

NATIONAL GALLERY OF CANADA
UNAUDITED FINANCIAL STATEMENTS
QUARTERLY RESULTS

Three months ended June 30th, 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
August 31st, 2016

STATEMENT OF FINANCIAL POSITION

(in thousands of dollars)

Assets

Current	June 30, 2016	March 31, 2016
Cash and cash equivalents	\$ 12,276	\$ 13,061
Restricted cash and cash equivalents	10,475	10,254
Accounts receivable	1,681	1,220
Inventory	628	567
Prepaid expenses	161	336
Total current assets	25,221	25,438
Collection	1	1
Capital assets	79,310	79,837
	\$ 104,532	\$ 105,276

Liabilities and Net Assets

Liabilities

Current liabilities

Accounts payable and accrued liabilities	\$ 4,797	\$ 4,027
Accrued salaries and benefits	1,400	1,770
Deferred contributions for the purchase of objects for the Collection (Note 4)	2,928	2,204
Deferred contributions for the purchase of capital assets (Note 4)	5,691	6,689
Other deferred contributions (Note 4)	1,234	1,245
Total current liabilities	16,050	15,935
Employee future benefits	932	932
Deferred contributions for the amortization of capital assets	78,687	79,215
Total liabilities	95,669	96,082

Net Assets

Unrestricted	8,125	8,456
Investment in capital assets	622	622
Permanently endowed	116	116
Total net assets	8,863	9,194
	\$ 104,532	\$ 105,276

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

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

(in thousands of dollars)

	Unrestricted	Investment in capital assets	Permanently endowed	2016	2015
Net assets, beginning of the year	\$ 8,456	\$ 622	\$ 116	\$ 9,194	\$ 8,147
Net result of operations for the three month period	(331)	-	-	(331)	1,265
Net result for the remainder of the year	-	-	-	-	(218)
Net assets, end of the period	\$ 8,125	\$ 622	\$ 116	\$ 8,863	\$ 9,194

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

STATEMENT OF OPERATIONS**For the three months ended June 30**

(in thousands of dollars)

	2016	2015
Operating revenue, sponsorships, and contributions	\$ 1,720	\$ 2,338
Contributed items for the Collection	-	3
Total operating revenue, sponsorships, and contributions (Schedule 1)	1,720	2,341
Expenses		
Collection		
Operations	1,774	1,652
Purchase of items for the Collection	1,076	1,008
Contributed items for the Collection	-	3
Total - Collection	2,850	2,663
Outreach	3,654	3,320
Accommodation	5,135	4,574
Administration	2,185	1,970
Total expenses (Schedule 2)	13,824	12,527
Net results before Parliamentary Appropriations	(12,104)	(10,186)
Parliamentary appropriations (Note 5)	11,773	11,451
Net result of operations	\$ (331)	\$ 1,265

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

STATEMENT OF CASH FLOWS**For the three months ended June 30**

(in thousands of dollars)

	2016	2015
Operating activities		
Cash received from clients	\$ 977 \$	2,211
Parliamentary appropriations received	10,851	15,209
Cash paid to suppliers	(4,990)	(5,766)
Payments related to salary and benefits	(6,234)	(7,536)
Cash received from reimbursed Collection items	-	-
Interest received	22	111
Total cash flow used for operating activities	626	4,229
Investing activities		
Acquisition of investments	-	(3,000)
Disposal of investments	-	3,094
Total cash flow used for investing activities	-	94
Capital activities		
Payments related to capital acquisitions	(1,612)	(132)
Total cash flow used for capital activities	(1,612)	(132)
Financing activities		
Funding for the acquisition of capital assets	250	250
Restricted contributions and related investment income	172	370
Total cash flow from financing activities	422	620
Total cash flow	(564)	4,811
Cash and cash equivalents, beginning of the year		
Cash and cash equivalents	13,061	6,094
Restricted cash and cash equivalents	10,254	-
	23,315	6,094
Cash and cash equivalents, end of the year		
Cash and cash equivalents	12,276	10,905
Restricted cash and cash equivalents	10,475	-
	\$ 22,751 \$	10,905

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

SELECTED NOTES TO THE UNAUDITED QUARTERLY FINANCIAL STATEMENTS
Three months ended June 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 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 three months ended June 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	2,000	250	-	2,250	3,250
Non-Government funding received in the period	-	-	45	45	367
	4,204	6,939	1,290	12,433	12,953
Amounts recognized as revenue in the period	(1,076)	-	(56)	(1,132)	(1,382)
Related acquisition costs	(200)	-	-	(200)	(200)
Purchase of capital assets in the period		(1,248)	-	(1,248)	(83)
Ending balance, as at June 30	\$ 2,928	\$ 5,691	\$ 1,234	\$ 9,853	\$ 11,288

5. PARLIAMENTARY APPROPRIATIONS

For the three months ended June 30

(in thousands of dollars)

For operating and capital expenditures

	2016	2015
Main estimates	\$ 8,972	\$ 8,943
	8,972	8,943
Appropriations deferred for the purchase of capital assets	(250)	(250)
Appropriations restricted for the purchase of capital assets	-	-
Amortization of deferred funding for capital assets	1,775	1,550
	10,497	10,243

For the purchase of items for the Collection

Main estimates	2,000	3,000
Appropriations recognized from prior years	2,204	3,931
Appropriations deferred to future years	(2,928)	(5,723)
	1,276	1,208

Total Parliamentary appropriations	\$ 11,773	\$ 11,451
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6. INVESTMENTS IN CAPITAL ASSETS

For the three months ended June 30

(in thousands of dollars)

	2016	2015
Capital asset additions	\$ 1,248	\$ 83
Less: capital assets financed through contributions	(1,248)	(83)
	-	-
Deferred contributions used for the amortization of capital assets	1,775	1,550
Amortization of capital assets	(1,775)	(1,550)
Net change in investment in capital assets	\$ -	\$ -

SCHEDULE #1: OPERATING REVENUE, SPONSORSHIPS AND CONTRIBUTIONS**For the three months ended June 30**

(in thousands of dollars)

Operating revenue:	2016	2015
Boutique and publishing	\$ 376	\$ 609
Admissions	405	599
Parking	255	269
Memberships	251	169
Rental of public spaces	67	56
Education services	51	60
Art loans – recovery of expenses	45	60
Travelling exhibitions	56	-
Audio guides	18	10
Food services	4	10
Interest	48	111
Other	11	8
	1,587	1,961
Sponsorships and Contributions:		
Sponsorships	77	258
Contributions		
Contributed items for the Collection	-	3
From the National Gallery of Canada Foundation	-	-
From other individuals, corporations and foundations	56	116
	133	377
Operating revenue, sponsorships and contributions	\$ 1,720	\$ 2,338

SCHEDULE #2: EXPENSES**For the three months ended June 30**

(in thousands of dollars)

	2016	2015
Salaries and employee benefits	\$ 5,638	\$ 4,811
Purchased items for the Collection	1,076	1,008
Contributed items for the Collection	-	3
Amortization of capital assets	1,775	1,550
Payments in lieu of taxes	1,050	1,084
Professional and special services	523	547
Insurance	249	211
Repairs and maintenance of buildings and equipment	951	795
Protection services	707	717
Utilities, materials and supplies	525	309
Freight, cartage and postage	374	59
Travel	216	381
Publications	113	167
Cost of goods sold – boutique	142	304
Advertising	183	266
Rent	112	112
Communications	48	57
Library purchases	94	79
Rentals of equipment	10	8
Fellowships	27	49
Miscellaneous	11	10
Total expenses	\$ 13,824	\$ 12,527

MANAGEMENT DISCUSSION AND ANALYSIS OF QUARTERLY FINANCIAL
For the three months ended June 30, 2016

Operating Environment

During the first quarter, the Gallery opened a broad program of exhibitions in Ottawa. The major Ottawa summer exhibition *Elisabeth Louise Vigée Le Brun (1755–1842): The Portraitist to Marie-Antoinette* opened June 10th to critical acclaim. The exhibition is organized by the National Gallery of Canada, Ottawa, The Metropolitan Museum of Art, New York, and the Réunion des musées nationaux–Grand Palais, Paris. The Gallery also hosted one of Canada’s most notable contemporary artists *Chris Cran, Sincerely Yours*. One of the treasures of the National Collection, *Picasso: Man and Beast. The Vollard Suite of Prints* is being exhibited in Canada for the first time in nearly 60 years. *Tamayo: A Solitary Mexican Modernist* explores the work of one of Mexico’s masters and features prints and paintings from the collections of the National Institute of Fine Arts, Mexico. The Gallery is also host of *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 all venues combined, at the end of the first quarter was 111,999. The earlier opening date for the 2015 summer special exhibition and the 2015 Venice Biennale substantially explain the year-over-year decrease.

For the three months ended June 30	2016	2015
NGC Ottawa	98,624	108,051
Travelling Exhibitions	11,372	936
NGC@ Partnerships	2,003	24,351
Venice	-	64,668
Special Projects	-	18,000
Attendance to all venues this quarter	111,999	216,006

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.

Financial Overview

The Gallery posted a net operating deficit of \$0.3 million during the quarter, in comparison to a net operating surplus of \$1.3 million in the same period of the previous year.

Parliamentary Appropriations, revenues, sponsorships and contributions

During the first quarter, the Gallery recognized \$11.8 million in Parliamentary appropriations, compared to \$11.5 million in the same period last year. This variance is largely due to the recognition of deferred appropriations for the amortization of capital assets.

Operating revenue for the period was \$1.6 million compared to \$2.0 million in the comparative period. Admissions were down as the 2016 summer exhibition opened later in the season than the 2015 exhibition. The Boutique was also operating in a temporary location during its renovation, resulting in reduced quarterly sales in the first quarter of 2016-17.

Sponsorships and contributions were \$0.1 million in the quarter compared to \$0.4 million in the first quarter last year.

	Full-Year Target	Actual to June 30, 2016	% of Completion
Operating revenue	5,895	1,587	27%
Sponsorships and contributions	4,080	133	3%
	9,975	1,720	17%

Expenditures

The Gallery operating costs were \$13.8 million in the first quarter, compared to \$12.5 million in the first quarter last year. The Gallery spent an additional \$0.8 million on salary and employee benefits during the period as a result of economic increases and additional resources hired to deliver the major transformation of the Canadian and Indigenous Galleries and to support strategic initiatives to engage and attract audiences. Freight, cartage and postage were up \$0.3 million due to shipping costs related to international art shipments for the *Vigee Le Brun* exhibit. The Gallery has spent an additional \$0.2 million due to rising utility costs. Travel costs decreased in comparison to the same period of the previous year, due in part to travel costs incurred in 2015 for the installation of Canada's exhibit at the 2015 Venice Biennale.

The Collection

The Gallery purchased objects for the Collection valued at \$1.1 million in the quarter, compared to purchases totalling \$1.0 million in the same period of the prior year. Notable purchases made during the quarter include *NoNoseKnows* by Mika Rottenberg.

Capital

The Gallery spent \$1.2 million on capital assets during the period, compared to \$0.2 million in the same period in the prior year. The majority of capital expenditures relates to the Boutique renovation project. At the end of June 2016, the Gallery had \$5.7 million of deferred contributions available for the purchase of capital assets. The majority of this deferred balance has been committed to support strategic initiatives related to audience engagement and visitor experience.

Outlook

The Gallery welcomed additional capital funding allocated through Budget 2016 for Federal Cultural Infrastructure. Through these funding allocations, 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 and emerging demands associated with remaining relevant in the digital age will continue to increase. 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, in fiscal 2019-20, the Gallery expects storage pressure relief and operating costs savings from dedicated space in the purpose-built facility. Over the next three years, 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 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 protection services must be funded by targeted cost savings, internal reallocation and/or by revenue growth. To celebrate Canada's 150th anniversary of Confederation in 2017, the Gallery has also undertaken a major transformation of the Canadian and Indigenous art collections, complemented by a commemorative publication. This large and complex project will be funded using accumulated unrestricted net assets.