

Newfoundland and Labrador Arts Council

Annual Report 2014-15



**Business, Tourism, Culture and
Rural Development**

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MESSAGE FROM THE CHAIR

As Chair of the board for the Newfoundland and Labrador Arts Council (NLAC), I am pleased to present its annual report for the fiscal year 2014-15. The annual report is submitted in accordance with the obligation as a category three entity under the *Transparency and Accountability Act*, prepared under the direction of the board which is accountable for the actual results reported.

Sincerely,

A handwritten signature in cursive script, appearing to read "Stan Hill".

Stan Hill
Chair

OVERVIEW

Background

The NLAC is a non-profit Crown agency created in 1980 by the *Arts Council Act*. Its mission is to foster and promote the creation and enjoyment of the arts for the benefit of all Newfoundlanders and Labradorians. The Council is governed by a volunteer board of 13 people appointed by government, reflecting regional representation of the province. This includes 10 professional artists who provide sectoral representation of the arts community; one community representative (with an interest in the arts); one business representative (with an interest in the arts); and one representative of the Department of Business, Tourism, Culture and Rural Development (BTCRD). Council members serve on a volunteer basis for a three-year term. There is seven full-time staff (three male/ four female) employed by the Arts Council. Although a Crown Agency, the NLAC operates at arm's-length from the government.

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 ten funding programs:

1. The Sustaining Program for Professional Arts Organizations
2. The Professional Festivals Program
3. The Professional Project Grants Program
4. The Community Arts Program
5. The Professional Artists' Travel Fund
6. The Labrador Cultural Travel Fund
7. The School Touring
8. ArtsSmarts
9. The Visiting Artist Program
10. The Atlantic Public Arts Funders Creative Artist Residency Program

The NLAC also initiates partnerships with the business community and other funding agencies; produces an annual arts awards show designed to honour the accomplishments of Newfoundland and Labrador artists; and manages the BMO Winterset Award, the Lawrence Jackson Writing Award and the Rhonda Payne Theatre Award.

The NLAC further provides information and resources to the arts community in the areas of technology and social media, government arts policy and funding programs. The NLAC also acts as an advisory organization for the provincial government, and in the promotion of cultural industries within the province, as a liaison with other provincial arts councils, the Canada Council and other arts funding bodies.

Financial Information

In 2014-15, the Newfoundland and Labrador Arts Council's total budget was approximately 2.5 million. A detailed breakdown of audited financial information is found in the Financial Statements.

Legislation and Mandate

The NLAC is a non-profit Crown agency created in 1980 by the *Arts Council Act*. The Act states that the purpose of the Newfoundland and Labrador Arts Council is to foster and promote the creation and production of works in the arts in the province, the study and enjoyment of these works and to encourage public awareness of the arts.

Section 5. of the *Arts Council Act* states: The objects of the council are to foster and promote the creation and production of works in the arts, the study and enjoyment of those 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 art 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.

Mission

The mission statement identifies the priority focus area of the NLAC over the next three years. The statement also identifies the measures and indicators that will assist both the NLAC and the public in monitoring and evaluating success.

The NLAC supports the creation and enjoyment of the arts through its programs. The NLAC will review and assess programs to determine the greatest possible value and impact and how better to deliver programs. These priorities support the focus areas of the strategic direction of Strengthening and Growing Our Culture as articulated by the Minister of BTCRD.

By 2017, the NLAC will have better supported the creation and enjoyment of the arts for the benefit of all Newfoundlanders and Labradorians.

Council Members

At the end of this reporting period, March 31, 2015 the board consisted of the following members:

Chairperson	Stan Hill, Conne River (Visual Arts)
Co-Vice Chairs	Todd Hennessey, Corner Brook (Theatre) Christina Parker, St. John's (Business)
Members	Annemarie Christie, St. John's (Music) Jerry Doyle, Kippens (Theatre) Pierre LeBlanc, Corner Brook (Visual Arts) Lisa McDonald, St. John's (Community) Lisa Moore, St. John's (Writing) Richard Neville, Happy Valley-Goose Bay (Music) Barbara Doran, St. John's (Film) Helen Peters, St. John's (Writing) Marie Steffen, St. John's (Dance) Eleanor Dawson, Director of Arts, Department of BTCRD

Office Locations

St. John's Office:
Newman Building
1 Springdale Street
P.O. Box 98
St. John's, NL A1C 5H5
Telephone: (709) 726-2212
Toll Free: 1-866-726-2212
Fax: (709) 726-0619
E-Mail: nlacmail@nfld.net
Website: www.nlac.nf.ca

Labrador Office:
Elizabeth Goudie Building
141 Hamilton River Road
P.O. Box 2243
Happy Valley-Goose Bay, NL AOP 1E0
Telephone: (709) 896-9565
Toll free: 1-888-896-9565
Fax: (709) 896-9564
E-Mail: droberts@nf.aibn.com

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 ten funding programs.

The NLAC initiates partnerships with the business community and other funding agencies.

The NLAC produces an annual arts awards show designed to honour the accomplishments of Newfoundland and Labrador artists.

The NLAC manages the BMO Winterset Award, the Lawrence Jackson Writing Award and the Rhonda Payne Theatre Award.

The NLAC provides information and resources to the arts community in the areas of technology and social media, government arts policy and funding programs. The Arts Council also acts as an advisory organization for the provincial government and in an advisory role in the promotion of cultural industries within the province. The Arts Council acts as a liaison with other provincial arts councils, the Canada Council and other arts funding bodies.

REPORT ON PERFORMANCE

1. Support and Focused Investments

Supporting artists and arts organizations through focused investment is in line with the Government strategic direction to recognize and support artists and cultural professionals and to work collaboratively with the cultural sector and the tourism industry on cultural tourism.

Goal

By March 31, 2017 the NLAC will have worked to improve support to Newfoundland and Labrador artists and arts organizations through focused investments.

Objective

By March 31, 2015 the NLAC will have supported local, regional, and rural arts activities through focused programs and partnerships with the business community.

Measure

Supported local, regional and rural arts activities through focused programs and partnerships with the business community.

Indicator

- i. Built stronger relationships with the business community to leverage support for Newfoundland and Labrador artists and arts organizations.

Activity

During 2014-15, the NLAC partnered with the Bank of Montreal, Canadian Broadcasting Corporation, Cox and Palmer, Fortis Properties and Memorial

University to leverage support for Newfoundland and Labrador artists and arts organizations through its annual arts awards program. The NLAC partnered with the BMO Financial Group and the Richard Gywn Foundation to leverage support for the annual BMO Winterset Awards. The NLAC also partnered with Statoil and the Department of Education's Cultural Connections strategy to increase funding available in the ArtsSmarts Program.

In 2014-15, the NLAC were also able to continue partnerships with previous funding partners because of the relationships that had been established during the previous years and the acknowledgement that the NLAC managed the partnership in a professional manner. The NLAC were able to establish a new partnership with Statoil because of its reputation of managing the ArtsSmarts grant funding program.

Indicator

- ii. Explored possibilities for funding partnerships.

Activity

During 2014-15, The NLAC Executive met with the Executive Committee of Business and Arts Newfoundland and Labrador (BANL) to explore possibilities of funding partnerships. As a result, the NLAC and BANL have partnered with the Community Foundation of Newfoundland and Labrador to develop an agreement to establish a Business and the Arts Development Fund that will provide funding for artistic projects in Newfoundland and Labrador. The partnerships that the NLAC sought, and were successful in achieving, supported local, regional and rural activities through focused programs:

- The Arts Awards partnerships enabled us to provide \$21,000 in cash prizes to artists and arts organizations in Newfoundland and Labrador, to contract a visual artist to create the artwork and to hold the awards show in Clarenville.
- The partnership with BMO and the Richard Gywn Foundation enabled us to provide \$20,000 in awards to writers residing in the province through the BMO Winterset Award Program.
- The partnership with Statoil enabled us to provide an additional \$20,000 in funding to schools throughout Newfoundland and Labrador through the ArtsSmarts Grant program.

Indicator

- iii. Worked with the Business and Arts Newfoundland and Labrador to create linkages among artists, arts organizations and groups and the business community.

Activity

During 2014-15, the NLAC partnered with BANL to create a Business Volunteers for the Arts program. The purpose of this program is to provide pro bono professional services to artists and arts organizations to increase their effectiveness and sustainability. The program collected requests for seminar topics from the arts community. From the list of topics cultivated through suggestions, seminars were offered in business management, marketing, social media for marketing, grant writing, and nonprofit governance for the arts community.

Objective 1 - By March 31, 2016 the NLAC will have intensified efforts to increase Newfoundland and Labrador Arts Council funding partnerships.

Measure: Intensified efforts to increase funding partnerships.

Indicators

1. Established new funding partnerships with Aboriginal groups for the first Newfoundland and Labrador Aboriginal Arts Symposium to be held in in Happy Valley-Goose Bay in November 2015.
2. Established new funding partnerships with the private and public sector to support Aboriginal Arts Symposium and NLAC programs.
3. Renewed funding agreements with current funding partners.

2. Creative Partnerships, Collaborations and Connections

Creating partnerships, collaborations and connections that advance artists and arts organizations supports the Government strategic direction to recognize and support artists and cultural professionals and to work collaboratively with the cultural sector and the tourism industry on cultural tourism.

Goal

By March 31, 2017, the NLAC will have taken the lead in creating partnerships, collaborations and connections that advance Newfoundland and Labrador artists and arts organizations.

Objective

By March 31, 2015 the NLAC will have sought to increase partnerships between arts and other sectors, including education, tourism, business and arts sector organizations.

Measure

Increased partnerships sought between arts and other sectors, including education, tourism, business and arts sector organizations.

Indicator

- i. Partnered with Business and Arts Newfoundland and Labrador to identify opportunities to better focus and coordinate investments to meet the needs of artists and arts organizations.

Activity

During 2014-15, The NLAC Executive met with the Executive Committee of BANL to identify opportunities to better focus and coordinate investments to meet the needs of artists and arts organizations. As a result, the NLAC and BANL have partnered with the Community Foundation of Newfoundland and Labrador to develop an agreement to establish a Business and the Arts Development Fund that will provide funding for artistic projects in Newfoundland and Labrador.

The NLAC also partnered with BANL to create a Business Volunteers for the Arts program. The purpose of this program is to provide pro bono professional services to artists and arts organizations to increase their effectiveness and sustainability. The program collected requests for seminar topics from the arts community. From the list of topics cultivated through suggestions, seminars were offered in business management, marketing, social media for marketing, grant writing, and nonprofit governance for the arts community.

Indicator

- ii. Partnered with the Cultural Human Resources Council to identify and provide professional development opportunities for Newfoundland and Labrador artists and arts organizations.

Activity

The NLAC's Executive Director sits as an advisory board member on the Cultural Human Resources Council (CHRC), which provides a national voice on human resource issues, including education and training in the cultural sector.

In 2014-15, the NLAC partnered with the CHRC and identified and provided professional development opportunities for Newfoundland and Labrador artists and arts organizations. These opportunities consisted of a series of online management tools that included The Art of Managing Your Career: A Guide for the Canadian Artist and the self-employed Cultural Worker and the Arts of Managing your Career for Aboriginal Artists.

Indicator

- iii. Partnered with Arts Sector Organizations and the Business community to provide social media and grant writing workshops.

Activity

During 2014-15, the NLAC partnered with Newfound Marketing and the Resource Centre for the Arts to present a social media workshop series in the Cox & Palmer Second space at the LSPU Hall. The workshops were free and open to anyone interested in learning about social media marketing tools specifically for the arts. For those outside the St. John's metro area, workshop resources were made available online.

Workshop series sessions included Facebook, Twitter, YouTube, Instagram / Pinterest, Blog/Content Development, Social Media Website Integration, LinkedIn, Google+, Vine and Soundcloud. The NLAC also held grant writing workshops in St. John's, Stephenville, Corner Brook, Labrador City, Happy Valley-Goose Bay, Nain and Makkovik. The workshops were free and open to anyone interested in learning about applying for a NLAC grant. Grant writing workshops were also held with students at Grenfell Campus in Corner Brook and at the College of the North Atlantic in Stephenville.

Indicator

- iv. Partnered with the Atlantic Public Arts funders in establishing a joint regional strategy for arts development initiatives.

Activity

During 2014-15, the NLAC partnered with Arts Nova Scotia, the New Brunswick Arts Board and the Prince Edward Island Council for the Arts to establish a joint regional strategy for arts development initiatives. This included fostering exchanges of artists among the four Atlantic provinces through an Atlantic Public Art Funders (APAF) Creative Artist Exchange Program.

A second component of this strategy offered a celebratory and educational event that provided Atlantic Canadian Aboriginal artists and arts practitioners of all disciplines a space for dialogue, forging connections, showcasing work and exchanging information. This was accomplished by hosting the three day Petapan: First Light Symposium in Millbrook, Nova Scotia in August 2014 that was attended by over one hundred participants from across Atlantic Canada.

Objective 2 - By March 31, 2016 the NLAC will have collaborated with Aboriginal agencies to increase support and recognition of Aboriginal artists and organizations.

Measure: Increased support and recognition for Aboriginal artists.

Indicators

1. Partnered with a steering committee comprised of representatives from the Nunatsiavut Government, NunatuKavut Community Council, Inc., Miawpukek First Nation, Qalipu Mi'kmaq First Nation Band, and the Sheshatshiu Innu First Nation to organize a three day Indigenous Arts Symposium in Happy Valley-Goose Bay.

2. Established an Aboriginal Artist Exchange Program.

3. Communications, Outreach and Access

Providing access for artists and arts organization to information and resources in a timely and efficient manner supports Government's strategic direction to recognize and support artists and cultural professionals and to work collaboratively with the cultural sector and the tourism industry on cultural tourism.

Goal

By March 31, 2017 the NLAC will have improved outreach and access to the NLAC programs, resources and services.

Objective

By March 31, 2015 the NLAC will have developed a province wide outreach plan for artists and arts organizations to improve their access to NLAC programs, resources and services.

Measure

Developed a province wide outreach plan for artists and arts organizations to improve their access to NLAC programs, resources and services.

Indicator

- i. Implemented Phase Two of Council's Social Media Strategy.

Activity

During 2014-15, the NLAC implemented phase two of its Social Media Strategy. This involved establishing a YouTube channel that was used as a platform to publish short videos on the social media marketing seminars and some of the

NLAC award presentations. Eventually, the YouTube channel will include informational NLAC videos such as grant writing workshops and information sessions. The NLAC also launched a site on WordPress – a blogging platform that is a more relaxed on line presence that offers content that goes beyond what is included on the NLAC official website. WordPress enabled the Arts Council to take live tweets and photos posted from an event like the annual arts awards and summarize them and take the content created for YouTube and post it together in a creatively titled FAQ section.

Indicator

- ii. Used current technology to improve access and quality of services to artists, arts organizations and the public.

Activity

During 2014-15, the NLAC used its social media platforms to increase awareness of its programs and services including deadlines. The NLAC also started accepting digital applications for some of its programs in an effort to move towards a fully digital program process (from application to assessment) in the coming year. Applicants were able to access the applicable grant program online and apply digitally instead of completing a paper copy and mailing or dropping off the application at the NLAC office. Assessment was also completed electronically thus decreasing the time for results to be released to the applicant.

Indicator

- iii. Increased NLAC information sessions and grant writing workshops.

Activity

During 2014-15, the NLAC held information sessions and grant writing workshops in St. John's, Stephenville, Corner Brook, Labrador City, Happy Valley-Goose Bay, Nain and Makkovik. The workshops were free and open to anyone interested in learning about applying for a NLAC grant or learning about the NLAC. Grant writing workshops were also held with students at Grenfell College in Corner Brook and at the College of the North Atlantic in Stephenville. This was an increase of ten grant writing workshops from the 2013-14 fiscal year.

Indicator

- iv. Revised NLAC website to improve communications

Activity

The NLAC website was revised with new sections highlighting our social media platforms and social media marketing workshop series. Program eligibility guidelines and criteria, including clearer definitions of professional artists, groups or arts organizations were updated.

Objective 3 - By March 31, 2016 the NLAC will have ensured that Aboriginal artists have access to programs and services that promote, preserve and develop their art forms.

Measure: Ensured that Aboriginal artists have access to programs and services.

Indicators

1. Held first Newfoundland and Labrador Aboriginal Arts Symposium in Happy Valley-Goose Bay, to provide a space for dialogue, forging connections, showcasing work and exchanging information.
2. Undertook a review of NLAC programs to ensure that they meet the needs of Aboriginal artists.
3. Increased outreach to Aboriginal artists.

**NEWFOUNDLAND AND LABRADOR
ARTS COUNCIL**

FINANCIAL STATEMENTS

MARCH 31, 2015

Management's Report

Management's Responsibility for the Newfoundland and Labrador Arts Council 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.

Furthermore, management is responsible for making sure transactions comply with relevant policies and authorities and are properly recorded to produce 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 external audited financial statements yearly.

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 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.



Reginald Winsor
Executive Director



**AUDITOR
GENERAL**
of Newfoundland and Labrador

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the Newfoundland and Labrador Arts Council which comprise the statement of financial position as at March 31, 2015, the statements of operations, change in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgment of the auditor, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Independent Auditor's Report (cont.)

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Newfoundland and Labrador Arts Council as at March 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink, appearing to read 'T. Paddon', with a long horizontal flourish extending to the right.

TERRY PADDON, CPA, CA
Auditor General

June 30, 2015
St. John's, Newfoundland and Labrador

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL
STATEMENT OF FINANCIAL POSITION

As at March 31

2015

2014

FINANCIAL ASSETS

Cash	\$ 144,741	\$ 166,898
Accounts receivable (Note 3)	60,934	55,857
Portfolio investments (Notes 4 and 10)	26,213	25,278
	231,888	248,033

LIABILITIES

Accounts payable and accrued liabilities (Note 5)	89,019	60,472
Deferred revenue (Note 6)	23,210	26,379
Obligation under capital lease (Note 7)	3,643	5,465
Employee future benefits (Note 8)	80,566	75,789
	196,438	168,105

Net financial assets	35,450	79,928
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NON-FINANCIAL ASSETS

Tangible capital assets (Note 9)	3,643	5,465
Prepaid expenses	3,239	10,381
Arts Fund (Notes 4 and 10)	50,352	50,352
	57,234	66,198

Accumulated surplus	\$ 92,684	\$ 146,126
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The accompanying notes are an integral part of these financial statements.

Signed on behalf of the Council: _____
 Chairperson

 Member

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

	2015 Budget	2015 Actual	2014 Actual
(Note 16)			
REVENUES			
Province of Newfoundland and Labrador			
Grants	\$ 2,127,279	\$ 2,350,632	\$ 2,406,949
Projects (Note 11)	295,351	71,950	52,000
Income earned on portfolio investments	1,000	935	2,213
	<u>2,423,630</u>	<u>2,423,517</u>	<u>2,461,162</u>
EXPENSES (Note 12)			
Grants and awards			
Community Arts	75,000	75,000	75,000
Labrador Initiative	100,000	90,211	151,401
Professional Artists Travel Fund grants	30,000	29,161	27,500
Professional Festivals	125,000	115,000	125,000
Professional Project Grants Program	575,000	590,391	556,474
Sustaining Program for Professional Arts Organizations	575,000	575,000	575,000
	<u>1,480,000</u>	<u>1,474,763</u>	<u>1,510,375</u>
Projects (Note 13)	508,730	346,897	333,602
Operating expenses (Note 14)	530,674	655,299	658,865
	<u>2,519,404</u>	<u>2,476,959</u>	<u>2,502,842</u>
Annual deficit	(95,774)	(53,442)	(41,680)
Accumulated surplus, beginning of year	146,126	146,126	187,806
Accumulated surplus, end of year	\$ 50,352	\$ 92,684	\$ 146,126

*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

	2015 Budget	2015 Actual	2014 Actual
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(Note 16)

<u>Annual deficit</u>	\$ (95,774)	\$ (53,442)	\$ (41,680)
Tangible capital assets			
<u>Amortization of tangible capital asset</u>	-	1,822	1,822
	-	1,822	1,822
Prepaid Expenses			
Acquisition of prepaid expense	-	(3,239)	(10,381)
Use of prepaid expense	-	10,381	2,923
	-	7,142	(7,458)
Decrease in net financial assets	(95,774)	(44,478)	(47,316)
Net financial assets, beginning of year	79,928	79,928	127,244
Net financial assets, end of year	\$ (15,846)	\$ 35,450	\$ 79,928

*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

2015

2014

Operating transactions

Annual deficit	\$ (53,442)	\$ (41,680)
Adjustment for non-cash items		
Amortization of tangible capital assets	1,822	1,822
	(51,620)	(39,858)
Change in non-cash operating items		
Accounts receivable	(5,077)	(21,417)
Accounts payable and accrued liabilities	28,547	(33,587)
Deferred revenue	(3,169)	(80,850)
Employee future benefits	4,777	3,195
Prepaid expenses	7,142	(7,458)
Cash applied to operating transactions	(19,400)	(179,975)
Financing transactions		
Repayment of obligation under capital lease	(1,822)	(1,822)
Cash applied to financing transactions	(1,822)	(1,822)
Investing transactions		
Purchase of portfolio investments	(76,565)	(75,630)
Redemption of portfolio investments	75,630	173,187
Cash provided from (applied to) investing transactions	(935)	97,557
Decrease in cash	(22,157)	(84,240)
Cash, beginning of year	166,898	251,138
Cash, end of year	\$ 144,741	\$ 166,898

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

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL
NOTES TO FINANCIAL STATEMENTS
March 31, 2015

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 twelve 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.

(c) Financial instruments

The Council's financial instruments recognized on the statement of financial position consist of cash, accounts receivable, portfolio investments, accounts payable and accrued liabilities, and obligation under capital lease. 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 or amortized cost. Financial assets measured at cost include cash, accounts receivable and portfolio investments. Financial liabilities measured at cost include accounts payable and accrued liabilities. Financial liabilities measured at amortized cost include obligation under capital lease.

The carrying value of cash, accounts receivable, portfolio investments, accounts payable and accrued liabilities, and obligation under capital lease 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.

2. Summary of significant accounting policies (cont.)

(d) Employee future benefits

- i. Severance pay for entitled employees is calculated based on years of service and current salary levels. Entitlement to severance pay vests with employees after nine years of continuous service, and accordingly a liability has been recorded for these employees. No liability or provision has been recorded for employees with less than nine years of continuous service as the amount would be insignificant. The amount is payable when the employee ceases employment with the Council unless the employee transfers to another entity in the public service, in which case the liability is transferred with the employee to the other entity.
- ii. The Council and its employees are subject to the *Public Service Pensions Act, 1991*. Employee contributions are matched by the Council and then remitted to the Public Service Pension Plan Corporation from which pensions will be paid to employees when they retire. This 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.

During the year, there were significant changes made to the Public Service Pension Plan. The changes include: increases in contribution rates of between 2.15% and 3.25% of pensionable earnings; calculation of pension benefits, for service on or after January 1, 2015, using the average of the best six years of earnings rather than the average of the best five years of earnings; calculation of pension benefits, for service before January 1, 2015, using 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 rather than the average of the best five years of earnings; and increases in the minimum age and/or service requirements for early retirement with an unreduced pension benefit. Employees who are eligible, or become eligible, to retire on or before January 1, 2020, are exempt from increases in the minimum age and/or service requirements for early retirement with an unreduced pension benefit.

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.

Obligation under capital lease is recorded at the present value of the minimum lease payments excluding executor costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the interest rate implicit in the lease.

2. Summary of significant accounting policies (cont.)

(e) Tangible capital assets (cont.)

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

Assets under capital lease	5 years
Office equipment	5 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.

(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.

Income from portfolio investments is recorded as earned.

(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.

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL
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2. Summary of significant accounting policies (cont.)

(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. Items requiring the use of significant estimates include the useful life of tangible capital assets and estimated employee future benefits.

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.

3. Accounts receivable

	<u>2015</u>	<u>2014</u>
Trade accounts receivable	\$ 32,500	\$ 33,000
Harmonized sales tax receivable	28,434	22,857
	<u>\$ 60,934</u>	<u>\$ 55,857</u>

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

4. Portfolio investments

	<u>2015</u>	<u>2014</u>
Portfolio investments, held as designated assets	\$ 26,213	\$ 25,278
Portfolio investments, held in the Arts Fund (Note 10)	50,352	50,352
	<u>\$ 76,565</u>	<u>\$ 75,630</u>

5. Accounts payable and accrued liabilities

	<u>2015</u>	<u>2014</u>
Trade accounts payable	\$ 69,247	\$ 45,567
Accrued employee benefits	19,772	14,905
	<u>\$ 89,019</u>	<u>\$ 60,472</u>

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6. Deferred revenue

Deferred revenue as at March 31, 2015, consists of contributions received from the Province to be used for the Aboriginal Symposium. The purpose of the Aboriginal Symposium is to address the unique challenges facing Atlantic Canadian Aboriginal Artists in terms of the creation of work, the promotion of these works, equitable access to public funding programs, as well as the acceptance of these works in the larger context of the regional and national art world.

	<u>2015</u>	<u>2014</u>
Labrador Initiative	\$ -	\$ 11,379
Aboriginal Symposium	<u>23,210</u>	<u>15,000</u>
	<u>\$ 23,210</u>	<u>\$ 26,379</u>

7. Obligation under capital lease

The Council has acquired equipment for office operations through capital leases.

	<u>2015</u>	<u>2014</u>
Obligation under capital lease	<u>\$ 3,643</u>	<u>\$ 5,465</u>

Future minimum lease payments under capital lease are:

2016	\$ 2,924
2017	<u>2,924</u>
	5,848
Less: interest portion of payments	<u>2,205</u>
	<u>\$ 3,643</u>

8. Employee future benefits

(a) Severance pay

Employee future benefits consist of the liability for severance pay of \$80,566 (2014 - \$75,789).

(b) The Council and its employees contribute to the Public Service Pension Plan in accordance with the *Public Service Pensions Act, 1991* (the *Act*). The plan is administered by the Public Service Pension Plan Corporation, including payment of pension benefits to employees to whom the *Act* applies.

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8. Employee future benefits (cont.)

The plan provides a pension to employees based on their length of service and rates of pay. The maximum contribution rate for eligible employees was 11.85% (2014 - 8.6%). The Council's contributions equal the employee contributions to the plan. The Council is not required to make contributions in respect of any actuarial deficiencies of the plan. Total pension expense for the Council for the year ended March 31, 2015, was \$32,502 (2014 - \$29,011).

9. Tangible capital assets

	<u>Assets under capital lease</u>	<u>Office equipment</u>	<u>Total</u>
Cost			
Balance, March 31, 2014	\$ 9,109	\$ 27,153	\$ 36,262
Balance, March 31, 2015	9,109	27,153	36,262
Accumulated amortization			
Balance, March 31, 2014	3,644	27,153	30,797
Amortization expense	1,822	-	1,822
Balance, March 31, 2015	5,466	27,153	32,619
Net book value, March 31, 2015	\$ 3,643	\$ -	\$ 3,643
Net book value, March 31, 2014	\$ 5,465	\$ -	\$ 5,465

10. 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, 2015, \$935 (2014 - \$2,213) was earned through investment of the Fund and is included with income earned from portfolio investments.

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10. Arts Fund (cont.)

	<u>2015</u>	<u>2014</u>
Restricted funds		
Province of Newfoundland and Labrador	\$ 40,000	\$ 40,000
Gifts and bequests as per Section 12 (2) of the <i>Arts Council Act</i>	10,352	10,352
	<u>\$ 50,352</u>	<u>\$ 50,352</u>

At March 31, 2015, the restricted funds consisted of portfolio investments of \$50,352 (2014 - \$50,352).

Accumulated interest on restricted funds

Accumulated interest, beginning of year	\$ 94,048	\$ 122,835
Interest earned	935	2,213
Interest allocated for operations	(68,770)	(31,000)
	<u>\$ 26,213</u>	<u>\$ 94,048</u>

The accumulated interest on restricted assets is held as designated assets as follows:

Cash	\$ -	\$ 68,770
Portfolio investments	26,213	25,278
	<u>\$ 26,213</u>	<u>\$ 94,048</u>

11. Revenues - Projects

	<u>2015</u>	<u>2014</u>
Winterset Award	\$ 30,000	\$ 30,000
Arts awards	20,950	21,000
ArtsSmarts	20,000	-
Rhonda Payne Award	500	500
Larry Jackson Award	500	500
	<u>\$ 71,950</u>	<u>\$ 52,000</u>

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12. Expenses by object

	<u>2015</u>	<u>2014</u>
Grants and awards	\$ 1,724,860	\$ 1,748,584
Salaries and employee benefits	516,499	499,820
Purchased services	137,878	141,075
Travel	69,344	78,745
Professional services	18,946	26,686
Telephone	7,610	6,110
Amortization	1,822	1,822
	<u>\$ 2,476,959</u>	<u>\$ 2,502,842</u>

As of March 31, 2015, the Council's actual expenses did not exceed its legislated expense limit.

13. Expenses - Projects

	<u>2015</u>	<u>2014</u>
APAF - Creative Residency	\$ 4,000	\$ 11,000
APAF - Aboriginal Symposium	28,750	20,000
Arts awards	74,922	68,252
Arts smarts	140,000	119,598
Larry Jackson Award	500	500
Rhonda Payne Award	500	500
School Touring Program	74,598	74,550
Visiting Artists' Program	-	13,061
Winterset Award	23,627	26,141
	<u>\$ 346,897</u>	<u>\$ 333,602</u>

14. Operating expenses

	<u>2015</u>	<u>2014</u>
Amortization	\$ 1,822	\$ 1,822
Labrador Initiative	103,576	100,526
Miscellaneous	16,687	22,580
Office and postage	14,996	13,191
Professional services	-	6,300
Project evaluating fees	18,946	20,386
Salaries and employee benefits	440,287	421,766
Telephone	7,610	6,110
Travel and Council meetings	51,375	66,184
	<u>\$ 655,299</u>	<u>\$ 658,865</u>

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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, accounts receivable and portfolio investments. 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. 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 and its obligation under capital lease as described in Note 7. 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 portfolio investments because these investments have fixed interest rates and fixed values at maturity. In addition, the Council is not exposed to significant interest rate risk on the obligation under capital lease as the interest rate is fixed to maturity.

16. Budgeted figures

Budgeted figures, which have been prepared 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 an annual rate of \$1.

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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 10.