

NATIONAL GALLERY OF CANADA
QUARTERLY FINANCIAL STATEMENTS
For the three month period ended June 30, 2020
UNAUDITED

MANAGEMENT DISCUSSION AND ANALYSIS OF QUARTERLY FINANCIAL STATEMENTS

For the three months ended June 30, 2020

STRATEGIC DIRECTION

For the 2020–21 to 2024–25 planning period, the Board of Trustees has established the following four strategic priorities:

- Engage Our People
- Inspire Canadians Through Art
- Engage Art and Reconciliation
- Connect with Our Community

STATEMENT OF OPERATIONS

The Covid-19 pandemic has had significant impacts on the Gallery's operations and financial results for the period ending June 30, 2020. The Gallery closed to the public on March 14th 2020 and remained closed throughout the first quarter. As a result, operating revenues decreased significantly to \$0.1 million compared to the prior year's \$2.6 million, a decrease of 96%. As a result of the building closure, expected revenues from admissions, Boutique, and event rentals did not occur.

During the quarter, the Gallery implemented significant cost saving measures to respond to the financial challenges of Covid-19 and to maintain a degree of financial resiliency for the balance of fiscal 2020-2021. Operating expenditures totalled \$11.3 million during the quarter, compared to \$16.7 million in the same period last year, a decrease of 32%. The decrease is a result of the building closure as well as reduced discretionary expenditures throughout the Gallery. Notable reductions include protection services, building maintenance, transportation of art, travel, insurance, and advertising. Salaries and benefits account for the largest expenditure at \$5.6 million, compared to the prior year's \$6.2 million, a decrease of 10%.

Overall, the Gallery's net results of operations for the three month period ended June 30, 2020 reflects a surplus of \$0.5 million, compared to a \$1.3 million deficit in the same period of the prior year.

The Gallery recognized \$11.5 million in Parliamentary appropriations during the period, compared to \$12.5 million in the same period last year. The decrease is primarily a result of the recognition of appropriations for decreased art acquisitions.

FINANCIAL POSITION

Cash, restricted cash, and investments totalled \$21.0 million at the end of the first quarter, compared to \$17.9 million as at March 31, 2020.

The Gallery's net assets were \$3.8 million at the end of June, compared to \$3.3 million at year-end of the prior fiscal year. The increase is due to the net results of operations for the first quarter.

OUTLOOK

Due to the COVID-19 pandemic, the Gallery together with all national museums made the decision to close effective Saturday, March 14, 2020. The Gallery continued to assess the impacts throughout the first quarter and together with the other National Museums, communicated to the Government of Canada the significant revenue losses caused by the pandemic as well as the operational and fiscal challenges of re-opening its institution to the public. On June 18, 2020 the Minister of Canadian Heritage announced \$25.7 million in funding (\$4.8 for the National Gallery) to primarily assist National Museums to maintain essential services for the balance of the fiscal year and to assist with re-opening.

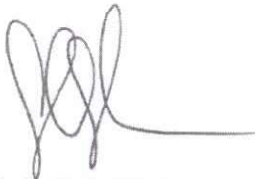
On June 26, 2020 the Gallery announced its plan to re-open on July 16, 2020 to members and to the public on July 18, 2020. The Gallery re-opened as planned with a reduced operating schedule and with appropriate protocols to provide for a safe experience for both staff and visitors.

As expected, attendance and revenues are well below normal levels. As a result, it is anticipated that there will be significant negative impacts on the Gallery's attendance and revenues for the remainder of the fiscal year and beyond. While the funding assistance by the Government of Canada has largely mitigated these impacts for the current fiscal year, the Gallery will communicate the longer-term impacts of the pandemic to the Department of Canadian Heritage and Government of Canada to ensure that the Gallery can maintain essential services beyond fiscal 2020-21.

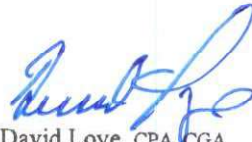
STATEMENT OF MANAGEMENT RESPONSIBILITY

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, Ph.D.
Director & CEO



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

Ottawa, Canada
August 25, 2020

STATEMENT OF FINANCIAL POSITION

(in thousands of dollars)

Assets

	As at June 30, 2020	As at March 31, 2020
Current		
Cash and cash equivalents	\$ 5,576	\$ 4,543
Restricted cash and cash equivalents	15,385	4,085
Restricted investments	-	9,312
Accounts receivable	1,982	2,472
Inventory	746	750
Prepaid expenses	132	408
Total current assets	23,821	21,570
Deposit on items for the Collection	695	695
Collection	1	1
Capital assets	77,020	78,954
	\$ 101,537	\$ 101,220

Liabilities and Net Assets

Liabilities

Current liabilities

Accounts payable and accrued liabilities	\$ 3,709	\$ 4,113
Accrued salaries and benefits	1,465	1,305
Deferred contributions for the purchase of objects for the Collection	6,190	4,896
Deferred contributions for the purchase of capital assets	7,192	6,499
Other deferred contributions	1,887	1,886
Total current liabilities	20,443	18,699
Employee future benefits	848	848
Deferred contributions for the amortization of capital assets	76,397	78,332
Total liabilities	97,688	97,879

Net Assets

Unrestricted	3,111	2,603
Investment in capital assets	622	622
Permanently endowed	116	116
Total net assets	3,849	3,341
	\$ 101,537	\$ 101,220

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	2020	2019
Net assets, beginning of the period	\$ 2,603	\$ 622	\$ 116	\$ 3,341	\$ 2,783
Net result of operations for the period	508	-	-	508	(1,263)
Net result of operations for the remainder of the year	-	-	-	-	-
Net assets, end of the period	\$ 3,111	\$ 622	\$ 116	\$ 3,849	\$ 1,520

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)

	2020	2019
Operating revenue	\$ 115	\$ 2,618
Sponsorships and contributions	102	282
Contributed items for the Collection	1	-
Total operating revenue, sponsorships, and contributions (Schedule 1)	218	2,900
Expenses		
Collection		
Operations	1,682	1,915
Purchase of items for the Collection	506	1,471
Contributed items for the Collection	1	-
Total - Collection	2,189	3,386
Outreach	2,554	5,213
Accommodation	4,432	5,377
Internal Services	2,076	2,693
Total expenses (Schedule 2)	11,251	16,669
Net results before Parliamentary Appropriations	(11,033)	(13,769)
Parliamentary appropriations	11,541	12,506
Net result of operations	\$ 508	\$ (1,263)

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

STATEMENT OF CASH FLOWS

For the three months ended June 30

(in thousands of dollars)

	2020	2019
Operating activities		
Cash received from clients	\$ 449	\$ 2,879
Parliamentary appropriations received	10,847	10,897
Cash paid to suppliers	(3,513)	(7,261)
Payments related to salary and benefits	(5,461)	(6,954)
Interest received	72	80
Total cash flow used for operating activities	2,394	(359)
Investing activities		
Acquisition of investments	-	(7,162)
Disposal of investments	9,275	7,120
Total cash flow from (used for) investing activities	9,275	(42)
Capital activities		
Payments related to capital acquisitions	(186)	(850)
Total cash flow used for capital activities	(186)	(850)
Financing activities		
Funding for the acquisition of capital assets	821	806
Restricted contributions and related investment income	29	1,009
Total cash flow from financing activities	850	1,815
Total cash inflows (outflows)	12,333	564
Cash and cash equivalents, beginning of the year		
Cash and cash equivalents	4,543	4,561
Restricted cash and cash equivalents	4,085	1,433
	8,628	5,994
Cash and cash equivalents, end of the year		
Cash and cash equivalents	5,576	4,461
Restricted cash and cash equivalents	15,385	2,097
	\$ 20,961	\$ 6,558

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, 2020

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

The Gallery collects Canadian and international art. It conducts research that contributes to the advancement of knowledge and understanding of Canadian and international art. It also preserves the national collection for present and future generations, through restoration and conservation.

Outreach

The Gallery furthers knowledge, understanding and enjoyment of the visual arts through onsite and travelling exhibitions that it produces solely or in partnership with other museums. It lends artworks from the national collection for inclusion in a wide range of special exhibitions produced by other museums in Canada and abroad. In addition, the Gallery undertakes educational initiatives that contribute to an increased understanding of the visual arts. It also develops a range of art-related content for its online and social media platforms, and produces publications, in print and digital format, that contribute to the shared knowledge of world art history.

Accommodation

The Gallery operates from its iconic building on Sussex Drive in Ottawa. It also manages two leased storage facilities in Ottawa; occupies space (about 5%) within the Ingenium Centre of the National Museum of Science and Technology; and is the custodian of the Canada Pavilion in Venice, Italy. The Gallery ensures that building operations are carried out efficiently and that sound investments are made in capital infrastructure so that facilities are secure and suitable for visitors, staff, volunteers, and contractors, as well as for the preservation and exhibition of the national collection.

Internal Services

The Gallery conducts its affairs with due regard for sound governance, effective financial and human resource management, and revenue optimization to support programs and initiatives.

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 three months ended June 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	2020	2019
Beginning balance, as at April 1	\$ 4,896	\$ 6,499	\$ 1,886	\$ 13,281	\$ 8,467
Appropriations received in the period	2,000	821	-	2,821	2,806
Non-Government funding received in the period	-	-	92	92	198
	6,896	7,320	1,978	16,194	11,471
Amounts recognized as revenue in the period	(506)	-	(91)	(597)	(1,705)
Related acquisition costs	(200)	-	-	(200)	(200)
Purchase of capital assets in the period	-	(128)	-	(128)	(396)
Ending balance	\$ 6,190	\$ 7,192	\$ 1,887	\$ 15,269	\$ 9,170

5. PARLIAMENTARY APPROPRIATIONS

For the three months ended June 30

(in thousands of dollars)

For operating and capital expenditures	2020	2019
Main estimates	\$ 9,668	\$ 9,653
Supplementary estimates	-	-
	9,668	9,653
Appropriations deferred for the purchase of capital assets	(821)	(806)
Appropriations restricted for the purchase of capital assets	-	-
Amortization of deferred contributions related to appropriations	1,988	1,988
	10,835	10,835
For the purchase of items for the Collection		
Main estimates	2,000	2,000
Appropriations recognized from prior years	4,896	1,840
Appropriations deferred to future years	(6,190)	(2,169)
	706	1,671
Total Parliamentary appropriations	\$ 11,541	\$ 12,506

SCHEDULE #1: OPERATING REVENUE, SPONSORSHIPS, AND CONTRIBUTIONS

For the three months ended June 30

(in thousands of dollars)

Operating revenue:	2020	2019
Boutique and publishing	\$ 8	\$ 876
Admissions	-	750
Parking	21	305
Memberships	50	200
Rental of public spaces	-	108
Education services	-	129
Art loans	-	3
Travelling exhibitions	-	150
Audio guides	-	6
Food services	-	8
Interest	35	77
Other	1	6
	115	2,618
Sponsorships and Contributions:		
Sponsorships	10	48
Contributions		
Contributed items for the Collection	1	-
From the National Gallery of Canada Foundation	75	75
From other individuals, corporations and foundations	17	159
	103	282
Operating revenue, sponsorships and contributions	\$ 218	\$ 2,900

SCHEDULE #2: EXPENSES

For the three months ended June 30

(in thousands of dollars)	2020	2019
Salaries and employee benefits	\$ 5,621	\$ 6,245
Purchased items for the Collection	506	1,471
Contributed items for the Collection	1	-
Amortization of capital assets	2,063	2,063
Payments in lieu of taxes	773	841
Professional and special services	598	783
Insurance	199	428
Repairs and maintenance of buildings and equipment	653	1,068
Protection services	170	795
Utilities, materials and supplies	309	661
Freight, cartage and postage	4	773
Travel for public servants	2	176
Travel for non-public servants	1	149
Hospitality	-	26
Conferences, training and related travel	-	47
Publications and printing	31	69
Cost of goods sold – boutique	4	318
Advertising	26	429
Rent	149	116
Communications	29	57
Library purchases	82	96
Rentals of equipment	20	41
Fellowships	-	-
Miscellaneous	10	17
Total expenses	\$ 11,251	\$ 16,669