escher* exhibition, featuring 54 works drawn from the Gallery's extensive collection of M.C. Escher prints, presents the various themes that fascinated this unique and talented artist throughout his career.

In addition to its outreach activities, the Gallery continues 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 \$1.7 million during the first nine months of the year, compared to \$0.5 million for the same period in the prior year. The year over year change can be attributed to improved self-generated revenue and contributions, coupled with lower than expected expenditures.

### Revenues and Contributions

The Gallery reported Parliamentary appropriations for the period in the amount of \$37.0 million. This increase of \$2.3 million compared to the prior year is due to increased appropriations recognized for the purchase of art for the Collection.

Self-generated revenue and contributions for the period amounted to \$5.6 million compared to \$5.3 million for the same period in the prior year. Admission revenue increased by \$0.3 million over the same period last year due to higher attendance and a separate admission fee charged for the 2014 summer special exhibition. A separate admission fee was not charged for the 2013 summer exhibition. Bookstore sales, revenue from parking, memberships and rental of public spaces also improved when compared to prior year.

Sponsorships and contributions recognized during the period were \$1.1 million compared to \$1.6 million in the prior year. Last year, contributions were recognized to fund the *2013 Venice Biennale*. This international exhibition is being funded through 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.

	Annual Target for 2014-15	Nine months ended Dec 31, 2014	% of Annual Target
Self-generated revenue	\$ 5,565,000	\$ 4,431,000	80%
Sponsorship & contributions	1,950,000	1,141,000	59%
<b>Total</b>	<b>\$ 7,515,000</b>	<b>\$ 5,572,000</b>	<b>74%</b>

### Expenditures

Operating expenditures were \$40.8 million in the period compared to \$39.5 million for the same period of the prior year. This variance is principally the result of art purchases of \$5.5 million in the period, compared to \$3.5 million in the prior year. 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 exhibition.

Expenditures for salaries and employee benefits decreased nearly \$0.8 million reflecting the savings associated with workforce reductions in 2013. Operating expenses also decreased \$0.4 million and \$0.2 million, respectively for travel costs and professional services, reflecting the different nature of the 2013 summer exhibition *Sakahàn: International Indigenous Art and 2013 Venice Biennale*. Higher materials, supplies and publication costs were also incurred in 2013 due to the *Venice Biennale*.

### **Collection**

The Gallery spent \$5.5 million on works of art for the Collection in the period compared to \$3.5 million in the comparative period. Notable purchases year-to-date include *Souvenir de Loch Lomond* by Gustave Doré, the terracotta sculpture *Boulonnaise allaitant son Enfant* by Jules Dalou, and *Christ on the Column* by Eugene Delacroix. At the end of December, the Gallery reported deferred contributions of \$5.9 million for future purchases of works of art.

### **Capital**

The Gallery spent \$0.9 million on capital assets during the period compared to \$6.3 million for the same period in the prior year. Significant capital expenditures for the period include an upgrade to freight elevators, completion of the Great Hall window project, modernization of the view screen in the auditorium, and backup cooling systems for exhibition spaces. At the end of December 2014, the Gallery had \$3.8 million of deferred contributions for the purchase of capital assets.

### **Outlook**

Looking forward, the Gallery expects to achieve a modest surplus for the year. During the quarter, the Gallery successfully concluded a new collective agreement with the Public Sector Alliance of Canada (PSAC) and has reached an agreement in principle with the Canadian Artists' Representation / Le Front des artistes canadiens (CARFAC) and the Regroupement des artistes en arts visuels du Québec (RAAV).

The new collective agreement with PSAC covers a four year period from July 1, 2013. The Gallery has negotiated annual economic and service pay increases, which are retroactive to the beginning of the Collective Agreement. The impact of the retroactive amounts has been estimated and reflected in the December 2014 results. In-line with the broader Public Sector, the new collective agreement also eliminates the accumulation of employee entitlements to severance.

The agreement in principle reached with CARFAC/RAAV on November 21, 2014 covers terms and conditions governing the minimum fees payable for exhibition and for 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.

Expenditure increases in relation to these two new agreements will be funded through internal budgetary reallocation or through increased self-generated revenue.

The Gallery receives \$1 million annual through Parliamentary appropriations for capital funding. This level of funding presents serious challenges given the size, age and complexity of the facility. New and emerging demands put further pressure on the capital allotment in areas such as on-line presence, information technology hardware and information management systems, security systems, visitor engagement and experience tools, and recapitalization investments in the bookstore, auditorium, and foodservice areas. To address this risk, the Gallery, by resolution of its Board of Trustees, will internally restrict operating appropriations to the capital allotment in the current fiscal year to address known funding pressures for capital projects. In 2012-13, the Gallery internally restricted \$1.25 million in operating funds for re-allocation to its capital pressures. The Gallery will review its Long Term Capital Plan and emerging demands and will prioritize available capital resources to address the most pressing projects within the available funding.