

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

**QUARTERLY RESULTS**

**Quarter ended June 30, 2012**

**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



David A. Baxter  
Deputy Director,  
Administration and Finance

Ottawa, Canada  
August 24, 2012

**STATEMENT OF FINANCIAL POSITION**

(in thousands of dollars)

Unaudited

	As at June 30, 2012	As at March 31, 2012
<b>Assets</b>		
Current		
Cash and cash equivalents	\$ 9,398	\$ 8,648
Restricted cash and cash equivalents	12,060	13,631
Accounts receivable	896	2,058
Inventory	1,091	1,056
Prepaid expenses	209	1,412
Total current assets	23,654	26,805
Collection	1	1
Capital assets	87,523	88,350
	\$ 111,178	\$ 115,156
<b>Liabilities and Net Assets</b>		
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	3,486	5,610
Deferred contributions for the purchase of objects for the Collection (Note 4)	314	2,466
Deferred contributions for the purchase of capital assets (Note 4)	10,071	9,550
Other deferred contributions (Note 4)	1,559	1,499
Total current liabilities	15,430	19,125
Employee future benefits	2,792	2,792
Deferred contributions for the amortization of capital assets	86,900	87,727
Total liabilities	105,122	109,644
Net Assets		
Unrestricted	5,318	4,774
Investment in capital assets (Note 6)	622	622
Permanently endowed	116	116
Total net assets	6,056	5,512
	\$ 111,178	\$ 115,156

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

**STATEMENT OF CHANGES IN NET ASSETS**

(in thousands of dollars)

Unaudited	Quarter ended June 30, 2012				Year ended March 31, 2012
	Unrestricted	Investment in capital assets	Permanently endowed	Total Net Assets	
Net assets, beginning of the period	\$ 4,774	\$ 622	\$ 116	\$ 5,512	\$ 3,874
Excess of revenue over expenses for the quarter	544	0	0	544	297
Excess of revenue over expenses for the remainder of the year	0	0	0	0	1,341
Net assets, end of the period	\$ 5,318	\$ 622	\$ 116	\$ 6,056	\$ 5,512

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

**STATEMENT OF OPERATIONS**

(in thousands of dollars)

Unaudited	Quarter ended June 30, 2012	Quarter ended June 30, 2011
Operating revenue and contributions (Schedule 1)	\$ 3,185	\$ 1,967
Expenses		
Collection		
Operations	1,699	1,706
Art purchases	4,121	2,169
Total - Collection	5,820	3,875
Outreach	3,763	3,418
Accommodation	4,739	4,158
Administration	2,829	2,895
Total expenses (Schedule 2)	17,151	14,346
Excess of revenue over expenses before appropriations	(13,966)	(12,379)
Parliamentary appropriations (Note 5)	14,510	12,676
Excess of revenue over expenses for the period	\$ 544	\$ 297

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

**STATEMENT OF CASH FLOWS**

(in thousands of dollars)

Unaudited

	<b>Quarter ended June 30, 2012</b>	Quarter ended June 30, 2011
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Operating activities		
Cash received from clients	\$ 3,511	\$ 2,310
Parliamentary appropriations received	11,583	11,007
Cash paid to suppliers	(10,473)	(7,310)
Cash paid to employees	(6,302)	(6,121)
Interest income	88	38
Total cash flow from operations	<u>(1,593)</u>	<u>(76)</u>
<hr/>		
Capital activities		
Acquisition of capital assets	(698)	(521)
Total cash flow from capital activities	<u>(698)</u>	<u>(521)</u>
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Investing activities		
Increase in restricted cash and cash equivalents	1,571	(594)
Total cash flow from investing activities	<u>1,571</u>	<u>(594)</u>
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Financing activities		
Funding for the acquisition of capital assets	1,219	1,295
Restricted contributions and related investment income	251	189
Total cash flow from financing activities	<u>1,470</u>	<u>1,484</u>
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Total cash flow	750	293
Cash and cash equivalents, beginning of quarter	8,648	9,167
Cash and cash equivalents, end of quarter	<u>\$ 9,398</u>	<u>\$ 9,460</u>

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

**SELECTED NOTES TO THE UNAUDITED QUARTERLY FINANCIAL STATEMENTS**  
**Quarter ended June 30, 2012**

**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 1 July 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 not-for-profit organizations.

#### 4. DEFERRED CONTRIBUTIONS

	Contributions for the purchase of objects for the Collection	Contributions for the purchase of capital assets	Other Contributions	Quarter ended June 30, 2012	Quarter ended June 30, 2011
(in thousands of dollars)					
Beginning balance	\$ 2,466	\$ 9,550	\$ 1,499	\$ 13,515	\$ 10,725
Appropriations received in the period	2,000	1,219		3,219	3,295
Non-Government contributions received in the period	0	0	381	381	763
	4,466	10,769	1,880	17,115	14,483
Amounts recognized as revenue in the period	(4,152)	0	(321)	(4,473)	(2,943)
Purchase of capital assets in the period	0	(698)	0	(698)	(521)
Ending balance	\$ 314	\$ 10,071	\$ 1,559	\$ 11,944	\$ 11,319

#### 5. PARLIAMENTARY APPROPRIATIONS

	Quarter ended June 30, 2012	Quarter ended June 30, 2011
(in thousands of dollars)		
<b>For operating and capital expenditures</b>		
Main estimates	\$ 10,052	\$ 10,152
Supplementary estimates	0	0
	10,052	10,152
Appropriations deferred for the purchase of capital assets	(1,219)	(1,295)
Amortization of deferred funding for capital assets	1,525	1,450
	10,358	10,307
<b>For the purchase of objects for the Collections</b>		
Main estimates	2,000	2,000
Appropriations recognized from prior periods	2,466	1,607
Appropriations deferred to future periods	(314)	(1,238)
	4,152	2,369
Total Parliamentary appropriations	\$ 14,510	\$ 12,676

## 6. INVESTMENT IN CAPITAL ASSETS

(in thousands of dollars)	Quarter Ended June 30, 2012	Quarter Ended June 30, 2011
Capital asset additions	\$ 698	\$ 521
Less: capital assets financed through contributions	(698)	(521)
	0	0
Deferred contributions for the amortization of capital assets	1,525	1,450
Amortization of capital assets	(1,525)	(1,450)
Net change in investment in capital assets	\$ 0	\$ 0

## SCHEDULE 1 - OPERATING REVENUE AND CONTRIBUTIONS

Unaudited	Quarter ended June 30, 2012	Quarter ended June 30, 2011
(in thousands of dollars)		
<b>Operating revenue:</b>		
Admissions	\$ 1,003	\$ 311
Bookstore and publishing	932	485
Parking	268	205
Rental of public spaces	252	121
Memberships	114	55
Interest	88	38
Audio guides	78	24
Education services	55	60
Travelling exhibitions	41	59
Food services	19	10
Art loans – recovery of expenses	10	13
Other	4	12
	2,864	1,393
<b>Sponsorships and contributions</b>		
Sponsorships	130	300
Contributions from the National Gallery of Canada Foundation	0	0
Contributions from other individuals, corporations and foundations	191	274
	321	574
	\$ 3,185	\$ 1,967

**SCHEDULE 2 - EXPENSES**

Unaudited

Quarter ended  
June 30, 2012Quarter ended  
June 30, 2011

(in thousands of dollars)

Salaries and employee benefits	\$	5,444	\$	5,514
Purchase of works of art for the collection		4,121		2,169
Amortization of capital assets		1,525		1,450
Professional and special services		1,153		657
Payments in lieu of taxes		1,061		1,129
Repairs and maintenance of buildings and equipment		968		891
Protection services		781		672
Utilities, materials and supplies		472		536
Cost of goods sold – bookstore		440		281
Advertising		284		173
Publications		211		216
Freight, cartage and postage		205		249
Travel		149		169
Rent		114		120
Library purchases		68		37
Fellowships		59		19
Communications		46		45
Rentals of equipment		27		18
Miscellaneous		23		1
	\$	17,151	\$	14,346



## MANAGEMENT DISCUSSION AND ANALYSIS OF QUARTERLY FINANCIAL STATEMENTS

Quarter ended June 30, 2012

The Gallery has identified the following five strategic priorities in the *2012-13 to 2016-17 Corporate Plan*.

- **Strengthening the Collection** – to enhance and capitalize on the strengths of the national Collection while focusing on excellence
- **Engagement and Appreciation of Art** – to become widely accessible in Canada and play a key innovative role in promoting the importance of the visual arts
- **Diversity** – to respond to the changing face of Canada by adapting its programming and promotion, and by implementing a comprehensive employment equity plan
- **Infrastructure** – to increase space quality and efficiency and enhance the visitor experience. Also, to manage information as a strategic resource supported by enterprise-wide integrated processes and enabling technologies
- **Funding** – to maximize contributed and self-generated revenues to equal and stabilize at \$9.85M annually

### Operations

The Gallery achieved net results of \$544,000 during the first quarter of 2012-13. This compares to net results of \$297,000 during the first quarter of 2011-12. Given the cyclical nature of the Gallery's operations, with summer months generating significant revenue from the special exhibition, a surplus for this period is not unusual. This trend is expected to continue through the second quarter. The Gallery will continue to closely monitor its financial situation, in terms of revenues, expenditures and capital, and will take corrective action where necessary—with the aim of balancing its budget and positioning the corporation to achieve its strategic priorities in the remainder of the fiscal year and beyond.

### Revenue

Revenue from all sources totalled \$17,695,000 for the quarter, representing an increase of \$3,052,000 over the same period last year. Appropriations of \$14,510,000 for the quarter account for an increase of \$1,834,000 over the same period last year. This is largely due an increase in art acquisition activities financed by Parliamentary appropriations. The Gallery achieved operating revenue of \$2,864,000 or an increase of \$1,471,000 over the same period last year. This increase is attributable to strong attendance at the 2012 summer special exhibition, *Van Gogh: Up Close*, and has resulted in period over period gains in admissions, audio guides, and parking. This program has also contributed to significantly increased bookstore and publications revenue. The Gallery recognized other contributions of \$191,000 during the quarter. Contributions are highly dependent on the annual amount received from the National Gallery of Canada Foundation. This transfer had not occurred as of the quarter end.

Below is a comparison on self generated revenue versus Corporate Plan targets for the 2012-13 fiscal year.

	Annual Target for 2012-13	Quarter ended June 30, 2012	% of Annual Target
Self-generated revenue	\$ 9,600,000	\$ 2,864,000	30%
Sponsorship & contributions	1,600,000	321,000	20%
<b>Total</b>	<b>\$ 11,200,000</b>	<b>\$ 3,185,000</b>	<b>28%</b>

### Expenditure

Total expenditures for the quarter were \$17,151,000 or an increase of \$2,805,000 over the same period last year. This is primarily attributable to increased art acquisition activities as described below. The remainder of the expenditure increases during the quarter are due to costs related to the marquee summer exhibition. The Gallery recorded significantly higher costs in insurance, protection services, advertising, and cost of goods sold.

### Art

The Gallery purchased \$4,121,000 in works for the Collection during the quarter, representing an increase of \$1,952,000 over the same period last year. The most significant work purchased during the quarter was the oil painting *L'Amour séduit l'Innocence, le Plaisir l'entraîne, le Repentir suit* by Pierre-Paul Prud'hon, completed circa 1809. At June 30th, the Gallery had \$314,000 in deferred Parliamentary appropriations available for future art purchases. The Gallery will draw down an additional \$6,000,000 in appropriations during the remainder of the year for this purpose.

### Capital

The Gallery spent \$698,000 on capital during the quarter. At June 30<sup>th</sup>, the Gallery had \$10,071,000 in deferred appropriations available to finance future capital acquisitions. The majority of these funds have been earmarked towards the Great Hall window and roof replacement project. While funds are earmarked for this project, the Gallery will utilize all avenues to ensure that it has sufficient funds to complete this project. This major capital undertaking will commence near the end of 2012-13 and will put significant strain on the Gallery's operations, attendance driven revenues, and capital budget.