

Newfoundland and Labrador Arts Council

Annual Report 2016-17

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 2016-17. 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. A volunteer board of 13 people appointed by government, reflecting regional representation of the province, governs the Council. Council members serve on a volunteer basis for a three-year term. There is five full-time staff (three male/ two female) employed by the Arts Council. As a Crown Agency, the NLAC operates at arm's-length from the Provincial 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 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; 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 2016-17, the NLAC's total budget was approximately \$2.4 million. A detailed breakdown of audited financial information is found in the Financial Statements appended to this report.

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.

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.

Council Members

At the end of this reporting period, March 31, 2017 the Board consisted of the following members:

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

Office Location

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REPORT ON PERFORMANCE

ISSUE 1. Support and Focused Investments

The NLAC supports artists and arts organizations through focused investment to recognize and support artists and cultural professionals and to work collaboratively with the cultural sector and the tourism industry on cultural tourism.

Goal 1: By March 31, 2017 the NLAC will have worked to improve support to Newfoundland and Labrador artists and arts organizations through focused investments.

Indicator 1: Supported local, regional and rural arts activities through focused programs and partnerships with the business community

Over the past three years the NLAC partnered with the business community to leverage support for arts activities throughout Newfoundland and Labrador with specific funding for the annual arts awards, the BMO Winterset Awards, the Lawrence Jackson Writers Award, the Rhonda Payne Theatre Award, the ArtsSmarts Grant Program and the Atlantic Arts Funders Indigenous Arts Symposium. The NLAC continues to work with Business and Arts NL and 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 throughout Newfoundland and Labrador.

Indicator 2: Intensified efforts to increase NLAC funding partnerships

Over the past three years the NLAC intensified efforts to increase and maintain existing funding partnerships. New funding partnerships were established with Statoil to provide funding for the ArtsSmarts grant program and with the BMO Financial Group for the BMO Winterset Awards. New funding partnerships were established with the Nunatsiavut Government, NunatuKavut Community Council, Maiwpukek First Nation and the Qalipu First nation to support the inaugural Provincial Indigenous Arts Symposium in Happy Valley-Goose Bay in November 2015.

Over the past three years the NLAC renewed partnerships with funding partners for the annual arts awards program and the arts in education grant programs.

Indicator 3: Worked with stakeholders to coordinate and maximize available resources

In 2014-17, the NLAC partnered with provincial and federal arts funders, the business community and the indigenous community to present two Atlantic Canada indigenous arts symposiums (2014, 2016) and a provincial indigenous art symposium in 2015.

Objective 2017: By March 31, 2017 the NLAC will have worked with stakeholders to coordinate and maximize available resources

Indicator 1: Worked with other Atlantic Public Arts Funders towards Petapan 2016 – the second Atlantic Indigenous Arts Symposium.

During 2016-17, the NLAC partnered with Arts Nova Scotia, the New Brunswick Arts Board and the Prince Edward Island Council for the Arts to organize a second Indigenous Arts Symposium in Moncton, New Brunswick. The three-day symposium was held in June 2016.

Indicator 2: Worked with Canada Council for the Arts in signing a MOU to support Indigenous arts in Atlantic Canada.

During 2016-17, The NLAC signed a MOU with Canada Council for the Arts to provide funding support for the second Indigenous Arts Symposium held in Moncton, New Brunswick in 2016. Funding assisted indigenous artists with travel costs associated with attending the symposium.

Indicator 3: Worked with Canada Council for the Arts in support of outreach activities to Newfoundland and Labrador artists and arts organizations.

During 2016-17, the NLAC partnered with the Canada Council to provide grant-writing workshops and information sessions about the NLAC's and Canada Council's grant programs. Two of the sessions were videotaped and uploaded to the NLAC YouTube channel so that artists and arts organizations across the province could avail of the information.

ISSUE 2. Creative Partnerships, Collaborations and Connections

The NLAC creates partnerships, collaborations and connections that advance artists and arts organizations that recognize and support artists and cultural professionals, and works collaboratively with the cultural sector and the tourism industry on cultural tourism.

Goal 2: 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.

Indicator 1: Sought partnerships between the arts and other sectors, including education, tourism, business and arts sector organizations.

Over the past three years the NLAC established partnerships with the Department of Education and Early Childhood Development and the Newfoundland and Labrador Teachers Association to provide funding for the NLAC's arts and education programs. Partnerships were established with Indigenous Groups, Atlantic Public Arts Funders and the Canada Council for the Arts to support indigenous arts symposiums. Partnerships were also established with numerous business organizations to support award programs, arts in education programs and indigenous arts symposiums.

Indicator 2: Collaborated with Aboriginal agencies to increase support and recognition of aboriginal artists and organizations.

Over the past three years the NLAC collaborated with representatives from the Nunatsiavuk Government, NunatuKavut Community Council, Miawpukek First Nation, Qalipu Mi'kmaq First Nations Band and the Sheshatshiu First Nation to organize the inaugural Provincial Indigenous Arts Symposium in Happy Valley-Goose Bay. The provincial Indigenous representatives were also part of a larger group of indigenous representatives from Nova Scotia, New Brunswick and Prince Edward Island that organized the two Atlantic Canada Indigenous Arts Symposiums. The symposiums provided a celebratory networking and information-sharing event that provided Indigenous artists and arts organizations of all disciplines a space for dialogue, forging connections, and showcasing their work.

Indicator 3: Built stronger connections with communities, municipalities, provincial and federal governments to leverage support for NL artists and arts.

Over the past three years the NLAC built stronger connections with communities by holding the 2014 Arts Awards show in Gander and the 2016 Awards in Stephenville. The NLAC has continued to partner with provincial, federal and municipal arts funders to present grant writing and social media workshops and to discuss improved ways to leverage support for Newfoundland and Labrador artists and arts organizations.

Objective 2017: By March 31, 2017 the NLAC will have built stronger connections with communities, municipalities, provincial and federal governments to leverage support for NL artists and arts.

Indicator 1: Continued tri-level funders meetings.

During 2016-17, the NLAC held two tri-level funders meetings with representatives from the NLAC, Canada Council for the Arts, Canadian Heritage, Atlantic Canada Opportunities Agency, MusicNL, Newfoundland and Labrador Film Development Corporation, TCII and the City of St. Johns.

Indicator 2: Held the 2016 Arts Awards in Stephenville.

On May 5, 2016 the NLAC held the 2016 Arts Awards show at the Arts and Culture Centre in Stephenville. NLAC staff also conducted a grant writing workshop and a social media workshop while in Stephenville.

Indicator 3: Held joint grant program information sessions across NL that strengthened connections.

During 2016-17, the NLAC partnered with Grenfell University and the College of the North Atlantic to provide grant information sessions in Corner Brook, Stephenville and St. John's. The NLAC also partnered with MusicNL, Canada Council for the Arts and the Department of Canadian Heritage to hold grant information sessions in St. John's.

ISSUE 3. Communications, Outreach and Access

The NLAC provides access for artists and arts organization to information and resources in a timely and efficient manner to 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.

Indicator 1: Developed a province wide outreach plan for artists and arts organizations to improve their access to NLAC programs, resources and services

Over the past three years the NLAC improved its outreach to the arts community by implemented phase two of Council's Social Media Strategy. Council established its own YouTube channel that was used to publish short videos on social media marketing seminars and the arts awards presentations. Videos of grant writing workshops and information sessions on Council's grant programs have been completed and uploaded to the YouTube channel. NLAC staff has held numerous workshops and information sessions throughout the province over the past three years. Council staff also developed an on-line calendar that allows an artist or arts organization to schedule a meeting with Council staff from the NLAC website. This meeting can be held in-person or through videoconference.

Indicator 2: Ensured that aboriginal artists have access to programs and services that promote, preserve and develop their art forms

Over the past three years the NLAC held the inaugural Indigenous Arts Symposium in Happy Valley-Goose Bay and two Atlantic Indigenous Arts symposiums. Feedback from Newfoundland and Labrador participants attending the symposiums guided Council in a review of NLAC programs with a long-term objective that a greater number of Indigenous artists would access and succeed

in gaining support and services offered by the NLAC. Over the past year there's been an increase in the both the number of indigenous applications and successful applications to Council.

Indicator 3: Made the application process more user friendly

Over the past three years the NLAC reviewed and implemented changes to grant and award programs with the goal of improving and making the application process more user friendly and accessible. Revamping and updating the application form and the peer assessment process to ensure a smooth transition to an on-line application process was completed.

Objective 2017: By March 31, 2017 the NLAC will have made the application process more user-friendly

Indicator 1: Completed the digital transition for all NLAC grant and award programs and the review of all NLAC grant and award programs to make the application process more user friendly

During 2016-17, the NLAC completed a review of all grant and award programs to make the application process more user friendly as Council moves towards on-line applications. Changes will be implemented in the 2017-18 fiscal year starting with a pre-registration period for artists and arts organizations from September to November 2017. On December 1, 2017 applicants to NLAC programs are anticipated to be able to apply on-line. There was a delay in completing the digital transition due to a higher than expected cost to move all grant and award programs online.

**NEWFOUNDLAND AND LABRADOR
ARTS COUNCIL**

FINANCIAL STATEMENTS

MARCH 31, 2017

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, 2017, 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, 2017, 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 'Terry Paddon', with a long horizontal line extending to the right.

TERRY PADDON, CPA, CA
Auditor General

July 27, 2017
St. John's, Newfoundland and Labrador

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL

STATEMENT OF FINANCIAL POSITION

As at March 31

2017

2016

FINANCIAL ASSETS

Cash	\$ 309,079	\$ 187,759
Accounts receivable (Note 4)	23,398	36,817
	332,477	224,576

LIABILITIES

Accounts payable and accrued liabilities (Note 5)	130,633	84,521
Deferred revenue (Note 6)	27,822	-
Obligation under capital lease (Note 7)	-	1,822
Employee future benefits (Note 8)	85,080	77,740
	243,535	164,083

Net financial assets	88,942	60,493
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NON-FINANCIAL ASSETS

Tangible capital assets (Note 9)	9,537	12,163
Prepaid expenses	2,631	4,023
Arts Fund (Note 10)	50,381	50,352
	62,549	66,538

Accumulated surplus	\$ 151,491	\$ 127,031
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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

	2017 Budget	2017 Actual	2016 Actual
(Note 16)			
REVENUES			
Province of Newfoundland and Labrador			
Grants	\$ 2,136,600	\$ 2,136,600	\$ 2,356,910
Projects (Note 11)	237,622	209,800	135,000
Income earned on portfolio investments	-	-	642
Other revenue	-	29,661	-
Donation revenue	-	29	-
	<u>2,374,222</u>	<u>2,376,090</u>	<u>2,492,552</u>
EXPENSES (Note 12)			
Grants			
Annual Operating	150,000	150,000	150,000
Community Arts	75,000	71,320	75,000
Labrador Initiative	-	-	27,406
Professional Artists Travel Fund grants	30,000	25,233	23,683
Professional Project Grants Program	552,296	538,679	554,055
Sustaining Program for Professional Arts Organizations	575,000	575,000	575,000
	<u>1,382,296</u>	<u>1,360,232</u>	<u>1,405,144</u>
Projects (Note 13)	452,622	418,230	410,210
Operating expenses (Note 14)	615,982	573,168	642,851
	<u>2,450,900</u>	<u>2,351,630</u>	<u>2,458,205</u>
Annual surplus (deficit)	(76,678)	24,460	34,347
Accumulated surplus, beginning of year	127,031	127,031	92,684
Accumulated surplus, end of year	\$ 50,353	\$ 151,491	\$ 127,031

*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

	2017 Budget	2017 Actual	2016 Actual
(Note 16)			
Annual surplus (deficit)	\$ (76,678)	\$ 24,460	\$ 34,347
Tangible capital assets			
Acquisition of tangible capital assets	-	(1,810)	(10,778)
Amortization of tangible capital assets	4,400	4,436	2,258
	4,400	2,626	(8,520)
Prepaid expenses			
Acquisition of prepaid expenses	-	(2,631)	(4,023)
Use of prepaid expenses	-	4,023	3,239
	-	1,392	(784)
Arts Fund	-	(29)	-
Increase (decrease) in net financial assets	(72,278)	28,449	25,043
Net financial assets, beginning of year	60,493	60,493	35,450
Net financial assets, end of year	\$ (11,785)	\$ 88,942	\$ 60,493

*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

2017

2016

Operating transactions

Annual surplus	\$ 24,460	\$ 34,347
Adjustment for non-cash items		
Amortization of tangible capital assets	4,436	2,258
	28,896	36,605
Change in non-cash operating items		
Accounts receivable	13,419	24,117
Accounts payable and accrued liabilities	46,112	(4,498)
Deferred revenue	27,822	(23,210)
Employee future benefits	7,340	(2,826)
Prepaid expenses	1,392	(784)
Cash provided from operating transactions	124,891	29,404
Capital transactions		
Purchase of tangible capital assets	(1,810)	(10,778)
Cash applied to capital transactions	(1,810)	(10,778)
Financing transactions		
Repayment of obligation under capital lease	(1,822)	(1,821)
Cash applied to financing transactions	(1,822)	(1,821)
Investing transactions		
Arts Fund	(29)	(50,352)
Redemption of portfolio investments	-	76,565
Cash provided from (applied to) investing transactions	(29)	26,213
Increase in cash	121,320	43,018
Cash, beginning of year	187,759	144,741
Cash, end of year	\$ 309,079	\$ 187,759

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

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

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 thirteen 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 the restricted Arts Fund.

(c) Financial instruments

The Council's financial instruments recognized on the statement of financial position consist of cash, accounts receivable, 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 and accounts receivable. 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, 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 Provident¹⁰ 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.

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.

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
Computer equipment	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.

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

2. Summary of significant accounting policies (cont.)

(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.

(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. 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.

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL
NOTES TO FINANCIAL STATEMENTS
March 31, 2017

3. Accounting pronouncements

There are several new standards issued by the PSAB that are not yet effective and have not been applied in these financial statements. These standards and corresponding effective dates are as follows:

Effective April 1, 2017:

PS 2200 Related Party Disclosures – a new standard defining related parties and establishing disclosure requirements for related party transactions.

PS 3210 Assets – a new standard providing guidance for applying the definition of assets and establishing general disclosure requirements for assets but does not provide guidance for the recognition and disclosure of specific types of assets.

PS 3320 Contingent Assets – a new standard defining and establishing disclosure requirements for contingent assets but does not include disclosure standards for specific types of contingent assets.

PS 3380 Contractual Rights – a new standard defining and establishing disclosure requirements for contractual rights but does not include disclosure standards for specific types of contractual rights.

PS 3420 Inter-entity Transactions – a new standard on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

Effective April 1, 2018:

PS 3430 Restructuring Transactions – a new standard on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities.

The Council plans to adopt these standards by the effective dates and is currently analyzing the impact these standards will have on the financial statements.

4. Accounts receivable

	<u>2017</u>	<u>2016</u>
Trade accounts receivable	\$ 50	\$ 5,746
Harmonized sales tax receivable	23,348	31,071
	<u>\$ 23,398</u>	<u>\$ 36,817</u>

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

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL
NOTES TO FINANCIAL STATEMENTS
March 31, 2017

5. Accounts payable and accrued liabilities

	<u>2017</u>	<u>2016</u>
Trade accounts payable	\$ 98,933	\$ 55,428
Accrued employee benefits	31,700	29,093
	<u>\$ 130,633</u>	<u>\$ 84,521</u>

6. Deferred revenue

	<u>2017</u>	<u>2016</u>
APAF Symposium	\$ 24,773	\$ -
Winterset Award	3,049	-
	<u>\$ 27,822</u>	<u>\$ -</u>

7. Obligation under capital lease

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

	<u>2017</u>	<u>2016</u>
Obligation under capital lease	\$ -	\$ 1,822

8. Employee future benefits

(a) Severance pay

Employee future benefits consist of the liability for severance pay of \$85,080 (2016 - \$77,740).

(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 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% (2016 - 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, 2017 was \$35,928 (2016 - \$39,544).

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL
NOTES TO FINANCIAL STATEMENTS
March 31, 2017

9. Tangible capital assets

	Assets under capital lease	Office equipment	Computer equipment	Total
Cost				
Balance, March 31, 2016	\$ 9,109	\$ 35,250	\$ 2,681	\$ 47,040
Acquisition of tangible capital assets	-	-	1,810	1,810
Disposal of tangible capital assets	-	(13,345)	-	(13,345)
Balance, March 31, 2017	9,109	21,905	4,491	35,505
Accumulated amortization				
Balance, March 31, 2016	7,287	27,441	149	34,877
Amortization expense	1,822	1,619	995	4,436
Disposal	-	(13,345)	-	(13,345)
Balance, March 31, 2017	9,109	15,715	1,144	25,968
Net book value, March 31, 2017	\$ -	\$ 6,190	\$ 3,347	\$ 9,537
Net book value, March 31, 2016	\$ 1,822	\$ 7,809	\$ 2,532	\$ 12,163

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, 2017, \$0 (2016 - \$642) was earned through investment of the Fund and is included with income earned from portfolio investments.

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL
NOTES TO FINANCIAL STATEMENTS
March 31, 2017

10. Arts Fund (cont.)

	<u>2017</u>	<u>2016</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>	10,381	10,352
	<u>\$ 50,381</u>	<u>\$ 50,352</u>

At March 31, 2017, the restricted funds consisted of cash of \$50,381 (2016 - cash of \$50,352).

Accumulated interest on restricted funds

Accumulated interest, beginning of year	\$ 4,930	\$ 26,213
Interest earned	-	642
Interest allocated for operations	(4,930)	(21,925)
	<u>\$ -</u>	<u>\$ 4,930</u>

The accumulated interest on restricted assets is held in cash as a designated asset.

11. Revenues - Projects

	<u>2017</u> <u>Budget</u> (Note 16)	<u>2017</u> <u>Actual</u>	<u>2016</u> <u>Actual</u>
APAF Symposium	\$ 157,622	\$ 132,849	\$ 68,000
Winterset Award	35,000	31,951	35,000
Arts awards	14,000	14,000	21,000
Arts smarts	30,000	30,000	10,000
Rhonda Payne Award	500	500	500
Larry Jackson Award	500	500	500
	<u>\$ 237,622</u>	<u>\$ 209,800</u>	<u>\$ 135,000</u>

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL
NOTES TO FINANCIAL STATEMENTS
March 31, 2017

12. Expenses by object

	2017 <u>Budget</u> (Note 16)	2017 <u>Actual</u>	2016 <u>Actual</u>
Grants and awards	\$ 1,600,796	\$ 1,625,057	\$ 1,648,144
Salaries and employee benefits	464,500	470,866	522,398
Purchased services	315,204	185,095	210,608
Travel	40,000	39,861	53,146
Professional services	18,000	18,476	14,130
Telephone	8,000	7,839	7,521
Amortization	4,400	4,436	2,258
	\$ 2,450,900	\$ 2,351,630	\$ 2,458,205

As of March 31, 2017, the Council's actual expenses did not exceed its legislated expense limit.

13. Expenses - Projects

	2017 <u>Budget</u> (Note 16)	2017 <u>Actual</u>	2016 <u>Actual</u>
APAF - Creative Residency	\$ -	\$ -	\$ 10,000
APAF - Symposium	172,622	132,849	29,019
Arts awards	30,000	28,430	28,116
Arts smarts	142,500	152,500	127,500
Larry Jackson Award	500	500	500
Rhonda Payne Award	500	500	500
School Touring Program	75,000	75,000	75,000
To Light the Fire Symposium	-	-	110,464
Winterset Award	31,500	28,451	29,111
	\$ 452,622	\$ 418,230	\$ 410,210

14. Operating expenses

	2017 <u>Budget</u> (Note 16)	2017 <u>Actual</u>	2016 <u>Actual</u>
Amortization	\$ 4,400	\$ 4,436	\$ 2,258
Labrador Initiative	-	10,346	87,651
Miscellaneous	25,907	18,861	16,284
Office and postage	55,175	19,211	22,901
Project evaluating fees	18,000	18,476	14,130
Salaries and employee benefits	464,500	463,569	442,409
Telephone	8,000	7,839	7,521
Travel and Council meetings	40,000	30,430	49,697
	\$ 615,982	\$ 573,168	\$ 642,851

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 and accounts receivable. The Council is not exposed to significant credit risk with its cash because this financial instrument is 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 on the obligation under capital lease as the interest rate is fixed to 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 an annual rate of \$1.

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL
NOTES TO FINANCIAL STATEMENTS
March 31, 2017

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.

19. Comparative figures

Certain comparative figures have been restated to conform to the current year's presentation.