

**THE ROOMS CORPORATION OF
NEWFOUNDLAND AND LABRADOR**

FINANCIAL STATEMENTS

MARCH 31, 2016

Management's Report

Management's Responsibility for The Rooms Corporation of Newfoundland and Labrador 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.

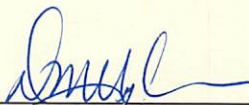
The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial information periodically and external audited financial statements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

The Auditor General conducts an independent audit of the annual financial statements of the Board 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 Rooms Corporation of Newfoundland and Labrador.

On behalf of The Rooms Corporation of Newfoundland and Labrador.



Mr. Dean Brinton
Chief Executive Officer



Ms. Donna Marie Humphries, CPA, CGA
Director of Finance



**AUDITOR
GENERAL**
of Newfoundland and Labrador

INDEPENDENT AUDITOR'S REPORT

To the Chairperson and Members
The Rooms Corporation of
Newfoundland and Labrador
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of The Rooms Corporation of Newfoundland and Labrador which comprise the statement of financial position as at March 31, 2016, the statements of operations, remeasurement gains and losses, change in net (debt) 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 auditor's judgment, 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 Rooms Corporation of Newfoundland and Labrador as at March 31, 2016, 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

August 11, 2016
St. John's, Newfoundland and Labrador

**THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF FINANCIAL POSITION**

As at March 31

2016

2015

FINANCIAL ASSETS

Accounts receivable (Note 3)	\$ 1,968,806	\$ 863,484
Due from the Rooms Foundation (Note 7)	3,560,997	676,755
Inventory held for resale	342,510	148,161
Restricted cash (Note 4)	183,833	210,874
Portfolio investments (Note 5)	-	20,042
	<u>6,056,146</u>	<u>1,919,316</u>

LIABILITIES

Bank indebtedness	2,405,180	397,861
Accounts payable and accrued liabilities (Note 6)	1,572,643	686,989
Employee future benefits (Note 9)	761,016	882,154
Deferred revenue (Note 8)	800,008	350,874
	<u>5,538,847</u>	<u>2,317,878</u>

Net (debt) financial assets 517,299 (398,562)

NON-FINANCIAL ASSETS

Prepaid expenses	43,757	5,722
Tangible capital assets (Note 10)	11,914,208	8,000,356
	<u>11,957,965</u>	<u>8,006,078</u>

Accumulated surplus \$ 12,475,264 \$ 7,607,516

Accumulated surplus is comprised of:

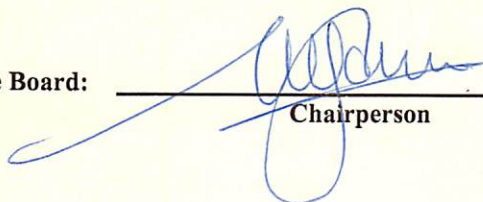
Accumulated operating surplus	\$ 12,475,264	\$ 7,611,205
Accumulated rereasurement losses	-	(3,689)
	<u>\$ 12,475,264</u>	<u>\$ 7,607,516</u>

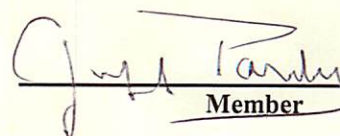
Contractual obligations (Note 15)

Trusts (Note 14)

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

Signed on behalf of the Board:


Chairperson


Member

THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR

STATEMENT OF OPERATIONS

For the Year Ended March 31

	2016 Budget	2016 Actual	2015 Actual
(Note 17)			
REVENUES (Schedule 1)			
Province of Newfoundland and Labrador			
Operating grants	\$ 6,706,700	\$ 6,718,943	\$ 6,147,665
Contributions to employee benefits (Note 13)	-	685,373	611,715
Commercial operations (Note 12)	870,000	1,199,823	1,063,455
Government of Canada	95,000	98,453	111,332
Corporate sponsorship	180,000	187,500	173,500
External funding	80,000	126,164	54,543
Recovery of bad debt	-	253,976	-
	<u>7,931,700</u>	<u>9,270,232</u>	<u>8,162,210</u>
EXPENSES (Schedule 1)			
Archives division	998,518	1,082,194	1,006,478
Art gallery division	919,297	965,382	939,629
Corporate services and building operations	4,413,626	5,023,463	4,983,234
Education programs	487,066	567,698	497,585
Museum division and regional museums	1,113,193	1,146,383	1,306,695
	<u>7,931,700</u>	<u>8,785,120</u>	<u>8,733,621</u>
Annual operating surplus (deficit), prior to capital improvement donations	-	485,112	(571,411)
Capital improvement donations	-	4,378,947	1,198,215
Annual operating surplus	-	4,864,059	626,804
Accumulated operating surplus, beginning of year	7,611,205	7,611,205	6,984,401
Accumulated operating surplus, end of year	<u>\$ 7,611,205</u>	<u>\$ 12,475,264</u>	<u>\$ 7,611,205</u>

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

THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF REMEASUREMENT GAINS AND LOSSES

For the Year Ended March 31

2016

2015

Accumulated remeasurement losses, beginning of year	\$ (3,689)	\$ (575)
Unrealized losses attributable to:		
Portfolio investments	(3,115)	(3,114)
Amounts reclassified to statement of operations:		
Portfolio investments	6,804	-
Change in remeasurement losses for the year	3,689	(3,114)
Accumulated remeasurement losses, end of year	\$ -	\$ (3,689)

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

THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF CHANGE IN NET (DEBT) FINANCIAL ASSETS

For the Year Ended March 31

	2016 Budget	2016 Actual	2015 Actual
	(Note 17)		
<u>Annual operating surplus</u>	\$ -	\$ 4,864,059	\$ 626,804
Changes in tangible capital assets			
Acquisition of tangible capital assets	-	(4,317,479)	(833,914)
<u>Amortization of tangible capital assets</u>	-	403,627	404,723
	-	(3,913,852)	(429,191)
Changes in other non-financial assets			
<u>Acquisition of prepaid expenses</u>	-	(38,035)	(3,472)
	-	(38,035)	(3,472)
<u>Change in remeasurement losses for the year</u>	-	3,689	(3,114)
Decrease in net debt and increase in net financial assets/decrease in net debt	-	915,861	191,027
<u>Net debt, beginning of year</u>	(398,562)	(398,562)	(589,589)
<u>Net (debt) financial assets, end of year</u>	\$ (398,562)	\$ 517,299	\$ (398,562)

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

THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR

STATEMENT OF CASH FLOWS

For the Year Ended March 31

2016

2015

Operating transactions

Annual operating surplus	\$ 4,864,059	\$ 626,804
Adjustment for non-cash items		
Amortization	403,627	404,723
Bad debt expense (recovery of bad debt)	(253,976)	253,976
Loss on sale of portfolio investments	6,804	-
	5,020,514	1,285,503
Change in non-cash operating items		
Accounts receivable	(851,346)	(224,677)
Allowance for doubtful accounts written off	-	(314,605)
Due from the Rooms Foundation	(2,884,242)	(676,755)
Inventory held for resale	(194,349)	(7,106)
Restricted cash	27,041	265,918
Accounts payable and accrued liabilities	885,654	(511,131)
Due to the Rooms Foundation	-	(308,840)
Employee future benefits	(121,138)	32,483
Deferred revenue	449,134	159,192
Prepaid expenses	(38,035)	(3,472)
Cash provided from (applied to) operating transactions	2,293,233	(303,490)
Capital transactions		
Additions to capital assets	(4,317,479)	(833,914)
Cash applied to capital transactions	(4,317,479)	(833,914)
Investing transactions		
Acquisition of portfolio investments	(27,040)	-
Proceeds from disposals of portfolio investments	43,967	-
Cash provided from investing transactions	16,927	-
Decrease in cash	(2,007,319)	(1,137,404)
Cash (bank indebtedness), beginning of year	(397,861)	739,543
Bank indebtedness, end of year	\$ (2,405,180)	\$ (397,861)

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

THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

1. Nature of operations

The Rooms Corporation of Newfoundland and Labrador (the Corporation) was established as a corporation under the *Rooms Act* on May 19, 2005. In accordance with the *Rooms Act*, the Corporation assumed title to and has been vested with all of the rights, liabilities, assets and property of The Rooms Corporation of Newfoundland and Labrador Inc. established as a corporation under the *Corporations Act* on November 18, 2002. The Corporation was established to: collect, preserve, present and make available for research, historic artifacts, natural history specimens and archival records that represent and illustrate the significant history, culture and natural heritage of the Province; conduct research with respect to the history, natural history, culture and heritage of the Province; collect and present provincial, national and international contemporary and historic art; advance and promote the works of contemporary visual artists of the Province; support the development of cultural industries in the Province; strengthen the culture of the Province; and provide and enhance client services and partnerships to promote the cultural collections of the Province and to show other national and international collections. The Corporation is an agent of the Crown. The affairs of the Corporation are governed by a Board of Directors appointed by the Lieutenant-Governor in Council. The Rooms is located in St. John's, with regional facilities located in Grand Falls-Windsor (Mary March Provincial Museum), Grand Bank (Provincial Seamen's Museum), and North West River (Labrador Interpretation Centre).

The Corporation is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes under Section 149 (1) (d) of the *Income Tax Act*.

2. Summary of significant accounting policies

(a) Basis of accounting

The Corporation is classified as a Government Not-For-Profit Organization as defined by the Canadian Public Sector Accounting Standards (CPSAS). These financial statements have been prepared by the Corporation's management in accordance with CPSAS for provincial reporting entities established by the Canadian Public Sector Accounting Board. Outlined below are the significant accounting policies followed.

(b) Financial instruments

The Corporation's financial instruments recognized in the statement of financial position consist of restricted cash, accounts receivable, due from the Rooms Foundation, portfolio investments, bank indebtedness, accounts payable and accrued liabilities. The Corporation 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.

2. Summary of significant accounting policies (cont.)

(b) Financial instruments (cont.)

The Corporation subsequently measures all of its financial assets and financial liabilities at cost except for portfolio investments in equity instruments that are quoted in an active market, which are measured at fair value. Financial assets measured at cost include restricted cash, accounts receivable and due from the Rooms Foundation. Financial liabilities measured at cost include bank indebtedness, accounts payable and accrued liabilities.

The carrying values of restricted cash, accounts receivable, due from the Rooms Foundation, bank indebtedness, accounts payable and accrued liabilities approximate current fair value due to their nature and/or the short-term maturity associated with these instruments.

The Corporation uses the quoted market price as at the fiscal year end to measure the fair value of its portfolio investments. Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations.

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

(c) Cash

Cash includes operational floats and balances with banks that fluctuate from positive to negative.

(d) Inventory held for resale

Inventory held for resale includes items purchased for resale in the gift shop and are recorded at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

(e) Collections

The collections of art work, archival documents and historical and cultural artifacts form the largest part of the assets of the Corporation. These collections are not presented in the statement of financial position due to the practical difficulties of determining a meaningful value for these assets. The acquisition of purchased works of art and artifacts is recorded as an expense.

THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

2. Summary of significant accounting policies (cont.)

(f) Tangible capital assets

Tangible capital assets to which the Corporation has title are recorded at cost at the time of acquisition.

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

Furniture	7 years
Equipment	3 years
Motor vehicles	5 years
Building improvements	7 to 20 years

Work in progress is considered to be a tangible capital asset, however, it is not amortized as it is not yet available for use. Upon completion, these assets will be recorded in the appropriate category.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the ability of the Corporation to provide goods and 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.

Contributed tangible capital assets are recorded as revenue at their fair market value on the date of donation, except in circumstances where fair value cannot be reasonably determined, when they are then recognized at nominal value. Transfers of tangible capital assets from related parties are recorded at carrying value.

(g) Employee future benefits

Employee future benefits include severance pay and accumulating, non-vesting sick leave benefits.

- (i) Severance is accounted for on an accrual basis and is calculated based upon years of service and current salary levels.
- (ii) The cost of accumulating, non-vesting sick leave benefits is calculated based upon management's best estimates of its employees' sick leave utilization rates, sick leave balances, annual sick leave entitlements and current salary levels.

2. Summary of significant accounting policies (cont.)

(g) Employee future benefits (cont.)

Under the *Rooms Act*, Corporation employees are considered to be employed in the public service for the purposes of the *Public Service Pensions Act, 1991*. Employee contributions are matched by the Province and 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.

The contributions of the Corporation to the plan is recorded as an expense for the year.

(h) Revenues

Revenues are recognized in the period in which the transaction 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 the estimation is impracticable.

Government transfers (Province of Newfoundland and Labrador operating grants and Government of Canada grants) are recognized 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 stipulations giving rise to the liabilities are settled.

(i) Donations

Donations are comprised of contributions received from individuals, foundations and corporations.

Unrestricted contributions are recognized as revenue in the statement of operations when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions externally restricted for specific projects or expenses are recognized as deferred revenue in the statement of financial position and recognized in the statement of operations in the fiscal year in which the related expenses are incurred.

(j) Expenses

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

THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

2. Summary of significant accounting policies (cont.)

(k) Volunteers

During the year, volunteers contributed significant hours in support of the Corporation. Their activities include guided gallery and museum tours and a variety of programs that enrich the visitor's experience at the Corporation's facilities and its profile in the community. Due to the complexities involved in valuing these services, they have not been reflected in the financial statements.

(l) Measurement uncertainty

The preparation of financial statements in conformity with CPSAS 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 collectability of accounts receivable, the expected useful life of tangible capital assets, the probability of having to pay future severance benefits to employees with less than 9 years of service and the probability of future sick leave benefits being utilized by employees.

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

	2016	2015
Province of Newfoundland and Labrador	\$ 869,075	\$ 688,092
Government of Canada	500,863	-
Harmonized Sales Tax	342,575	196,859
Other	256,293	232,509
	1,968,806	1,117,460
Less: Allowance for doubtful accounts	-	(253,976)
	\$ 1,968,806	\$ 863,484

THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

4. Restricted cash

The following funds, which have external conditions placed on their use, have been received and deposited with the Corporation's general funds and are reported in these financial statements as restricted cash.

	2016	2015
Corporate Donor - Educational Programming	\$ 45,000	\$ 52,500
External Funding - Archives Project	56,230	-
Permanent Collections Donations	15,625	15,625
Private Donor - B-17 Bomber Exhibit	1,600	1,600
Private Donor - First World War Exhibit	-	134,499
Private Donor - Mining Exhibit	5,000	-
Provincial Government - Archives Project	53,728	-
Provincial Government - Logger's Life Museum	6,650	6,650
	\$ 183,833	\$ 210,874

5. Portfolio investments

During the year, the Corporation sold its shares of Sprott Resources.

	<u>Market Value</u>		<u>Carrying Value</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Investments held				
Sprott Resources - nil				
(2015 - 3,433.585 shares)	\$ -	\$ 20,042	\$ -	\$ 23,731

6. Accounts payable and accrued liabilities

	2016	2015
Trade accounts payable	\$ 1,162,710	\$ 367,504
Accrued salaries	106,113	72,801
Accrued overtime and leave	303,820	246,684
	\$ 1,572,643	\$ 686,989

THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

7. Due from the Rooms Foundation

The Rooms Foundation of Newfoundland and Labrador Corporation (the Foundation) was incorporated on March 11, 2009 under the *Corporations Act* and in accordance with Section 8(7) of the *Rooms Act*. The Foundation's operations are not consolidated into the Corporation's financial statements. At March 31, 2016, the Foundation owed the Corporation \$3,560,997 (2015 - \$676,755).

8. Deferred revenue

Deferred revenues are set aside for specific purposes as required either by legislation, regulation or agreement. Since the conditions relating to their use have not been met, recognition of the revenues has been deferred and the funds are recorded as restricted cash as disclosed in Note 4 and \$616,175 is included in the due from the Rooms Foundation. At March 31, 2016, funds received or receivable are reported as follows:

	Balance at beginning of year	Receipts during year	Transferred to revenue	Balance at end of year
Donations	\$ 204,224	\$ 4,805,622	\$ 4,275,217	\$ 734,629
Provincial Government	146,650	5,000	86,271	65,379
	\$ 350,874	\$ 4,810,622	\$ 4,361,488	\$ 800,008

9. Employee future benefits

Employee future benefits consists of:

	2016	2015
Severance pay (a)	\$ 712,864	\$ 669,179
Accumulating, non-vesting sick leave benefit liability (b)	48,152	212,975
	\$ 761,016	\$ 882,154

(a) Severance pay

Severance pay consists of the severance pay liability related to the following employees:

	2016	2015
Employees with 9 or more years of service	\$ 626,750	\$ 591,816
Employees with less than 9 years of service	86,114	77,363
	\$ 712,864	\$ 669,179

THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

9. Employee future benefits (cont)

(b) Accumulating, non-vesting sick leave benefit liability

	2016	2015
Accumulating, non-vesting sick leave benefit liability	\$ 48,152	\$ 212,975

(c) Employee future benefits expense (recovery)

	2016	2015
Severance pay expense	\$ 43,685	\$ 22,285
Accumulating non-vesting sick leave benefit expense (recovery)	(164,823)	10,198
	\$ (121,138)	\$ 32,483

(d) Employee future benefits

i. Severance pay

Severance is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. The right to be paid severance vests with employees with nine years of continuous service, and accordingly a liability has been recorded by the Corporation for these employees. For employees with less than nine years of continuous service, the Corporation has made a provision in the accounts for the payment of severance which is based upon the Corporation's best estimate of the probability of having to pay severance to the employees and current salary levels. Severance is payable when the employee ceases employment with the Corporation provided no severance has been paid by Government or another Crown corporation or agency for the same period and the employee has at least nine years of continuous service.

ii. Accumulating, non-vesting sick leave benefits

All unionized employees hired before May 4, 2004, are credited with 2 days per month and all unionized employees hired thereafter are credited with 1 day per month for use as paid absences in the year due to illness. Employees are allowed to accumulate unused sick day credits each year, up to the allowable maximum provided in their respective employment agreement. Accumulated credits may be used in future years to the extent that the employee's illness exceeds the current year's allocation of credits. The use of accumulated sick days for sick leave compensation ceases on termination of employment. The benefit costs and liabilities related to the plan are included in the financial statements. For the year ended March 31, 2016, a sick leave liability was calculated for 71 employees.

THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

9. Employee future benefits (cont.)

(d) Employee future benefits (cont.)

iii. Pension contributions

The Corporation and its employees contribute to the Public Service Pension Plan in accordance with the *Public Service Pensions Act* (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.

The maximum contribution rate for eligible employees was 11.85% (2015 - 11.85%). The Corporation's contributions equal the employee contributions to the plan. The total Public Service Pension Plan expense for the Corporation for the year ended March 31, 2016 was \$361,868 (2015 - \$275,389).

Employees who do not qualify to participate in the Public Service Pension Plan (for example, part-time employees) participate in the Government Money Purchase Pension Plan (GMPP). The GMPP is a defined contribution plan which was established under the *Government Money Purchase Pension Plan Act*. Employees are required to contribute 5% of regular earnings which is matched by the Province. Employees may make additional voluntary contributions, however, the maximum amount for all contributions may not exceed the lesser of 18% of an employee's earnings and the maximum amount allowed as specified under the *Income Tax Act*. Total GMPP expense for the Corporation for the year ended March 31, 2016, was \$14,845 (2015 - \$18,499).

10. Tangible capital assets

Original Cost

	Balance March 31, 2015	Additions	Disposals/ Transfers	Balance March 31, 2016
Furniture	\$ 673,234	\$ 63,661	\$ -	\$ 736,895
Equipment	688,446	181,465	-	869,911
Motor vehicles	62,714	21,386	62,713	21,387
Building improvements	6,739,831	260,715	-	7,000,546
Capital assets transferred (Note 11)	1	-	-	1
Work in progress	2,073,878	3,790,252	-	5,864,130
	\$ 10,238,104	\$ 4,317,479	\$ 62,713	\$ 14,492,870

THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

10. Tangible capital assets (cont.)

Accumulated Amortization

	Balance March 31, 2015	Amortization	Disposals	Balance March 31, 2016	Net book value March 31, 2016	Net book value March 31, 2015
Furniture	\$ 647,648	\$ 19,300	\$ -	\$ 666,948	\$ 69,947	\$ 25,586
Equipment	649,149	36,014	-	685,163	184,748	39,297
Motor vehicles	62,714	2,138	62,713	2,139	19,248	-
Building improvements	878,236	346,175	-	1,224,411	5,776,135	5,861,595
Capital assets transferred (Note 11)	1	-	-	1	-	-
Work in progress	-	-	-	-	5,864,130	2,073,878
	\$ 2,237,748	\$ 403,627	\$ 62,713	\$ 2,578,662	\$ 11,914,208	\$ 8,000,356

These financial statements do not include the value of "The Rooms" building out of which the Provincial Archives, Art Gallery and Museum Divisions of the Corporation operate. Ownership of the building, which cost \$49.3 million to construct, is held by the Minister of Transportation and Works on behalf of the Province. Ownership of buildings located throughout the Province which house regional museums are also held by the Minister of Transportation and Works on behalf of the Province.

11. Capital assets transferred to the Corporation

During 2003-04, The Rooms Corporation of Newfoundland and Labrador Inc. assumed title to the capital assets of the Provincial Archives, the Provincial Museum and the Art Gallery of Newfoundland and Labrador. These assets have been transferred to the Corporation. The costs and accumulated amortization of these assets are unknown and a reasonable estimate of the amounts involved could not be determined. Therefore, the cost has been recorded as \$1 and the accumulated amortization has been recorded at \$1.

THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

12. Commercial operations

Commercial operations revenue is comprised as follows:

	2016	2015
Admission revenue	\$ 523,022	\$ 398,163
Gift shop sales	334,612	271,987
Other revenue	241,680	191,626
Interest income	100,509	201,679
	<u>\$ 1,199,823</u>	<u>\$ 1,063,455</u>

13. Related party transactions

(a) Province of Newfoundland and Labrador

The Corporation is a Crown Corporation of the Province of Newfoundland and Labrador reporting through the Minister of the Department of Business, Tourism, Culture and Rural Development. Expenses incurred by the Province, related to salaries and benefits totaling \$4,791,710 (2015 - \$4,390,013), are reflected in these financial statements as expenses of the Corporation and as revenue from the Province. Included in this total is \$685,373 (2015 - \$611,715), related to the employer's share of employee benefits, paid by the Department of Finance on behalf of the Corporation.

The Province provides the Corporation with buildings and space, and related building services, for use as regional museums, storage and workshops in various locations throughout the Province at no cost to the Corporation. Information technology services and legal services are also provided to the Corporation by the Province at no cost to the Corporation. The value of these spaces and the services provided is not readily determinable and therefore are not reflected in these financial statements.

(b) The Rooms Foundation of Newfoundland and Labrador

The Rooms Foundation of Newfoundland and Labrador was incorporated on March 11, 2009 under the *Corporations Act*. It was incorporated in accordance with Section 8(7) of the *Rooms Act*. During the year, the Corporation received transfers of \$990,851 and has receivables of \$3,560,997 due from the Rooms Foundation in accordance with donor commitments related to the First World War exhibition and Site Development project.

THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

14. Colonial Building Political History Interpretation Project

Under a Memorandum of Understanding between the Corporation and the Province signed on March 31, 2009, the Corporation, as Project sponsor, became responsible for financial administration of a Project to renovate the Colonial Building into a heritage interpretation centre. The original Memorandum of Understanding was replaced by a new Memorandum of Understanding that was signed on December 14, 2011. Under the new Memorandum of Understanding, the Corporation continued as Project sponsor until the Project's expected completion in 2017.

On December 1, 2008, an Agreement (the Agreement) respecting a Project called "Colonial Building Political History Interpretation" was signed between the Corporation and the Government of Canada. The Agreement provided funding for the renovation of the Colonial Building in the maximum amount of \$748,335. On March 8, 2010, the Agreement was amended to reduce the maximum contribution from the Government of Canada to \$695,512.

As title to and use of the Colonial Building remains with the Province, the Corporation does not capitalize the renovations to the Colonial Building. Additionally, expenses of the project are not reported on the Corporation's statement of operations, and the unexpended funds held in trust are not reported on the Corporation's statement of financial position. The Corporation is provided with an annual administration fee that is recorded as revenue. In addition, interest earned on the funds held in trust is recorded as revenue by the Corporation.

Since the start of the Agreement to March 31, 2016, the Corporation has received funds totaling \$22,465,112 (2015 - \$22,465,112) and incurred expenses totaling \$14,545,290 (2015 - \$12,711,383) related to the Project. During the year ended March 31, 2016, expenses of \$1,833,907 (2015 - \$5,882,835) were incurred related to the Project. The balance of funds held in trust by the Corporation as at March 31, 2016 was \$7,919,822 (2015 - \$9,753,729).

15. Contractual obligations

(a) Facility Management Contract

The Corporation has entered into an annual facility management contract representing commitments of approximately \$155,000 per month. The contract automatically renews every September 30 unless the Corporation provides notice of its intent to terminate the contract no less than sixty days prior to September 30.

THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

15. Contractual obligations (cont.)

(b) Equipment and Vehicle Leases

The Corporation has entered into lease agreements for the rental of office equipment and a vehicle. Approximate payment of these obligations in future years is as follows:

2016	\$ 12,642
2017	11,711
2018	5,003
	<hr/>
	\$ 29,356

16. Donated acquisitions

Donated acquisitions, or non-cash gifts, are gifts of art work, archival documents and historical and cultural artifacts that the Corporation has received, and for which a tax receipt has been issued to the donor based on an appraised value, and are included in the Corporation's permanent collections. Donated acquisitions are not reflected in the Corporation's financial statements. During the year, the Corporation issued receipts for non-cash donations of \$94,533 (2015 - \$155,338).

17. Budget

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 Corporation's Board.

18. Financial risk management

The Corporation recognizes the importance of managing risks and this includes policies, procedures and oversight designed to reduce risks identified to an appropriate threshold. The Corporation is exposed to credit risk, liquidity risk and market risk through its financial instruments. There were no significant changes in the Corporation's exposure to these risks or its processes for managing these risks from the prior year, except for the market risk associated with portfolio investments.

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 Corporation's main credit risk relates to restricted cash, accounts receivable and due from the Rooms Foundation. The Corporation's maximum exposure to credit risk is the carrying amounts of these financial instruments. The Corporation is not exposed to significant credit risk with its restricted cash because this financial instrument is held with a Chartered Bank. The Corporation is not exposed to significant credit risk related to its accounts receivable as it has policies and procedures for the monitoring and collection of its accounts receivable so as to mitigate potential credit losses. Any estimated impairment of these accounts receivable has been provided for through a provision for doubtful accounts as disclosed in Note 3. The Corporation is not exposed to significant credit risk related to its due from the Rooms Foundation because of its nature.

18. Financial risk management (cont.)

Liquidity risk

Liquidity risk is the risk that the Corporation will be unable to meet its contractual obligations and financial liabilities. The Corporation's exposure to liquidity risk relates mainly to its bank indebtedness, accounts payable and accrued liabilities, and its contractual obligations. The Corporation manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its contractual obligations and financial liabilities. The future minimum payments required from the Corporation in relation to its contractual obligations are outlined in Note 15.

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 Corporation is not exposed to significant foreign exchange risk. The Corporation is not exposed to significant interest rate risk related to bank indebtedness or restricted cash because of its nature.

During the year, the Corporation was exposed to price risk on its portfolio investments (equity investments). At March 31, 2016 all shares held by the Corporation were disposed of and the losses related to these portfolio investments were recorded in the statement of operations.

19. Non-financial assets

The recognition and measurement of non-financial assets is based on their service potential. These assets will not provide resources to discharge liabilities of the Corporation. For non-financial assets, the future economic benefit consists of their capacity to render service to further the Corporation's objectives.