

**NATIONAL GALLERY OF CANADA**  
**QUARTERLY FINANCIAL STATEMENTS**  
For the three-month period ended June 30, 2021  
**UNAUDITED**

## MANAGEMENT DISCUSSION AND ANALYSIS OF QUARTERLY FINANCIAL STATEMENTS

For the three-month period ended June 30, 2021

### STRATEGIC DIRECTION

For the 2021–22 to 2025–26 planning period, the Gallery will focus on five strategic pillars through which it plans to deliver its mandate and realize its mission:

- Strengthen Community Connections Through Transformative Art Experiences
- Build a Collection and Program That Inspire Human Connection
- Empower, Support and Build a Diverse and Collaborative Team
- Centre Indigenous Ways of Knowing and Being
- Invest in Operational Resilience and Sustainability

### STATEMENT OF OPERATIONS

Due to the ongoing effects of the COVID-19 pandemic, the Gallery followed provincial restrictions and closed to the public for a third time on April 2, 2021 and remained closed throughout the first quarter. The Gallery was also closed for the comparable period of the previous fiscal year 2020-21. The original closure had a significant impact on the Gallery's operations and financial results and those continued but to a slightly lesser extent for the three-month period ending June 30, 2021.

Operating revenues increased to \$0.3 million compared to the prior year's \$0.1 million. The first quarter results include the Gallery being open for the first two days of April prior to the closure. Boutique sales increased as a result of a shift to online sales (ShopNGC), parking revenues increased as the province of Ontario began its phased approach to re-opening, and travelling exhibitions revenues were realized from international partners. Revenues from event rentals and educational programming have not yet returned.

Operating expenditures totalled \$19.1 million during the quarter, compared to \$11.3 million in the same period last year, an increase of 70%, however, \$6.6 million of the total \$7.9 million increase is attributed to the impact of art acquisitions. Art donations in the quarter increased by \$5.6 million and art purchases increased by \$1 million compared to the prior year. Other notable expenditures include a \$0.6 million increase in shipping and a \$0.2 million increase in insurance both relating to the Gallery's special summer exhibition *Rembrandt in Amsterdam: Creativity and Competition*. Salaries and benefits still account for the largest expenditure at \$5.5 million, compared to the prior year's \$5.6 million.

The Gallery recognized \$12.9 million in Parliamentary appropriations during the period, compared to \$11.5 million in the same period last year. The increase is primarily a result of the recognition of appropriations for the increased art acquisitions during the quarter.

Overall, the Gallery's net results of operations for the three-month period ended June 30, 2021 reflects a deficit of \$0.3 million, compared to a \$0.5 million surplus in the same period of the prior year.

### FINANCIAL POSITION

Cash, restricted cash, and investments totalled \$33.6 million at the end of the first quarter, compared to \$29.5 million as at March 31, 2021.

The Gallery's net assets were \$7.1 million at the end of June, compared to \$7.4 million at March 31<sup>st</sup> of the prior fiscal year. The decrease is due to the net results of operations for the first quarter.

## OUTLOOK

Following the latest three-and-a-half-month closure, the Gallery reopened to the public on July 16, 2021 with the launch of its special summer exhibition *Rembrandt in Amsterdam: Creativity and Competition*, which was originally planned to open on May 28, 2021. The Gallery will be open six days a week through the end of the exhibition to September 6, 2021. Early attendance has slightly exceeded pandemic adjusted projections but is well below pre-pandemic levels. The Gallery hopes to continue to remain open and serve its community with *Canada and Impressionism: New Horizons* planned for January 2022.

It is anticipated that the latest closure together with the broader effects of the pandemic, will continue to have a significant negative impact on the Gallery's 2021-22 attendance and operating revenues. In April 2021, as part of the Federal Budget, it was announced that the Gallery – as one of Canada's six national museums – would receive additional funding to address financial pressures caused by COVID-19 and program integrity issues. Given the ongoing impact on the tourism sector, the Gallery is not projecting a full return to pre-pandemic attendance or revenue levels until 2025-26.

## STATEMENT OF MANAGEMENT RESPONSIBILITY

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada's Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports, and for such internal controls as management determines is 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 corporation, as at the date of and for the periods presented in the quarterly financial statements.



Sasha Suda, Ph.D.  
Director and CEO



Mike Testa, CPA, CMA  
(A) Chief Financial Officer

Ottawa, Canada  
August 30, 2021

## STATEMENT OF FINANCIAL POSITION

(in thousands of dollars)

### Assets

	As at June 30, 2021	As at March 31, 2021
Current		
Cash and cash equivalents	\$ 7,522	\$ 6,457
Investment	4,698	2,306
Restricted investments	21,334	20,736
Accounts receivable	484	4,286
Inventory	631	561
Prepaid expenses	151	537
Total Current Assets	34,820	34,883
Collection	1	1
Capital Assets	71,198	73,061
	\$ 106,019	\$ 107,945

### Liabilities and Net Assets

#### Liabilities

##### Current Liabilities

Accounts payable and accrued liabilities	\$ 3,604	\$ 3,858
Accrued salaries and benefits	2,818	2,876
Deferred contributions for the purchase of objects for the Collection	9,359	9,112
Deferred contributions for the purchase of capital assets	9,697	9,604
Other deferred contributions	2,162	1,904
Total Current Liabilities	27,640	27,354
Employee future benefits	731	731
Deferred contributions for the amortization of capital assets	70,576	72,439
Total Liabilities	98,947	100,524

##### Net Assets

Unrestricted	6,334	6,683
Investment in capital assets	622	622
Permanently endowed	116	116
Total Net Assets	7,072	7,421
	\$ 106,019	\$ 107,945

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	2021	2020
Net assets, beginning of the period	\$ 6,683	\$ 622	\$ 116	\$ 7,421	\$ 3,341
Net result of operations for the period	(349)	-	-	(349)	508
Net result of operations for the remainder of the year	-	-	-	-	3,572
<b>Net assets, end of the period</b>	<b>\$ 6,334</b>	<b>\$ 622</b>	<b>\$ 116</b>	<b>\$ 7,072</b>	<b>\$ 7,421</b>

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

**STATEMENT OF OPERATIONS**

(in thousands of dollars)

	Three months ended June 30, 2021	Three months ended June 30, 2020
<b>Revenues</b>		
Operating revenue	\$ 266	\$ 115
Sponsorships and contributions	86	102
Contributed items for the Collection	5,557	1
Total operating revenue, sponsorships, and contributions (Schedule 1)	5,909	218
<b>Expenses</b>		
Collection		
Operations	1,676	1,682
Purchase of items for the Collection	1,553	506
Contributed items for the Collection	5,557	1
Total - Collection	8,786	2,189
Outreach	3,335	2,554
Accommodation	4,607	4,432
Internal Services	2,417	2,076
Total expenses (Schedule 2)	19,145	11,251
Net results before Parliamentary Appropriations	(13,236)	(11,033)
Parliamentary Appropriations	12,887	11,541
Net Result of Operations	\$ (349)	\$ 508

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

## STATEMENT OF CASH FLOWS

(in thousands of dollars)

	Three months ended June 30, 2021	Three months ended June 30, 2020
<b>Operating activities</b>		
Cash received from clients	\$ 524	\$ 449
Parliamentary appropriations received	14,141	10,847
Cash paid to suppliers	(5,658)	(3,513)
Payments related to salary and benefits	(5,605)	(5,461)
Interest received	52	72
Total cash flow used for operating activities	3,454	2,394
<b>Investing activities</b>		
Acquisition of investments	(19,003)	-
Disposal of investments	16,000	9,275
Total cash flow from (used for) investing activities	(3,003)	9,275
<b>Capital activities</b>		
Payments related to capital acquisitions	(460)	(186)
Total cash flow used for capital activities	(460)	(186)
<b>Financing activities</b>		
Funding for the acquisition of capital assets	250	821
Restricted contributions and related investment income	824	29
Total cash flow from financing activities	1,074	850
Total cash inflows (outflows)	1,065	12,333
<b>Cash and cash equivalents, beginning of the year</b>		
Cash and cash equivalents	6,457	4,543
Restricted cash and cash equivalents	-	4,085
	6,457	8,628
<b>Cash and cash equivalents, end of the year</b>		
Cash and cash equivalents	7,522	5,576
Restricted cash and cash equivalents	-	15,385
	\$ 7,522	\$ 20,961

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

## SELECTED NOTES TO THE UNAUDITED QUARTERLY FINANCIAL STATEMENTS

### For the three-month period ended June 30, 2021

#### 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 are divided into four mutually supportive activities which work together to meet all aspects of its mandate. These activities are:

##### Collection

The Gallery collects Canadian and international art. It conducts research that contributes to the advancement of knowledge and understanding of Canadian and international art. It also preserves its national collection for present and future generations, through restoration and conservation.

##### Outreach

The Gallery furthers knowledge, understanding and enjoyment of the visual arts through onsite and travelling exhibitions, which it produces alone, or in partnership with other museums. It lends works of art from the national collection for inclusion in a wide range of special exhibitions produced by other museums in Canada and abroad. It undertakes educational initiatives that contribute to an increased understanding of the visual arts – including tours, lectures, audio and print guides, videos, workshops, in-gallery activities for families, educational programs for children, resources for teachers, and special exhibition-related programming. The Gallery develops a range of art-related content for its website and social media platforms, and produces exhibition catalogues and publications, in print and digital format, contributing to the shared knowledge of art history.

##### Accommodation

The Gallery operates from its flagship building on Sussex Drive in Ottawa, manages two leased storage facilities and the Canada Pavilion in Venice, Italy, and occupies space in the Ingenium Centre of the National Museum of Science and Technology Corporation. It ensures that building operations are carried out efficiently, and that sound investments are made in capital infrastructure, so that facilities are secure and suitable for visitors, staff, volunteers and contractors, as well as for the preservation and exhibition of the national collection.

##### Internal Services

The Gallery maintains and ensures sound governance, effective financial and human resource management, and revenue optimization, in support of its programs and initiatives.

#### 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. Accounting policies and methods of computation in these quarterly statements are consistent with those of the annual financial statements. The Gallery applies the deferral method of accounting for contributions for government not-for-profit organizations.

#### 4. TOTAL APPROPRIATIONS AUTHORIZED BY PARLIAMENT

For the fiscal year ended March 31

(in thousands of dollars)

<b>For operating and capital expenditures</b>		<b>2022</b>	<b>2021</b>
Main estimates	\$	<b>37,757</b>	\$ 38,674
Supplementary estimates		-	4,809
		<b>37,757</b>	43,483
<b>For the purchase of items for the Collection</b>		<b>8,000</b>	8,000
Total appropriations authorized by Parliament	\$	<b>45,757</b>	\$ 51,483

#### 5. PARLIAMENTARY APPROPRIATIONS RECOGNIZED AS REVENUE

For the three months ended June 30

(in thousands of dollars)

<b>For operating and capital expenditures</b>		<b>2021</b>	<b>2020</b>
Main estimates	\$	<b>9,439</b>	\$ 9,668
Supplementary estimates		-	-
		<b>9,439</b>	9,668
Appropriations deferred for the purchase of capital assets		<b>(250)</b>	(821)
Appropriations restricted for the purchase of capital assets		-	-
Amortization of deferred contributions related to appropriations		<b>1,945</b>	1,988
		<b>11,134</b>	10,835
<b>For the purchase of items for the Collection</b>			
Main estimates		<b>2,000</b>	2,000
Appropriations recognized from prior years		<b>9,112</b>	4,896
Appropriations deferred to future years		<b>(9,359)</b>	(6,190)
		<b>1,753</b>	706
Total Parliamentary appropriations	\$	<b>12,887</b>	\$ 11,541

## 6. 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	2021	2020
Beginning balance, as at April 1	\$ 9,112	\$ 9,604	\$ 1,904	\$ 20,620	13,281
Appropriations received in the period	2,000	250	-	2,250	2,821
Non-Government funding received in the period	-	-	269	269	92
	11,112	9,854	2,173	23,139	16,194
Amounts recognized as revenue in the period	(1,553)	-	(11)	(1,564)	(597)
Related acquisition costs	(200)	-	-	(200)	(200)
Purchase of capital assets in the period	-	(157)	-	(157)	(128)
<b>Ending balance</b>	<b>\$ 9,359</b>	<b>\$ 9,697</b>	<b>\$ 2,162</b>	<b>\$ 21,218</b>	<b>15,269</b>

## 7. DEFERRED CONTRIBUTIONS FOR THE AMORTIZATION OF CAPITAL ASSETS

These amounts represent the unamortized portion of Parliamentary appropriations and donations used to purchase depreciable capital assets.

(in thousands of dollars)	Three months ended June 30, 2021	Three months ended June 30, 2020
Balance, beginning of period	\$ 72,439	\$ 78,332
Acquisition of capital assets	157	128
Amortization of capital assets	(2,020)	(2,063)
Balance, end of period	\$ 70,576	\$ 76,397

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

(in thousands of dollars)

		Three months ended June 30, 2021	Three months ended June 30, 2020
<b>Operating Revenue:</b>			
Boutique and publishing	\$	67	\$ 8
Admissions		15	-
Parking		61	21
Memberships		20	50
Rental of public spaces		-	-
Education services		-	-
Art loans		3	-
Travelling exhibitions		37	-
Food services		-	-
Interest		40	35
Other		23	1
		<b>266</b>	<b>115</b>
<b>Sponsorships and Contributions:</b>			
Sponsorships		-	10
Contributions			
Contributed items for the Collection		5,557	1
From the National Gallery of Canada Foundation		75	75
From other individuals, corporations and foundations		11	17
		<b>5,643</b>	<b>103</b>
Operating revenue, sponsorships and contributions	\$	<b>5,909</b>	\$ 218

**SCHEDULE #2: EXPENSES**

(in thousands of dollars)

(in thousands of dollars)		<b>Three months ended June 30, 2021</b>		<b>Three months ended June 30, 2020</b>
Salaries and employee benefits	\$	<b>5,547</b>	\$	5,621
Purchased items for the Collection		<b>1,553</b>		506
Contributed items for the Collection		<b>5,557</b>		1
Amortization of capital assets		<b>2,020</b>		2,063
Payments in lieu of taxes		<b>801</b>		773
Professional and special services		<b>796</b>		598
Insurance		<b>386</b>		199
Repairs and maintenance of buildings and equipment		<b>830</b>		653
Protection services		<b>253</b>		170
Utilities, materials and supplies		<b>417</b>		309
Freight, cartage and postage		<b>566</b>		4
Travel for public servants		<b>1</b>		2
Travel for non-public servants		<b>-</b>		1
Hospitality		<b>-</b>		-
Conferences, training and related travel		<b>2</b>		-
Publications and printing		<b>42</b>		31
Cost of goods sold – boutique		<b>21</b>		4
Advertising		<b>60</b>		26
Rent		<b>145</b>		149
Communications		<b>41</b>		29
Library purchases		<b>80</b>		82
Rentals of equipment		<b>9</b>		20
Fellowships		<b>13</b>		-
Miscellaneous		<b>5</b>		10
<b>Total expenses</b>	<b>\$</b>	<b>19,145</b>	<b>\$</b>	<b>11,251</b>