

NATIONAL GALLERY OF CANADA
QUARTERLY FINANCIAL STATEMENTS
For the six-month period ended September 30, 2021
UNAUDITED

MANAGEMENT DISCUSSION AND ANALYSIS OF QUARTERLY FINANCIAL STATEMENTS

For the six-month period ended September 30, 2021

STRATEGIC DIRECTION

For the 2021–22 to 2025–26 planning period, the Gallery will focus on five strategic pillars through which it plans to deliver its mandate and realize its mission:

- Strengthen Community Connections Through Transformative Art Experiences
- Build a Collection and Program That Inspire Human Connection
- Empower, Support and Build a Diverse and Collaborative Team
- Centre Indigenous Ways of Knowing and Being
- Invest in Operational Resilience and Sustainability

OVERVIEW

The Gallery re-opened to the public on July 16, 2021 with its special exhibition *Rembrandt in Amsterdam: Creativity and Competition*. Since the start of the pandemic, the Gallery has implemented a range of health and safety measures to combat COVID-19, including reduced capacity, time-based ticketing, mandatory face masks, enhanced cleaning and hand washing stations.

STATEMENT OF OPERATIONS

The Gallery earned \$2.2 million in operating revenue during the six-month period. Attendance-driven revenues fared well compared to projections upon re-opening, such as admission fees, boutique sales, parking revenues, and memberships. Sponsorships and contributions totaled \$1.0 million, and the Gallery accepted donated works of art valued at \$5.6 million.

Operating expenses totaled \$35.0 million during the first half of year, an increase of \$11.2 million over the prior year. The majority of that increase, \$9.1 million, relates to the acquisition of works of art for the collection. Other significant variances include shipping, insurance, and advertising costs related to the special exhibition, and an increase of \$0.3 million to salaries and benefits for employees, which continues to be the Gallery's largest single expenditure at \$11.6 million.

The Gallery recognized \$27.2 million in Parliamentary appropriations during the period. The increase of \$3.4 million over the same period last year is almost entirely the result of the recognition of appropriations for purchased works of art. The Gallery posted an operating surplus of \$1.0 million for the first half of the year, compared to a \$1.4 million surplus over the same period last year.

FINANCIAL POSITION

Cash and investments totalled \$33.5 million at the end of September, compared to \$29.5 million as at March 31, 2021. Of this total, \$20.1 million is for restricted purposes.

The Gallery's total net assets were \$8.5 million at the end of September, compared to \$7.4 million at March 31st of the prior fiscal year. The increase is due to the net results of operations for the first two quarters.

OUTLOOK

Following the closure of the summer special exhibition *Rembrandt in Amsterdam: Creativity and Competition* on September 6, 2021, attendance for the fall season has decreased as expected. Revenues have slightly exceeded pandemic adjusted projections but are still well below pre-pandemic levels. The Gallery hopes to continue to remain open and serve its community with the upcoming opening of *Canada and Impressionism: New Horizons* planned for January 2022.

It is anticipated that effects of the pandemic will continue to have a significant negative impact on the Gallery's 2021–22 attendance and operating revenues. Given the ongoing impact on the tourism sector, the Gallery is not projecting a full return to pre-pandemic attendance or revenue levels until 2025–26.

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 and CEO



Mike Testa, CPA, CMA
Chief Financial Officer

Ottawa, Canada
November 26, 2021

STATEMENT OF FINANCIAL POSITION

(in thousands of dollars)

Assets

	As at Sept 30, 2021	As at March 31, 2021
Current		
Cash and cash equivalents	\$ 7,448	\$ 6,457
Investment	5,952	2,306
Restricted investments	20,080	20,736
Accounts receivable	339	4,286
Inventory	478	561
Prepaid expenses	189	537
Total Current Assets	34,486	34,883
Collection	1	1
Capital Assets	69,510	73,061
	\$ 103,997	\$ 107,945

Liabilities and Net Assets

Liabilities

Current Liabilities

Accounts payable and accrued liabilities	\$ 3,116	\$ 3,858
Accrued salaries and benefits	2,832	2,876
Deferred contributions for the purchase of objects for the Collection	8,183	9,112
Deferred contributions for the purchase of capital assets	9,615	9,604
Other deferred contributions	2,166	1,904
Total Current Liabilities	25,912	27,354
Employee future benefits	731	731
Deferred contributions for the amortization of capital assets	68,888	72,439
Total Liabilities	95,531	100,524

Net Assets

Unrestricted	7,728	6,683
Investment in capital assets	622	622
Permanently endowed	116	116
Total Net Assets	8,466	7,421
	\$ 103,997	\$ 107,945

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	2021	2020
Net assets, beginning of the period	\$ 6,683	\$ 622	\$ 116	\$ 7,421	3,341
Net result of operations for the period	1,045	-	-	1,045	1,425
Net result of operations for the remainder of the year	-	-	-	-	2,655
Net assets, end of the period	\$ 7,728	\$ 622	\$ 116	\$ 8,466	7,421

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, 2021	Three months ended Sept 30, 2020	Six months ended Sept 30, 2021	Six months ended Sept 30, 2020
Revenues				
Operating revenue	\$ 1,901	\$ 512	\$ 2,167	\$ 627
Sponsorships and contributions	951	627	1,037	729
Contributed items for the Collection	-	-	5,557	1
Total operating revenue, sponsorships, and contributions (Schedule 1)	2,852	1,139	8,761	1,357
Expenses				
Collection				
Operations	1,800	1,566	3,476	3,248
Purchase of items for the Collection	2,976	505	4,529	1,011
Contributed items for the Collection	-	-	5,557	1
Total - Collection	4,776	2,071	13,562	4,260
Outreach	3,143	2,781	6,478	5,335
Accommodation	5,308	5,177	9,915	9,609
Internal Services	2,541	2,419	4,958	4,495
Total expenses (Schedule 2)	15,768	12,448	34,913	23,699
Net results before Parliamentary Appropriations	(12,916)	(11,309)	(26,152)	(22,342)
Parliamentary Appropriations	14,310	12,226	27,197	23,767
Net Result of Operations	\$ 1,394	\$ 917	\$ 1,045	\$ 1,425

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

STATEMENT OF CASH FLOWS

(in thousands of dollars)

	Six months ended Sept 30, 2021	Six months ended Sept 30, 2020
Operating activities		
Cash received from clients	\$ 1,915	\$ 715
Parliamentary appropriations received	25,330	22,381
Cash paid to suppliers	(13,116)	(8,546)
Payments related to salary and benefits	(11,638)	(11,318)
Interest received	88	87
Total cash flow used for operating activities	2,579	3,319
Investing activities		
Acquisition of investments	(35,003)	-
Disposal of investments	32,003	9,275
Total cash flow from (used for) investing activities	(3,000)	9,275
Capital activities		
Payments related to capital acquisitions	(792)	(680)
Total cash flow used for capital activities	(792)	(680)
Financing activities		
Funding for the acquisition of capital assets	500	1,642
Restricted contributions and related investment income	1,704	2,000
Total cash flow from financing activities	2,204	3,642
Total cash inflows (outflows)	991	15,556
Cash and cash equivalents, beginning of the year		
Cash and cash equivalents	6,457	4,543
Restricted cash and cash equivalents	-	4,085
	6,457	8,628
Cash and cash equivalents, end of the year		
Cash and cash equivalents	7,448	7,171
Restricted cash and cash equivalents	-	17,013
	\$ 7,448	\$ 24,184

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, 2021

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 its 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, which it produces alone, or in partnership with other museums. It lends works of art from the national collection for inclusion in a wide range of special exhibitions produced by other museums in Canada and abroad. It undertakes educational initiatives that contribute to an increased understanding of the visual arts – including tours, lectures, audio and print guides, videos, workshops, in-gallery activities for families, educational programs for children, resources for teachers, and special exhibition-related programming. The Gallery develops a range of art-related content for its website and social media platforms, and produces exhibition catalogues and publications, in print and digital format, contributing to the shared knowledge of art history.

Accommodation

The Gallery operates from its flagship building on Sussex Drive in Ottawa, manages two leased storage facilities and the Canada Pavilion in Venice, Italy, and occupies space in the Ingenium Centre of the National Museum of Science and Technology Corporation. It 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 maintains and ensures sound governance, effective financial and human resource management, and revenue optimization, in support of its 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)

For operating and capital expenditures	2022	2021
Main estimates	\$ 37,757	\$ 38,674
Supplementary estimates	6,200	4,809
	43,957	43,483
For the purchase of items for the Collection	8,000	8,000
Total appropriations authorized by Parliament	\$ 51,957	\$ 51,483

5. PARLIAMENTARY APPROPRIATIONS RECOGNIZED AS REVENUE

(in thousands of dollars)

	Three months ended Sept 30, 2021	Three months ended Sept 30, 2020	Six months ended Sept 30, 2021	Six months ended Sept 30, 2020
For operating and capital expenditures				
Main estimates	\$ 9,439	\$ 5,546	\$ 18,878	\$ 15,214
Supplementary estimates	-	4,809	-	4,809
	9,439	10,355	18,878	20,023
Appropriations deferred for the purchase of capital assets	(250)	(821)	(500)	(1,642)
Appropriations restricted for the purchase of capital assets	-	-	-	-
Amortization of deferred contributions related to appropriations	1,945	1,987	3,890	3,975
	11,134	11,521	22,268	22,356
For the purchase of items for the Collection				
Main estimates	2,000	2,000	4,000	4,000
Appropriations recognized from prior years	9,359	6,190	9,112	4,896
Appropriations deferred to future years	(8,183)	(7,485)	(8,183)	(7,485)
	3,176	705	4,929	1,411
Total Parliamentary appropriations	\$ 14,310	\$ 12,226	\$ 27,197	\$ 23,767

6. 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	2021	2020
Beginning balance, as at April 1	\$ 9,112	\$ 9,604	\$ 1,904	\$ 20,620	13,281
Appropriations received in the period	4,000	500	-	4,500	5,642
Non-Government funding received in the period	-	-	1,246	1,246	716
	13,112	10,104	3,150	26,366	19,639
Amounts recognized as revenue in the period	(4,529)	-	(984)	(5,513)	(1,720)
Related acquisition costs	(400)	-	-	(400)	(400)
Purchase of capital assets in the period	-	(489)	-	(489)	(622)
Ending balance	\$ 8,183	\$ 9,615	\$ 2,166	\$ 19,964	16,897

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 Sept 30, 2021	Three months ended Sept 30, 2020	Six months ended Sept 30, 2021	Six months ended Sept 30, 2020
Balance, beginning of period	\$ 70,576	\$ 76,397	\$ 72,439	\$ 78,332
Acquisition of capital assets	332	494	489	622
Amortization of capital assets	(2,020)	(2,062)	(4,040)	(4,125)
Balance, end of period	\$ 68,888	\$ 74,829	\$ 68,888	\$ 74,829

SCHEDULE #1: OPERATING REVENUE, SPONSORSHIPS, AND CONTRIBUTIONS

(in thousands of dollars)

		Six months ended Sept 30, 2021	Six months ended Sept 30, 2020
Operating Revenue:			
Boutique and publishing	\$	615	\$ 273
Admissions		886	31
Parking		284	122
Memberships		211	76
Rental of public spaces		-	-
Education services		-	-
Art loans		13	3
Travelling exhibitions		37	44
Food services		4	-
Interest		78	50
Other		39	28
		2,167	627
Sponsorships and Contributions:			
Sponsorships		54	20
Contributions			
Contributed items for the Collection		5,557	1
From the National Gallery of Canada Foundation		329	678
From other individuals, corporations and foundations		654	31
		6,594	730
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Operating revenue, sponsorships and contributions	\$	8,761	\$ 1,357

SCHEDULE #2: EXPENSES

(in thousands of dollars)

(in thousands of dollars)		Six months ended Sept 30, 2021	Six months ended Sept 30, 2020
Salaries and employee benefits	\$	11,594	\$ 11,254
Purchased items for the Collection		4,529	1,011
Contributed items for the Collection		5,557	1
Amortization of capital assets		4,040	4,125
Payments in lieu of taxes		1,602	1,559
Professional and special services		1,515	1,307
Insurance		427	231
Repairs and maintenance of buildings and equipment		1,825	1,542
Protection services		868	694
Utilities, materials and supplies		880	954
Freight, cartage and postage		842	180
Travel for public servants		11	28
Travel for non-public servants		22	5
Hospitality		2	-
Conferences, training and related travel		16	2
Publications and printing		138	74
Cost of goods sold – boutique		266	179
Advertising		239	26
Rent		289	293
Communications		80	76
Library purchases		98	96
Rentals of equipment		33	40
Fellowships		25	-
Miscellaneous		15	22
Total expenses	\$	34,913	\$ 23,699