

**NEWFOUNDLAND AND LABRADOR
ARTS COUNCIL**

FINANCIAL STATEMENTS

MARCH 31, 2024

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, 2024, 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, 2024, 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.

Independent Auditor's Report (cont.)

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 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.

Independent Auditor's Report (cont.)

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

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



SANDRA RUSSELL, CPA, CA
Deputy Auditor General

August 12, 2024
St. John's, Newfoundland and Labrador

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL
STATEMENT OF FINANCIAL POSITION

As at March 31

2024

2023

FINANCIAL ASSETS

| | | |
|--------------------------------|------------------|------------------|
| Cash and cash equivalents | \$ 1,757,271 | \$ 748,885 |
| Accounts receivable (Note 4) | 162,397 | 33,269 |
| Portfolio investments (Note 5) | 551,041 | 476,928 |
| Restricted cash (Note 21) | 75,000 | - |
| | 2,545,709 | 1,259,082 |

LIABILITIES

| | | |
|---|------------------|----------------|
| Accounts payable and accrued liabilities (Note 6) | 313,738 | 316,656 |
| Deferred revenue (Note 7) | 1,309,176 | 80,000 |
| Cash held in trust (Note 21) | 75,000 | - |
| | 1,697,914 | 396,656 |
| Net financial assets | 847,795 | 862,426 |

NON-FINANCIAL ASSETS

| | | |
|----------------------------------|-------------------|-------------------|
| Tangible capital assets (Note 9) | 28,448 | 22,170 |
| Prepaid expenses | 59,313 | 5,065 |
| Arts Fund (Note 10) | 53,673 | 53,673 |
| | 141,434 | 80,908 |
| Accumulated surplus | \$ 989,229 | \$ 943,334 |

Contingent liability (Note 15)

Contractual obligations (Note 22)

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

| | 2024 Budget | 2024 Actual | 2023 Actual |
|---|------------------------|------------------------|------------------------|
| Unaudited (Note 17) | | | |
| REVENUES | | | |
| Province of Newfoundland and Labrador | | | |
| Grants | \$ 5,018,000 | \$ 5,214,191 | \$ 5,218,000 |
| Projects (Note 11) | 258,000 | 51,007 | 82,523 |
| Interest revenue | 13,500 | 121,815 | 43,700 |
| Donations revenue (Note 7) | - | - | 50 |
| Other revenue | - | 22,700 | 168 |
| Year of the Arts (Note 20) | - | 784,633 | - |
| | 5,289,500 | 6,194,346 | 5,344,441 |
| EXPENSES (Note 12) | | | |
| Grants | | | |
| Annual Operating | 300,000 | 344,390 | 310,748 |
| Community Arts | 100,000 | 112,753 | 102,172 |
| Professional Artists Travel Fund grants | 100,000 | 156,306 | 142,739 |
| Professional Project Grants Program | 1,700,000 | 1,752,331 | 2,009,308 |
| Sustaining Program for Professional Arts | | | |
| Organizations | 1,875,000 | 1,970,010 | 1,970,010 |
| Year of the Arts (Note 20) | - | 720,000 | - |
| | 4,075,000 | 5,055,790 | 4,534,977 |
| Year of the Arts expenses (Note 20) | - | 64,633 | - |
| Projects (Note 13) | 350,000 | 322,434 | 340,189 |
| Operating expenses (Note 14) | 666,298 | 705,594 | 679,931 |
| | 5,091,298 | 6,148,451 | 5,555,097 |
| Annual surplus (deficit) | 198,202 | 45,895 | (210,656) |
| Accumulated surplus, beginning of year | 943,334 | 943,334 | 1,153,990 |
| Accumulated surplus, end of year | \$ 1,141,536 | \$ 989,229 | \$ 943,334 |

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

| | 2024 Budget | 2024 Actual | 2023 Actual |
|--|------------------------|------------------------|------------------------|
| Unaudited (Note 17) | | | |
| Annual surplus (deficit) | \$ 198,202 | \$ 45,895 | \$ (210,656) |
| Tangible capital assets | | | |
| Acquisition of tangible capital assets | - | (14,046) | (9,560) |
| Amortization of tangible capital assets | 10,800 | 7,768 | 7,178 |
| | 10,800 | (6,278) | (2,382) |
| Prepaid expenses | | | |
| Acquisition of prepaid expenses | - | (59,313) | (5,065) |
| Use of prepaid expense | - | 5,065 | 5,846 |
| | - | (54,248) | 781 |
| Arts Fund | - | - | (50) |
| Increase (decrease) in net financial assets | 209,002 | (14,631) | (212,307) |
| Net financial assets, beginning of year | 862,426 | 862,426 | 1,074,733 |
| Net financial assets, end of year | \$ 1,071,428 | \$ 847,795 | \$ 862,426 |

**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

2024

2023

Operating transactions

| | | |
|---|------------------|------------------|
| Annual surplus (deficit) | \$ 45,895 | \$ (210,656) |
| Adjustment for non-cash items | | |
| Amortization of tangible capital assets | 7,768 | 7,178 |
| | | |
| | 53,663 | (203,478) |
| Change in non-cash working capital | | |
| Accounts receivable | (129,128) | 12,453 |
| Accounts payable and accrued liabilities | (2,918) | 67,502 |
| Deferred revenue | 1,229,176 | (20,000) |
| Prepaid expenses | (54,248) | 781 |
| Arts Fund | - | (50) |
| | | |
| Cash provided from (applied to) operating transactions | 1,096,545 | (142,792) |

Capital transactions

| | | |
|---|-----------------|----------------|
| Purchase of tangible capital assets | (14,046) | (9,560) |
| Cash applied to capital transactions | (14,046) | (9,560) |

Investing transactions

| | | |
|-------------------------------------|-------------|-------------|
| Purchase of portfolio investments | (1,206,623) | (2,546,905) |
| Redemption of portfolio investments | 1,132,510 | 3,323,977 |

| | | |
|---|-----------------|----------------|
| Cash (applied to) provided from investing transactions | (74,113) | 777,072 |
|---|-----------------|----------------|

| | | |
|-------------------------|------------------|----------------|
| Increase in cash | 1,008,386 | 624,720 |
|-------------------------|------------------|----------------|

| | | |
|--------------------------------|----------------|----------------|
| Cash, beginning of year | 748,885 | 124,165 |
|--------------------------------|----------------|----------------|

| | | |
|--------------------------|---------------------|-------------------|
| Cash, end of year | \$ 1,757,271 | \$ 748,885 |
|--------------------------|---------------------|-------------------|

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

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL

NOTES TO FINANCIAL STATEMENTS

March 31, 2024

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 and cash equivalents, 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 and cash equivalents, accounts receivable and portfolio investments. Financial liabilities measured at cost include accounts payable and accrued liabilities.

The carrying value of cash and cash equivalents, 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, 2024

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 |

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, 2024

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.

Revenue from projects is recorded when the performance obligation of administering the project has been satisfied.

Interest revenue 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.

(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, 2024

3. Change in accounting policy

The Council adopted PS 3400 Revenue, effective April 1, 2023, which establishes standards on how to account for and report on revenue. PS 3400 sets out general guidance for how entities recognize, measure, present and disclose revenue arising from transactions that include performance obligations (exchange transactions) and transactions that do not have performance obligations (non-exchange transactions). There are two approaches to recognizing revenue with performance obligations: at a point in time or over a period of time. This determination is made based on when a performance obligation is satisfied.

PS 3400 has been applied prospectively to these financial statements and, as permitted by the transitional provisions, prior periods were not restated.

The implementation of this new Section did not have a material impact on the financial statements.

4. Accounts receivable

| | <u>2024</u> | <u>2023</u> |
|---|------------------------|------------------------|
| Harmonized sales tax receivable | \$ 33,426 | \$ 17,613 |
| Province of Newfoundland and Labrador (Note 18) | 120,000 | - |
| <u>Trade accounts receivable</u> | <u>8,971</u> | <u>15,656</u> |
| | <hr/> <u>\$162,397</u> | <hr/> <u>\$ 33,269</u> |

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

5. Portfolio investments

| | <u>2024</u> | <u>2023</u> |
|----------------------------------|-------------|-------------|
| Portfolio investments, at cost | \$ 551,041 | \$ 476,928 |
| Portfolio investments, at market | \$ 551,041 | \$ 476,928 |

Investments consist of a Guaranteed Investment Certificate with a maturity date of December 7, 2024 and an interest rate of 4.75%.

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL
NOTES TO FINANCIAL STATEMENTS
March 31, 2024

6. Accounts payable and accrued liabilities

| | <u>2024</u> | <u>2023</u> |
|---------------------------|-------------------------|-------------------------|
| Trade accounts payable | \$ 262,684 | \$ 278,327 |
| Accrued employee benefits | 51,054 | 38,329 |
| | <hr/> \$ 313,738 | <hr/> \$ 316,656 |

7. Deferred revenue

| | <u>2024</u> | <u>2023</u> |
|-----------------------------------|---------------------------|------------------------|
| Year of the Arts | \$ 1,240,367 | \$ - |
| ArtsSmarts | 18,809 | - |
| Donations | 50,000 | - |
| Culture Connection School Touring | - | 80,000 |
| | <hr/> \$ 1,309,176 | <hr/> \$ 80,000 |

8. 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% (2023 - 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, 2024 was \$43,382 (2023 - \$44,698).

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL

NOTES TO FINANCIAL STATEMENTS

March 31, 2024

9. Tangible capital assets

| | Office equipment | Computer equipment | Total |
|---|---------------------|-----------------------|------------------|
| Cost | | | |
| Balance, March 31, 2023 | \$ 36,009 | \$ 37,896 | \$ 73,905 |
| Acquisition of tangible capital assets | 2,662 | 11,384 | 14,046 |
| Disposals | (17,204) | - | (17,204) |
| Balance, March 31, 2024 | 21,467 | 49,280 | 70,747 |
| Accumulated amortization | | | |
| Balance, March 31, 2023 | 32,445 | 19,290 | 51,735 |
| Amortization expense | 865 | 6,903 | 7,768 |
| Disposals | (17,204) | - | (17,204) |
| Balance, March 31, 2024 | 16,106 | 26,193 | 42,299 |
| Net book value, March 31, 2024 | \$ 5,361 | \$ 23,087 | \$ 28,448 |
| Net book value March 31, 2023 | \$ 3,564 | \$ 18,606 | \$ 22,170 |

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, 2024, \$1,515 (2023 - \$929) was earned through investment of the Fund and is included with interest revenue. The audited financial statements for the year ended March 31, 2023 disclosed the interest earned as \$50, the correct amount is \$929.

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL
NOTES TO FINANCIAL STATEMENTS
March 31, 2024

10. Arts Fund (cont.)

| | <u>2024</u> | <u>2023</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 | 13,673 | 13,673 |
| | <hr/> | <hr/> |
| | \$ 53,673 | \$ 53,673 |

At March 31, 2024, the Guaranteed Investment Certificate included restricted funds in the amount of \$53,673 (2023 - \$53,673).

Accumulated interest on restricted funds

| | | |
|---|---------|-------|
| Accumulated interest, beginning of year | \$ - | \$ - |
| Interest earned | 1,515 | 929 |
| Interest allocated for operations | (1,515) | (929) |
| | <hr/> | <hr/> |
| | \$ - | \$ - |

11. Revenues - Projects

| | <u>2024</u> | <u>2024</u> | <u>2023</u> |
|---------------------|------------------|---------------|---------------|
| | <u>Budget</u> | <u>Actual</u> | <u>Actual</u> |
| | <u>Unaudited</u> | | |
| | <u>(Note 17)</u> | | |
| Winterset Awards | \$ 35,000 | \$ 28,007 | \$ 29,544 |
| Arts in Education | 220,000 | 20,000 | 20,000 |
| Ross Leslie Award | 500 | 500 | 500 |
| Rhonda Payne Award | 500 | 500 | 750 |
| CPAF Annual Meeting | - | - | 29,729 |
| Gerry Porter Award | 2,000 | 2,000 | 2,000 |
| | <hr/> | <hr/> | <hr/> |
| | \$ 258,000 | \$ 51,007 | \$ 82,523 |

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL
NOTES TO FINANCIAL STATEMENTS
March 31, 2024

12. Expenses by object

| | 2024 <u>Budget</u> <u>Unaudited</u> <u>(Note 17)</u> | 2024 <u>Actual</u> | 2023 <u>Actual</u> |
|--------------------------------|--|------------------------------|------------------------------|
| Grants and awards | \$ 4,293,000 | \$ 5,362,905 | \$ 4,808,035 |
| Salaries and employee benefits | 492,598 | 560,728 | 567,058 |
| Purchased services | 180,500 | 125,913 | 96,157 |
| Travel | 40,000 | 17,958 | 18,031 |
| Professional services | 54,400 | 59,835 | 43,406 |
| Amortization | 10,800 | 7,768 | 7,178 |
| Telephone | 20,000 | 13,344 | 15,232 |
| | \$ 5,091,298 | \$ 6,148,451 | \$ 5,555,097 |

13. Expenses – Projects

| | 2024 <u>Budget</u> <u>Unaudited</u> <u>(Note 17)</u> | 2024 <u>Actual</u> | 2023 <u>Actual</u> |
|--------------------------|--|------------------------------|------------------------------|
| Arts Awards | \$ 50,000 | \$ 45,453 | \$ 36,162 |
| Arts Smarts | 135,000 | 123,691 | 150,670 |
| Ross Leslie Award | 500 | 500 | 500 |
| Rhonda Payne Award | 500 | 500 | 500 |
| School Touring Program | 75,000 | 75,000 | 73,307 |
| Winterset Award | 35,000 | 28,007 | 29,544 |
| Arts NL Website | 2,000 | 600 | 1,425 |
| Home is Where the Art is | 50,000 | 40,291 | 22,000 |
| Indigenous Outreach | - | 3,184 | - |
| Strategic Initiatives | - | 3,208 | - |
| CPAF Annual Meeting | - | - | 24,081 |
| Gerry Porter Award | 2,000 | 2,000 | 2,000 |
| | \$ 350,000 | \$ 322,434 | \$ 340,189 |

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL

NOTES TO FINANCIAL STATEMENTS

March 31, 2024

14. Operating expenses

| | <u>2024</u> <u>Budget</u> | <u>2024</u> <u>Actual</u> | <u>2023</u> <u>Actual</u> |
|--------------------------------|------------------------------|------------------------------|------------------------------|
| | Unaudited (Note 17) | | |
| Amortization | \$ 10,800 | \$ 7,768 | \$ 7,178 |
| Legal fees | 1,000 | 7,415 | - |
| Micellaneous | 33,000 | 35,297 | 22,357 |
| Office and postage | 10,500 | 13,348 | 9,669 |
| Project evaluating fees | 48,400 | 47,520 | 38,201 |
| Salaries and employee benefits | 492,598 | 560,728 | 567,058 |
| Telephone | 20,000 | 13,344 | 15,232 |
| Travel and Council meetings | 45,000 | 15,274 | 18,031 |
| Professional Fees | 5,000 | 4,900 | 2,205 |
| | <hr/> \$ 666,298 | <hr/> \$ 705,594 | <hr/> \$ 679,931 |

15. 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.

16. 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.

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL
NOTES TO FINANCIAL STATEMENTS
March 31, 2024

16. Financial risk management (cont.)

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 cash equivalents, 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.

17. Budgeted figures

During the current year, the Council approved a one-time budget increase of \$220,000 for Sustaining Program for Professional Arts Organizations. The Council also approved permanent increases of \$100,000 for the Annual Operating Program and \$50,000 for the Professional Artist Travel Fund.

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.

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL

NOTES TO FINANCIAL STATEMENTS

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18. Related party transactions

- (a) The Council receives grant funding from the Province of Newfoundland and Labrador. During the year, the Council received grants totaling \$5,233,000 (2023 - \$5,218,000). The Council recognized \$5,214,191 (2023 - \$5,218,000) in revenue from the Province of Newfoundland and Labrador, including deferred revenue recognized in the fiscal year in which it is spent.
- (b) During the year, the Council received grants totaling \$2,025,000 (2023 - \$0) from Celebrate NL Inc., a Crown Corporation of the Province of Newfoundland and Labrador. See Note 20 for further details.
- (c) The Council provided office equipment with a carrying value of \$0 to the Heritage Foundation of Newfoundland and Labrador during the 2023-2024 year. No consideration was received for this non-reciprocal related party transaction, and there is no financial impact to the Council as a result of this transaction having occurred. These parties are included within the Province of Newfoundland and Labrador's government reporting entity.
- (d) Accounts receivable includes \$120,000 (2023 - \$0) due from the Province of Newfoundland and Labrador through the normal course of business.

19. 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.

20. Year of the Arts

The Province of Newfoundland and Labrador designated 2024 as "Year of the Arts" to celebrate artistic works and contributions in Newfoundland and Labrador. Newfoundland and Labrador Arts Council was identified as a service delivery partner by the Government of Newfoundland and Labrador in this initiative. \$2,025,000 of funding was provided to the Council from Celebrate NL Inc. to undertake new programming and to top-up existing programs. As of March 31, 2024, revenues totalling \$784,633 related to Year of the Arts have been recognized with the remaining \$1,240,367 deferred for use in 2024-25.

21. Restricted cash

In March 2024, the Council received \$75,000 from a registered charity and held this cash in trust for St. John's Fashion Week. No commission was taken by the Council and funds were disbursed in full to the intended recipient in April 2024.

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22. Contractual obligations

As at March 31, 2024, the Council entered into a lease with the following payment schedule.

| | |
|------|-------------------------|
| 2025 | \$ 40,562 |
| 2026 | 40,562 |
| 2027 | 40,562 |
| 2028 | 40,562 |
| 2029 | <u>27,042</u> |
| | <u>\$189,290</u> |