

NATIONAL GALLERY OF CANADA
QUARTERLY FINANCIAL STATEMENTS
For the three month period ended June 30, 2019
UNAUDITED

MANAGEMENT DISCUSSION AND ANALYSIS OF QUARTERLY FINANCIAL STATEMENTS

For the three months ended June 30, 2019

STRATEGIC DIRECTION

For the 2019–20 to 2023–24 planning period, the Board of Trustees has established the following three strategic priorities:

- Collection Management
- Audience Development
- Operational Excellence

STATEMENT OF OPERATIONS

The Gallery's net results of operations for the three month period ended June 30, 2019 reflects a deficit of \$1.3 million, compared to a \$1.0 million deficit in the same period of the prior year. A deficit at the end of June is typical for the Gallery due to the seasonal nature of attendance.

Operating revenue for the period was \$2.6 million, which is an increase over the prior year's \$2.2 million.

There were notable increases in sales from the Boutique and admissions and an increase in travelling exhibition revenue specifically related to the Canada and Impressionism tour.

Operating expenditures totalled \$16.7 million during the quarter, compared to \$15.2 million in the same period last year. The increase is due to higher Art acquisitions, higher staff levels, and increased insurance and transportation costs for the *Gauguin: Portraits* exhibition.

The Gallery recognized \$12.5 million in Parliamentary appropriations during the period, compared to \$11.9 million in the same period last year. The increase is primarily a result of the recognition of appropriations for increased art acquisition.

FINANCIAL POSITION

Cash, restricted cash, and investments totalled \$13.7 million at the end of the first quarter, compared to \$13.1 million as at March 31, 2019.

The Gallery's net assets decreased to \$1.5 million at the end of the first quarter, compared to \$2.8 million at year-end of the prior fiscal year. The reduction is a result of the net results of operations for the first quarter.

OUTLOOK

The Gallery continues to face higher costs on all aspects of its operations. In particular, fixed building costs, maintenance costs, and security costs, in part as a result of new minimum wage standards introduced last year. These costs together with rising storage costs and higher art valuations are increasing the cost of acquisitions and insurance all of which are contributing to a very challenging fiscal climate.

The Gallery is responsible for a major iconic national facility that is now over thirty years old. With the age of the facility, the Gallery continues to address emerging lifecycle issues. Over the 2019–20 to 2023–24 planning period, improvements to the Gallery's capital infrastructure will continue. As a result of recognition of this critical issue, the Gallery received increased Parliamentary funding in Budget 2016 of \$18.4 million over five years, starting in 2016–17.

While this funding relieves significant pressure on the long-term capital plan it only addresses some of the most critical projects and the Gallery continues to be challenged by increasing life cycle repairs, growing effect of deferred maintenance, and the effects of inflation on its funding level over the past 25 years. The Gallery will continue to work with the Department of Canadian Heritage on a long-term solution to these escalating costs and changing operating environment to ensure the ongoing sustainability and vibrancy of the Gallery.

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.



Sasha Suda, PhD
Director & CEO



David Loye, CPA, CGA
Deputy Director, Administration
and Chief Financial Officer

Ottawa, Canada
August 22, 2019

STATEMENT OF FINANCIAL POSITION

(in thousands of dollars)

Assets

| | As at June 30, 2019 | As at March 31, 2019 |
|--------------------------------------|------------------------|-------------------------|
| Current | | |
| Cash and cash equivalents | \$ 4,461 | \$ 4,561 |
| Restricted cash and cash equivalents | 2,097 | 1,433 |
| Restricted investments | 7,189 | 7,150 |
| Accounts receivable | 1,033 | 2,340 |
| Inventory | 1,037 | 872 |
| Prepaid expenses | 164 | 509 |
| Total current assets | 15,981 | 16,865 |
| Deposit on items for the Collection | 695 | 695 |
| Collection | 1 | 1 |
| Capital assets | 87,807 | 85,348 |
| | \$ 104,484 | \$ 102,909 |

Liabilities and Net Assets

Liabilities

Current liabilities

| | | |
|---|----------|----------|
| Accounts payable and accrued liabilities | \$ 4,473 | \$ 4,338 |
| Accrued salaries and benefits | 1,283 | 1,742 |
| Deferred contributions for the purchase of objects for the Collection | 2,169 | 1,840 |
| Deferred contributions for the purchase of capital assets | 5,546 | 5,136 |
| Other deferred contributions | 1,455 | 1,491 |
| Total current liabilities | 14,926 | 14,547 |
| Employee future benefits | 853 | 853 |
| Deferred contributions for the amortization of capital assets | 87,185 | 84,726 |
| Total liabilities | 102,964 | 100,126 |

Net Assets

| | | |
|------------------------------|------------|------------|
| Unrestricted | 782 | 2,045 |
| Investment in capital assets | 622 | 622 |
| Permanently endowed | 116 | 116 |
| Total net assets | 1,520 | 2,783 |
| | \$ 104,484 | \$ 102,909 |

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

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

(in thousands of dollars)

| | Unrestricted | Investment in capital assets | Permanently endowed | 2019 | 2018 |
|---|---------------|------------------------------------|------------------------|-----------------|-----------------|
| Net assets, beginning of the period | \$ 2,045 | \$ 622 | \$ 116 | \$ 2,783 | \$ 2,286 |
| Net result of operations for the period | (1,263) | - | - | (1,263) | (1,022) |
| Net result of operations for the remainder of the year | - | - | - | - | 1,519 |
| Net assets, end of the period | \$ 782 | \$ 622 | \$ 116 | \$ 1,520 | \$ 2,783 |

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

STATEMENT OF OPERATIONS**For the three months ended June 30**

(in thousands of dollars)

| | 2019 | 2018 |
|--|---------------|---------------|
| Operating revenue | \$ 2,618 | \$ 2,159 |
| Sponsorships and contributions | 282 | 131 |
| Contributed items for the Collection | - | - |
| Total operating revenue, sponsorships, and contributions (Schedule 1) | 2,900 | 2,290 |
| Expenses | | |
| Collection | | |
| Operations | 1,915 | 1,933 |
| Purchase of items for the Collection | 1,471 | 1,007 |
| Contributed items for the Collection | - | - |
| Total - Collection | 3,386 | 2,940 |
| Outreach | 5,213 | 4,597 |
| Accommodation | 5,377 | 5,155 |
| Administration | 2,693 | 2,560 |
| Total expenses (Schedule 2) | 16,669 | 15,252 |
| Net results before Parliamentary Appropriations | (13,769) | (12,962) |
| Parliamentary appropriations | 12,506 | 11,940 |
| Net result of operations | \$ (1,263) | \$ (1,022) |

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

STATEMENT OF CASHFLOWS**For the three months ended June 30**

(in thousands of dollars)

| | 2019 | 2018 |
|---|-----------------|-----------------|
| Operating activities | | |
| Cash received from clients | \$ 2,879 | \$ 1,616 |
| Parliamentary appropriations received | 10,897 | 10,971 |
| Cash paid to suppliers | (7,261) | (5,525) |
| Payments related to salary and benefits | (6,954) | (6,552) |
| Interest received | 80 | 45 |
| Total cash flow used for operating activities | (359) | 555 |
| Investing activities | | |
| Acquisition of investments | (7,162) | (9,033) |
| Disposal of investments | 7,120 | 9,029 |
| Total cash flow from (used for) investing activities | (42) | (4) |
| Capital activities | | |
| Payments related to capital acquisitions | (850) | (3,321) |
| Total cash flow used for capital activities | (850) | (3,321) |
| Financing activities | | |
| Funding for the acquisition of capital assets | 806 | 2,227 |
| Restricted contributions and related investment income | 1,009 | 1,138 |
| Total cash flow from financing activities | 1,815 | 3,365 |
| Total cash inflows (outflows) | 564 | 595 |
| Cash and cash equivalents, beginning of the year | | |
| Cash and cash equivalents | 4,561 | 5,570 |
| Restricted cash and cash equivalents | 1,433 | 1,309 |
| | 5,994 | 6,879 |
| Cash and cash equivalents, end of the year | | |
| Cash and cash equivalents | 4,461 | 6,477 |
| Restricted cash and cash equivalents | 2,097 | 997 |
| | \$ 6,558 | \$ 7,474 |

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

SELECTED NOTES TO THE UNAUDITED QUARTERLY FINANCIAL STATEMENTS

For the three month period ended June 30, 2019

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 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 government not-for-profit organizations.

4. DEFERRED CONTRIBUTIONS

| (in thousands of dollars) | Deferred contributions for the purchase of objects for the Collection | Deferred contributions for the purchase of capital assets | Other deferred contributions | 2019 | 2018 |
|--|---|--|---------------------------------|-----------------|---------|
| Beginning balance, as at April 1 | \$ 1,840 | \$ 5,136 | \$ 1,491 | \$ 8,467 | 10,241 |
| Appropriations received in the period | 2,000 | 806 | - | 2,806 | 4,001 |
| Non-Government funding received in the period | - | - | 198 | 198 | 382 |
| | 3,840 | 5,942 | 1,689 | 11,471 | 14,624 |
| Amounts recognized as revenue in the period | (1,471) | - | (234) | (1,705) | (1,103) |
| Related acquisition costs | (200) | - | - | (200) | (200) |
| Purchase of capital assets in the period | - | (396) | - | (396) | (3,380) |
| Ending balance | \$ 2,169 | \$ 5,546 | \$ 1,455 | \$ 9,170 | 9,941 |

5. PARLIAMENTARY APPROPRIATIONS

For the three months ended June 30

(in thousands of dollars)

| For operating and capital expenditures | 2019 | 2018 |
|--|------------------|-----------|
| Main estimates | \$ 9,653 | \$ 10,846 |
| Supplementary estimates | - | - |
| | 9,653 | 10,846 |
| Appropriations deferred for the purchase of capital assets | (806) | (2,001) |
| Appropriations restricted for the purchase of capital assets | - | - |
| Amortization of deferred contributions related to appropriations | 1,988 | 1,888 |
| | 10,835 | 10,733 |
| For the purchase of items for the Collection | | |
| Main estimates | 2,000 | 2,000 |
| Appropriations recognized from prior years | 1,840 | 2,058 |
| Appropriations deferred to future years | (2,169) | (2,851) |
| | 1,671 | 1,207 |
| Total Parliamentary appropriations | \$ 12,506 | \$ 11,940 |

SCHEDULE #1: OPERATING REVENUE, SPONSORSHIPS, AND CONTRIBUTIONS

For the three months ended June 30

(in thousands of dollars)

| Operating revenue: | | 2019 | | 2018 |
|--|----|--------------|----|-------|
| Boutique and publishing | \$ | 876 | \$ | 645 |
| Admissions | | 750 | | 649 |
| Parking | | 305 | | 304 |
| Memberships | | 200 | | 236 |
| Rental of public spaces | | 108 | | 40 |
| Education services | | 129 | | 116 |
| Art loans – recovery of expenses | | 3 | | 62 |
| Travelling exhibitions | | 150 | | 46 |
| Audio guides | | 6 | | 6 |
| Food services | | 8 | | 1 |
| Interest | | 77 | | 52 |
| Other | | 6 | | 2 |
| | | 2,618 | | 2,159 |
| Sponsorships and Contributions: | | | | |
| Sponsorships | | 48 | | 35 |
| Contributions | | | | |
| Contributed items for the Collection | | - | | - |
| From the National Gallery of Canada Foundation | | 75 | | 62 |
| From other individuals, corporations and foundations | | 159 | | 34 |
| | | 282 | | 131 |
| Operating revenue, sponsorships and contributions | \$ | 2,900 | \$ | 2,290 |

SCHEDULE #2: EXPENSES

For the three months ended June 30

(in thousands of dollars)

| | | 2019 | | 2018 |
|--|-----------|---------------|-----------|---------------|
| Salaries and employee benefits | \$ | 6,245 | \$ | 6,056 |
| Purchased items for the Collection | | 1,471 | | 1,007 |
| Contributed items for the Collection | | - | | - |
| Amortization of capital assets | | 2,063 | | 1,950 |
| Payments in lieu of taxes | | 841 | | 820 |
| Professional and special services | | 783 | | 891 |
| Insurance | | 428 | | 205 |
| Repairs and maintenance of buildings and equipment | | 1,068 | | 1,074 |
| Protection services | | 795 | | 827 |
| Utilities, materials and supplies | | 661 | | 546 |
| Freight, cartage and postage | | 773 | | 393 |
| Travel for public servants | | 176 | | 121 |
| Travel for non-public servants | | 149 | | 67 |
| Hospitality | | 26 | | 61 |
| Conferences, training and related travel | | 47 | | 29 |
| Publications | | 69 | | 218 |
| Cost of goods sold – boutique | | 318 | | 246 |
| Advertising | | 429 | | 420 |
| Rent | | 116 | | 126 |
| Communications | | 57 | | 59 |
| Library purchases | | 96 | | 100 |
| Rentals of equipment | | - | | 4 |
| Fellowships | | 41 | | 19 |
| Miscellaneous | | 17 | | 13 |
| Total expenses | \$ | 16,669 | \$ | 15,252 |