

NATIONAL GALLERY OF CANADA
UNAUDITED FINANCIAL STATEMENTS

QUARTERLY RESULTS

Three months ended June 30th, 2015


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 25th, 2015

STATEMENT OF FINANCIAL POSITION

(in thousands of dollars)

Assets	As at		As at
Current	Jun 30, 2015		Mar 31, 2015
Cash and cash equivalents	\$	10,905	\$ 6,094
Investment		4,596	6,641
Restricted investment		11,404	9,452
Accounts receivable		420	1,324
Inventory		637	547
Prepaid expenses		49	1,445
Total current assets		28,011	25,503
Collection		1	1
Capital assets		82,932	84,400
	\$	110,944	\$ 109,904
Liabilities and Net Assets			
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	\$	5,050	\$ 3,031
Accrued salaries and benefits		1,723	4,451
Deferred contributions for the purchase of objects for the Collection (Note 4)		4,579	2,787
Deferred contributions for the purchase of capital assets (Note 4)		4,984	4,817
Other deferred contributions (Note 4)		1,725	1,732
Total current liabilities		18,061	16,818
Employee future benefits		1,161	1,161
Deferred contributions for the amortization of capital assets		82,310	83,778
Total liabilities		101,532	101,757
Net Assets			
Unrestricted		8,674	7,409
Investment in capital assets		622	622
Permanently endowed		116	116
Total net assets		9,412	8,147
	\$	110,944	\$ 109,904

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

STATEMENT OF CHANGES IN NET ASSETS

(in thousands of dollars)

				3 months ended June 30, 2015	Year ended March 31, 2015
	Unrestricted	Investment in capital assets	Permanently endowed		
Net assets, beginning of year	\$ 7,409	\$ 622	\$ 116	\$ 8,147	\$ 7,795
Net result of operations for the three month period	1,265	-	-	1,265	582
Net results of operations for the remainder of the year	-	-	-	-	(230)
Net assets, end of period	\$ 8,674	\$ 622	\$ 116	\$ 9,412	\$ 8,147

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

STATEMENT OF OPERATIONS

(in thousands of dollars)

	3 months ended June 30, 2015	3 months ended June 30, 2014
Operating revenue and contributions (Schedule 1)	\$ 2,338	\$ 1,538
Expenses		
Collection		
Operations	1,652	1,718
Art purchases	1,008	1,783
Total - Collection	2,660	3,501
Outreach	3,320	2,749
Accommodation	4,574	4,744
Internal Services	1,970	2,241
Total expenses (Schedule 2)	12,524	13,235
Net results before Parliamentary Appropriations	(10,186)	(11,697)
Parliamentary appropriations (Note 5)	11,451	12,279
Net result of operations	\$ 1,265	\$ 582

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

STATEMENT OF CASH FLOWS

(in thousands of dollars)

	3 months ended June 30, 2015	3 months ended June 30, 2014
Operating activities		
Cash received from clients	\$ 2,211	\$ 1,760
Parliamentary appropriations received	15,209	11,749
Cash paid to suppliers	(5,766)	(3,079)
Payments related to salary and benefits	(7,536)	(5,268)
Interest received	111	84
Total cash flow from operating activities	4,229	5,246
Investing activities		
Acquisition of investments	(3,000)	-
Disposal of investments	3,094	-
Total cash flow used for investing activities	94	-
Capital activities		
Payments related to capital acquisitions	(132)	(444)
Total cash flow used for capital activities	(132)	(444)
Financing activities		
Funding for the acquisition of capital assets	250	250
Restricted contributions and related investment income	370	197
Total cash flow from financing activities	620	447
Total cash flow	4,811	5,249
Cash and cash equivalents, beginning of the period		
Cash and cash equivalents	6,094	7,106
Restricted cash and cash equivalents	-	10,924
	6,094	18,030
Cash and cash equivalents, end of the period		
Cash and cash equivalents	10,905	11,520
Restricted cash and cash equivalents	-	11,759
	\$ 10,905	\$ 23,279

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

SELECTED NOTES TO THE UNAUDITED QUARTERLY FINANCIAL STATEMENTS
Three months ended June 30, 2015

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 three months 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	2015	2014
Balance, beginning of period	\$ 2,787	\$ 4,817	\$ 1,732	\$ 9,336	10,808
Appropriations received in the period	3,000	250	-	3,250	3,250
Non-Government funding received in the period	-	-	367	367	197
	5,787	5,067	2,099	12,953	14,255
Amounts recognized as revenue in the period	(1,008)	-	(374)	(1,382)	(1,968)
Related acquisition costs	(200)	-	-	(200)	(200)
Purchase of capital assets in the period	-	(83)	-	(83)	(444)
Balance, end of period	\$ 4,579	\$ 4,984	\$ 1,725	\$ 11,288	11,643

5. PARLIAMENTARY APPROPRIATIONS

(in thousands of dollars)

	3 months ended June 30, 2015	3 months ended June 30, 2014
For operating and capital expenditures		
Main estimates	\$ 8,943	\$ 8,943
Supplementary estimates	-	-
	8,943	8,943
Appropriations deferred for the purchase of capital assets	(250)	(250)
Amortization of deferred funding for capital assets	1,550	1,603
	10,243	10,296
For the purchase of objects for the Collection		
Main estimates	3,000	3,000
Appropriations recognized from prior periods	3,931	5,008
Appropriations deferred to future periods	(5,723)	(6,025)
	1,208	1,983
Total Parliamentary appropriations	\$ 11,451	\$ 12,279

6. INVESTMENTS IN CAPITAL ASSETS

For the three months ended June 30

(in thousands of dollars)

	2015	2014
Capital asset additions in the period	\$ 83	\$ 444
Less: capital assets financed through contributions	(83)	(444)
	-	-
Deferred contributions for the amortization of capital assets	1,550	1,603
Amortization of capital assets	(1,550)	(1,603)
Net change in investment in capital assets	\$ -	\$ -

SCHEDULE 1: SCHEDULE OF OPERATING REVENUE AND CONTRIBUTIONS

(in thousands of dollars)

	3 months ended June 30, 2015	3 months ended June 30, 2014
Operating revenue:		
Bookstore and publishing	\$ 609	\$ 392
Admissions	599	284
Parking	269	215
Memberships	169	141
Rental of public spaces	56	85
Education services	60	68
Art loans – recovery of expenses	60	31
Travelling exhibitions	-	30
Audio guides	10	14
Food services	10	6
Interest	111	84
Other	8	3
	1,961	1,353
Sponsorships and Contributions:		
Sponsorships	258	117
Contributions:		
Contributed items for the Collection	3	-
From the National Gallery of Canada Foundation	-	-
From other individuals, corporations and foundations	116	68
	377	185
Operating revenue and contributions	\$ 2,338	\$ 1,538

SCHEDULE 2: SCHEDULE OF EXPENSES

(in thousands of dollars)

	3 months ended June 30, 2015	3 months ended June 30, 2014
Salaries and employee benefits	\$ 4,808	\$ 5,000
Purchased items for the Collection	1,008	1,783
Contributed items for the Collection	3	-
Amortization of capital assets	1,550	1,603
Payments in lieu of taxes	1,084	1,061
Professional and special services	547	491
Insurance	211	166
Repairs and maintenance of buildings and equipment	795	959
Protection services	717	681
Utilities, materials and supplies	309	332
Freight, cartage and postage	59	275
Travel	381	137
Publications	167	56
Cost of goods sold	304	258
Advertising	266	143
Rent	112	111
Communications	57	54
Library purchases	79	78
Fellowship	8	17
Rentals of equipment	49	22
Miscellaneous	10	8
Total expenses	\$ 12,524	\$ 13,235

MANAGEMENT DISCUSSION AND ANALYSIS OF QUARTERLY FINANCIAL STATEMENTS

For the three months ended June 30th, 2015

Operating Environment

The Gallery is pleased to present a broad program of exhibitions that provide visitors with stimulating, informative and enjoyable experiences in the visual arts.

During the first quarter, the Gallery presented several excellent temporary exhibitions. The major summer exhibition, *Alex Colville*, was a retrospective of one of Canada's most celebrated artists. The Gallery continued its successful Masterpiece in Focus series with *Mary Pratt: This Little Painting*. The Gallery also presented two photography exhibitions; *For the Record: Early Canadian Travel Photography*, and *Luminous and True: The Photographs of Frederick H. Evans*. Through *Chagall: Daphnis and Chloé*, the Gallery showcased a set of lithographs by Chagall, a pioneer of modernism. In addition, the Gallery hosted *The 2015 Governor General's Awards in Visual and Media Arts*, which celebrates artistic excellence in Canada.

Consistent with its mandate related to international outreach, the Gallery coordinated Canada's presence at the *2015 Venice Biennale International Art Exhibition*, and presenting *Canadassimo*, an engaging new installation work by artist-collective BGL from Quebec City. Held from May to November 2015, the Biennale includes representation from more than eighty-five invited nations, all showcasing their leading artists in national pavilions and exhibition spaces. Since the opening of the exhibition, the Canada Pavillion welcomed 64,668 visitors.

During the three month period, the Gallery welcomed 108,051 visitors to its main location in Ottawa. In addition, 25,287 people visited the Gallery's travelling exhibitions and *NGC@* partner sites, and 18,000 attended NGC special project exhibitions, which included works of art on loan from the national collection.

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 \$1.3 million during the first three months of the fiscal year, which represents an increase of \$0.7 million when compared to the same period last year.

Parliamentary Appropriations, revenues and contributions

The Gallery reported parliamentary appropriations for the period in the amount of \$11.5 million. The decrease of \$0.8 million, when compared to the same period of the prior year, is mainly the result of reduced appropriations recognized to fund purchases of works of art for the collection.

Self-generated revenue and contributions for the period amounted to \$2.3 million compared to \$1.5 million for the same period the prior year. The strong attendance and an earlier opening date for the 2015 summer special exhibition, *Alex Colville*, resulted in increased admissions, parking and bookstore revenues.

Sponsorships and contributions recognized during the period were \$0.4 million compared to \$0.2 million in the prior year.

	Annual Target for 2015-16	Three months ended June 30, 2015	% of Annual Target
Self-generated revenue	\$ 5,588,000	\$ 1,961,000	35%
Sponsorship & contributions	2,680,000	377,000	14%
Total	\$ 8,268,000	\$ 2,338,000	28%

Expenditures

Operating expenditures were \$12.5 million in the period compared to \$13.2 million for the same period of the prior year. This variance related principally to lower art purchases in the period as discussed below. The Gallery also had slightly lower expenditures for repairs and maintenance of the building and equipment, and for freight and cartage. The decrease is partially offset by an increase in publication and advertising costs. Travel costs, as of June 2015, also increased when compared to the same period of the previous year, due in part to the installation of Canada's exhibit at the 2015 Venice Biennale. The Venice Biennale project is exclusively funded through sponsorships and contributions from individuals, corporations and foundations.

Collection

In the period, the Gallery spent \$1.2 million on works of art for the collection compared to \$2.0 million in the comparative period. A notable addition to the collection in the period included *Bonsecours Market, Montreal* by William Raphael. At the end of June 2015, the Gallery reported \$4.6 million in deferred contributions for future purchases of works of art.

Capital

The Gallery spent \$0.1 million on capital assets during the period compared to \$0.4 million for the same period in the prior year. At the end of June 2015, the Gallery had \$5.0 million in deferred contributions for the purchase of capital assets.

Outlook

Looking forward, the Gallery expects to face continuing inflationary cost pressures on non-discretionary services such as utilities, repairs, and protection services. Given fixed government funding, the Gallery will continue to address these pressures through the expansion of self-generated operating revenues, and through internal reallocations.

The Gallery will also monitor the financial impact on interest revenues and foreign currency transactions of the reduction in the overnight rate announced by the Bank of Canada in July 2015.

The Gallery receives base capital funding through parliamentary appropriations of \$1.0 million. As the main facility ages — now in its 27th year of operation — the demand for investment in life-cycle maintenance and repairs to the building and mechanical systems continues to increase. Emergent demands in areas such as the NGC's online presence, information technology hardware and information management systems, visitor engagement and experience tools, as well as recapitalization investments in the bookstore, auditorium, and foodservice areas, will place further pressure on the capital allocation. The Gallery will prioritize its capital projects based on risk deferral and available risk-mitigation strategies.