

# **Newfoundland and Labrador Arts Council**

Annual Report 2021-22



## Message from the Chair

As Chair of the Newfoundland and Labrador Arts Council (ArtsNL), I am pleased to present the annual report for fiscal year 2021-22. The annual report is submitted in accordance with our obligation as a category three entity under the **Transparency and Accountability Act**. As the Chair of ArtsNL, I accept accountability on behalf of the Council for the preparation of the report and the achievement of its objectives and the results reported.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Dunphy". The signature is written in a cursive, flowing style.

Don Dunphy,  
Chairperson

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## Entity Overview

### Organizational Structure

ArtsNL is a non-profit Crown Agency created in 1980 by the **Arts Council Act**. As a Crown Agency, ArtsNL operates at arm's length from the Provincial Government. ArtsNL's purpose is to foster and promote the creation and production of works, the study and enjoyment of those works, and to encourage public awareness of the arts in the province. The primary function of ArtsNL is to develop and administer grant programs for professional artists and arts organizations, community groups and schools.

### Mandate

Section 5 of the Arts Council Act states that the objectives of the NLAC are to foster and promote the creation and production of works in the arts, the study and enjoyment of these works, and in particular, the Council shall:

- A) foster and promote, through grants and otherwise, the arts of the province and the arts of groups indigenous to the province;
- B) help, through grants and otherwise, in the development of provincial amateur and professional artists and arts organizations; and,
- C) advise the minister with respect to the development of arts and arts policy in the province.

### Vision

The vision of the NLAC is of a province where Newfoundlanders and Labradorians are a creative, innovative and diverse people who fully participate in a healthy, vibrant, and cultural community, which is globally recognized for artistic excellence.

### Lines of Business

The primary function of the NLAC is to develop and administer grant programs for

professional artists and arts organizations, community groups and schools. Currently the NLAC achieves this through seven funding programs:

1. Sustaining Program for Professional Arts Organizations
2. Annual Operating Program for Professional Arts Organizations
3. Professional Project Grants Program
4. Community Arts Program
5. Professional Artists' Travel Fund
6. School Touring Program
7. ArtsSmarts

The NLAC also initiates partnerships with the business community and other funding agencies; administers the Newfoundland and Labrador Arts Awards designed to honour the accomplishments of Newfoundland and Labrador artists; and, manages the BMO Winterset Award, the Lawrence Jackson Writing Award, the Rhonda Payne Theatre Award, the Ross Leslie Award, and the Gerry Porter Music Award. For additional information about any of our programs or events, please visit [www.artsnl.ca](http://www.artsnl.ca)

## **Staff and Budget**

There are currently five full-time staff (four female/one male) employed by the Council. In fiscal year 2021-22, ArtsNL's total budget was approximately \$5.3 million. For more details, please see the Financial Statements section of this report.

## **Board of Directors**

ArtsNL is governed by a Council of 13 people appointed by government, which strives for regional and artistic representation from across the province. Council members serve on a volunteer basis for a three-year term. As of March 31, 2022, the Council consisted of the following members:

## ANNUAL REPORT 2021-22

Chairperson:	Don Dunphy, Stephenville (Theatre)
Co-Vice Chairpersons:	Robert Hallett, St. John's (Music) Kristin Harris Walsh, St. John's (Dance)
Members:	Dr. Debbie Brake-Patten, Kippens (Community) Michelle Keep, Bonavista (Writing) Gina Power, Kilbride (Community) Ann Connors, St. John's (Theatre) Dave Reynolds, St. John's (Writing) Shawn O'Hagan, Corner Brook (Visual Arts) 3 vacancies in the Film, Visual Art and Music genres.
Non-Voting Member:	Colleen Soulliere, St. John's (Acting Director of Arts and Heritage, Department of Tourism, Culture, Arts and Recreation)

### Physical Location

Newman Building, 1 Springdale Street

P.O. Box 98

St. John's, NL A1C 5H5

Telephone: (709) 726-2212, Toll Free: 1-877-726-2212 (NL only)

Facsimile: (709) 726-0619

Website: [www.artsnl.ca](http://www.artsnl.ca)

## Highlights and Partnerships

### Highlights

During 2021-22, long-time Executive Director Reg Winsor retired after 17 years. On July 1, 2021, Melanie Martin was appointed to the position. Since fall 2021, ArtsNL has been processing a series of recommendations provided to the organization by an external consultative report on Indigenous arts programming. While the ongoing COVID-19 pandemic plagued progress on the initiative, staff sought training and advice on Indigenous protocol. ArtsNL has reviewed program language and processes to identify barriers to Indigenous artists.

In December, ArtsNL launched a new website to better serve the community and worked with a local photographer to curate the website with photographs that represent the diversity of the arts community.

### Partnerships

ArtsNL entered an engagement process with the province's five main Indigenous groups and with representatives at First Light St. John's Friendship Centre. First Light is an organization that represents the interests of urban Indigenous artists who may not be affiliated with a particular band. The intention of this engagement process is to establish a Circle of Indigenous Artists/Knowledge Keepers to guide the design and implementation of an Indigenous Arts Program and to support its maintenance.

In addition to this, ArtsNL and The Rooms partnered to share information and resources with a vision of decolonizing the arts and building foundational relationships with our main Indigenous groups and their artists.

Fiscal year 2021-22 represented year two of BMO Financial Group's second, five-year \$100,000 sponsorship of the BMO Winterset Awards. The Award, offered through the



Sandra Fraser Gwyn Foundation, is a partnership between BMO Financial Group, ArtsNL and Carol Bishop Gwyn, widow of the project's founder, writer Richard Gwyn. The sponsorship maintains the annual award of \$12,500 to the winner and \$3,000 to each of the two finalists. This is the most prominent literary award in the province.

ArtsNL also partnered with F. James Consulting Inc., the Newfoundland and Labrador Film Development Corporation, and NTV Broadcasting Corporation to produce a six-episode mini-series celebrating the arts and emphasizing the 2020 and 2021 winners of the Newfoundland and Labrador Arts Awards. The ceremonies for these awards were cancelled two years in a row because of the ongoing pandemic. The 30-minute episodes will air in the fall of 2022 and will feature a variety of artists who withstood the past two years and celebrate them.

## Report on Performance

### Issue # 1: Investment in Newfoundland and Labrador's Professional Artists and Arts Organizations

A critical strategic issue for ArtsNL remains how best to invest in Newfoundland and Labrador's professional artists and arts organizations. To achieve this, ArtsNL develops and administers grant programs that are supported by appropriate guidelines. These grant programs respond to artists' needs, as well as the objectives of arts organizations. ArtsNL employs a rigorous peer assessment process to determine the disbursement of funding from its core grant programs.

In consideration of the mandate and financial resources of ArtsNL, the Council intends to report on the objective below, through its annual reports, for each fiscal year of this plan (2020-21, 2021-22 and 2022-23).

#### 2021-22 Objective

By March 31, 2022, ArtsNL will have invested in Newfoundland and Labrador's professional artists and arts organizations.

**Indicator 1: Invested in Newfoundland and Labrador's professional artists and arts organizations through ArtsNL's grant funding programs.**

In 2021-22, ArtsNL awarded \$3,973,621 in funding to professional artists and arts organizations throughout Newfoundland and Labrador. This investment helped artists with project costs related to creation, production, administration, travel and professional development. Grants to organizations supported costs involved in operating the organization and in creating, presenting and producing artistic works.

**Indicator 2: Supported opportunities for professional artists and arts organizations to present their work locally, nationally and internationally.**

In 2021-22, ArtsNL supported opportunities for professional artists and arts organizations to present their work locally, nationally and internationally. The pandemic continued to negatively impact the arts sector, particularly performance-based art, due to travel restrictions and venue closures. There were slightly increased opportunities to present in-person works; however, artists and arts organizations continued to use digital platforms, where possible, to make their creations and programming available online. Audiences have become conditioned to expect digital options/opportunities, or at least a hybrid approach.

In order to better support artists impacted by the pandemic, ArtsNL allowed artists and arts organizations flexibility within its programming and final reporting. Groups were able to operate within deficits and it was understood if they could not or did not meet their box office targets and revenue goals.

**Indicator 3: Maintained a rigorous peer assessment process to evaluate funding requests and to allocate funding.**

The peer assessment process ensures grants are offered to artists and arts organizations whose proposals, in competition with other applicants, demonstrate the highest degree of merit against the published assessment criteria. Peer assessors recommend which projects should be funded and amounts to award successful applicants. In 2021-2022, ArtsNL maintained this process and contracted 67 peer assessors to evaluate applications submitted to its granting programs.

## **2022-23 Objective and Indicators**

By March 31, 2023, ArtsNL will have invested in Newfoundland and Labrador's professional artists and arts organizations.

Indicator 1: Invested in Newfoundland and Labrador's professional artists and arts organizations through ArtsNL's grant funding programs.

Indicator 2: Supported opportunities for professional artists and arts organizations to present their work locally, nationally and internationally.

Indicator 3: Maintained a rigorous peer-assessment process to evaluate funding requests and to allocate funding.

## Opportunities and Challenges

### Opportunities

The 2021-22 provincial budget announcement allocated an additional \$1 million to ArtsNL's budget, bringing the total to \$5.2 million. The funding increase allowed ArtsNL to continue fostering and promoting works of art in the province and the study and enjoyment of those works. The funding envelope for the Professional Project Grants Program was increased by \$318,539 to increase base grants from \$4K-\$6K for emerging artists and from \$10K to \$15K for established professional artists. Consultations with the arts community, regarding new program development, are underway.

Despite ongoing COVID-19 challenges, ArtsNL hosted the BMO Winterset public author readings in mid-March at The Rooms. The logistics team successfully planned a hybrid approach with a substantial in-person audience, as well as a virtual audience. A smaller BMO Winterset Awards Ceremony took place at Government House.

Artists and arts organizations have moved to virtual program offerings. This has opened doors for cross-collaboration, new markets, and a wider audience reach. Going forward, there will likely be continued demand for hybrid events or live-to-tape offerings.

### Challenges

Due to the COVID-19 pandemic and associated Public Health restrictions, ArtsNL was once again forced to cancel the 36<sup>th</sup> annual Arts Awards Gala. This has led to a unique opportunity for ArtsNL to prepare to host a televised arts variety show in the fall, for the first time in over 30 years. This is creating a sense of excitement in the arts community.

Travel restrictions and the closure of public spaces also delayed ArtsNL's final consultative research report on funding for Indigenous artists, arts groups, and arts

organizations. It is not always viable to consult via online platforms, particularly in regions where foundational relationships must be cultivated and access to internet is a challenge. The recommendations from the report have been reviewed and are being actioned as part of the development of an Indigenous Arts Program.

Artists and arts organizations have adopted the regular use of virtual platforms. Access to quality technology has become a challenge, resulting in the need to invest in and upgrade these platforms. In a virtual environment, copyright, royalties and residuals are issues that will become a bigger part of the artist conversation.

Surging inflation is a significant challenge for practicing artists and arts organizations. The costs associated with purchasing and shipping materials remains an issue, particularly for remote parts of the province. Broadband and internet access are also a crucial challenge for artists, especially in Labrador. It's impossible for many rural artists to move their practice into a reliable digital space as their colleagues in urban areas have. While artists and arts organizations are excited for a return to normal-level activities, there are valid concerns about another COVID-19 surge in the fall, and the potential impacts for the sector.

## Financial Information



OFFICE OF THE AUDITOR GENERAL  
NEWFOUNDLAND AND LABRADOR

August 24, 2022

Ref: DP52-F2822

Mr. Don Dunphy  
Chairperson  
Newfoundland and Labrador Arts Council  
P.O. Box 98, Station C  
St. John's, Newfoundland and Labrador  
A1C 5H5

Dear Mr. Dunphy:

I enclose three copies of the audited financial statements of the Newfoundland and Labrador Arts Council for the year ended March 31, 2022. After signing, please return a copy to me.

The Comptroller General has indicated that a signed copy of the audited financial statements should also be forwarded to that Office.

Yours truly,

  
**SANDRA RUSSELL, CPA, CA**  
Deputy Auditor General

Enclosure

c.c. Honourable Steve Crocker  
Minister of Tourism, Culture, Arts  
and Recreation

Mr. David Drover, CPA, CGA  
Comptroller General (A)

*Independence. Credibility. Integrity.*

P.O. Box 8700  
St. John's, NL  
A1B 4J6  
(709) 729-2700

**ANNUAL REPORT 2021-22**

**NEWFOUNDLAND AND LABRADOR  
ARTS COUNCIL**

**FINANCIAL STATEMENTS**

**MARCH 31, 2022**

Office of the Auditor General



**Management's Report**

**Management's Responsibility for the Newfoundland and Labrador Arts Council's Financial Statements**

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and liabilities are recognized.

Management is also responsible for ensuring that transactions comply with relevant policies and authorities and are properly recorded to produce timely and reliable financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial information on a periodic basis and external audited financial statements yearly.

The Office of the Auditor General conducts an independent audit of the annual financial statements of the Council, in accordance with Canadian generally accepted auditing standards, in order to express an opinion thereon. The Office of the Auditor General has full and free access to financial management of the Newfoundland and Labrador Arts Council.

On behalf of the Newfoundland and Labrador Arts Council.



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Melanie Martin  
Executive Director



OFFICE OF THE AUDITOR GENERAL  
NEWFOUNDLAND AND LABRADOR

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Newfoundland and Labrador Arts Council  
St. John's, Newfoundland and Labrador

### Opinion

I have audited the financial statements of the Newfoundland and Labrador Arts Council (the Council), which comprise the statement of financial position as at March 31, 2022, and the statements of operations, change in net financial assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2022, and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Council in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and my auditor's report thereon. The annual report is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I will not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained

**Independent Auditor's Report (cont.)**

in the audit, or otherwise appears to be materially misstated. When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Council or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Council's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal controls.

**Independent Auditor's Report (cont.)**

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



**SANDRA RUSSELL, CPA, CA**  
**Deputy Auditor General**

August 24, 2022  
St. John's, Newfoundland and Labrador

ANNUAL REPORT 2021-22

**NEWFOUNDLAND AND LABRADOR ARTS COUNCIL  
STATEMENT OF FINANCIAL POSITION**

As at March 31

2022

2021

**FINANCIAL ASSETS**

Cash	\$ 124,165	\$ 1,070,749
Accounts receivable (Note 3)	45,722	11,312
Portfolio investments (Note 4)	1,254,000	-
	<b>1,423,887</b>	<b>1,082,061</b>

**LIABILITIES**

Accounts payable and accrued liabilities (Note 5)	249,154	233,690
Deferred revenue (Note 6)	100,000	96,262
	<b>349,154</b>	<b>329,952</b>

**Net financial assets** **1,074,733** **752,109**

**NON-FINANCIAL ASSETS**

Tangible capital assets (Note 8)	19,788	3,511
Prepaid expenses	5,846	1,250
Arts Fund (Note 9)	53,623	50,381
	<b>79,257</b>	<b>55,142</b>

**Accumulated surplus** **\$ 1,153,990** **\$ 807,251**

Contingent liability (Note 14)

The accompanying notes are an integral part of these financial statements.

Signed on behalf of the Council:

\_\_\_\_\_  
Chairperson

\_\_\_\_\_  
Member

Office of the Auditor General

ANNUAL REPORT 2021-22

**NEWFOUNDLAND AND LABRADOR ARTS COUNCIL**  
**STATEMENT OF OPERATIONS**  
**For the Year Ended March 31**

	2022 Budget	2022 Actual	2021 Actual
	(Note 16)		
<b>REVENUES</b>			
Province of Newfoundland and Labrador Grants	\$ 5,000,000	\$ 5,203,400	\$ 4,136,600
Projects (Note 10)	335,262	47,681	49,896
Interest revenue	10,000	4,035	19,596
Donations revenue	-	400	3,142
Other revenue	-	18,742	19,709
	<u>5,345,262</u>	<u>5,274,258</u>	<u>4,228,943</u>
<b>EXPENSES (Note 11)</b>			
Grants			
Annual Operating	393,636	299,983	206,364
Community Arts	128,277	91,622	71,723
Professional Artists Travel Fund grants	185,924	23,665	14,076
Professional Project Grants Program	1,424,642	1,808,341	1,175,358
Sustaining Program for Professional Arts Organizations	1,766,000	1,750,010	1,243,500
	<u>3,898,479</u>	<u>3,973,621</u>	<u>2,711,021</u>
Projects (Note 12)	493,757	400,011	406,527
Operating expenses (Note 13)	586,754	553,887	514,255
	<u>4,978,990</u>	<u>4,927,519</u>	<u>3,631,803</u>
<b>Annual surplus</b>	<b>366,272</b>	<b>346,739</b>	<b>597,140</b>
<b>Accumulated surplus, beginning of year</b>	<b>807,251</b>	<b>807,251</b>	<b>210,111</b>
<b>Accumulated surplus, end of year</b>	<b>\$ 1,173,523</b>	<b>\$ 1,153,990</b>	<b>\$ 807,251</b>

The accompanying notes are an integral part of these financial statements.

Office of the Auditor General

ANNUAL REPORT 2021-22

**NEWFOUNDLAND AND LABRADOR ARTS COUNCIL**  
**STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**  
**For the Year Ended March 31**

	2022 Budget	2022 Actual	2021 Actual
	(Note 16)		
Annual surplus	\$ 366,272	\$ 346,739	\$ 597,140
<b>Tangible capital assets</b>			
Acquisition of tangible capital assets	(5,000)	(18,647)	(3,511)
Amortization of tangible capital assets	3,511	2,370	18,774
	(1,489)	(16,277)	15,263
<b>Prepaid expenses</b>			
Acquisition of prepaid expenses	-	(5,846)	(1,250)
Use of prepaid expenses	800	1,250	1,867
	800	(4,596)	617
<b>Arts Fund</b>	-	(3,242)	-
<b>Increase in net financial assets</b>	<b>365,583</b>	<b>322,624</b>	<b>613,020</b>
<b>Net financial assets, beginning of year</b>	<b>752,109</b>	<b>752,109</b>	<b>139,089</b>
<b>Net financial assets, end of year</b>	<b>\$ 1,117,692</b>	<b>\$ 1,074,733</b>	<b>\$ 752,109</b>

The accompanying notes are an integral part of these financial statements.

Office of the Auditor General

ANNUAL REPORT 2021-22

**NEWFOUNDLAND AND LABRADOR ARTS COUNCIL**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended March 31**

	2022	2021
<b>Operating transactions</b>		
Annual surplus	\$ 346,739	\$ 597,140
Adjustment for non-cash items		
Amortization of tangible capital assets	2,370	18,774
	<b>349,109</b>	615,914
Change in non-cash operating items		
Accounts receivable	(34,410)	60,920
Accounts payable and accrued liabilities	15,464	131,518
Deferred revenue	3,738	84,604
Prepaid expenses	(4,596)	617
Arts Fund	(3,242)	-
<b>Cash provided from operating transactions</b>	<b>326,063</b>	<b>893,573</b>
<b>Capital transactions</b>		
Purchase of tangible capital assets	(18,647)	(3,511)
<b>Cash applied to capital transactions</b>	<b>(18,647)</b>	<b>(3,511)</b>
<b>Investing transactions</b>		
Purchase of portfolio investments	(4,025,000)	(1,400,000)
Redemption of portfolio investments	2,771,000	1,495,000
<b>Cash (applied to) provided from investing transactions</b>	<b>(1,254,000)</b>	<b>95,000</b>
<b>(Decrease) increase in cash</b>	<b>(946,584)</b>	<b>985,062</b>
<b>Cash, beginning of year</b>	<b>1,070,749</b>	<b>85,687</b>
<b>Cash, end of year</b>	<b>\$ 124,165</b>	<b>\$ 1,070,749</b>

The accompanying notes are an integral part of these financial statements.

Office of the Auditor General



**NEWFOUNDLAND AND LABRADOR ARTS COUNCIL**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2022**

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**1. Nature of operations**

The Newfoundland and Labrador Arts Council (the Council) operates under the authority of the Arts Council Act of the Province of Newfoundland and Labrador. The Council has the responsibility of fostering and promoting the study and enjoyment of and the production of works in the arts. The Council consists of ten members appointed by the Lieutenant-Governor in Council.

The Council is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

**2. Summary of significant accounting policies**

**(a) Basis of accounting**

The Council is classified as an Other Government Organization as defined by Canadian public sector accounting standards (CPSAS). These financial statements are prepared by management in accordance with CPSAS for provincial reporting entities established by the Canadian Public Sector Accounting Board (PSAB). The Council does not prepare a statement of remeasurement gains and losses as the Council does not enter into relevant transactions or circumstances that are being addressed by the statement. Outlined below are the significant accounting policies followed.

**(b) Cash**

Cash includes cash in bank, less any amount restricted for the Arts Fund.

**(c) Financial instruments**

The Council's financial instruments recognized on the statement of financial position consist of cash, accounts receivable, portfolio investments and accounts payable and accrued liabilities. The Council generally recognizes a financial instrument when it enters into a contract which creates a financial asset or financial liability. Financial assets and financial liabilities are initially measured at cost, which is the fair value at the time of acquisition.

The Council subsequently measures all of its financial assets and financial liabilities at cost. Financial assets measured at cost include cash, accounts receivable and portfolio investments. Financial liabilities measured at cost include accounts payable and accrued liabilities.

The carrying value of cash, accounts receivable, portfolio investments and accounts payable and accrued liabilities approximate fair value due to their nature and/or the short term maturity associated with these instruments.

Interest attributable to the financial instruments is reported in the statement of operations.

**NEWFOUNDLAND AND LABRADOR ARTS COUNCIL**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2022**

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**2. Summary of significant accounting policies (cont.)**

**(d) Employee future benefits**

The Council and its employees are subject to the Public Service Pensions Act, 2019. Employee contributions are matched by the Council and then remitted to Provident<sup>10</sup> from which pensions will be paid to employees when they retire. This pension plan is a multi-employer defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and the average of their best six years of earnings for service on or after January 1, 2015, and, for service before January 1, 2015, the higher of the average of the frozen best 5 years of earnings up to January 1, 2015, or the average of the best 6 years of earnings for all service.

The contributions of the Council to the plan are recorded as an expense for the year.

**(e) Tangible capital assets**

All tangible capital assets are recorded at cost at the time of acquisition, which includes amounts that are directly related to the acquisition of the assets.

The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as shown:

Office equipment	5 years
Computer equipment	3 years
Computer software	3 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Council's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

Minor tangible capital asset purchases are charged to operations in the year of acquisition.

**(f) Prepaid expenses**

Prepaid expenses are charged to the expense over the periods expected to benefit from it.

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**2. Summary of significant accounting policies (cont.)**

**(g) Revenues**

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

The Council recognizes government transfers as revenues when the transfer is authorized and any eligibility criteria are met, except when and to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability.

Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled. Government transfers consist of funding from the Province of Newfoundland and Labrador.

**(h) Expenses**

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is recorded as an expense in that year.

Transfers, which include grants and awards, are recorded as expenses when eligibility criteria are met and the transfer is authorized.

**(i) Measurement uncertainty**

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period. An item requiring the use of significant estimates is the useful life of tangible capital assets.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

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**3. Accounts receivable**

	<u>2022</u>	<u>2021</u>
Harmonized sales tax receivable	\$ 21,206	\$ 11,312
Province of Newfoundland and Labrador (Note 17)	13,400	-
Trade accounts receivable	11,116	-
	<u>\$ 45,722</u>	<u>\$ 11,312</u>

There is no allowance for doubtful accounts since all amounts are considered collectible.

**4. Portfolio investments**

	<u>2022</u>	<u>2021</u>
Portfolio investments, at cost	\$1,254,000	\$ -
Portfolio investments, at market	\$1,254,000	\$ -

Investments consist of Guaranteed Investment Certificates, with maturity dates ranging from April 1, 2022, to August 10, 2022, and interest rates ranging from 0.35% to 0.37%.

**5. Accounts payable and accrued liabilities**

	<u>2022</u>	<u>2021</u>
Trade accounts payable	\$ 232,061	\$ 188,660
Accrued employee benefits	17,093	45,030
	<u>\$ 249,154</u>	<u>\$ 233,690</u>

**6. Deferred revenue**

	<u>2022</u>	<u>2021</u>
Equinor Arts Smarts	\$ 20,000	\$ 20,000
Culture Connection School Touring	80,000	70,000
Winterset Award	-	5,762
Rhonda Payne Award	-	500
	<u>\$ 100,000</u>	<u>\$ 96,262</u>

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**7. Employee future benefits**

**Public Service Pension Plan**

The Council and its employees contribute to the Public Service Pension Plan in accordance with the Public Service Pensions Act, 2019 (the Act). The Plan is administered by Provident<sup>10</sup>, including payment of pension benefits to employees to whom the Act applies.

The Plan provides a pension to employees based on their length of service and rates of pay. The maximum contribution rate for eligible employees is 11.85% (2021 - 11.85%). The Council's contributions equal the employee contributions of the Plan. Total pension expense for the Council for the year ended March 31, 2022 was \$34,274 (2021 - \$33,766).

**8. Tangible capital assets**

	<b>Computer Software</b>	<b>Office equipment</b>	<b>Computer equipment</b>	<b>Total</b>
<b>Cost</b>				
Balance, March 31, 2021	\$ 44,992	\$ 31,014	\$ 14,684	\$ 90,690
Acquisition of tangible capital assets	-	4,745	13,902	18,647
<b>Balance, March 31, 2022</b>	<b>44,992</b>	<b>35,759</b>	<b>28,586</b>	<b>109,337</b>
<b>Accumulated amortization</b>				
Balance, March 31, 2021	44,992	31,014	11,173	87,179
Amortization expense	-	489	1,881	2,370
<b>Balance, March 31, 2022</b>	<b>44,992</b>	<b>31,503</b>	<b>13,054</b>	<b>89,549</b>
<b>Net book value, March 31, 2022</b>	<b>\$ -</b>	<b>\$ 4,256</b>	<b>\$ 15,532</b>	<b>\$ 19,788</b>
Net book value, March 31, 2021	\$ -	\$ -	\$ 3,511	\$ 3,511

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**9. Arts Fund**

The Arts Fund was created pursuant to Section 9 of the Arts Council Act. The principal of the Fund is to be kept intact and is comprised of monies received from the Consolidated Revenue Fund of the Province of Newfoundland and Labrador and from gifts and bequests received without terms. The principal portion of the Fund is included in non-financial assets as these funds are restricted and are not available for use for operations or capital purchases. The interest earned on the invested principal may be disbursed, at the discretion of the Council, to foster and promote the study, enjoyment and production of works in the arts. The accumulated interest earned on the restricted funds is held as a designated asset until it is withdrawn. For the year ended March 31, 2022, \$245 (2021 - \$819) was earned through investment of the Fund and is included with interest revenue.

	<u>2022</u>	<u>2021</u>
<b>Restricted funds</b>		
Province of Newfoundland and Labrador	\$ 40,000	\$ 40,000
Gifts and bequests as per Section 12 (2) of the Arts Council Act	<u>13,623</u>	<u>10,381</u>
	<u>\$ 53,623</u>	<u>\$ 50,381</u>

At March 31, 2022, the restricted funds consisted of a Guaranteed Investment Certificate (GIC) in the amount of \$53,623 (2021 - GIC of \$50,381).

**Accumulated interest on restricted funds**

Accumulated interest, beginning of year	\$ -	\$ -
Interest earned	245	819
Interest allocated for operations	<u>(245)</u>	<u>(819)</u>
	<u>\$ -</u>	<u>\$ -</u>

**10. Revenues - Projects**

	<u>2022</u> <u>Budget</u> <u>(Note 16)</u>	<u>2022</u> <u>Actual</u>	<u>2021</u> <u>Actual</u>
Winterset Awards	\$ 40,762	\$ 26,681	\$ 25,896
Arts Awards	3,500	-	3,500
Arts in Education	290,000	20,000	20,000
Ross Leslie Award	500	500	-
Rhonda Payne Award	<u>500</u>	<u>500</u>	<u>500</u>
	<u>\$ 335,262</u>	<u>\$ 47,681</u>	<u>\$ 49,896</u>

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**11. Expenses by object**

	<b>2022 Budget (Note 16)</b>	<b>2022 Actual</b>	<b>2021 Actual</b>
Grants and awards	\$ 4,199,329	\$ 4,275,159	\$ 3,066,041
Salaries and employee benefits	429,000	463,211	418,203
Purchased services	232,750	123,730	84,509
Travel	40,000	4,204	3,766
Professional services	54,400	42,187	20,421
Amortization	3,511	2,370	18,774
Telephone	20,000	16,658	20,089
	<b>\$ 4,978,990</b>	<b>\$ 4,927,519</b>	<b>\$ 3,631,803</b>

For the year ended March 31, 2022, the Council's actual expenses did not exceed its legislated expense limit.

**12. Expenses – Projects**

	<b>2022 Budget (Note 16)</b>	<b>2022 Actual</b>	<b>2021 Actual</b>
Arts awards	\$ 50,000	\$ 54,000	\$ 17,031
Arts smarts	135,000	37,078	144,570
Indigenous Outreach	24,850	15,050	15,150
Larry Jackson Award	500	-	-
Ross Leslie Award	500	500	-
Rhonda Payne Award	500	500	500
School Touring Program	140,000	200,410	77,300
Winterset Award	40,262	26,681	25,896
2020 Arts NL Website	2,145	10,792	8,580
Art in the Time of COVID Fund	-	-	117,500
Strategic Initiatives	50,000	5,000	-
Labrador Initiative	50,000	50,000	-
	<b>\$ 493,757</b>	<b>\$ 400,011</b>	<b>\$ 406,527</b>

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**13. Operating expenses**

	<b>2022</b> <b><u>Budget</u></b> <b>(Note 16)</b>	<b>2022</b> <b><u>Actual</u></b>	<b>2021</b> <b><u>Actual</u></b>
Amortization	\$ 3,511	\$ 2,370	\$ 18,774
Legal fees	1,000	3,309	410
Miscellaneous	30,543	28,151	23,469
Office and postage	9,300	8,254	9,533
Project evaluating fees	53,400	27,730	20,011
Salaries and employee benefits	429,000	463,211	418,203
Telephone	20,000	16,658	20,089
Travel and Council meetings	40,000	4,204	3,766
	<b>\$ 586,754</b>	<b>\$ 553,887</b>	<b>\$ 514,255</b>

**14. Contingent liability**

A Statement of Claim has been served on the Council by an applicant related to the loss of grant funding. The Council has filed a defense. This claim has not progressed far enough to enable the formation of a definite opinion as to its outcome. Therefore, the likelihood and the amount of loss to the Council is not determinable at this time.

**15. Financial risk management**

The Council recognizes the importance of managing significant risks and this includes oversight designed to reduce the risks identified to an appropriate threshold. The risks that the Council is exposed to through its financial instruments are credit risk, liquidity risk and market risk. There was no significant change in the Council's exposure to these risks or its processes for managing these risks from the prior year.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Council's main exposure to credit risk relates to cash, portfolio investments and accounts receivable. The Council's maximum exposure to credit risk is the carrying amounts of these financial instruments. The Council is not exposed to significant credit risk with its cash or portfolio investments because these financial instruments are held with a Chartered Bank. The Council is not exposed to significant credit risk related to its accounts receivable as these amounts are primarily due from the Government of Canada and the Province of Newfoundland and Labrador. Accordingly, there is no allowance for doubtful accounts.



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**15. Financial risk management (cont.)**

Liquidity risk

Liquidity risk is the risk that the Council will be unable to meet its financial liabilities. The Council's exposure to liquidity risk relates mainly to its accounts payable and accrued liabilities. The Council manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its financial liabilities.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency (foreign exchange) risk, interest rate risk and other price risk. The Council is not exposed to significant foreign exchange or other price risk. The Council is not exposed to significant interest rate risk related to its portfolio investments because these investments have fixed rates and fixed values at maturity.

**16. Budgeted figures**

Budgeted figures, which have been prepared primarily on a cash basis, are provided for comparison purposes and have been derived from the estimates approved by the Council.

**17. Related party transactions**

The Council leases office space from the Province of Newfoundland and Labrador at the exchange amount of \$1 annually.

Accounts receivable includes \$13,400 (2021 - \$0) due from the Province of Newfoundland and Labrador through the normal course of business.

**18. Non-financial assets**

The recognition and measurement of non-financial assets, other than the restricted assets of the Arts Fund, is based on their service potential. These assets will not provide resources to discharge liabilities of the Council. For these non-financial assets, the future economic benefit consists of their capacity to render service to further the Council's objectives. The restricted assets of the Arts Fund are not available to provide resources to discharge the liabilities of the Council as outlined in Note 9.

