

NATIONAL GALLERY OF CANADA
UNAUDITED FINANCIAL STATEMENTS

QUARTERLY RESULTS

Six months ended September 30th, 2015

STATEMENT OF MANAGEMENT RESPONSIBILITY

Management is responsible for the preparation and fair presentation of these quarterly financial statements of the National Gallery of Canada (the Gallery) in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations, and for such internal controls as management determines are 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 Gallery, as at the date of and for the periods presented in the quarterly financial statements.



Marc Mayer
Director



Julie Peckham
Deputy Director,
Administration and Chief Financial Officer

Ottawa, Canada
November 26th, 2015

STATEMENT OF FINANCIAL POSITION

(in thousands of dollars)

| Assets | As at | As at |
|---|---------------------|---------------------|
| Current | Sep 30, 2015 | Mar 31, 2015 |
| Cash and cash equivalents | \$ 11,223 | \$ 6,094 |
| Investment | 5,858 | 6,641 |
| Restricted investment | 10,142 | 9,452 |
| Accounts receivable | 1,087 | 1,324 |
| Inventory | 551 | 547 |
| Prepaid expenses | 170 | 1,445 |
| Total current assets | 29,031 | 25,503 |
| Collection | 1 | 1 |
| Capital assets | 81,849 | 84,400 |
| | \$ 110,881 | \$ 109,904 |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 6,370 | \$ 3,031 |
| Accrued salaries and benefits | 1,637 | 4,451 |
| Deferred contributions for the purchase of objects for the Collection (Note 4) | 3,856 | 2,787 |
| Deferred contributions for the purchase of capital assets (Note 4) | 4,768 | 4,817 |
| Other deferred contributions (Note 4) | 1,402 | 1,732 |
| Total current liabilities | 18,033 | 16,818 |
| Employee future benefits | 1,014 | 1,161 |
| Deferred contributions for the amortization of capital assets | 81,226 | 83,778 |
| Total liabilities | 100,273 | 101,757 |
| Net Assets | | |
| Unrestricted | 9,870 | 7,409 |
| Investment in capital assets | 622 | 622 |
| Permanently endowed | 116 | 116 |
| Total net assets | 10,608 | 8,147 |
| | \$ 110,881 | \$ 109,904 |

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

STATEMENT OF CHANGES IN NET ASSETS

(in thousands of dollars)

| | | Unrestricted | Investment in capital assets | Permanently endowed | 6 months ended Sept 30, 2015 | Year ended March 31, 2015 |
|--|-----------|--------------|---------------------------------|------------------------|---|------------------------------------|
| Net assets, beginning of year | \$ | 7,409 | \$ 622 | \$ 116 | \$ 8,147 | \$ 7,795 |
| Net result of operations for the six month period | | 2,461 | - | - | 2,461 | 1,367 |
| Net results of operations for the remainder of the year | | - | - | - | - | (1,015) |
| Net assets, end of period | \$ | 9,870 | \$ 622 | \$ 116 | \$ 10,608 | \$ 8,147 |

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

STATEMENT OF OPERATIONS

(in thousands of dollars)

| | 6 months ended Sept 30, 2015 | 6 months ended Sept 30, 2014 | 3 months ended Sept 30, 2015 | 3 months ended Sept 30, 2014 |
|--|---|---------------------------------------|---------------------------------------|---------------------------------------|
| Operating revenue and contributions (Schedule 1) | \$ 5,583 | \$ 4,541 | \$ 3,245 | \$ 3,003 |
| Expenses | | | | |
| Collection | | | | |
| Operations | 3,250 | 3,350 | 1,601 | 1,632 |
| Art purchases | 4,648 | 4,300 | 3,637 | 2,517 |
| Total - Collection | 7,898 | 7,650 | 5,238 | 4,149 |
| Outreach | 6,455 | 6,187 | 3,135 | 3,438 |
| Accommodation | 9,787 | 9,690 | 5,213 | 4,946 |
| Internal Services | 4,399 | 4,199 | 2,429 | 1,958 |
| Total expenses (Schedule 2) | 28,539 | 27,726 | 16,015 | 14,491 |
| Net results before Parliamentary Appropriations | (22,956) | (23,185) | (12,770) | (11,488) |
| Parliamentary appropriations (Note 5) | 25,417 | 24,552 | 13,966 | 12,273 |
| Net result of operations | \$ 2,461 | \$ 1,367 | \$ 1,196 | \$ 785 |

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

STATEMENT OF CASH FLOWS

(in thousands of dollars)

| | 6 months ended Sept 30, 2015 | 6 months ended Sept 30, 2014 | 3 months ended Sept 30, 2015 | 3 months ended Sept 30, 2014 |
|---|---|---------------------------------------|---------------------------------------|---------------------------------------|
| Operating activities | | | | |
| Cash received from clients | \$ 3,963 | \$ 4,694 | \$ 1,746 | \$ 2,934 |
| Parliamentary appropriations received | 26,902 | 23,442 | 11,693 | 11,693 |
| Cash paid to suppliers | (13,772) | (11,463) | (8,006) | (8,384) |
| Payments related to salary and benefits | (12,943) | (9,945) | (5,407) | (4,677) |
| Interest received | 106 | 97 | - | 13 |
| Total cash flow from operating activities | 4,256 | 6,825 | 26 | 1,579 |
| Investing activities | | | | |
| Acquisition of investments | (17,000) | - | (14,000) | - |
| Disposal of investments | 17,093 | - | 14,000 | - |
| Total cash flow used for investing activities | 93 | - | - | - |
| Capital activities | | | | |
| Payments related to capital acquisitions | (598) | (739) | (466) | (295) |
| Total cash flow used for capital activities | (598) | (739) | (466) | (295) |
| Financing activities | | | | |
| Funding for the acquisition of capital assets | 500 | 500 | 250 | 250 |
| Restricted contributions and related investment income | 878 | 488 | 508 | 291 |
| Total cash flow from financing activities | 1,378 | 988 | 758 | 541 |
| Total cash flow | 5,129 | 7,074 | 318 | 1,825 |
| Cash and cash equivalents, beginning of the period | | | | |
| Cash and cash equivalents | 6,094 | 7,106 | 10,905 | 11,520 |
| Restricted cash and cash equivalents | - | 10,924 | - | 11,759 |
| | 6,094 | 18,030 | 10,905 | 23,279 |
| Cash and cash equivalents, end of the period | | | | |
| Cash and cash equivalents | 11,223 | 12,556 | 11,223 | 12,556 |
| Restricted cash and cash equivalents | - | 12,548 | - | 12,548 |
| | \$ 11,223 | \$ 25,104 | \$ 11,223 | \$ 25,104 |

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

SELECTED NOTES TO THE UNAUDITED QUARTERLY FINANCIAL STATEMENTS

Six months ended September 30, 2015

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 include its affiliate, the Canadian Museum of Contemporary Photography (CMCP).

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

To acquire, preserve, research and document historic and contemporary works of art in order to represent and present arts heritage. It includes curatorial research, acquisitions and preservation.

Outreach

To foster broad access nationally and internationally to the Gallery's collection, research, exhibitions and expertise. It includes exhibitions, both in the National Capital Region and other venues in Canada and abroad, educational programming and publications, fundraising, communications and marketing activities designed to reach as wide an audience as possible.

Accommodation

To provide secure and suitable facilities which are readily accessible to the public, for the preservation and exhibition of the national collections.

Administration

To provide direction, control and effective development and administration of resources.

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. The Gallery applies the deferral method of accounting for contributions for government not-for-profit organizations.

4. DEFERRED CONTRIBUTIONS

For the six months ended September 30

(in thousands of dollars)

| | Appropriations for the purchase of objects for the Collection | Appropriations for the purchase of capital assets | Other deferred contributions | 2015 | 2014 |
|--|--|---|---------------------------------|------------------|---------------|
| Balance, beginning of period | \$ 2,787 | \$ 4,817 | \$ 1,732 | \$ 9,336 | 10,808 |
| Appropriations received in the period | 6,000 | 500 | - | 6,500 | 6,500 |
| Non-Government funding received in the period | - | - | 400 | 400 | 488 |
| | 8,787 | 5,317 | 2,132 | 16,236 | 17,796 |
| Amounts recognized as revenue in the period | (4,531) | - | (730) | (5,261) | (4,225) |
| Related acquisition costs | (400) | - | - | (400) | (400) |
| Purchase of capital assets in the period | - | (549) | - | (549) | (739) |
| Balance, end of period | \$ 3,856 | \$ 4,768 | \$ 1,402 | \$ 10,026 | 12,432 |

5. PARLIAMENTARY APPROPRIATIONS

(in thousands of dollars)

| | 6 months ended Sept 30, 2015 | 6 months ended Sept 30, 2014 |
|---|---------------------------------------|---------------------------------------|
| For operating and capital expenditures | | |
| Main estimates | \$ 17,886 | \$ 17,886 |
| | 17,886 | 17,886 |
| Appropriations deferred for the purchase of capital assets | (500) | (500) |
| Amortization of deferred funding for capital assets | 3,100 | 3,207 |
| | 20,486 | 20,593 |
| For the purchase of objects for the Collection | | |
| Main estimates | 6,000 | 6,000 |
| Appropriations recognized from prior periods | 2,787 | 5,008 |
| Appropriations deferred to future periods | (3,856) | (7,049) |
| | 4,931 | 3,959 |
| Total Parliamentary appropriations | \$ 25,417 | \$ 24,552 |

6. INVESTMENTS IN CAPITAL ASSETS

For the six months ended September 30

(in thousands of dollars)

| | 2015 | 2014 |
|---|------------------|---------|
| Capital asset additions in the period | \$ 549 \$ | 739 |
| Less: capital assets financed through contributions | (549) | (739) |
| | - | - |
| Deferred contributions for the amortization of capital assets | 3,100 | 3,207 |
| Amortization of capital assets | (3,100) | (3,207) |
| Net change in investment in capital assets | \$ - \$ | - |

SCHEDULE 1: SCHEDULE OF OPERATING REVENUE AND CONTRIBUTIONS

(in thousands of dollars)

| | 6 months ended Sept 30, 2015 | 6 months ended Sept 30, 2014 | 3 months ended Sept 30, 2015 | 3 months ended Sept 30, 2014 |
|--|---|---------------------------------------|---------------------------------------|---------------------------------------|
| Operating revenue: | | | | |
| Bookstore and publishing | \$ 1,528 \$ | \$ 949 \$ | \$ 919 \$ | \$ 557 |
| Admissions | 1,538 | 811 | 939 | 527 |
| Parking | 570 | 460 | 296 | 245 |
| Memberships | 355 | 257 | 186 | 116 |
| Rental of public spaces | 89 | 153 | 33 | 68 |
| Education services | 64 | 72 | 4 | 4 |
| Art loans – recovery of expenses | 61 | 47 | 1 | 16 |
| Travelling exhibitions | 5 | 50 | 5 | 20 |
| Audio guides | 21 | 46 | 11 | 32 |
| Food services | 27 | 20 | 17 | 14 |
| Interest | 106 | 97 | - | 13 |
| Other | 11 | 49 | 3 | 46 |
| | 4,375 | 3,011 | 2,414 | 1,658 |
| Sponsorships and Contributions: | | | | |
| Sponsorships | 380 | 155 | 122 | 38 |
| Contributions: | | | | |
| Contributed items for the Collection | 98 | 707 | 95 | 707 |
| From the National Gallery of Canada Foundation | 203 | 328 | 203 | 328 |
| From other individuals, corporations and foundations | 527 | 340 | 411 | 272 |
| | 1,208 | 1,530 | 831 | 1,345 |
| Operating revenue and contributions | \$ 5,583 \$ | \$ 4,541 \$ | \$ 3,245 \$ | \$ 3,003 |

SCHEDULE 2: SCHEDULE OF EXPENSES

(in thousands of dollars)

| | 6 months ended Sept 30, 2015 | 6 months ended Sept 30, 2014 | 3 months ended Sept 30, 2015 | 3 months ended Sept 30, 2014 |
|--|---|---------------------------------------|---------------------------------------|---------------------------------------|
| Salaries and employee benefits | \$ 9,982 | \$ 9,940 | \$ 5,174 | \$ 4,940 |
| Purchased items for the Collection | 4,550 | 3,593 | 3,542 | 1,810 |
| Contributed items for the Collection | 98 | 707 | 95 | 707 |
| Amortization of capital assets | 3,100 | 3,207 | 1,550 | 1,604 |
| Payments in lieu of taxes | 2,167 | 2,044 | 1,083 | 983 |
| Professional and special services | 1,168 | 1,010 | 621 | 519 |
| Insurance | 335 | 223 | 124 | 57 |
| Repairs and maintenance of buildings and equipment | 1,634 | 1,825 | 839 | 866 |
| Protection services | 1,488 | 1,443 | 771 | 762 |
| Utilities, materials and supplies | 1,137 | 850 | 828 | 518 |
| Freight, cartage and postage | 201 | 973 | 142 | 698 |
| Travel | 521 | 292 | 140 | 155 |
| Publications | 272 | 174 | 105 | 118 |
| Cost of goods sold | 786 | 554 | 482 | 296 |
| Advertising | 500 | 348 | 234 | 205 |
| Rent | 225 | 223 | 113 | 112 |
| Communications | 135 | 115 | 78 | 61 |
| Library purchases | 116 | 108 | 37 | 30 |
| Fellowship | 30 | 28 | 22 | 11 |
| Rentals of equipment | 73 | 53 | 24 | 31 |
| Miscellaneous | 21 | 16 | 11 | 8 |
| Total expenses | \$ 28,539 | \$ 27,726 | \$ 16,015 | \$ 14,491 |

MANAGEMENT DISCUSSION AND ANALYSIS OF QUARTERLY FINANCIAL STATEMENTS

For the six months ended September 30, 2015

Operating Environment

During the first half of the fiscal year, the Gallery hosted a broad program of exhibitions in Ottawa. The major summer exhibition, which focused on one of Canada's most celebrated artists, Alex Colville, was a critical success. The Gallery continued its successful Masterpiece in Focus series with Mary Pratt: *This Little Painting*. The Gallery also exhibited the *Daphnis and Chloé* series of lithographs by modernist Marc Chagall and presented three photography exhibits: *For the Record: Early Canadian Travel Photography*; *Luminous and True: The Photographs of Frederick H. Evans*; and *Mirrors with Memory: Daguerreotypes from Library and Archives Canada*. Additionally, the Gallery hosted *The Governor General's Awards in Visual and Media Arts 2015*, showcasing and celebrating artistic excellence throughout Canada.

On-tour exhibitions were also presented during the second quarter in different locations across the country. They range in size, subject matter and media and feature a range of works from historical to contemporary.

Consistent with the Gallery's mandate related to international outreach, the Gallery coordinated Canada's presence at the *2015 Venice Biennale International Art Exhibition*. Quebec City artist collective, BGL, prepared and installed the remarkable work *Canadassimo*. This international exhibition is funded exclusively by the support of individuals, corporations and foundations..

In addition to its collecting and outreach activities, the Gallery undertakes to provide secure and suitable facilities that are readily accessible to the public, for the preservation and exhibition of the Collection.

Total visitor attendance to permanent, temporary, and travelling exhibitions at all venues combined was 599,212.

| | 1st Quarter 2015-16 | 2nd Quarter 2015-16 | Total to the end of September 2015 | Total to the end of September 2014 |
|------------------------|------------------------|------------------------|---|---|
| NGC Ottawa | 108,051 | 143,157 | 251,208 | 167,657 |
| Travelling Exhibitions | 936 | 2,126 | 3,062 | 56,342 |
| NGC@ Partnerships | 24,351 | 70,707 | 95,058 | 69,073 |
| Venice | 64,668 | 101,006 | 165,674 | - |
| Special Projects | 18,000 | 66,210 | 84,210 | 79,728 |
| Total | 216,006 | 383,206 | 599,212 | 372,800 |

Financial Overview

The Gallery achieved a net operating surplus of \$2.5 million during the first half of the year, an increase of \$1.1 million over the same period in the prior year. Given the seasonal nature of the Gallery operations, with the majority of revenues earned during the summer, a surplus at this time of the year is common.

Parliamentary Appropriations, revenues and contributions

The Gallery recognized Parliamentary appropriations in the amount of \$25.4 million, compared to \$24.6 million in the first half of 2014-15. This variance is the result of funding for the purchase of objects for the Collection.

Self-generated revenue for the period amounted to \$4.4 million compared to \$3.0 million for the same period in the prior year. The Gallery not only had strong attendance throughout the summer, but also opened the summer exhibition earlier in the season. This resulted in significant increases to attendance-driven revenue through admissions, Boutique and parking revenue.

Sponsorships and contributions recognized during the period were \$1.2 million compared to \$1.5 million in the prior year. A portion of the sponsorships and contributions received are in support of the 2015 *Venice Biennale*.

Overall, the Gallery expects to exceed its annual targets for self-generated revenue, sponsorships and contributions set for fiscal year 2015-16.

| | Annual Target for 2015-16 | Six months ended Sept 30, 2015 | % of Annual Target |
|-----------------------------|------------------------------|-----------------------------------|-----------------------|
| Self-generated revenue | \$ 5,588,000 | \$ 4,375,000 | 78% |
| Sponsorship & contributions | 2,680,000 | 1,208,000 | 45% |
| Total | \$ 8,268,000 | \$ 5,583,000 | 68% |

Expenditures

Operating expenditures were \$28.5 million in the period compared to \$27.7 million for the same period of the prior year. This variance principally relates to increased art purchases in the period. In addition, travel costs increased due in part to the installation of Canada's exhibit at the 2015 *Venice Biennale*. These cost increases are partially offset by a decrease for freight and cartage costs explained by the timing and pricing of the transportation of borrowed works of art for the 2015 summer exhibition, in comparison to the summer exhibition in the prior year.

Collection

The Gallery purchased \$4.6 million worth of objects for the Collection in the period compared to \$3.6 million in the same period of the prior year. The Gallery was grateful for contributed objects valued at \$0.1 million compared to \$0.7 million in the comparative period. Notable additions to the Collection in the period include *Bonsecours Market, Montreal* by William Raphael and *Wisdom defending Youth against Love* by Charles Meynier. At the end of September 2015, the Gallery reported \$3.9 million of deferred contributions for future purchases of works of art.

Capital

The Gallery spent \$0.5 million on capital assets during the period compared to \$0.7 million for the same period in the prior year. At the end of September 2015, the Gallery had \$4.8 million of deferred contributions for the purchase of capital assets.

Outlook

The Gallery receives base capital funding through Parliamentary appropriations of \$1.0 million. As the main facility ages — now in its 27th year of operation — the demand for investment in life-cycle maintenance and repairs to the building and mechanical systems will continue to increase. Over the coming year, the Gallery will undertake several capital projects to address emergent technology demands such as on-line presence, information technology hardware and information management systems. In addition, the Gallery will perform recapitalization investments for the bookstore, the auditorium, and the food service areas. The Gallery will continue to prioritize its capital projects based on risk deferral and its risk-mitigation strategy.

The Gallery expects to be in a surplus position at the end fiscal year 2015-16, mainly due to the success of the summer exhibition *Alex Colville*. As a result, the Gallery may restrict operating appropriations to the capital allotment to help address funding pressures for capital projects.