

NATIONAL GALLERY OF CANADA
UNAUDITED FINANCIAL STATEMENTS
QUARTERLY RESULTS

Six months ended September 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
November 29, 2012

STATEMENT OF FINANCIAL POSITION

(in thousands of dollars)

Unaudited

	As at Sept 30, 2012	As at March 31, 2012
Assets		
Current		
Cash and cash equivalents	\$ 11,895	\$ 8,648
Restricted cash and cash equivalents	18,127	13,631
Accounts receivable	1,067	2,058
Inventories	713	1,056
Prepaid expenses	1,248	1,412
Total current	33,050	26,805
Collection	1	1
Capital assets	86,294	88,350
	\$ 119,345	\$ 115,156
Liabilities and Net Assets		
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 3,339	\$ 5,610
Deferred contributions for the purchase of objects for the Collection (Note 4)	5,475	2,466
Deferred contributions for the purchase of capital assets (Note 4)	10,993	9,550
Other deferred contributions (Note 4)	1,543	1,499
Total current liabilities	21,350	19,125
Employee future benefits	2,792	2,792
Deferred contributions for the amortization of capital assets	85,672	87,727
Total liabilities	109,814	109,644
Net Assets		
Unrestricted	8,793	4,774
Investment in capital assets	622	622
Permanently endowed	116	116
Total net assets	9,531	5,512
	\$ 119,345	\$ 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

Six months ended September 30, 2012

	Unrestricted	Investment in capital assets (Note 6)	Permanently endowed	Total Net Assets	2011-12
Net assets, beginning of the period	\$ 4,774	\$ 622	\$ 116	\$ 5,512	\$ 3,874
Excess of revenue over expenses for the 6 month period	4,019	-	-	4,019	468
Excess of revenue over expenses for the remainder of the year	-	-	-	-	1,170
Net assets, end of the period	\$ 8,793	\$ 622	\$ 116	\$ 9,531	\$ 5,512

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

STATEMENT OF OPERATIONS

(in thousands of dollars)

Unaudited

	Six months ended Sept 30, 2012	Six months ended Sept 30, 2011	Three months ended Sept 30, 2012	Three months ended Sept 30, 2011
Operating revenue and contributions (Schedule 1)	\$ 10,260	\$ 5,598	\$ 7,075	\$ 3,631
Expenses				
Collection				
Operations	3,434	3,802	1,735	2,096
Art purchases	4,760	2,834	639	665
Total - Collection	8,194	6,636	2,374	2,761
Outreach	7,938	8,121	4,175	4,593
Accommodation	9,702	9,556	4,963	5,398
Administration	6,113	4,664	3,284	1,879
Total expenses (Schedule 2)	31,947	28,977	14,796	14,631
Excess (deficiency) of revenue over expenses before appropriations	(21,687)	(23,379)	(7,721)	(11,000)
Parliamentary appropriations (Note 5)	25,706	23,847	11,196	11,171
Excess of revenue over expenses for the period	\$ 4,019	\$ 468	\$ 3,475	\$ 171

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

STATEMENT OF CASH FLOWS

(in thousands of dollars)

Unaudited

	Six months ended Sept 30, 2012	Six months ended Sept 30, 2011	Three months ended Sept 30, 2012	Three months ended Sept 30, 2011
Operating activities				
Cash received from clients	\$ 10,125	\$ 5,653	\$ 6,614	\$ 3,343
Parliamentary appropriations received	26,415	23,863	14,832	12,856
Cash paid to suppliers	(19,476)	(15,594)	(9,003)	(8,284)
Cash paid to employees	(11,770)	(12,694)	(5,468)	(6,573)
Interest income	106	155	18	117
Total cash flow from operations	5,400	1,383	6,993	1,459
Capital activities				
Acquisition of capital assets	(994)	(932)	(296)	(411)
Total cash flow from capital activities	(994)	(932)	(296)	(411)
Investing activities				
Increase in restricted cash and cash equivalents	(4,496)	(3,948)	(6,067)	(3,354)
Total cash flow from investing activities	(4,496)	(3,948)	(6,067)	(3,354)
Financing activities				
Funding for the acquisition of capital assets	2,437	2,590	1,218	1,295
Restricted contributions and related investment income	890	555	639	366
Total cash flow from financing activities	3,327	3,145	1,857	1,661
Total cash flow	3,237	(352)	2,487	(645)
Cash and cash equivalents, beginning of period	8,648	9,271	9,398	9,564
Cash and cash equivalents, end of period	\$ 11,885	\$ 8,919	\$ 11,885	\$ 8,919

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

SELECTED NOTES TO THE UNAUDITED QUARTERLY FINANCIAL STATEMENTS

Quarter ended September 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 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 not-for-profit organizations.

4. DEFERRED CONTRIBUTIONS

(in thousands of dollars)

Unaudited	Contributions for the purchase of objects for the Collection	Contributions for the purchase of capital assets	Other Contributions	Six months ended Sept 30, 2012	Six months ended Sept 30, 2011
Beginning balance	\$ 2,466	\$ 9,550	\$ 1,499	\$ 13,515	\$ 10,725
Appropriations received in the period	8,000	2,437	-	10,437	8,590
Non-Government contributions received in the period	-	-	890	890	555
	10,466	11,987	2,389	24,842	19,870
Amounts recognized as revenue in the period	(4,991)	-	(846)	(5,837)	(4,189)
Purchase of capital assets in the period	-	(994)	-	(994)	(932)
Ending balance	\$ 5,475	\$ 10,993	\$ 1,543	\$ 18,011	\$ 14,749

5. PARLIAMENTARY APPROPRIATIONS

(in thousands of dollars)

Unaudited	Six months ended Sept 30, 2012	Six months ended Sept 30, 2011	Three months ended Sept 30, 2012	Three months ended Sept 30, 2011
For operating and capital expenditures				
Main estimates	\$ 20,102	\$ 20,303	\$ 10,051	\$ 10,151
Appropriations deferred for the purchase of capital assets	(2,437)	(2,590)	(1,219)	(1,295)
Amortization of deferred funding for capital assets	3,050	2,900	1,525	1,450
	20,715	20,613	10,357	10,306
For the purchase of objects for the Collections				
Main estimates	8,000	6,000	6,000	4,000
Appropriations recognized from prior periods	2,466	1,607	314	1,238
Appropriations deferred to future periods	(5,475)	(4,373)	(5,475)	(4,373)
	4,991	3,234	839	865
Total Parliamentary appropriations	\$ 25,706	\$ 23,847	\$ 11,196	\$ 11,171

6. INVESTMENT IN CAPITAL ASSETS

(in thousands of dollars) Unaudited	Six months ended Sept 30, 2012	Six months ended Sept 30, 2011
Capital asset additions in the period	\$ 994	\$ 932
Less: capital assets financed through contributions	(994)	(932)
	-	-
Deferred contributions for the amortization of capital assets	3,050	2,900
Amortization of capital assets	(3,050)	(2,900)
Net change in investment in capital assets	\$ -	\$ -

SCHEDULE #1: OPERATING REVENUE AND CONTRIBUTIONS

(in thousands of dollars) Unaudited	6 months ended Sept 30, 2012	6 months ended Sept 30, 2011	3 months ended Sept 30, 2012	3 months ended Sept 30, 2011
Operating revenue:				
Admissions	\$ 4,006	\$ 1,326	\$ 3,003	\$ 1,015
Bookstore and publishing	3,088	1,390	2,156	905
Parking	688	521	420	316
Rental of public spaces	432	345	180	224
Memberships	376	178	262	123
Interest	173	155	85	117
Audio guides	311	153	233	129
Education services	59	71	4	11
Travelling exhibitions	193	70	152	11
Food services	61	43	42	33
Art loans – recovery of expenses	20	32	10	19
Other	7	34	3	22
	9,414	4,318	6,550	2,925
Sponsorships and contributions				
Sponsorships	207	325	77	25
Contributions from the National Gallery of Canada Foundation	331	-	331	-
Contributions from other individuals, corporations and foundations	308	955	117	681
	846	1,280	525	706
	\$ 10,260	\$ 5,598	\$ 7,075	\$ 3,631

SCHEDULE #2: EXPENSES

(in thousands of dollars)

Unaudited

	Six months ended Sept 30, 2012	Six months ended Sept 30, 2011	Three months ended Sept 30, 2012	Three months ended Sept 30, 2011
Salaries and employee benefits	\$ 11,081	\$ 11,606	\$ 5,637	\$ 6,092
Purchase of works of art for the collection	4,760	2,834	639	665
Amortization of capital assets	3,050	2,900	1,525	1,450
Payments in lieu of taxes	2,077	2,258	1,016	1,129
Repairs and maintenance of buildings and equipment	1,764	1,917	796	1,026
Protection services	1,673	1,429	892	757
Utilities, materials and supplies	1,073	1,011	601	475
Cost of goods sold – bookstore	1,371	577	931	296
Professional and special services	1,508	1,181	1,029	694
Insurance	954	305	280	135
Advertising	536	460	252	287
Publications	455	551	244	335
Freight, cartage and postage	625	1,097	420	848
Travel	362	322	213	153
Rent	237	240	123	120
Library purchases	101	86	33	49
Fellowships	78	28	19	9
Communications	112	120	66	75
Rentals of equipment	48	46	21	28
Miscellaneous	82	9	59	8
	\$ 31,947	\$ 28,977	\$ 14,796	\$ 14,631

MANAGEMENT DISCUSSION AND ANALYSIS OF QUARTERLY FINANCIAL STATEMENTS

Quarter ended September 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 \$4,019,000 during the first half of 2012-13. This compares to net results of \$468,000 during the same period last year. This surplus can largely be attributed to the success of the Gallery's summer exhibition, *Van Gogh: Up Close*. This summer exhibition drew more than 230,000 visitors to the Gallery, making it the most successful exhibit in 14 years and the fourth most highly attended in the history of the Gallery.

Revenue

Revenue from all sources totalled \$35,966,000 for the six month period, representing an increase of \$6,521,000 over the same period last year. Appropriations of \$25,706,000 for the period account for an increase of \$1,859,000 over the same period last year. This increase is due to the full drawdown of Parliamentary appropriations for the purchase of objects for the Collection.

The Gallery achieved operating revenue of \$9,414,000, or an increase of \$5,096,000 over the same period last year. This increase is attributable to strong attendance-driven revenues including admissions, bookstore sales, parking and audio guide rentals.

The Gallery also recognized sponsorships and contributions of \$846,000 during the quarter or a decrease of \$434,000 from the same period last year. Contributions received in the quarter include \$331,000 from the National Gallery of Canada Foundation.

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

	Annual Target for 2012-13	Six months ended Sept 30, 2012	% of Annual Target
Self-generated revenue	\$ 9,600,000	\$ 9,414,000	98%
Sponsorship & contributions	1,600,000	846,000	53%
Total	\$ 11,200,000	\$ 10,260,000	92%

Expenditure

Total expenditures for the quarter were \$31,947,000, or an increase of \$2,970,000 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 summer exhibition. The Gallery recorded higher costs in insurance, protection services, advertising, and cost of goods sold. The Gallery recorded lower costs in salaries, benefits, and art transportation costs.

Art

The Gallery purchased \$4,760,000 in works for the Collection during the period, representing an increase of \$1,926,000 over the same period last year. The most significant work purchased, which occurred during the first 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. As at September 30th, the Gallery had \$5,475,000 in deferred Parliamentary appropriations available for future art purchases.

Capital

The Gallery invested \$994,000 in capital projects during the quarter. At September 30th, the Gallery had \$10,993,000 in deferred appropriations available to finance future capital acquisitions. The majority of these funds have been earmarked for the Great Hall window and roof replacement 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.