

**NATIONAL GALLERY OF CANADA**  
**UNAUDITED FINANCIAL STATEMENTS**  
**QUARTERLY RESULTS**

**Six months ended September 30<sup>th</sup>, 2016**

**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 28<sup>th</sup>, 2016

**STATEMENT OF FINANCIAL POSITION**

(in thousands of dollars)

**Assets**

Current	Sept 30, 2016	March 31, 2016
Cash and cash equivalents	\$ 15,458	\$ 13,061
Restricted cash and cash equivalents	10,639	10,254
Accounts receivable	2,729	1,220
Inventory	594	567
Prepaid expenses	157	336
Total current assets	29,577	25,438
Collection	1	1
Capital assets	78,645	79,837
	\$ 108,223	\$ 105,276

**Liabilities and Net Assets**

## Liabilities

## Current liabilities

Accounts payable and accrued liabilities	\$ 7,731	\$ 4,027
Accrued salaries and benefits	1,861	1,770
Deferred contributions for the purchase of objects for the Collection (Note 4)	3,499	2,204
Deferred contributions for the purchase of capital assets (Note 4)	5,285	6,689
Other deferred contributions (Note 4)	1,233	1,245
Total current liabilities	19,609	15,935
Employee future benefits	932	932
Deferred contributions for the amortization of capital assets	78,023	79,215
Total liabilities	98,564	96,082

## Net Assets

Unrestricted	8,921	8,456
Investment in capital assets	622	622
Permanently endowed	116	116
Total net assets	9,659	9,194
	\$ 108,223	\$ 105,276

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	2016	2015
Net assets, beginning of the period	\$ 8,456	\$ 622	\$ 116	\$ 9,194	\$ 8,147
Net result of operations for the six month period	465	-	-	465	2,461
Net result for the remainder of the year	-	-	-	-	(1,414)
<b>Net assets, end of the period</b>	<b>\$ 8,921</b>	<b>\$ 622</b>	<b>\$ 116</b>	<b>\$ 9,659</b>	<b>\$ 9,194</b>

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

**STATEMENT OF CHANGES IN NET ASSETS****For the three months ended September 30**

(in thousands of dollars)

	Unrestricted	Investment in capital assets	Permanently endowed	2016	2015
Net assets, beginning of the period	\$ 8,125	\$ 622	\$ 116	\$ 8,863	\$ 9,412
Net result of operations for the three month period	796	-	-	796	1,196
Net result for the remainder of the year	-	-	-	-	(1,414)
<b>Net assets, end of the period</b>	<b>\$ 8,921</b>	<b>\$ 622</b>	<b>\$ 116</b>	<b>\$ 9,659</b>	<b>\$ 9,194</b>

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

**STATEMENT OF OPERATIONS**

(in thousands of dollars)

	<b>6 months ended Sept 30, 2016</b>	6 months ended Sept 30, 2015	3 months ended Sept 30, 2016	3 months ended Sept 30, 2015
Operating revenue, sponsorships, and contributions	\$ <b>6,248</b>	\$ 5,485	\$ 4,528	\$ 3,150
Contributed items for the Collection	<b>90</b>	98	90	95
<b>Total operating revenue, sponsorships, and contributions (Schedule 1)</b>	<b>6,338</b>	5,583	4,618	3,245
<b>Expenses</b>				
<b>Collection</b>				
Operations	<b>3,396</b>	3,250	1,622	1,601
Purchase of items for the Collection	<b>3,805</b>	4,550	2,729	3,542
Contributed items for the Collection	<b>90</b>	98	90	95
<b>Total - Collection</b>	<b>7,291</b>	7,898	4,441	5,238
<b>Outreach</b>				
Accommodation	<b>10,260</b>	9,787	5,125	5,213
Administration	<b>4,908</b>	4,399	2,723	2,429
<b>Total expenses (Schedule 2)</b>	<b>30,618</b>	28,539	16,794	16,015
<b>Net results before Parliamentary Appropriations</b>	<b>(24,280)</b>	(22,956)	(12,176)	(12,770)
<b>Parliamentary appropriations (Note 5)</b>	<b>24,745</b>	25,417	12,972	13,966
<b>Net result of operations</b>	<b>\$ 465</b>	\$ 2,461	\$ 796	\$ 1,196

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)

	<b>6 months ended Sept 30, 2016</b>	6 months ended Sept 30, 2015	3 months ended Sept 30, 2016	3 months ended Sept 30, 2015
<b>Operating activities</b>				
Cash received from clients	\$ 2,632	\$ 3,963	\$ 1,655	\$ 1,746
Parliamentary appropriations received	25,659	26,902	14,808	11,693
Cash paid to suppliers	(14,114)	(13,772)	(9,124)	(8,006)
Payments related to salary and benefits	(11,410)	(12,943)	(5,176)	(5,407)
Interest received	86	106	64	-
Total cash flow from operating activities	<b>2,853</b>	4,256	2,227	26
<b>Investing activities</b>				
Acquisition of investments	-	(17,000)	-	(14,000)
Disposal of investments	-	17,093	-	14,000
Total cash flow from investing activities	-	93	-	-
<b>Capital activities</b>				
Payments related to capital assets	(2,722)	(598)	(1,110)	(466)
Total cash flow used for capital activities	(2,722)	(598)	(1,110)	(466)
<b>Financing activities</b>				
Funding for the acquisition of capital assets	954	500	704	250
Restricted contributions and related investment income	1,697	878	1,525	508
Total cash flow from financing activities	<b>2,651</b>	1,378	2,229	758
Total cash flow	<b>2,782</b>	5,129	3,346	318
<b>Cash and cash equivalents, beginning of the year</b>				
Cash and cash equivalents	13,061	6,094	12,276	10,905
Restricted cash and cash equivalents	10,254	-	10,475	-
	<b>23,315</b>	6,094	22,751	10,905
<b>Cash and cash equivalents, end of the year</b>				
Cash and cash equivalents	15,458	11,223	15,458	11,223
Restricted cash and cash equivalents	10,639	-	10,639	-
	<b>\$ 26,097</b>	\$ 11,223	\$ 26,097	\$ 11,223

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, 2016**

#### **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 1<sup>st</sup>, 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	2016	2015
Beginning balance, as at April 1	\$ 2,204	\$ 6,689	\$ 1,245	\$ 10,138	\$ 9,336
Appropriations received in the period	5,500	954	-	6,454	6,500
Non-Government funding received in the period	-	-	1,547	1,547	400
	7,704	7,643	2,792	18,139	16,236
Amounts recognized as revenue in the period	(3,805)	-	(1,559)	(5,364)	(5,261)
Related acquisition costs	(400)	-	-	(400)	(400)
Purchase of capital assets in the period		(2,358)	-	(2,358)	(549)
<b>Ending balance, as at Sept 30</b>	\$ 3,499	\$ 5,285	\$ 1,233	\$ 10,017	\$ 10,026

#### 5. PARLIAMENTARY APPROPRIATIONS

For the six months ended September 30

(in thousands of dollars)

For operating and capital expenditures

	2016	2015
Main estimates	\$ 17,944	\$ 17,886
	17,944	17,886
Appropriations deferred for the purchase of capital assets	(500)	(500)
Appropriations restricted for the purchase of capital assets	(454)	-
Amortization of deferred funding for capital assets	3,550	3,100
	20,540	20,486
<b>For the purchase of items for the Collection</b>		
Main estimates	5,500	6,000
Appropriations recognized from prior years	2,204	2,787
Appropriations deferred to future years	(3,499)	(3,856)
	4,205	4,931
Total Parliamentary appropriations	\$ 24,745	\$ 25,417

#### 6. INVESTMENTS IN CAPITAL ASSETS

For the six months ended September 30

(in thousands of dollars)

	2016	2015
Capital asset additions	\$ 2,358	\$ 549
Less: capital assets financed through contributions	(2,358)	(549)
	-	-
Deferred contributions used for the amortization of capital assets	3,550	3,100
Amortization of capital assets	(3,550)	(3,100)
Net change in investment in capital assets	\$ -	\$ -

**SCHEDULE #1: OPERATING REVENUE, SPONSORSHIPS AND CONTRIBUTIONS**

(in thousands of dollars)

	<b>6 months ended Sept 30, 2016</b>	6 months ended Sept 30, 2015	3 months ended Sept 30, 2016	3 months ended Sept 30, 2015
<b>Operating revenue:</b>				
Boutique and publishing	\$ 1,246	\$ 1,528	\$ 870	\$ 919
Admissions	1,393	1,538	988	939
Parking	620	570	365	296
Memberships	454	355	203	186
Rental of public spaces	295	89	228	33
Education services	57	64	6	4
Art loans – recovery of expenses	69	61	24	1
Travelling exhibitions	95	5	39	5
Audio guides	95	21	77	11
Food services	42	27	38	17
Interest	86	106	38	-
Other	16	11	5	3
	<b>4,468</b>	4,375	2,881	2,414
<b>Sponsorships and Contributions:</b>				
Sponsorships	221	380	144	122
Contributions				
Contributed items for the Collection	90	98	90	95
From the National Gallery of Canada Foundation	1,153	203	1,153	203
From other individuals, corporations and foundations	406	527	350	411
	<b>1,870</b>	1,208	1,737	831
<b>Operating revenue, sponsorships and contributions</b>	<b>\$ 6,338</b>	\$ 5,583	\$ 4,618	\$ 3,245



**SCHEDULE #2: EXPENSES**

(in thousands of dollars)

	<b>6 months ended Sept 30, 2016</b>	6 months ended Sept 30, 2015	3 months ended Sept 30, 2016	3 months ended Sept 30, 2015
Salaries and employee benefits	\$ 11,501	\$ 9,982	\$ 5,863	\$ 5,174
Purchased items for the Collection	3,805	4,550	2,729	3,542
Contributed items for the Collection	90	98	90	95
Amortization of capital assets	3,550	3,100	1,775	1,550
Payments in lieu of taxes	2,042	2,167	992	1,083
Professional and special services	1,076	1,168	553	621
Insurance	293	335	44	124
Repairs and maintenance of buildings and equipment	1,842	1,634	891	839
Protection services	1,443	1,488	736	771
Utilities, materials and supplies	1,336	1,137	811	828
Freight, cartage and postage	1,260	201	886	142
Travel	415	521	199	140
Publications	240	272	127	105
Cost of goods sold – boutique	625	786	483	482
Advertising	518	500	335	234
Rent	226	225	114	113
Communications	146	135	98	78
Library purchases	128	116	34	37
Rentals of equipment	14	30	4	22
Fellowships	49	73	22	24
Miscellaneous	19	21	8	11
<b>Total expenses</b>	<b>\$ 30,618</b>	<b>\$ 28,539</b>	<b>\$ 16,794</b>	<b>\$ 16,015</b>

**MANAGEMENT DISCUSSION AND ANALYSIS OF QUARTERLY FINANCIAL**  
**For the six months ended September 30, 2016**

**Operating Environment**

During the first half 2016-17, the Gallery presented a broad program of exhibitions in Ottawa. The major Ottawa summer exhibition, *Elisabeth Louise Vigée Le Brun (1755–1842): The Portraitist to Marie-Antoinette*, was a critical success and attracted 91,104 visitors. The exhibition was organized by the National Gallery of Canada, The Metropolitan Museum of Art, and the Réunion des musées nationaux–Grand Palais. The Gallery also hosted one of Canada’s most notable contemporary artists with the exhibition *Chris Cran, Sincerely Yours*. One of the treasures of the National Collection, *Picasso: Man and Beast. The Vollard Suite of Prints* was exhibited at the Gallery for the first time in nearly 60 years. *Tamayo: A Solitary Mexican Modernist* explored the work of one of Mexico’s masters and featured prints and paintings from the collections of the National Institute of Fine Arts, Mexico. The Gallery also hosted The Governor General’s Awards in Visual and Media Arts 2016, which celebrates the best and brightest in Canadian contemporary art and craft.

Total visitor attendance to permanent, temporary, and travelling exhibitions at the end of the second quarter was 283,773.

<b>For the six months ended September 30</b>	<b>2016</b>	<b>2015</b>
NGC Ottawa	246,829	251,208
Travelling Exhibitions	11,923	3,062
NGC@ Partnerships	25,021	95,058
Venice	-	165,674
Special Projects	-	84,210
<b>Attendance to all venues this period</b>	<b>283,773</b>	<b>599,212</b>

**Financial Overview**

The Gallery posted a net operating surplus of \$0.5 million during the six month period, in comparison to a net surplus of \$2.5 million in the same period last year.

**Parliamentary Appropriations, revenues, sponsorships and contributions**

At the end of the second quarter, the Gallery recognized \$24.7 million in Parliamentary appropriations, compared to \$25.4 million in the same period last year. This variance is primarily the result of a smaller year-to-date drawdown of appropriations for purchases of items for the Collection.

Operating revenue for the period was \$4.5 million, compared to \$4.4 million in the prior period. Admissions and boutique sales are down relative to the comparative period due to a later start for the summer exhibition. The Boutique revenue year to date has also been impacted as a result of operating in a temporary location during its renovation, which was completed in June of 2016.

On June 29th, Canada hosted the North American Leaders’ Summit. The Gallery was pleased to provide facilities and welcome Prime Minister of Canada Justin Trudeau, President of the United States of America Barack Obama, and President of Mexico Enrique Peña Nieto. The Gallery closed to the public for two days to support this important event, and rental fees earned from hosting the event account for the year over year revenue increase in rental of public spaces .

Sponsorships and contributions were \$1.9 million in the period compared to \$1.2 million last year. Contributions from the National Gallery of Canada Foundation represent \$1.2 million, at the end of September 2016, or an increase of \$0.9 million over the prior year. Contributions from the Foundation are in support of the Canadian Photography Institute, Canada’s participation in the 2017 Venice Biennale, our Venice Pavilion renovation and restoration, the transformation of the Canadian and Indigenous Galleries, and various exhibitions, special projects and research, as well as public programs and outreach.

	<b>Full-Year Target</b>	<b>Actual to Sept 30, 2016</b>	<b>% of Completion</b>
Operating revenue	5,895,000	4,468,000	76%
Sponsorships and contributions	4,080,000	1,870,000	46%
	<b>9,975,000</b>	<b>6,338,000</b>	<b>64%</b>

Overall the Gallery is on track to reach its annual combined target of \$10.0 million in operating revenue, sponsorships and contributions.

## **Expenditures**

The Gallery operating costs were \$30.6 million in the first half of the year, compared to \$28.5 million for the same period in the prior year. Salary expenses increased approximately \$1.5 million as a result of an enlarged workforce in order to deliver on many key priorities, including: the major transformation of the Canadian and Indigenous Galleries; and the launch of the Canadian Photography Institute; and several strategic initiatives to engage and attract audiences. The salary increase is also attributable to negotiated economic increases for represented employees and merit based increases for non-represented employees. Another increase of note is freight, cartage and postage which increased \$1.1 million, compared to the the same period in the prior year, due to international freight costs for the *Vigée Le Brun* exhibit.

## **The Collection**

The Gallery purchased objects for the Collection valued at \$3.8 million in the period, compared to purchases totalling \$4.6 million in the same period of the prior year. Notable purchases include *NoNoseKnows* by Mika Rottenberg, *Tree* by Ai Weiwei and *More Sweetly Play the Dance, 2015* by William Kentridge. The Gallery was pleased to receive contributed objects for the Collection valued at \$0.1 million.

## **Capital**

The Gallery invested \$2.4 million in capital assets during the period, compared to \$0.5 million in the same period in the prior year. The majority of capital expenditures relate to the Boutique renovation project and the transformation of the Canadian and Indigenous Galleries. At the end of September, the Gallery had \$5.3 million of deferred contributions available for the purchase of capital assets.

## **Outlook**

The Gallery welcomed additional capital funding allocated through Budget 2016 for Federal Cultural Infrastructure. The Gallery will receive \$9.6 million over the next two years: to replace windows and skylights in the Main Entrance Pavilion and Colonnade; to refurbish the Main Entrance public elevators, and to rectify a code deficiency along the mezzanine of the Colonnade. The Gallery will also receive \$8.8 million over the next five years to complete thirty-five health and safety-related projects. This funding relieves significant pressure on the long-term capital plan; however, the demand for investment in life-cycle maintenance and repairs to the architectural, electrical, and mechanical systems still exists, as do emerging demands associated with remaining relevant in the digital age. The Gallery will continue to review its Long Term Capital Plan and will prioritize available resources to ensure that the most pressing projects are completed.

Through Federal Budget 2016, the Canada Science and Technology Museum received \$156.4 million over three years to support the construction of a new collection and conservation centre to preserve and protect priceless Canadian heritage artifacts, including overflow of the Collections from the National Gallery of Canada and Canadian Conservation Institute. Once the facility is operational, the Gallery expects storage pressure relief and operating costs savings from dedicated space in the purpose-built facility. The project is in the functional program design stage. Once a final design is approved, the Gallery will begin its work to estimate the cost of fit-up requirements for the space allocated to it and secure a source of funds. Until the facility comes on line, the Gallery will carefully manage its storage facilities to meet the requirements of a collecting institution and ensure that the assets are appropriately safeguarded. However, there is a risk that available capacity within existing storage locations will be insufficient to meet the emerging needs before the new facility is operational.

During 2016-17, the Gallery will invest in visitor experience and engagement through website redevelopment, revitalization of audiovisual equipment in its auditorium and lecture hall, wayfinding and signage in public and gallery spaces, group and main entrance and parkade. To celebrate Canada's 150th anniversary of Confederation in 2017, the Gallery will transform the Canadian and Indigenous galleries with funding from its unrestricted net assets. To this end, the Gallery will work with its Board to pass necessary resolutions over the next two fiscal years to create internal restrictions from operating to capital funding in order to match capital investments and funding sources. This accounting treatment could result in a deficit during the current and future fiscal years.

The Gallery will also continue to face escalating non-discretionary costs associated with operating and maintaining its facilities and ensuring the protection of the collection. Increased salary costs are also expected in 2016-17 as a result of merit and economic increases and the hiring of additional resources associated with the Gallery's strategic initiatives to engage and attract audiences. With stable Parliamentary funding for operating costs, inflationary increases for salaries, utilities and contract protection services must be funded through targeted cost savings, internal reallocation and revenue growth.