

NATIONAL GALLERY OF CANADA

QUARTERLY FINANCIAL STATEMENTS

For the six-month period ended September 30, 2023

UNAUDITED

MANAGEMENT DISCUSSION AND ANALYSIS OF QUARTERLY FINANCIAL STATEMENTS

For the six-month period ended September 30, 2023

The Gallery is committed to effective stewardship of public and private funding, and to transparent and accountable operations in accordance with the pillars of its Strategic Plan.

STRATEGIC DIRECTION

For the 2023–24 to 2027–28 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

STATEMENT OF OPERATIONS

The NGC posted an operating deficit of \$0.5 million during the six-month period, compared to an operating deficit of \$0.1 million over the same period of the prior year.

The Gallery earned \$4.8 million in operating revenue, an increase over the \$3.9 million earned for the first six months of 2022-23. Interest rates have had a significant impact resulting in an increase of \$0.7 million in investment income compared to the results at the mid-way point last year. Contributed items for the collection (art donations) received were \$2.1 million less in value for the six-months compared to the previous fiscal year.

Excluding acquired items for the Collection, the Gallery spent \$27.5 million on operating expenses, compared to \$27.9 million over the same period last year. Even though the Gallery had increases to salaries and employee benefits (\$1.3 million), amortization of capital assets has decreased (\$1.5 million) due to a reassessment of useful life of the building. Professional and special services decreased (\$0.4 million) as well as postage and freight costs (\$0.5 million) compared to last year during the same period. Increases in some of these items are expected in the third and fourth quarter due to the timelines of the Gallery's exhibition calendar for the remainder of the year.

The Gallery purchased new items for the Collection valued at \$3.4 million, compared to \$6.9 million in the same period last year. The Gallery was also in receipt of generously contributed items for the Collection valued at \$1.3 million compared to \$3.4 million in the same six-month period last year.

Parliamentary appropriations of \$24.7 million were recognized during the period, compared to \$29.6 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 \$35.2 million at the end of September. Of this total, \$21.6 million is for restricted purposes including art purchases, capital investments, and restricted donations.

The Gallery's unrestricted net assets total \$10.1 million at the end of September.

OUTLOOK

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

Conversely, it is anticipated that the Federal Government's "*Refocusing Government Spending*" commitment will have a significant negative effect on the Gallery and result in a three-year progressive reduction to the Gallery's annual appropriation levels, and ongoing thereafter. This will further challenge the museum's operating budget as roughly 80% of available funding comes from government appropriations. The Gallery's purchasing power has already been declining for decades as the annual appropriation has never been indexed for inflation.

The Gallery continues to evaluate post-pandemic visitation and attendance driven revenues such as admissions, boutique sales, memberships, and parking. Overall attendance for the first two quarters was consistent with the prior year, despite the fact that the Gallery did not open a new summer exhibition. However, the NGC looks forward to the fall 2023 season with four new exhibitions opening that include *Riopelle: Crossroads in Time*, *Nick Sikkuark: Humor and Horror*, the *Sobey Art Award*, and the *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
November 17, 2023

STATEMENT OF FINANCIAL POSITION

(in thousands of dollars)

Assets

	As at Sept 30, 2023	As at March 31, 2023
Current		
Cash and cash equivalents	\$ 4,837	\$ 5,174
Investment	8,808	7,420
Restricted investment	21,597	21,937
Accounts receivable	1,304	2,460
Inventory	825	627
Prepaid expenses	330	690
Total Current Assets	37,701	38,308
Collection	1	1
Capital Assets	62,356	64,010
	\$ 100,058	\$ 102,319

Liabilities and Net Assets

Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 3,266	\$ 3,145
Accrued salaries and benefits	1,533	1,428
Deferred contributions for the purchase of objects for the Collection	5,700	5,550
Deferred contributions for the purchase of capital assets	3,163	3,635
Other deferred contributions	2,267	2,261
Total Current Liabilities	15,929	16,019
Deferred contributions for the purchase of capital assets	10,351	10,375
Employee future benefits	640	640
Asset retirement obligations	581	581
Deferred contributions for the amortization of capital assets	61,713	63,367
Total Liabilities	89,214	90,982
Net Assets		
Unrestricted	10,106	10,599
Investment in capital assets	622	622
Permanently endowed	116	116
Total Net Assets	10,844	11,337
	\$ 100,058	\$ 102,319

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	2023	2022
Net assets, beginning of the year	\$ 10,600	622	116	\$ 11,338	\$ 9,736
Net result of operations for the year	(494)	-	-	(494)	(800)
Net change in investment in capital assets	-	-	-	-	-
Remainder of the year	-	-	-	-	2,402
Net assets, end of the year	\$ 10,106	\$ 622	\$ 116	\$ 10,844	\$ 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 Sept 30, 2023	Three months ended Sept 30, 2022	Six months ended Sept 30, 2023	Six months ended Sept 30, 2022
Revenues				
Operating revenue	\$ 2,707	\$ 2,063	\$ 4,789	\$ 3,891
Sponsorships and contributions	829	967	967	1,185
Contributed items for the Collection	268	1,715	1,345	3,382
Total operating revenue, sponsorships, and contributions (Schedule 1)	3,804	4,745	7,101	8,458
Expenses				
Collection				
Operations	1,813	1,757	3,554	3,497
Purchase of items for the Collection	2,467	4,923	3,449	6,865
Contributed items for the Collection	268	1,715	1,345	3,382
Total - Collection	4,548	8,395	8,348	13,744
Outreach	3,926	3,221	7,291	7,405
Accommodation	5,025	5,619	9,785	10,929
Internal Services	3,473	3,054	6,910	6,030
Total expenses (Schedule 2)	16,972	20,289	32,334	38,108
Net results before Parliamentary Appropriations	(13,168)	(15,544)	(25,233)	(29,650)
Parliamentary Appropriations	13,113	16,286	24,739	29,592
Net Result of Operations	\$ (55)	\$ 742	\$ (494)	\$ (58)

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

STATEMENT OF CASH FLOWS**For the six months ended September 30**

(in thousands of dollars)

	2023	2022
Operating activities		
Cash received from clients	\$ 4,011 \$	3,813
Parliamentary appropriations received	22,389	22,378
Cash paid to suppliers	(14,291)	(18,110)
Payments related to salary and benefits	(13,440)	(12,286)
Interest received	908	168
Total cash flow used for operating activities	(423)	(4,037)
Investing activities		
Acquisition of investments	(30,000)	(23,000)
Disposal of investments	29,000	24,000
Total cash flow from (used for) investing activities	(1,000)	1,000
Capital activities		
Payments related to capital acquisitions	(1,171)	(836)
Total cash flow used for capital activities	(1,171)	(836)
Financing activities		
Funding for the acquisition of capital assets	500	500
Restricted contributions and related investment income	1,757	314
Total cash flow from financing activities	2,257	814
Total cash inflows (outflows)	(337)	(3,059)
Cash and cash equivalents, beginning of the year	5,174	8,783
Cash and cash equivalents, end of the period	\$ 4,837 \$	5,724

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, 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		1,243		4,500
		39,021		42,257
For the purchase of items for the Collection		8,000		8,000
Total appropriations authorized by Parliament	\$	47,021	\$	50,257

5. PARLIAMENTARY APPROPRIATIONS RECOGNIZED AS REVENUE

For the six months ended September 30

(in thousands of dollars)

	Three months ended Sept 30, 2023	Three months ended Sept 30, 2022	Six months ended Sept 30, 2023	Six months ended Sept 30, 2022
For operating and capital expenditures				
Main estimates	\$ 9,445	\$ 9,439	\$ 18,889	\$ 18,878
Supplementary estimates			-	-
	9,445	9,439	18,889	18,878
Appropriations deferred for the purchase of capital assets	(250)	(250)	(500)	(500)
Amortization of deferred contributions related to appropriations	1,250	1,975	2,500	3,950
	10,445	11,164	20,889	22,328
For the purchase of items for the Collection				
Main estimates	2,000	2,000	4,000	4,000
Appropriations recognized from prior years	6,368	8,652	5,550	8,794
Appropriations deferred to future years	(5,700)	(5,530)	(5,700)	(5,530)
	2,668	5,122	3,850	7,264
Total Parliamentary appropriations	\$ 13,113	\$ 16,286	\$ 24,739	\$ 29,592

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	2023	2022
Beginning balance, as at April 1	\$ 5,550	\$ 14,010	\$ 2,261	\$ 21,821	\$ 23,713
Appropriations received in the period	4,000	500	-	4,500	4,500
Other funding	-	-	933	933	1,120
	9,550	14,510	3,194	27,254	29,333
Amounts recognized as revenue in the period	(3,450)	-	(927)	(4,377)	(7,994)
Related acquisition costs	(400)	-	-	(400)	(400)
Purchase of capital assets in the period	-	(995)	-	(995)	(719)
Ending balance	\$ 5,700	\$ 13,515	\$ 2,267	\$ 21,482	\$ 20,220

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, 2023	Three months ended Sept 30, 2022	Six months ended Sept 30, 2023	Six months ended Sept 30, 2022
Balance, beginning of period	\$ 62,543	\$ 64,393	\$ 63,367	\$ 66,308
Acquisition of capital assets	495	584	996	719
Amortization of capital assets	(1,325)	(2,050)	(2,650)	(4,100)
Balance, end of period	\$ 61,713	\$ 62,927	\$ 61,713	\$ 62,927

SCHEDULE #1: OPERATING REVENUE, SPONSORSHIPS, AND CONTRIBUTIONS

For the six months ended September 30

(in thousands of dollars)

		2023		2022
Operating Revenue:				
Boutique and publishing	\$	1,057	\$	1,042
Admissions		1,326		1,418
Parking		624		420
Memberships		270		314
Rental of public spaces		109		128
Education services		35		15
Art loans		34		78
Travelling exhibitions		231		-
Food services		112		107
Interest		956		292
Other		35		77
		4,789		3,891
Sponsorships and Contributions:				
Sponsorships		40		54
Contributions				
Contributed items for the Collection		1,345		3,382
From the National Gallery of Canada Foundation		847		1,015
From other individuals, corporations and foundations		80		116
		2,312		4,567
Operating revenue, sponsorships and contributions	\$	7,101	\$	8,458

SCHEDULE #2: EXPENSES

For the six months ended September 30

(in thousands of dollars)

		2023		2022
Salaries and employee benefits	\$	13,545	\$	12,202
Purchased items for the Collection		3,449		6,865
Contributed items for the Collection		1,345		3,382
Amortization of capital assets		2,650		4,100
Payments in lieu of taxes		1,683		1,699
Professional and special services		1,838		2,211
Insurance		251		195
Repairs and maintenance of buildings and equipment		2,363		1,870
Protection services		1,951		1,619
Utilities, materials and supplies		1,139		1,271
Freight, cartage and postage		165		651
Travel for public servants		210		271
Travel for non-public servants		166		93
Hospitality		39		51
Conferences, training and related travel		20		29
Publications and printing		151		192
Cost of goods sold – boutique		554		507
Advertising		250		143
Rent		295		424
Communications		113		94
Library purchases		51		96
Rentals of equipment		75		57
Fellowships		6		39
Miscellaneous		25		47
Total expenses	\$	32,334	\$	38,108