

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

**Three months ended June 30, 2018**

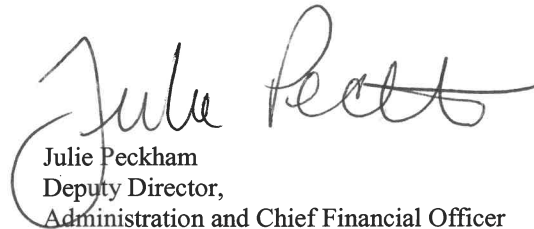
**STATEMENT OF MANAGEMENT RESPONSIBILITY**

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 29, 2018

**STATEMENT OF FINANCIAL POSITION**

(in thousands of dollars)

<b>Assets</b>	<b>As at</b>	
<b>Current</b>	<b>June 30, 2018</b>	<b>March 31, 2018</b>
Cash and cash equivalents	\$ 6,477	\$ 5,570
Restricted cash and cash equivalents	997	1,309
Restricted investment	9,060	9,048
Accounts receivable	1,691	2,542
Inventory	854	710
Prepaid expenses	218	525
<b>Total current assets</b>	<b>19,297</b>	<b>19,704</b>
Collection	1	1
<b>Capital assets</b>	<b>84,389</b>	<b>82,959</b>
	<b>\$ 103,687</b>	<b>\$ 102,664</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 6,526	\$ 5,115
Accrued salaries and benefits	1,316	1,812
Deferred contributions for the purchase of objects for the Collection (Note 4)	2,851	2,058
Deferred contributions for the purchase of capital assets (Note 4)	5,808	6,904
Other deferred contributions (Note 4)	1,282	1,279
<b>Total current liabilities</b>	<b>17,783</b>	<b>17,168</b>
Employee future benefits	873	873
Deferred contributions for the amortization of capital assets	83,767	82,337
<b>Total liabilities</b>	<b>102,423</b>	<b>100,378</b>
<b>Net Assets</b>		
Unrestricted	526	1,548
Investment in capital assets	622	622
Permanently endowed	116	116
<b>Total net assets</b>	<b>1,264</b>	<b>2,286</b>
	<b>\$ 103,687</b>	<b>\$ 102,664</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 June 30, 2018**

(in thousands of dollars)

	Unrestricted	Investment in capital assets	Permanently endowed	<b>2018</b>	2017
Net assets, beginning of the period	\$ 1,548	\$ 622	\$ 116	\$ <b>2,286</b>	\$ 4,937
Net result of operations for the three month period	(1,022)	-	-	<b>(1,022)</b>	(2,620)
Net result for the remainder of the year	-	-	-	-	(31)
<b>Net assets, end of the period</b>	<b>\$ 526</b>	<b>\$ 622</b>	<b>\$ 116</b>	<b>\$ 1,264</b>	<b>\$ 2,286</b>

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

**STATEMENT OF OPERATIONS**

(in thousands of dollars)

	<b>3 months ended June 30, 2018</b>	3 months ended June 30, 2017
Operating revenue, sponsorships, and contributions	\$ <b>2,290</b>	\$ 2,277
Contributed items for the Collection	-	-
Total operating revenue, sponsorships, and contributions (Schedule 1)	<b>2,290</b>	2,277
Expenses		
Collection		
Operations	<b>1,933</b>	1,819
Purchase of items for the Collection	<b>1,007</b>	509
Contributed items for the Collection	-	-
Total - Collection	<b>2,940</b>	2,328
Outreach	<b>4,597</b>	5,303
Accommodation	<b>5,155</b>	4,866
Administration	<b>2,560</b>	2,388
Total expenses (Schedule 2)	<b>15,252</b>	14,885
Net results before Parliamentary Appropriations	<b>(12,962)</b>	(12,608)
Parliamentary appropriations (Note 5)	<b>11,940</b>	9,988
Net result of operations	\$ <b>(1,022)</b>	\$ (2,620)

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

**STATEMENT OF CASH FLOWS**

(in thousands of dollars)

	<b>3 months ended June 30, 2018</b>	3 months ended June 30, 2017
<b>Operating activities</b>		
Cash received from clients	\$ 1,616	\$ 605
Parliamentary appropriations received	10,971	9,575
Cash paid to suppliers	(5,525)	(4,405)
Payments related to salary and benefits	(6,552)	(6,667)
Interest received	45	43
Total cash flow from (used for) operating activities	555	(849)
<b>Investing activities</b>		
Acquisition of investments	(9,033)	(5,025)
Disposal of investments	9,029	5,000
Total cash flow from investing activities	(4)	(25)
<b>Capital activities</b>		
Payments related to capital assets	(3,321)	(3,568)
Total cash flow used for capital activities	(3,321)	(3,568)
<b>Financing activities</b>		
Funding for the acquisition of capital assets	2,227	2,535
Restricted contributions and related investment income	1,138	56
Total cash flow from financing activities	3,365	2,591
Total cash flow	595	(1,851)
<b>Cash and cash equivalents, beginning of the year</b>		
Cash and cash equivalents	5,570	4,548
Restricted cash and cash equivalents	1,309	-
	6,879	4,548
<b>Cash and cash equivalents, end of the year</b>		
Cash and cash equivalents	6,477	2,697
Restricted cash and cash equivalents	997	-
	\$ 7,474	\$ 2,697

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, 2018**

#### **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 three months ended June 30

(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	2018	2017
Beginning balance, as at April 1	\$ 2,058	\$ 6,904	\$ 1,279	\$ 10,241	\$ 8,306
Appropriations received in the period	2,000	2,001	-	4,001	4,408
Non-Government funding received in the period	-	283	99	382	51
	4,058	9,188	1,378	14,624	12,765
Amounts recognized as revenue in the period	(1,007)	-	(96)	(1,103)	(761)
Related acquisition costs	(200)	-	-	(200)	(200)
Purchase of capital assets in the period	-	(3,380)	-	(3,380)	(1,707)
<b>Ending balance, as at June 30</b>	\$ 2,851	\$ 5,808	\$ 1,282	\$ 9,941	\$ 10,097

#### 5. PARLIAMENTARY APPROPRIATIONS

(in thousands of dollars)

	3 months ended June 30, 2018	3 months ended June 30, 2017
<b>For operating and capital expenditures</b>		
Main estimates	\$ 10,846	\$ 10,062
Supplementary estimates	-	-
	10,846	10,062
Appropriations deferred for the purchase of capital assets	(2,001)	(1,590)
Appropriations restricted for the purchase of capital assets	-	(818)
Amortization of deferred funding for capital assets	1,888	1,625
	10,733	9,279
<b>For the purchase of items for the Collection</b>		
Main estimates	2,000	2,000
Appropriations recognized from prior periods	2,058	934
Appropriations deferred to future periods	(2,851)	(2,225)
	1,207	709
Total Parliamentary appropriations	\$ 11,940	\$ 9,988

## 6. INVESTMENTS IN CAPITAL ASSETS

(in thousands of dollars)	<b>3 months ended June 30, 2018</b>	3 months ended June 30, 2017
Capital asset additions	\$ 3,380	\$ 1,707
Less: capital assets financed through appropriations	(3,097)	(1,707)
Less: capital assets financed through other contributions	(283)	-
	-	-
Deferred appropriations used for the amortization of capital assets	1,888	1,625
Deferred contributions used for the amortization of capital assets	62	-
Amortization of capital assets	(1,950)	(1,625)
Net change in investment in capital assets	\$ -	\$ -

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

(in thousands of dollars)

(in thousands of dollars)	<b>3 months ended June 30, 2018</b>	3 months ended June 30, 2017
<b>Operating revenue:</b>		
Boutique and publishing	\$ 645	\$ 664
Admissions	649	473
Parking	304	284
Memberships	236	201
Rental of public spaces	40	121
Education services	116	104
Art loans – recovery of expenses	62	24
Travelling exhibitions	46	8
Audio guides	6	9
Food services	1	1
Interest	52	43
Other	2	8
	<b>2,159</b>	<b>1,940</b>
<b>Sponsorships and Contributions:</b>		
Sponsorships	35	85
Contributions		
Contributed items for the Collection	-	-
From the National Gallery of Canada Foundation	62	-
From other individuals, corporations and foundations	34	252
	<b>131</b>	<b>337</b>
Operating revenue, sponsorships and contributions	\$ 2,290	\$ 2,277

**SCHEDULE #2: EXPENSES**

(in thousands of dollars)

	<b>3 months ended June 30, 2018</b>	3 months ended June 30, 2017
Salaries and employee benefits	\$ 6,056	\$ 6,151
Purchased items for the Collection	1,007	509
Contributed items for the Collection	-	-
Amortization of capital assets	1,950	1,625
Payments in lieu of taxes	820	1,047
Professional and special services	891	1,195
Insurance	205	182
Repairs and maintenance of buildings and equipment	1,074	943
Protection services	827	667
Utilities, materials and supplies	546	557
Freight, cartage and postage	393	231
Travel for public servants	121	194
Travel for non-public servants	67	164
Hospitality	61	31
Conferences	29	27
Publications	218	398
Cost of goods sold – boutique	246	253
Advertising	420	375
Rent	126	114
Communications	59	54
Library purchases	100	95
Rentals of equipment	4	18
Fellowships	19	41
Miscellaneous	13	14
<b>Total expenses</b>	<b>\$ 15,252</b>	<b>\$ 14,885</b>



**MANAGEMENT DISCUSSION AND ANALYSIS OF QUARTERLY FINANCIAL**  
**For the three months ended June 30, 2018**

**Operating Environment**

In the first quarter of the year the Gallery opened a broad range of exhibitions. The major summer exhibition, *Impressionist Treasures: The Ordrupgaard Collection*, features masterpieces from the renowned Ordrupgaard Museum in Copenhagen and its exquisite collection of works by the top artists of 19th-century French painting. *Laurent Amiot: Canadian Master Silversmith* brings together an exceptional selection of silver pieces from one of the most influential Canadian silversmiths of the 18th and 19th centuries. *The Extended Moment* explores photographic synergies in this thought-provoking exhibition showcasing photographs collected by the National Gallery of Canada over the past fifty years. *Masters of Venetian Portraiture* provides a glimpse into the world of Venetian portraiture through an iconic work from the National Gallery of Canada collection centred on Alessandro Vittoria's terracotta bust of Giulio Contarini.

With the great support of generous Foundation donors, the Gallery completed a long overdue restoration of the Canada Pavilion facility in the Venice Giardini in the first quarter of 2018. The Pavilion was unveiled on May 26, 2018, at the 16th International Architecture Biennale on the occasion of the 60th anniversary of the Pavilion's inauguration.

Upon re-opening, the revitalized facility is host to a special exhibition entitled *Canada Builds/Rebuilds a Pavilion* for the 16th International Architecture Biennale.

For the three month period, total visitor attendance to permanent, temporary, and travelling exhibitions was 163,246.

<b>For the three months ended June 30</b>	<b>2018</b>	<b>2017</b>
NGC Ottawa	107,473	106,033
Travelling Exhibitions	26,276	29,297
NGC@ Partnerships and special projects	29,497	20,752
Venice		92,104
<b>Attendance to all venues this period</b>	<b>163,246</b>	<b>248,186</b>

**Financial Overview**

The Gallery posted a net operating deficit of \$1.0 million during the period, compared to a net operating deficit of \$2.6 million in the same period of the prior year.

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

The Gallery recognized \$11.9 million in Parliamentary appropriations, compared to \$10.0 million in the same period of the prior year. Last year, the Gallery's Board of Trustees had restricted \$0.8 million from operating appropriations to capital funding to support the investment in the Canadian and Indigenous Galleries project.

Operating revenue for the period was \$2.2 million, compared to \$2.0 million in same period of the prior year. Admissions increased by \$0.2 million relative to the comparative period.

Sponsorships and contributions were \$0.1 million in the period compared to \$0.3 million in same period of the prior year. The bulk of contributions are received from the National Gallery of Canada Foundation semi-annually in September and March.

	<b>Full-Year Target</b>	<b>Actual to June 30</b>	<b>% of Completion</b>
Operating revenue	7,684,000	2,159,000	28%
Sponsorships and contributions	4,180,000	131,000	3%
	<b>11,864,000</b>	<b>2,290,000</b>	<b>19%</b>

The Gallery anticipates that these targets will be met over the full fiscal year.

**Expenditures**

The Gallery's total expenditures through the first quarter were \$15.3 million, compared to \$14.9 million for the same period last year. Compared to the prior year, the Gallery had significantly higher expenditures related to items purchased for the Collection and for the amortization of capital assets. The Gallery had significantly lower expenditures for professional and special services.

**The Collection**

The Gallery purchased items for the Collection valued at \$1.0 million in the first quarter, compared to purchases totalling \$0.5 million in the same period of the prior year. Notable purchases include *Backyard* by Thomas Demand, *Tsonoqua* by Beau Dick,

and *Among the Trees* by Stanley Whitney. At the end of June, the Gallery has \$2.9 million of deferred contributions available for the purchase of objects for the Collection.

### **Capital**

The Gallery expended \$3.4 million for capital assets year to date, compared to \$1.7 million in the same period in the prior year. The majority of capital expenditures relate to the replacement of windows in the Main Entrance and Colonnade. It is anticipated that this major project will be completed by November 2018. At the end of June, the Gallery had \$5.9 million available in deferred contributions for the purchase of capital assets.

### **Outlook**

The Gallery will continue to ensure that public money is managed prudently and, to this end, it has developed a balanced budget for the coming fiscal year. Parliamentary funding is expected to increase by 1.4%, which will assist the Gallery in funding negotiated economic and service pay increases. Inflationary pressures are anticipated in 2018–19, related to legislated Ontario minimum wage increases that will be reflected in the Gallery’s contracts for non-discretionary costs associated with operating and maintaining the facilities and ensuring protection of the Collection. The Gallery is also expecting higher costs associated with the normal operations of Collections, Outreach, and Internal Services, which must be funded by internal reallocation, revenue growth, or contributions. The Gallery continues to explore and invest in targeted initiatives designed to increase self-generated revenues, and to collaborate with the NGC Foundation to align contributions with the Gallery’s strategic initiatives.

For the 2018–19 to 2022–23 planning period, the Board of Trustees established the following three strategic priorities:

- Collections Management
- Audience Development
- Operational Excellence

As part of Collections Management, two key areas have emerged for the 2018–19 fiscal year: art storage, and dissemination and digitization of the Collection.

In line with its mandate as a collecting institution — and with an ever-growing collection spurred by the outstanding achievements of Canadian artists, some of whom are producing large contemporary art installations — the Gallery is very near capacity for art storage in its existing facilities. The Gallery established a Storage Steering Committee in February 2018. The Committee is tasked with monitoring storage-capacity risk and contributing to all plans for storage, be it new construction, expansion of existing storage, or optimization of storage space for the Gallery. During 2018–19, the Committee will set in motion plans to optimize onsite storage: the first major re-capitalization of onsite storage since the building opened in 1988. This initiative seeks to expand high-density mobile shelving to make the most effective use of the available footprint.

Through Federal Budget 2016, the Canada Science and Technology Museum Corporation (now known as Ingenium) received \$156.4 million to support construction of a new collection and conservation centre (C3) to preserve and protect priceless Canadian heritage artifacts, including overflow of the Gallery’s Collection. This new warehouse space is critical for the Gallery’s ongoing art-storage operations, and will be used in addition to two long-term leased storage facilities currently nearing capacity. The C3 facility is scheduled to be completed in late fall 2018, and the Gallery will have access to the space for fit-up in April 2019. The space, totalling 1,975 square metres, will accommodate crated and large 3D objects. The exact number of crated works to be moved will depend on the final configuration of rack systems installed in the space.

The Gallery needs a one-time investment to fit up the new art storage warehouse space, in order to effectively use the allocated square footage. The Gallery has identified approximately \$734,000 from 2017–18 resources that have been earmarked for an initial capital investment in this project; however, the total cost for the fit-up will not be known until a tender process is completed during the third quarter of 2018-19.

Once the C3 facility becomes available, the Gallery will transfer objects from three rented, temporary offsite storage locations being used to bridge the current and emerging storage requirements. The rental fees for these facilities are funded through internal reallocation of operating budgets.

In 2018–19, the Gallery will make modest investments in the digitization of its records. There are approximately 78,170 works of art in the Collection (or 98,545 when including constituent pieces in that figure). To date, approximately 53% of the Collection has been digitized (based on a total figure of 98,545), and close to 30% of works from the Collection are available online for public view.

While the Gallery has progressively digitized works in the Collection, efforts to accelerate the digitization and dissemination of objects, archives and publications have been hampered by insufficient resources, making it difficult to implement a coordinated, comprehensive digitization initiative with appropriate infrastructure and workflows. In March 2018, the Gallery struck a Digital

Collections Committee to collectively devise, recommend and implement solutions to address display, digitization, database and workflow issues brought to light by the recent web redevelopment project. Areas of review include data integrity and quality assurance, managing copyrights in a digital environment, auditing processes, benchmarking online collections, and prioritizing works of art and collections for digitization.

A fully funded digitization program at the Gallery would not only safeguard information assets, but also permit the Gallery to play a central role in the development and promotion of Canadian culture, at home and abroad, in a way that reflects Canada's diversity. The requirements for investments that would enable the Gallery to accelerate the digitization and dissemination of its world-class art collection, as well as its archives and publications, will be identified in 2018–19. The Gallery has forecast that the required investment in this initiative exceeds current funding levels; however, this investment would improve public accessibility to the Gallery's collections and knowledge, help facilitate innovative program delivery, and enable the Gallery to remain relevant and successful in the digital age.

The Gallery will use all available avenues to secure the necessary funding over the planning period for requirements related to art storage, and dissemination and digitization of the Collection.

Over the 2018–19 to 2022–23 planning period, the Gallery will seek to engage diverse audiences, both within and beyond the National Capital Region. Looking forward, the fall exhibition season promises to be equally engaging, with PhotoLab 5: Althea Thauberger: *L'arbre est dans ces feuilles*; Anthropocene; Sobey Art Award; Halifax Harbour 1918: Harold Gilman (1876–1919) and Arthur Lismer (1885–1969); Oscar G. Rejlander: Artist Photographer; and Paul Klee (1879–1940): The Berggruen Paul Klee Collection from the Metropolitan Museum of Art.

During 2018–19, with the NGC Foundation's support, the Gallery will continue to prepare for the 2019 Biennale di Venezia with video artist collective, ISUMA Productions, and will develop an international touring exhibition of Canadian art, called Impressionism in Canada.

Over the 2018–19 to 2022–23 planning period, work initiated in 2016 on improvements to the Gallery's capital infrastructure will continue. From replacing the windows in the Main Entrance Pavilion and Colonnade, to addressing health- and safety-related concerns in the ageing building, considerable attention will be focused on the physical plant. The overarching aim is to ensure that the Gallery's infrastructure supports the achievement of the Gallery's mandate and strategic objectives.

The Gallery continues to address life-cycle issues at its ageing Ottawa facility. With total funding of \$18.4 million over five years, starting in 2016–17, Parliamentary funding in Budget 2016 relieves significant pressure on the long-term capital plan; however, the institution continues to be challenged by limited base capital resources, which in turn limit the number of capital projects that can be initiated in any given year. 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.