

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

MANAGEMENT DISCUSSION AND ANALYSIS OF QUARTERLY FINANCIAL STATEMENTS

For the six months ended September 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 six month period ended September 30, 2019 reflects a deficit of \$0.2 million, compared to a \$0.6 million surplus in the same period of the prior year.

Operating revenue for the period was \$6.2 million, which is an increase over the prior year's \$5.5 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 \$34.3 million during the first two quarters, compared to \$33.8 million in the same period last year. The increase is due to financially significant Contributed items for the Collection, higher staff levels, and increased insurance and transportation costs related to the *Gauguin: Portraits* summer exhibition.

The Gallery recognized \$24.1 million in Parliamentary appropriations during the period, compared to \$26.6 million in the same period last year. The decrease is primarily a result of recognition of appropriations for art acquisitions compared to the prior year.

FINANCIAL POSITION

Cash, restricted cash, and investments totalled \$20.0 million at the end of the second quarter, compared to \$13.1 million as at March 31, 2019.

The Gallery's net assets decreased to \$2.6 million at the end of the second quarter, compared to \$2.8 million as at March 31, 2019. The decrease is a result of the net results of operations for the first two quarters.

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
November 20, 2019

STATEMENT OF FINANCIAL POSITION

(in thousands of dollars)

Assets

	As at	As at
Current	Sept 30, 2019	March 31, 2019
Cash and cash equivalents	\$ 7,799	\$ 4,561
Restricted cash and cash equivalents	1,962	1,433
Restricted investments	10,216	7,150
Accounts receivable	599	2,340
Inventory	862	872
Prepaid expenses	170	509
Total current assets	21,608	16,865
Deposit on items for the Collection	695	695
Collection	1	1
Capital assets	86,104	85,348
	\$ 108,408	\$ 102,909

Liabilities and Net Assets**Liabilities****Current liabilities**

Accounts payable and accrued liabilities	\$ 6,374	\$ 4,338
Accrued salaries and benefits	1,063	1,742
Deferred contributions for the purchase of objects for the Collection	4,372	1,840
Deferred contributions for the purchase of capital assets	6,262	5,136
Other deferred contributions	1,428	1,491
Total current liabilities	19,499	14,547
Employee future benefits	853	853
Deferred contributions for the amortization of capital assets	85,482	84,726
Total liabilities	105,834	100,126

Net Assets

Unrestricted	1,836	2,045
Investment in capital assets	622	622
Permanently endowed	116	116
Total net assets	2,574	2,783
	\$ 108,408	\$ 102,909

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	2019	2018
Net assets, beginning of the period	\$ 2,045	\$ 622	\$ 116	\$ 2,783	\$ 2,286
Net result of operations for the period	(209)	-	-	(209)	570
Net result of operations for the remainder of the year	-	-	-	-	(73)
Net assets, end of the period	\$ 1,836	\$ 622	\$ 116	\$ 2,574	\$ 2,783

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

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

(in thousands of dollars)

	Unrestricted	Investment in capital assets	Permanently endowed	2019	2018
Net assets, beginning of the period	\$ 782	\$ 622	\$ 116	\$ 1,520	\$ 1,264
Net result of operations for the period	1,054	-	-	1,054	1,592
Net result of operations for the remainder of the year	-	-	-	-	(73)
Net assets, end of the period	\$ 1,836	\$ 622	\$ 116	\$ 2,574	\$ 2,783

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

STATEMENT OF OPERATIONS

(in thousands of dollars)

	Three months ended Sept 30, 2019	Three months ended Sept 30, 2018	Six months ended Sept 30, 2019	Six months ended Sept 30, 2018
Operating revenue	\$ 3,592	\$ 5,295	\$ 6,210	\$ 5,518
Sponsorships and contributions	1,415	211	1,697	2,067
Contributed items for the Collection	2,077		2,077	211
Total operating revenue, sponsorships, and contributions (Schedule 1)	7,084	5,506	9,984	7,796
Expenses				
Collection				
Operations	2,052	1,779	3,967	3,712
Purchase of items for the Collection	597	3,745	2,068	4,752
Contributed items for the Collection	2,077	211	2,077	211
Total - Collection	4,726	5,735	8,112	8,675
Outreach	4,706	4,646	9,919	9,243
Accommodation	5,282	5,420	10,659	10,575
Administration	2,949	2,790	5,642	5,350
Total expenses (Schedule 2)	17,663	18,591	34,332	33,843
Net results before Parliamentary Appropriations	(10,579)	(13,085)	(24,348)	(26,047)
Parliamentary appropriations	11,633	14,677	24,139	26,617
Net result of operations	\$ 1,054	\$ 1,592	\$ (209)	\$ 570

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

STATEMENT OF CASH FLOWS

(in thousands of dollars)

	Three months ended Sept 30, 2019	Three months ended Sept 30, 2018	Six months ended Sept 30, 2019	Six months ended Sept 30, 2018
Operating activities				
Cash received from clients	\$ 3,709	\$ 3,307	\$ 6,588	\$ 4,923
Parliamentary appropriations received	14,797	10,845	25,694	21,816
Cash paid to suppliers	(7,708)	(11,654)	(14,969)	(17,179)
Payments related to salary and benefits	(6,664)	(5,827)	(13,618)	(12,379)
Interest received	95	48	175	93
Total cash flow used for operating activities	4,229	(3,281)	3,870	(2,726)
Investing activities				
Acquisition of investments	(13,311)	(7,048)	(20,473)	(16,081)
Disposal of investments	10,257	9,033	17,377	18,062
Total cash flow from (used for) investing activities	(3,054)	1,985	(3,096)	1,981
Capital activities				
Payments related to capital acquisitions	(360)	(3,463)	(1,210)	(6,784)
Total cash flow used for capital activities	(360)	(3,463)	(1,210)	(6,784)
Financing activities				
Funding for the acquisition of capital assets	1,075	2,012	1,881	4,239
Restricted contributions and related investment income	1,313	48	2,322	1,186
Total cash flow from financing activities	2,388	2,060	4,203	5,425
Total cash inflows (outflows)	3,203	(2,699)	3,767	(2,104)
Cash and cash equivalents, beginning of the year				
Cash and cash equivalents	4,461	6,477	4,561	5,570
Restricted cash and cash equivalents	2,097	997	1,433	1,309
	6,558	7,474	5,994	6,879
Cash and cash equivalents, end of the year				
Cash and cash equivalents	7,799	4,775	7,799	4,775
Restricted cash and cash equivalents	1,962	-	1,962	-
	\$ 9,761	\$ 4,775	\$ 9,761	\$ 4,775

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

SELECTED NOTES TO THE UNAUDITED QUARTERLY FINANCIAL STATEMENTS
For the six month period ended September 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

For the six months ended September 30

(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	5,000	1,881	-	6,881	4,001
Non-Government funding received in the period	-	-	1,561	1,561	382
	6,840	7,017	3,052	16,909	14,624
Amounts recognized as revenue in the period	(2,068)	-	(1,624)	(3,692)	(1,103)
Related acquisition costs	(400)	-	-	(400)	(200)
Purchase of capital assets in the period	-	(755)	-	(755)	(3,380)
Ending balance	\$ 4,372	\$ 6,262	\$ 1,428	\$ 12,062	9,941

5. PARLIAMENTARY APPROPRIATIONS

For the six months ended September 30

(in thousands of dollars)

For operating and capital expenditures	2019	2018
Main estimates	\$ 19,576	\$ 21,692
Supplementary estimates	-	-
	19,576	21,692
Appropriations deferred for the purchase of capital assets	(1,881)	(4,002)
Appropriations restricted for the purchase of capital assets	-	-
Amortization of deferred contributions related to appropriations	3,976	3,776
	21,671	21,466
For the purchase of items for the Collection		
Main estimates	5,000	4,000
Appropriations recognized from prior years	1,840	2,058
Appropriations deferred to future years	(4,372)	(907)
	2,468	5,151
Total Parliamentary appropriations	\$ 24,139	\$ 26,617

SCHEDULE #1: OPERATING REVENUE, SPONSORSHIPS, AND CONTRIBUTIONS

(in thousands of dollars)

	Three months ended Sept 30, 2019	Three months ended Sept 30, 2018	Six months ended Sept 30, 2019	Six months ended Sept 30, 2018
Operating revenue:				
Boutique and publishing	\$ 1,010	\$ 1,064	\$ 1,886	\$ 1,709
Admissions	1,582	1,413	2,332	2,062
Parking	376	405	681	709
Memberships	319	263	519	499
Rental of public spaces	98	69	206	109
Education services	5	10	134	126
Art loans – recovery of expenses	49	47	52	109
Travelling exhibitions	67	30	217	76
Audio guides	3	4	9	10
Food services	-	-	8	1
Interest	79	46	156	98
Other	4	8	10	10
	3,592	3,359	6,210	5,518
Sponsorships and Contributions:				
Sponsorships	25	18	73	53
Contributions				
Contributed items for the Collection	2,077	211	2,077	211
From the National Gallery of Canada Foundation	1,327	1,868	1,402	1,930
From other individuals, corporations and foundations	63	50	222	84
	3,492	2,147	3,774	2,278
Operating revenue, sponsorships and contributions	\$ 7,084	\$ 5,506	\$ 9,984	\$ 7,796

SCHEDULE #2: EXPENSES

(in thousands of dollars)

(in thousands of dollars)	Three months ended Sept 30, 2019	Three months ended Sept 30, 2018	Six months ended Sept 30, 2019	Six months ended Sept 30, 2018
Salaries and employee benefits	\$ 6,694	\$ 6,223	\$ 12,939	\$ 12,282
Purchased items for the Collection	597	3,745	2,068	4,752
Contributed items for the Collection	2,077	211	2,077	211
Amortization of capital assets	2,062	1,950	4,125	3,900
Payments in lieu of taxes	841	821	1,682	1,641
Professional and special services	635	1,257	1,418	2,148
Insurance	20	42	448	247
Repairs and maintenance of buildings and equipment	995	927	2,063	2,001
Protection services	893	932	1,688	1,759
Utilities, materials and supplies	571	663	1,232	1,209
Freight, cartage and postage	809	327	1,582	720
Travel for public servants	90	84	266	205
Travel for non-public servants	88	82	237	149
Hospitality	42	39	68	100
Conferences, training and related travel	29	5	76	34
Publications and printing	60	151	129	369
Cost of goods sold – boutique	476	537	794	783
Advertising	332	279	761	699
Rent	179	135	295	261
Communications	63	66	120	125
Library purchases	30	41	126	141
Rentals of equipment	18	37	18	56
Fellowships	41	20	82	24
Miscellaneous	21	17	38	27
Total expenses	\$ 17,663	\$ 18,591	\$ 34,332	\$ 33,843