

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

MANAGEMENT DISCUSSION AND ANALYSIS OF QUARTERLY FINANCIAL STATEMENTS

For the six months ended September 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

OVERVIEW

The Gallery continued to assess the impacts of the Pandemic and together with the other National Museums, communicated to the Government of Canada the significant revenue losses caused by the Pandemic together with 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. As a result of the building closure and decreased attendance since re-opening, expected revenues from operations such as admissions, parking, Boutique, and membership have decreased and others such as event rentals and educational activities have not occurred.

During the first two quarters, the Gallery implemented significant cost savings 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.

STATEMENT OF OPERATIONS

The Gallery re-opened to the public on July 18, 2020 and operating revenues as of September 30th were \$0.6 million compared to the prior year's \$6.2 million, a decrease of \$ 5.6 million or 90%. Operating expenditures totalled \$23.7 million during the first six months, compared to \$34.3 million for the same period last year, a decrease of 31%. 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, and advertising. Salaries and benefits account for the largest expenditure at \$11.3 million, compared to the prior year's \$12.9 million, a decrease of 13%. Overall, the Gallery's net results of operations for the six-month period ended September 30, 2020 reflects a surplus of \$1.4 million, compared to a \$0.2 million deficit in the same period of the prior year.

The Gallery recognized \$23.8 million in Parliamentary appropriations during the period, compared to \$24.1 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 \$24.2 million at the end of the first six months, compared to \$17.9 million as at March 31, 2020. Restricted appropriations for capital projects and art acquisitions have increased as a result of delays due to covid-19.

The Gallery's net assets were \$4.8 million at the end of September, 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 two quarters.

OUTLOOK

The Gallery re-opened on July 16, 2020 to members and to the public on July 18, 2020. The Gallery re-opened 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 together with cost reductions have 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 programming and 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
November 23rd, 2020

STATEMENT OF FINANCIAL POSITION

(in thousands of dollars)

Assets

	As at Sept 30, 2020	As at March 31, 2020
Current		
Cash and cash equivalents	\$ 7,171	\$ 4,543
Restricted cash and cash equivalents	17,013	4,085
Restricted investments	-	9,312
Accounts receivable	805	2,472
Inventory	640	750
Prepaid expenses	204	408
Total current assets	25,833	21,570
Deposit on items for the Collection	695	695
Collection	1	1
Capital assets	77,513	78,954
	\$ 104,042	\$ 101,220

Liabilities and Net Assets

Liabilities

Current liabilities

Accounts payable and accrued liabilities	\$ 3,399	\$ 4,113
Accrued salaries and benefits	1,241	1,305
Deferred contributions for the purchase of objects for the Collection	7,485	4,896
Deferred contributions for the purchase of capital assets	7,519	6,499
Other deferred contributions	1,893	1,886
Total current liabilities	21,537	18,699
Employee future benefits	848	848
Deferred contributions for the amortization of capital assets	76,891	78,332
Total liabilities	99,276	97,879

Net Assets

Unrestricted	4,028	2,603
Investment in capital assets	622	622
Permanently endowed	116	116
Total net assets	4,766	3,341
	\$ 104,042	\$ 101,220

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	2020	2019
Net assets, beginning of the period	\$ 2,603	622	\$ 116	\$ 3,341	\$ 2,783
Net result of operations for the period	1,425	-	-	1,425	(209)
Net result of operations for the remainder of the year	-	-	-	-	767
Net assets, end of the period	\$ 4,028	\$ 622	\$ 116	\$ 4,766	\$ 3,341

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, 2020	Three months ended Sept 30, 2019	Six months ended Sept 30, 2020	Six months ended Sept 30, 2019
Operating revenue	\$ 512	\$ 3,592	\$ 627	\$ 6,210
Sponsorships and contributions	627	1,415	729	1,697
Contributed items for the Collection	-	2,077	1	2,077
Total operating revenue, sponsorships, and contributions (Schedule 1)	1,139	7,084	1,357	9,984
Expenses				
Collection				
Operations	1,566	2,052	3,248	3,967
Purchase of items for the Collection	505	597	1,011	2,068
Contributed items for the Collection	-	2,077	1	2,077
Total - Collection	2,071	4,726	4,260	8,112
Outreach	2,781	4,706	5,335	9,919
Accommodation	5,177	5,282	9,609	10,659
Internal Services	2,419	2,949	4,495	5,642
Total expenses (Schedule 2)	12,448	17,663	23,699	34,332
Net results before Parliamentary Appropriations	(11,309)	(10,579)	(22,342)	(24,348)
Parliamentary appropriations	12,226	11,633	23,767	24,139
Net result of operations	\$ 917	\$ 1,054	\$ 1,425	\$ (209)

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, 2020	Three months ended Sept 30, 2019	Six months ended Sept 30, 2020	Six months ended Sept 30, 2019
Operating activities				
Cash received from clients	\$ 266	\$ 3,709	\$ 715	\$ 6,588
Parliamentary appropriations received	11,534	14,797	22,381	25,694
Cash paid to suppliers	(5,033)	(7,708)	(8,546)	(14,969)
Payments related to salary and benefits	(5,857)	(6,664)	(11,318)	(13,618)
Interest received	15	95	87	175
Total cash flow used for operating activities	925	4,229	3,319	3,870
Investing activities				
Acquisition of investments	-	(13,311)	-	(20,473)
Disposal of investments	-	10,257	9,275	17,377
Total cash flow from (used for) investing activities	-	(3,054)	9,275	(3,096)
Capital activities				
Payments related to capital acquisitions	(494)	(360)	(680)	(1,210)
Total cash flow used for capital activities	(494)	(360)	(680)	(1,210)
Financing activities				
Funding for the acquisition of capital assets	821	1,075	1,642	1,881
Restricted contributions and related investment income	1,971	1,313	2,000	2,322
Total cash flow from financing activities	2,792	2,388	3,642	4,203
Total cash inflows (outflows)	3,223	3,203	15,556	3,767
Cash and cash equivalents, beginning of the year				
Cash and cash equivalents	5,576	4,461	4,543	4,561
Restricted cash and cash equivalents	15,385	2,097	4,085	1,433
	20,961	6,558	8,628	5,994
Cash and cash equivalents, end of the year				
Cash and cash equivalents	7,174	7,799	7,171	7,799
Restricted cash and cash equivalents	17,010	1,962	17,013	1,962
	\$ 24,184	\$ 9,761	\$ 24,184	\$ 9,761

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, 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 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	2020	2019
Beginning balance, as at April 1	\$ 4,896	\$ 6,499	\$ 1,886	\$ 13,281	\$ 8,467
Appropriations received in the period	4,000	1,642	-	5,642	6,881
Non-Government funding received in the period	-	-	716	716	1,561
	8,896	8,141	2,602	19,639	16,909
Amounts recognized as revenue in the period	(1,011)	-	(709)	(1,720)	(3,692)
Related acquisition costs	(400)	-	-	(400)	(400)
Purchase of capital assets in the period	-	(622)	-	(622)	(755)
Ending balance	\$ 7,485	\$ 7,519	\$ 1,893	\$ 16,897	\$ 12,062

5. PARLIAMENTARY APPROPRIATIONS

For the six months ended September 30

(in thousands of dollars)

For operating and capital expenditures	2020	2019
Main estimates	\$ 15,214	\$ 19,576
Supplementary estimates	4,809	-
	20,023	19,576
Appropriations deferred for the purchase of capital assets	(1,642)	(1,881)
Appropriations restricted for the purchase of capital assets	-	-
Amortization of deferred contributions related to appropriations	3,975	3,976
	22,356	21,671
For the purchase of items for the Collection		
Main estimates	4,000	5,000
Appropriations recognized from prior years	4,896	1,840
Appropriations deferred to future years	(7,485)	(4,372)
	1,411	2,468
Total Parliamentary appropriations	\$ 23,767	\$ 24,139

SCHEDULE #1: OPERATING REVENUE, SPONSORSHIPS, AND CONTRIBUTIONS

(in thousands of dollars)

	Three months ended Sept 30, 2020	Three months ended Sept 30, 2019	Six months ended Sept 30, 2020	Six months ended Sept 30, 2019
Operating revenue:				
Boutique and publishing	\$ 265	\$ 1,010	\$ 273	\$ 1,886
Admissions	31	1,582	31	2,332
Parking	101	376	122	681
Memberships	26	319	76	519
Rental of public spaces	-	98	-	206
Education services	-	5	-	134
Art loans	3	49	3	52
Travelling exhibitions	44	67	44	217
Audio guides	-	3	-	9
Food services	-	-	-	8
Interest	15	79	50	156
Other	27	4	28	10
	512	3,592	627	6,210
Sponsorships and Contributions:				
Sponsorships	10	25	20	73
Contributions				
Contributed items for the Collection	-	2,077	1	2,077
From the National Gallery of Canada Foundation	603	1,327	678	1,402
From other individuals, corporations and foundations	14	63	31	222
	627	3,492	730	3,774
Operating revenue, sponsorships and contributions	\$ 1,139	\$ 7,084	\$ 1,357	\$ 9,984

SCHEDULE #2: EXPENSES

(in thousands of dollars)

(in thousands of dollars)	Three months ended Sept 30, 2020	Three months ended Sept 30, 2019	Six months ended Sept 30, 2020	Six months ended Sept 30, 2019
Salaries and employee benefits	\$ 5,633	\$ 6,694	\$ 11,254	\$ 12,939
Purchased items for the Collection	505	597	1,011	2,068
Contributed items for the Collection	-	2,077	1	2,077
Amortization of capital assets	2,062	2,062	4,125	4,125
Payments in lieu of taxes	786	841	1,559	1,682
Professional and special services	709	635	1,307	1,418
Insurance	32	20	231	448
Repairs and maintenance of buildings and equipment	889	995	1,542	2,063
Protection services	524	893	694	1,688
Utilities, materials and supplies	645	571	954	1,232
Freight, cartage and postage	176	809	180	1,582
Travel for public servants	26	90	28	266
Travel for non-public servants	4	88	5	237
Hospitality	-	42	-	68
Conferences, training and related travel	2	29	2	76
Publications and printing	43	60	74	129
Cost of goods sold – boutique	175	476	179	794
Advertising	-	332	26	761
Rent	144	179	293	295
Communications	47	63	76	120
Library purchases	14	30	96	126
Rentals of equipment	20	41	40	82
Fellowships	-	18	-	18
Miscellaneous	12	21	22	38
Total expenses	\$ 12,448	\$ 17,663	\$ 23,699	\$ 34,332