

**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.

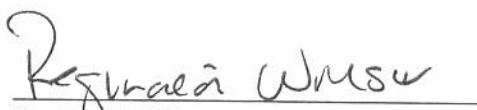
Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and liabilities are recognized.

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
	<u>332,477</u>	<u>224,576</u>

**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
	<u>243,535</u>	<u>164,083</u>

<b>Net financial assets</b>	<u>88,942</u>	<u>60,493</u>
-----------------------------	---------------	---------------

**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
	<u>62,549</u>	<u>66,538</u>

<b>Accumulated surplus</b>	<u>\$ 151,491</u>	<u>\$ 127,031</u>
----------------------------	-------------------	-------------------

*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)			
<b>REVENUES</b>			
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	-
	<b>2,374,222</b>	<b>2,376,090</b>	<b>2,492,552</b>
<b>EXPENSES (Note 12)</b>			
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
	<b>1,382,296</b>	<b>1,360,232</b>	<b>1,405,144</b>
Projects (Note 13)	452,622	418,230	410,210
Operating expenses (Note 14)	615,982	573,168	642,851
	<b>2,450,900</b>	<b>2,351,630</b>	<b>2,458,205</b>
<b>Annual surplus (deficit)</b>	<b>(76,678)</b>	<b>24,460</b>	<b>34,347</b>
<b>Accumulated surplus, beginning of year</b>	<b>127,031</b>	<b>127,031</b>	<b>92,684</b>
<b>Accumulated surplus, end of year</b>	<b>\$ 50,353</b>	<b>\$ 151,491</b>	<b>\$ 127,031</b>

*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
<b>Tangible capital assets</b>			
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)
<b>Prepaid expenses</b>			
Acquisition of prepaid expenses	-	(2,631)	(4,023)
Use of prepaid expenses	-	4,023	3,239
	-	1,392	(784)
<b>Arts Fund</b>	-	(29)	-
<b>Increase (decrease) in net financial assets</b>	<b>(72,278)</b>	<b>28,449</b>	<b>25,043</b>
<b>Net financial assets, beginning of year</b>	<b>60,493</b>	<b>60,493</b>	<b>35,450</b>
<b>Net financial assets, end of year</b>	<b>\$ (11,785)</b>	<b>\$ 88,942</b>	<b>\$ 60,493</b>

*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
<b>Operating transactions</b>		
Annual surplus	\$ 24,460	\$ 34,347
Adjustment for non-cash items		
Amortization of tangible capital assets	4,436	2,258
	<b>28,896</b>	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)
<b>Cash provided from operating transactions</b>	<b>124,891</b>	29,404
<b>Capital transactions</b>		
Purchase of tangible capital assets	(1,810)	(10,778)
<b>Cash applied to capital transactions</b>	<b>(1,810)</b>	(10,778)
<b>Financing transactions</b>		
Repayment of obligation under capital lease	(1,822)	(1,821)
<b>Cash applied to financing transactions</b>	<b>(1,822)</b>	(1,821)
<b>Investing transactions</b>		
Arts Fund	(29)	(50,352)
Redemption of portfolio investments	-	76,565
<b>Cash provided from (applied to) investing transactions</b>	<b>(29)</b>	26,213
<b>Increase in cash</b>	<b>121,320</b>	43,018
<b>Cash, beginning of year</b>	<b>187,759</b>	144,741
<b>Cash, end of year</b>	<b>\$ 309,079</b>	\$ 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 Provident<sup>10</sup> 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.

**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 Provident<sup>10</sup>, 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
<b>Cost</b>				
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)
<b>Balance, March 31, 2017</b>	<b>9,109</b>	<b>21,905</b>	<b>4,491</b>	<b>35,505</b>
<b>Accumulated amortization</b>				
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)
<b>Balance, March 31, 2017</b>	<b>9,109</b>	<b>15,715</b>	<b>1,144</b>	<b>25,968</b>
<b>Net book value, March 31, 2017</b>	<b>\$ -</b>	<b>\$ 6,190</b>	<b>\$ 3,347</b>	<b>\$ 9,537</b>
<b>Net book value, March 31, 2016</b>	<b>\$ 1,822</b>	<b>\$ 7,809</b>	<b>\$ 2,532</b>	<b>\$ 12,163</b>

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>
<b>Restricted funds</b>		
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>	2016 <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
	<u>\$ 2,450,900</u>	<u>\$ 2,351,630</u>	<u>\$ 2,458,205</u>

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
	<u>\$ 452,622</u>	<u>\$ 418,230</u>	<u>\$ 410,210</u>

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
	<u>\$ 615,982</u>	<u>\$ 573,168</u>	<u>\$ 642,851</u>



## 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.