

NATIONAL GALLERY OF CANADA

QUARTERLY FINANCIAL STATEMENTS

For the three-month period ended June 30, 2023

UNAUDITED

MANAGEMENT DISCUSSION AND ANALYSIS OF QUARTERLY FINANCIAL STATEMENTS **For the three-month period ended June 30, 2023**

STRATEGIC DIRECTION

For the 2023–24 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 continues to evaluate post-pandemic attendance and attendance driven revenues such as admissions, Boutique sales, memberships, and parking. Overall attendance for the first quarter was fairly consistent compared to the prior year, despite the fact that the Gallery did not open a major summer exhibition, however four new exhibitions are slated to open in fall 2023.

The Gallery was also subject to a ransomware attack in April that resulted in a short period of free admission and parking while its systems were down. The lingering effect lasted longer on its website, affecting online ticketing and membership sales for a longer period. The recovery was progressive but the NGC is back to full connectivity in preparation for its busy tourist season.

STATEMENT OF OPERATIONS

The Gallery posted an operating deficit of \$0.4 million during the three-month period, compared to an operating deficit of \$0.8 million over the same period last year.

The Gallery earned \$2.1 million in operating revenue during the period, an increase over the \$1.8 million earned in the same period last year. Interest rates have had a significant impact resulting in an increase of \$0.4 million in investment income compared to the first quarter last year. Contribution items for the collection (art donations) received were \$0.6 million less in value for the quarter compared to the previous year.

Excluding acquired items for the Collection, the Gallery spent \$13.3 million on operating expenses, compared to \$14.2 million over the same period last year. Even though the Gallery had some increases to salaries and employee benefits (\$0.7 million), amortization of capital assets has decreased (\$0.7 million) due to reassessment of useful life of the building. There also has been decrease in professional and special services (\$0.5 million) as well as postage and freight costs (\$0.6 million) compared to last year during the same period.

The Gallery purchased items for the Collection valued at \$1.0 million, compared to \$1.9 million in the same period last year. The Gallery was also in receipt of generously contributed items for the Collection valued at \$1.1 million compared to \$1.7 million in the same three-month period last year.

The Gallery recognized \$11.6 million in Parliamentary appropriations during the period, compared to \$13.3 million in the same period last year. The decrease relates almost entirely to recognition of appropriations for purchased items for the Collection.

FINANCIAL POSITION

Cash and investments totalled \$36.4 million at the end of June. Of this total, \$22.5 million is for restricted purposes including art purchases, capital purchases, and restricted donations.

The Gallery's unrestricted net assets total \$10.2 million at the end of June.

OUTLOOK

Federal Budget 2023 contained short-term funding to support Canada's six national museums for building operations and maintenance. The Gallery expects to receive \$1.2 million in 2023-24 and \$1.6 million in 2024-25, for a total of \$2.8 million over the next two fiscal years.

In April 2023, the Gallery was subject to a ransomware attack. Significant progress was made throughout the first quarter and the Gallery is back to full connectivity.

On June 7, 2023 it was announced that the new Director & CEO of the National Gallery of Canada will be Jean-François Bélisle who will assume his new role on July 17, 2023. This Governor-in-Council appointment is for a five-year term.

The Gallery looks forward to its busy summer season in July and August with the conclusion of *Uninvited: Canadian Women Artists in the Modern Moment* and *Movement: Expressive Bodies in Art*. The fall 2023 calendar will see four new exhibitions opening including *Riopelle: Crossroads in Time*, *Nick Sikkuark: Humor and Horror*, the *Sobey Art Award*, and *Governor General Awards*.

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.



Jean-François Bélisle
Director and CEO



Mike Testa, CPA, CMA
Chief Financial Officer

Ottawa, Canada
August 29, 2023

STATEMENT OF FINANCIAL POSITION

(in thousands of dollars)

Assets

	As at June 30, 2023	As at March 31, 2023
Current		
Cash and cash equivalents	\$ 5,988	\$ 5,174
Investments	7,880	7,420
Restricted investments	22,508	21,937
Accounts receivable	1,020	2,460
Inventory	758	627
Prepaid expenses	781	690
Total current assets	38,935	38,308
Collection	1	1
Capital assets	63,187	64,010
	\$ 102,123	\$ 102,319

Liabilities and Net Assets

Liabilities

Current liabilities

Accounts payable and accrued liabilities	\$ 3,615	\$ 3,145
Accrued salaries and benefits	1,452	1,428
Deferred contributions for the purchase of objects for the Collection	6,368	5,550
Deferred contributions for the purchase of capital assets	3,659	3,635
Other deferred contributions	2,265	2,261
Total current liabilities	17,359	16,019
Deferred contributions for the purchase of capital assets	10,100	10,375
Employee future benefits	640	640
Asset retirement obligations	581	581
Deferred contributions for the amortization of capital assets	62,544	63,367
Total liabilities	91,224	90,982

Net Assets

Unrestricted	10,161	10,599
Investment in capital assets	622	622
Permanently endowed	116	116
Total net assets	10,899	11,337
	\$ 102,123	\$ 102,319

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

STATEMENT OF CHANGES IN NET ASSETS

For the three months ended June 30

(in thousands of dollars)

	Unrestricted	Investment in capital assets	Permanently endowed	2023	2022
Net assets, beginning of the year	\$ 10,600	622	116 \$	11,338 \$	9,736
Net result of operations for the year	(439)	-	-	(439)	(800)
Net change in investment in capital assets	-	-	-	-	-
Remainder of the year	-	-	-	-	2,402
Net assets, end of the year	\$ 10,161	\$ 622	\$ 116	\$ 10,899	\$ 11,338

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

STATEMENT OF OPERATIONS

(in thousands of dollars)

	Three months ended June 30, 2023	Three months ended June 30, 2022
Revenues		
Operating revenue	\$ 2,082	\$ 1,828
Sponsorships and contributions	138	218
Contributed items for the Collection	1,077	1,667
Total operating revenue, sponsorships, and contributions (Schedule 1)	3,297	3,713
Expenses		
Collection		
Operations	1,741	1,740
Purchase of items for the Collection	982	1,942
Contributed items for the Collection	1,077	1,667
Total - Collection	3,800	5,349
Outreach	3,365	4,184
Accommodation	4,760	5,310
Internal Services	3,437	2,976
Total expenses (Schedule 2)	15,362	17,819
Net results before Parliamentary Appropriations	(12,065)	(14,106)
Parliamentary Appropriations	11,626	13,306
Net Result of Operations	\$ (439)	\$ (800)

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

STATEMENT OF CASH FLOWS**For the three months ended June 30**

(in thousands of dollars)

	2023	2022
Operating activities		
Cash received from clients	\$ 1,435	\$ 2,001
Parliamentary appropriations received	11,195	11,189
Cash paid to suppliers	(5,859)	(5,581)
Payments related to salary and benefits	(6,662)	(6,976)
Interest received	434	39
Total cash flow from (used for) operating activities	543	672
Investing activities		
Acquisition of investments	(15,000)	(12,000)
Disposal of investments	14,000	6,000
Total cash flow from (used for) investing activities	(1,000)	(6,000)
Capital activities		
Payments related to capital acquisitions	(677)	(250)
Total cash flow used for capital activities	(677)	(250)
Financing activities		
Appropriations received for the acquisition of capital assets	250	250
Restricted contributions and related investment income	1,698	283
Total cash flow from financing activities	1,948	533
Total cash inflows (outflows)	814	(5,045)
Cash and cash equivalents, beginning of the year		
Unrestricted cash and cash equivalents	5,174	8,783
Restricted cash and cash equivalents	-	-
	5,174	8,783
Cash and cash equivalents, end of the year		
Unrestricted cash and cash equivalents	5,988	3,738
Restricted cash and cash equivalents	-	-
	\$ 5,988	\$ 3,738

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

SELECTED NOTES TO THE UNAUDITED QUARTERLY FINANCIAL STATEMENTS

For the three months ended June 30, 2023

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	2024	2023
Main estimates	\$ 37,778	\$ 37,757
Supplementary estimates	-	4,500
	37,778	42,257
For the purchase of items for the Collection	8,000	8,000
Total appropriations authorized by Parliament	\$ 45,778	\$ 50,257

5. PARLIAMENTARY APPROPRIATIONS RECOGNIZED AS REVENUE

For the three months ended June 30

(in thousands of dollars)

For operating and capital expenditures	2023	2022
Main estimates	\$ 9,444	\$ 9,439
Supplementary estimates	-	-
	9,444	9,439
Appropriations deferred for the purchase of capital assets	(250)	(250)
Amortization of deferred contributions related to appropriations	1,250	1,975
	10,444	11,164
For the purchase of items for the Collection		
Main estimates	2,000	2,000
Appropriations recognized from prior years	5,550	8,794
Appropriations deferred to future years	(6,368)	(8,652)
	1,182	2,142
Total Parliamentary appropriations	\$ 11,626	\$ 13,306

6. DEFERRED CONTRIBUTIONS

For the three months ended June 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	2023	2022
Beginning balance, as at April 1	\$ 5,550	\$ 14,010	\$ 2,261	\$ 21,821	\$ 23,713
Appropriations received in the period	2,000	250	-	2,250	2,250
Other funding	-	-	107	107	164
	7,550	14,260	2,368	24,178	26,127
Amounts recognized as revenue in the period	(982)	-	(103)	(1,085)	(2,120)
Related acquisition costs	(200)	-	-	(200)	(200)
Purchase of capital assets in the period	-	(501)	-	(501)	(135)
Ending balance	\$ 6,368	\$ 13,759	\$ 2,265	\$ 22,392	\$ 23,672

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 three months ended June 30
(in thousands of dollars)

	2023	2022
Balance, beginning of period	\$ 63,367	\$ 66,308
Acquisition of capital assets	502	135
Amortization of capital assets	(1,325)	(2,050)
Balance, end of period	\$ 62,544	\$ 64,393

SCHEDULE #1: OPERATING REVENUE, SPONSORSHIPS, AND CONTRIBUTIONS

For the three months ended June 30

(in thousands of dollars)

Operating Revenue:	2023	2022
Boutique and publishing	\$ 444	\$ 493
Admissions	570	643
Parking	296	198
Memberships	137	182
Rental of public spaces	19	44
Education services	28	13
Art loans	13	42
Travelling exhibitions	57	-
Food services	35	59
Interest	465	97
Proceeds of co-ownership agreement	-	-
Other	18	57
	2,082	1,828
Sponsorships and Contributions:		
Sponsorships	35	54
Contributions:		
Contributed items for the Collection	1,077	1,667
From the National Gallery of Canada Foundation	75	75
From other individuals, corporations and foundations	28	89
	1,215	1,885
Operating revenue, sponsorships and contributions	\$ 3,297	\$ 3,713

SCHEDULE #2: EXPENSES

For the three months ended June 30

(in thousands of dollars)

	2023	2022
Salaries and employee benefits	\$ 6,686	\$ 5,953
Purchased items for the Collection	982	1,942
Contributed items for the Collection	1,077	1,667
Amortization of capital assets	1,325	2,050
Payments in lieu of taxes	825	850
Professional and special services	835	1,371
Insurance	193	199
Repairs and maintenance of buildings and equipment	1,142	1,020
Protection services	946	615
Utilities, materials and supplies	514	572
Freight, cartage and postage	28	581
Travel for public servants	98	115
Travel for non-public servants	109	101
Hospitality	7	46
Conferences, training and related travel	8	7
Publications	34	33
Cost of goods sold – boutique	230	217
Advertising	75	64
Rent	147	278
Communications	48	47
Library purchases	14	46
Rentals of equipment	28	32
Fellowships	-	1
Miscellaneous	11	12
Total expenses	\$ 15,362	\$ 17,819