

**NATIONAL GALLERY OF CANADA
QUARTERLY FINANCIAL STATEMENTS**

For the nine-month period ended December 31, 2023

UNAUDITED

MANAGEMENT DISCUSSION AND ANALYSIS OF QUARTERLY FINANCIAL STATEMENTS

For the nine-month period ended December 31, 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 \$0.6 million during the nine-month period, compared to an operating deficit of \$1.3 million over the same period of the prior year.

The Gallery earned \$7.3 million in operating revenue, an increase over the \$5.7 million earned for the first nine months of 2022-23. The increase in operating revenue is mainly due to the impact of interest rates resulting in an increase of \$0.9 million in investment income compared to the results from last year. Parking revenue has increased by \$0.3 million, and traveling exhibition revenue increased by \$0.2 million compared to last year. Conversely, contributed items for the collection (art donations) received were \$4 million less in value for the first three quarters compared to the previous fiscal year.

Excluding acquired and contributed items for the Collection, the Gallery spent \$41.3 million on operating expenses, compared to \$42.4 million over the same period last year. Even though the Gallery had increases to salaries and employee benefits (\$1.4 million), amortization of capital assets has decreased (\$2.2 million) due to a reassessment of useful life of the building. Building repairs and maintenance increased by \$0.5 million due to the supplementary funding received through Federal Budget 2023, protection services costs also increased by \$0.3 million. There has been a decrease in professional and special services (\$0.4 million), freight costs (\$0.7 million), and utilities, materials and supplies of (\$0.4 million) compared to last year. Overall however, excluding art purchases and amortization, regular operating expenditures increased a total of 3%.

The Gallery purchased new items for the Collection valued at \$4.5 million, compared to \$9.9 million in the same period last year. The Gallery was also in receipt of \$1.3 million in value of generously contributed items for the Collection compared to \$5.4 million in the same nine-month period last year.

Parliamentary appropriations of \$36.4 million were recognized during the period, compared to \$44.0 million in the same period last year. The decrease relates almost entirely to recognition of appropriations for purchased items for the Collection and the amortization of deferred contributions for capital.

FINANCIAL POSITION

Cash and investments totalled \$37.3 million at the end of December. Of this total, \$22.2 million is for restricted purposes including art purchases, capital investments, and restricted donations.

The Gallery's unrestricted net assets total \$10.0 million at the end of December.

OUTLOOK

Federal Budget 2023 contained short-term funding to support Canada's national museums for 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.

Budget 2023 indicated the Government would work with Crown corporations to ensure they achieve spending reductions, comparable to departments, starting in 2024-25. On February 2, 2024, the National Gallery of Canada was informed that it will be exempt from this process. The National Gallery of Canada continues to exercise sound fiscal management in alignment with spirit of this exercise.

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 three quarters exceeded projections and the prior year. The NGC looks forward to its winter and spring season with exhibitions 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
February 23, 2024

STATEMENT OF FINANCIAL POSITION

(in thousands of dollars)

Assets

	As at Dec 31, 2023	As at March 31, 2023
Current		
Cash and cash equivalents	\$ 6,876	\$ 5,174
Investment	8,176	7,420
Restricted investment	22,268	21,937
Accounts receivable	1,109	2,460
Inventory	770	627
Prepaid expenses	409	690
Total Current Assets	39,608	38,308
Collection	1	1
Capital Assets	61,364	64,010
	\$ 100,973	\$ 102,319

Liabilities and Net Assets

Liabilities

Current liabilities

Accounts payable and accrued liabilities	\$ 4,679	\$ 3,145
Accrued salaries and benefits	1,492	1,428
Deferred contributions for the purchase of objects for the Collection	6,448	5,550
Deferred contributions for the purchase of capital assets	3,770	3,635
Other deferred contributions	2,273	2,261
Total Current Liabilities	18,662	16,019
Deferred contributions for the purchase of capital assets	9,661	10,375
Employee future benefits	640	640
Asset retirement obligations	581	581
Deferred contributions for the amortization of capital assets	60,722	63,367
Total Liabilities	90,266	90,982

Net Assets

Unrestricted	9,969	10,599
Investment in capital assets	622	622
Permanently endowed	116	116
Total Net Assets	10,707	11,337
	\$ 100,973	\$ 102,319

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	2023	2022
Net assets, beginning of the year	\$ 10,600	622	116	\$ 11,338	\$ 10,276
Net result of operations for the year	(631)	-	-	(631)	(1,314)
Net change in investment in capital assets	-	-	-	-	-
Remainder of the year	-	-	-	-	-
Net assets, end of the year	\$ 9,969	\$ 622	\$ 116	\$ 10,707	\$ 8,962

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, 2023	Three months ended Dec 31, 2022	Nine months ended Dec 31, 2023	Nine months ended Dec 31, 2022
Revenues				
Operating revenue	\$ 2,506	\$ 1,842	\$ 7,295	\$ 5,733
Sponsorships and contributions	555	125	1,522	1,310
Contributed items for the Collection	6	2,046	1,351	5,428
Total operating revenue, sponsorships, and contributions (Schedule 1)	3,067	4,013	10,168	12,471
Expenses				
Collection				
Operations	1,906	2,550	5,460	6,047
Purchase of items for the Collection	1,053	3,080	4,502	9,945
Contributed items for the Collection	6	2,046	1,351	5,428
Total - Collection	2,965	7,676	11,313	21,420
Outreach	3,937	3,890	11,228	11,295
Accommodation	4,659	5,296	14,444	16,225
Internal Services	3,340	2,852	10,250	8,882
Total expenses (Schedule 2)	14,901	19,714	47,235	57,822
Net results before Parliamentary Appropriations	(11,834)	(15,701)	(37,067)	(45,351)
Parliamentary Appropriations	11,697	14,445	36,436	44,037
Net Result of Operations	\$ (137)	\$ (1,256)	\$ (631)	\$ (1,314)

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)

	2023	2022
Operating activities		
Cash received from clients	\$ 5,931 \$	4,649
Parliamentary appropriations received	33,584	33,568
Cash paid to suppliers	(19,728)	(30,814)
Payments related to salary and benefits	(20,224)	(19,500)
Interest received	1,390	407
Total cash flow used for operating activities	953	(11,690)
Investing activities		
Acquisition of investments	(45,000)	(37,000)
Disposal of investments	44,000	40,000
Total cash flow from (used for) investing activities	(1,000)	3,000
Capital activities		
Payments related to capital acquisitions	(1,501)	(1,403)
Total cash flow used for capital activities	(1,501)	(1,403)
Financing activities		
Funding for the acquisition of capital assets	750	750
Restricted contributions and related investment income	2,500	(4,193)
Total cash flow from financing activities	3,250	(3,443)
Total cash inflows (outflows)	1,702	(13,536)
Cash and cash equivalents, beginning of the year	5,174	8,783
Cash and cash equivalents, end of the period	\$ 6,876 \$	(4,753)

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, 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 nine months ended December 31

(in thousands of dollars)

	Three months ended Dec 31, 2023	Three months ended Dec 31, 2022	Nine months ended Dec 31, 2023	Nine months ended Dec 31, 2022
For operating and capital expenditures				
Main estimates	\$ 9,445	\$ 9,439	\$ 28,334	\$ 28,317
Supplementary estimates			-	-
	9,445	9,439	28,334	28,317
Appropriations deferred for the purchase of capital assets	(250)	(250)	(750)	(750)
Amortization of deferred contributions related to appropriations	1,250	1,975	3,750	5,925
	10,445	11,164	31,334	33,492
For the purchase of items for the Collection				
Main estimates	2,000	2,000	6,000	6,000
Appropriations recognized from prior years	5,700	5,530	5,550	8,794
Appropriations deferred to future years	(6,448)	(4,249)	(6,448)	(4,249)
	1,252	3,281	5,102	10,545
Total Parliamentary appropriations	\$ 11,697	\$ 14,445	\$ 36,436	\$ 44,037

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		2023	2022		
Beginning balance, as at April 1	\$	5,550	\$	14,010	\$	2,261	\$	21,821	\$	23,713
Appropriations received in the period		6,000		750		-		6,750		6,750
Other funding		-		-		1,534		1,534		1,228
		11,550		14,760		3,795		30,105		31,691
Amounts recognized as revenue in the period		(4,502)		-		(1,522)		(6,024)		(11,177)
Related acquisition costs		(600)		-		-		(600)		(600)
Purchase of capital assets in the period		-		(1,329)		-		(1,329)		(1,286)
Ending balance	\$	6,448	-	13,431	-	2,273	-	22,152	\$	18,628

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, 2023		Three months ended Dec 31, 2022		Nine months ended Dec 31, 2023		Nine months ended Dec 31, 2022	
Balance, beginning of period	\$	61,713	\$	62,927	\$	63,367	\$	66,308
Acquisition of capital assets		333		567		1,329		1,286
Amortization of capital assets		(1,325)		(2,050)		(3,975)		(6,150)
Balance, end of period	\$	60,721	\$	61,444	\$	60,721	\$	61,444

SCHEDULE #1: OPERATING REVENUE, SPONSORSHIPS, AND CONTRIBUTIONS

For the nine months ended December 31

(in thousands of dollars)

	2023	2022
Operating Revenue:		
Boutique and publishing	\$ 1,789	\$ 1,617
Admissions	1,882	1,874
Parking	939	620
Memberships	451	455
Rental of public spaces	216	190
Education services	58	39
Art loans	42	97
Travelling exhibitions	246	10
Food services	138	132
Interest	1,477	607
Other	57	92
	7,295	5,733
Sponsorships and Contributions:		
Sponsorships	40	64
Contributions		
Contributed items for the Collection	1,351	5,428
From the National Gallery of Canada Foundation	922	1,090
From other individuals, corporations and foundations	560	156
	2,873	6,738
Operating revenue, sponsorships and contributions	\$ 10,168	\$ 12,471

SCHEDULE #2: EXPENSES

For the nine months ended December 31

(in thousands of dollars)

	2023	2022
Salaries and employee benefits	\$ 20,288	\$ 18,852
Purchased items for the Collection	4,502	9,945
Contributed items for the Collection	1,351	5,428
Amortization of capital assets	3,975	6,150
Payments in lieu of taxes	2,534	2,414
Professional and special services	2,994	3,382
Insurance	289	232
Repairs and maintenance of buildings and equipment	3,441	2,909
Protection services	2,849	2,513
Utilities, materials and supplies	1,566	1,982
Freight, cartage and postage	307	998
Travel for public servants	286	325
Travel for non-public servants	328	235
Hospitality	75	86
Conferences, training and related travel	47	61
Publications and printing	311	255
Cost of goods sold – boutique	828	754
Advertising	361	221
Rent	451	569
Communications	170	150
Library purchases	107	167
Rentals of equipment	136	92
Fellowships	6	39
Miscellaneous	33	63
Total expenses	\$ 47,235	\$ 57,822