

**HERITAGE FOUNDATION OF
NEWFOUNDLAND AND LABRADOR**

FINANCIAL STATEMENTS

MARCH 31, 2022

Management's Report

Management's Responsibility for the Heritage Foundation 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.

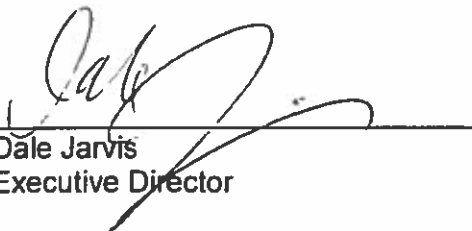
Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and liabilities are recognized.

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 on a periodic basis and external audited financial statements yearly.

The Office of the Auditor General conducts an independent audit of the annual financial statements of the Foundation, in accordance with Canadian generally accepted auditing standards, in order to express an opinion thereon. The Office of the Auditor General has full and free access to financial management of the Heritage Foundation of Newfoundland and Labrador.

On behalf of the Heritage Foundation of Newfoundland and Labrador.



Dale Jarvis
Executive Director



OFFICE OF THE AUDITOR GENERAL
NEWFOUNDLAND AND LABRADOR

INDEPENDENT AUDITOR'S REPORT

To the Chairperson and Members
Heritage Foundation of Newfoundland and Labrador
St. John's, Newfoundland and Labrador

Opinion

We have audited the financial statements of the Heritage Foundation of Newfoundland and Labrador (the Foundation), which comprise the statement of financial position as at March 31, 2022 and the statements of operations, change in net financial assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

Independent Auditor's Report (cont.)

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditor's Report (cont.)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



DENISE HANRAHAN, CPA, CMA, MBA, ICD.D
Auditor General



SANDRA RUSSELL, CPA, CA
Deputy Auditor General

August 17, 2022
St. John's, Newfoundland and Labrador

HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF FINANCIAL POSITION
As at March 31

| | 2022 | 2021 |
|--|------------------|------------------|
| FINANCIAL ASSETS | | |
| Cash | \$ 59,950 | \$ 151,170 |
| Portfolio investments (Note 3) | 700,122 | 750,110 |
| Accounts receivable (Note 4) | 29,841 | 16,308 |
| | 789,913 | 917,588 |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | - | 311 |
| Accrued employee benefits | 22,793 | 26,221 |
| Deferred revenue (Note 6) | 693,597 | 821,242 |
| | 716,390 | 847,774 |
| Net financial assets | 73,523 | 69,814 |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets (Note 7) | - | 520 |
| Prepaid expenses | 1,411 | 1,268 |
| | 1,411 | 1,788 |
| Accumulated surplus (Note 8) | \$ 74,934 | \$ 71,602 |

Contractual obligations (Note 13)

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

Signed on behalf of the Foundation:


 Chairperson


 Member

HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF OPERATIONS
For the Year Ended 31 March

| | 2022 Budget | 2022 Actual | 2021 Actual |
|---|------------------------|------------------------|------------------------|
| | (Note 15) | | |
| REVENUES | | | |
| Province of Newfoundland and Labrador (Note 16) | \$ 665,000 | \$ 787,659 | \$ 505,646 |
| Government of Canada | 28,000 | 62,373 | 50,199 |
| Conference and event fees | 10,000 | 9,551 | 6,200 |
| Income from portfolio investments | 12,000 | 6,024 | 16,088 |
| Miscellaneous | - | 471 | 250 |
| | 715,000 | 866,078 | 578,383 |
| EXPENSES (Note 9) | | | |
| Heritage grants | 215,900 | 150,095 | 164,539 |
| Fisheries Heritage Preservation | - | 500 | - |
| Registered Heritage Districts | - | 14,412 | 3,880 |
| Other initiatives (Note 10) | - | 6,325 | 321 |
| Administration | 365,051 | 322,501 | 349,246 |
| Labour Market Partnerships Program (Note 11) | 100,000 | 271,748 | 2,227 |
| Intangible Cultural Heritage Strategy (Note 12) | 88,350 | 97,165 | 91,133 |
| | 769,301 | 862,746 | 611,346 |
| Annual surplus (deficit) | (54,301) | 3,332 | (32,963) |
| Accumulated surplus, beginning of year | 71,602 | 71,602 | 104,565 |
| Accumulated surplus, end of year | \$ 17,301 | \$ 74,934 | \$ 71,602 |

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

HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the Year Ended March 31

| | 2022 Budget | 2022 Actual | 2021 Actual |
|--|------------------------|------------------------|------------------------|
| | (Note 15) | | |
| Annual surplus (deficit) | \$ (54,301) | \$ 3,332 | \$ (32,963) |
| Tangible capital assets | | | |
| Acquisition of tangible capital assets | - | - | - |
| Amortization of tangible capital assets | - | 520 | 1,899 |
| | - | 520 | 1,899 |
| Prepaid expenses | | | |
| Acquisition of prepaid expense | - | (2,030) | (2,887) |
| Use of prepaid expense | - | 1,887 | 3,070 |
| | - | (143) | 183 |
| (Decrease) increase in net financial assets | (54,301) | 3,709 | (30,881) |
| Net financial assets, beginning of year | 69,814 | 69,814 | 100,695 |
| Net financial assets, end of year | \$ 15,513 | \$ 73,523 | \$ 69,814 |

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

HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF CASH FLOWS
For the Year Ended March 31

2022

2021

Operating transactions

| | | |
|---|------------------|-----------------|
| Annual surplus (deficit) | \$ 3,332 | \$ (32,963) |
| Adjustment for non-cash items | | |
| Amortization of tangible capital assets | 520 | 1,899 |
| | 3,852 | (31,064) |
| Change in non-cash operating items | | |
| Accounts receivable | (13,533) | 13,908 |
| Accounts payable and accrued liabilities | (311) | (8,716) |
| Accrued employee benefits | (3,428) | 9,254 |
| Deferred revenue | (127,645) | 159,486 |
| Prepaid expenses | (143) | 183 |
| Cash provided by (applied to) operating transactions | (141,208) | 143,051 |

Investing transactions

| | | |
|--|------------------|-------------------|
| Purchase of portfolio investments | (900,000) | (500,000) |
| Redemption of portfolio investments | 949,988 | 500,000 |
| Cash provided by investing transactions | 49,988 | - |
| (Decrease) increase in cash | (91,220) | 143,051 |
| Cash, beginning of year | 151,170 | 8,119 |
| Cash, end of year | \$ 59,950 | \$ 151,170 |

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

HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

1. Nature of operations

The Heritage Foundation of Newfoundland and Labrador (the Foundation) operates under the authority of the Historic Resources Act. Its affairs are managed by members of the Foundation appointed by the Lieutenant-Governor in Council.

The objectives of the Foundation are:

- (a) to stimulate an understanding of and appreciation for the architectural heritage of the Province;
- (b) to support and contribute to the preservation, maintenance and restoration of buildings and other structures of architectural or historical significance in the Province; and
- (c) to contribute to the increase and diffusion of knowledge about the architectural heritage of the Province.

The Foundation 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 Foundation 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 Foundation does not prepare a statement of remeasurement gains and losses as the Foundation does not enter into relevant transactions or circumstances that are being addressed by the statement.

(b) Financial instruments

The Foundation's financial instruments recognized on the statement of financial position consist of cash, portfolio investments, accounts receivable, accounts payable and accrued liabilities, and accrued employee benefits. The Foundation 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 Foundation subsequently measures all of its financial assets and financial liabilities at cost.

HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

2. Summary of significant accounting policies (cont.)

(b) Financial instruments (cont.)

The carrying values of cash, portfolio investments, accounts receivable, accounts payable and accrued liabilities, and accrued employee benefits approximate fair value due to their nature and/or the short term maturity associated with these instruments.

Interest attributable to financial instruments is reported on the statement of operations.

(c) Cash

Cash includes cash in the bank.

(d) Employee future benefits

The employees of the Foundation are covered by the Public Service Pensions Act, 2019, or a self-directed RRSP. For employees covered by the self-directed RRSP, the Foundation will contribute at the same rates as the Public Service Pension Plan based on the employee's salary to the self-directed RRSP but there is no requirement for the employee to match the contributions.

For employees covered by the Public Service Pensions Act, 2019, employee contributions are matched by the Foundation and then remitted to Provident¹⁰ from which pensions will be paid to employees when they retire. This plan is a multi-employer, defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and the average of their best six years of earnings for service on or after January 1, 2015, and, for service before January 1, 2015, the higher of the average of the frozen best five years of earnings up to January 1, 2015, or the average of the best six years of earnings for all service.

The contributions of the Foundation to both the self-directed RRSPs and Provident¹⁰ are recorded as an expense for the year.

(e) Tangible capital assets

Tangible capital assets are recorded at cost, including amounts that are directly related to the acquisition of the assets.

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

| | |
|-------------------------------|---------|
| Systems development | 5 years |
| Office and computer equipment | 5 years |

HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

2. Summary of significant accounting policies (cont.)

(e) Tangible capital assets (cont.)

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Foundation's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets is less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

Minor tangible capital asset purchases are charged to operations in the year of acquisition.

(f) Prepaid expenses

Prepaid expenses are charged to the expense over the periods expected to benefit from it.

(g) Revenues

Revenues are recognized in the periods 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 Foundation recognizes government transfers as revenues when the transfer is authorized, 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 for the Foundation. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenues are recognized in the statement of operations as the stipulations related to the liabilities are settled. Government transfers consist of funding from the Province of Newfoundland and Labrador and the Government of Canada.

Income from portfolio investments is recorded as earned.

(h) Expenses

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

HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

2. Summary of significant accounting policies (cont.)

(h) Expenses (cont.)

Government transfers are recognized as expenses in the period in which the transfer is authorized and all eligibility criteria have been met. Government transfers include grants and subsidies under the Foundation's Registered Heritage Structures grant program and other projects as directed by the Province.

(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 useful life of tangible capital assets.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

3. Portfolio investments

| | <u>2022</u> | <u>2021</u> |
|----------------------------------|-------------|-------------|
| Portfolio investments, at cost | \$ 700,122 | \$ 750,110 |
| Portfolio investments, at market | \$ 700,122 | \$ 750,110 |

Investments consist of Guaranteed Investment Certificates, with maturity dates ranging from April 26, 2022, to June 20, 2022, and an interest rate of 0.45%.

HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

4. Accounts receivable

| | <u>2022</u> | <u>2021</u> |
|---|------------------|------------------|
| Investment income receivable | \$ 2,777 | \$ 11,163 |
| Harmonized sales tax receivable | 14,448 | 5,145 |
| Province of Newfoundland and Labrador (Note 16) | 10,800 | - |
| Other receivable | 1,816 | - |
| | <u>\$ 29,841</u> | <u>\$ 16,308</u> |

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

5. Retirement benefits

The Foundation and certain of its employees are subject to the Public Service Pensions Act, 2019. The plan is administered by Provident¹⁰, including payment of pension benefits to employees to whom the Act applies.

The plan provides a pension to employees based on their age at retirement, length of service and rates of pay. The maximum contribution rate for eligible employees was 11.85% (2021 – 11.85%). The Foundation's contributions equal the employee contributions to the plan. Total pension expense for the Foundation for the year ended March 31, 2022 was \$19,525 (2021- \$24,198).

For those employees not covered by the Public Service Pension Plan, the Foundation will make an annual contribution equal to the rate provided under the Public Service Pension Plan (maximum of 11.85% of the employee's salary) to a self-directed RRSP. There is no requirement that the employee make a matching contribution. Contributions to self-directed RRSPs for the year ended March 31, 2022, were \$2,912 (2021 - \$3,146).

6. Deferred revenue

Deferred revenue includes contributions received from the Province of Newfoundland and Labrador and Government of Canada. The contributions received from the Province of Newfoundland and Labrador are to be used for the payment of heritage grants and other heritage initiatives as directed by the Province. The contributions received from the Government of Canada are to be used for the New Horizons for Seniors Program and the Virtual Museum.

HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

6. Deferred revenue (cont.)

| | Balance, beginning of year | Receipts during year | Transferred to revenue | Balance, end of year |
|---|---|---------------------------------|-----------------------------------|---------------------------------|
| Registered Heritage Structures | \$ 436,805 | \$ 150,000 | \$ 151,137 | \$ 435,668 |
| Fisheries Heritage Preservation Program | 51,667 | - | 500 | 51,167 |
| Sub-total Heritage Grants | 488,472 | 150,000 | 151,637 | 486,835 |
| Ecclesiastical | 90,364 | - | 4,062 | 86,302 |
| Registered Heritage Districts | 56,573 | - | 14,412 | 42,161 |
| Labour Market Partnerships (Note 11) | 175,273 | 127,200 | 271,748 | 30,725 |
| Virtual Museum | 3,000 | 12,000 | 5,791 | 9,209 |
| New Horizons for Seniors Program | 7,560 | 32,782 | 1,977 | 38,365 |
| | \$ 821,242 | \$ 321,982 | \$ 449,627 | \$ 693,597 |

HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

7. Tangible capital assets

| | <u>Systems development</u> | <u>Office and computer equipment</u> | <u>Total</u> |
|--|--------------------------------|--|-------------------|
| Cost | | | |
| Balance, March 31, 2021 | \$ 267,096 | \$ 78,224 | \$ 345,320 |
| Acquisition of Tangible Capital Assets | - | - | - |
| Balance, March 31, 2022 | \$ 267,096 | \$ 78,224 | \$ 345,320 |
| Accumulated amortization | | | |
| Balance, March 31, 2021 | \$ 267,096 | \$ 77,704 | \$ 344,800 |
| Amortization expense | - | 520 | 520 |
| Balance, March 31, 2022 | \$ 267,096 | \$ 78,224 | \$ 345,320 |
| Net book value, March 31, 2022 | \$ - | \$ - | \$ - |
| Net book value, March 31, 2021 | \$ - | \$ 520 | \$ 520 |

8. Accumulated surplus

Section 25 of the Historic Resources Act requires the Foundation to maintain a Fund of monies voted to it by the Legislature and of other monies received by way of gift, bequest, donation or otherwise. Disbursements from the Fund may be made by the Foundation for the purposes set out in the Legislation. The Fund consists of the accumulated surplus of the Foundation. As at March 31, 2022, the Fund balance was \$74,934 (2021 - \$71,602).

9. Expenses by object

The following is a summary of expenses by object:

| | <u>2022</u> | <u>2021</u> |
|-------------------------------------|-------------------|-------------------|
| Amortization | \$ 520 | \$ 1,899 |
| Communications | 5,513 | 7,472 |
| Grants | 168,824 | 161,860 |
| Professional services | 87,006 | 3,637 |
| Property, furnishings and equipment | 586 | 2,653 |
| Purchased services | 159,898 | 10,753 |
| Salaries and benefits | 431,812 | 417,903 |
| Travel | 8,587 | 5,169 |
| | \$ 862,746 | \$ 611,346 |

HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

10. Other initiatives

The Foundation incurred expenses related to the following other initiatives.

| | <u>2022</u> | <u>2021</u> |
|----------------|-----------------|---------------|
| Ecclesiastical | \$ 4,062 | \$ - |
| Other | 2,263 | 321 |
| | <u>\$ 6,325</u> | <u>\$ 321</u> |

11. Labour Market Partnerships Program

On January 15, 2021, an Agreement (the Agreement) respecting a project called "Labour Market Partnerships" was signed between the Foundation and the Province. The Agreement provides funding for training to address critical gaps and loss of knowledge in Newfoundland and Labrador in the maximum amount of \$433,500.

Since the start of the Agreement to March 31, 2022, the Foundation has received funds totaling \$304,700 (2021 - \$177,500) and incurred expenses totaling \$273,975 (2021 - \$2,227) relating to the project. During the year ended March 31, 2022, expenses of \$271,748 (2021 - \$2,227) were incurred related to the project. The balance of funds recognized in deferred revenue as at March 31, 2022 was \$30,725 (2021 - \$175,273).

12. Intangible Cultural Heritage Strategy

In 2008, the Province appointed the Foundation to lead and implement the Province's Intangible Cultural Heritage Strategy. The mission of the Strategy is to safeguard and sustain the Intangible Cultural Heritage of Newfoundland and Labrador for present and future generations, as a vital part of the identities of Newfoundlanders and Labradorians, and as a valuable collection of unique knowledge and customs. During the year ended March 31, 2022, the Foundation recognized \$96,765 (2021 - \$87,000) in revenue and incurred expenses of \$97,165 (2021 - \$91,133) related to the Strategy.

13. Contractual obligations

As at March 31, 2022, the Foundation had committed \$329,311 (2021 - \$413,416) in the form of heritage grants approved but not yet disbursed or rescinded. Future disbursements related to these heritage grants will be recorded as reductions to deferred revenue. The Foundation adopted a policy with respect to heritage grant commitments requiring that all grants approved be available for a period of two years from the date of grant approval. Clients not utilizing the heritage grants within this timeframe will forfeit their right to these heritage grants, unless an extension is granted.

14. Financial risk management

The Foundation recognizes the importance of managing risks and this includes policies, procedures and oversight designed to reduce risks identified to an appropriate threshold. The risks that the Foundation is exposed to through its financial instruments are credit risk, liquidity risk and market risk. There was no significant change in the Foundation'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 Foundation's main credit risk relates to cash, portfolio investments and accounts receivable. The Foundation's maximum exposure to credit risk is the carrying amounts of these financial instruments. The Foundation is not exposed to significant credit risk with its cash or portfolio investments because these financial instruments are held with a Credit Union. The Foundation is not exposed to significant credit risk related to its accounts receivable as these amounts are due primarily from the Province of Newfoundland and Labrador, a Credit Union, or the Government of Canada. Accordingly, there is no allowance for doubtful accounts as all amounts are considered collectible.

Liquidity risk

Liquidity risk is the risk that the Foundation will be unable to meet its financial liabilities and contractual obligations. The Foundation's exposure to liquidity risk relates mainly to its accounts payable and accrued liabilities, accrued employee benefits, and its contractual obligations as disclosed in Note 13. The Foundation manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its financial liabilities and contractual obligations.

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 Foundation is not exposed to significant foreign exchange or other price risk. The Foundation is not exposed to significant interest rate risk related to its portfolio investments because these investments have fixed interest rates and fixed values at maturity.

15. Budgeted figures

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 Board of Directors of the Foundation.

HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

16. Related party transactions

- (a) The Foundation receives grant funding from the Province of Newfoundland and Labrador. During the year, the Foundation received grants totaling \$623,000 (2021 - \$662,500). The Foundation recognized \$787,659 (2021 - \$505,646) in revenue from the Province of Newfoundland and Labrador, including deferred revenue recognized in the fiscal year in which it is spent.
- (b) During the year, the Foundation also recognized \$2,100 (2021 - \$0) in revenue from Crown Corporations of the Province of Newfoundland and Labrador, received at the exchange amount through the normal course of business.
- (c) The Foundation leases office space from the Province of Newfoundland and Labrador at the exchange amount of \$1 annually.
- (d) Accounts receivable includes \$10,800 (2021 - \$0) due from the Province of Newfoundland and Labrador through the normal course of business.

17. 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 Foundation. For non-financial assets, the future economic benefit consists of their capacity to render service to further the Foundation's objectives.

18. Comparative Figures

Certain figures for 2021 have been reclassified to conform to the presentation adopted in 2022.