

**THE ROOMS CORPORATION OF  
NEWFOUNDLAND AND LABRADOR**

**FINANCIAL STATEMENTS**

**MARCH 31, 2017**

## 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.

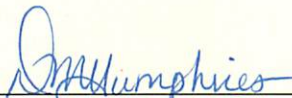
The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial information periodically and external audited financial statements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

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**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, 2017, the statements of operations, remeasurement gains and losses, change in net financial assets (debt), 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.

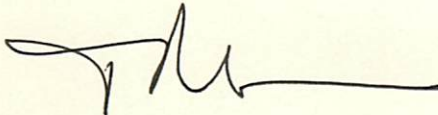
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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, 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**

August 1, 2017  
St. John's, Newfoundland and Labrador

# THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR

## STATEMENT OF FINANCIAL POSITION

As at March 31

2017

2016

### FINANCIAL ASSETS

Cash	\$ 2,021,080	\$ -
Accounts receivable (Note 4)	807,743	1,968,806
Due from the Rooms Foundation (Note 8)	-	3,560,997
Inventory held for resale	332,792	342,510
Restricted cash (Note 6)	643,618	183,833
	<b>3,805,233</b>	<b>6,056,146</b>

### LIABILITIES

Bank indebtedness	-	2,405,180
Accounts payable and accrued liabilities (Note 7)	938,562	1,572,643
Employee future benefits (Note 10)	995,702	761,016
Deferred revenue (Note 9)	643,618	800,008
	<b>2,577,882</b>	<b>5,538,847</b>

**Net financial assets** **1,227,351** **517,299**

### NON-FINANCIAL ASSETS

Prepaid expenses	34,743	43,757
Tangible capital assets (Note 11)	13,264,657	11,914,208
	<b>13,299,400</b>	<b>11,957,965</b>

**Accumulated surplus** **\$ 14,526,751** **\$ 12,475,264**

Accumulated surplus is comprised of:

Accumulated operating surplus	\$ 14,526,751	\$ 12,475,264
Accumulated remeasurement losses	-	-
	<b>\$ 14,526,751</b>	<b>\$ 12,475,264</b>

**Trusts (Note 15)**

**Contractual obligations (Note 16)**

*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

	2017 Budget	2017 Actual	2016 Actual
(Note 18)			
<b>REVENUES (Schedule 1)</b>			
Province of Newfoundland and Labrador			
Operating grants	\$ 6,748,548	\$ 6,601,340	\$ 6,718,943
Contributions to employee benefits (Note 14)	-	685,452	685,373
Commercial operations (Note 13)	1,008,900	1,351,937	1,199,823
Government of Canada	95,000	235,091	98,453
Corporate sponsorship	-	180,000	187,500
External funding	-	600,395	126,164
Recovery of bad debt	-	-	253,976
	<u>7,852,448</u>	<u>9,654,215</u>	<u>9,270,232</u>
<b>EXPENSES (Schedule 1)</b>			
Archives division	902,301	1,162,986	1,082,194
Art gallery division	992,710	933,442	965,382
Corporate services and building operations	4,413,694	5,622,852	5,023,463
Education programs	455,087	572,955	567,698
Museum division and regional museums	1,088,656	1,272,244	1,146,383
	<u>7,852,448</u>	<u>9,564,479</u>	<u>8,785,120</u>
<b>Annual operating surplus, prior to capital improvement donations</b>	-	89,736	485,112
<b>Capital improvement donations</b>	-	1,961,751	4,378,947
<b>Annual operating surplus</b>	-	2,051,487	4,864,059
<b>Accumulated operating surplus, beginning of year</b>	12,475,264	12,475,264	7,611,205
<b>Accumulated operating surplus, end of year</b>	<u>\$ 12,475,264</u>	<u>\$ 14,526,751</u>	<u>\$ 12,475,264</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

2017

2016

<b>Accumulated remeasurement losses, beginning of year</b>	\$ -	\$ (3,689)
Unrealized losses attributable to: Portfolio investments	(311)	(3,115)
Amounts reclassified to statement of operations: Portfolio investments	311	6,804
<b>Change in remeasurement losses for the year</b>	-	3,689
<b>Accumulated remeasurement losses, end of year</b>	\$ -	\$ -

*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 FINANCIAL ASSETS (DEBT)**  
For the Year Ended March 31

	2017 Budget	2017 Actual	2016 Actual
	(Note 18)		
Annual operating surplus	\$ -	\$ 2,051,487	\$ 4,864,059
<b>Changes in tangible capital assets</b>			
Acquisition of tangible capital assets	-	(1,940,714)	(4,317,479)
Amortization of tangible capital assets	-	590,265	403,627
	-	(1,350,449)	(3,913,852)
<b>Changes in other non-financial assets</b>			
Net use (acquisition) of prepaid expenses	-	9,014	(38,035)
	-	9,014	(38,035)
Change in remeasurement losses for the year	-	-	3,689
<b>Increase in net financial assets/decrease in net debt and increase in net financial assets</b>	-	710,052	915,861
<b>Net financial assets (debt), beginning of year</b>	517,299	517,299	(398,562)
<b>Net financial assets, end of year</b>	\$ 517,299	\$ 1,227,351	\$ 517,299

*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

2017

2016

### Operating transactions

Annual operating surplus	\$ 2,051,487	\$ 4,864,059
Adjustment for non-cash items		
Amortization	590,265	403,627
Recovery of bad debt	-	(253,976)
Loss on sale of portfolio investments	311	6,804
	<b>2,642,063</b>	<b>5,020,514</b>
Change in non-cash operating items		
Accounts receivable	1,161,063	(851,346)
Due from the Rooms Foundation	3,560,997	(2,884,242)
Inventory held for resale	9,718	(194,349)
Restricted cash	(459,785)	27,041
Accounts payable and accrued liabilities	(634,081)	885,654
Employee future benefits	234,686	(121,138)
Deferred revenue	(156,390)	449,134
Prepaid expenses	9,014	(38,035)
<b>Cash provided from operating transactions</b>	<b>6,367,285</b>	<b>2,293,233</b>
<b>Capital transactions</b>		
Additions to capital assets	(1,940,714)	(4,317,479)
<b>Cash applied to capital transactions</b>	<b>(1,940,714)</b>	<b>(4,317,479)</b>
<b>Investing transactions</b>		
Acquisition of portfolio investments	(101,103)	(27,040)
Proceeds from disposals of portfolio investments	100,792	43,967
<b>Cash (applied to) provided from investing transactions</b>	<b>(311)</b>	<b>16,927</b>
<b>Increase (decrease) in cash</b>	<b>4,426,260</b>	<b>(2,007,319)</b>
<b>Bank indebtedness, beginning of year</b>	<b>(2,405,180)</b>	<b>(397,861)</b>
<b>Cash (bank indebtedness), end of year</b>	<b>\$ 2,021,080</b>	<b>\$ (2,405,180)</b>

*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, 2017

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### 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 (PSAB). 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 cash, restricted cash, accounts receivable, due from the Rooms Foundation, 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.

**THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2017**

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**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 cash, 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 cash, 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, 2017**

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**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 40 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**

The cost of severance pay and accumulating, non-vesting sick leave benefits are actuarially determined using management's best estimate of termination rates, utilization rates, compensation increases and a discount rate.

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

**THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2017**

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**2. Summary of significant accounting policies (cont.)**

**(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.

**(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.

**2. Summary of significant accounting policies (cont.)**

**(I) 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, estimated employee future benefits and the valuation of donated acquisitions.

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. 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 ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR

## NOTES TO FINANCIAL STATEMENTS

March 31, 2017

### 3. Accounting pronouncements (cont.)

The Corporation 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

	2017	2016
Province of Newfoundland and Labrador	\$ 562,324	\$ 869,075
Government of Canada	98,084	500,863
Harmonized Sales Tax	46,414	342,575
Other	100,921	256,293
	<b>\$ 807,743</b>	<b>\$ 1,968,806</b>

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

### 5. Portfolio investments

During the 2016-17 fiscal year, the Corporation received a donation of 2,300 shares of New Flyer Ind Com at a cost of \$101,103. During the year, the Corporation sold the shares for \$100,792. The loss of \$311 is reported in the statement of operations.

### 6. 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.

	2017	2016
Corporate Donor - Educational Programming	\$ 45,000	\$ 45,000
External Funding - Archives Project	9,999	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	559,744	-
Private Donor - Mining Exhibit	5,000	5,000
Provincial Government - Archives Project	-	53,728
Provincial Government - Logger's Life Museum	6,650	6,650
	<b>\$ 643,618</b>	<b>\$ 183,833</b>

**THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2017**

**7. Accounts payable and accrued liabilities**

	2017	2016
Trade accounts payable	\$ 516,893	\$ 1,162,710
Accrued salaries	134,728	106,113
Accrued overtime and leave	286,941	303,820
	<b>\$ 938,562</b>	<b>\$ 1,572,643</b>

**8. 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, 2017, the Foundation owed the Corporation \$nil (2016 - \$3,560,997).

**9. 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 6 and \$nil (2016 - \$616,175) is included in the due from the Rooms Foundation. At March 31, 2017, funds received are reported as follows:

	Balance at beginning of year	Receipts during year	Transferred to revenue	Balance at end of year
Donations	\$ 739,630	\$ 1,880,246	\$ 1,982,908	\$ 636,968
Provincial Government	60,378	-	53,728	6,650
	<b>\$ 800,008</b>	<b>\$ 1,880,246</b>	<b>\$ 2,036,636</b>	<b>\$ 643,618</b>



**THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2017**

**10. Employee future benefits**

**(a) Employee future benefits liability**

	2017			2016
	Severance pay	Accumulating non-vesting sick leave benefits	Total employee benefits	Total employee benefits
Accrued employee future benefit obligations, end of year	\$ 837,576	\$ 75,847	\$ 913,423	\$ -
Unamortized actuarial gain, end of year	77,541	4,738	82,279	-
Employee future benefits liability, end of year	\$ 915,117	\$ 80,585	\$ 995,702	\$ 761,016

**(b) Change in employee future benefits liability**

	2017			2016
	Severance pay	Accumulating non-vesting sick leave benefits	Total employee benefits	Total employee benefits
Current period benefit cost	\$ 129,009	\$ 16,589	\$ 145,598	\$ -
Interest on accrued benefit obligation	53,195	4,959	58,154	-
Amortization of actuarial gains	(5,965)	(364)	(6,329)	-
Other adjustments	99,377	29,125	128,502	-
Employee future benefits expense	275,616	50,309	325,925	-
Less: benefits payments	(73,363)	(17,876)	(91,239)	-
Change in employee future benefits liability	\$ 202,253	\$ 32,433	\$ 234,686	\$ (121,138)

**10. Employee future benefits (cont.)**

**(c) 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. 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.

**iii. Actuarial valuation**

The accrued benefit obligations for employee future benefit plans as at March 31, 2017, have been based on an actuarial extrapolation for accounting purposes to March 31, 2017 (valuation date as of March 31, 2015). For the year ended March 31, 2017, a severance liability was calculated for 66 employees and a sick leave liability was calculated for 56 employees.

The actuarial extrapolation is based on assumptions about future events. The economic assumptions used in this extrapolation are the Corporation's best estimates of compensation increases of 3.75% per annum and discount rate of 3.70%. Other assumptions used in the extrapolation include estimates of expected termination rates and utilization rates.

Actuarial assumptions are reviewed and assessed on a regular basis to ensure that the accounting assumptions take into account various changing conditions and reflect the Corporation's best estimate of expectations over the long-term.

Experience gains or losses are amortized over 14 years, which is the estimated average remaining service life of active employees. The amortization amount will be included as an expense in the financial statements commencing in the year subsequent to the year in which the experience gain or loss arose.

**THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2017**

**10. Employee future benefits (cont.)**

**(c) Employee future benefits (cont.)**

**iv. 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 Provident<sup>10</sup>, including payment of pension benefits to employees to whom the *Act* applies.

The maximum contribution rate for eligible employees was 11.85% (2016 - 11.85%). The Corporation's contributions equal the employee contributions to the plan. The pension expense for the Corporation for the year ended March 31, 2017 was \$373,635 (2016 - \$361,868).

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, 2017, was \$12,942 (2016 - \$14,845).

**11. Tangible capital assets**

**Original Cost**

	<b>Balance March 31, 2016</b>	<b>Additions</b>	<b>Disposals/ Transfers</b>	<b>Balance March 31, 2017</b>
Furniture	\$ 736,895	\$ 36,029	\$ -	\$ 772,924
Equipment	869,911	6,189	-	876,100
Motor vehicles	21,387	-	-	21,387
Building improvements	7,000,546	7,737,581	-	14,738,127
Capital assets transferred (Note 12)	1	-	-	1
Work in progress	5,864,130	-	5,839,085	25,045
	<b>\$ 14,492,870</b>	<b>\$ 7,779,799</b>	<b>\$ 5,839,085</b>	<b>\$ 16,433,584</b>

**THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR**  
**NOTES TO FINANCIAL STATEMENTS**  
 March 31, 2017

**11. Tangible capital assets (cont.)**

**Accumulated Amortization**

	<b>Balance March 31, 2016</b>	<b>Amortization</b>	<b>Disposals</b>	<b>Balance March 31, 2017</b>	<b>Net book value March 31, 2017</b>	<b>Net book value March 31, 2016</b>
Furniture	\$ 666,948	\$ 14,189	\$ -	\$ 681,137	\$ 91,787	\$ 69,947
Equipment	685,163	73,536	-	758,699	117,401	184,748
Motor vehicles	2,139	4,277	-	6,416	14,971	19,248
Building improvements	1,224,411	498,263	-	1,722,674	13,015,453	5,776,135
Capital assets transferred (Note 12)	1	-	-	1	-	-
Work in progress	-	-	-	-	25,045	5,864,130
	<b>\$ 2,578,662</b>	<b>\$ 590,265</b>	<b>\$ -</b>	<b>\$ 3,168,927</b>	<b>\$ 13,264,657</b>	<b>\$ 11,914,208</b>

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.

**12. 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, 2017

### 13. Commercial operations

Commercial operations revenue is comprised as follows:

	2017	2016
Admission revenue	\$ 654,699	\$ 523,022
Gift shop sales	388,760	334,612
Other revenue	223,217	241,680
Interest income	85,261	100,509
	\$ 1,351,937	\$ 1,199,823

### 14. 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 Tourism, Culture, Industry and Innovation. Expenses incurred by the Province, related to salaries and benefits totaling \$4,717,966 (2016 - \$4,791,710), are reflected in these financial statements as expenses of the Corporation and as revenue from the Province. Included in this total is \$685,452 (2016 - \$685,373), 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 \$4,744,090 (2016 - \$990,851) and has receivables of \$nil (2015 - \$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, 2017**

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**15. 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, 2017, the Corporation has received funds totaling \$22,465,112 (2016 - \$22,465,112) and incurred expenses totaling \$14,948,140 (2016 - \$14,545,290) related to the Project. During the year ended March 31, 2017, expenses of \$402,850 (2016 - \$1,833,907) were incurred related to the Project. The balance of funds held in trust by the Corporation as at March 31, 2017 was \$7,516,972 (2016 - \$7,919,822).

**16. 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.

(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:

2017	\$ 11,711
2018	4,169
	\$ 15,880

# THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR

## NOTES TO FINANCIAL STATEMENTS

March 31, 2017

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### 17. 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 \$195,683 (2016 - \$94,533).

### 18. 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.

### 19. 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.

#### 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 cash, 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 cash and 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 4. The Corporation is not exposed to significant credit risk related to its due from the Rooms Foundation because of its nature.

#### 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 16.

**THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2017**

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**19. Financial risk management (cont.)**

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 cash 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, 2017 all shares held by the Corporation were disposed of and the losses related to these portfolio investments were recorded in the statement of operations.

**20. 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.

**21. Comparative figures**

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



**THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR**  
**REVENUES AND EXPENSES BY SECTOR**  
For the Year Ended March 31, 2017

**SCHEDULE 1**

	<b>Corporate Services and Building Operations</b>	<b>Archives Division</b>	<b>Art Gallery Division</b>	<b>Museum Division and Regional Museums</b>	<b>Education Programs</b>	<b>2017 Total</b>	<b>2016 Total</b>
<b>REVENUES</b>							
Province of Newfoundland & Labrador							
Operating grants	\$ 3,810,724	\$ 851,950	\$ 544,784	\$ 1,086,437	\$ 307,445	\$ 6,601,340	\$ 6,718,943
Contribution to employee benefits (Note 14)	230,516	156,858	66,210	175,477	56,391	685,452	685,373
Commercial operations (Note 13)	1,143,183	70,941	98,364	10,330	29,119	1,351,937	1,199,823
Government of Canada	-	11,007	224,084	-	-	235,091	98,453
Corporate sponsorship	-	-	-	-	180,000	180,000	187,500
External funding	528,165	72,230	-	-	-	600,395	126,164
Recovery of bad debt	-	-	-	-	-	-	253,976
	<u>5,712,588</u>	<u>1,162,986</u>	<u>933,442</u>	<u>1,272,244</u>	<u>572,955</u>	<u>9,654,215</u>	<u>9,270,232</u>
<b>EXPENSES</b>							
Advertising and promotion	461,935	84	4,017	571	423	467,030	185,804
Amortization	590,265	-	-	-	-	590,265	403,627
Appraisals and acquisitions	-	4,014	81,375	7,827	-	93,216	104,036
Building expenses	1,897,024	-	-	-	-	1,897,024	1,850,953
Conference and registration fees	6,460	775	2,423	3,832	-	13,490	13,609
Core programming	231,329	25,102	299,559	48,236	73,656	677,882	549,264
Cost of gift shop sales	338,243	-	-	-	-	338,243	314,103
Donations	5,430	-	-	-	-	5,430	7,850
Employee future benefits	273,768	228,149	73,424	268,129	65,339	908,809	546,461
Loss on sale of portfolio investments	311	-	-	-	-	311	6,804
Meeting expenses	7,548	684	926	623	24	9,805	20,916
Office equipment and supplies	33,355	6,936	4,895	12,608	1,765	59,559	74,185
Professional services	98,525	-	33,105	13,176	13,751	158,557	202,516
Salaries	1,414,998	887,720	411,305	902,300	416,191	4,032,514	4,106,337
Telecommunications and courier	51,291	2,897	3,515	5,331	1,782	64,816	63,862
Travel	46,709	6,625	18,898	9,611	24	81,867	113,919
Unrecoverable HST	165,661	-	-	-	-	165,661	220,874
	<u>5,622,852</u>	<u>1,162,986</u>	<u>933,442</u>	<u>1,272,244</u>	<u>572,955</u>	<u>9,564,479</u>	<u>8,785,120</u>
Annual operating surplus, prior to capital improvement donations	89,736	-	-	-	-	89,736	485,112
Capital improvement donations	1,961,751	-	-	-	-	1,961,751	4,378,947
Annual operating surplus	<u>\$ 2,051,487</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,051,487</u>	<u>\$ 4,864,059</u>