

NATIONAL GALLERY OF CANADA

QUARTERLY FINANCIAL STATEMENTS

For the nine-month period ended December 31, 2022

UNAUDITED

MANAGEMENT DISCUSSION AND ANALYSIS OF QUARTERLY FINANCIAL STATEMENTS

For the nine-month period ended December 31, 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 exists to serve.

The Gallery was open to the public during the entire nine-month period from April to December, a notable change over the prior two fiscal years. Post-pandemic attendance and other attendance driven revenues continue to trend positively toward full-recovery along with other revenue streams such as food services, event rentals, art loans, and educational programming also starting to progressively return.

STATEMENT OF OPERATIONS

The Gallery posted an operating deficit of \$1.3 million during the nine-month period, compared to an operating surplus of \$1.1 million over the same period last year.

The Gallery earned \$5.7 million in operating revenues, an increase over the \$3.5 million earned in the first three quarters of the previous year as attendance driven revenues such as admissions, boutique sales, memberships, and parking continue to trend toward pre-pandemic levels. Other business lines such as food services, event rentals, and art loans are returning and rising interest rates have also had a positive impact on investment income.

Excluding acquired items for the Collection, the Gallery spent \$42.4 million on operating expenses, compared to \$37.8 million over the same period last year. The Gallery had significant increases to salaries and employee benefits (1.4 million) and protection services (\$1.1 million) which are direct costs associated with increased staffing levels to support being open to the public for the full nine-months. Other notable increases include professional and special services (\$0.9 million), and utilities, materials and supplies (\$0.6 million).

The Gallery purchased items for the Collection valued at \$9.9 million, compared to \$5.8 million in the prior year. The Gallery was also in receipt of generously contributed items for the Collection valued at \$5.4 million for the nine-month period.

The Gallery recognized \$44.0 million in Parliamentary appropriations during the period, compared to \$39.8 million in the same period last year. The increase relates almost entirely to purchased items for the Collection.

FINANCIAL POSITION

Cash and investments totalled \$31.4 million at the end of December. Of this total, \$18.7 million is for restricted purposes including art purchases, capital purchases, and restricted donations.

The Gallery's unrestricted net assets total \$8.2 million at the end of December.

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 received \$4.5 million in early January to assist with these pressures during the 2022-23 fiscal year.

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 fixed Parliamentary funding in a time of high inflation, supply chain issues, and labour market shortages. The Gallery is also 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 pressures by internal re-allocations to the extent possible, but will continue to work with the Department of Canadian Heritage on long-term sustainability solutions.

In addition to the *2022 Sobey Art Award* exhibition currently on view until March, the Gallery looks forward to opening two new shows in the fourth quarter, *PAUL P: Amors et Mors* and *UNINVITED: Canadian Women Artists in the Modern Moment*. The Gallery was also pleased to announce Kapwani Kiwanga to represent Canada at the 60th International Art Exhibition - La Biennale di Venezia 2024.

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
February 27, 2023

STATEMENT OF FINANCIAL POSITION

(in thousands of dollars)

Assets

	As at December 31, 2022	As at March 31, 2022
Current		
Cash and cash equivalents	\$ 6,102	\$ 8,783
Investment	6,515	4,229
Restricted investments	18,744	23,830
Accounts receivable	1,171	1,027
Inventory	535	430
Prepaid expenses	413	890
Total Current Assets	33,480	39,189
Collection	1	1
Capital Assets	62,066	66,930
	\$ 95,547	\$ 106,120

Liabilities and Net Assets

Liabilities

Current Liabilities

Accounts payable and accrued liabilities	\$ 4,746	\$ 3,408
Accrued salaries and benefits	1,137	1,785
Deferred contributions for the purchase of objects for the Collection	4,249	8,794
Deferred contributions for the purchase of capital assets	12,171	12,707
Other deferred contributions	2,208	2,212
Total Current Liabilities	24,511	28,906
Employee future benefits	630	630
Deferred contributions for the amortization of capital assets	61,444	66,308
Total Liabilities	86,585	95,844

Net Assets

Unrestricted	8,224	9,538
Investment in capital assets	622	622
Permanently endowed	116	116
Total Net Assets	8,962	10,276
	\$ 95,547	\$ 106,120

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	2022	2021
Net assets, beginning of the period	\$ 9,538	\$ 622	\$ 116	\$ 10,276	\$ 7,421
Net result of operations for the period	(1,314)	-	-	(1,314)	1,141
Net result of operations for the remainder of the year	-	-	-	-	1,714
Net assets, end of the period	\$ 8,224	\$ 622	\$ 116	\$ 8,962	\$ 10,276

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, 2022	Three months ended Dec 31, 2021	Nine months ended Dec 31, 2022	Nine months ended Dec 31, 2021
Revenues				
Operating revenue	\$ 1,842	\$ 1,331	\$ 5,733	\$ 3,498
Sponsorships and contributions	125	435	1,310	1,472
Contributed items for the Collection	2,046	1,485	5,428	7,042
Total operating revenue, sponsorships, and contributions (Schedule 1)	4,013	3,251	12,471	12,012
Expenses				
Collection				
Operations	2,550	1,584	6,047	5,060
Purchase of items for the Collection	3,080	1,306	9,945	5,835
Contributed items for the Collection	2,046	1,485	5,428	7,042
Total - Collection	7,676	4,375	21,420	17,937
Outreach	3,890	3,202	11,295	9,680
Accommodation	5,296	5,216	16,225	15,131
Internal Services	2,852	3,003	8,882	7,961
Total expenses (Schedule 2)	19,714	15,796	57,822	50,709
Net results before Parliamentary Appropriations	(15,701)	(12,545)	(45,351)	(38,697)
Parliamentary Appropriations	14,445	12,641	44,037	39,838
Net Result of Operations	\$ (1,256)	\$ 96	\$ (1,314)	\$ 1,141

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)

	2022	2021
Operating activities		
Cash received from clients	\$ 4,650 \$	2,452
Parliamentary appropriations received	33,568	36,520
Cash paid to suppliers	(25,388)	(19,497)
Payments related to salary and benefits	(19,500)	(17,500)
Interest received	407	128
Total cash flow used for operating activities	(6,263)	2,103
Investing activities		
Acquisition of investments	(37,000)	(50,003)
Disposal of investments	40,000	47,003
Total cash flow from (used for) investing activities	3,000	(3,000)
Capital activities		
Payments related to capital acquisitions	(1,403)	(1,109)
Total cash flow used for capital activities	(1,403)	(1,109)
Financing activities		
Funding for the acquisition of capital assets	750	750
Restricted contributions and related investment income	1,235	2,143
Total cash flow from financing activities	1,985	2,893
Total cash inflows (outflows)	(2,681)	887
Cash and cash equivalents, beginning of the year	8,783	6,457
Cash and cash equivalents, end of the period	\$ 6,102 \$	7,344

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

SELECTED NOTES TO THE UNAUDITED QUARTERLY FINANCIAL STATEMENTS

For the nine months ended December 31, 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		6,200
		42,257		43,957
For the purchase of items for the Collection		8,000		8,000
Total appropriations authorized by Parliament	\$	50,257	\$	51,957

5. PARLIAMENTARY APPROPRIATIONS RECOGNIZED AS REVENUE

(in thousands of dollars)

	Three months ended Dec 31, 2022	Three months ended Dec 31, 2021	Nine months ended Dec 31, 2022	Nine months ended Dec 31, 2021
For operating and capital expenditures				
Main estimates	\$ 9,439	\$ 9,440	\$ 28,317	\$ 28,318
Supplementary estimates	-	-	-	-
	9,439	9,440	28,317	28,318
Appropriations deferred for the purchase of capital assets	(250)	(250)	(750)	(750)
Amortization of deferred contributions related to appropriations	1,975	1,945	5,925	5,835
	11,164	11,135	33,492	33,403
For the purchase of items for the Collection				
Main estimates	2,000	2,000	6,000	6,000
Appropriations recognized from prior years	5,530	8,183	8,794	9,112
Appropriations deferred to future years	(4,249)	(8,677)	(4,249)	(8,677)
	3,281	1,506	10,545	6,435
Total Parliamentary appropriations	\$ 14,445	\$ 12,641	\$ 44,037	\$ 39,838

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	2022	2021
Beginning balance, as at April 1	\$ 8,794	\$ 12,707	\$ 2,212	\$ 23,713	20,620
Appropriations received in the period	6,000	750	-	6,750	6,750
Other funding	-	-	1,228	1,228	1,749
	14,794	13,457	3,440	31,691	29,119
Amounts recognized as revenue in the period	(9,945)	-	(1,232)	(11,177)	(7,243)
costs	(600)	-	-	(600)	(600)
Purchase of capital assets in the period	-	(1,286)	-	(1,286)	(806)
Ending balance	\$ 4,249	\$ 12,171	\$ 2,208	\$ 18,628	20,470

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, 2022	Three months ended Dec 31, 2021	Nine months ended Dec 31, 2022	Nine months ended Dec 31, 2021
Balance, beginning of period	\$ 62,927	\$ 68,888	\$ 66,308	\$ 72,439
Acquisition of capital assets	567	317	1,286	806
Amortization of capital assets	(2,050)	(2,020)	(6,150)	(6,060)
Balance, end of period	\$ 61,444	\$ 67,185	\$ 61,444	\$ 67,185

SCHEDULE #1: OPERATING REVENUE, SPONSORSHIPS, AND CONTRIBUTIONS

For the nine months ended December 31

(in thousands of dollars)

Operating Revenue:		2022		2021
Boutique and publishing	\$	1,617	\$	1,098
Admissions		1,874		1,293
Parking		620		445
Memberships		455		317
Rental of public spaces		190		3
Education services		39		3
Art loans		97		21
Travelling exhibitions		10		113
Food services		132		20
Interest		607		119
Other		92		66
		5,733		3,498
Sponsorships and Contributions:				
Sponsorships		64		64
Contributions				
Contributed items for the Collection		5,428		7,042
From the National Gallery of Canada Foundation		1,090		404
From other individuals, corporations and foundations		156		1,004
		6,738		8,514
Operating revenue, sponsorships and contributions	\$	12,471	\$	12,012

SCHEDULE #2: EXPENSES

For the nine months ended December 31

(in thousands of dollars)

	2022	2021
Salaries and employee benefits	\$ 18,852	\$ 17,449
Purchased items for the Collection	9,945	5,835
Contributed items for the Collection	5,428	7,042
Amortization of capital assets	6,150	6,060
Payments in lieu of taxes	2,414	2,487
Professional and special services	3,382	2,506
Insurance	232	443
Repairs and maintenance of buildings and equipment	2,909	2,943
Protection services	2,513	1,459
Utilities, materials and supplies	1,982	1,336
Freight, cartage and postage	998	949
Travel for public servants	325	49
Travel for non-public servants	235	77
Hospitality	86	5
Conferences, training and related travel	61	32
Publications and printing	255	265
Cost of goods sold – boutique	754	484
Advertising	221	327
Rent	569	567
Communications	150	146
Library purchases	167	128
Rentals of equipment	92	60
Fellowships	39	25
Miscellaneous	63	35
Total expenses	\$ 57,822	\$ 50,709