

**NATIONAL GALLERY OF CANADA**  
**QUARTERLY FINANCIAL STATEMENTS**  
**For the nine-month period ended December 31, 2020**  
**UNAUDITED**

## **MANAGEMENT DISCUSSION AND ANALYSIS OF QUARTERLY FINANCIAL STATEMENTS**

### **For the nine-month period ended December 31, 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 be significantly impacted by the COVID-19 Pandemic with results showing major decreases to operating revenues and expenditures. The Gallery closed to the public on March 13, 2020 and during this initial closure, the Gallery together with the other National Museums, communicated to the Government of Canada the significant revenue losses 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 closures and decreased attendance since the initial re-opening, expected revenues from operations such as admissions, parking, Boutique, and membership have significantly decreased and others such as event rentals and educational activities have not occurred. In addition, during the first three quarters, the Gallery realized cost reductions from the building closure and from measures to respond to the financial challenges of Covid-19. These measures are to maintain a degree of financial resiliency as the financial impacts from COVID-19 are not expected to be short term.

#### **STATEMENT OF OPERATIONS**

The Gallery initially re-opened to the public on July 18, 2020 and closed again on December 23, 2020 in adherence to Provincial Health guidelines which resulted in a lockdown, effective December 26, 2020. Operating revenues as of December 31<sup>st</sup> were \$1.3 million compared to the prior year's \$8.1 million, a decrease of \$ 6.8 million or 84%. Operating expenditures totalled \$36.8 million during the first nine months, compared to \$49.9 million for the same period last year, a decrease of 26%. The decrease is a result of the building closure as well as reduced discretionary expenditures throughout the Gallery. Notable reductions include protection services, transportation of art, travel, cost of goods sold, and advertising. Salaries and benefits account for the largest expenditure at \$16.9 million, compared to the prior year's \$19.0 million, a decrease of 11%. Overall, the Gallery's net results of operations for the nine-month period ended December 31, 2020 reflects a surplus of \$3.3 million, compared to a \$0.6 million deficit in the same period of the prior year.

The Gallery recognized \$37.7 million in Parliamentary appropriations during the period, compared to \$35.9 million in the same period last year. The increase is primarily a result of the supplementary appropriations received to maintain essential services and assist the Gallery with its re-opening efforts for the balance of the fiscal year.

#### **FINANCIAL POSITION**

Cash, restricted cash, and investments totalled \$28.4 million at the end of the first nine 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 \$6.6 million at the end of December, 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 three quarters.

## **OUTLOOK**

The Gallery initially 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. Towards the end of the year the Province of Ontario announced new measures as a result of rising COVID-19 cases including a lockdown effective December 26, 2020. As a result, the Gallery closed to the public for the second time this year, effective December 23, 2020. The Provincial lockdown for the Ottawa Region was lifted on February 16, 2021 and the Gallery re-opened for the second time this fiscal year on February 18, 2021.

As expected, the impact of COVID-19 on attendance and revenues produces results that are well below normal levels and are expected to remain well below normal levels for several years. 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.

## STATEMENT OF MANAGEMENT RESPONSIBILITY

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada's Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports, and for such internal controls as management determines is 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 corporation, 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  
March 1, 2021

**STATEMENT OF FINANCIAL POSITION**

(in thousands of dollars)

**Assets**

	As at Dec 31, 2020	As at March 31, 2020
Current		
Cash and cash equivalents	\$ 10,514	\$ 4,543
Restricted cash and cash equivalents	4,893	4,085
Restricted investments	13,019	9,312
Accounts receivable	893	2,472
Inventory	539	750
Prepaid expenses	235	408
Total current assets	30,093	21,570
Deposit on items for the Collection	-	695
Collection	1	1
Capital assets	74,266	78,954
	\$ 104,360	\$ 101,220

**Liabilities and Net Assets**

## Liabilities

## Current liabilities

Accounts payable and accrued liabilities	\$ 3,834	\$ 4,113
Accrued salaries and benefits	1,635	1,305
Deferred contributions for the purchase of objects for the Collection	8,440	4,896
Deferred contributions for the purchase of capital assets	7,463	6,499
Other deferred contributions	1,893	1,886
Total current liabilities	23,265	18,699
Employee future benefits	848	848
Deferred contributions for the amortization of capital assets	73,644	78,332
Total liabilities	97,757	97,879

## Net Assets

Unrestricted	5,865	2,603
Investment in capital assets	622	622
Permanently endowed	116	116
Total net assets	6,603	3,341
	\$ 104,360	\$ 101,220

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	2020	2019
Net assets, beginning of the period	\$ 2,603	622	\$ 116	\$ 3,341	\$ 2,783
Net result of operations for the period	3,262	-	-	3,262	(574)
Net result of operations for the remainder of the year	-	-	-	-	1,132
<b>Net assets, end of the period</b>	<b>\$ 5,865</b>	<b>\$ 622</b>	<b>\$ 116</b>	<b>\$ 6,603</b>	<b>\$ 3,341</b>

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, 2020	Three months ended Dec 31, 2019	Nine months ended Dec 31, 2020	Nine months ended Dec 31, 2019
Operating revenue	\$ 670	\$ 1,916	\$ 1,297	\$ 8,126
Sponsorships and contributions	318	664	1,047	2,361
Contributed items for the Collection	-	924	1	3,001
Total operating revenue, sponsorships, and contributions (Schedule 1)	988	3,504	2,345	13,488
Expenses				
Collection				
Operations	1,619	1,813	4,867	5,780
Purchase of items for the Collection	845	688	1,856	2,756
Contributed items for the Collection	-	924	1	3,001
Total - Collection	2,464	3,425	6,724	11,537
Outreach	2,954	4,624	8,289	14,543
Accommodation	5,287	5,082	14,896	15,741
Internal Services	2,388	2,459	6,883	8,101
Total expenses (Schedule 2)	13,093	15,590	36,792	49,922
Net results before Parliamentary Appropriations	(12,105)	(12,086)	(34,447)	(36,434)
Parliamentary appropriations	13,942	11,721	37,709	35,860
Net result of operations	\$ 1,837	\$ (365)	\$ 3,262	\$ (574)

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

## STATEMENT OF CASH FLOWS

For the nine months ended December 31

(in thousands of dollars)

Operating activities	2020	2019
Cash received from clients	\$ 1,346	\$ 8,062
Parliamentary appropriations received	35,290	32,591
Cash paid to suppliers	(12,827)	(20,680)
Payments related to salary and benefits	(16,550)	(19,305)
Interest received	98	248
Total cash flow used for operating activities	7,357	916
Investing activities		
Acquisition of investments	(13,000)	(27,727)
Disposal of investments	9,275	24,593
Total cash flow from (used for) investing activities	(3,725)	(3,134)
Capital activities		
Payments related to capital acquisitions	(1,558)	(1,841)
Total cash flow used for capital activities	(1,558)	(1,841)
Financing activities		
Funding for the acquisition of capital assets	2,464	2,419
Restricted contributions and related investment income	2,241	3,268
Total cash flow from financing activities	4,705	5,687
Total cash inflows (outflows)	6,779	1,628
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	10,514	5,285
Restricted cash and cash equivalents	4,893	2,337
	\$ 15,407	\$ 7,622

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, 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 1<sup>st</sup>, 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. Accounting policies and methods of computation in these quarterly statements are consistent with those of the annual financial statements. The Gallery applies the deferral method of accounting for contributions for government not-for-profit organizations.



#### 4. TOTAL APPROPRIATIONS AUTHORIZED BY PARLIAMENT

For the fiscal year ended March 31

(in thousands of dollars)

<b>For operating and capital expenditures</b>		<b>2021</b>		2020
Main estimates	\$	<b>38,674</b>	\$	38,614
Supplementary estimates		<b>4,809</b>		557
		<b>43,483</b>		39,171
<b>For the purchase of items for the Collection</b>		<b>8,000</b>		8,000
Total appropriations authorized by Parliament	\$	<b>51,483</b>	\$	47,171

#### 5. PARLIAMENTARY APPROPRIATIONS RECOGNIZED AS REVENUE

(in thousands of dollars)

		Three months ended Dec 31, 2020		Three months ended Dec 31, 2019		Nine months ended Dec 31, 2020		Nine months ended Dec 31, 2019
<b>For operating and capital expenditures</b>								
Main estimates received	\$	11,731	\$	9,384	\$	<b>26,945</b>	\$	28,960
Supplementary estimates received		-		-		<b>4,809</b>		-
		11,731		9,384		<b>31,754</b>		28,960
Appropriations deferred for the purchase of capital assets		(822)		(538)		<b>(2,464)</b>		(2,419)
Amortization of deferred contributions related to appropriations		1,988		1,987		<b>5,963</b>		5,963
		12,897		10,833		<b>35,253</b>		32,504
<b>For the purchase of items for the Collection</b>								
Main estimates received		2,000		1,000		<b>6,000</b>		6,000
Appropriations from prior periods		7,485		4,372		<b>4,896</b>		1,840
Appropriations deferred to future periods		(8,440)		(4,484)		<b>(8,440)</b>		(4,484)
		1,045		888		<b>2,456</b>		3,356
Total Parliamentary appropriations recognized as revenue	\$	13,942	\$	11,721	\$	<b>37,709</b>	\$	35,860

## 6. DEFERRED CONTRIBUTIONS

For the nine months ended December 31

(in thousands of dollars)	Deferred appropriations for the purchase of objects for the Collection	Deferred appropriations for the purchase of capital assets	Other deferred contributions	<b>2020</b>	2019
Beginning balance, as at April 1	\$ 4,896	\$ 6,499	\$ 1,886	<b>\$ 13,281</b>	8,467
Appropriations received in the period	6,000	2,464	-	<b>8,464</b>	8,419
Non-Government funding received in the period	-	-	1,020	<b>1,020</b>	2,555
	10,896	8,963	2,906	<b>22,765</b>	19,441
Amounts recognized as revenue in the period	(1,856)	-	(1,013)	<b>(2,869)</b>	(5,017)
Related acquisition costs	(600)	-	-	<b>(600)</b>	(600)
Purchase of capital assets in the period	-	(1,500)	-	<b>(1,500)</b>	(1,387)
<b>Ending balance</b>	<b>\$ 8,440</b>	<b>\$ 7,463</b>	<b>\$ 1,893</b>	<b>\$ 17,796</b>	12,437

## 7. DEFERRED CONTRIBUTIONS FOR THE AMORTIZATION OF CAPITAL ASSETS

These amounts represent the unamortized portion of Parliamentary appropriations and donations used to purchase depreciable capital assets.

(in thousands of dollars)	Three months ended Dec 31, 2020	Three months ended Dec 31, 2019	<b>Nine months ended Dec 31, 2020</b>	Nine months ended Dec 31, 2019
Balance, beginning of period	\$ 74,830	\$ 81,004	<b>\$ 78,332</b>	84,726
Acquisition of capital assets	877	984	<b>1,500</b>	1,387
Amortization of capital assets	(2,063)	(2,063)	<b>(6,188)</b>	(6,188)
Balance, end of period	<b>\$ 73,644</b>	<b>\$ 79,925</b>	<b>\$ 73,644</b>	79,925

**SCHEDULE #1: OPERATING REVENUE, SPONSORSHIPS, AND CONTRIBUTIONS**

For the nine months ended December 31

(in thousands of dollars)

<b>Operating revenue:</b>	<b>2020</b>	<b>2019</b>
Boutique and publishing	\$ 651	\$ 2,520
Admissions	101	2,750
Parking	214	972
Memberships	196	738
Rental of public spaces	-	227
Education services	1	163
Art loans	3	159
Travelling exhibitions	44	254
Audio guides	-	14
Food services	-	71
Interest	80	245
Other	7	13
	<b>1,297</b>	<b>8,126</b>
<b>Sponsorships and Contributions:</b>		
Sponsorships	35	100
Contributions		
Contributed items for the Collection	1	3,001
From the National Gallery of Canada Foundation	753	1,477
From other individuals, corporations and foundations	259	784
	<b>1,048</b>	<b>5,362</b>
<b>Operating revenue, sponsorships and contributions</b>	<b>\$ 2,345</b>	<b>\$ 13,488</b>

**SCHEDULE #2: EXPENSES**

For the nine months ended December 31

(in thousands of dollars)	2020	2019
Salaries and employee benefits	\$ 16,880	\$ 19,028
Purchased items for the Collection	1,856	2,756
Contributed items for the Collection	1	3,001
Amortization of capital assets	6,188	6,188
Payments in lieu of taxes	2,301	2,386
Professional and special services	2,064	2,451
Insurance	272	485
Repairs and maintenance of buildings and equipment	2,592	2,964
Protection services	1,191	2,403
Utilities, materials and supplies	1,460	1,867
Freight, cartage and postage	274	2,030
Travel for public servants	29	341
Travel for non-public servants	6	507
Hospitality	2	125
Conferences, training and related travel	11	103
Publications and printing	426	223
Cost of goods sold – boutique	340	1,126
Advertising	112	910
Rent	437	414
Communications	117	162
Library purchases	132	156
Rentals of equipment	71	220
Fellowships	-	22
Miscellaneous	30	54
<b>Total expenses</b>	<b>\$ 36,792</b>	<b>\$ 49,922</b>