

NATIONAL GALLERY OF CANADA
QUARTERLY FINANCIAL STATEMENTS
For the nine month period ended December 31, 2019
UNAUDITED

MANAGEMENT DISCUSSION AND ANALYSIS OF QUARTERLY FINANCIAL STATEMENTS

For the nine months ended December 31, 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 nine month period ended December 31, 2019 reflects a deficit of \$0.6 million, compared to a \$1.1 million surplus in the same period of the prior year.

Operating revenue for the period was \$8.1 million, which is an increase over the prior year's \$7.7 million. There were notable increases to attendance driven revenues such as admissions, boutique sales, and memberships. Sponsorships and contributions for the period totalled \$5.4 million, which is an increase over \$3.9 million in the prior year. This is primarily a result of art donation increases of \$1.8 million while contributions from the National Gallery of Canada Foundation decreased by \$0.5 million.

Operating expenditures totalled \$49.9 million, compared to \$49.8 million in the same period last year. There were increases in salaries and employee benefits, freight, cartage and postage, and Contributed items for the Collection (art donations). Decreases include professional and special services, publications and printing, and a significant decrease in acquisition of items for the Collection compared to the same period of the prior fiscal year.

The Gallery recognized \$35.9 million in Parliamentary appropriations during the period, compared to \$39.4 million in the same period last year. The most significant portion of the decrease is a result of the recognition of appropriations for art acquisitions which had a \$3.7 million decrease compared to the prior fiscal year.

FINANCIAL POSITION

Cash, restricted cash, and investments totalled \$17.8 million at the end of the third quarter, compared to \$13.1 million as at March 31, 2019.

The Gallery's net assets were \$2.2 million at the end of December, 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 three 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
February 26, 2020

STATEMENT OF FINANCIAL POSITION

(in thousands of dollars)

Assets

	As at Dec 31, 2019	As at March 31, 2019
Current		
Cash and cash equivalents	\$ 5,285	\$ 4,561
Restricted cash and cash equivalents	2,337	1,433
Restricted investments	10,216	7,150
Accounts receivable	957	2,340
Inventory	750	872
Prepaid expenses	335	509
Total current assets	19,880	16,865
Deposit on items for the Collection	695	695
Collection	1	1
Capital assets	80,548	85,348
	\$ 101,124	\$ 102,909

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

Accounts payable and accrued liabilities	\$ 4,234	\$ 4,338
Accrued salaries and benefits	1,465	1,742
Deferred contributions for the purchase of objects for the Collection	4,484	1,840
Deferred contributions for the purchase of capital assets	6,168	5,136
Other deferred contributions	1,785	1,491
Total current liabilities	18,136	14,547
Employee future benefits	853	853
Deferred contributions for the amortization of capital assets	79,926	84,726
Total liabilities	98,915	100,126

Net Assets

Unrestricted	1,471	2,045
Investment in capital assets	622	622
Permanently endowed	116	116
Total net assets	2,209	2,783
	\$ 101,124	\$ 102,909

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	2019	2018
Net assets, beginning of the period	\$ 2,045	\$ 622	\$ 116	\$ 2,783	\$ 2,286
Net result of operations for the period	(574)	-	-	(574)	1,112
Net result of operations for the remainder of the year	-	-	-	-	(615)
Net assets, end of the period	\$ 1,471	\$ 622	\$ 116	\$ 2,209	\$ 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 December 31**

(in thousands of dollars)

	Unrestricted	Investment in capital assets	Permanently endowed	2019	2018
Net assets, beginning of the period	\$ 1,836	\$ 622	\$ 116	\$ 2,574	\$ 2,286
Net result of operations for the period	(365)	-	-	(365)	552
Net result of operations for the remainder of the year	-	-	-	-	(55)
Net assets, end of the period	\$ 1,471	\$ 622	\$ 116	\$ 2,209	\$ 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 Dec 31, 2019	Three months ended Dec 31, 2018	Nine months ended Dec 31, 2019	Nine months ended Dec 31, 2018
Operating revenue	\$ 1,916	\$ 2,144	\$ 8,126	\$ 7,662
Sponsorships and contributions	664	605	2,361	2,672
Contributed items for the Collection	924	1,034	3,001	1,245
Total operating revenue, sponsorships, and contributions (Schedule 1)	3,504	3,783	13,488	11,579
Expenses				
Collection				
Operations	1,813	1,745	5,780	5,457
Purchase of items for the Collection	688	1,796	2,756	6,548
Contributed items for the Collection	924	1,034	3,001	1,245
Total - Collection	3,425	4,575	11,537	13,250
Outreach	4,624	3,854	14,543	13,097
Accommodation	5,082	5,200	15,741	15,775
Administration	2,459	2,341	8,101	7,691
Total expenses (Schedule 2)	15,590	15,970	49,922	49,813
Net results before Parliamentary Appropriations	(12,086)	(12,187)	(36,434)	(38,234)
Parliamentary appropriations	11,721	12,739	35,860	39,356
Net result of operations	\$ (365)	\$ 552	\$ (574)	\$ 1,122

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

STATEMENT OF CASH FLOWS

(in thousands of dollars)

	Three months ended Dec 31, 2019	Three months ended Dec 31, 2018	Nine months ended Dec 31, 2019	Nine months ended Dec 31, 2018
Operating activities				
Cash received from clients	\$ 1,474	\$ 1,631	\$ 8,062	\$ 6,554
Parliamentary appropriations received	6,897	10,872	32,591	32,688
Cash paid to suppliers	(5,711)	(7,510)	(20,680)	(24,689)
Payments related to salary and benefits	(5,687)	(6,194)	(19,305)	(18,573)
Interest received	73	78	248	171
Total cash flow used for operating activities	(2,954)	(1,123)	916	(3,849)
Investing activities				
Acquisition of investments	(7,254)	(10,141)	(27,727)	(26,222)
Disposal of investments	7,216	10,092	24,593	28,154
Total cash flow from (used for) investing activities	(38)	(49)	(3,134)	1,932
Capital activities				
Payments related to capital acquisitions	(631)	(2,731)	(1,841)	(9,515)
Total cash flow used for capital activities	(631)	(2,731)	(1,841)	(9,515)
Financing activities				
Funding for the acquisition of capital assets	538	2,126	2,419	6,365
Restricted contributions and related investment income	946	2,938	3,268	4,124
Total cash flow from financing activities	1,484	5,064	5,687	10,489
Total cash inflows (outflows)	(2,139)	1,161	1,628	(943)
Cash and cash equivalents, beginning of the year				
Cash and cash equivalents	7,799	4,775	4,561	6,879
Restricted cash and cash equivalents	1,962	-	1,433	-
	9,761	4,775	5,994	6,879
Cash and cash equivalents, end of the year				
Cash and cash equivalents	5,285	5,936	5,285	5,936
Restricted cash and cash equivalents	2,337	-	2,337	-
	\$ 7,622	\$ 5,936	\$ 7,622	\$ 5,936

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

SELECTED NOTES TO THE UNAUDITED QUARTERLY FINANCIAL STATEMENTS
For the nine month period ended December 31, 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 nine months ended December 31

(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	6,000	2,419	-	8,419	12,004
Non-Government funding received in the period	-	-	2,555	2,555	3,237
	7,840	7,555	4,046	19,441	25,482
Amounts recognized as revenue in the period	(2,756)	-	(2,261)	(5,017)	(9,114)
Related acquisition costs	(600)	-	-	(600)	(600)
Purchase of capital assets in the period	-	(1,387)	-	(1,387)	(9,411)
Ending balance	\$ 4,484	\$ 6,168	\$ 1,785	\$ 12,437	6,357

5. PARLIAMENTARY APPROPRIATIONS

For the nine months ended December 31

(in thousands of dollars)

For operating and capital expenditures	2019	2018
Main estimates	\$ 28,960	\$ 32,539
Supplementary estimates	-	27
	28,960	32,566
Appropriations deferred for the purchase of capital assets	(2,419)	(6,004)
Appropriations restricted for the purchase of capital assets	-	-
Amortization of deferred contributions related to appropriations	5,963	5,664
	32,504	32,226
For the purchase of items for the Collection		
Main estimates	6,000	6,000
Appropriations recognized from prior years	1,840	2,058
Appropriations deferred to future years	(4,484)	(928)
	3,356	7,130
Total Parliamentary appropriations	\$ 35,860	\$ 39,356

SCHEDULE #1: OPERATING REVENUE, SPONSORSHIPS, AND CONTRIBUTIONS

(in thousands of dollars)

	Three months ended Dec 31, 2019	Three months ended Dec 31, 2018	Nine months ended Dec 31, 2019	Nine months ended Dec 31, 2018
Operating revenue:				
Boutique and publishing	\$ 634	\$ 754	\$ 2,520	\$ 2,463
Admissions	418	422	2,750	2,484
Parking	291	303	972	1,012
Memberships	219	197	738	696
Rental of public spaces	21	132	227	241
Education services	29	31	163	157
Art loans	107	47	159	156
Travelling exhibitions	37	166	254	242
Audio guides	5	4	14	14
Food services	63	20	71	21
Interest	89	65	245	163
Other	3	3	13	13
	1,916	2,144	8,126	7,662
Sponsorships and Contributions:				
Sponsorships	27	35	100	88
Contributions				
Contributed items for the Collection	924	1,034	3,001	1,245
From the National Gallery of Canada Foundation	75	62	1,477	1,992
From other individuals, corporations and foundations	562	508	784	592
	1,588	1,639	5,362	3,917
Operating revenue, sponsorships and contributions	\$ 3,504	\$ 3,783	\$ 13,488	\$ 11,579

SCHEDULE #2: EXPENSES

(in thousands of dollars)

(in thousands of dollars)	Three months ended Dec 31, 2019	Three months ended Dec 31, 2018	Nine months ended Dec 31, 2019	Nine months ended Dec 31, 2018
Salaries and employee benefits	\$ 6,089	\$ 5,714	\$ 19,028	\$ 17,996
Purchased items for the Collection	688	1,796	2,756	6,548
Contributed items for the Collection	924	1,034	3,001	1,245
Amortization of capital assets	2,063	1,950	6,188	5,850
Payments in lieu of taxes	704	820	2,386	2,461
Professional and special services	1,033	854	2,451	3,010
Insurance	37	-	485	239
Repairs and maintenance of buildings and equipment	901	852	2,964	2,853
Protection services	715	688	2,403	2,447
Utilities, materials and supplies	635	680	1,867	1,889
Freight, cartage and postage	448	214	2,030	934
Travel for public servants	75	110	341	315
Travel for non-public servants	270	71	507	220
Hospitality	57	44	125	144
Conferences, training and related travel	27	13	103	47
Publications and printing	94	239	223	608
Cost of goods sold – boutique	332	371	1,126	1,154
Advertising	149	213	910	912
Rent	119	122	414	383
Communications	42	67	162	192
Library purchases	30	39	156	180
Rentals of equipment	4	35	22	91
Fellowships	138	28	220	52
Miscellaneous	16	16	54	43
Total expenses	\$ 15,590	\$ 15,970	\$ 49,922	\$ 49,813