

NATIONAL GALLERY OF CANADA

QUARTERLY FINANCIAL STATEMENTS

For the nine-month period ended December 31, 2021

UNAUDITED

MANAGEMENT DISCUSSION AND ANALYSIS OF QUARTERLY FINANCIAL STATEMENTS

For the nine-month period ended December 31, 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 continues to be greatly affected by the COVID-19 pandemic but was able to remain open to the public for the entirety of the September to December third quarter. The Gallery continued to build off the summer success through the fall and holiday season. Attendance driven revenues have exceeded projections, however other business activities such as event rentals have still not yet returned. All health and safety measures such as reduced capacity, time-based ticketing, mandatory face masks, and vaccination screening still remain in place.

STATEMENT OF OPERATIONS

The Gallery posted an operating surplus of \$1.1 million during the first nine months, a \$2.2 million reduction compared to the same period of the prior fiscal year.

The Gallery earned \$3.5 million in operating revenue compared to \$1.3 million during the same period last year with increases in attendance-driven revenues including admissions, Boutique sales, parking, and memberships. Sponsorships and contributions totaled \$8.5 million, of which \$7.0 million relates to items donated to the Collection.

Operating expenses totaled \$50.7 million during the nine-month period, compared to \$36.8 million in the same period last year. \$11.0 million of this variance relates specifically to acquisition of items for the Collection. Outside of collecting activities the Gallery had modest increases to most expense lines as activity began to slowly return to normal and associated costs with its major summer exhibition *Rembrandt in Amsterdam: Creativity and Competition*.

The Gallery recognized \$39.8 million in Parliamentary appropriations during the period, compared to \$37.7 million in the same period last year. Operating appropriations were \$1.9 million higher last year, primarily due to emergency supplementary funding provided by the Government of Canada to assist with the impacts of the pandemic. Appropriations for the purchase of items for the Collection increased by \$4.0 million in the current year due to increased collecting activity.

FINANCIAL POSITION

Cash and investments totalled \$33.4 million at the end of December. Of this total, \$20.6 million is for restricted purposes including art purchases, capital purchases, and other specific restrictions through donations.

The Gallery's unrestricted net assets were \$7.8 million at the end of December.

OUTLOOK

The Gallery continues to following all COVID-related public health measures and directives in issues by Ottawa Public Health, the Province of Ontario, and the Public Health Agency of Canada. As such, the Gallery closed to the public for the third time in two years on January 3, 2022.

Re-opening plans and the Gallery's next major exhibition *Canada and Impressionism: New Horizons*, which has already been previously postponed due to the pandemic was further delayed at the beginning of February as a result of the "Freedom Convoy" demonstrations in downtown Ottawa.

Federal Budget 2021 confirmed relief funding to support the national museums for the impacts of the COVID-19 pandemic, the Gallery expects to receive \$6.2 million in February 2022 and this funding will alleviate some of the financial pressures as a result of reduced attendance and revenues.

It is anticipated that the ongoing effects of the pandemic will continue to have a significant negative impact on the Gallery's 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 the 2025–26 fiscal year.

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
February 28, 2022

STATEMENT OF FINANCIAL POSITION

(in thousands of dollars)

Assets

	As at Dec 31, 2021	As at March 31, 2021
Current		
Cash and cash equivalents	\$ 7,344	\$ 6,457
Investment	5,446	2,306
Restricted investments	20,586	20,736
Accounts receivable	1,110	4,286
Inventory	443	561
Prepaid expenses	892	537
Total Current Assets	35,821	34,883
Collection	1	1
Capital Assets	67,807	73,061
	\$ 103,629	\$ 107,945

Liabilities and Net Assets

Liabilities

Current Liabilities

Accounts payable and accrued liabilities	\$ 3,856	\$ 3,858
Accrued salaries and benefits	2,825	2,876
Deferred contributions for the purchase of objects for the Collection	8,677	9,112
Deferred contributions for the purchase of capital assets	9,548	9,604
Other deferred contributions	2,245	1,904
Total Current Liabilities	27,151	27,354
Employee future benefits	731	731
Deferred contributions for the amortization of capital assets	67,185	72,439
Total Liabilities	95,067	100,524

Net Assets

Unrestricted	7,824	6,683
Investment in capital assets	622	622
Permanently endowed	116	116
Total Net Assets	8,562	7,421
	\$ 103,629	\$ 107,945

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	2021	2020
Net assets, beginning of the period	\$ 6,683	\$ 622	\$ 116	\$ 7,421	\$ 3,341
Net result of operations for the period	1,141	-	-	1,141	3,262
Net result of operations for the remainder of the year	-	-	-	-	818
Net assets, end of the period	\$ 7,824	\$ 622	\$ 116	\$ 8,562	\$ 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 Dec 31, 2021	Three months ended Dec 31, 2020	Nine months ended Dec 31, 2021	Nine months ended Dec 31, 2020
Revenues				
Operating revenue	\$ 1,331	\$ 670	\$ 3,498	\$ 1,297
Sponsorships and contributions	435	318	1,472	1,047
Contributed items for the Collection	1,485	-	7,042	1
Total operating revenue, sponsorships, and contributions (Schedule 1)	3,251	988	12,012	2,345
Expenses				
Collection				
Operations	1,584	1,619	5,060	4,867
Purchase of items for the Collection	1,306	845	5,835	1,856
Contributed items for the Collection	1,485	-	7,042	1
Total - Collection	4,375	2,464	17,937	6,724
Outreach	3,202	2,954	9,680	8,289
Accommodation	5,216	5,287	15,131	14,896
Internal Services	3,003	2,388	7,961	6,883
Total expenses (Schedule 2)	15,796	13,093	50,709	36,792
Net results before Parliamentary Appropriations	(12,545)	(12,105)	(38,697)	(34,447)
Parliamentary Appropriations	12,641	13,942	39,838	37,709
Net Result of Operations	\$ 96	\$ 1,837	\$ 1,141	\$ 3,262

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

STATEMENT OF CASH FLOWS

(in thousands of dollars)

	Nine months ended Dec 31, 2021	Nine months ended Dec 31, 2020
Operating activities		
Cash received from clients	\$ 2,452	\$ 1,346
Parliamentary appropriations received	36,520	35,290
Cash paid to suppliers	(19,497)	(12,827)
Payments related to salary and benefits	(17,500)	(16,550)
Interest received	128	98
Total cash flow used for operating activities	2,103	7,357
Investing activities		
Acquisition of investments	(50,003)	(13,000)
Disposal of investments	47,003	9,275
Total cash flow from (used for) investing activities	(3,000)	(3,725)
Capital activities		
Payments related to capital acquisitions	(1,109)	(1,558)
Total cash flow used for capital activities	(1,109)	(1,558)
Financing activities		
Funding for the acquisition of capital assets	750	2,464
Restricted contributions and related investment income	2,143	2,241
Total cash flow from financing activities	2,893	4,705
Total cash inflows (outflows)	887	6,779
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	7,344	10,514
Restricted cash and cash equivalents	-	4,893
	\$ 7,344	\$ 15,407

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, 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 Dec 31, 2021	Three months ended Dec 31, 2020	Nine months ended Dec 31, 2021	Nine months ended Dec 31, 2020
For operating and capital expenditures				
Main estimates	\$ 9,440	\$ 11,731	\$ 28,318	\$ 26,945
Supplementary estimates	-	-	-	4,809
	9,440	11,731	28,318	31,754
Appropriations deferred for the purchase of capital assets	(250)	(822)	(750)	(2,464)
Appropriations restricted for the purchase of capital assets	-	-	-	-
Amortization of deferred contributions related to appropriations	1,945	1,988	5,835	5,963
	11,135	12,897	33,403	35,253
For the purchase of items for the Collection				
Main estimates	2,000	2,000	6,000	6,000
Appropriations recognized from prior years	8,183	7,485	9,112	4,896
Appropriations deferred to future years	(8,677)	(8,440)	(8,677)	(8,440)
	1,506	1,045	6,435	2,456
Total Parliamentary appropriations	\$ 12,641	\$ 13,942	\$ 39,838	\$ 37,709

6. 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	2021	2020
Beginning balance, as at April 1	\$ 9,112	\$ 9,604	\$ 1,904	20,620	13,281
Appropriations received in the period	6,000	750	-	6,750	8,464
Non-Government funding received in the period	-	-	1,749	1,749	1,020
	15,112	10,354	3,653	29,119	22,765
Amounts recognized as revenue in the period	(5,835)	-	(1,408)	(7,243)	(2,869)
Related acquisition costs	(600)	-	-	(600)	(600)
Purchase of capital assets in the period	-	(806)	-	(806)	(1,500)
Ending balance	\$ 8,677	\$ 9,548	\$ 2,245	20,470	17,796

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, 2021	Three months ended Dec 31, 2020	Nine months ended Dec 31, 2021	Nine months ended Dec 31, 2020
Balance, beginning of period	\$ 68,888	\$ 74,830	72,439	\$ 78,332
Acquisition of capital assets	317	877	806	1,500
Amortization of capital assets	(2,020)	(2,063)	(6,060)	(6,188)
Balance, end of period	\$ 67,185	\$ 73,644	67,185	\$ 73,644

SCHEDULE #1: OPERATING REVENUE, SPONSORSHIPS, AND CONTRIBUTIONS

(in thousands of dollars)

		Nine months ended Dec 31, 2021	Nine months ended Dec 31, 2020
Operating Revenue:			
Boutique and publishing	\$	1,098	\$ 651
Admissions		1,293	101
Parking		445	214
Memberships		317	196
Rental of public spaces		3	-
Education services		3	1
Art loans		21	3
Travelling exhibitions		113	44
Food services		20	-
Interest		119	80
Other		66	7
		3,498	1,297
Sponsorships and Contributions:			
Sponsorships		64	35
Contributions			
Contributed items for the Collection		7,042	1
From the National Gallery of Canada Foundation		404	753
From other individuals, corporations and foundations		1,004	259
		8,514	1,048
Operating revenue, sponsorships and contributions	\$	12,012	\$ 2,345

SCHEDULE #2: EXPENSES

(in thousands of dollars)

(in thousands of dollars)		Nine months ended Dec 31, 2021	Nine months ended Dec 31, 2020
Salaries and employee benefits	\$	17,449	\$ 16,880
Purchased items for the Collection		5,835	1,856
Contributed items for the Collection		7,042	1
Amortization of capital assets		6,060	6,188
Payments in lieu of taxes		2,487	2,301
Professional and special services		2,506	2,064
Insurance		443	272
Repairs and maintenance of buildings and equipment		2,943	2,592
Protection services		1,459	1,191
Utilities, materials and supplies		1,336	1,460
Freight, cartage and postage		949	274
Travel for public servants		49	29
Travel for non-public servants		77	6
Hospitality		5	2
Conferences, training and related travel		32	11
Publications and printing		265	426
Cost of goods sold – boutique		484	340
Advertising		327	112
Rent		567	437
Communications		146	117
Library purchases		128	132
Rentals of equipment		60	71
Fellowships		25	-
Miscellaneous		35	30
Total expenses	\$	50,709	\$ 36,792