

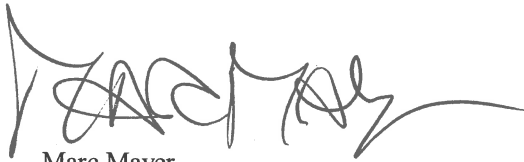
NATIONAL GALLERY OF CANADA
UNAUDITED FINANCIAL STATEMENTS
QUARTERLY RESULTS

Nine months ended December 31th, 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
February 26th, 2016

STATEMENT OF FINANCIAL POSITION

(in thousands of dollars)

Assets	As at	
Current	Dec 31, 2015	Mar 31, 2015
Cash and cash equivalents	\$ 11,985	\$ 6,094
Investment	5,791	6,641
Restricted investment	10,179	9,452
Accounts receivable	489	1,324
Inventory	573	547
Prepaid expenses	239	1,445
Total current assets	29,256	25,503
Collection	1	1
Capital assets	80,628	84,400
	\$ 109,885	\$ 109,904
Liabilities and Net Assets		
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 6,392	\$ 3,031
Accrued salaries and benefits	1,408	4,451
Deferred contributions for the purchase of objects for the Collection (Note 4)	4,086	2,787
Deferred contributions for the purchase of capital assets (Note 4)	4,688	4,817
Other deferred contributions (Note 4)	1,289	1,732
Total current liabilities	17,863	16,818
Employee future benefits	1,014	1,161
Deferred contributions for the amortization of capital assets	80,006	83,778
Total liabilities	98,883	101,757
Net Assets		
Unrestricted	10,264	7,409
Investment in capital assets	622	622
Permanently endowed	116	116
Total net assets	11,002	8,147
	\$ 109,885	\$ 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	9 months ended Dec 31, 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 nine month period	2,855	-	-	2,855	1,733
Net results of operations for the remainder of the year	-	-	-	-	(1,381)
Net assets, end of period	\$ 10,264	\$ 622	\$ 116	\$ 11,002	\$ 8,147

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

STATEMENT OF OPERATIONS

(in thousands of dollars)

	9 months ended Dec 31, 2015	9 months ended Dec 31, 2014	3 months ended Dec 31, 2015	3 months ended Dec 31, 2014
Operating revenue, sponsorships and contributions	\$ 7,457	\$ 5,572	\$ 1,972	\$ 1,738
Contributed items for the Collection	20,431	1,735	20,333	1,028
Operating revenue, sponsorships and contributions (Schedule 1)	27,888	7,307	22,305	2,766
Expenses				
Collection				
Operations	4,987	4,972	1,835	1,622
Purchased items for the Collection	6,121	5,525	1,473	1,932
Contributed items for the Collection	20,431	1,735	20,333	1,028
Total - Collection	31,539	12,232	23,641	4,582
Outreach	9,937	9,613	3,482	3,426
Accommodation	14,297	14,546	4,510	4,856
Internal Services	6,691	6,166	2,292	1,967
Total expenses (Schedule 2)	62,464	42,557	33,925	14,831
Net results before Parliamentary Appropriations	(34,576)	(35,250)	(11,620)	(12,065)
Parliamentary appropriations (Note 5)	37,431	36,983	12,014	12,431
Net result of operations	\$ 2,855	\$ 1,733	\$ 394	\$ 366

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

STATEMENT OF CASH FLOWS

(in thousands of dollars)

	9 months ended Dec 31, 2015	9 months ended Dec 31, 2014	3 months ended Dec 31, 2015	3 months ended Dec 31, 2014
Operating activities				
Cash received from clients	\$ 6,311	\$ 6,040	\$ 2,348	\$ 1,346
Parliamentary appropriations received	37,596	33,137	10,694	9,695
Cash paid to suppliers	(20,146)	(21,569)	(6,374)	(10,106)
Payments related to salary and benefits	(18,826)	(15,366)	(5,883)	(5,421)
Interest received	115	182	9	85
Total cash flow from operating activities	5,050	2,424	794	(4,401)
Investing activities				
Acquisition of investments	(17,000)	-	-	-
Disposal of investments	17,093	-	-	-
Total cash flow used for investing activities	93	-	-	-
Capital activities				
Payments related to capital acquisitions	(928)	(908)	(330)	(169)
Total cash flow used for capital activities	(928)	(908)	(330)	(169)
Financing activities				
Funding for the acquisition of capital assets	750	750	250	250
Restricted contributions and related investment income	926	961	48	473
Total cash flow from financing activities	1,676	1,711	298	723
Total cash flow	5,891	3,227	762	(3,847)
Cash and cash equivalents, beginning of the period				
Cash and cash equivalents	6,094	7,106	11,223	12,556
Restricted cash and cash equivalents	-	10,924	-	12,548
	6,094	18,030	11,223	25,104
Cash and cash equivalents, end of the period				
Cash and cash equivalents	11,985	9,723	11,985	9,723
Restricted cash and cash equivalents	-	11,534	-	11,534
	\$ 11,985	\$ 21,257	\$ 11,985	\$ 21,257

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

SELECTED NOTES TO THE UNAUDITED QUARTERLY FINANCIAL STATEMENTS

Nine months ended December 31, 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 nine months ended December 31

(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	8,000	750	-	8,750	6,500
Non-Government funding received in the period	-	-	487	487	488
	10,787	5,567	2,219	18,573	17,796
Amounts recognized as revenue in the period	(6,101)	-	(930)	(7,031)	(4,225)
Related acquisition costs	(600)	-	-	(600)	(400)
Purchase of capital assets in the period	-	(879)	-	(879)	(739)
Balance, end of period	\$ 4,086	\$ 4,688	\$ 1,289	\$ 10,063	12,432

5. PARLIAMENTARY APPROPRIATIONS

(in thousands of dollars)

	9 months ended Dec 31, 2015	9 months ended Dec 31, 2014
For operating and capital expenditures		
Main estimates	\$ 26,830	\$ 26,828
Supplementary estimates	-	3
	26,830	26,831
Appropriations deferred for the purchase of capital assets	(750)	(750)
Amortization of deferred funding for capital assets	4,650	4,810
	30,730	30,891
For the purchase of objects for the Collection		
Main estimates	8,000	7,000
Appropriations recognized from prior periods	2,787	5,008
Appropriations deferred to future periods	(4,086)	(5,916)
	6,701	6,092
Total Parliamentary appropriations	\$ 37,431	\$ 36,983

6. INVESTMENTS IN CAPITAL ASSETS

For the nine months ended December 31

(in thousands of dollars)

	2015	2014
Capital asset additions in the period	\$ 879	\$ 908
Less: capital assets financed through contributions	(879)	(908)
	-	-
Deferred contributions for the amortization of capital assets	4,650	4,810
Amortization of capital assets	(4,650)	(4,810)
Net change in investment in capital assets	\$ -	-

SCHEDULE 1: SCHEDULE OF OPERATING REVENUE, SPONSORSHIPS AND CONTRIBUTIONS

(in thousands of dollars)

	9 months ended Dec 31, 2015	9 months ended Dec 31, 2014	3 months ended Dec 31, 2015	3 months ended Dec 31, 2014
Operating revenue:				
Bookstore and publishing	\$ 2,202	\$ 1,504	\$ 674	\$ 555
Admissions	1,898	1,069	360	258
Parking	893	707	323	247
Memberships	560	364	205	107
Rental of public spaces	141	192	52	39
Education services	73	84	9	12
Art loans – recovery of expenses	133	143	72	96
Travelling exhibitions	5	50	-	-
Audio guides	41	57	20	11
Food services	39	28	12	8
Interest	115	182	9	85
Other	18	51	7	2
	6,118	4,431	1,743	1,420
Sponsorships and Contributions:				
Sponsorships	409	307	29	152
Contributions:				
Contributed items for the Collection	20,431	1,735	20,333	1,028
From the National Gallery of Canada Foundation	203	328	-	-
From other individuals, corporations and foundations	727	506	200	166
	21,770	2,876	20,562	1,346
Operating revenue, sponsorships and contributions	\$ 27,888	\$ 7,307	\$ 22,305	\$ 2,766

SCHEDULE 2: SCHEDULE OF EXPENSES

(in thousands of dollars)

	9 months ended Dec 31, 2015	9 months ended Dec 31, 2014	3 months ended Dec 31, 2015	3 months ended Dec 31, 2014
Salaries and employee benefits	\$ 15,636	\$ 15,183	\$ 5,654	\$ 5,243
Purchased items for the Collection	6,121	5,525	1,571	1,932
Contributed items for the Collection	20,431	1,735	20,333	1,028
Amortization of capital assets	4,650	4,810	1,550	1,603
Payments in lieu of taxes	3,088	3,066	921	1,022
Professional and special services	1,796	1,638	600	628
Insurance	307	269	-	46
Repairs and maintenance of buildings and equipment	2,427	2,738	793	913
Protection services	2,115	2,102	627	659
Utilities, materials and supplies	1,529	1,335	392	485
Freight, cartage and postage	587	1,269	386	296
Travel	745	525	224	233
Publications	448	404	176	230
Cost of goods sold	1,065	731	279	177
Advertising	646	415	146	67
Rent	337	335	112	112
Communications	205	176	70	61
Library purchases	157	161	41	53
Fellowship	31	45	1	17
Rentals of equipment	109	69	36	16
Miscellaneous	34	26	13	10
Total expenses	\$ 62,464	\$ 42,557	\$ 33,925	\$ 14,831

MANAGEMENT DISCUSSION AND ANALYSIS OF QUARTERLY FINANCIAL STATEMENTS

For the nine months ended December 31, 2015

Operating Environment

This fiscal year, the Gallery has delivered a broad range 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 also exhibited, in the first half of the year, the *Daphnis and Chloé* series of lithographs by modernist 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*. The Gallery continued its successful Masterpiece in Focus series with Mary Pratt: *This Little Painting*. Additionally, the Gallery hosted *The Governor General's Awards in Visual and Media Arts 2015* showcasing and celebrating artistic excellence throughout Canada.

During the third quarter, the Gallery opened: *Monet: A Bridge to Modernity*, presenting twelve seminal works from collections around the world to explore Claude Monet's innovative experiments with the motif of the bridge; the *Joseph Beuys* exhibition, encompassing four decades of the late German artist's enigmatic practice and bringing together fifteen major sculptures and a selection of drawings; and *Beauty's Awakening: Drawings by the Pre-Raphaelites and their Contemporaries from the Lanigan Collection*, which presented the broad evolution of British draftsmanship and illustrated the new appreciation developed for the art of drawing during the reign of Queen Victoria.

In November, the *2015 Venice Biennale International Art Exhibition* came to a close. In an effort to share Canadian art with the World, the Gallery coordinated Canada's presence at this prestigious event. The Quebec City artist collective, BGL, prepared and installed the critically acclaimed work *Canadassimo*. This international exhibition is funded exclusively by the generous support of individuals, corporations and foundations.

Total visitor attendance to permanent, temporary, and travelling exhibitions, at all venues combined, at the end of the third quarter was 781,705.

	1st Quarter 2015-16	2nd Quarter 2015-16	3rd Quarter 2015-16	Total to the end of December 2015	Total to the end of December 2014
NGC Ottawa	108,051	143,157	78,413	329,621	224,909
Travelling Exhibitions	936	2,126	-	3,062	78,654
NGC@ Partnerships	24,351	70,707	9,754	104,812	119,721
Venice	64,668	101,006	94,326	260,000	-
Special Projects	18,000	66,210	-	84,210	79,728
Total	216,006	383,206	182,493	781,705	503,012

Financial Overview

The Gallery achieved a net operating surplus of \$2.9 million during the nine month period. This represents an increase of \$1.1 million over the same period in the prior year.

Parliamentary Appropriations, revenues and contributions

The Gallery recognized Parliamentary appropriations in the amount of \$37.4 million, compared to \$37.0 million in same period last year. The variance is due to the recognition of previously deferred appropriations for objects for the Collection.

Self-generated revenue for the period amounted to \$6.1 million compared to \$4.4 million for the same period in the prior year. Due to the appeal of the exhibitions presented in 2015-16, the Gallery maintained strong attendance throughout the year. This has driven substantial revenue gains in bookstore sales, admissions, parking, and memberships.

Sponsorships and contributions recognized during the period were \$21.8 million, compared to \$2.9 million in the prior year. The Gallery was in receipt of contributed works of art valued at \$20.4 million, compared to \$1.7 million in the prior year. Excluding contributed works of art, the Gallery recognized \$1.3 million in sponsorships and contributions, compared to \$1.1 million in the prior year. A portion of the sponsorships and contributions received are in support of the *2015 Venice Biennale*.

Overall, the Gallery will exceed its annual targets for self-generated revenue set for fiscal year 2015-16.

	Annual Target for 2015-16	Nine months ended Dec 31, 2015	% of Annual Target
Self-generated revenue	\$ 5,588,000	\$ 6,118,000	109%
Sponsorship & contributions*	2,680,000	1,339,000	50%
Total	\$ 8,268,000	\$ 7,457,000	90%

*excluding contributed items for the Collection

Expenditures

Expenditures were \$62.5 million in the period, compared to \$42.6 million for the same period of the prior year, for an increase of \$19.9 million. This variance is mainly the result of acquisition and contributed items for the Collection, as discussed below. In addition, travel costs increased; due in part to the installation of Canada's exhibit at the 2015 *Venice Biennale*. The Gallery also had expenditure increases related to salaries, cost of goods sold and advertising.

Freight, cartage and postage costs are lower, in comparison to the same period of the prior year, mainly explained by higher transportation costs in 2014, due to borrowed works of art coming from overseas for the summer special exhibition *Gustave Doré (1832–1883): Master of Imagination*.

The Collection

The Gallery purchased objects for the Collection valued at \$6.1 million in the period, compared to purchases totalling \$5.5 million in the same period of the prior year. The Gallery was enormously grateful to accept contributed items for the Collection valued at \$20.4 million, compared to \$1.7 million in the comparative period. Notable additions to the Collection in the period include *Bonsecours Market, Montreal* by William Raphael, *Wisdom defending Youth against Love* by Charles Meynier and more than 50 works by the esteemed Canadian painter, James Wilson Morrice. At the end of December 2015, the Gallery had \$4.1 million of deferred contributions available for future purchases of works of art.

Capital

The Gallery spent \$0.9 million on capital assets during the period, similar to \$0.9 million expended in the same period in the prior year. At the end of December 2015, the Gallery had \$4.7 million of deferred contributions available 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. In the fourth quarter of the fiscal year, the Gallery will commence 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 make recapitalization investments in the bookstore, the auditorium, and the food service areas, as well as in wayfinding. The Gallery will continue to prioritize its capital projects based on risk assessment and its risk-mitigation strategy.

The Gallery expects to be in a surplus position at the end fiscal year 2015-16, mainly driven by exceptional attendance throughout the year. The Gallery may restrict operating appropriations to help address critical funding pressures for lifecycle capital projects.