

**HERITAGE FOUNDATION OF
NEWFOUNDLAND AND LABRADOR**

FINANCIAL STATEMENTS

MARCH 31, 2019

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 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 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.



Jerry Dick
Executive Director



**AUDITOR
GENERAL**
of 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

I 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, 2019, 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 my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2019, 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

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

Other Information

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

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

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

Independent Auditor's Report (cont.)

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

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

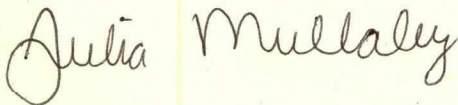
As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditor's Report (cont.)

- 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the 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.

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



JULIA MULLALEY, CPA, CA
Auditor General

July 2, 2019
St. John's, Newfoundland and Labrador

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

2019

2018

FINANCIAL ASSETS

Cash	\$ 34,108	\$ 99,835
Portfolio investments (Note 4)	847,110	969,159
Accounts receivable (Note 5)	30,171	39,346
	911,389	1,108,340

LIABILITIES

Accounts payable and accrued liabilities	12,445	2,450
Accrued employee benefits	17,902	21,456
Employee future benefits (Note 6)	-	21,904
Deferred revenue (Note 7)	749,376	899,550
	779,723	945,360

Net financial assets

131,666 **162,980**

NON-FINANCIAL ASSETS

Tangible capital assets (Note 8)	4,952	7,485
Prepaid expenses	1,463	1,563
	6,415	9,048

Accumulated surplus (Note 9)

\$ 138,081 **\$ 172,028**

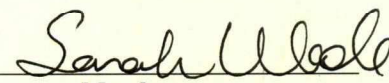
Contractual obligations (Note 13)

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

	2019 Budget	2019 Actual	2018 Actual
	(Note 15)		
REVENUES			
Province of Newfoundland and Labrador (Note 16)	\$ 506,000	\$ 668,866	\$ 662,914
Government of Canada	85,500	36,939	24,220
Conference fees	-	-	20,116
Income from portfolio investments	20,000	20,026	18,316
Miscellaneous	25,500	1,000	3,691
	637,000	726,831	729,257
EXPENSES (Note 10)			
Heritage grants	150,000	314,211	206,944
Fisheries Heritage Preservation Initiative	5,000	-	3,569
Restricted Heritage District	10,000	1,082	12,142
Special projects (Note 11)	84,750	8,588	87,115
Administration	317,976	305,579	375,239
Intangible Cultural Heritage Strategy (Note 12)	110,200	131,318	100,120
	677,926	760,778	785,129
Annual deficit	(40,926)	(33,947)	(55,872)
Accumulated surplus, beginning of year	172,028	172,028	227,900
Accumulated surplus, end of year	\$ 131,102	\$ 138,081	\$ 172,028

*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

	2019 Budget	2019 Actual	2018 Actual
	(Note 15)		
Annual deficit	\$ (40,926)	\$ (33,947)	\$ (55,872)
Tangible capital assets			
Acquisition of tangible capital assets	-	-	-
Amortization of tangible capital assets	-	2,533	2,533
	-	2,533	2,533
Prepaid expenses			
Acquisition of prepaid expense	-	(1,463)	(1,563)
Use of prepaid expense	-	1,563	383
	-	100	(1,180)
Decrease in net financial assets	(40,926)	(31,314)	(54,519)
Net financial assets, beginning of year	162,980	162,980	217,499
Net financial assets, end of year	\$ 122,054	\$ 131,666	\$ 162,980

*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

	2019	2018
Operating transactions		
Annual deficit	\$ (33,947)	\$ (55,872)
Adjustment for non-cash items		
Amortization of tangible capital assets	2,533	2,533
	(31,414)	(53,339)
Change in non-cash operating items		
Accounts receivable	9,175	20,568
Accounts payable and accrued liabilities	9,995	(7,959)
Accrued employee benefits	(3,554)	(8,301)
Employee future benefits	(21,904)	(28,695)
Deferred revenue	(150,174)	(157,234)
Prepaid expenses	100	(1,180)
Cash applied to operating transactions	(187,776)	(236,140)
Capital transactions		
Purchase of tangible capital assets	-	-
Cash applied to capital transactions	-	-
Investing transactions		
Purchase of portfolio investments	(700,105)	(368,935)
Redemption of portfolio investments	822,154	600,000
Cash provided from investing transactions	122,049	231,065
Decrease in cash	(65,727)	(5,075)
Cash, beginning of year	99,835	104,910
Cash, end of year	\$ 34,108	\$ 99,835

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

HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

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.

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.

HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

2. Summary of significant accounting policies (cont.)

(c) Cash

Cash includes cash in the bank.

(d) Employee future benefits

(i) Severance pay is calculated based on years of service and current salary levels. Consistent with a change in Government's severance policy, the Foundation changed its severance policy during the year. As a result, no further severance accrued for employees after May 31, 2018. Employees who had at least one year of eligible service as at May 31, 2018 had the option of receiving their severance entitlement during the fiscal year ended March 31, 2019, or deferring it to a later date. All employees elected to receive their severance entitlement during the current fiscal year.

(ii) The employees of the Foundation are covered by the *Public Service Pensions Act, 1991*, 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, 1991*, 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, 2019

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 are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

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

(f) Prepaid expenses

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

(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.

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, the Fisheries Heritage Preservation grant program, and other projects as directed by the Province.

HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

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 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.

3. Change in accounting policy

On April 1, 2018, the Foundation adopted *PS 3430 Restructuring Transactions*. This is a new standard on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities. This accounting change had no impact on the financial statements.

4. Portfolio investments

	<u>2019</u>	<u>2018</u>
Portfolio investments, at cost	\$ 847,110	\$ 969,159
Portfolio investments, at market	\$ 847,110	\$ 969,159

Investments consist of Guaranteed Investment Certificates, with maturity dates ranging from July 8, 2019 to August 15, 2020, and interest rates ranging from 1.25% to 2.70%.

HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

5. Accounts receivable

	<u>2019</u>	<u>2018</u>
Investment income receivable	\$ 14,442	\$ 9,687
Harmonized sales tax receivable	5,878	14,352
Province of Newfoundland and Labrador	8,700	8,700
Trade accounts receivable	1,151	6,607
	<hr/> \$ 30,171	<hr/> \$ 39,346

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

6. Employee future benefits

(a) Severance pay

Employee future benefits consist of the liability for severance pay of \$0 (2018 - \$21,904).

(b) Retirement benefits

The Foundation and certain of its employees are subject to the *Public Service Pensions Act, 1991*. 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% (2018 - 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, 2019 was \$24,943 (2018 - \$25,675).

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, 2019, were \$2,008 (2018 - \$8,591).

HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

7. 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.

	Balance, beginning of year	Receipts during year	Transferred to revenue	Balance, end of year
Registered Heritage Structures	\$ 679,687	\$ 150,000	\$ 314,211	\$ 515,476
Fisheries Heritage Preservation Program	51,667	-	-	51,667
Ecclesiastical Structures	95,336	-	-	95,336
Registered Heritage Districts	62,971	-	1,082	61,889
Collective Memories Project	6,324	-	2,783	3,541
New Horizons for Seniors Program	-	21,467	-	21,467
JCP Project for Intangible Cultural Heritage Program	3,565	-	3,565	-
	\$ 899,550	\$ 171,467	\$ 321,641	\$ 749,376

HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

8. Tangible capital assets

	Systems development	Office and computer equipment	Total
Cost			
Balance, March 31, 2018	\$ 267,096	\$ 78,224	\$ 345,320
Acquisition of Tangible Capital Assets	-	-	-
Balance, March 31, 2019	267,096	78,224	345,320
Accumulated amortization			
Balance, March 31, 2018	267,096	70,739	337,835
Amortization expense	-	2,533	2,533
Balance, March 31, 2019	267,096	73,272	340,368
Net book value, March 31, 2019	\$ -	\$ 4,952	\$ 4,952
Net book value, March 31, 2018	\$ -	\$ 7,485	\$ 7,485

9. 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, 2019, the Fund balance was \$138,081 (2018 - \$172,028).

10. Expenses by object

The following is a summary of expenses by object:

	<u>2019</u>	<u>2018</u>
Salaries and benefits	\$ 400,760	\$ 457,358
Grants	313,022	204,890
Purchased services	24,615	48,070
Travel	11,144	41,214
Professional services	5,946	26,355
Communications	2,696	2,548
Amortization	2,533	2,533
Property, furnishings and equipment	62	2,161
	\$ 760,778	\$ 785,129

HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

11. Special projects

The Foundation incurred expenses related to the following special projects.

	<u>2019</u>	<u>2018</u>
Collective Memories Project	\$ 2,783	\$ 40,680
Ecclesiastical Conference	-	38,604
Other	5,805	7,831
	<u>\$ 8,588</u>	<u>\$ 87,115</u>

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, the Foundation recognized \$92,991 (2018 - \$91,341) in revenue related to the Strategy. The Foundation also incurred expenses of \$131,318 (2018 - \$100,120) related to the Strategy.

13. Contractual obligations

(a) Grant commitments

As at March 31, 2019, the Foundation had committed \$295,793 (2018 - \$584,361) 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.

As at March 31, 2019, the Foundation had also committed \$0 (2018 - \$0) in the form of Fisheries Heritage Preservation Initiative grants approved but not yet disbursed or rescinded. Future disbursements related to these Fisheries Heritage Preservation Initiative grants will be recorded as reductions to deferred revenue. The Foundation's policy with respect to Fisheries Heritage Preservation Initiative grant commitments requires that all grants approved be available for a period of one year from the date of grant approval. Clients not utilizing the Fisheries Heritage Preservation Initiative grants within this timeframe will forfeit their right to these grants, unless an extension is granted.

HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

13. Contractual obligations (cont.)

(b) Operating lease obligation

Office equipment has been leased by the Foundation. Minimum lease payments over the remaining term of the lease are as follows:

2019-20	\$ <u>1,073</u>
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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 Chartered Bank. 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 Chartered Bank, 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.

HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

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.

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 \$497,225 (2018 - \$529,900). The Foundation recognized \$668,866 (2018 - \$662,914) in revenue from the Province of Newfoundland and Labrador, including deferred revenue recognized in the fiscal year in which it is spent.
- (b) The Foundation leases office space from the Province of Newfoundland and Labrador at an annual rate of \$1.
- (c) Accounts receivable includes amounts due from related parties of \$8,700 (2018 - \$8,700)

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.