

**HERITAGE FOUNDATION OF  
NEWFOUNDLAND AND LABRADOR**

**FINANCIAL STATEMENTS**

**MARCH 31, 2017**

## 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.



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Jerry Dick  
Executive Director



**AUDITOR  
GENERAL**  
of Newfoundland and Labrador

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**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

I have audited the accompanying financial statements of the Heritage Foundation of Newfoundland and Labrador which comprise the statement of financial position as at March 31, 2017, the statements of operations, change in net financial assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

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

*Auditor's Responsibility*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Heritage Foundation 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 'T. Paddon', with a long horizontal flourish extending to the right.

**TERRY PADDON, CPA, CA**  
**Auditor General**

September 7, 2017  
St. John's, Newfoundland and Labrador

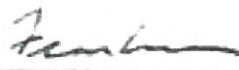
**HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR**  
**STATEMENT OF FINANCIAL POSITION**  
As at March 31

	2017	2016
<b>FINANCIAL ASSETS</b>		
Cash	\$ 104,910	\$ 168,101
Portfolio investments (Note 4)	1,200,224	1,214,482
Accounts receivable (Note 5)	59,914	83,330
	<u>1,365,048</u>	<u>1,465,913</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	10,409	799
Accrued employee benefits	29,757	30,978
Employee future benefits (Note 6)	50,599	49,387
Deferred revenue (Note 7)	1,056,784	1,097,729
	<u>1,147,549</u>	<u>1,178,893</u>
<b>Net financial assets</b>	<u>217,499</u>	<u>287,020</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 8)	10,018	8,663
Prepaid expenses	383	1,203
	<u>10,401</u>	<u>9,866</u>
<b>Accumulated surplus (Note 9)</b>	<u>\$ 227,900</u>	<u>\$ 296,886</u>

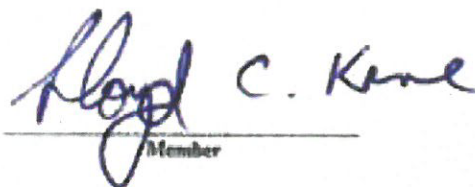
Contractual obligations (Note 13)

*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

	2017 Budget	2017 Actual	2016 Actual
(Note 15)			
<b>REVENUES</b>			
Province of Newfoundland and Labrador (Note 16)	\$ 550,300	\$ 661,595	\$ 761,730
Income from portfolio investments	-	23,142	24,873
Miscellaneous	61,913	15,966	28,600
	<b>612,213</b>	<b>700,703</b>	815,203
<b>EXPENSES (Note 10)</b>			
Heritage grants	171,000	220,747	342,818
Fisheries Heritage Preservation Initiative	-	769	4,129
Restricted Heritage District	-	16,309	5,146
Special projects (Note 11)	3,000	47,296	23,152
Administration	316,181	383,850	345,743
Intangible Cultural Heritage Strategy (Note 12)	150,000	100,718	112,614
	<b>640,181</b>	<b>769,689</b>	833,602
<b>Annual deficit</b>	<b>(27,968)</b>	<b>(68,986)</b>	(18,399)
<b>Accumulated surplus, beginning of year</b>	<b>296,886</b>	<b>296,886</b>	315,285
<b>Accumulated surplus, end of year</b>	<b>\$ 268,918</b>	<b>\$ 227,900</b>	\$ 296,886

*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

	2017 Budget	2017 Actual	2016 Actual
	(Note 15)		
Annual deficit	\$ (27,968)	\$ (68,986)	\$ (18,399)
<b>Tangible capital assets</b>			
Acquisition of tangible capital assets	-	(3,381)	(9,285)
Amortization of tangible capital assets	-	2,026	622
	-	(1,355)	(8,663)
<b>Prepaid expenses</b>			
Acquisition of prepaid expense	-	(2,899)	(2,809)
Use of prepaid expense	-	3,719	2,495
	-	820	(314)
<b>Decrease in net financial assets</b>	<b>(27,968)</b>	<b>(69,521)</b>	<b>(27,376)</b>
<b>Net financial assets, beginning of year</b>	<b>287,020</b>	<b>287,020</b>	<b>314,396</b>
<b>Net financial assets, end of year</b>	<b>\$ 259,052</b>	<b>\$ 217,499</b>	<b>\$ 287,020</b>

*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

	2017	2016
<b>Operating transactions</b>		
Annual deficit	\$ (68,986)	\$ (18,399)
Adjustment for non-cash items		
Amortization of tangible capital assets	2,026	622
	<b>(66,960)</b>	<b>(17,777)</b>
Change in non-cash operating items		
Accounts receivable	23,416	(25,158)
Accounts payable and accrued liabilities	9,610	(14,897)
Accrued employee benefits	(1,221)	(3,830)
Employee future benefits	1,212	(32,738)
Deferred revenue	(40,945)	(109,230)
Prepaid expense	820	(314)
<b>Cash applied to operating transactions</b>	<b>(74,068)</b>	<b>(203,944)</b>
<b>Capital transactions</b>		
Purchase of tangible capital assets	(3,381)	(9,285)
<b>Cash applied to capital transactions</b>	<b>(3,381)</b>	<b>(9,285)</b>
<b>Investing transactions</b>		
Purchase of portfolio investments	(385,742)	(547,088)
Redemption of portfolio investments	400,000	900,000
<b>Cash provided from investing transactions</b>	<b>14,258</b>	<b>352,912</b>
<b>(Decrease) increase in cash</b>	<b>(63,191)</b>	<b>139,683</b>
<b>Cash, beginning of year</b>	<b>168,101</b>	<b>28,418</b>
<b>Cash, end of year</b>	<b>\$ 104,910</b>	<b>\$ 168,101</b>

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



**HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR**  
**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2017

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**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, 2017

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**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. Entitlement to severance pay vests with employees after nine years of continuous service, and accordingly a liability has been recorded for these employees. The amount is payable when the employee ceases employment with the Foundation unless the employee transfers to another entity in the public service, in which case the liability is transferred with the employee to the other entity.
- ii. The 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 Pension Act, 1991*, employee contributions are matched by the Foundation and then remitted to the Public Service Pension Plan Corporation from which pensions will be paid to employees when they retire. This plan is a multi-employer, defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and the average of their best six years of earnings for service on or after January 1, 2015, and, for service before January 1, 2015, the higher of the average of the frozen best 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 the Public Service Pension Plan Corporation 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.

**HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR**  
**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2017

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

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

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

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, 2017

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

**(i) Measurement uncertainty**

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include the useful life of tangible capital assets and estimated employee future benefits.

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

**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 Foundation plans to adopt these standards by the effective dates and is currently analyzing the impact these standards will have on the financial statements.

**HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2017**

**4. Portfolio investments**

	<u>2017</u>	<u>2016</u>
Portfolio investments, at cost	\$ 1,200,224	\$ 1,214,482
Portfolio investments, at market	\$ 1,200,224	\$ 1,214,482

Investments consist of Guaranteed Investment Certificates, with maturity dates ranging from July 2, 2017 to November 6, 2017, and interest rates ranging from 1.00% to 2.45%.

**5. Accounts receivable**

	<u>2017</u>	<u>2016</u>
Investment income receivable	\$ 10,306	\$ 12,907
Harmonized sales tax receivable	8,798	9,223
Province of Newfoundland and Labrador	40,000	58,700
Trade accounts receivable	810	2,500
	<u>\$ 59,914</u>	<u>\$ 83,330</u>

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 \$50,599 (2016 - \$49,387).

(b) Retirement benefits

The Foundation and certain of its employees are subject to the *Public Service Pensions Act, 1991*. The plan is administered by the Public Service Pension Plan Corporation, 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% (2016 - 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, 2017 was \$23,519 (2016 - \$12,845).

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, 2017, were \$7,684 (2016 - \$16,931).

**HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2017**

**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.

	<b>Balance, beginning of year</b>	<b>Receipts during year</b>	<b>Transferred to revenue</b>	<b>Balance, end of year</b>
Registered Heritage Structures	\$ 786,478	\$ 171,000	\$ (221,447)	\$ 736,031
Fisheries Heritage Preservation Program	56,005	-	(769)	55,236
Ecclesiastical Structures	113,824	-	-	113,824
Registered Heritage Districts	91,422	-	(16,309)	75,113
Collective Memories Project	50,000	40,000	(42,996)	47,004
New Horizons for Seniors Program	-	24,220	-	24,220
JCP Project for Intangible Cultural Heritage Program	-	6,130	(774)	5,356
	<b>\$ 1,097,729</b>	<b>\$ 241,350</b>	<b>\$ (282,295)</b>	<b>\$ 1,056,784</b>

**HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2017**

**8. Tangible capital assets**

<b>Cost</b>	<b>Systems development</b>	<b>Office and computer equipment</b>	<b>Total</b>
Balance, March 31, 2016	\$ 267,096	\$ 74,843	\$ 341,939
Acquisition of Tangible Capital Assets	-	3,381	3,381
Balance, March 31, 2017	267,096	78,224	345,320
<b>Accumulated amortization</b>			
Balance, March 31, 2016	267,096	66,180	333,276
Amortization expense	-	2,026	2,026
Balance, March 31, 2017	267,096	68,206	335,302
<b>Net book value, March 31, 2017</b>	<b>\$ -</b>	<b>\$ 10,018</b>	<b>\$ 10,018</b>
<b>Net book value, March 31, 2016</b>	<b>\$ -</b>	<b>\$ 8,663</b>	<b>\$ 8,663</b>

**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, 2017, the Fund balance was \$227,900 (2016 - \$296,886).

**10. Expenses by object**

The following is a summary of expenses by object:

	<u>2017</u>	<u>2016</u>
Salaries and benefits	\$ 455,509	\$ 380,100
Grants	240,714	359,809
Professional services	18,365	4,846
Purchased services	25,793	48,114
Travel	21,060	33,563
Amortization	2,026	622
Communications	3,793	4,143
Property, furnishings and equipment	2,429	2,405
	<b>\$ 769,689</b>	<b>\$ 833,602</b>

**HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2017**

**11. Special projects**

The Foundation incurred expenses related to the following special projects.

	<u>2017</u>	<u>2016</u>
Succession Planning	\$ -	\$ 4,248
Grand Falls-Windsor Digitization Project	-	9,643
Helicopter Memorial	-	1,500
Collective Memories Project	<b>42,996</b>	-
Other	<b>4,300</b>	7,761
	<b>\$ 47,296</b>	<b>\$ 23,152</b>

**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 \$98,852 (2016 - \$95,600) in revenue related to the Strategy. The Foundation also incurred expenses of \$100,718 (2016 - \$112,614) related to the Strategy.

**13. Contractual obligations**

As at March 31, 2017, the Foundation had committed \$561,913 (2016 - \$579,400) 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, 2017, the Foundation had also committed \$1,350 (2016 - \$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, 2017

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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 Heritage Foundation of Newfoundland and Labrador'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.

**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, 2017

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**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 \$596,430 (2016 - \$652,500). The Foundation recognized \$661,595 (2016 - \$761,730) in revenue from the Province of Newfoundland and Labrador.
- (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 \$40,000 (2016 - \$58,700)

**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.

**18. Comparative figures**

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