

NATIONAL GALLERY OF CANADA
QUARTERLY FINANCIAL STATEMENTS
For the six-month period ended September 30, 2022
UNAUDITED

MANAGEMENT DISCUSSION AND ANALYSIS OF QUARTERLY FINANCIAL STATEMENTS

For the six-month period ended September 30, 2022

STRATEGIC DIRECTION

For the 2022–23 to 2026–27 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 is committed to justice, equity, diversity, inclusion and accessibility (JEDI+A). As the Gallery learns to center Indigenous ways of knowing and being within its journey of decolonization and reconciliation, it will demonstrate the power of diverse voices and of representation through transformative art experiences. These efforts will assist the Gallery as it engages and collaborates meaningfully with stakeholders, while strengthening its connections with all of the communities it serves.

The Gallery was open to the public during the entire six-month period from April to September, a notable change over the prior two fiscal years. Post-pandemic attendance and other attendance driven revenues continue to show signs of recovery along with other revenue streams such as food services, event rentals, and educational programming are also starting to progressively return.

STATEMENT OF OPERATIONS

The Gallery posted an operating deficit of \$0.1 million during the period, compared to an operating surplus of \$1.0 million over the same period last year.

The Gallery earned \$3.9 million in operating revenue during the period, a substantial increase over \$2.2 million earned in the same period last year. Attendance driven revenues have continued to trend toward pre-pandemic levels with continued increases in admissions, boutique sales, and parking. Other notable increases include the gradual return of food services, event rentals, and interest income. Contributions from the National Gallery of Canada Foundation increased by \$0.7 million year over year primarily in support of the 2022 *Venice Biennale*.

Excluding acquired items for the Collection, the Gallery spent \$27.9 million on operating expenses, compared to \$24.8 million over the same period last year. The Gallery had significant increases to salaries and employee benefits, protection services, professional and special services, and utilities, materials and supplies.

The Gallery purchased items for the Collection valued at \$6.9 million, compared to \$4.5 million in the same period last year. The Gallery was also in receipt of generously contributed items for the Collection valued at \$3.4 million compared to \$5.6 million in the first half of the last fiscal year.

The Gallery recognized \$29.6 million in Parliamentary appropriations during the period, compared to \$27.2 million in the same period last year. The increase relates almost entirely to purchased items for the Collection.

FINANCIAL POSITION

Cash and investments totalled \$32.9 million at the end of September. Of this total, \$20.3 million is for restricted purposes including art purchases, capital purchases, and restricted donations.

The Gallery's unrestricted net assets total \$9.5 million at the end of September.

OUTLOOK

Federal Budget 2022 announced off-cycle funding to support Canada's National Museums for the continued impacts of the COVID-19 pandemic on attendance and revenues. The Gallery expects to receive \$4.5M within this fiscal year to assist with these pressures.

Given the ongoing impacts in the tourism sector, the Gallery isn't projecting a full return to pre-pandemic attendance levels until the 2025-26 fiscal year. Looking forward, the Gallery expects to face considerable economic challenges operating with reduced attendance and fixed Parliamentary funding in a time of high inflation, supply chain issues, and labour market shortages. The Gallery is under-resourced to address ongoing capital and maintenance issues with an iconic, but aging, facility. The Gallery will attempt to remain resilient and adaptable to manage these issues by internal re-allocations to the extent possible.

The Gallery's major summer exhibition, *General Idea*, showcasing a comprehensive retrospective on the trio of influential Canadian artists is planned to close in November. *Movement: Expressive Bodies in Art* opened in September, and the Gallery is pleased to celebrate and host three prestigious art awards for the fall season, The *Governor General's Awards in Visual and Media Arts 2022*, the *New Generation Photography Award*, as well as the *2022 Sobey Art Award*.

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.



Angela Cassie
Interim Director and CEO



Mike Testa, CPA, CMA
Chief Financial Officer

Ottawa, Canada
November 23rd, 2022

STATEMENT OF FINANCIAL POSITION

(in thousands of dollars)

Assets

	As at Sept 30, 2022	As at March 31, 2022
Current		
Cash and cash equivalents	\$ 5,724	\$ 8,783
Investment	6,846	4,229
Restricted investments	20,336	23,829
Accounts receivable	1,346	1,027
Inventory	483	430
Prepaid expenses	394	890
Total Current Assets	35,129	39,188
Collection	1	1
Capital Assets	63,549	66,930
	\$ 98,679	\$ 106,119

Liabilities and Net Assets

Liabilities

Current Liabilities

Accounts payable and accrued liabilities	\$ 2,984	\$ 3,408
Accrued salaries and benefits	1,701	1,785
Deferred contributions for the purchase of objects for the Collection	5,530	8,794
Deferred contributions for the purchase of capital assets	12,488	12,707
Other deferred contributions	2,202	2,212
Total Current Liabilities	24,905	28,906
Employee future benefits	630	630
Deferred contributions for the amortization of capital assets	62,927	66,308
Total Liabilities	88,462	95,844

Net Assets

Unrestricted	9,479	9,537
Investment in capital assets	622	622
Permanently endowed	116	116
Total Net Assets	10,217	10,275
	\$ 98,679	\$ 106,119

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	2022	2021
Net assets, beginning of the period	\$ 9,537	\$ 622	\$ 116	\$ 10,275	\$ 7,421
Net result of operations for the period	(58)	-	-	(58)	1,045
Net result of operations for the remainder of the year	-	-	-	-	1,809
Net assets, end of the period	\$ 9,479	\$ 622	\$ 116	\$ 10,217	\$ 10,275

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

STATEMENT OF OPERATIONS

For the three months ended September 30

(in thousands of dollars)

	Three months ended Sept 30, 2022	Three months ended Sept 30, 2021	Six months ended Sept 30, 2022	Six months ended Sept 30, 2021
Revenues				
Operating revenue	\$ 2,063	\$ 1,901	\$ 3,891	\$ 2,167
Sponsorships and contributions	967	951	1,185	1,037
Contributed items for the Collection	1,715	-	3,382	5,557
Total operating revenue, sponsorships, and contributions (Schedule 1)	4,745	2,852	8,458	8,761
Expenses				
Collection				
Operations	1,757	1,800	3,497	3,476
Purchase of items for the Collection	4,923	2,976	6,865	4,529
Contributed items for the Collection	1,715	-	3,382	5,557
Total - Collection	8,395	4,776	13,744	13,562
Outreach	3,221	3,143	7,405	6,478
Accommodation	5,619	5,308	10,929	9,915
Internal Services	3,054	2,541	6,030	4,958
Total expenses (Schedule 2)	20,289	15,768	38,108	34,913
Net results before Parliamentary Appropriations	(15,544)	(12,916)	(29,650)	(26,152)
Parliamentary Appropriations	16,286	14,310	29,592	27,197
Net Result of Operations	\$ 742	\$ 1,394	\$ (58)	\$ 1,045

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

STATEMENT OF CASH FLOWS

For the three months ended September 30

(in thousands of dollars)

	2022	2021
Operating activities		
Cash received from clients	\$ 3,813 \$	1,915
Parliamentary appropriations received	22,378	25,330
Cash paid to suppliers	(18,110)	(13,116)
Payments related to salary and benefits	(12,286)	(11,638)
Interest received	168	88
Total cash flow used for operating activities	(4,037)	2,579
Investing activities		
Acquisition of investments	(23,000)	(35,003)
Disposal of investments	24,000	32,003
Total cash flow from (used for) investing activities	1,000	(3,000)
Capital activities		
Payments related to capital acquisitions	(836)	(792)
Total cash flow used for capital activities	(836)	(792)
Financing activities		
Funding for the acquisition of capital assets	500	500
Restricted contributions and related investment income	314	1,704
Total cash flow from financing activities	814	2,204
Total cash inflows (outflows)	(3,059)	991
Cash and cash equivalents, beginning of the year	8,783	6,457
Cash and cash equivalents, end of the period	\$ 5,724 \$	7,448

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

SELECTED NOTES TO THE UNAUDITED QUARTERLY FINANCIAL STATEMENTS

For the six months ended September 30, 2022

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		2023		2022
Main estimates	\$	37,757	\$	37,757
Supplementary estimates		4,500		-
		42,257		37,757
For the purchase of items for the Collection		8,000		8,000
Total appropriations authorized by Parliament	\$	50,257	\$	45,757

5. PARLIAMENTARY APPROPRIATIONS RECOGNIZED AS REVENUE

For the six months ended September 30
(in thousands of dollars)

	Three months ended Sept 30, 2022	Three months ended Sept 30, 2021	Six months ended Sept 30, 2022	Six months ended Sept 30, 2021
For operating and capital expenditures				
Main estimates	\$ 9,439	\$ 9,439	\$ 18,878	\$ 18,878
Supplementary estimates			-	-
	9,439	9,439	18,878	18,878
Appropriations deferred for the purchase of capital assets	(250)	(250)	(500)	(500)
Amortization of deferred contributions related to appropriations	1,975	1,945	3,950	3,890
	11,164	11,134	22,328	22,268
For the purchase of items for the Collection				
Main estimates	2,000	2,000	4,000	4,000
Appropriations recognized from prior years	8,652	9,359	8,794	9,112
Appropriations deferred to future years	(5,530)	(8,183)	(5,530)	(8,183)
	5,122	3,176	7,264	4,929
Total Parliamentary appropriations	\$ 16,286	\$ 14,310	\$ 29,592	\$ 27,197

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	2022	2021
Beginning balance, as at April 1	\$ 8,794	\$ 12,707	\$ 2,212	\$ 23,713	20,620
Appropriations received in the period	4,000	500	-	4,500	4,500
Other funding	-	-	1,120	1,120	1,246
	12,794	13,207	3,332	29,333	26,366
Amounts recognized as revenue in the period	(6,864)	-	(1,130)	(7,994)	(5,513)
Related acquisition costs	(400)	-	-	(400)	(400)
Purchase of capital assets in the period	-	(719)	-	(719)	(489)
Ending balance	\$ 5,530	\$ 12,488	\$ 2,202	\$ 20,220	19,964

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.

For the six months ended September 30
(in thousands of dollars)

	Three months ended Sept 30, 2022	Three months ended Sept 30, 2021	Six months ended Sept 30, 2022	Six months ended Sept 30, 2021
Balance, beginning of period	\$ 64,393	\$ 70,576	\$ 66,308	\$ 72,439
Acquisition of capital assets	584	332	719	489
Amortization of capital assets	(2,050)	(2,020)	(4,100)	(4,040)
Balance, end of period	\$ 62,927	\$ 68,888	\$ 62,927	\$ 68,888

SCHEDULE #1: OPERATING REVENUE, SPONSORSHIPS, AND CONTRIBUTIONS

For the six months ended September 30

(in thousands of dollars)

Operating Revenue:		2022	2021
Boutique and publishing	\$	1,042	\$ 615
Admissions		1,418	886
Parking		420	284
Memberships		314	211
Rental of public spaces		128	-
Education services		15	-
Art loans		78	13
Travelling exhibitions		-	37
Food services		107	4
Interest		292	78
Other		77	39
		3,891	2,167
Sponsorships and Contributions:			
Sponsorships		54	54
Contributions			
Contributed items for the Collection		3,382	5,557
From the National Gallery of Canada Foundation		1,015	329
From other individuals, corporations and foundations		116	654
		4,567	6,594
Operating revenue, sponsorships and contributions	\$	8,458	\$ 8,761

SCHEDULE #2: EXPENSES

For the six months ended September 30

(in thousands of dollars)

	2022	2021
Salaries and employee benefits	\$ 12,202	\$ 11,594
Purchased items for the Collection	6,865	4,529
Contributed items for the Collection	3,382	5,557
Amortization of capital assets	4,100	4,040
Payments in lieu of taxes	1,699	1,602
Professional and special services	2,211	1,515
Insurance	195	427
Repairs and maintenance of buildings and equipment	1,870	1,825
Protection services	1,619	868
Utilities, materials and supplies	1,271	880
Freight, cartage and postage	651	842
Travel for public servants	271	11
Travel for non-public servants	93	22
Hospitality	51	2
Conferences, training and related travel	29	16
Publications and printing	192	138
Cost of goods sold – boutique	507	266
Advertising	143	239
Rent	424	289
Communications	94	80
Library purchases	96	98
Rentals of equipment	57	33
Fellowships	39	25
Miscellaneous	47	15
Total expenses	\$ 38,108	\$ 34,913