

**Newfoundland and Labrador
Arts Council**

ArtsNL

Annual Report 2022-23

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 2022-23. The annual report is submitted in accordance with our obligation as a category two 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 stylized with a large initial "D" and a long, sweeping underline.

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, it 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 the objectives of ArtsNL 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.
- C) Advise the minister with respect to the development of arts and arts policy in the province.

Vision

The vision of ArtsNL 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 ArtsNL is to develop and administer grant programs for professional artists and arts organizations, community groups and schools. Currently ArtsNL 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

ArtsNL 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 ArtsNL's programs or events, please visit www.artsnl.ca.

Staff and Budget

There are currently six full-time staff employed by the Council. In fiscal year 2022-23, 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 the Provincial 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, 2023, the Council consisted of the following members:

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) David Brown, St. John's (Music) Ann Connors, St. John's (Theatre) Michelle Keep, Bonavista (Writing) Shawn O'Hagan, Corner Brook (Visual Arts) Ray Penton, Jr., St. John's (Film) Gina Power, Kilbride (Community) 1 vacancy in the Writing genre.
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

Highlights and Partnerships

Highlights

ArtsNL has established an Indigenous Advisory Circle comprised of representatives from the five main Indigenous groups in the province to advise ArtsNL how to remove barriers to funding for Indigenous artists, and to build relationships with artists in the Indigenous communities of Nunatukavut, Nunatsiavut, Innu Nation, Miawpukek First

Nation, Qalipu First Nation, as well as Indigenous artists from other Nations residing in Newfoundland and Labrador.

Partnerships

Fiscal year 2022-23 represented the third year of BMO Financial Group's current 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 the Sandra Fraser Gwyn Foundation. 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 Atlantic Canada.

In 2022-23, Equinor renewed its partnership with ArtsNL for a ninth year in support of the ArtsSmarts Scholarship. The \$2,500 scholarship was established as part of Equinor's ongoing commitment to arts and culture development in the province. Administered by ArtsNL, the scholarship is awarded annually to a Newfoundland and Labrador student pursuing a post-secondary education in the arts. Applications for the scholarship will be accepted from any Newfoundland and Labrador high school student commencing first-year, full-time art studies. In partnership with the Department of Education, which provides \$200,000, Equinor also contributes \$17,500 to the Arts in Education initiative for ArtsNL to administer the School Touring and ArtsSmarts programs.

ArtsNL has partnered once again with F. James Consulting Inc., the Newfoundland and Labrador Film Development Corporation, and NTV Broadcasting Corporation to produce a second season of *Home, Is Where the Art Is*. Stemming from the success of season one, this six-episode mini-series continues to showcase the arts sector in Newfoundland and Labrador. This year includes the producer's expanded partnership with SCETV-PBS out of South Carolina, which will result in a one-hour special airing in select southeastern US markets. This provides new export opportunities for local artists, as well as potential tourism to the province.

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 (2022-23, 2023-24, 2024-25).

2022-23 Objective

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.

In 2022-23, ArtsNL awarded \$4,751,357 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 2022-23, ArtsNL supported opportunities for professional artists and arts organizations to create and present their work locally, nationally and internationally across its seven main programs. Between April 1, 2022, and March 31, 2023, 384 applications were assessed for funding and ArtsNL continues to see an unprecedented volume of funding requests annually.

The pandemic continued to negatively impact the arts sector in 2022, particularly for performance-based art. Audiences remain slow to return to pre-COVID numbers, and many professional companies experienced shutdowns throughout the season due to the ongoing effects of COVID. This caused box office reduction while expenses are higher than ever. Export/touring opportunities have increased for artists but, again, they are expensive; ArtsNL has been flexible in its response and continues to look for ways to support the creation and export of our artists through programs and partnerships.

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

The peer assessment process remains the cornerstone of public arts funding and 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 2022-2023, ArtsNL maintained this process and contracted 60 peer assessors to evaluate applications submitted to its granting programs.

Opportunities and Challenges

Opportunities

ArtsNL's 2022/23 budget was \$5.3 million, which allowed the agency to continue supporting its mandate to foster and promote the creation, study, and enjoyment of art. Due to the rising costs associated with travel, the funding envelope for the Professional Artist Touring Program was increased from \$100,000 and the quarterly travel caps removed to provide more support for touring and export opportunities. The program utilized \$140,000 to support 69 travel/export projects, assisting local artists to travel as far away as Iceland.

The Sustaining Program for Professional Arts Organizations (ArtsNL's only multi-year funding program) received a one-time, \$220,000 COVID relief-top-up to help organizations offset rising costs, and the Annual Operating Program was increased from \$300,000 to \$400,000.

Due to the COVID-19 pandemic and associated Public Health restrictions, ArtsNL did not host a 37th annual Arts Awards Gala. Instead, ArtsNL procured a local producer, who created *Home Is Where the Art Is*, a six-episode mini-series, featuring over 50 artists from Newfoundland and Labrador, across all artistic disciplines. The series allowed for in-depth interviews with the winners of the 36th and 37th annual Arts Awards exploring their practice. Not only did this provide a prime opportunity to celebrate artists, at home, with NTV's extensive reach outside the province and into the Caribbean, it provides exposure and market development for local artists. It is the first time NTV has ever supported a local show featuring the arts. The series ran in November/December 2022 and again in January. There are plans to re-run the series in June 2023.

Challenges

ArtsNL continues to see an unprecedented number of funding requests. Applications from individual artists to the Professional Projects Grants for Professional Artists (PPGP) have increased 68 per cent from March 2020 to March 2023, comparatively.

The high cost of living continues to plague artists as they struggle to cover the rising costs of materials, studio spaces, touring, and day-to-day living. The costs associated with purchasing and shipping materials remains an issue, particularly for remote parts of the province. This is forcing some artists to defer their art in pursuit of jobs to pay the bills or leave the space all together, which is renewing calls to improve the working conditions and income security for artists.

The funding demands are significant from the province's professional arts organizations as well as they struggle to recover from the economic ravages of the pandemic. While ArtsNL's previous increased budget allocation from the province provided increases to our operating programs to encourage sustainable growth in the arts sector, this increase has now been negated by inflation.

The arts sector is also grappling with impending transformational change as critical priorities emerge to support decolonization, and an Indigenous-centered approach to relationship-building in the arts, as well as inclusion, equity, diversity, and accessibility. The sector is also coming to terms with the role of arts in climate action, climate justice and other social justice issues, which will affect how art is created, exported, and purchased.

As the world increasingly comes to rely on a virtual environment and with the emergence of artificial intelligence tools—copyright, royalties, and residuals are becoming a bigger part of the artist conversation and a cause for concern.

Broadband and internet access remain an ongoing 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.

Financial Information

NEWFOUNDLAND AND LABRADOR
ARTS COUNCIL

FINANCIAL STATEMENTS

MARCH 31, 2023

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.



Melanie Martin
Executive Director



OFFICE OF THE AUDITOR GENERAL
NEWFOUNDLAND AND LABRADOR

INDEPENDENT AUDITOR'S REPORT

To the Chairperson and Members
Newfoundland and Labrador Arts Council
St. John's, Newfoundland and Labrador

Opinion

I have audited the financial statements of Newfoundland and Labrador Arts Council (the Council), which comprise the statement of financial position as at March 31, 2023, and the statement of operations, statement of change in net financial assets, and statement of 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, 2023, 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 in the audit, or otherwise appears to be materially misstated. When I read the annual report, if I

Independent Auditor's Report (cont.)

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 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 control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditor's Report (cont.)

- 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.



DENISE HANRAHAN, CPA, CMA, MBA, ICD.D
Auditor General

September 20, 2023
St. John's, Newfoundland and Labrador

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

	2023 Budget	2023 Actual	2022 Actual
	Unaudited (Note 16)		
REVENUES			
Province of Newfoundland and Labrador			
Grants	\$ 5,018,000	\$ 5,218,000	\$ 5,203,400
Projects (Note 10)	258,000	82,523	47,681
Interest revenue	13,500	43,700	4,035
Donations revenue	-	50	400
Other revenue	-	168	18,742
	5,289,500	5,344,441	5,274,258
EXPENSES (Note 11)			
Grants			
Annual Operating	400,000	310,748	299,983
Community Arts	100,000	102,172	91,622
Professional Artists Travel Fund grants	200,000	142,739	23,665
Professional Project Grants Program	2,000,000	2,009,308	1,808,341
Sustaining Program for Professional Arts Organizations	1,975,000	1,970,010	1,750,010
	4,675,000	4,534,977	3,973,621
Projects (Note 12)	438,000	340,189	400,011
Operating expenses (Note 13)	597,200	679,931	553,887
	5,710,200	5,555,097	4,927,519
Annual (deficit) surplus	(420,700)	(210,656)	346,739
Accumulated surplus, beginning of year	1,153,990	1,153,990	807,251
Accumulated surplus, end of year	\$ 733,290	\$ 943,334	\$ 1,153,990

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

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

	2023 Budget	2023 Actual	2022 Actual
	Unaudited (Note 16)		
Annual (deficit) surplus	\$ (420,700)	\$ (210,656)	\$ 346,739
Tangible capital assets			
Acquisition of tangible capital assets	(10,800)	(9,560)	(18,647)
Amortization of tangible capital assets	-	7,178	2,370
	(10,800)	(2,382)	(16,277)
Prepaid expenses			
Acquisition of prepaid expenses	-	(5,065)	(5,846)
Use of prepaid expenses	1,500	5,846	1,250
	1,500	781	(4,596)
Arts Fund	1,500	(50)	(3,242)
(Decrease) increase in net financial assets	(430,000)	(212,307)	322,624
Net financial assets, beginning of year	1,074,733	1,074,733	752,109
Net financial assets, end of year	\$ 644,733	\$ 862,426	\$1,074,733

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

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

	2023	2022
Operating transactions		
Annual (deficit) surplus	\$ (210,656)	\$ 346,739
Adjustment for non-cash items		
Amortization of tangible capital assets	7,178	2,370
	(203,478)	349,109
Change in non-cash operating items		
Accounts receivable	12,453	(34,410)
Accounts payable and accrued liabilities	67,502	15,464
Deferred revenue	(20,000)	3,738
Prepaid expenses	781	(4,596)
Arts Fund	(50)	(3,242)
Cash (applied to) provided from operating transactions	(142,792)	326,063
Capital transactions		
Purchase of tangible capital assets	(9,560)	(18,647)
Cash applied to capital transactions	(9,560)	(18,647)
Investing transactions		
Purchase of portfolio investments	(2,546,905)	(4,025,000)
Redemption of portfolio investments	3,323,977	2,771,000
Cash provided from (applied to) investing transactions	777,072	(1,254,000)
Increase (decrease) in cash	624,720	(946,584)
Cash, beginning of year	124,165	1,070,749
Cash, end of year	\$ 748,885	\$ 124,165

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

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL
NOTES TO FINANCIAL STATEMENTS
March 31, 2023

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, 2023

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 Provident¹⁰ 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.

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL
NOTES TO FINANCIAL STATEMENTS
March 31, 2023

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.

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL
NOTES TO FINANCIAL STATEMENTS
March 31, 2023

3. Accounts receivable

	<u>2023</u>	<u>2022</u>
Harmonized sales tax receivable	\$ 17,613	\$ 21,206
Province of Newfoundland and Labrador (Note 17)	-	13,400
Trade accounts receivable	<u>15,656</u>	<u>11,116</u>
	<u>\$ 33,269</u>	<u>\$ 45,722</u>

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

4. Portfolio investments

	<u>2023</u>	<u>2022</u>
Portfolio investments, at cost	<u>\$ 476,928</u>	<u>\$ 1,254,000</u>
Portfolio investments, at market	<u>\$ 476,928</u>	<u>\$ 1,254,000</u>

Investments consist of a Guaranteed Investment Certificate with a maturity date of May 27, 2023 and an interest rate of 2.05%.

5. Accounts payable and accrued liabilities

	<u>2023</u>	<u>2022</u>
Trade accounts payable	\$ 278,327	\$ 232,061
Accrued employee benefits	<u>38,329</u>	<u>17,093</u>
	<u>\$ 316,656</u>	<u>\$ 249,154</u>

6. Deferred revenue

	<u>2023</u>	<u>2022</u>
Equinor Arts Smarts	\$ -	\$ 20,000
Culture Connection School Touring	<u>80,000</u>	<u>80,000</u>
	<u>\$ 80,000</u>	<u>\$ 100,000</u>

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL
NOTES TO FINANCIAL STATEMENTS
March 31, 2023

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 Provident¹⁰, 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% (2022 - 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, 2023 was \$44,698 (2022 - \$34,274).

8. Tangible capital assets

	Computer software	Office equipment	Computer equipment	Total
Cost				
Balance, March 31, 2022	\$ 44,992	\$ 35,759	\$ 28,586	\$109,337
Acquisition of tangible capital assets	-	250	9,310	9,560
Disposals	(44,992)	-	-	(44,992)
Balance, March 31, 2023	-	36,009	37,896	73,905
Accumulated amortization				
Balance, March 31, 2022	44,992	31,503	13,054	89,549
Amortization expense	-	942	6,236	7,178
Disposals	(44,992)	-	-	(44,992)
Balance, March 31, 2023	-	32,445	19,290	51,735
Net book value, March 31, 2023	\$ -	\$ 3,564	\$ 18,606	\$ 22,170
Net book value, March 31, 2022	\$ -	\$ 4,256	\$ 15,532	\$ 19,788

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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, 2023, \$50 (2022 - \$245) was earned through investment of the Fund and is included with interest revenue.

	<u>2023</u>	<u>2022</u>
Restricted funds		
Province of Newfoundland and Labrador	\$ 40,000	\$ 40,000
Gifts and bequests as per Section 12 (2) of the Arts Council Act	<u>13,673</u>	<u>13,623</u>
	<u>\$ 53,673</u>	<u>\$ 53,623</u>

At March 31, 2023, the Guaranteed Investment Certificate included restricted funds in the amount of \$53,673 (2022 - \$53,623).

Accumulated interest on restricted funds

Accumulated interest, beginning of year	\$ -	\$ -
Interest earned	929	245
Interest allocated for operations	<u>(929)</u>	<u>(245)</u>
	<u>\$ -</u>	<u>\$ -</u>

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10. Revenues - Projects

	<u>2023</u> <u>Budget</u> Unaudited (Note 16)	<u>2023</u> <u>Actual</u>	<u>2022</u> <u>Actual</u>
Winterset Awards	\$ 35,000	\$ 29,544	\$ 26,681
Arts in Education	220,000	20,000	20,000
Ross Leslie Award	500	500	500
Rhonda Payne Award	500	750	500
CPAF Annual Meeting	-	29,729	-
Gerry Porter Award	2,000	2,000	-
	<u>\$ 258,000</u>	<u>\$ 82,523</u>	<u>\$ 47,681</u>

11. Expenses by object

	<u>2023</u> <u>Budget</u> Unaudited (Note 16)	<u>2023</u> <u>Actual</u>	<u>2022</u> <u>Actual</u>
Grants and awards	\$ 4,898,000	\$ 4,808,035	\$ 4,275,159
Salaries and employee benefits	429,000	567,058	463,211
Purchased services	268,800	96,157	123,730
Travel	40,000	18,031	4,204
Professional services	54,400	43,406	42,187
Amortization	-	7,178	2,370
Telephone	20,000	15,232	16,658
	<u>\$ 5,710,200</u>	<u>\$ 5,555,097</u>	<u>\$ 4,927,519</u>

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12. Expenses – Projects

	2023 <u>Budget</u> Unaudited (Note 16)	2023 <u>Actual</u>	2022 <u>Actual</u>
Arts awards	\$ 50,000	\$ 36,162	\$ 54,000
Arts smarts	135,000	150,670	37,078
Ross Leslie Award	500	500	500
Rhonda Payne Award	500	500	500
School Touring Program	75,000	73,307	200,410
Winterset Award	35,000	29,544	26,681
Arts NL Website	2,000	1,425	10,792
Labrador Initiative	-	-	50,000
Home Is Where the Art Is	50,000	22,000	-
Indigenous Outreach	-	-	15,050
Strategic Initiatives	50,000	-	5,000
CPAF Annual Meeting	38,000	24,081	-
Gerry Porter Award	2,000	2,000	-
	\$ 438,000	\$ 340,189	\$ 400,011

13. Operating expenses

	2023 <u>Budget</u> Unaudited (Note 16)	2023 <u>Actual</u>	2022 <u>Actual</u>
Amortization	\$ -	\$ 7,178	\$ 2,370
Legal fees	1,000	-	3,309
Miscellaneous	41,800	22,357	28,151
Office and postage	12,000	9,669	8,254
Project evaluating fees	48,400	38,201	27,730
Salaries and employee benefits	429,000	567,058	463,211
Telephone	20,000	15,232	16,658
Travel and Council meetings	40,000	18,031	4,204
Professional Fees	5,000	2,205	-
	\$ 597,200	\$ 679,931	\$ 553,887

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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.

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.

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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. Budgeted figures included in the financial statements are not audited.

17. Related party transactions

- (a) The Council leases office space from the Province of Newfoundland and Labrador at the exchange amount of \$1 annually.
- (b) Accounts receivable includes \$0 (2022 - \$13,400) 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.

