

NATIONAL GALLERY OF CANADA
QUARTERLY FINANCIAL STATEMENTS
For the three-month period ended June 30, 2022
UNAUDITED

MANAGEMENT DISCUSSION AND ANALYSIS OF QUARTERLY FINANCIAL STATEMENTS

For the three-month period ended June 30, 2022

STRATEGIC DIRECTION

For the 2022–23 to 2026–27 planning period, the Gallery will continue to 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

OVERVIEW

The Gallery is committed to justice, equity, diversity, inclusion, and accessibility (JEDI+A). As the Gallery learns to center Indigenous ways of knowing and being within its journey of decolonization and reconciliation, it will demonstrate the power of diverse voices and of representation through transformative art experiences. These efforts will assist the Gallery as it engages and collaborates meaningfully with stakeholders, while strengthening its connections with all of the communities it serves.

The first quarter of the 2022-23 fiscal year marked the first time in three years the Gallery was able to be open to the public for the April to June period. The Gallery continues to trend positively toward post-pandemic recovery in terms of attendance driven revenues, and other revenue streams such as food services, event rentals, and educational programming are also starting to progressively return.

STATEMENT OF OPERATIONS

The Gallery posted an operating deficit of \$0.8 million during the period, compared to \$0.3 million in the same period last year.

The Gallery earned \$1.8 million in operating revenue during the quarter, which is a substantial increase over the \$0.3 million earned in the same period last year. Attendance driven revenues including admission, boutique sales, parking and memberships performed well as the Gallery was able to remain open to the public for the entire quarter. Sponsorships and contributions totalled \$1.9 million in the quarter, compared to \$5.6 million the first quarter last year. The majority of this decrease relates to donated items for the Collection compared to the prior year.

Excluding the impact of items for the Collection, the Gallery spent \$14.2 million on operating expenses during the quarter, compared to \$12.0 million in the same period last year as activity levels begin a gradual return to normal. The Gallery had notable increases to salaries and employee benefits, professional and special services, and protection services.

The Gallery purchased items for the Collection valued at \$1.9 million in the quarter, compared to \$1.6 million in the same period last year. The Gallery was in receipt of generously contributed items for the Collection valued at \$1.7 million compared to \$5.6 million in the first quarter last year.

The Gallery recognized \$13.3 million in Parliamentary appropriations during the period, compared to \$12.9 million in the same period last year. The increase relates almost entirely to purchased items for the Collection.

FINANCIAL POSITION

Cash and investments totalled \$37.9 million at the end of June. Of this total, \$23.8 million is for restricted purposes including art purchases, capital purchases, and restricted donations.

The Gallery's unrestricted net assets were \$8.7 million at the end of June.

OUTLOOK

In April, the Gallery was pleased to support Stan Douglas as he represented Canada at the 59th Biennale di Venezia. The exhibition, *Stan Douglas 2011≠1848*, is inspired by the tenth anniversary of 2011, a year that saw significant social and political unrest around the globe and is on view at the Canada Pavilion in Venice until November 2022. In June, the Gallery opened its major summer exhibition, *General Idea*. Challenging both the art world and the world at large, *General Idea* (1969–1994) remain some of the most influential artists to have emerged from Canada. It will be open and on view in the Gallery's special exhibition spaces until November 2022.

The Gallery remains hopeful that it will be able to remain open to the public during the entire year, but will continue to follow public health guidelines and restrictions. In June, the Federal government confirmed additional relief funding to support the national museums for the 2022-23 fiscal year to offset projected revenue losses related to the ongoing impact of the COVID-19 pandemic. The Gallery is expecting to receive \$4.5 million to assist with these pressures.

It is anticipated that the ongoing effects will continue to have a significant negative impact on the Gallery's attendance and operating revenues. Given the ongoing impact on the tourism sector, the Gallery is not projecting a full return to pre-pandemic attendance or revenue levels until the 2025–26 fiscal year.

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.



Angela Cassie
Interim Director and CEO



Mike Testa, CPA, CMA
Chief Financial Officer

Ottawa, Canada
August 29th, 2022

STATEMENT OF FINANCIAL POSITION

(in thousands of dollars)

Assets

	As at Jun 30, 2022	As at March 31, 2022
Current		
Cash and cash equivalents	\$ 3,738	\$ 8,783
Investment	10,328	4,229
Restricted investments	23,788	23,829
Accounts receivable	448	1,027
Inventory	340	430
Prepaid expenses	420	890
Total Current Assets	39,062	39,188
Collection	1	1
Capital Assets	65,015	66,930
	\$ 104,078	\$ 106,119

Liabilities and Net Assets

Liabilities

Current Liabilities

Accounts payable and accrued liabilities	\$ 3,751	\$ 3,408
Accrued salaries and benefits	2,157	1,785
Deferred contributions for the purchase of objects for the Collection	8,652	8,794
Deferred contributions for the purchase of capital assets	12,822	12,707
Other deferred contributions	2,198	2,212
Total Current Liabilities	29,580	28,906
Employee future benefits	630	630
Deferred contributions for the amortization of capital assets	64,393	66,308
Total Liabilities	94,603	95,844

Net Assets

Unrestricted	8,737	9,537
Investment in capital assets	622	622
Permanently endowed	116	116
Total Net Assets	9,475	10,275
	\$ 104,078	\$ 106,119

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	2022	2021
Net assets, beginning of the period	\$ 9,537	\$ 622	\$ 116	\$ 10,275	\$ 7,421
Net result of operations for the period	(800)	-	-	(800)	(349)
Net result of operations for the remainder of the year	-	-	-	-	3,203
Net assets, end of the period	\$ 8,737	\$ 622	\$ 116	\$ 9,475	\$ 10,275

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)

Revenues		2022	2021
Operating revenue	\$	1,828	\$ 266
Sponsorships and contributions		218	86
Contributed items for the Collection		1,667	5,557
Total operating revenue, sponsorships, and contributions (Schedule 1)		3,713	5,909
Expenses			
Collection			
Operations		1,740	1,676
Purchase of items for the Collection		1,942	1,553
Contributed items for the Collection		1,667	5,557
Total - Collection		5,349	8,786
Outreach		4,184	3,335
Accommodation		5,310	4,607
Internal Services		2,976	2,417
Total expenses (Schedule 2)		17,819	19,145
Net results before Parliamentary Appropriations		(14,106)	(13,236)
Parliamentary Appropriations		13,306	12,887
Net Result of Operations	\$	(800)	\$ (349)

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)

	2022	2021
Operating activities		
Cash received from clients	\$ 2,001 \$	524
Parliamentary appropriations received	11,189	14,141
Cash paid to suppliers	(5,581)	(5,658)
Payments related to salary and benefits	(6,976)	(5,605)
Interest received	39	52
Total cash flow used for operating activities	672	3,454
Investing activities		
Acquisition of investments	(12,000)	(19,003)
Disposal of investments	6,000	16,000
Total cash flow from (used for) investing activities	(6,000)	(3,003)
Capital activities		
Payments related to capital acquisitions	(250)	(460)
Total cash flow used for capital activities	(250)	(460)
Financing activities		
Funding for the acquisition of capital assets	250	250
Restricted contributions and related investment income	283	824
Total cash flow from financing activities	533	1,074
Total cash inflows (outflows)	(5,045)	1,065
Cash and cash equivalents, beginning of the year	8,783	6,457
Cash and cash equivalents, end of the year	\$ 3,738 \$	7,522

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

SELECTED NOTES TO THE UNAUDITED QUARTERLY FINANCIAL STATEMENTS

For the three months ended June 30, 2022

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 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)

For operating and capital expenditures		2023		2022
Main estimates	\$	37,757	\$	37,757
Supplementary estimates		4,500		-
		42,257		37,757
For the purchase of items for the Collection		8,000		8,000
Total appropriations authorized by Parliament	\$	50,257	\$	45,757

5. PARLIAMENTARY APPROPRIATIONS RECOGNIZED AS REVENUE

For the three months ended June 30

(in thousands of dollars)

For operating and capital expenditures		2022		2021
Main estimates	\$	9,439	\$	9,439
Supplementary estimates		-		-
		9,439		9,439
Appropriations deferred for the purchase of capital assets		(250)		(250)
Amortization of deferred contributions related to appropriations		1,975		1,945
		11,164		11,134
For the purchase of items for the Collection				
Main estimates		2,000		2,000
Appropriations recognized from prior years		8,794		9,112
Appropriations deferred to future years		(8,652)		(9,359)
		2,142		1,753
Total Parliamentary appropriations	\$	13,306	\$	12,887

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	2022	2021
Beginning balance, as at April 1	\$ 8,794	\$ 12,707	\$ 2,212	\$ 23,713	20,620
Appropriations received in the period	2,000	250	-	2,250	2,250
Other funding	-	-	164	164	269
	10,794	12,957	2,376	26,127	23,139
Amounts recognized as revenue in the period	(1,942)	-	(178)	(2,120)	(1,564)
Related acquisition costs	(200)	-	-	(200)	(200)
Purchase of capital assets in the period	-	(135)	-	(135)	(157)
Ending balance	\$ 8,652	\$ 12,822	\$ 2,198	\$ 23,672	21,218

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.

For the three months ended June 30

(in thousands of dollars)	2022	2021
Balance, beginning of period	\$ 66,308	\$ 72,439
Acquisition of capital assets	135	157
Amortization of capital assets	(2,050)	(2,020)
Balance, end of period	\$ 64,393	\$ 70,576

SCHEDULE #1: OPERATING REVENUE, SPONSORSHIPS, AND CONTRIBUTIONS

For the three months ended June 30

(in thousands of dollars)

Operating Revenue:	2022	2021
Boutique and publishing	\$ 493	\$ 67
Admissions	643	15
Parking	198	61
Memberships	182	20
Rental of public spaces	44	-
Education services	13	-
Art loans	42	3
Travelling exhibitions	-	37
Food services	59	-
Interest	97	40
Other	57	23
	1,828	266
Sponsorships and Contributions:		
Sponsorships	54	-
Contributions		
Contributed items for the Collection	1,667	5,557
From the National Gallery of Canada Foundation	75	75
From other individuals, corporations and foundations	89	11
	1,885	5,643
Operating revenue, sponsorships and contributions	\$ 3,713	\$ 5,909

SCHEDULE #2: EXPENSES

For the three months ended June 30

(in thousands of dollars)

	2022	2021
Salaries and employee benefits	\$ 5,953 \$	5,547
Purchased items for the Collection	1,942	1,553
Contributed items for the Collection	1,667	5,557
Amortization of capital assets	2,050	2,020
Payments in lieu of taxes	850	801
Professional and special services	1,371	796
Insurance	199	386
Repairs and maintenance of buildings and equipment	1,020	830
Protection services	615	253
Utilities, materials and supplies	572	417
Freight, cartage and postage	581	566
Travel for public servants	115	1
Travel for non-public servants	101	-
Hospitality	46	-
Conferences, training and related travel	7	2
Publications and printing	33	42
Cost of goods sold – boutique	217	21
Advertising	64	60
Rent	278	145
Communications	47	41
Library purchases	46	80
Rentals of equipment	32	9
Fellowships	1	13
Miscellaneous	12	5
Total expenses	\$ 17,819 \$	19,145