

Province of
Newfoundland and Labrador



**Public Accounts
Consolidated Summary
Financial Statements**

FOR THE YEAR ENDED
MARCH 31, 2020





Province of Newfoundland and Labrador

Public Accounts

Consolidated Summary Financial Statements

**For The Year Ended
31 March 2020**

This Page Intentionally Left Blank.

Table of Contents

	Page No.
MESSAGE FROM THE PRESIDENT OF TREASURY BOARD	1
UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR:	
Introduction	4
Financial Highlights	6
Consolidated Financial Results	10
Risk Analysis	33
Economic Outlook and Overview	36
Glossary of Terms	41
STATEMENT OF RESPONSIBILITY	45
AUDITOR'S REPORT	47
STATEMENTS:	
Consolidated Statement of Financial Position	51
Consolidated Statement of Change in Net Debt	52
Consolidated Statement of Operations	53
Consolidated Statement of Change in Accumulated Deficit	54
Consolidated Statement of Cash Flows	55
Notes to the Consolidated Financial Statements	56
SCHEDULES:	
Receivables – Schedule 1	84
Loans, Advances and Investments – Schedule 2	85
Equity in Government Business Enterprises and Partnership – Schedule 3	87
Net Income of Government Business Enterprises and Partnership – Schedule 4	89
Payables, Accrued and Other Liabilities – Schedule 5	90
Borrowings – Schedule 6	92
Guaranteed Debt – Schedule 7	95
Losses, Uncollectible Accounts and Other Amounts Written Off – Schedule 8	96
Trust Accounts – Schedule 9	97
Tangible Capital Assets – Schedule 10	98
Revenue by Source – Schedule 11	101
Expenses by Department – Schedule 12	102
Expenses by Object – Schedule 13	103
Revenue and Expense by Sector – Schedule 14	104
Government Reporting Entity – Schedule 15	106

continued on next page

CONSOLIDATED REVENUE FUND SUPPLEMENTARY FINANCIAL INFORMATION

INTRODUCTION	111
STATEMENTS:	
Statement of Financial Position	113
Statement of Change in Net Debt	114
Statement of Operations	115
Statement of Change in Accumulated Deficit	116
Statement of Cash Flows	117
SCHEDULES:	
Accounts and Taxes Receivable – Schedule A	118
Loans, Advances and Mortgages Receivable – Schedule B	119
Investments – Schedule C	121
Other Liabilities – Schedule D	123
Debenture and Other Debt – Schedule E	125
Guaranteed Debt – Schedule F	131

MESSAGE FROM THE PRESIDENT OF TREASURY BOARD

I hereby present the financial statements - the Public Accounts of the Province of Newfoundland and Labrador for the 2019-20 fiscal year. To provide further information and transparency on the financial position of Newfoundland and Labrador, the audited financial statements contained herein are preceded by a discussion and analysis which highlights the fiscal health of the province.

The province reported a surplus of \$1.1 billion for the 2019-20 fiscal year, which reflects a \$0.8 million decrease as compared with the original estimated surplus of \$1.9 billion. This decrease is primarily due to lower than anticipated revenue associated with offshore royalties, taxation revenue and Federal revenue. In addition, expenses of \$8.5 billion were slightly higher than anticipated (from an original estimate of \$8.4 billion), which is primarily attributed to less than anticipated savings for severance and higher than anticipated debt expenses.

Despite facing significant pressures over the past five years, we have actioned a plan to control expenditures and have maintained minimum growth of expenses over this period. Government remains committed to strong fiscal management while ensuring that residents, businesses, and public services are equipped to respond to the pressures such as the COVID-19 Global Pandemic.

A handwritten signature in black ink, appearing to read 'S Crocker', with a large, stylized 'S' at the beginning.

STEVE CROCKER
Minister of Justice and Public Safety
President of Treasury Board

This Page Intentionally Left Blank.

**Understanding the Financial Health of the Province of
Newfoundland and Labrador**

For the Fiscal Year Ended 31 March 2020

INTRODUCTION

This financial statement discussion and analysis report precedes the Public Accounts to provide an overview of changes in government's financial position and highlight key figures and comparatives. The report is prepared by the Office of the Comptroller General and is not subject to an audit opinion; however, the information analyzed in the report is based on what is reported in the audited Public Accounts.

FINANCIAL REPORTS

The Public Accounts are the audited consolidated summary financial statements of the Province. They are prepared using the **accrual basis** of accounting in accordance with standards established by the Public Sector Accounting Board (PSAB) and audited by the Auditor General. The financial statements contain Original Budget figures for comparison purposes, where applicable.

Within the annual Original Budget Speech is a series of statements which are comparable to the Public Accounts as both are prepared using the accrual basis of accounting and both consolidate the financial statements of core government departments with that of various Crown Corporations, Boards and Authorities, as approved by Treasury Board. These organizations are controlled by government and are accountable to either a Minister of the government department or directly to the Legislature for the administration of their financial affairs and resources.

The Public Accounts also contain supplemental financial information of the Consolidated Revenue Fund. The Consolidated Revenue Fund is comprised of all public money that is controlled by government. This financial information is essentially the unaudited financial statements of the aggregate core government departments. These statements are prepared on an accrual basis in accordance with standards established by the PSAB and can be found as an appendix within the Public Accounts.

The Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund is an additional annual financial report prepared during the Public Accounts process. It is prepared using the modified **cash basis** of accounting. It presents the details of the actual revenues and expenditures of core government departments that were receipted and disbursed in the fiscal year. It is the companion document to the Estimates as it portrays actual cash revenues received and compares amounts spent against the amounts appropriated. This report is not subject to an audit opinion, but is tabled in the House of Assembly and is published on the Department of Finance website.

The Public Accounts of the Province are tabled in the House of Assembly in accordance with Section 60 of the *Financial Administration Act*.

All of these, as well as other financial reports can be found on the Department of Finance website at:

<https://www.gov.nl.ca/fin/public-accounts>

WHAT TO EXPECT IN THIS REPORT

In this report you can expect to find variance analysis between the Original Budget surplus as per the Original Budget Speech and the actual surplus as per the Statement of Operations found in the Public Accounts. The Original Budget Speech represents government's forecast for the fiscal year while the Public Accounts report the financial results of that fiscal year. The comparison of Original Budget to actual promotes accountability and provides explanations of significant variances.

A comparison of current and previous year financial results and trend analysis is included to illustrate how the financial results of the current year relate to the results of prior years. It demonstrates government's position and highlights any significant changes that have occurred.

A summary of risks that may impact the financial position of the Province is presented to highlight potential changes and government's plans to mitigate them.

The financial statement discussion and analysis report will also summarize an outlook on 2020 by providing available information on what can be expected to impact government's financial position in the future.

Refer to the glossary of terms on page 41 for definitions and explanations of key terms that have been bolded throughout the document.

FINANCIAL HIGHLIGHTS

The Public Accounts contains five financial statements. Each statement includes important information that is necessary to obtain a complete understanding of the Province's financial position. The financial statements present prior year results and Original Budget figures, where possible, for comparative purposes. Certain comparative figures have been reclassified to conform to the basis of presentation adopted during the current reporting period. This section provides a summary of key financial statement highlights of the Public Accounts.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

- Presents **financial assets**, liabilities and **non-financial assets** at a point in time. The statement calculates **net debt**, the difference between financial assets and liabilities; and **accumulated deficit**, the net financial position of government from all years of operations at a point in time.
- Net debt for the 2019-20 fiscal year is \$14.4 billion. The accumulated deficit is \$9.7 billion.
- As at 31 March 2020, both net debt and accumulated deficit are less than they were at the end of the previous fiscal year. This is primarily due to an increase in receivables from the Government of Canada of \$3.1 billion during the fiscal year largely driven by the Atlantic Accord (2019). Details of Atlantic Accord (2019) will be discussed later in this report.

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

- Highlights the changes in Net Debt from the previous fiscal year and provides a comparison to Original Budget figures.
- This statement shows that net debt totaled \$14.4 billion in the 2019-20 fiscal year and decreased 6.1% in comparison to the prior year (31 March 2019 - \$15.4 billion).
- The assets and liabilities contributing to the change in net debt are presented in the Consolidated Statement of Financial Position. The intent of this statement is to report the extent the surplus/deficit has impacted net debt after removing the effects of changes to non-financial assets (i.e. **tangible capital assets**) from the surplus/deficit. As well, any changes in accounting policy or restatements of prior year's results are also reflected on this statement.

CONSOLIDATED STATEMENT OF OPERATIONS

- Reports the revenues and expenses from operations in a fiscal year, the resulting surplus or deficit and provides a comparison to Original Budget figures and previous year actuals.
- The **annual surplus** of \$1.1 billion represents a decrease of \$807.3 million compared to the \$1.9 billion surplus originally budgeted for 2019-20 fiscal year. Furthermore, the annual surplus in 2019-20 increased by \$1.7 billion from the prior year (31 March 2019 - \$552.5 million deficit).
- For the fiscal year ended 31 March 2020, total revenue was \$9.6 billion (31 March 2019 - \$7.8 billion) and total expenses were \$8.5 billion (31 March 2019 - \$8.4 billion).

- Revenues increased by 22.4% from the prior year and decreased by 7.4% from the Original Budget. Expenses increased by 1.0% from the prior year and increased from the Original Budget by only 0.5%.
- Despite the decrease in revenues from Original Budget, revenues remained higher than expenses, resulting in a surplus for the current fiscal year.

CONSOLIDATED STATEMENT OF CHANGE IN ACCUMULATED DEFICIT

- Highlights the changes in accumulated deficit from the Original Budget and the previous fiscal year.
- Similar to the Statement of Change in Net Debt, the main decrease in accumulated deficit in 2019-20 is also due to the surplus for the current year.
- The accumulated deficit of \$9.7 billion for 2019-20 decreased by \$1.1 billion in comparison to 2018-19 of \$10.8 billion.

CONSOLIDATED STATEMENT OF CASH FLOWS

- Explains the change in cash and temporary investments from the previous fiscal year to the government generated and disbursed cash in the current fiscal year.
- Cash and temporary investments increased by 22.8% from the previous fiscal year. Overall cash flows increased due to the revenues exceeding expenditures as represented in the annual surplus, as well as an increase in cash flows resulting from financing transactions, primarily due to the issuance of new short-term and long-term debt of \$2.2 billion.

KEY FINANCIAL HIGHLIGHTS

For the fiscal year ended 31 March 2020

(In \$ millions)

	Original Budget 2019-20 ¹	Actual Results 2019-20 ²	Actual Results 2018-19	Change from Original Budget			Change from Prior Year Actual Results		
				\$	%	⇅	\$	%	⇅
REVENUE									
Provincial									
Taxation	3,922.6	3,732.7	4,044.2	(189.9)	(4.8)	↓	(311.5)	(7.7)	↓
Investment	74.7	114.7	106.9	40.0	53.5	↑	7.8	7.3	↑
Fees and fines	353.5	404.9	346.0	51.4	14.5	↑	58.9	17.0	↑
Offshore royalties	1,129.4	957.1	1,082.5	(172.3)	(15.3)	↓	(125.4)	(11.6)	↓
Other	616.8	583.2	575.3	(33.6)	(5.4)	↓	7.9	1.4	↑
Total Provincial	6,097.0	5,792.6	6,154.9	(304.4)	(5.0)	↓	(362.3)	(5.9)	↓
Federal	3,806.4	3,584.6	1,181.7	(221.8)	(5.8)	↓	2,402.9	203.3	↑
Net income of government business enterprises and partnerships	446.5	206.4	490.3	(240.1)	(53.8)	↓	(283.9)	(57.9)	↓
Total Revenue	10,349.9	9,583.6	7,826.9	(766.3)	(7.4)	↓	1,756.7	22.4	↑
EXPENSE									
Salaries and employee benefits	3,399.3	3,493.7	3,487.2	94.4	2.8	↑	6.5	0.2	↑
Grants and subsidies	1,830.6	1,709.1	1,642.6	(121.5)	(6.6)	↓	66.5	4.0	↑
Operating costs	1,323.4	1,287.1	1,258.6	(36.3)	(2.7)	↓	28.5	2.3	↑
Debt expenses	1,014.7	1,064.9	1,039.7	50.2	4.9	↑	25.2	2.4	↑
Professional services	523.1	508.3	535.7	(14.8)	(2.8)	↓	(27.4)	(5.1)	↓
Other	334.3	403.3	415.6	69.0	20.6	↑	(12.3)	(3.0)	↓
Total Expense	8,425.4	8,466.4	8,379.4	41.0	0.5	↑	87.0	1.0	↑
ANNUAL SURPLUS (DEFICIT)	1,924.5	1,117.2	(552.5)	(807.3)	(41.9)	↓	1,669.7	302.2	↑

¹ The Budget figures are from pages ii and vii of the Budget 2019 Speech Statements and Schedules and certain figures have been restated as consistent with the Public Accounts.

² Prior year amounts have been restated as consistent with the Public Accounts 31 March 2020 presentation.

HISTORICAL DATA

For the past 5 fiscal years
(\$ thousands)

	2016	2017	2018	2019 ¹	2020	5 Year Trend
Total Revenue	5,977,155	7,157,066	7,280,145	7,826,842	9,583,631	↑
Total Expense	8,183,214	8,304,838	8,190,895	8,379,371	8,466,450	↑
Surplus (Deficit)	(2,206,059)	(1,147,772)	(910,750)	(552,529)	1,117,181	↑
Financial Assets	6,830,115	7,648,635	7,858,667	8,066,271	11,677,712	↑
Liabilities:						
Borrowings	8,974,249	10,415,024	11,505,532	12,797,070	14,879,622	↑
Group Health/ Life Insurance	2,770,744	2,854,068	2,937,396	3,035,970	3,149,114	↑
Pension	4,657,753	4,908,340	4,952,465	4,927,736	4,889,959	↑
Other Liabilities	2,931,422	3,069,009	3,136,990	2,683,577	3,193,877	↑
Net Debt	12,504,053	13,597,806	14,673,716	15,378,082	14,434,860	↑
Non-Financial Assets	4,439,421	4,405,957	4,493,026	4,582,777	4,759,974	↑
Accumulated Deficit	8,064,632	9,191,849	10,180,690	10,795,305	9,674,886	↑

¹ Prior year amounts have been restated as consistent with the Public Accounts 31 March 2020 presentation.

CONSOLIDATED FINANCIAL RESULTS

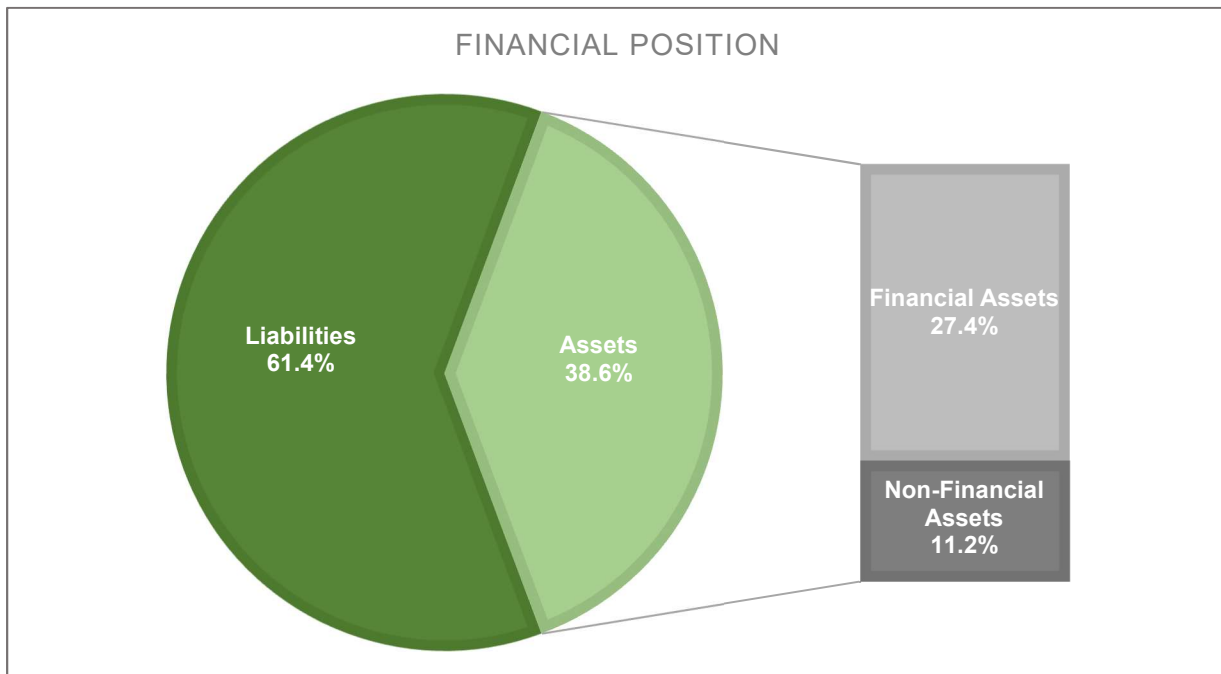
The largest expense variance between actual results and Original Budget figures relates to grants and subsidies. Grants and subsidies were \$121.5 million lower than the projected amount.

Grants and subsidies are also the largest variance from the previous fiscal year. The grants and subsidies expense for 2019-20 increased by \$66.5 million from 2018-19.

Further details regarding these and other significant variances can be found later in this report.

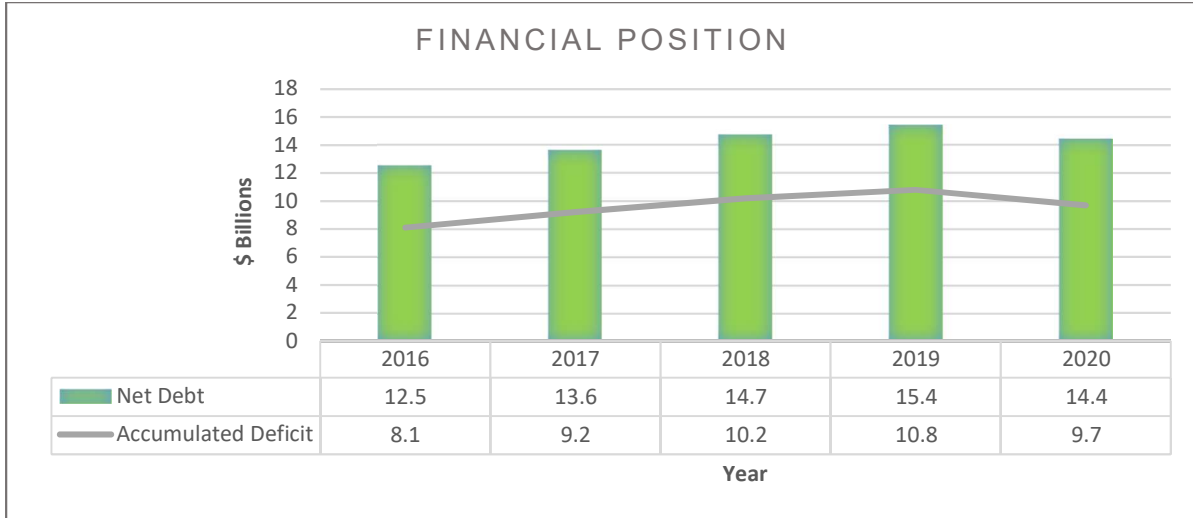
FINANCIAL POSITION

While the Province experienced a surplus in 2019-20, Newfoundland and Labrador continues to face economic, social and fiscal challenges including a large level of debt. To ensure the future financial health of the Province, it is necessary that we continue to manage our fiscal situation while still focusing on delivery of valuable programs and services; achieve better outcomes for our investments; and create an environment that supports economic development and job creation, and creates opportunities for residents.



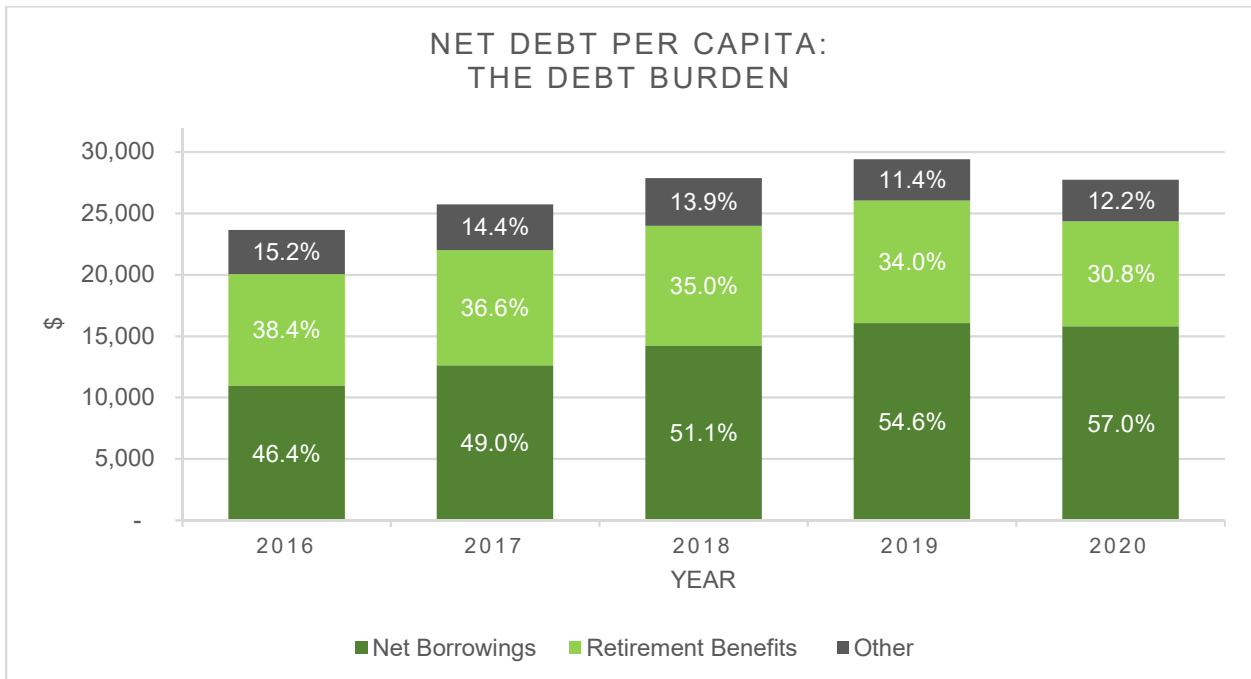
The Province's accumulated deficit position and net debt as at 31 March 2020 is presented in the following chart. The Province's net debt totals \$14.4 billion and represents the amount needed to be funded from future generations to pay for past activities.

Net debt decreased by \$1.0 billion and accumulated deficit decreased by \$1.1 billion from the previous year mainly due to the annual surplus. Details of the annual surplus will be discussed later in this report.

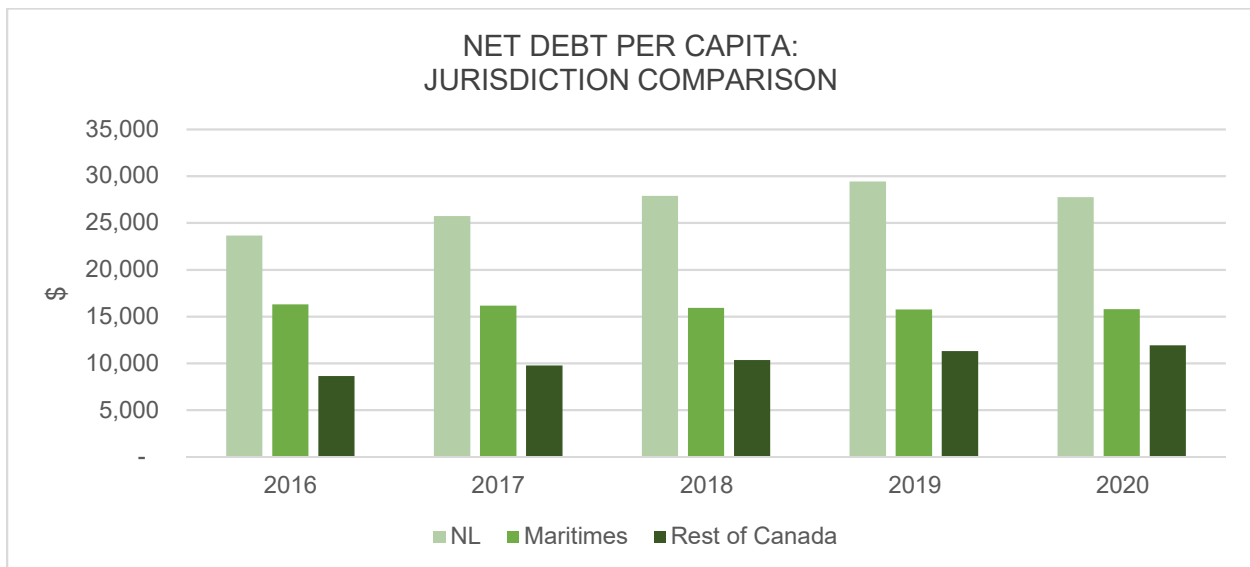


NET DEBT PER CAPITA

Net debt per capita indicates the average amount of the Province’s net debt attributed to each citizen of the Province and is calculated by dividing the net debt by the Province’s population. Each citizen’s share of the net debt decreased in 2019-20. As presented in the chart that follows, net debt per capita decreased from \$29,414 in 2018-19 to \$27,736 in 2019-20. This decrease of \$1,678 per person is primarily the result of the decrease in the Province’s net debt offset somewhat by with a slight decrease in population. The following graph also indicates the portion of each type of debt that makes up the net debt per capita.



The following chart presents the Province's net debt per capita in comparison to the Maritime Provinces and the rest of Canada.



*Note: Original Budget figures were used where the Public Accounts actual results were not available.

Newfoundland and Labrador's net debt per capita has been greater than the average of the other jurisdictions for the past five years. This gap has decreased from 2018-19, but is significantly greater than it was in 2015-16. The Maritimes' net debt per capita has decreased slightly from 2018-19. Net debt per capita for the rest of Canada has increased slightly from 2018-19, but remains under half of that of Newfoundland and Labrador.

The Province has a smaller population to carry the net debt burden. The average population for the last five years for the Province, and the Maritimes and the rest of Canada per jurisdiction is presented below. As shown, the average population for the country has remained steady.

<i>Average Population per jurisdiction (in 000's)</i>	2016	2017	2018	2019	2020 ^[1]	5 Year Change
NL	529.1	528.7	526.5	522.8	520.4	(8.7)
Maritimes	616.2	620.5	625.5	632.1	639.3	23.1
Rest of Canada	3,732.5	3,778.5	3,831.8	3,887.7	3,948.1	215.6

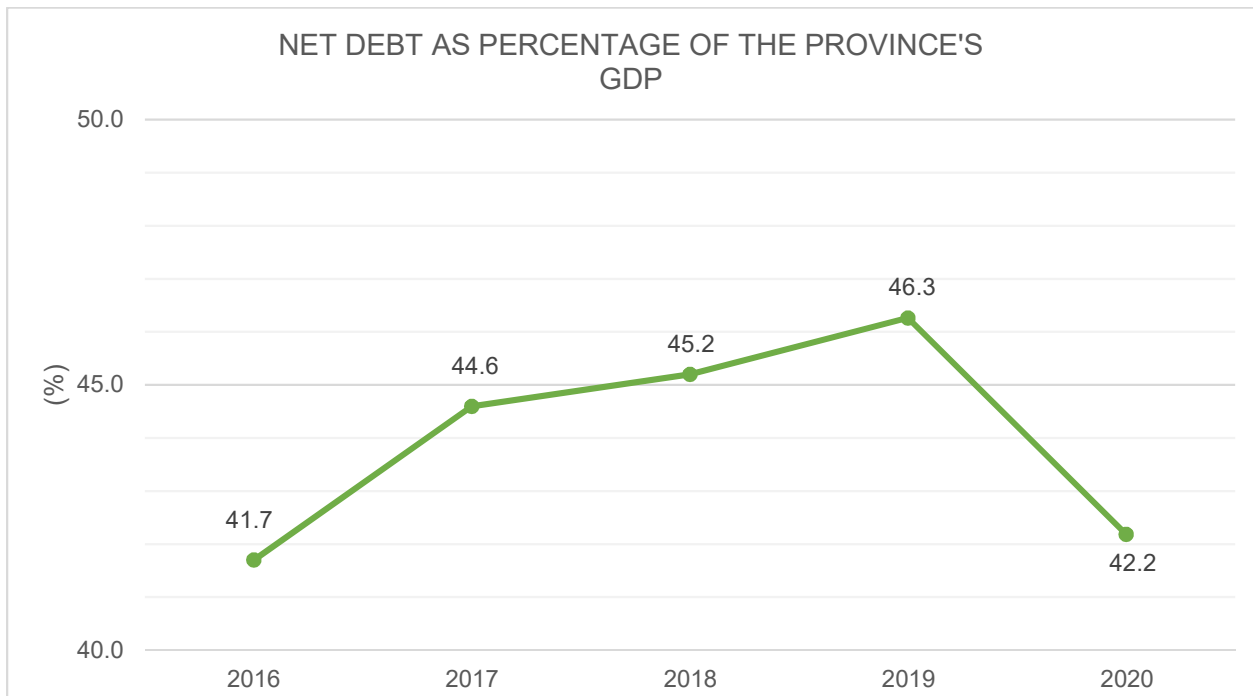
[1] Source: Statistics Canada, Centre for Demography

NET DEBT AS A PERCENTAGE OF GROSS DOMESTIC PRODUCT (GDP)

This ratio measures the level of debt that the Province carries as a percentage of its **GDP**. GDP figures were obtained from Newfoundland and Labrador Statistics Agency's website. Figures used were the latest information available as of 30 September 2020.

As presented in the following graph, there has been a decrease in net debt as a percentage of GDP in the current year resulting from federal source revenue from the Atlantic Accord. On a five-year basis, the relationship implies that the rate of increase in net debt has largely been greater than the rate of economic growth and as such, it indicates that Government has increased its demands on the provincial economy during this time.

The 2019-20 ratio is 42.2%, a decrease of 4.1 percentage points from 2018-19. The average of this ratio over the past five years is 44.0%. Since 2016, the ratio has increased by approximately 0.5 percentage points.



NET DEBT AND ACCUMULATED DEFICIT

For the fiscal year ended 31 March 2020, net debt of \$14.4 billion included net borrowings of \$15.1 billion. Net debt for the fiscal year ended 31 March 2020 decreased from the previous year by \$1.0 billion or 6.1% and net borrowings increased by \$2.1 billion which represents a 16.1% increase.

The net debt is the difference between total financial assets of \$11.7 billion and liabilities of \$26.1 billion. The Province's net debt, less non-financial assets of \$4.7 billion, results in an accumulated deficit of approximately \$9.7 billion.

Net debt and accumulated deficit are comprised of the following components:

(\$ billions)	2020	2019	2018	2017	2016
Borrowings (net of sinking funds)	15.1	13.0	11.7	10.6	9.1
Unfunded Pension Liability	4.9	4.9	5.0	4.9	4.7
Group Health and Life Insurance Retirement Benefits	3.1	3.0	2.9	2.9	2.8
Other Liabilities	3.0	2.6	2.9	2.8	2.7
Less: Total Financial Assets	(11.7)	(8.1)	(7.8)	(7.6)	(6.8)
Net Debt	14.4	15.4	14.7	13.6	12.5
Less: Tangible Capital Assets	(4.6)	(4.5)	(4.4)	(4.3)	(4.3)
Less: Other Non-financial Assets	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Accumulated Deficit	9.7	10.8	10.2	9.2	8.1

As shown in the previous table, accumulated deficit and net debt have both increased from 2016 to 2020. This can be attributed primarily due to the additional borrowings of \$6.0 billion obtained by the Province during this period; this is an increase of 65.9% over the total borrowings of \$9.1 billion in 2016.

BORROWINGS

For the fiscal year ended 31 March 2020, net borrowings totaled \$15.1 billion and increased by \$2.1 billion from 2019. For the current fiscal year, borrowings attributed for 57.7% of total liabilities.

DEBT RELATED RISK

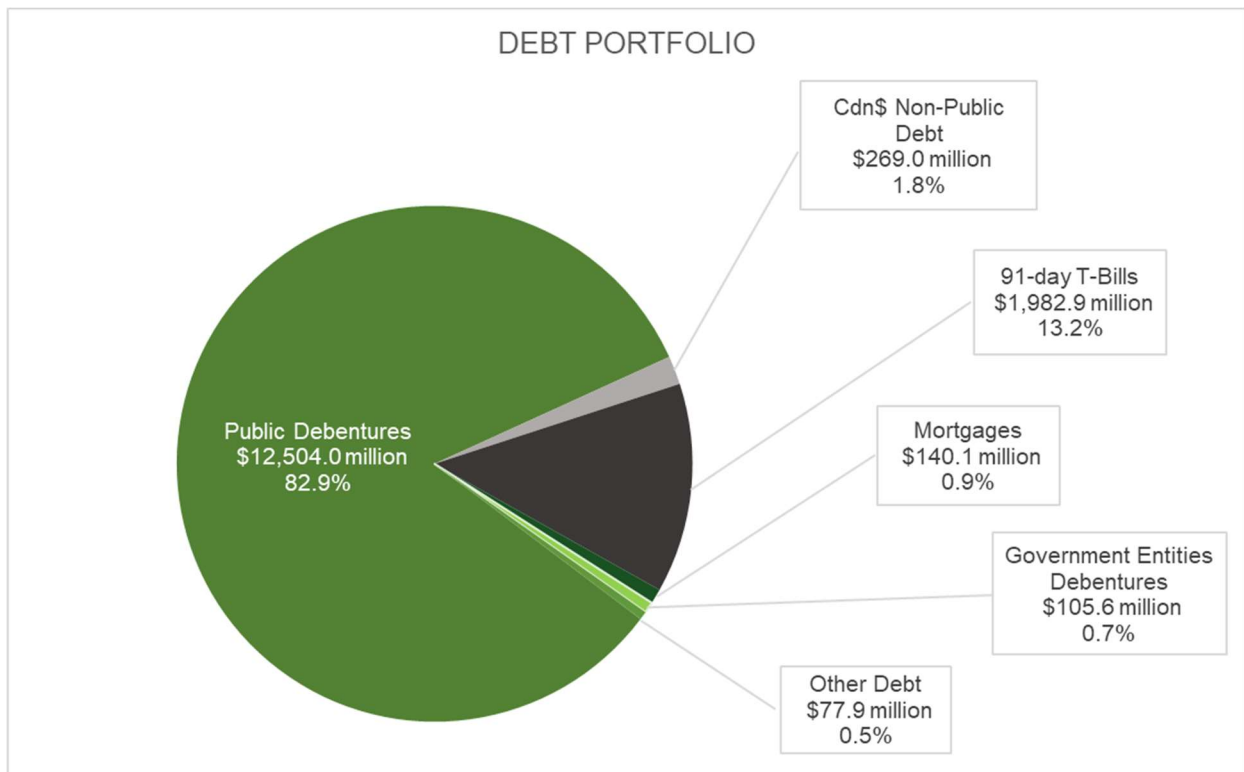
The practice of borrowing in both domestic and foreign currencies may potentially give rise to a number of risks including foreign exchange risk, liquidity risk, interest rate risk, and credit risk.

- **Foreign exchange risk:** Foreign exchange risk exists when a financial transaction is denominated in a currency other than that of the base currency of the Province (CAD). While the majority of the Province's debt is domestic in nature, there are a number of US dollar denominated debt issues. All of these are long-term issues and the Province has established sinking funds, also in US dollars, to provide repayment of the debt at maturity. An increase/decrease of one cent in the foreign exchange rates at 31 March 2020 would result in an increase/decrease in foreign borrowings of \$9.0 million (31 March 2019 - \$10.5 million). Original Budget 2019-20 forecasts the US-Canada exchange rate to be \$0.77. This estimate is based on an average of eight forecasts and was a prudent estimate based on best available information. The average US-Canada exchange rate for 2019-20 was \$0.75 (2018-19 - \$0.76).
- **Liquidity Risk:** Liquidity risk is the risk that a party cannot meet its short-term debt obligations. Exposure to liquidity risk is managed by distributing debt maturities over several years, maintaining sinking funds for the repayment of certain long-term debt issues and holding adequate cash reserves or short-term borrowings as contingent sources of liquidity.
- **Interest Rate and Credit Risk:** Interest rate risk and credit risk are also a risk factor for the Province of Newfoundland and Labrador. Interest rate risk is the risk that debt-servicing costs will increase due to changes in interest rates. Credit risk is the risk that a loss may occur from the failure of another party to meet its obligations under a financial instrument contract. To mitigate these risks, the Province's debt portfolio is structured such that a high degree of its debt is long-term with fixed interest rates and fixed repayment terms. When appropriate and the option is available, debt with high interest rates has been called and refinanced with new lower interest rate debt. Otherwise, debt is generally held until maturity. Additionally, the Province attempts to manage its exposure to these risks and minimize volatility in its debt expenses by following a conservative debt and risk management strategy.

DEBT PORTFOLIO

The Province's debt portfolio is comprised of the following:

- \$12.5 billion in public debentures, of which 27% are due in 25 years or more, pertaining to the Consolidated Revenue Fund. 90% is Canadian while the remaining 10% is foreign debt (US).
- \$2.0 billion of 91-day T-bills (floating-rate revolving debt).
- \$269.0 million of Canadian non-public debentures; Canadian Pension Plan (CPP) related debt.
- \$140.1 million in various mortgages and debt assumed relating to electricity generating assets. Mortgages pertaining to Canada Mortgage and Housing Corporation (CMHC) represents 56% of total mortgages.
- \$105.6 million in debenture debt held by government entities.
- \$62.2 million in various other debt including \$4.6 million in short-term bankers' acceptances which mature during the 2020-21 fiscal year.
- \$15.7 million in loans with both fixed and variable interest rates for the purposes of funding student transportation for schools.



CREDIT RATING

Long-term and short-term ratings have remained the same as the prior year, however, pressure from the pandemic and deflated oil prices have resulted in outlook revisions from stable to negative.

Moody’s Investors Service’s (Moody’s) negative outlook reflects downside risks that fiscal outcomes could deteriorate further than anticipated due to rapidly falling oil prices and related economic decline, which would lead to an even more rapid and sizable increase in the debt and interest burdens of the province than forecasted by Moody’s. The negative outlook also reflects the large liability of Nalcor and uncertainty on the province achieving electricity rate mitigation.

Standard and Poor’s Financial Services’ (S&P) negative outlook reflects heightened risk that a prolonged pandemic disruption or oil price slump could, depending on the policy response, lead to persistently high deficits and escalating debt over the next several years. S&P could revise the outlook to stable over the next 12-24 months should the province manage to limit the deterioration in fiscal performance to stem the increase in its debt burden and mitigate draws on liquidity.

DBRS Morningstar’s negative trend on the long-term ratings reflects deteriorating global economic conditions and a decline in global oil prices caused by the effects of Coronavirus Disease (COVID-19), which has significantly impacted the Province’s economy and public finances. DBRS Morningstar states a stable trend on long-term ratings may be restored during its next review as increased clarity is provided on certain key financial indicators.

The Province’s long-term and short-term ratings were recently affirmed as follows:

	Long-Term	Short-Term	Outlook	Date
S&P	A	A-1	Negative	May 28, 2020
Moody’s	A1	Not rated	Negative	April 8, 2020
DBRS Morningstar	A (low)	R-1 (low)	Negative	December 2, 2020

*Note: Moody’s and S&P’s assessments were completed during the early stages of the pandemic and in the absence of a comprehensive fiscal plan for 2020-21 or outlook. Since this time, the Province has presented its fiscal plan for the 2020-21 fiscal year and has committed to provide a more comprehensive fiscal outlook with Budget 2021. DBRS Morningstar recently confirmed ratings in a rating review release on December 2, 2020. The Province will continue to keep rating agencies updated on fiscal and economic developments.

NON-FINANCIAL ASSETS

The total non-financial assets of \$4.8 billion in 2019-20 included prepaid and deferred charges of \$50.7 million; inventory of supplies of \$77.5 million; and tangible capital assets of \$4.6 billion, the most significant component.

Tangible Capital Assets

Tangible capital assets are capitalized on the Consolidated Statement of Financial Position with the cost of the assets amortized over the estimated useful life of the assets.

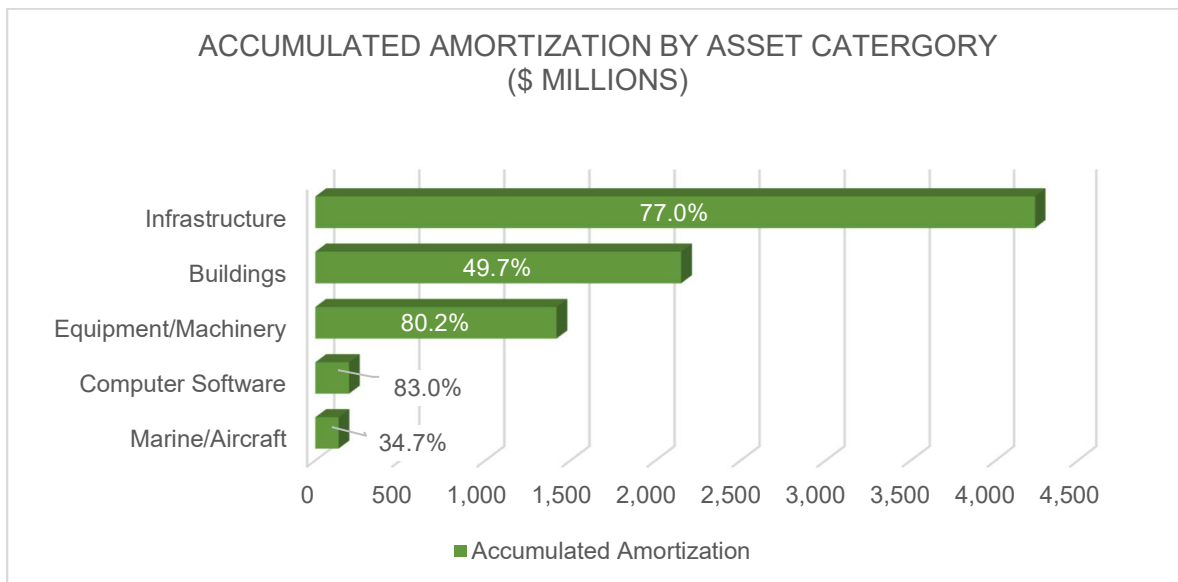
Accumulated Amortization

Total accumulated amortization of tangible capital assets (excluding work in progress assets) represents 66.5% of the cost of tangible capital assets. The most significant of the asset categories that are amortized are computer software and equipment and machinery where 83.0% and 80.2% of the original cost has been amortized respectively.

The Province's infrastructure, such as bridges and roads, has less than one quarter of its useful life remaining. Computer software, as well as equipment and machinery have a relatively short useful life. It is expected that these assets will be replaced more frequently due primarily to changing technologies.

The Province currently has a number of projects under construction or development. Work in progress assets consists of \$537.0 million as at 31 March 2020 which is a \$83.5 million or a 18.4% increase from 2019. Work in progress is considered to be a tangible capital asset; however, it is not subject to amortization as it is not currently available for use.

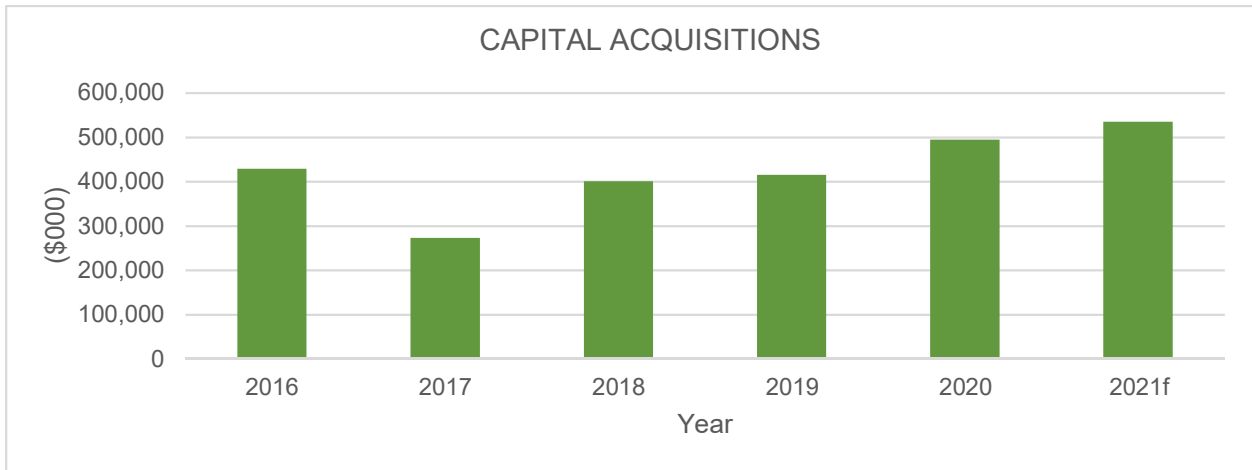
The following chart presents the tangible capital asset cost (excluding work in progress) and accumulated amortization by category at 31 March 2020.



Capital Acquisitions

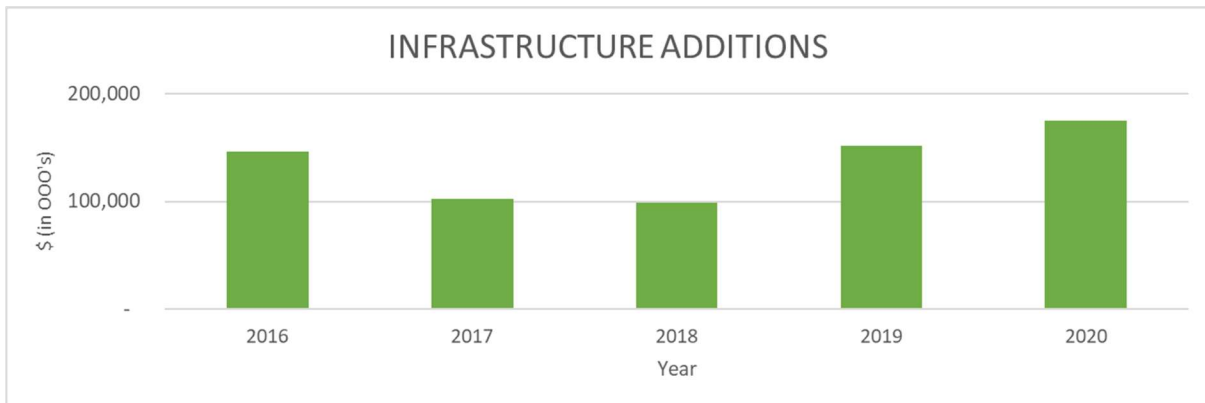
Capital Acquisitions in the current year totaled approximately \$495 million and includes capital additions of \$410.2 million, net additions to work in progress assets of \$285.0 million, less \$200.4 million of work in progress assets capitalized in the year. Acquisitions increased in 2019-20 by \$79.6 million from 2018-19 (\$415.1 million). The Province continues to invest in capital assets and is forecasting to increase capital acquisitions by \$40.4 million in 2020-21.

Original Budget for fiscal 2020-21 invests \$535.2 million in key infrastructure areas including roads, schools, health care facilities, correctional facilities and municipal infrastructure projects to help improve access to services while stimulating economic activity. Acquisitions to tangible capital assets for the past five years were reported as follows:



Infrastructure Additions

Although infrastructure is reported as 77.0% amortized, this does not necessarily describe the age of this asset category. The Province continues to invest in roads, bridges, waterways and dams. The following graph presents reported infrastructure additions for the last five fiscal years. Note that this graph does not include work-in-progress infrastructure.



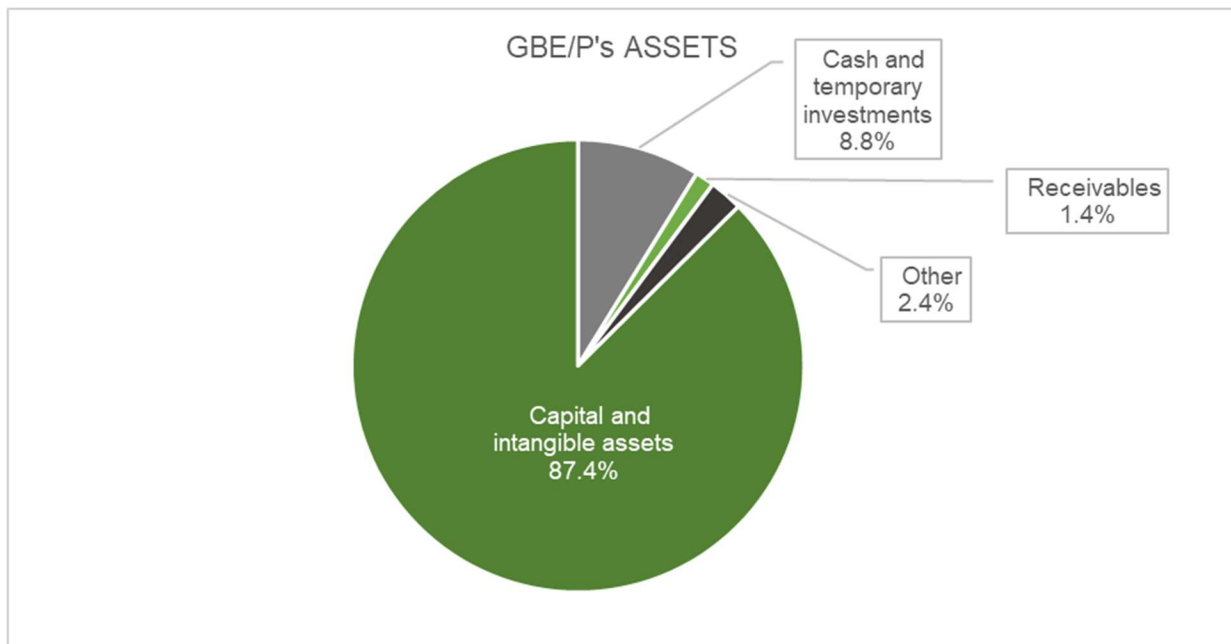
GOVERNMENT BUSINESS ENTERPRISES AND PARTNERSHIP

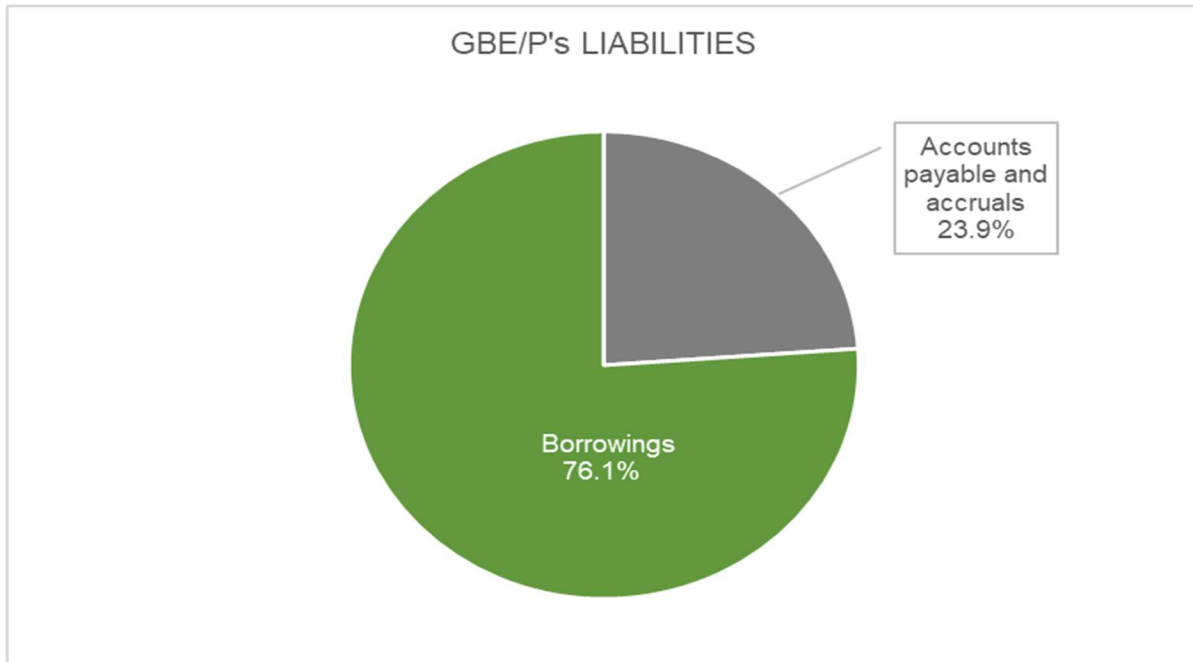
The Province has two Government Business Enterprises (GBEs) including Newfoundland Labrador Liquor Corporation (NLC), and Nalcor Energy (Nalcor); and one Government Business Partnership (GBP), Atlantic Lottery Corporation Inc. (ALC). NLC is a provincial crown corporation responsible for managing the importation, sale and distribution of alcohol beverages and cannabis throughout the Province. Nalcor is incorporated as a crown corporation and its business includes the development, generation, transmission and sale of electricity, oil and gas, industrial fabrication and energy marketing. ALC has been appointed to undertake, conduct and manage lotteries by and on behalf of the Provinces of Newfoundland and Labrador, New Brunswick, Nova Scotia and Prince Edward Island. ALC was consolidated in the Province's Consolidation Summary Financial Statements for the first time in fiscal 2013-14.

Equity In Government Business Enterprises and Partnership

Equity in GBEs and GBPs account for more than half of the Province's consolidated financial assets in 2019-20. Financial figures for ALC, NLC, and Nalcor can be found in Schedules 3 and 4 of the Consolidated Summary Financial Statements.

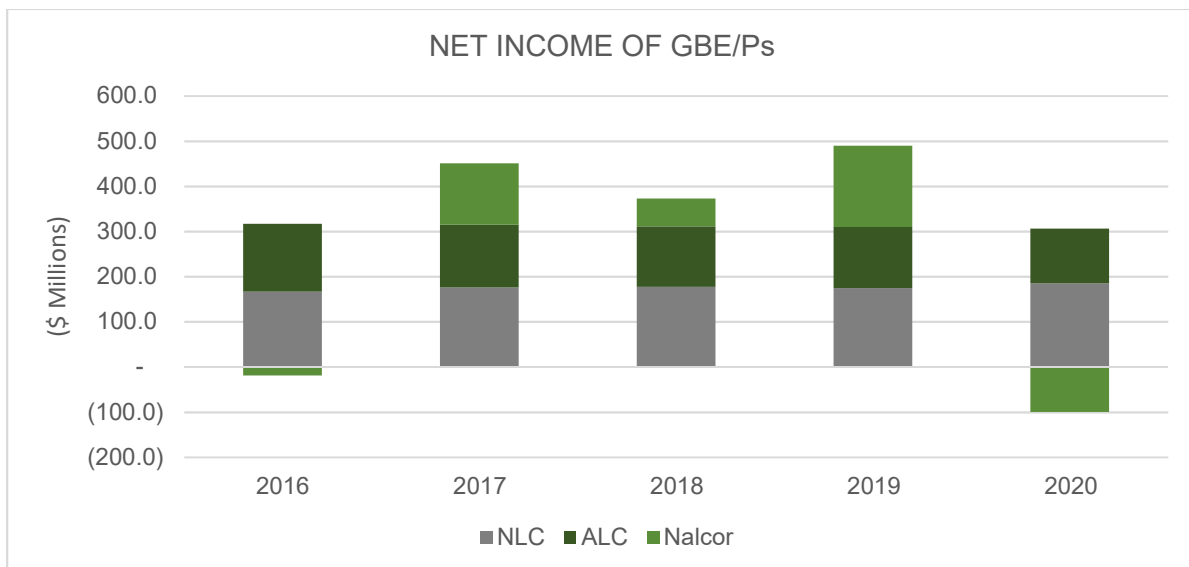
GBEs and GBPs are considered investments therefore their assets and liabilities are not combined with the assets and liabilities of other government entities; they are recorded in one line as 'Equity in government business enterprises and partnership' on the Consolidated Statement of Financial Position. To provide further information on the financial position of these organizations the following provides an overview of their asset and liability components. A significant portion of these components pertain to Nalcor. In fact, 99.8% of GBE/GBP borrowings relate to Nalcor as does 99.6% of the GBE/GBP capital and intangible assets.





Net Income of Government Business Enterprises and Partnership

The following graph shows the five-year trend in GBEs and GBPs net income. Total net income for the current year from GBE/GBPs was \$206.4 million. This is a decrease of \$283.9 million and 57.9% from 2018-19 (\$490.3 million). The decrease in net income was mainly due to the financial results from Nalcor, reporting a net loss of \$99.8 million in the fiscal year, which was a decrease in profit of \$280.0 million from 2018-19 (\$180.2 million).



Key drivers relating to the decrease of \$280.0 million in net income for Nalcor included:

- Revenue increased by approximately \$19.0 million primarily from NL Hydro:
 - \$49.0 million increase in revenue attributed to the implementation of higher electricity rates and higher industrial customer requirements.
 - \$30.0 million decrease in revenue as a result of lower than anticipated oil prices.
 - \$23.0 million decrease in revenue due to lower average export electricity prices and lower volumes available to export as a result of internal use.
 - \$14.0 million net increase in various other sources.
- Expenses increased by approximately \$299.0 million primarily relating to:
 - \$225.0 million increase in impairment expense primarily due to impairment of White Rose and Hibernia South Extension assets as a result of the significant decrease in crude oil price in Q1 2020.
 - \$28.0 million increase in fuel costs due to a higher volume and price of fuel.
 - \$15.0 million increase due to the additional cost of energy imported across the Maritime Link.
 - \$10.0 million increase in operating costs related to the expense of Labrador Transmission Assets as construction and testing was substantially complete and costs were no longer eligible for capitalization.
 - \$21.0 million net increase in various other sources.

Investment in Government Business Enterprises and Partnership

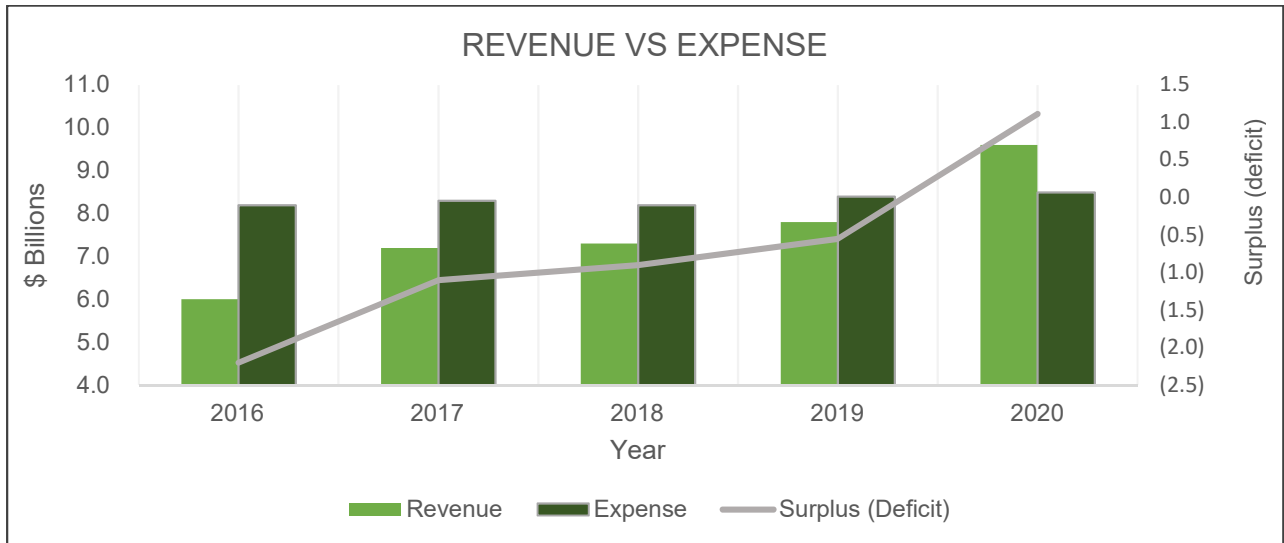
The Province injected \$379.2 million in Nalcor during 2019-20 in the form of equity investments relating to the Lower Churchill Project. ALC and NLC transferred a combined total of over \$287.1 million in dividends to the Province. Greater than 98% of the Province's equity in GBE/GBPs relate to Nalcor.

Capital Transactions

	2016	2017	2018	2019	2020
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Equity Contributions from the Province:					
Nalcor	760,004	836,002	589,885	533,658	379,200
NLC	-	-	-	-	-
ALC	-	-	-	-	-
Total	760,004	836,002	589,885	533,658	379,200
Dividends Received by the Province:					
Nalcor	-	-	-	-	-
NLC	158,500	198,000	180,000	183,600	168,500
ALC	144,784	135,193	130,084	131,705	118,666
Total	303,284	333,193	310,084	315,305	287,166

FINANCIAL OPERATIONS

For the fiscal year ended 31 March 2020, total revenue was \$9.6 billion (31 March 2019 - \$7.8 billion) and total expenses were \$8.5 billion (31 March 2019 - \$8.4 billion), resulting in a provincial surplus of \$1.1 billion (31 March 2019 - \$552.5 million deficit). The Province reported revenues and expenses for the previous five years as follows:



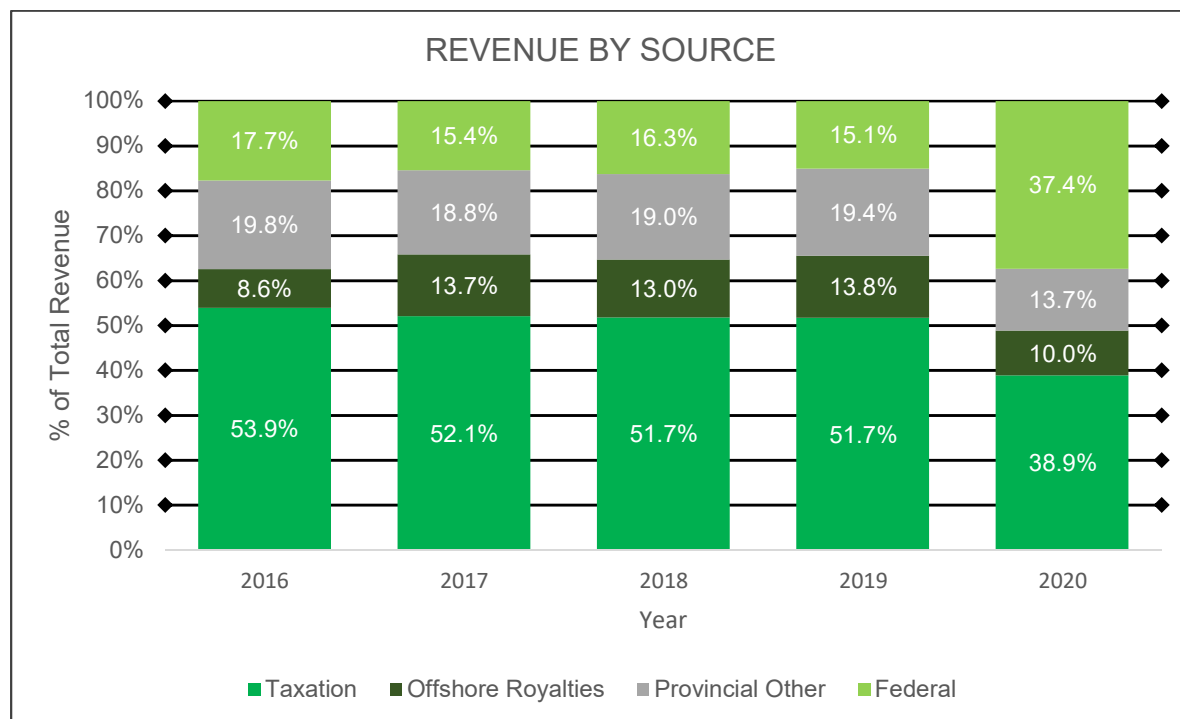
In the previous graph, the five-year trend in surplus (deficit) is shown in relation to revenues and expenses. While the Province has incurred deficits in four of the last five years, it has seen a gradual reduction in the deficit since reaching a low point of \$2.2 billion in 2015-16. 2019-20 experienced further improvements resulting in a surplus of \$1.1 billion in large part due to the Atlantic Accord (2019).

Revenue Highlights

Revenues of \$9.6 billion for 2019-20 were \$0.8 billion lower than the Original Budget of \$10.3 billion. Reported revenues in 2018-19 were \$7.8 billion. Compared to the prior year, revenues increased by \$1.8 billion. The improvement in the actual results for the fiscal year compared to the previous year is primarily due to federal source revenue from the Atlantic Accord.

Revenues by Source – Five Year Trend

The provincial and federal sources that make up total revenues for the past five fiscal periods are presented in the following graph.



Offshore Royalties

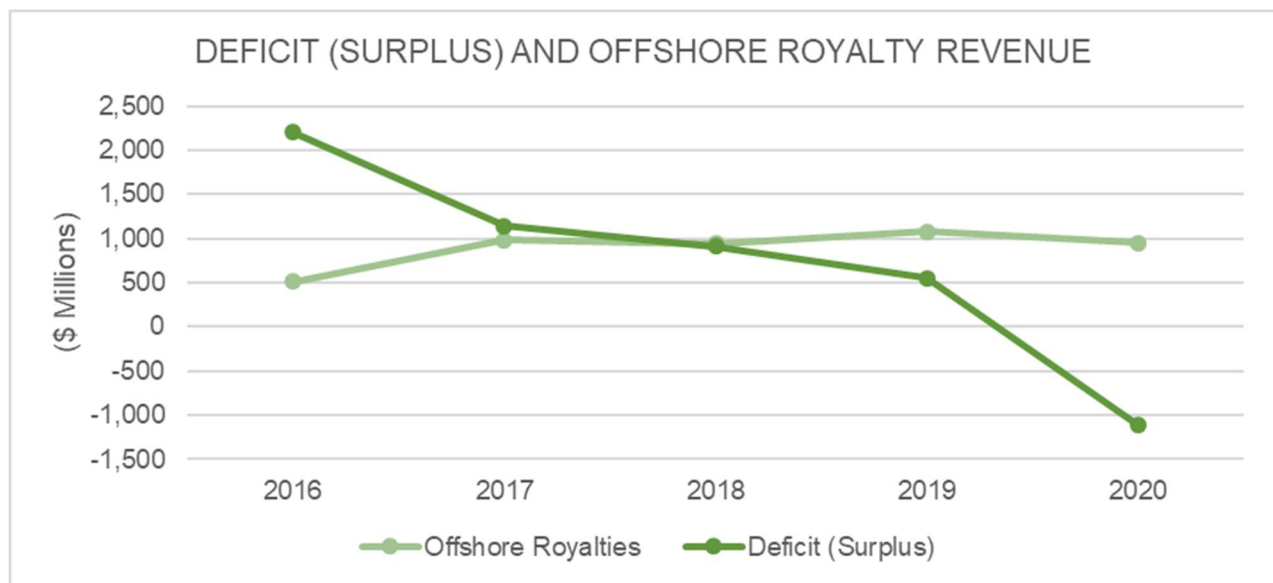
Oil royalties, which were forecast at Original Budget to be \$1.1 billion, resulted in actuals of \$957.1 million. Offshore oil royalty revenue was \$172.3 million lower than projected primarily due to shutdowns at Hibernia and Terra Nova and lower than anticipated oil prices. The average oil price for the year was \$61.16 US, \$3.84 below the \$65.00 US forecasted at original budget time. Compared to previous year offshore royalties were \$125.4 million lower in 2019-20. This decrease is mainly attributed to a lower oil price.

Total oil production was 0.07 million barrels higher than projected as higher output from Hebron offset declines from a production shutdown at Hibernia and delays in the Asset Life Extension project for Terra Nova due to the COVID-19 pandemic.

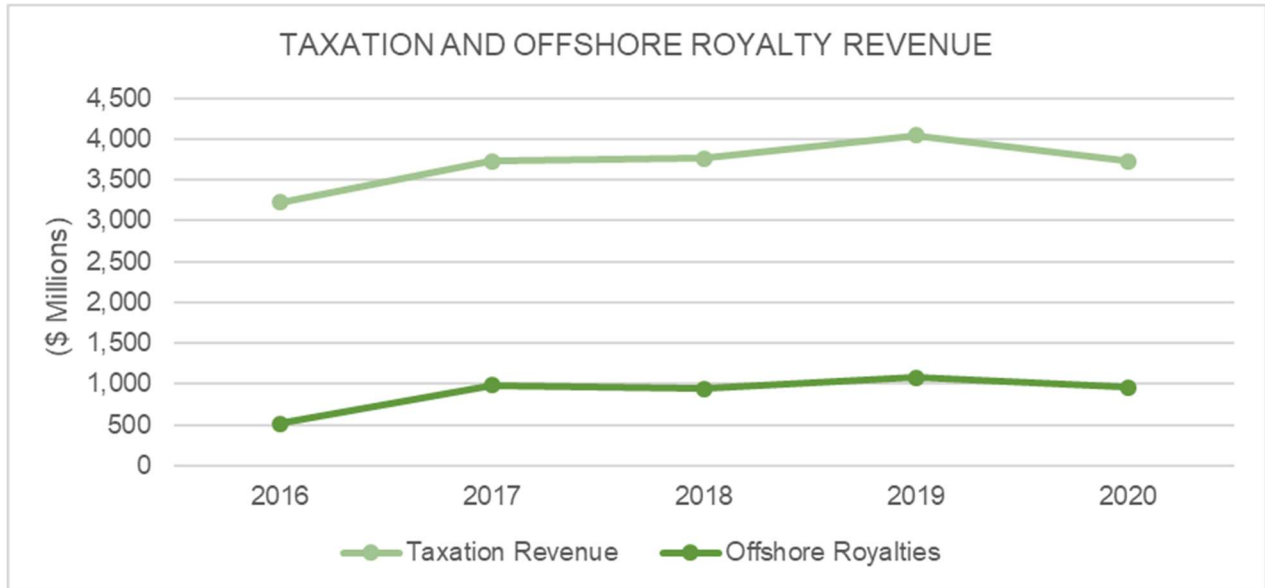
UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

Offshore Oil Royalties, Actuals and Original Budget For Fiscal year ended 31 March 2020			
	Actuals	Budget	Variance
Royalties (\$M)	\$957.1	\$1,129.4	(\$172.3)
Average oil price per barrel (\$US)	\$61.16	\$65.00	(\$3.84)
Average exchange rate (\$US/\$CA)	0.752	0.765	(0.01)
Production (millions of barrels):			
Hibernia	37.12	42.25	(5.13)
Terra Nova	8.12	10.79	(2.67)
White Rose	8.51	8.46	0.05
Hebron	45.70	37.88	7.82
Total Oil Production	99.45	99.38	0.07

Notes: Figures shown are for fiscal year 2019-20, and will differ from the calendar year figures presented in *The Economy* publications. Variances and totals may not calculate, due to rounding.



Offshore Royalty and Taxation Revenue – Five Year Trend



Taxation Revenue

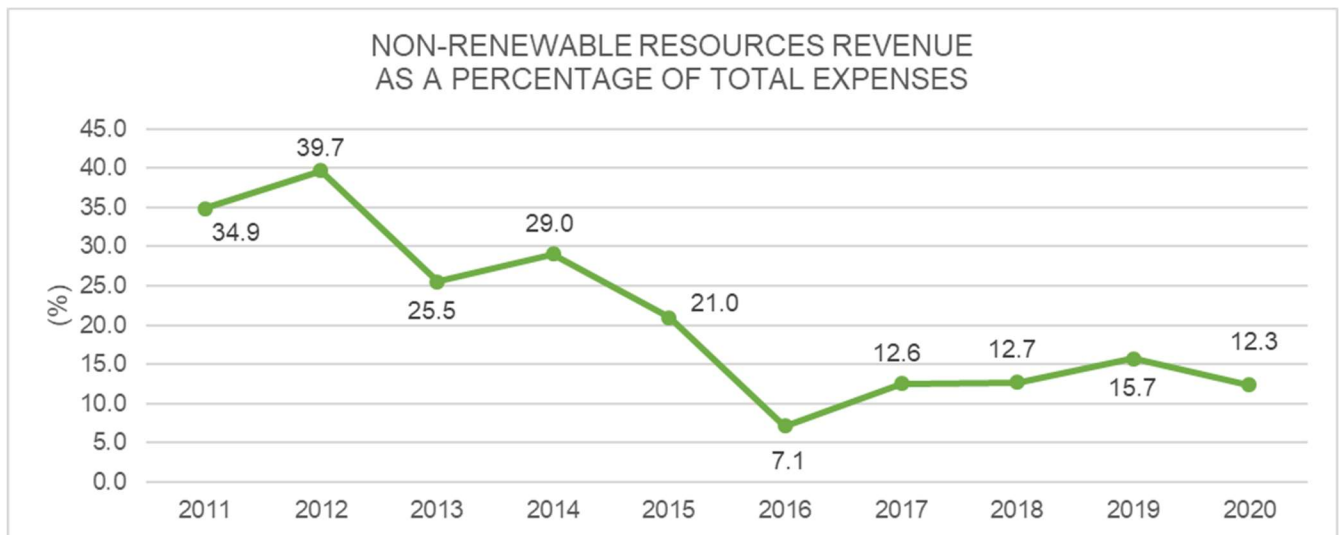
- Actual Results 2019-20 in comparison to prior year resulted in decreased revenue of \$311.5 million attributed to:
 - \$153.7 million decrease in corporate income tax revenue due to lower provincial entitlements for the 2019-20 tax year.
 - \$148.8 million decrease in mining and mineral rights tax primarily due to a one-time audit amount in 2018-19.
 - \$57.5 million decrease in sales tax mainly due to the elimination of retail sales tax on auto insurance premiums effective April 15, 2019.
 - \$29.7 million decrease in gasoline tax due to lower prices for both gasoline and diesel in 2019-20.
 - Partially offset by increases in personal income tax due to household income growth (\$53.6 million) and carbon tax (\$40.4 million) due to a full year of tax revenue, as carbon tax was only introduced in the fourth quarter of fiscal 2018-19.
 - \$15.8 million net decrease in various other taxes.
- Actual Results 2019-20 in comparison to Original Budget resulted in a decrease of \$189.9 million relating to:
 - \$185.9 million decrease in corporate income tax revenue due to lower than anticipated provincial entitlements for the 2019-20 tax year.
 - \$13.6 million decrease in carbon tax due to lower than expected diesel and gasoline consumption.
 - Partially offset by \$9.6 million in net increases in various other taxes.

Federal Source Revenue

- There was a significant increase of \$2.4 billion in Actual Results 2019-20 in comparison to prior year, related to the Atlantic Accord (2019). During the year, the Province and the Federal Government entered into the Hibernia Dividend Backed Annuity (HDBA) Agreement. As a result, the Province will receive a guaranteed revenue stream of approximately \$3.3 billion over 38 years (2019-2056). In exchange for guaranteed cash, the Province will make eight annual payments of \$100 million to begin in 2045 for a total of \$800 million. In accordance with *Canadian Public Sector Accounting Standards*, the Province has recorded the full revenue stream in 2019-20, net of the \$800 million payment to the Government of Canada and the estimated Canada Hibernia Holding Corporation provincial taxes pertaining to this Agreement.
- Actual Results 2019-20 in comparison to Original Budget resulted in a decrease of \$221.8 million, mainly relating to Atlantic Accord revenue (\$145.5 million) and cost-shared programs (\$91.5 million). The difference in the \$2.5 billion Atlantic Accord revenue budgeted and the actuals of \$2.4 billion is due to revised accounting treatment and updated estimates of the provincial taxes portion of the Agreement. The reduced cost-shared revenues can be primarily attributed to reduced infrastructure expenditures for road construction programs and municipal programs due to lower than anticipated program participation, and lower expenditures under the low carbon economy fund due to program delays.

NON-RENEWABLE RESOURCES REVENUE AS A PERCENTAGE OF TOTAL EXPENSES

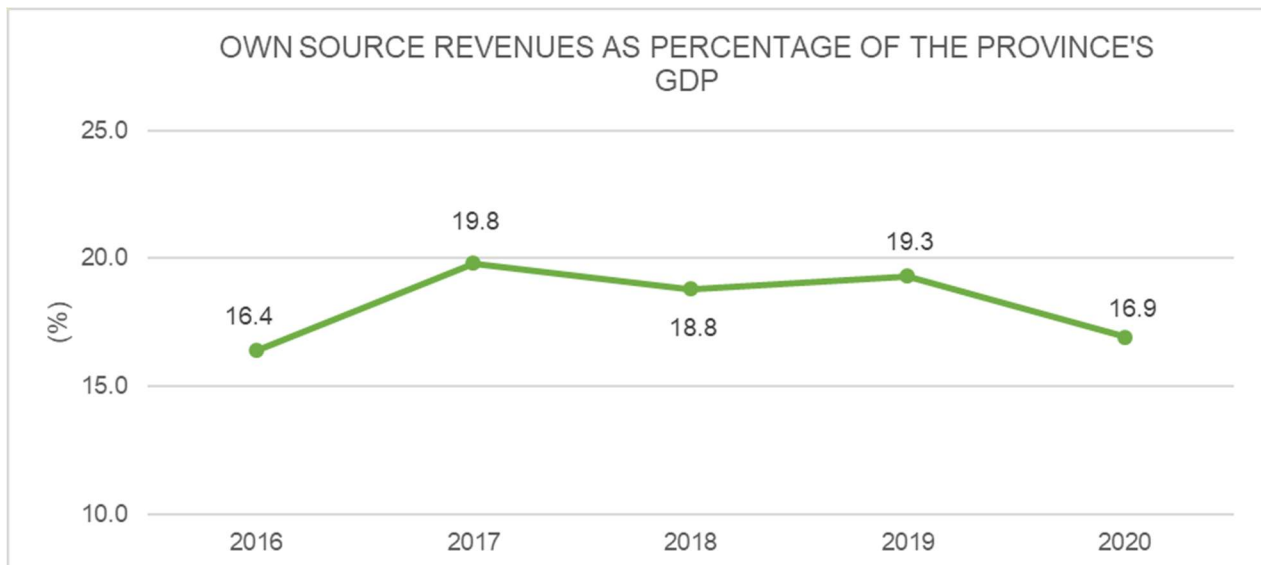
- Non-renewable resources revenue is affected by price, sales and other factors that are often beyond the Province’s direct control. Non-renewable resources revenue as a percentage of total expenses is an indicator of how vulnerable the Province is as a result of its dependence on non-renewable resources revenue to fund its expenses.
- The following graph indicates that the Province’s non-renewable resources revenue as a percentage of total expenses has decreased substantially from 34.9% in 2011 to 12.3% in 2020.



Note: Figures shown in the above graph include revenues for offshore royalties and mining and mineral rights tax.

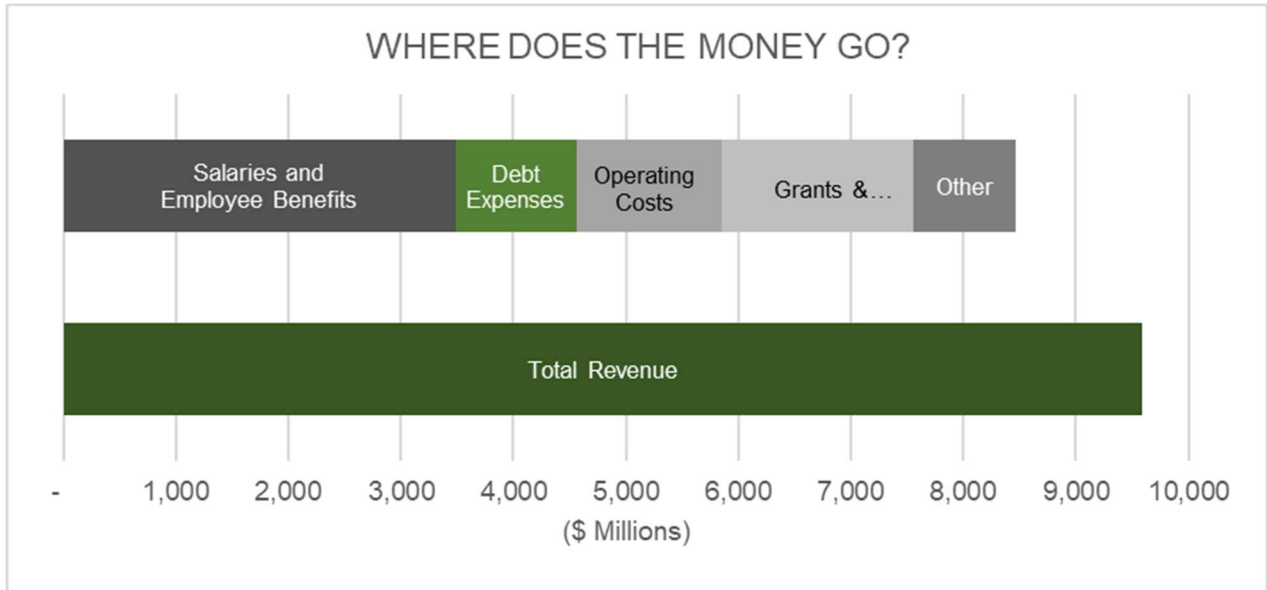
PROVINCIAL REVENUES AS A PERCENTAGE OF GDP

- The purpose of this indicator is to show the extent to which a government is taking income out of the economy in its jurisdiction, through both taxation and user charges.
- The following graph indicates that provincial revenues as a percentage of GDP decreased in the current year from 2018-19. The Province's GDP increased in 2019-20 which coincided with an increase in revenue.
- The 2019-20 own source revenues as percentage of the Province's GDP ratio is 16.9%. This represents a decrease of 2.4 percentage points from 19.3% in 2018-19. This ratio is lower than of the five-year average of 18.2%.



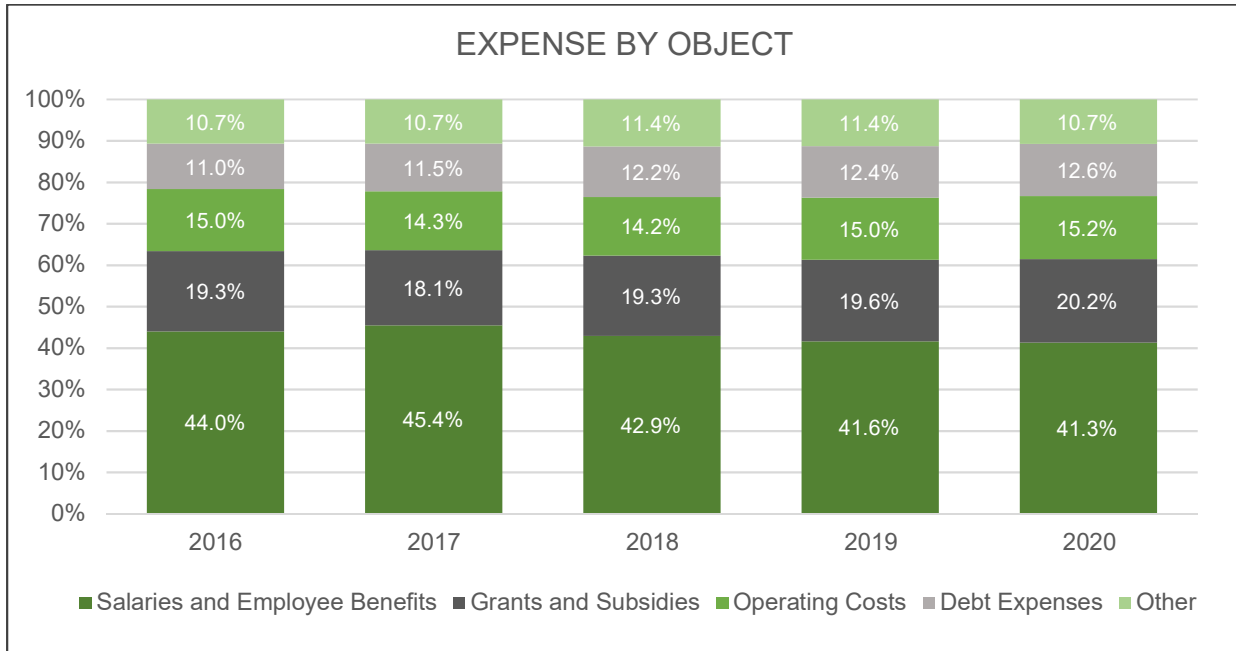
EXPENSE HIGHLIGHTS

The Province’s expenses are classified into the following: salaries and employee benefits; grants and subsidies; operating costs; debt expenses; and other expenses including professional services; amortization and (gain)/loss on the sale of tangible capital assets; property, furnishings and equipment; and valuation allowances (recovery). Total expenses of \$8.5 billion were \$41.1 million higher than the Original Budget (\$8.4 billion) and increased by \$87.1 million from the previous year. Salaries and employee benefits was the Province’s largest expense in each of the last five years.



Expenses by Object

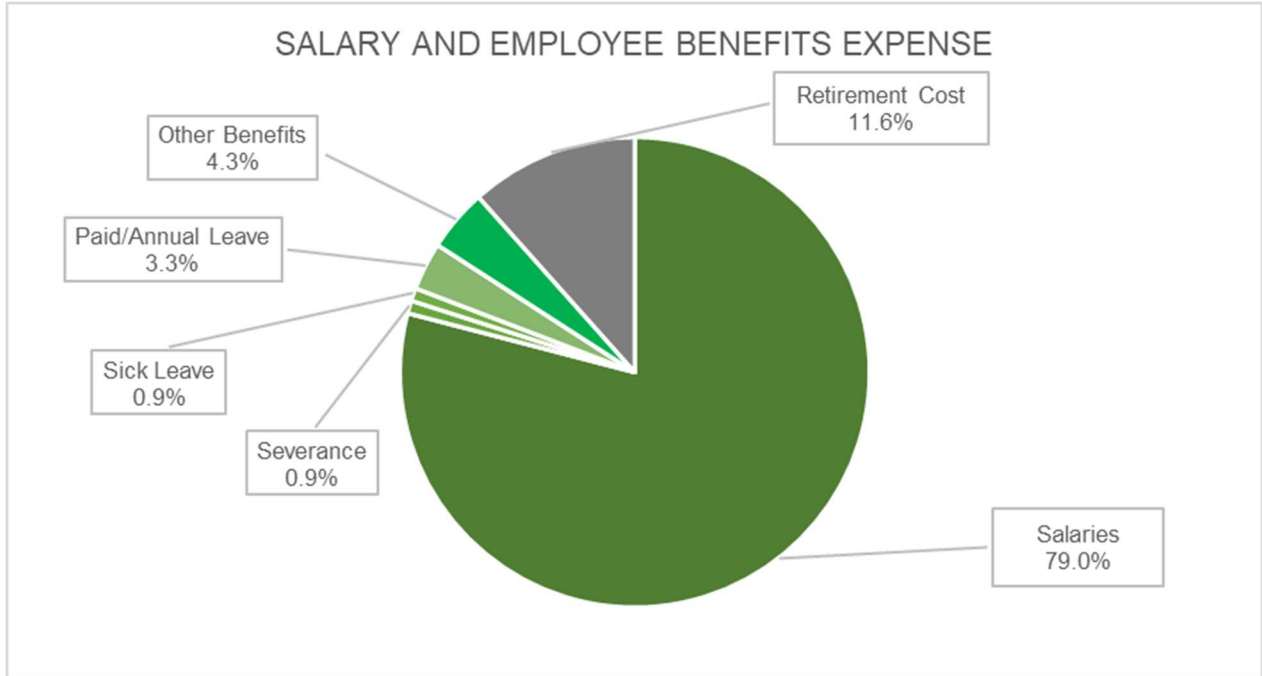
The following graph presents the percentage of expenses by object for the previous five-year period. The most significant expense type in 2019-20 was salaries and employee benefits, reflecting the nature of government in providing services to the Province. Salaries and employee benefits expense as a percentage of total expenses has declined since 2016.



Salaries and Employee Benefits

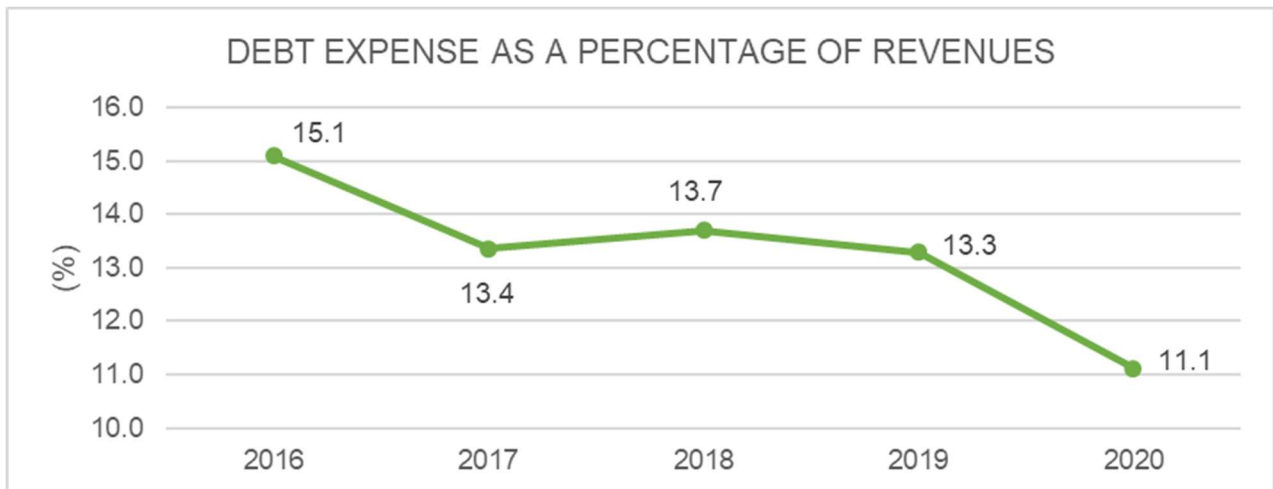
Salaries and employee benefits consists of the following:

	2020 (\$mil)	2019 (\$mil)
Salaries	2,761.7	2,731.0
Retirement costs	405.3	383.2
Other benefits	149.7	185.9
Paid and annual leave	115.2	104.2
Severance	30.9	43.3
Sick leave	30.9	39.6
Total	3,493.7	3,487.2



Debt Expense

The following graph presents the percentages of revenues used to pay debt expenses for the past five years. In 2019-20, the Province spent 11.1 cents of each revenue dollar on interest (13.3 cents in 2018-19). This ratio has decreased 26.5% over the five year period. While debt expenses increased for 2019-20, the decline in this ratio for 2020 is primarily the result of significant revenue from the Federal Government pertaining to the Atlantic Accord (2019). The decreasing ratio over the five-year period indicates that a lower percentage of revenues are used to service the province’s debt.



Compared to Previous Year

The increase in total expenses of \$87.0 million from 2018-19 to 2019-20 can be attributed to the following:

- Increase of \$66.5 million in grants and subsidies, mainly related to the following:
 - \$41.9 million increase primarily attributed to an increase in provincial drug program expenses and home support program expenses.
 - \$17.0 million increase due to greater utilization of research and development tax credits and film and video tax credits.
 - \$4.2 million increase primarily attributed to changes made to Income Employment Support programs.
 - \$3.3 million increase due to greater demand on employment development and training programs.
 - \$0.1 million net increases in various other departments and government entities.
- Increase of \$25.2 million in debt expenses primarily due to additional borrowings of \$2.1 billion.
- \$4.7 million net decreases in various other expenses.

Compared to Original Budget

Actual expenses for 2019-20 resulted in a \$41.0 million increase compared to the Original Budget (\$8.4 billion). The increase in expenses can be primarily attributed to the following:

- Increase of \$94.4 million in salaries and employee benefits mainly due to higher than anticipated severance costs.
- Increase of \$50.2 million in debt expenses mainly attributed to greater than anticipated borrowings.
- \$17.9 million in net increases in various other expenses, departments and entities.

The above increases were partially offset by the following:

- Decrease of \$121.5 million in grants and subsidies mainly associated with the following:
 - \$96.8 million decrease attributed to less than anticipated municipal infrastructure and Low Carbon Economy Fund expenditures due to program delays.
 - \$24.7 million in net decreases due to lower than anticipated cash-flow requirements for Oil and Gas Corporation of Newfoundland and Labrador and various other expenses, departments and entities.

RISK ANALYSIS

The Province is subject to various forms of risk inherent in the nature of certain financial statement elements and financial markets.

Exposure to risk from the use of accounting and other estimates in recording certain transactions is discussed in Note 19 – Measurement Uncertainty, of the consolidated financial statements of this publication.

Debt related risk including foreign exchange risk, interest rate risk, credit risk, and liquidity risk was discussed previously in the consolidated financial results section, page 15, of this publication.

In terms of Government Business Enterprises and Partnership risk, ALC and Nalcor Energy operate in an environment with various forms of financial risk including changes in interest rates, and fluctuation in foreign currency exchange rates and commodity prices. A combination of financial instruments and portfolio management tools and techniques are utilized to manage these risks.

With regards to the Muskrat Falls Project (MFP), as is the case with any large construction project, there are a variety of uncertainties that exist relating to execution. There is a risk that costs can increase over original estimates and schedules can be impacted by a number of factors. Organizational and structural changes implemented in 2016 separated the generation and transmission elements of the project to allow for more focus on the completion of each scope of work. MFP maintains an owner controlled insurance program, which is subject to coverage, limits and exclusions, as well as time sensitive claims discovery and reporting provisions.

Furthermore, on March 18, 2020, the Province declared a public health emergency under the Public Health Protection and Promotion Act in response to the global pandemic and outbreak of the novel coronavirus, COVID-19. The spread of COVID-19 throughout the world has caused a significant disruption to social and economic practices. The Province continues to work through and assess the impacts of COVID-19 on its financial position which has seen significant pressures on its revenues and expenses. On September 30, 2020, the Province tabled its Budget for the 2020-21 fiscal year and projected an increase in expenses due to COVID-19 related spending of \$487 million. As the response to the COVID-19 pandemic continues to evolve, the full extent of its impacts are unknown at this time.

OPPORTUNITIES

While there is a greater degree of uncertainty than usual regarding the medium-term economic outlook for the province due to the global pandemic, there is reason to be optimistic in the longer term. Various opportunities to the economic forecast exist in the energy sector, aquaculture and mining industries.

- While plans to proceed with the province's fifth oil project, Bay du Nord, are currently on hold, the development is expected to generate significant economic benefits for the province. Additionally, the combined resource potential released to date is 63.6 billion barrels of oil and 224.1 trillion cubic feet of gas in just 10% of Newfoundland and Labrador's offshore basins, illustrating the substantial oil and gas resources available. Numerous long-term exploration programs – submitted by industry for the Jeanne d'Arc, Flemish Pass, Orphan and Cason basins – bode well for the future of the oil industry in the province.
- In the mining industry, Tacora is continuing to ramp up iron ore production at its recently re-opened Scully mine in Western Labrador; Marathon Gold is progressing with its Valentine Lake gold project in central Newfoundland; and development of Vale Newfoundland and Labrador's underground nickel mine is continuing in Voisey's Bay, Labrador. In addition, a number of promising exploration developments have progressed in the past year.

- Aquaculture is an expanding industry that is becoming an increasingly important economic contributor to rural areas of the province. Both MOWI Canada East and Grieg Aquaculture continue to pursue aquaculture development opportunities that are expected to lead to a considerable expansion in production over the next five years, resulting in an increase in employment and opportunities for the supply and service sector, processing and marine site work.

RISKS

The Province's financial position and fiscal forecast are also subject to various risks in the economic forecast, which has been largely impacted by the global pandemic. These risks have the potential to significantly impact the provincial economy and, in turn, the Province's fiscal position. These risks pertain to such items as the global COVID-19 pandemic, market and demographic factors, and the cost of major projects such as the MFP, including the ability to achieve Government's rate mitigation strategy in relation to the MFP.

Global Pandemic

- Oil prices lower than anticipated and unexpected variations in US exchange rates in the economic forecast would reduce revenues. The continued global effects of COVID-19 add an additional level of uncertainty to these estimations.
- The economic disruption caused by the pandemic has had an impact on the construction and development of some major projects, such as West White Rose. Additionally, investment decisions for businesses regarding major capital projects may change as a result of the pandemic.
- Tourism activity in the province has been severely impacted, as the pandemic in early 2020 led to a virtual stop of all travel activity globally, with non-essential travel strongly discouraged or prohibited. Domestic and international travel restrictions are expected to greatly affect the peak travel season, which accounts for 75% of non-resident visitation.
- Health care costs related to COVID-19 are as of yet unknown, including demands for such things as personal protective equipment, testing and mobilizing efforts to support.
- Uncertainties related to the full impact of COVID-19 have resulted in the absence of a Federal Budget and the inability to provide multi-year provincial forecasting at this time.

Market and Demographic Factors

- The Russia-Saudi Arabia oil price dispute, which began in March 2020, and a significant drop in global oil demand due to the pandemic has resulted in a significant drop of oil price, reducing provincial oil royalties. Continued oil production cuts and their resulting price impacts could further decrease revenues.
- The global trading environment remains uncertain as countries re-evaluate existing trading relationships and consider adopting protectionist policies.

- Rapid aging of the population is one of the most important demographic challenges confronting the Province because of its significant implications for program delivery of many public services, in particular health care.

Muskrat Falls Project

- Paying for the MFP and achieving rate mitigation is one of the biggest challenges facing the Province. While the proposed framework has been developed, specific strategies are still under consideration. As a result, considerable pressures remain on the provincial economy. In the absence of rate mitigation solutions, the Province risks either additional debt burdens to tax payers by funding rate mitigation or rising electricity rates for rate payers. These risks have the potential to place downward pressures on the Province's financial position, as well as economic activity across the province in general.
- The Board of Commissioners of Public Utilities issued a final report on February 7, 2020, concerning the impact of the MFP on electricity rates and potential mitigation options to protect residents from increases that would affect the cost of living. It is not yet possible to quantify with any degree of certainty the annual cost savings and revenues associated with identified rate mitigation opportunities, should they be implemented. It is expected both domestic and industrial customers will experience significant rate increases unless additional mitigating factors can be applied beyond those suggested in the report, including federal financing.
- The Atlantic Accord (2019) included a federal commitment to further engage with Newfoundland and Labrador to expeditiously examine the financial structure of the MFP, to assist the province in achieving rate mitigation. The nature and amount of assistance from the Federal Government is still under consideration.
- On September 22, 2020, power was generated at MFP for the first time. However, as a result of COVID-19 and issues with General Electric software delays on the Labrador-Island Link, the project is experiencing a delay in final completion and an additional capital cost overrun.

ECONOMIC OUTLOOK AND OVERVIEW

In advance of receiving results of actual revenues collected, the Province relies on its economic and demographic forecasts, and known relationships with administrative data to estimate revenues. Some components of nominal Gross Domestic Product (GDP) such as consumer expenditure are used to forecast growth in specific tax bases. Other indicators such as household income (including earned income), consumer inflation and population are also used in the projection and estimation of certain revenues.

The following discussion provides an overview of the economic and demographic performance of Newfoundland and Labrador in 2019 as well as an estimate on the performance for 2020. Given the use of estimates, this data is subject to change as updated information becomes available. It should also be noted that all data discussed in this section are reported on a calendar year basis.

ECONOMIC PERFORMANCE IN 2019

The Newfoundland and Labrador economy performed well last year with most economic indicators posting positive results. Real GDP increased by 4.0% in 2019 (see table). Economic growth was due primarily to higher exports as a result of gains in mineral and oil production. Investment contributed to growth as well, as spending on major projects increased. Consumption and government spending did not significantly impact GDP growth.

Real exports rose by 4.5% last year, due mainly to higher oil and mineral shipments. Real exports of oil and mineral products grew by 13.0% and 16.1%, respectively. Higher oil production is due entirely to increased output from Hebron as that project continued to ramp up production. This increased output offset lower output from Hibernia and White Rose. Higher mineral exports are due to increased iron ore output as production from the Iron Ore Company of Canada rebounded after a two-month labour stoppage in 2018 and Tacora Resources began operations in June 2019.

Capital investment increased by 3.8% in 2019 to \$9.2 billion. Higher expenditures on non-residential spending offset a decline in residential expenditures. Non-residential spending, led by expenditures on the West White Rose and Voisey's Bay underground mine projects, grew by 5.1%. This was offset by a decline in residential spending due to lower housing starts. Housing starts declined by 13.8% in 2019.

Retail sales (which account for about 55% of consumer spending) totalled \$9.0 billion last year, roughly on par with 2018. A higher value of sales at motor vehicle and parts dealers, general merchandise stores and health and personal care stores offset declines in sales value at gasoline stations and food and beverage stores.

UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

**Economic Indicators
Newfoundland and Labrador**

	<u>2018</u>	<u>2019</u>	<u>2020f</u>
GDP at Market Prices (\$ Millions)	33,961	35,349	30,497
% Change	0.8	4.1	-13.7
% Change, Real	-3.5	4.0	-4.8
Final Domestic Demand (\$ Millions)	34,576	35,385	33,151
% Change	-2.8	2.3	-6.3
% Change, Real	-4.2	1.7	-7.4
Household Income (\$ Millions)	25,742	26,405	26,876
% Change	0.7	2.6	1.8
% Change, Real	-0.9	1.5	1.7
Household Disposable Income (\$ Millions)	17,065	17,293	17,625
% Change	1.2	1.3	1.9
% Change, Real	-0.4	0.3	1.8
Retail Sales (\$ Millions)	9,009	8,995	8,455
% Change	-2.4	-0.2	-6.0
% Change, Real	-2.8	-0.2	-5.8
Consumer Price Index (2002=100)	137.9	139.3	139.4
% Change	1.6	1.0	0.1
Investment, Gross Fixed Capital Formation (\$ Millions)	8,828	9,167	7,922
% Change	-13.9	3.8	-13.6
% Change Real	-15.9	2.5	-13.3
Housing Starts	1,096	945	915
% Change	-21.7	-13.8	-3.1
Employment ('000s)	225.3	226.6	213.4
% Change	0.5	0.6	-5.8
Labour Force ('000s)	261.4	257.3	248.0
% Change	-0.6	-1.6	-3.6
Unemployment Rate (%)	13.8	11.9	13.9
Participation Rate (%)	58.9	58.4	56.4
Population ('000s)	525.6	523.5	522.0
% Change	-0.5	-0.4	-0.3

Final domestic demand measures demand in the local economy by summing consumption, investment and government expenditures; it excludes net exports.

f: forecast, Department of Finance, December 2020

Note: The forecast has been updated to reflect revised historical population, Final Domestic Demand, GDP, Household Income and Capital Spending estimates released by Statistics Canada since the 2020 Budget was released in September. Thus, these numbers differs from those published in the Budget and the Economy 2020.

Growth in the Consumer Price Index (CPI), or inflation, averaged just 1.0% in 2019. By comparison, Canada's inflation rate was 1.9%. Lower prices for fuel oil (down 4.2%) and gasoline (down 4.4%) moderated the overall increase in the CPI. Both fuel oil and gasoline were impacted by a decline in crude oil prices.

Labour market activity strengthened in 2019. Employment averaged 226,600 last year, an increase of 0.6% compared to 2018. Employment gains were due to an increase in full-time employment, which rose by 1.8%. Part-time employment declined by 6.0%. The unemployment rate fell to 11.9% in 2019, a drop of 1.9 percentage points compared to 2018 and near the record low unemployment rate of 11.6% posted in 2013.

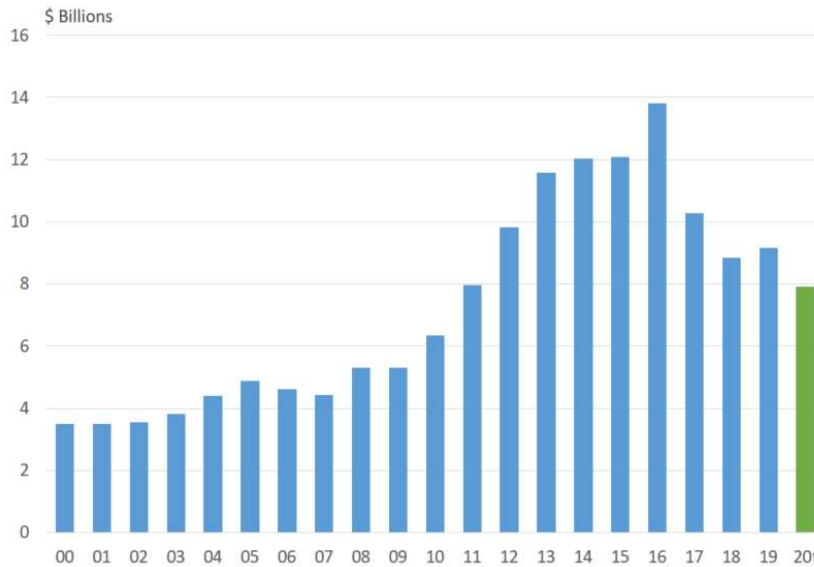
Wages increased at a solid pace during 2019. Average weekly earnings (including overtime) averaged \$1,060 in 2019, an increase of 2.1% compared to 2018. Newfoundland and Labrador's wages continue to be the second highest among provinces, after Alberta. Labour income totaled \$15.3 billion in 2019, 2.6% higher than 2018. The increase in labour income reflects both higher weekly earnings and higher employment.

Newfoundland and Labrador's population stood at 523,476 as of July 1, 2019, a decrease of 0.4% compared to July 1, 2018. Migration continued to be one of the primary factors influencing population change. Net out-migration totaled 686 persons in 2018-19—a gain of 1,911 from international migration was offset by a loss of 2,597 from interprovincial migration. Most people who left the province went to Alberta, Ontario and Nova Scotia. Natural change also reduced the population. Deaths outnumbered births, resulting in a natural population decline of 1,398. The median age of the province is the highest of all provinces and increased from 46.5 in 2018 to 47.0 in 2019.

Economic Outlook

As is the case for most jurisdictions, there is much uncertainty regarding provincial economic performance in 2020. Prior to the COVID-19 pandemic, economic growth in Newfoundland and Labrador was expected to continue in 2020 with gains in real GDP stemming from both higher exports and increased capital investment. The current expectation is that real GDP will decrease by 4.8% as measures to contain the spread of COVID-19 resulted in many businesses suspending operations for a period of time. Consequently, employment and wages and salaries have declined in the first half of 2020 and, while a rebound in activity is expected later in the year, on an annual basis most economic indicators are expected to post decreases this year. Employment is expected to decline by 5.8% in 2020 as the temporary shutdown of the economy resulted in a large number of individuals being temporarily laid off. Labour compensation is expected to fall by 5.2%; however, household income is forecast to increase by 1.8% as Canada Emergency Response Benefit (CERB) payments and growth in other transfer payments offset the loss in employment income. This should support consumer spending for the remainder of 2020.

Capital Investment



f: forecast
Source: Statistics Canada; Department of Finance

Exports are forecast to decrease by 3.9% (in real terms) as higher oil and mineral production are offset by a decline in refined petroleum exports due to the suspension of production at the Come By Chance refinery and lower fish exports. Capital investment is forecast to decline by 13.6% as construction of the major projects currently under development in the province—West White Rose, Muskrat Falls and Voisey’s Bay underground mine—was temporarily halted in response to the pandemic (as reflected in the above Capital Investments chart). Muskrat Falls and Voisey’s Bay underground mine construction has resumed in recent months, but West White Rose remains suspended and is not expected to restart until 2022 as the earliest.

To assist in stimulating the economy and managing the impacts of COVID, the provincial and federal governments have introduced a number of incentive and support programs in 2020 to assist individuals and businesses. These programs range from support for individuals and families through the Essential Worker Support program to investing in the healthy and safe return to school for students. Assistance for the business community has seen a number of new programs announced, including support for the tourism and hospitality sector, the Small Business Assistance program, the Canada United Small Business Relief Fund, the Canada Emergency Wage Subsidy, as well as the Canadian Emergency Rent Subsidy.

Looking forward, the economy is expected to rebound from the depressed levels of 2020. Similar to other jurisdictions, there is a greater degree of uncertainty than usual regarding the medium-term economic outlook for the province. Major project construction schedules will continue to have a significant impact on capital investment and employment. The timing of projects in the oil sector is especially difficult to forecast given the current challenges in that sector. Nonetheless, there is reason for optimism in the longer term, particularly in the province’s energy sector, but in areas such as the fisheries and mining sectors as well. Significant exploration programs have been announced by oil companies over the next 10 years demonstrating considerable commitment to the offshore area. Oil exploration and development hold significant economic opportunities for the provincial economy.

Risks and Adjustments

Although these economic indicators for 2019 and 2020 form the basis for the final revenues presented in the 2019-20 Public Accounts, they are still projections and are subject to change. Further economic and administrative data relating to 2019 and 2020 are expected in the future. New data may result in adjusted revenues in respect to the taxation years reported in this document. Such differences will be reflected in subsequent fiscal years as prior year adjustments. As a result, differences may arise between estimated and actual revenues reported in these Public Accounts.

GLOSSARY OF TERMS

To assist in understanding the discussion and analysis to follow in this report, definitions of the various terms used are provided below:

<i>Accrual Basis:</i>	A method of accounting whereby revenues are recorded when earned and expenses are recorded when liabilities are incurred.
<i>Accumulated Deficit:</i>	Liabilities less total assets. This equals the net accumulation of all annual surpluses and deficits experienced by the Province.
<i>Annual Surplus/ (Deficit):</i>	The excess of annual revenues (expenses) over annual expense (revenues).
<i>Original budgetary Contribution/ (Requirement):</i>	The difference between revenues and expenditure cash flows of the Consolidated Revenue Fund generated as a result of the operations of government departments during the year.
<i>Cash Basis:</i>	A method of accounting whereby revenues are recorded when received and expenditures are recorded when paid.
<i>Deferred Revenue:</i>	Represents funding received in advance of revenue recognition criteria being met.
<i>Financial Assets:</i>	Assets (such as cash, receivables and investments) to be used to reduce existing or future liabilities.
<i>GDP:</i>	Gross Domestic Product (at market prices) of the Province.
<i>Interest Cost:</i>	Interest on the Province's debt (e.g. borrowings, unfunded pension liability), as well as, other debt related expenses.
<i>Net Borrowings:</i>	Total borrowings (debentures, treasury bills, etc.) less sinking funds. Also referred to as provincial debt in this report.
<i>Net Debt:</i>	Liabilities less financial assets.

<i>Non-Financial Assets:</i>	Assets consumed in the delivery of government services, but not intended to reduce existing or future liabilities. Non-financial assets are primarily comprised of tangible capital assets.
<i>Tangible Capital Assets:</i>	Non-financial assets which are held for use in the production or supply of goods and services and have useful economic lives extending beyond an accounting period. Examples include buildings, roads, infrastructure, marine vessels, heavy equipment and machinery.
<i>Unfunded Pension Liability:</i>	The total unpaid pension benefits earned by existing/former employees and retirees less the value of assets set aside to fund the benefits. Also included is the outstanding balance of the promissory notes as issued from the pension reform.



Province of Newfoundland and Labrador

Consolidated Summary Financial Statements

**For The Year Ended
31 March 2020**

This Page Intentionally Left Blank.

23 December 2020

STATEMENT OF RESPONSIBILITY

Responsibility for the integrity, objectivity and fair presentation of the consolidated summary financial statements of the Province of Newfoundland and Labrador rests with the Government. As required under Section 59 of the *Financial Administration Act*, these consolidated summary financial statements are prepared by the Comptroller General, Department of Finance in accordance with the applicable legislation and in accordance with the accounting policies as disclosed in Note 1 to these consolidated summary financial statements. These consolidated summary financial statements are prepared based upon information provided by the various Government departments and the noted Crown corporations, boards and authorities pursuant to Section 19 of the *Transparency and Accountability Act* and Section 20 of the *Financial Administration Act*.

The Government is responsible for maintaining a system of internal accounting and administrative controls in order to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records are properly maintained.

The consolidated summary financial statements in this volume include a Consolidated Statement of Financial Position, a Consolidated Statement of Change in Net Debt, a Consolidated Statement of Operations, a Consolidated Statement of Change in Accumulated Deficit, a Consolidated Statement of Cash Flows and notes. Other schedules and notes that are included also form an integral part of these statements.

Pursuant to Section 11 of the *Auditor General Act*, the Auditor General of Newfoundland and Labrador provides an independent opinion on the consolidated summary financial statements.

A handwritten signature in black ink, appearing to read "S. Crocker".

HONOURABLE STEVE CROCKER
President of Treasury Board and
Minister of Justice and Public Safety

A handwritten signature in blue ink, appearing to read "M. Jewer".

Michelle Jewer, CPA, CA
Comptroller General, Treasury Board Secretariat

This Page Intentionally Left Blank.



OFFICE OF THE AUDITOR GENERAL
NEWFOUNDLAND AND LABRADOR

INDEPENDENT AUDITOR'S REPORT

To the House of Assembly
Province of Newfoundland and Labrador

Report on the Audit of the Consolidated Summary Financial Statements

Opinion

I have audited the consolidated summary financial statements of the Province of Newfoundland and Labrador, which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statements of change in net debt, operations, change in accumulated deficit and cash flows for the year then ended, and notes to the consolidated summary financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated summary financial statements present fairly, in all material respects, the consolidated financial position of the Province of Newfoundland and Labrador as at March 31, 2020, and its consolidated results of operations, consolidated change in its net debt, consolidated change in its accumulated deficit, and its consolidated 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 Consolidated Summary Financial Statements section of my report. I am independent of the Province of Newfoundland and Labrador in accordance with the ethical requirements that are relevant to my audit of the consolidated summary 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 Matter

Without modifying my opinion, I draw attention to Government's commitment to ensure electricity rates in this Province are not impacted by the Muskrat Falls Project. Government has not finalized specific strategies for its rate mitigation plan. Implementation of this plan may have a significant impact on the Province's consolidated summary financial statements in future years.

Independent Auditor's Report (cont.)

Other Information

Management is responsible for the other information. The other information comprises the information in the Public Accounts of Newfoundland and Labrador, but does not include the consolidated summary financial statements and my auditor's report thereon.

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

In connection with my audit of the consolidated summary financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated summary financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated summary 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 the consolidated summary financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated summary financial statements, management is responsible for assessing the Province of Newfoundland and Labrador'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 an intention exists to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Province of Newfoundland and Labrador's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Summary Financial Statements

My objectives are to obtain reasonable assurance about whether the consolidated summary 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

Independent Auditor's Report (cont.)

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 consolidated summary 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 consolidated summary 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 Province of Newfoundland and Labrador'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 Province of Newfoundland and Labrador'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 consolidated summary 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 Province of Newfoundland and Labrador to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated summary financial statements, including the disclosures, and whether the consolidated summary financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent Auditor's Report (cont.)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated summary financial statements to express an opinion on the consolidated summary financial statements. I am responsible for the direction, supervision, and performance of the group audit. I remain solely responsible for my audit opinion.

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.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

As required under Section 11 of the Auditor General Act, I also report that in my opinion, these consolidated summary financial statements present fairly, in all material respects, the consolidated financial position of the Province as at March 31, 2020, and its consolidated results of operations, consolidated change in its net debt, consolidated change in its accumulated deficit, and its consolidated cash flows for the year then ended in accordance with the accounting policies as disclosed in Note 1 to these consolidated summary financial statements applied on a basis consistent with that of the preceding year.



SANDRA RUSSELL, CPA, CA
Auditor General (A)

December 23, 2020
St. John's, Newfoundland and Labrador

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Consolidated Statement of Financial Position As at 31 March 2020 with comparative figures for 2019

	Actuals 2020 (\$000)	Actuals 2019 (Note 14) (\$000)
FINANCIAL ASSETS		
Sch. 1	1,560,237	1,271,008
	Cash and temporary investments - note 2	
Sch. 1	3,615,158	584,097
	Receivables (net of valuation allowances)	
	4,787	4,207
	Inventories held for resale - note 3	
Sch. 2	395,987	395,079
	Loans, advances and investments (net of valuation allowances)	
Sch. 3	6,101,543	5,811,880
	Equity in government business enterprises and partnership - note 1(b)	
	<i>Total Financial Assets</i>	<i>8,066,271</i>
	<u>11,677,712</u>	<u>8,066,271</u>
LIABILITIES		
Sch. 5	2,997,661	2,510,137
	Payables, accrued and other liabilities	
	196,216	173,440
	Deferred revenue - note 4	
Sch. 6	15,079,462	12,990,569
	Borrowings (net of sinking fund assets)	
	(199,840)	(193,499)
	Plus: Unamortized unrealized foreign exchange gains (losses) and unamortized premiums (discounts) and issuance fees - note 5	
	<u>14,879,622</u>	<u>12,797,070</u>
	Group health and life insurance retirement benefits - note 6	3,035,970
	3,149,114	
	Unfunded pension liability - note 7	652,117
	685,254	
	4,204,705	4,275,619
	Plus: Promissory notes - note 7	
	<u>4,889,959</u>	<u>4,927,736</u>
	<i>Total Liabilities</i>	<i>23,444,353</i>
	<u>26,112,572</u>	<u>23,444,353</u>
	NET DEBT	15,378,082
	<u>14,434,860</u>	<u>15,378,082</u>
NON-FINANCIAL ASSETS		
Sch. 10	4,631,729	4,466,037
	Tangible capital assets	
	50,704	45,592
	Prepaid and deferred charges - note 8	
	77,541	71,148
	Inventories of supplies - note 3	
	<i>Total Non-Financial Assets</i>	<i>4,582,777</i>
	<u>4,759,974</u>	<u>4,582,777</u>
	ACCUMULATED DEFICIT	10,795,305
	<u>9,674,886</u>	<u>10,795,305</u>
	Contingent Assets - note 17	
	Contingent Liabilities - note 9	
	Contractual Obligations - note 11	
	Contractual Rights - note 16	
	Externally Restricted Assets - note 12	
Sch. 7	Guaranteed Debt - note 13	
Sch. 9	Trust Accounts - note 9(c)(i)	

The accompanying notes and supporting schedules form an integral part of the financial statements.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Consolidated Statement of Change in Net Debt For the year ended 31 March 2020 with comparative figures for 2019

	Actuals 2020 (\$000)	Budget Original 2020 (Note 21) (\$000)	Actuals 2019 (Note 14) (\$000)
NET DEBT - beginning of period	15,378,082	15,413,765	14,673,716
Add (Deduct):			
Adjustments - note 14			
Government organization changes	(11,967)	-	54,973
ADJUSTED NET DEBT - beginning of period	<u>15,366,115</u>	<u>15,413,765</u>	<u>14,728,689</u>
Surplus (Deficit) for the period	<u>1,117,181</u>	<u>1,924,452</u>	<u>(552,529)</u>
Changes in tangible capital assets			
Acquisition of tangible capital assets	494,639	597,806	415,087
Net book value of tangible capital asset disposals/adjustments	(2,871)	-	(3,656)
Amortization of tangible capital assets	(326,076)	(319,361)	(313,468)
<i>Increase (Decrease) in net book value of tangible capital assets</i>	<u>165,692</u>	<u>278,445</u>	<u>97,963</u>
Changes in other non-financial assets			
Acquisition of prepaid and deferred charges (net of usage)	5,112	-	5,004
Acquisition of inventories of supplies (net of consumption)	6,393	-	11,783
<i>Increase (Decrease) in other non-financial assets</i>	<u>11,505</u>	<u>-</u>	<u>16,787</u>
Changes in net debt from operations			
Sch. 3 Other comprehensive (income) loss	8,729	-	(17,886)
<i>Increase (Decrease) from operations</i>	<u>8,729</u>	<u>-</u>	<u>(17,886)</u>
<i>Increase (Decrease) in net debt</i>	<u>(931,255)</u>	<u>(1,646,007)</u>	<u>649,393</u>
NET DEBT - end of period	<u><u>14,434,860</u></u>	<u><u>13,767,758</u></u>	<u><u>15,378,082</u></u>

The accompanying notes and supporting schedules form an integral part of the financial statements.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Consolidated Statement of Operations For the year ended 31 March 2020 with comparative figures for 2019

	Actuals 2020	Original Budget 2020 (Note 21)	Actuals 2019 (Note 14)
	(\$000)	(\$000)	(\$000)
REVENUE			
Sch. 11 Provincial			
Sch. 11 Taxation	3,732,736	3,922,619	4,044,197
Sch. 11 Investment	114,738	74,736	106,865
Sch. 11 Fees and fines	404,885	353,448	346,020
Sch. 11 Offshore royalties	957,054	1,129,345	1,082,500
Sch. 11 Miscellaneous	583,282	616,832	575,298
Sch. 11 Federal	<u>3,584,578</u>	<u>3,806,367</u>	<u>1,181,690</u>
	9,377,273	9,903,347	7,336,570
Sch. 4 Net income of government business enterprises and partnership	<u>206,358</u>	<u>446,495</u>	<u>490,272</u>
Total Revenue	<u>9,583,631</u>	<u>10,349,842</u>	<u>7,826,842</u>
EXPENSE			
Sch. 12 General Government Sector and Legislative Branch	2,061,683	1,949,498	2,009,239
Sch. 12 Resource Sector	1,492,178	1,483,571	1,482,180
Sch. 12 Social Sector	<u>4,912,589</u>	<u>4,992,321</u>	<u>4,887,952</u>
Sch. 13 Total Expense	<u>8,466,450</u>	<u>8,425,390</u>	<u>8,379,371</u>
ANNUAL SURPLUS (DEFICIT)	<u>1,117,181</u>	<u>1,924,452</u>	<u>(552,529)</u>

The accompanying notes and supporting schedules form an integral part of the financial statements.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Consolidated Statement of Change in Accumulated Deficit For the year ended 31 March 2020 with comparative figures for 2019

	<u>Actuals</u> 2020 (\$000)	<u>Original</u> Budget 2020 (Note 21) (\$000)	<u>Actuals</u> 2019 (Note 14) (\$000)
ACCUMULATED DEFICIT - beginning of period	10,795,305		10,180,690
Add (Deduct):			
Adjustments - note 14			
Government organization changes	(11,967)		54,973
Tangible capital assets	<u>-</u>		<u>24,999</u>
ADJUSTED ACCUMULATED DEFICIT - beginning of period	10,783,338		10,260,662
Surplus (Deficit) for the period	1,117,181	1,924,452	(552,529)
Sch. 3 Other comprehensive (income) loss	<u>8,729</u>		<u>(17,886)</u>
ACCUMULATED DEFICIT - end of period	<u><u>9,674,886</u></u>		<u><u>10,795,305</u></u>

The accompanying notes and supporting schedules form an integral part of the financial statements.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Consolidated Statement of Cash Flows For the year ended 31 March 2020 with comparative figures for 2019

	Actuals 2020 (\$000)	Actuals 2019 (Note 14) (\$000)
Funds provided from (applied to):		
OPERATIONS		
Annual surplus (deficit)	1,117,181	(552,529)
Add (Deduct) non-cash items:		
Accounts receivable	(3,023,881)	(27,131)
Accounts payable	487,524	(458,330)
Amortization of foreign exchange (gains)/losses, premiums, discounts and issuance fees	23,389	17,496
Amortization of tangible capital assets	326,076	313,468
Retirement costs	149,800	142,957
Valuation allowances	17,159	17,767
Unremitted net income of government business enterprises and partnership	80,808	(174,967)
Sinking fund earnings	(70,747)	(62,272)
Deferred revenue	22,776	4,917
Other	6,258	(22,517)
Special purpose funds/contractors' holdback funds	(32,290)	7,256
Net cash provided from (applied to) operating transactions	<u>(895,947)</u>	<u>(793,885)</u>
CAPITAL		
Acquisitions	(494,639)	(415,087)
Disposals	3,681	1,032
Net cash provided from (applied to) capital transactions	<u>(490,958)</u>	<u>(414,055)</u>
FINANCING		
Debt issued	1,213,282	1,481,667
Debt retirement	(265,752)	(289,805)
Retirement of pension liabilities	(3,716)	(2,445)
Retirement of promissory note	(70,914)	(66,900)
Sinking fund contributions	(45,224)	(45,184)
Sinking fund proceeds	202,437	-
Treasury bills purchased	6,940,107	4,281,723
Treasury bills redeemed	(5,927,900)	(4,088,481)
Net cash provided from (applied to) financing transactions	<u>2,042,320</u>	<u>1,270,575</u>
INVESTING		
Loan repayments	24,327	17,557
Loan advances	(2,823)	(14,369)
Investments	(8,490)	(14,015)
Investment in government business enterprises	(379,200)	(533,658)
Net cash provided from (applied to) investing transactions	<u>(366,186)</u>	<u>(544,485)</u>
Net cash provided (applied)	289,229	(481,850)
Cash and temporary investments - beginning of period	1,271,008	1,752,858
CASH AND TEMPORARY INVESTMENTS - end of period - note 2	<u>1,560,237</u>	<u>1,271,008</u>

The accompanying notes and supporting schedules form an integral part of the financial statements.

SUMMARY FINANCIAL STATEMENTS**PROVINCE OF NEWFOUNDLAND AND LABRADOR****Notes to the Consolidated Financial Statements
For the year ended 31 March 2020****1. Summary of Significant Accounting Policies****(a) The Reporting Entity**

The Reporting Entity includes the accounts and financial activities of organizations, as approved by Treasury Board, which are controlled by Government. These organizations are accountable for the administration of their financial affairs and resources either to a Minister of the Government or directly to the Legislature.

A listing of organizations included in these financial statements is provided in Schedule 15 - Government Reporting Entity.

(b) Method of Consolidation

The accounts of government organizations, except those designated as government business enterprises and government business partnership, are consolidated after adjusting them to a basis consistent with the accounting policies described below. Inter-organizational transactions and balances are eliminated.

Government business enterprises are organizations, included in the reporting entity, that have the financial and operating authority to carry on a business and sell goods and services to individuals and non-government organizations as its principal activity and source of revenue.

A government partnership exists when the Government has entered into a contractual arrangement with one or more partners outside the government reporting entity where these partners cooperate to achieve clearly defined common goals and share on an equitable basis, the significant risks and benefits associated with operating a government partnership.

A government business partnership is a government partnership that has the financial and operating authority to carry on a business and sell goods and services to individuals and organizations other than the partners as its principal activity and source of revenue.

Government business enterprises and government business partnerships are recorded on the modified equity method. Under this method, the Government's proportionate share of equity in these organizations are adjusted annually to reflect the net income/loss and other net equity changes of the organizations without adjusting the organization's financial statements to conform with the accounting policies described below. Inter-organizational transactions and balances are not eliminated.

Adjustments are not made to the financial results of government organizations because of fiscal year-ends different than that used for the consolidated entity, unless it would have a significant impact on the consolidated operating results.

(c) Basis of Accounting**(i) Method**

These financial statements are prepared on the accrual basis of accounting, revenues being recorded when earned and expenses being recorded when liabilities are incurred, with exceptions made in accordance with the applicable significant accounting policies.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(ii) *Revenues*

Revenues from the Government of Canada under the federal-provincial fiscal arrangements, health and social transfers and tax collection agreements are based on regular entitlements received for the current year and adjusted against future years' revenues when known. Government transfers are recognized as revenue in the period during which the transfer is authorized and all eligibility criteria are met, except when and to the extent that the transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers meeting the definition of a liability are recorded as deferred revenue and are recognized as revenue when the funds are used as intended.

Revenues from provincial tax sources are accrued in the year earned based upon estimates using statistical models and prior year actuals. Tax revenues are recorded at the amount estimated, after considering certain adjustments for non-refundable tax credits and other adjustments from the federal government. Refundable tax credits are not recognized as a reduction of tax revenues. Tax revenues are recorded net of any tax concessions or expenditures that reduce the amount of tax payable. Transfers made through the tax system that do not affect the amount of tax payable are recorded as expenses.

Other revenues are recorded on an accrual basis.

(iii) *Expenses*

Expenses are recorded on an accrual basis.

Retirement related costs are determined as the cost of benefits and interest on the liabilities accrued, as well as amortization of experience gains and losses.

(iv) *Assets*

Cash and temporary investments represent the cash position including bank balances and short-term, highly liquid investments that are readily convertible to known amounts of cash. Temporary investments are recorded at cost or market value, whichever is lower.

Accounts receivable are recorded for all amounts due for work performed and goods or services supplied. Taxes receivable are recorded for all amounts due for levies that are authorized and for which the taxable event has occurred. Valuation allowances are provided when collection is considered doubtful.

Inventories held for resale are recorded at the lower of cost or net realizable value.

Inventories of supplies are comprised of items which are held for consumption that will be used by the Province in the course of its operations.

Loans, advances and mortgages receivable are recorded at cost, less any concessionary terms. Concessionary terms represent the difference between the face value and the present value of the loan and are accounted as expenses on the Statement of Operations. Valuation allowances are recorded to reflect assets at the lower of cost or net recoverable value. Loans made by the Province that are expected to be recovered from future appropriations are accounted for as expenses by providing valuation allowances. Interest revenue on loans receivable is recognized when earned and ceases when collection is not reasonably assured.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Investments are recorded at cost, less any concessionary terms. Concessionary terms represent the difference between the face value and the present value of the investment and are accounted as expenses on the Statement of Operations. Investments are written down when there is a loss in value that is other than a temporary decline.

Equity in government business enterprises and government business partnerships represents the net assets of government business enterprises and government business partnerships recorded on the modified equity basis as described under note 1(b).

Unrealized foreign exchange gains or losses are deferred and amortized on a straight line basis over the remaining term of the debt.

Tangible capital assets held by the Province are recorded at cost or estimated cost less accumulated amortization. Assets acquired via public private partnership (P3) are recognized as a tangible capital asset when the province acquires control of the asset. Contracts for P3 assets generally require the private sector partner to design, build, finance, operate and/or maintain the asset. The cost of a P3 asset is initially measured at fair value and subsequently amortized over its useful life similar to other tangible capital assets.

(v) *Liabilities*

Payables, accrued and other liabilities are recorded for all amounts due for work performed, goods or services received or for charges incurred in accordance with the terms of a contract.

A liability for remediation of contaminated sites is recognized when an environmental standard exists, contamination exceeds the environmental standard, the government is directly responsible or accepts responsibility, it is expected that future economic benefits will be given up and a reasonable estimate of the amount can be made. An obligation is not recognized unless all criteria above are satisfied.

A liability, recognized in relation to a P3 arrangement is initially measured at the same amount as the related infrastructure asset reduced for any consideration previously provided to the private sector partner. Subsequent measurement of a liability is done at amortized cost using the effective interest method.

Deferred revenue represents amounts received but not earned.

Borrowings, except treasury bills, are recorded at face value and are reported net of sinking funds. Treasury bills are recorded at net proceeds. The Province records foreign-denominated debt in Canadian dollars translated at the exchange rate on the transaction date which is considered to be the issue date; except for the proceeds of hedged transactions which are recorded at the rate as established by the terms of that hedge. Foreign-denominated sinking fund assets are also recorded in Canadian dollars and transactions are translated at the exchange rate used in recording the related debt. At 31 March, foreign debt and sinking funds are adjusted to reflect the exchange rate in effect on that date. Premiums and Discounts relating to the issuance of debentures as well as issuance fees are deferred and amortized over the term of the related debt. Amortization and realized foreign exchange gains and losses, premiums and discounts and issuance fees are charged to debt expense.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(vi) *Government Transfers*

Government transfers are recognized by the Province as revenues or expenses in the period during which both the payment is authorized and any eligibility criteria and stipulations are met. The recognition of transfer revenues is only deferred when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability. Receivables are established for transfers to which the Province is entitled under government legislation, regulation or agreement.

Liabilities are established for any transfers due at 31 March for which the intended recipients have met the eligibility criteria and the transfer is authorized.

(vii) *Loan Guarantees*

The Province has guaranteed the repayment of principal and interest on certain debentures and bank loans on behalf of Crown corporations, municipalities, private sector companies and certain individuals. A provision for losses on these guarantees is established when it is determined that a loss is likely.

(d) Generally Accepted Accounting Principles

The accounting policies followed in the preparation of these financial statements have been applied consistently with generally accepted accounting principles for senior governments as established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

(e) Future Changes in Accounting Policies

There are several new standards and amendments to standards issued by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada that are not yet effective and have not been applied in these financial statements. These standards and corresponding effective dates are as follows:

Effective 1 April 2022:

PS 3450 Financial Instruments – a new standard establishing guidance on how to account for and report all types of financial instruments including derivatives.

PS 2601 Foreign Currency Translation – replaces *PS 2600* with revised standards on how to account for and report transactions that are denominated in a foreign currency.

PS 1201 Financial Statement Presentation – effective in the period *PS 2601* and *PS 3450* are adopted, replaces *PS 1200* with revised general reporting principles and standards for disclosure of information.

PS 3041 Portfolio Investments – effective in the period *PS 1201*, *PS 2601* and *PS 3450* are adopted, replaces *PS 3040* with revised standards on how to account for and report portfolio investments.

PS 3280 Asset Retirement Obligations – replaces *PS 3270 Solid Waste Landfill Closure and Post-Closure Liability*, with revised guidance on how to account for and report the legal obligations associated with the retirement of tangible capital assets.

Effective 1 April 2023:

PS 3400 Revenue – a new standard establishing guidance on how to account for and report on revenue.

These new and amended standards are planned to be adopted on the effective dates. The Province is currently analyzing the impact these standards will have on the financial statements.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Cash and Temporary Investments

Cash and temporary investments consist of:

	31 March 2020 (\$mil)	31 March 2019 (\$mil)
Cash and temporary investments – Consolidated Revenue Fund (CRF):		
Cash balance (overdraft)	1,241.4	905.8
Temporary investments	-	-
Total cash and temporary investments – CRF	1,241.4	905.8
Cash and temporary investments – Other Entities:		
Cash balance (overdraft)	219.5	235.2
Temporary investments	99.3	130.0
Total cash and temporary investments – Other Entities	318.8	365.2
Total: Cash and Temporary Investments (CRF and Other Entities)	1,560.2	1,271.0

Temporary investments consist of investments with financial institutions. As at 31 March 2020, these investments are on call or have maturity dates ranging from 09 April 2020 to 30 August 2021 at interest rates which vary from 2.3% to 2.62%.

3. Inventories

Inventories consist of:

	31 March 2020 (\$mil)	31 March 2019 (\$mil)
Inventories Held for Resale		
University and college textbooks, stockroom and food supplies	3.1	2.7
Other miscellaneous inventories	1.7	1.5
Total: Inventories Held for Resale	4.8	4.2
Inventories of Supplies		
Textbooks and stockroom supplies held within the CRF	42.6	43.9
Medical and drug supplies held by health sector entities	33.5	25.9
Other miscellaneous supplies	1.4	1.3
Total: Inventories of Supplies	77.5	71.1

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Deferred Revenue

Deferred revenue consists of:

	31 March 2020	31 March 2019	Change
	(\$mil)	(\$mil)	(\$mil)
Entities in the education sector relating to the provision of various educational services including contract training and special projects	128.0	129.9	(1.9)
Gas tax initiatives	47.3	20.7	26.6
Federal-Provincial initiatives in support of housing and home repair programs	10.9	12.6	(1.7)
Entities in the health sector relating to the provision of various health care services including research and other contracts	4.7	4.4	0.3
Federal initiatives in support of early learning and child care	-	0.7	(0.7)
Other miscellaneous programs including recycling programs, social and economic development and cultural heritage	5.3	5.1	0.2
Total: Deferred Revenue	<u>196.2</u>	<u>173.4</u>	<u>22.8</u>

The balance as of 31 March 2020 will be recognized as revenue in the periods in which the revenue recognition criteria have been met.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Unamortized Unrealized Foreign Exchange Gains and Losses and Unamortized Premiums (Discounts) and Issuance Fees

Foreign currency debt and sinking funds are translated to Canadian dollars at the exchange rate at 31 March 2020 or the exchange rate at maturity for those debt and sinking funds retired during the fiscal year. Premiums (discounts) and issuance fees relating to the issuance of debentures are deferred and amortized over the term of the related debt. See Schedule 6 - Borrowings. Details of the effect of these translations at year end are outlined in the table below.

The net amortization expense on foreign exchange is \$19.3 million which represents a debit adjustment (31 March 2019 - \$8.9 million-debit adjustment). The net amortization expense on premiums (discounts) and issuance fees is \$8.3 million which represents a debit adjustment (31 March 2019 - \$8.6 million-debit adjustment).

	31 March 2020	31 March 2019
	(\$mil)	(\$mil)
Foreign exchange gain (loss):		
Debt	(186.0)	(131.6)
Sinking funds	73.6	60.8
Net	(112.4)	(70.8)
Accumulated amortization on foreign exchange	41.9	22.6
Net unamortized unrealized foreign exchange gains (losses)	(70.5)	(48.2)
Unamortized premiums (discounts) and issuance fees	(129.3)	(145.3)
Total unamortized unrealized foreign exchange gains (losses), premiums (discounts) and issuance fees	(199.8)	(193.5)

6. Retirement Benefits - Group Health and Life Insurance

All retired employees of the Government of Newfoundland and Labrador who are receiving a pension from the Uniformed Services Pension Plan, Members of the House of Assembly Pension Plan or the Provincial Court Judges' Pension Plan are eligible to participate in the group insurance program sponsored by Government. All retired employees of the Government of Newfoundland and Labrador who (i) retired under the Public Service Pension Plan (PSPP) prior to 01 January 2015 or (ii) retire under the PSPP after 31 December 2014 and meet the eligibility criteria outlined below are eligible to participate in the group insurance program sponsored by Government. All retired teachers who are receiving a pension from the Teachers' Pension Plan are eligible for coverage under the group insurance program sponsored by the Newfoundland and Labrador Teachers Association (NLTA) and cost shared by Government. All retired employees of the Newfoundland and Labrador Housing Corporation (NLHC) are eligible to participate in the group insurance plans sponsored by NLHC. All retired employees of Memorial University of Newfoundland (MUN) who are receiving a pension from the Memorial University Pension Plan or another retirement benefit to which MUN contributed are eligible to participate in the group insurance plans, including dental benefits, sponsored by MUN. These programs provide both group health and group life benefits to enrolled retirees, including their spouses and dependents.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Following proclamation of the *Other Post-Employment Benefits Eligibility Modification Act* (OPEB Act) on 01 January 2015 new criteria related to the eligibility for post-employment group health and group life insurance benefits (i.e., OPEBs) were established for PSPP members. Effective 01 January 2015, new employees and those who do not meet the eligibility criteria applicable during the five-year transitional period ended December 31, 2019 under the OPEB Act will require 10 years of pensionable service instead of five and must immediately retire under the PSPP upon termination of employment to be eligible for OPEBs. During the five year transitional period certain employees and deferred pensioners, as defined in the OPEB Act, may be eligible for OPEBs in accordance with the OPEB Act.

On 31 May 2018, the Province introduced amendments to the OPEB Act, which sets out new rules for benefits applying to non-represented public sector employees who are covered under the Public Service Pensions Act, 2019 hired on and after 1 June 2018. While current employees qualify for retirement benefits after 10 years of pensionable service at the date of his or her retirement, new hires will be required to reach 15 years of pensionable service at the date of his or her retirement to qualify. As well, the Act institutes a sliding scale to calculate premiums at retirement. These amendments are currently effective for unionized employees hired on or after 31 March 2018.

During 2019-20, the Province signed an extension to the collective agreement pertaining to public sector employees represented by the Newfoundland and Labrador Association of Public and Private Employees (NAPE). This agreement provided for further changes to the OPEB plan including premium contribution rates whereby all current eligible employees as of 31 March 2020 will cost share premiums on a 50/50 basis with the employer. For eligible employees hired after 31 March 2020, the employer will contribute 40% toward OPEB plan premiums.

Under the plans sponsored by the Province, NLTA and NLHC, the employer contributes 50% towards group health and group life premiums for both employees and eligible retirees. Plans sponsored by the NLTA are subject to the maximum rates under the PSPP's program. NLHC contributes 100% of the retirees' group life premiums after age 65. For plans sponsored by MUN, the employer contributes a range of 15% to 50% of the total premium charged towards the benefits of both employees and retirees, based on the years of service at retirement with the exception of certain retirees whose health benefits are 70% or fully funded by MUN. Group life benefits cease at age 72 for MUN retirees and at age 65 for the Province and NLTA retirees. As at 31 March 2020, the plans have 69,943 participants who contributed total contributions of \$81.0 million. The total of all the plans provided benefits of \$43.7 million to 37,528 retirees, their spouses and dependents.

Actuarial Valuations

An actuarial extrapolation was prepared to 31 March 2020 by the Province's actuaries based on the latest actuarial valuations (Public Service valuation date of 31 December 2017 and Teachers' valuation date of 31 August 2015) for the programs sponsored by the Province and the NLTA. The actuarial extrapolation was based on a number of assumptions about future events including an interest rate of 3.26%, Consumer Price Index (CPI) of 2.25%, as well as other assumptions such as health care cost trends, wage and salary increases, termination rates, plan participation rates, utilization rates and mortality rates. The assumptions used reflect the Province's best estimates of expected long-term rates and short-term forecasts.

An actuarial extrapolation was prepared to 31 March 2020 by NLHC's actuaries (valuation date 31 March 2018) for the programs sponsored by NLHC. The actuarial valuation was based on a number of assumptions about future events including an interest rate of 5.0%, CPI of 2.0%, as well as other assumptions such as health care cost trends, wage and salary increases, termination rates, plan participation rates, utilization rates and mortality rates. The assumptions used reflect NLHC's best estimates of expected long-term rates and short-term forecasts.

An actuarial extrapolation was prepared to 31 March 2020 by MUN's actuaries based on the latest actuarial valuation (valuation date of 31 December 2016) for the programs sponsored by MUN. The extrapolation was based on a number of assumptions about future events including an interest rate of 3.4%, CPI of 2.0%, as well as other assumptions such as health care cost trends, wage and salary increases, termination rates, plan participation rates, utilization rates and mortality rates. The assumptions used reflect MUN's best estimates of expected long-term rates and short-term forecasts.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Group Health and Life Insurance Retirement Benefits Liability

Details of the group health and life insurance retirement benefits liability are outlined in the table below:

	Estimated Accrued Benefit Obligation (\$mil)	Unamortized Experience Gains (Losses) (\$mil)	Net Liability 2020 (\$mil)	Net Liability 2019 (\$mil)	Difference (\$mil)
Group health retirement benefits					
Consolidated Revenue Fund	2,558.4	239.0	2,797.4	2,705.8	91.6
Memorial University of Newfoundland	228.2	(28.9)	199.3	184.8	14.5
Newfoundland and Labrador Housing Corporation	17.6	3.5	21.1	21.3	(0.2)
Sub-total	2,804.2	213.6	3,017.8	2,911.9	105.9
Group life insurance retirement benefits					
Consolidated Revenue Fund	151.8	(24.5)	127.3	120.1	7.2
Memorial University of Newfoundland	1.3	0.5	1.8	1.8	-
Newfoundland and Labrador Housing Corporation	2.0	0.2	2.2	2.2	-
Sub-total	155.1	(23.8)	131.3	124.1	7.2
Total	2,959.3	189.8	3,149.1	3,036.0	113.1

There are no fund assets associated with these plans.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Group Health and Life Insurance Retirement Benefits Expense

In these statements, group health and life insurance retirement benefits costs have been determined as the cost of benefits accrued during the period. Interest on the liability has been accrued for the same period.

The change in the liability for the current period is comprised of the following amounts:

Plan	Employer's Share of Current Period Costs (\$mil)	Interest Expense on the Liability (\$mil)	Actuarial Value of Benefits Provided (\$mil)	Current Period Amortization of Experience Changes (\$mil)	Other Adjustments	Change (\$mil)
Group health retirement benefits						
Consolidated Revenue Fund	74.7	76.9	(36.2)	(23.8)	-	91.6
Memorial University of Newfoundland	9.3	8.3	(3.8)	3.1	(2.4)	14.5
Newfoundland and Labrador Housing Corporation	-	0.9	(0.5)	(0.6)	-	(0.2)
Sub-total	84.0	86.1	(40.5)	(21.3)	(2.4)	105.9
Group life insurance retirement benefits						
Consolidated Revenue Fund	3.2	4.4	(3.2)	2.8	-	7.2
Memorial University of Newfoundland	-	-	-	-	-	-
Newfoundland and Labrador Housing Corporation	-	-	-	-	-	-
Sub-total	3.2	4.4	(3.2)	2.8	-	7.2
Total	87.2	90.5	(43.7)	(18.5)	(2.4)	113.1

Interest expense related to the group health and life insurance retirement benefits liability is included with interest as a component of debt expenses in the financial statements. Interest expense for 31 March 2019 amounted to \$88.4 million.

Other Adjustments

Other adjustments include plan amendments of \$2.4 million relating to Memorial University of Newfoundland group health retirement benefits. The post-retirement health and dental eligibility conditions have changed for some Memorial University of Newfoundland employee groups. Existing active members near retirement (eligible to retire prior to 2025) must have at least 5 years of service to qualify for post-retirement benefits. Existing active members eligible to retire after 2024 must have at least 10 years for service to qualify for benefits. Active members hired after the respective effective date of the plan changes must have at least 15 years of service to qualify for benefits and their cost-share of premiums will be determined using a sliding scale.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Experience Gains or Losses

Experience gains or losses are amortized over the estimated average remaining service life of active participants. The amortization amount is included with retirement costs in the financial statements commencing in the year subsequent to the year in which the experience gain or loss arose.

The opening unamortized experience gain of \$147.2 million was increased by \$42.6 million during the year resulting in a closing unamortized experience gain of \$189.8 million. This increase consists of \$61.1 million for new experience gains and amortization of \$18.5 million.

The expected average remaining service life (EARSL) of programs sponsored by the Province and the NLTA is 12 years, while NLHC and MUN sponsored program is 13 years.

7. Retirement Benefits - Pensions

Defined Benefits

The defined benefit pension plans provided to employees of the Province are maintained in four funds; the Public Service Pension Plan Fund, the Teachers' Pension Plan Fund, the Memorial University Pension Fund and the Province of Newfoundland and Labrador Pooled Pension Fund.

Public Service Pension Plan Fund

During 2014-15, the Province signed a Joint Sponsorship Agreement with the five major unions representing unionized members of the Public Service Pension Plan (PSPP). The agreement establishes joint and equal participation in the sponsorship and management of the PSPP via the Public Service Pension Plan Corporation (PSPP Corporation). As a result, changes were made to the *Public Service Pensions Act, 1991* to establish the Public Service Pension Plan Fund. The PSPP Corporation (Provident¹⁰) was created to administer the plan and manage the investment of the Fund. The Corporation is an independent, statutory corporation without share capital and is not an agent of the Crown.

The Joint Sponsorship Agreement provides for joint management of the PSPP and an equal sharing between the Province and plan members in any surpluses and deficits. The *Pensions Funding Act* was updated to reflect that the Province is no longer required to provide a deficiency guarantee for the PSPP. The Province's sole financial obligation is to make contributions to the Plan as specified. Actuarial surpluses and deficits are shared equally by the Province and the PSPP members as well as adjustments required when funding is below or above established funding targets.

The joint agreement and the subsequent amendments to the *Public Service Pensions Act, 2019* require the Province to deliver a fully enforceable non-marketable and non-transferrable promissory note to the PSPP Corporation (Provident¹⁰), effective 31 March 2015. The promissory note amortizes \$2.685 billion over 30 years at a discount rate of 6%. The payments under this agreement are fixed and shall be made regardless of the funded status of the PSPP. Payments of \$47.0 million are made on a quarterly basis, which equates to equal annual payments of \$195.0 million due to the time value of money. As at 31 March 2020, the balance of the promissory note is \$2.4 billion. The promissory note is included as part of the total net pension liability on the statement of financial position.

As at 31 March 2020, the PSPP has 27,329 participants who contributed \$196.8 million. The plan provided benefits of \$589.0 million to 22,202 pensioners.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Contribution and Benefit Formulae

Public Service Pension Plan

Employee contributions are up to 11.85% of pensionable salary, less a formulated amount representing contributions to the Canada Pension Plan (CPP). A pension benefit is available for employees hired after 1 January 2015 based on the number of years of pensionable service times 2% of the employee's best six years average salary, and for employees hired prior to 1 January 2015, based on the higher of the frozen best average five year earnings or the best average six year earnings. Both new and existing pension benefits are reduced by a formulated amount representing CPP pension benefits for each year since 1967.

During 2019-20, the *Public Service Pensions Act, 2019* was enacted consistent with the two components of the Plan. The Registered component (RPP) is administered in the PSPP Corporation (Provident¹⁰). The Supplementary component (SERP) is administered in the accounts of the Consolidated Revenue Fund and will provide for the remainder of benefits under the Plan.

Teachers' Pension Plan Fund

During 2015-16, the Province and the Newfoundland and Labrador Teachers' Association (NLTA) reached an agreement to sustain the Teachers' Pension Plan (TPP). The agreement establishes joint and equal participation in the sponsorship and management of the TPP via the Teachers' Pension Plan Corporation (TPP Corporation). As a result, changes were made to the *Teachers' Pensions Act* to establish the Teachers' Pension Plan Fund. The TPP Corporation was created to administer the plan and manage the investment of the Fund. The Corporation is an independent, statutory corporation without share capital and is not an agent of the Crown.

The Joint Sponsorship Agreement provides for joint management of the TPP and an equal sharing between the Province and plan members in any surpluses and deficits. The *Pensions Funding Act* was updated to reflect that the Province is no longer required to provide a deficiency guarantee for the TPP. The Province's sole financial obligation is to make contributions to the Plan as specified. Actuarial surpluses and deficits are shared equally by the Province and the TPP members as well as adjustments required when funding is below or above established funding targets.

The joint agreement and the subsequent amendments to the *Teachers' Pensions Act* require the Province to deliver a fully enforceable non-marketable and non-transferrable promissory note to the TPP Corporation, effective 31 August 2016 with interest accruing as of 1 September 2015. The promissory note amortizes \$1.862 billion over 30 years at a discount rate of 6%. The payments under this agreement are fixed and shall be made regardless of the funded status of the TPP. Equal annual payments of \$135.3 million began on 31 August 2016. As at 31 March 2020, the balance of the promissory note is \$1.8 billion. The promissory note is included as part of the total net pension liability on the statement of financial position.

In addition to changes to Joint Sponsorship, other plan amendments were effective 01 September 2015. Amendments include an increase in members' contributions to 11.35% of pensionable salary from 9.35%, suspension of indexing for future service and changes to the average pensionable earnings formula. Any active member who terminates employment after 31 August 2016 with less than 24.5 years of credited service shall be eligible to retire at age 62. Amendments to the *Teachers' Pensions Act* to reflect the terms of the agreement signed by the Provincial Government and NLTA have been approved by the House of Assembly.

As at 31 March 2020, the TPP has 5,979 participants who contributed \$60.9 million. The plan provided benefits of \$308.9 million to 9,406 pensioners. Inflation protection is not extended to pensioners of the Teachers' Pension Plan who retired prior to 1 September 1998.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Contribution and Benefit Formulae

Teachers' Pension Plan

Employee contributions are 11.35% of pensionable salary. A pension benefit is available based on the number of years of pensionable service prior to 1 January 1991 times 1/45th of the employee's best eight years average salary, plus 2% of the employee's best eight years average salary times years of pensionable service after that date, reduced by a formulated amount representing CPP pension benefits for each year since 1967. The CPP reduction only applies to pensioners who retired after 31 August 1998.

During 2006-07 the *Teachers' Pensions Act* was enacted consistent with the two components of the Plan. The Registered component will be administered in the Teachers' Pension Plan Corporation. The Supplementary component is administered in the accounts of the Consolidated Revenue Fund and will provide for the remainder of benefits under the Plan.

Memorial University Pension Fund

Memorial University of Newfoundland (MUN) has a defined benefit pension plan for full time employees known as the Memorial University of Newfoundland Pension Plan (MUNPP). The MUNPP has 3,621 participants who contributed \$29.5 million as at 31 March 2020.

The MUNPP provides for pensions based on employees' length of service and highest average earnings. Employees contribute a defined percentage of their salary, and the employer generally matches this amount. As at 31 March 2020, the MUNPP provided benefits of \$98.9 million to the registered component of the plan and MUN provided benefits of \$1.7 million to the supplemental component to a total of 2,464 pensioners.

In 1970, the Memorial University Pension Fund was established by the *Memorial University Pensions Act*. This Fund administers all financial activity, including the collection of all contributions and the payment of pensions and the investment of funds for the MUNPP. The financial activity of the MUNPP is administered by MUN. The Consolidated Revenue Fund guarantees any deficiency in the event assets of a plan are insufficient to meet benefit payments or administration costs.

Contribution and Benefit Formulae

Memorial University of Newfoundland Pension Plan

Employee contributions are 9.9% of pensionable salary, less a formulated amount representing contributions to the CPP. A pension benefit is available based on the number of years of pensionable service times 2% of the employee's best five years average salary, reduced at age 65 by a formulated amount representing integration with the CPP.

In addition to the above Registered component, in May 1996, MUN approved a Supplemental Retirement Income Plan to provide benefits to employees whose average salaries upon retirement generate defined benefit pensions that exceed the maximum benefits payable from the Memorial University of Newfoundland Pension Plan as per limits set out in the federal *Income Tax Act*. As well, in February and May 1996, MUN offered employees who reached the age of 55 and attained a minimum of 10 years pensionable service, an opportunity to take an early retirement under the provisions of the Voluntary Early Retirement Incentive Program. The program provided an incentive of enhanced pension benefits of up to five years pensionable service and waiver of actuarial reduction, if applicable, or a lump sum early retirement payment.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Province of Newfoundland and Labrador Pooled Pension Fund

The Government of Newfoundland and Labrador guarantees defined benefit pension plans for a number of its full time employees and for members of its Legislature. The plans are – the Uniformed Services Pension Plan, the Members of the House of Assembly Pension Plan, and the Provincial Court Judges' Pension Plan. Combined, the plans have 732 participants who contributed \$6.7 million as at 31 March 2020 as follows: Uniformed Services - \$6.0 million, Members of the House of Assembly - \$0.4 million and Provincial Court Judges' - \$0.3 million.

The Plans provide for pensions based on employees' length of service and highest average earnings. Employees contribute a defined percentage of their salary, and the employer generally matches this amount. As at 31 March 2020, the plans provided benefits of \$39.0 million to 1,047 pensioners as follows: Uniformed Services - \$30.3 million, Members of the House of Assembly - \$7.7 million and Provincial Court Judges' - \$1.0 million. Inflation protection is not extended to pensioners of the Uniformed Services Pension Plan nor the Members of the House of Assembly Pension Plan who retired prior to 1 September 1998.

In 1980, the Province of Newfoundland and Labrador Pooled Pension Fund was established by the *Pensions Funding Act*, with the Minister of Finance as Trustee. This Fund administers all financial activity, including the collection of all contributions and the payment of pensions and the investment of funds for all the pension plans noted above. The Consolidated Revenue Fund guarantees any deficiency in the event assets of a plan are insufficient to meet benefit payments or administration costs.

Contribution and Benefit Formulae

Uniformed Services Pension Plan

Employee contributions are 9.95% of pensionable salary, less a formulated amount representing contributions to the CPP. A pension benefit is available based on the number of years pensionable service times 2% of the employee's best three years average salary, reduced by a formulated amount representing CPP pension benefits since 1967. Grandfathered members have higher service accrual pensions in recognition of their higher contributions.

During 2012-13 the *Uniformed Services Pensions Act, 2012* was enacted consistent with the two components of the Plan. The Registered component will continue to be administered within the Province of Newfoundland and Labrador Pooled Pension Fund and will provide benefits based on limits set out in the federal *Income Tax Act*. The Supplementary component will be administered in the accounts of the Consolidated Revenue Fund and will provide for the remainder of benefits under the Plan.

Members of the House of Assembly Pension Plan

Member contributions are 9% of pensionable salary, which includes salary as a Minister, if applicable. A pension benefit is available after serving as a Member in, at least, two General Assemblies and for, at least, five years. The benefit formula is based on years of service expressed as a percentage of the average pensionable salary for the best three years. The percentage varies being 5% for each of the first ten years, 4% for each of the next five years and 2.5% for each of the next two years of service as a Member. For members elected for the first time after 8 February 1999, the percentage is 5% for the first ten years and 2.5% for each of the next ten years. For members elected for the first time after 31 December 2009, the percentage is 3.5% for each year of service as a Member. The accrued benefit is reduced by a formulated amount representing CPP pension benefits for each year since 1967. Ministers receive an additional pension amount calculated similarly, based on service and pensionable salary as a Minister.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

During 2005-06 the *Members of the House of Assembly Retiring Allowances Act* was enacted to restructure the Members of the House of Assembly Pension Plan (MHAPP) into two components based on limits set out in the federal *Income Tax Act*. The first, or registered component, will continue to be administered within the Province of Newfoundland and Labrador Pooled Pension Fund. The second, or the Supplementary Employee Retirement component, will be administered in the accounts of the Consolidated Revenue Fund.

During 2017-18, Bill 21 was passed amending the *Members of the House of Assembly Retiring Allowances Act* and the *Portability of Pensions Act*. For members of the MHAPP first elected on or after November 30, 2015, the annual benefit accrual rate is reduced from 3.5% to 2.5% with a maximum pension accrual entitlement reducing from 70% to 50%. There shall be no portability option to the MHAPP. Eligibility for an MHA to receive a pension shall be at 60 years of age, and there shall be no option to select an early retirement option; the MHAPP shall have no indexing component; and the current MHAPP vesting component and survivor's benefit remain unchanged.

Provincial Court Judges' Pension Plan

Effective 1 April 2002 (pursuant to the *Provincial Court Judges Pension Plan Act* enacted 8 June 2004) the Provincial Court Judges' Pension Plan was established with then-existing judges being given the one-time option of transferring from the Public Service Pension Plan. All judges appointed subsequent to 1 April 2002 are required to join this Plan. Employee contributions are 9% of pensionable salary. A pension benefit is available based on the number of years pensionable service times 3.33% of the judge's annual salary. The Registered component of the Plan, administered within the Province of Newfoundland and Labrador Pooled Pension Fund, provides benefits based on limits set out in the federal *Income Tax Act* with the remainder of the benefit provided by the Supplementary component. The Supplementary component will be administered in the accounts of the Consolidated Revenue Fund.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Actuarial Valuations

The actuarial valuations which are prepared by the Province's and MUN's actuaries were based on a number of assumptions about future events, such as interest rates, wage and salary increases, inflation rates and rates of employee turnover, disability and mortality rates. The assumptions used reflect the Province's and MUN's best estimates of expected long-term rates and short-term forecasts. The expected interest and inflation rates follow:

Expected Interest Rates

Pension Plan	Expected Average Interest Rate
Public Service Pension Plan	
RPP	6.00%
SERP	3.26%
Teachers'	6.00%
Memorial University of Newfoundland	
RPP	5.60%
Supplemental Retirement Income Plan	3.30%
Voluntary Early Retirement Income Plan	2.60%
Uniformed Services	6.00%
Members of the House of Assembly	
RPP	5.90%
SERP	3.26%
Provincial Court Judges'	
RPP	5.90%
SERP	3.26%

The expected average interest rate is based on the average interest rate for plan assets for the registered components, while the cost of borrowing is used for the supplementary unfunded components of the plans.

Expected Inflation Rates

The expected inflation rate for all pension plans is 2.0%.

Actuarial valuations for accounting purposes are generally completed every three years. The latest actuarial valuations for the Province's pension plans, according to the administrators of those plans, are dated as listed in the following table:

Pension Plan	Valuation Date
Public Service	31 December 2018
Teachers'	31 August 2018
Memorial University of Newfoundland	31 December 2019
Uniformed Services	31 December 2017
Members of the House of Assembly	31 December 2018
Provincial Court Judges'	31 December 2016

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Actuarial extrapolations are provided for accounting purposes by the Province's, Provident¹⁰, TPP and MUN's actuaries based on the above dates, with the exception of Public Service which is based on 31 December 2015 and 31 December 2018 valuations.

Pension Liability

Details of the pension liability are outlined in the table below.

Pension Plan	Estimated Accrued Benefit Obligation	Fund Assets	Unamortized Experience Gains (Losses)	Net Unfunded Liability 2020	Net Unfunded Liability 2019	Change
	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)
Public Service	6,206.6	3,508.9	(193.0)	2,504.7	2,551.8	(47.1)
Teachers'	3,490.8	1,777.6	(75.0)	1,638.2	1,665.1	(26.9)
Memorial University of Newfoundland	1,956.9	1,616.8	(48.8)	291.3	273.1	18.2
Uniformed Services	504.3	146.8	(16.6)	340.9	323.1	17.8
Members of the House of Assembly	114.7	25.8	0.6	89.5	90.3	(0.8)
Provincial Court Judges'	35.8	11.9	1.4	25.3	24.3	1.0
Total	12,309.1	7,087.8	(331.4)	4,889.9	4,927.7	(37.8)

Pension Fund Assets are valued at the market value at 31 March 2020 (31 March 2019 – \$7,266.5 million).

As at 31 March 2020, the net unfunded liability of \$4,889.9 million is comprised of the \$4,204.7 million outstanding balance of the promissory notes delivered by the Province upon joint sponsorship to address the unfunded liability related to the Public Service Pension Plan (\$2,445.7 million) and the Teachers' Pension Plan (\$1,759.0 million).

Special Payments

MUN has requested that the exemptions relating to the minimum contributions required under the Pension Benefits Act Regulations established under the Pension Benefits Act, 1997 based on a going concern valuation and a solvency valuation be extended. Without further exemptions, significant special payments will be required over 15 years and 40 years for past service cost of indexing effective 1 July 2004 related to the going concern valuation and five years related to the solvency valuation to address the above net unfunded liability.

During 2019-20, MUN made a special payment of \$3.7 million (31 March 2019 - \$2.4 million) towards the balance of the unfunded liability for the MUNPP. Subsequent to year-end, MUN received an exemption from going concern and solvency valuations until 31 March 2020.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Pension Expense

In these statements, pension costs have been determined as the cost of benefits accrued during the period. Interest on the unfunded liability has been accrued for the same period.

The change in the unfunded liability for the current period for each plan is comprised of the following amounts:

Pension Plan	Province's Share of Pension Benefits Earned for the Period	Pension Interest Expense (Earned) on the Unfunded Liability	Province's Current Period Pension Contributions	Current Period Amortization of Experience Changes	Unfunded Portion of Current Period Pension Change
	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)
Public Service	122.0	70.7	(285.1)	45.3	(47.1)
Teachers'	42.1	42.1	(137.1)	26.0	(26.9)
Memorial University of Newfoundland	29.5	14.2	(34.9)	9.4	18.2
Uniformed Services	5.1	19.1	(5.1)	(1.3)	17.8
Members of the House of Assembly	1.2	2.8	(6.4)	1.6	(0.8)
Provincial Court Judges'	1.7	0.6	(0.9)	(0.4)	1.0
Total	201.6	149.5	(469.5)	80.6	(37.8)

Interest Expense (Earned)

Pension interest expense is included with interest as debt expenses in the financial statements. Interest expense is comprised of the interest expense on the accrued benefit obligation netted with the interest earned on fund assets as follows:

Pension Plan	Interest Expense on the Accrued Benefit Obligation 2020	Interest Earned on Fund Assets 2020	Net Interest Expense (Earned) 2020
	(\$mil)	(\$mil)	(\$mil)
Public Service	283.7	(213.0)	70.7
Teachers'	151.0	(108.9)	42.1
Memorial University of Newfoundland	109.9	(95.7)	14.2
Uniformed Services	29.3	(10.2)	19.1
Members of the House of Assembly	4.4	(1.6)	2.8
Provincial Court Judges'	1.3	(0.7)	0.6
Total	579.6	(430.1)	149.5

Pension interest expense for 31 March 2019 amounted to \$159.7 million. Also included in debt expenses is an additional interest expense of \$126.2 million (31 March 2019 - \$128.2 million) relating to the interest on the promissory notes.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Experience Gains or Losses

Experience gains or losses are amortized over the estimated average remaining service life of active contributors. The amortization amount is included with retirement costs in the financial statements commencing in the year subsequent to the year in which the experience gain or loss arose.

Accrued Benefit Obligation

The change in the unamortized experience gains (losses) on the accrued benefit obligation for the current period is comprised of the following amounts:

Pension Plan	Opening Unamortized Experience Gains (Losses)	New Experience Gains (Losses)	Amortization Gains (Losses)	Closing Unamortized Experience Gains (Losses)
	(\$mil)	(\$mil)	(\$mil)	(\$mil)
Public Service	(98.0)	(20.0)	33.5	(84.5)
Teachers'	(80.0)	1.5	23.8	(54.7)
Memorial University of Newfoundland	(103.0)	15.2	17.9	(69.9)
Uniformed Services	(15.1)	(15.3)	2.7	(27.7)
Members of the House of Assembly	(7.0)	4.9	2.5	0.4
Provincial Court Judges'	1.0	0.5	(0.1)	1.4
Total	(302.1)	(13.2)	80.3	(235.0)

Fund Assets

The change in the unamortized experience gains (losses) on the fund assets for the current period is comprised of the following amounts:

Pension Plan	Opening Unamortized Experience Gains (Losses)	New Experience Gains (Losses)	Amortization Gains (Losses)	Closing Unamortized Experience Gains (Losses)
	(\$mil)	(\$mil)	(\$mil)	(\$mil)
Public Service	125.2	(245.5)	11.8	(108.5)
Teachers'	108.7	(131.2)	2.2	(20.3)
Memorial University of Newfoundland	141.9	(112.3)	(8.5)	21.1
Uniformed Services	31.8	(16.7)	(4.0)	11.1
Members of the House of Assembly	2.9	(1.8)	(0.9)	0.2
Provincial Court Judges'	1.4	(1.1)	(0.3)	-
Total	411.9	(508.6)	0.3	(96.4)

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Expected average remaining service life (EARSL) of related employee groups is as follows:

	<u>EARSL</u>
Public Service - RPP	11 years
Public Service – SERP	9 years
Teachers'	12 years
Memorial University of Newfoundland	11 years
Uniformed Services	15 years
Members of the House of Assembly	6 years
Provincial Court Judges'	8 years

Other Pension Plan

The *Government Money Purchase Pension Plan Act* established the Government Money Purchase Pension Plan for employees whose employment status does not qualify them for participation in another of their employer's pension plans. This plan has approximately 34,999 participants. Employees contribute 5% of their salary to the Plan and the Province generally matches this contribution. Each employee will receive an annuity at retirement, the value of which is determined by their accumulated contributions plus investment earnings. This Plan is administered by The Great-West Life Assurance Company and at 31 March 2020 assets had a market value of \$359.6 million (31 March 2019 - \$377.2 million). The expense recognized for 31 March 2020 amounted to \$15.6 million (31 March 2019 - \$14.7 million).

8. Prepaid and Deferred Charges

Prepaid and deferred charges consist of:

	<u>31 March 2020</u>	<u>31 March 2019</u>
	(\$mil)	(\$mil)
Software licenses	10.2	8.8
Maintenance contracts	9.1	8.6
Property taxes and other municipal fees	8.5	7.6
Insurance costs	8.2	6.9
Membership fees and subscriptions	2.3	1.9
Library operating supplies	2.0	1.8
Ambulance services	1.8	1.6
Rent	1.0	1.2
Workers' compensation fees	1.0	0.9
Computer network and accessories	0.6	0.4
Canadian Blood Services	-	1.3
Other prepaid and deferred charges	<u>6.0</u>	<u>4.6</u>
Total: Prepaid and Deferred Charges	<u><u>50.7</u></u>	<u><u>45.6</u></u>

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Contingent Liabilities

(a) Guaranteed Debt

Guarantees made by the Province as at 31 March 2020 amounted to \$1,158.5 million (31 March 2019 - \$ 1,749.5 million). In addition, the Province guaranteed the interest thereon. See Schedule 7 - Guaranteed Debt.

(b) Legal Actions

- (i) There have been a number of statements of claim alleging negligence on the part of the Government employees and agencies in not preventing abuse while these claimants were under Government care.
- (ii) A number of claims have been filed against the Province for alleged breaches of contracts and/or tenders as well as for general damages and personal claims pursuant to action initiated by the Province.

(c) Other

(i) *Trust Accounts*

a) Office of the Public Trustee

The Province guarantees all sums required to discharge the balances of the Public Trustee as administrator, guardian, trustee, etc. (*Public Trustee Act*). See Schedule 9 - Trust Accounts.

b) Supreme Court of Newfoundland and Labrador

The Province guarantees all sums required to discharge the balances of the Supreme Court of Newfoundland and Labrador as administrator, guardian, trustee, etc. (*Judicature Act*). See Schedule 9 - Trust Accounts.

c) Other Trust Accounts

Generally, the Province is contingently liable for any shortage that may occur for certain funds held in trust by the Province. Currently, all obligations held have an offsetting asset. See Schedule 9 - Trust Accounts.

(ii) *Canadian Salt Fish Corporation*

On 17 July 1970, the Province entered into an agreement with the Government of Canada for the marketing of saltfish products by the Canadian Saltfish Corporation (the Corporation), pursuant to the *Saltfish Act*. The Agreement provided that the Province is required to pay to the Government of Canada a proportional share of 50 per cent of the losses of the Corporation. This share is based on the total value of annual sales of cured fish products applicable to each participating province.

On 19 February 1993, the Government of Canada requested that the Province compensate it for losses incurred to 31 March 1992. The amount which the Government of Canada calculated as the Province's share of the losses was \$21.6 million.

The Corporation was dissolved with effect from 1 April 1995, so that resolution of the matter will be between the Government of Canada and the Province. However, the Province takes the position that for a number of reasons, including the fact that the Corporation engaged in activities

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

beyond its mandate as determined by the Auditor General of Canada and confirmed by the Department of Justice of Canada, it is not liable for the amount claimed.

(iii) **Newfoundland and Labrador Student Loans Program**

Under the loan guarantee component of this Program, the Province has no guarantees issued at 31 March 2020. Under the debt reduction component of the Program, the Province is contingently liable for possible grants totaling \$9.0 million, of which \$6.3 million (31 March 2019 - \$6.0 million) has been recorded as a provision for likely amounts payable related to student loans due to the debt reduction component. See Schedule 2 – Loans, Advances and Investments.

(iv) ***Contaminated Sites***

The Province has identified approximately 188 sites for which environmental liabilities or contamination may exist for assessment, remediation or monitoring. See note 10 – Contaminated Sites for further details.

In addition, the Province has provided an environmental indemnity to the acquiring entity of North Atlantic Refining Limited (NARL) regarding the oil refinery in Come by Chance. The Province and NARL entered into an environmental agreement on 10 November 2014 which required an environmental site assessment to be completed by NARL. The environmental site assessment includes Phase I, II and III assessments and a remediation plan. The environmental site assessment process has not yet been completed. Phase I, which included a review of historical activities associated with oil refinery, has been completed. The Phase II report, which includes the collection and analysis of samples to identify contamination at the site, has been completed and the Province's review is ongoing in conjunction with further discussion with NARL. As well, the Province has received a draft Phase III report which is also under review. While Phase III (further site sampling, delineation and analysis) and a remediation plan have not been completed, a preliminary estimate indicates a range of \$34 - \$269 million.

(v) ***Equity Support Agreements – Lower Churchill Project***

The Province has provided a guarantee to the Government of Canada to compensate it for any costs under the Federal Loan Guarantee on the Lower Churchill Project which are triggered by legislative or regulatory actions of the Province. The Province has a separate agreement for each component of the project to guarantee the payment of Nalcor's equity commitments in the event that Nalcor fails to fulfill its commitments.

The project is expected to cost \$13.1 billion, including interest during construction and other capitalized/pre-funded financing costs of \$2.9 billion. The Province had a total equity investment in the project of \$3.9 billion as at 31 March 2020. The project is being financed through the issuance of bonds in the amount of \$7.9 billion and equity contributions of \$5.2 billion.

(vi) ***Corner Brook Pulp and Paper Limited (CBPPL)***

In 2014 the Province signed an agreement with CBPPL which states that in the event of the closure of the Corner Brook Mill, the Province has agreed to purchase the power assets and water rights. The purchase price is dependent upon the timing of the closure of the Corner Brook Mill, and could range from \$110.0 million to the greater of \$200.0 million or the fair market value of the purchased assets, less any monies owing to the Province in relation to the loan agreement with CBPPL. In 2017 the Province entered into another agreement providing a guarantee up to \$88.0 million on a letter of credit held by a Trust for the benefit of pension plan members. Should the government have to pay under the guarantee, the amount would also be deducted from the purchase price of the power assets and water rights.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Contaminated Sites

There are a number of sites throughout the Province which are considered potentially contaminated sites. The liability reflects the Province's best estimate of the amount required to remediate the sites to the current minimum standards for its use prior to contamination. As some of these sites are not yet fully assessed and contamination has not yet been determined or a detailed remediation plan has not been developed, no liability has been recognized. Studies are ongoing to assess the nature and extent of damage and to develop remediation plans, if necessary.

The Province has identified approximately 188 sites for which environmental liabilities may exist for assessment, remediation or monitoring. Of these, 23 were identified as sites where action is possible and for which a liability was recorded. As at 31 March 2020, a total liability for contaminated sites of \$168.7 million (31 March 2019 – \$168.9 million) has been recorded (see Schedule 5 – Payables, Accrued and Other Liabilities). Of this, \$151.2 million relates to a liability for remediation of former mining sites. The Province has completed a partial remediation program at these sites, focused on the removal of buildings and infrastructure, designed to address safety hazards. The remaining contaminated sites liability of \$17.5 million is mainly related to Petroleum Hydrocarbon (PHC) impacts. The liability reflects the present value of estimated future cash flows, where applicable, with total undiscounted expenditures of \$553.5 million present valued at a discount rate of 4.32%.

The remainder of the sites are not liabilities as they are active and absent of an unexpected event; the impacts on the site do not exceed the applicable standards; the Province is not responsible for remediation; or it is not anticipated that remediation will occur. Upon identification of new contaminated sites or changes in the assessments of currently known sites, additional liabilities or disclosures may be recognized.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Contractual Obligations

Contractual obligations consist of:

	<u>31 March</u> 2020	<u>31 March</u> 2019
	(\$mil)	(\$mil)
Public-private partnerships	1,418.3	214.1
Provincial policing agreement	909.0	155.7
Ferry services	387.9	493.9
Capital projects	365.7	433.9
Economic development	208.8	224.9
Lower Churchill Project	169.0	950.0
Lease payments	163.1	161.0
Power purchase agreements	131.4	162.1
Transmission service agreements	105.8	107.9
Information technology services	46.4	37.3
Oil and Gas	43.0	57.4
Road Maintenance	42.0	24.7
Letters of credit	34.1	42.1
Residential services	12.0	11.2
Forestry and Wildlife Management	8.5	3.0
Telephone services	3.1	5.9
Energy savings	1.9	4.5
Other agreements	<u>72.6</u>	<u>35.1</u>
Total: Contractual Obligations	<u><u>4,122.6</u></u>	<u><u>3,124.7</u></u>

Contractual obligations are those to outside organizations in respect of contracts entered into before 31 March 2020. These contractual obligations will become liabilities when the terms of the contracts are met. Payments in respect of these contracts and agreements for the Consolidated Revenue Fund are subject to voting of supply by the Legislature.

As at 31 March 2020, the Province had entered into a number of agreements pertaining to the acquisition of P3 assets. The amount disclosed above represents the operating component of P3 assets placed in service, as well as the operating and capital components of P3 assets that are currently under construction. The liability and associated asset for P3 assets under construction will be recognized in the Province's financial statements when the Province acquires control of the assets, which generally is intended to occur at the time when the construction of the assets is substantially complete.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020, the Province acquired control and placed into service a P3 asset pertaining to the Corner Brook Long-term Care Facility. The contractual obligations associated with this P3 arrangement consists of \$78.5M relating to the operating component of the agreement, such as facility maintenance payments.

In addition to the P3 asset placed in service, the Province also entered into agreements for the acquisition of three other P3 assets that are under construction. These assets consist of two Central Long-term Care Facilities, as well as the Corner Brook Acute Care Hospital with anticipated in-service dates of April 2021 and November 2023 respectively. The contractual obligations for the operating and capital components of these agreements total \$1.3 billion.

The above table includes contractual obligations of \$0.5 billion (31 March 2019 - \$1.4 billion) for government business enterprises and \$4.7 million (31 March 2019 - \$11.7 million) for government business partnership.

Contractual obligations for the next five years and beyond are as follows:

Fiscal Year	Contractual Obligations (\$mil)
2020-21	838.9
2021-22	441.5
2022-23	262.4
2023-24	545.2
2024-25	237.0
Thereafter	1,797.6
Total	4,122.6

12. Externally Restricted Assets

Externally restricted assets amount to \$146.3 million (31 March 2019 - \$157.0 million) of which \$142.1 million relates to Memorial University of Newfoundland which consists primarily of assets held for endowment purposes whereby the principal is not expendable. Income earned on these assets is required to be used for the purpose specified by the donors and hence cannot be used for other operating purposes. The externally restricted assets consist of donations and investments which are to be used for scholarships, assistance, professional recruitment and development, equipment and other external endowments. Externally restricted assets of other entities amount to \$4.2 million which relate to various donations designated for specified purposes.

13. Provision for Guaranteed Debt

The provision for probable losses on guaranteed debt (see note 9(a)) is nil (31 March 2019 - nil).

14. Adjustments to Beginning Balances

(a) Government Organization Changes

Net Debt and Accumulated Deficit decreased by \$12.0 million (31 March 2019 - \$55.0 million increase) relating to the government organization changes. There was a nil impact on the Annual Deficit (31 March 2019 - \$2.2 million decrease). With the exception of a \$6.3 million increase for 31 March 2019, these changes have been reflected retroactively without restatement.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(b) Tangible Capital Assets

There was no change to Net Debt (31 March 2019 – nil) and Accumulated Deficit (31 March 2019 – \$25.0 million increase) as a result of the Province restating tangible capital assets to ensure consistent reporting with the current fiscal year, as well as reflect the in-service dates of the applicable assets. There was a nil impact on the Annual Deficit (31 March 2019 - \$2.6 million increase). These changes have been applied retroactively with restatement.

15. Related Party Disclosures

The Province considers key management personnel (KMP), their close family members and any organizations controlled by the KMP or their close family members as related parties. For this purpose, KMPs are defined to include Ministers and Deputy Ministers (Equivalents). KMPs of Government entities also include board members.

The Province and its entities have determined through a due diligence process that no transactions occurred at a price different than fair market value or under terms different than what two unrelated parties would agree. As a result, all transactions with its related parties were conducted in the normal course of business and at arms' length.

Refer to Schedule 4 – Net Income of Government Business Enterprises and Partnership for a description of related party transactions of Government Business Enterprises and Partnership.

16. Contractual Rights

Contractual Rights consist of:

	31 March 2020	31 March 2019
	(\$mil)	(\$mil)
Cost sharing agreements	540.4	459.8
Other agreements	8.7	10.3
Total: Contractual Rights	549.1	470.1

Contractual rights are rights to economic resources arising from contracts or agreements entered into before 31 March 2020. These contractual rights will become assets when the transaction or event triggering recognition occurs.

17. Contingent Assets

Contingent assets consist of:

	31 March 2020	31 March 2019
	(\$mil)	(\$mil)
Terra Nova Project	11.1	-
Insurance Claims	17.2	1.2
Hebron Benefits Agreement Dispute Settlement	-	3.0
Total: Contingent Assets	28.3	4.2

SUMMARY FINANCIAL STATEMENTS**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Contingent assets are possible assets arising from existing conditions or situations involving uncertainty. The resolution of the uncertainty will confirm the existence or non-existence of an asset. The uncertainty will be resolved when one or more future events not wholly within the Province's control occurs or fails to occur.

A number of legal actions have been filed for the Province that have the potential to result in damages being awarded to the Province. The outcome of the legal actions is not determinable.

18. Atlantic Accord (2019)

During the year the Province and the Federal Government entered into an agreement (Hibernia Dividend Backed Annuity Agreement) intended to ensure that the Province is the principal beneficiary of its offshore resources. As a result, the Province will receive a guaranteed revenue stream of approximately \$3.3 billion, inclusive of Canada Hibernia Holding Corporation (CHHC) provincial taxes, over 38 years (2019 to 2056), with no restriction on the use of these funds. The CHHC provincial tax portion of this revenue stream will be recognized as revenue each year as the taxable event occurs. As well, the province will make eight annual payments of \$100 million each (with first payment due to begin in 2045) for a total of \$800 million. As a result of this agreement, the net debt and accumulated deficit are immediately reduced by \$2.4 billion.

19. Measurement Uncertainty

Measurement uncertainty exists when it is reasonably possible that there could be a material variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used. Estimates are based on the best information available at the time of preparation of the financial statements and are adjusted annually to reflect new information as it becomes available. The impact of the COVID-19 pandemic adds an additional level of uncertainty for the measurement of certain assets and liabilities recorded in these financial statements. While best estimates are used for reporting items subject to measurement uncertainty, it is reasonably possible that changes in the future conditions could require change in the amounts recognized or disclosed.

Some examples of where measurement uncertainty exists are as follows:

- (i) The nature of uncertainty for the accrual of retirement benefits, the allowance for guaranteed debt, and the accrual of self-insured workers' compensation benefits arises as actual results may differ significantly from the Province's assumptions about plan members and economic conditions in the marketplace.
- (ii) The accruals for environmental remediation obligations are uncertain because the actual extent of the remediation activities, methods, and site contamination may differ significantly from the Province's original remediation plans.
- (iii) Revenues from sales taxes, income taxes, oil royalties, Canada Health Transfer, and Canada Social Transfer are uncertain due to differences between the estimated and actual economic performance and other assumptions used to accrue these revenues. The tax revenues under the federal-provincial fiscal arrangements attributable to the year can change as a result of reassessments in subsequent years. The variability of the final amounts attributable to the year cannot be reasonably determined.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. Subsequent Events

(a) COVID-19

On March 18, 2020, the Province declared a public health emergency under the Public Health Protection and Promotion Act in response to the global pandemic and outbreak of the novel coronavirus, COVID-19. The spread of COVID-19 throughout the world has caused a significant disruption to social and economic practices. The actions taken by the Province are intended to protect the health and safety of its residents and to contain the spread of COVID-19.

The COVID-19 pandemic developed rapidly in 2020, with a significant number of cases reported both domestically and internationally. As a result, the World Health Organization declared COVID-19 a pandemic on March 11, 2020. COVID-19 has significantly impacted all economies and continues to disrupt financial markets, businesses, communities and households. Locally, the Province has seen a number of restrictions that have affected the local economy such as business and government service closures and/or reduced service availability, travel bans or limitations, as well as the impacts of social distancing, increased sanitation and self-isolation requirements. In response to these impacts, the Province has made significant investments in health care and economic recovery throughout 2020, including close to \$100 million for such items as personal protective equipment, testing and mobilizing efforts to support immunization.

The Province continues to work through and assess the impacts of COVID-19 on its financial position which has seen significant pressures on its revenues and expenses. On September 30, 2020, the Province tabled its Budget for the 2020-21 fiscal year and projected an increase in expenses due to COVID-19 related spending of \$487 million. As the response to the COVID-19 pandemic continues to evolve, the full extent of its impacts are unknown at this time.

(b) Nalcor Energy

The Government of Newfoundland and Labrador and the Government of Canada announced on 17 December 2020, that the Government of Canada has temporarily waived certain financial obligations totaling \$844M due from Nalcor Energy in December 2020 and June 2021 under the existing federal loan guarantee agreements. As a result, Nalcor Energy will not require additional equity from the Province or borrowings in the short-term to meet these obligations.

21. Original Budget

Certain amounts in the statements and exhibits of the 2019-20 Budget Speech shown for comparative purposes were prepared on the accrual basis as described under note 1(c)(i). To be consistent with the format of the financial statements, presentation changes have been applied as necessary.

22. Comparatives

Certain of the 31 March 2019 financial statement figures and related schedules have been restated to be consistent with the 31 March 2020 statement presentation.

23. Additional Notes

In addition to the aforementioned, there are various other notes disclosed in the schedules which follow.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Receivables As at 31 March 2020 with comparative figures for 2019

	2020	2019
	(\$000)	(\$000)
Due from Government of Canada - note 1	3,200,013	134,008
Accounts receivable	312,537	324,187
Taxes receivable	134,544	111,450
Offshore royalties	73,276	126,662
Accrued interest receivable	1,172	1,354
	3,721,542	697,661
Less: Allowance for doubtful accounts	106,384	113,564
Total: Receivables	3,615,158	584,097

NOTE

1. Due from Government of Canada includes a receivable of \$3.0 billion related to the Atlantic Accord (2019).

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Loans, Advances and Investments As at 31 March 2020 with comparative figures for 2019

	2020	2019
	(\$000)	(\$000)
Loans and Advances - notes 1, 2		
Commercial - note 3	184,036	184,107
Housing	93,885	96,940
Student loans	66,580	84,097
Municipalities	832	1,892
Other	6,889	6,690
Total: Loans and Advances	352,222	373,726
Less: Discounts due to concessionary terms on loans - note 4	97,501	107,878
Allowance for doubtful loans and advances	47,732	53,778
Provision for loan repayments through future appropriations	6,308	7,885
	200,681	204,185
Investments		
Equity Investments:		
Administered by Memorial University of Newfoundland	76,055	75,915
Administered by Newfoundland & Labrador Film Development Corporation	56,104	52,267
Cold Ocean Salmon Inc.	10,000	10,000
Administered by Innovation and Business Investment Corporation	7,994	8,151
Administered by Janeway Children's Hospital Foundation	6,278	4,581
Gray Aqua Group Ltd.	4,827	4,827
Country Ribbon Inc.	4,500	4,500
Burton's Cove Logging and Lumber	3,021	3,222
ACF Equity Atlantic Inc.	2,203	2,203
Newfoundland Aqua Services Ltd. - redeemable	2,000	2,000
Icewater Seafoods Inc.	966	1,316
Blue Line Innovations Inc.	500	500
Consilient Technologies Corporation	500	500
Marine Industrial Lighting Systems	500	500
NavSim Technologies	500	500
Sexton Lumber Co. Ltd.	500	500
Hurley Slate Works Company Inc.	400	400
Pixecur Technologies Inc. - redeemable	400	400
Administered by Multi-Materials Stewardship Board	386	2,428
Other	1,959	1,968
	179,593	176,678

SUMMARY FINANCIAL STATEMENTS

LOANS, ADVANCES AND INVESTMENTS (continued)

	<u>2020</u>	<u>2019</u>
	(\$000)	(\$000)
Other Investments:		
Administered by Memorial University of Newfoundland - note 5	80,701	75,110
Newfoundland and Labrador Venture Capital Fund	7,894	6,239
Administered by Janeway Children's Hospital Foundation	255	1,915
Dr. H. Bliss Murphy Cancer Care Foundation - Endowment Funds investments	<u>1,223</u>	<u>1,234</u>
	<u>90,073</u>	<u>84,498</u>
Total: Investments	<u>269,666</u>	<u>261,176</u>
Less: Discounts due to concessionary terms on investments - note 6	56,104	52,267
Allowance for write-down of investments	<u>18,256</u>	<u>18,015</u>
	<u>195,306</u>	<u>190,894</u>
Total: Loans, Advances and Investments	<u><u>395,987</u></u>	<u><u>395,079</u></u>

NOTES

1. Interest Rates and Loan Terms

Interest rates for all loans range from non-interest bearing to 14.0% and are payable over terms not exceeding 24 years.

2. Loan Receivable

The Province reopened general debenture 7C and issued \$300.0 million on 20 December 2017 and an additional \$300.0 million on 20 March 2018, both on behalf of a subsidiary of Nalcor Energy. In accordance with public sector accounting standards, the loan receivable from Nalcor Energy and the offsetting debenture debt are netted for presentation purposes. In addition, the interest revenue earned on this loan totalling \$22.2 million is netted against the offsetting interest expense on the debenture debt.

3. Security

Security exists for certain loans that can be accessed in the event of default. Refer to note 9 (c) (vi) of the Notes to the Financial Statements for further details.

4. Discounts Due to Concessionary Terms on Loans

The discounts due to concessionary terms on loans are the portion of the receivable that represents the difference between the face value and the present value of the loan. The loans are reported at their present value due to the concessionary terms in the loan agreement.

5. Fair Market Value (FMV) of Investments

The FMV of these investments is \$83.2 million of which \$25.1 million pertain to real estate. The remaining balance relates to fixed income investments.

6. Discounts Due to Concessionary Terms on Investments

The discounts due to concessionary terms on investments are the portion of the investment that represents the difference between the cost and the present value of the investment. The investments are reported at their present value due to the concessionary terms in the investment agreement.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Equity in Government Business Enterprises and Partnership As at 31 March 2020 with comparative figures for 2019

	Atlantic Lottery Corporation 31 Mar 2020 (\$000)	NL Liquor Corporation 4 Apr 2020 (\$000)	Nalcor Energy 31 Dec 2019 (\$000)	Total 2020 (\$000)	Total 2019 (\$000)
Equity - beginning of year	10,852	41,961	5,759,067	5,811,880	5,140,588
Adjustment to opening balance	-	-	-	-	(55,219)
Adjusted equity - beginning of period	10,852	41,961	5,759,067	5,811,880	5,085,369
Net income for year	120,902	185,273	(99,817)	206,358	490,272
Other comprehensive income (loss) - note 1	3,271	-	(12,000)	(8,729)	17,886
Capital transactions:					
Transfers from government - note 2	-	-	379,200	379,200	533,658
Transfers to government	(118,666)	(168,500)	-	(287,166)	(315,305)
Equity - end of year	<u>16,359</u>	<u>58,734</u>	<u>6,026,450</u>	<u>6,101,543</u>	<u>5,811,880</u>
Equity represented by:					
Assets					
Cash and temporary investments	7,438	26,418	1,634,000	1,667,856	1,924,127
Receivables	4,505	19,402	234,861	258,768	452,723
Inventories	2,019	31,186	134,000	167,205	155,443
Prepaid and deferred charges	1,983	630	150,000	152,613	196,029
Investments	-	-	106,000	106,000	133,000
Reserve fund	-	-	25,000	25,000	12,000
Capital and intangible assets - note 3	37,780	28,748	16,487,000	16,553,528	15,739,210
Total Assets	<u>53,725</u>	<u>106,384</u>	<u>18,770,861</u>	<u>18,930,970</u>	<u>18,612,532</u>
Liabilities					
Accounts payable and accruals	12,730	47,650	3,001,300	3,061,680	3,056,854
Deferred government assistance	-	-	1,000	1,000	1,000
Borrowings - note 4	24,636	-	9,742,111	9,766,747	9,742,798
Total Liabilities	<u>37,366</u>	<u>47,650</u>	<u>12,744,411</u>	<u>12,829,427</u>	<u>12,800,652</u>
Equity	<u>16,359</u>	<u>58,734</u>	<u>6,026,450</u>	<u>6,101,543</u>	<u>5,811,880</u>

NOTES

1. Other Comprehensive Income (Loss)

Other comprehensive income (loss) includes certain unrealized gains and losses of government business enterprises and partnership that are not reported in the statement of operations but are reported in the statement of financial position. Unrealized gains and losses are recognized in the statement of operations when they become realized gains and losses. Accumulated other comprehensive income (loss) as at 31 March 2020 amounted to \$(31.7) million (31 March 2019 - \$(23.0) million). The other comprehensive income (loss) recognized during the year was \$(8.7) million (31 March 2019 - \$17.9 million).

2. Transfers from Government

Capital transfers from the Province include \$379.2 million (31 March 2019 - \$533.7 million) for the Lower Churchill Project.

EQUITY IN GOVERNMENT BUSINESS ENTERPRISES AND PARTNERSHIP (continued)

3. Asset Impairment

For the three months ended 31 March 2020, Nalcor recorded a \$225.0 million, non-cash impairment in Oil and Gas on White Rose Extension and Hibernia South Extension as a result of a significant decrease in oil price due to global events that have caused increased supply and decreased demand amid the current novel coronavirus (COVID-19) pandemic.

4. Contributions and Repayment Requirements

Sinking fund contributions and long term debt repayments for Government Business Enterprises and Partnership, in Canadian dollars are as follows.

	Total
	(\$000)
2020-2021	273,515
2021-2022	64,561
2022-2023	63,892
2023-2024	64,540
2024-2025	65,260
2025-2057	<u>9,411,433</u>
	9,943,201
Less: Sinking Fund Contributions	<u>(176,454)</u>
	<u><u>9,766,747</u></u>

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Net Income of Government Business Enterprises and Partnership As at 31 March 2020 with comparative figures for 2019

	Atlantic Lottery Corporation 31 Mar 2020 (\$000)	NL Liquor Corporation 4 Apr 2020 (\$000)	Nalcor Energy 31 Dec 2019 (\$000)	Total 2020 (\$000)	Total 2019 (\$000)
Revenue					
Revenue from operations	<u>203,314</u>	<u>349,045</u>	<u>1,037,183</u>	<u>1,589,542</u>	<u>1,574,105</u>
Expense					
Expenses from operations	<u>82,412</u>	<u>163,772</u>	<u>1,137,000</u>	<u>1,383,184</u>	<u>1,083,833</u>
Net Income	<u><u>120,902</u></u>	<u><u>185,273</u></u>	<u><u>(99,817)</u></u>	<u><u>206,358</u></u>	<u><u>490,272</u></u>

NOTE

Related Party Transactions

Nalcor Energy earned related party revenues regarding funding to support both new and current offshore petroleum exploration, funding for wind feasibility studies in Labrador, as well as Churchill Falls Trust contributions, for a total amount of \$10.8 million (31 December 2018 - \$8.8 million). Nalcor Energy incurred related party expenses in relation to power purchase agreements, cost of application hearings, operation of Exploits assets, various rentals and royalties, and a debt guarantee fee. Netted against these expenses is the funding received from the Province related to Nalcor's obligation under the Upper Churchill Redress Agreement resulting in total expenses of \$22.1 million (31 December 2018 - \$6.5 million recovery).

In relation to the above listed related party transactions for Nalcor Energy, there exists accounts receivable, accounts payable and deferred credits. Accounts receivable include \$37.0 million (31 December 2018 - \$40.2 million); accounts payable include \$7.6 million (31 December 2018 - \$7.8 million) and deferred credits include \$1.1 million (31 December 2018 - \$1.2 million). In addition, Nalcor Energy invested \$43.4 million (31 December 2018 - \$40.0 million) in Provincial bonds. Refer to Schedule 2, note 2 for further details.

Newfoundland and Labrador Liquor Corporation is leasing office and warehouse space from the Department of Transportation and Works. These leases are rent free to the Corporation; however, all operating, leasehold and maintenance costs related to the buildings are the responsibility of the Corporation.

Atlantic Lottery Corporation Inc.'s related party profit earnings totaled \$121.1 million (31 March 2019 - \$135.4 million). In relation to profit earnings, there exists an accounts payable of \$0.4 million (31 March 2019 - \$1.9 million).

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Payables, Accrued and Other Liabilities As at 31 March 2020 with comparative figures for 2019

	2020	2019
	(\$000)	(\$000)
Due to Government of Canada - note 1	1,093,208	335,313
Accrued salaries and employee benefits - note 2	761,528	968,596
Accounts payable	354,092	440,852
Taxes payable - note 3	303,647	346,069
Accrued interest payable	220,633	220,114
Contaminated sites	168,665	168,891
Public private partnerships - note 4	74,971	-
Capital leases - note 5	13,432	16,525
Due to municipalities	5,552	10,288
Other	1,933	3,489
Total: Payables, Accrued and Other Liabilities	2,997,661	2,510,137

NOTES

1. Due to Government of Canada

Due to Government of Canada is comprised of \$800.0 million for the Atlantic Accord (2019), \$266.7 million for an Equalization loan (31 March 2019 - \$266.7 million), \$19.5 million for an RCMP policing service contract (31 March 2019 - \$17.5 million) and \$7.0 million for other Federal programs (31 March 2019 - \$51.1 million).

2. Accrued Salaries and Employee Benefits

Accrued salaries and employee benefits consists of the following.

	2020	2019
	(\$mil)	(\$mil)
Paid and annual leave	270.0	258.9
Sick leave	225.4	231.5
Severance	61.2	292.7
Salaries	134.7	122.6
Self-insured workers' compensation benefits	53.5	47.8
Other benefits	16.6	15.0
Pay in lieu	0.1	0.1
	761.5	968.6

During the 2019-20 fiscal year, an actuarial valuation as of 31 December 2019, with disclosures as at 31 March 2020, was obtained for the Province's self-insured workers' compensation benefits. Accrued severance and sick leave balances have been determined using a combination of actuarial valuations and internal methodologies.

PAYABLES, ACCRUED AND OTHER LIABILITIES (continued)

3. Taxes Payable

Taxes payable is comprised of \$203.1 million for corporate income tax (31 March 2019 - \$209.9 million), \$35.2 million for HST (31 March 2019 - \$77.9 million), \$53.8 million for personal income tax (31 March 2019 - \$53.9 million) and \$11.5 million for other taxes (31 March 2019 - \$4.4 million).

4. Public Private Partnership

The liability for public private partnerships (P3s) represents the Province's outstanding obligation for the discounted, capitalized cost of acquired P3 assets. The interest rate for the P3 liability is 3.85% with repayment to occur over 30 years.

5. Capital Leases

Interest rates for all capital leases range from non-interest bearing to 9.41% and have repayment schedules ranging in duration from 1 to 4 years.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Borrowings As at 31 March 2020 with comparative figures for 2019

	2020			Interest Rate Range	2019
	Total Borrowings	Sinking Fund Balance	Net Borrowings		Net Borrowings
	(\$000)	(\$000)	(\$000)	(%)	(\$000)
Consolidated Revenue Fund					
Treasury bill borrowings	1,982,851	-	1,982,851	0.80 - 1.84	970,644
General debentures	13,999,722	1,495,739	12,503,983	1.75 - 10.95	11,375,596
Sun Life Assurance Company of Canada	52,115	-	52,115	7.55 - 9.20	58,970
Government of Canada	<u>268,996</u>	<u>-</u>	<u>268,996</u>	4.91 - 6.90	<u>304,278</u>
	16,303,684	1,495,739	14,807,945		12,709,488
Health care organizations	144,820	24,419	120,401	0.99 - 10.50	124,837
Newfoundland and Labrador Housing Corporation	76,719	-	76,719	1.01 - 19.75	81,549
Memorial University of Newfoundland	58,640	-	58,640	3.69 - 4.18	58,599
School Districts	15,757	-	15,757	prime-1 - 5.04	14,696
Newfoundland and Labrador Municipal Financing Corporation	-	-	-		1,400
	<u>16,599,620</u>	<u>1,520,158</u>	<u>15,079,462</u>		<u>12,990,569</u>

NOTES

1. General Debentures

General debenture 7C was reopened and issued \$300.0 million on 20 December 2017 and an additional \$300.0 million on 20 March 2018, both on behalf of a subsidiary of Nalcor Energy. In accordance with public sector accounting standards, the loan receivable from Nalcor Energy and the offsetting debenture debt are netted for presentation purposes. In addition, the interest expense on the debenture debt totaling \$22.2 million is netted against the offsetting interest revenue on the loan receivable.

BORROWINGS (continued)

2. Borrowings

Borrowings and unamortized foreign exchange losses, by major currency, sinking funds and unamortized premiums, discounts and issuance fees as at 31 March 2020 are noted below. Refer to note 5 of the Notes to the Financial Statements for further details.

Major Currencies	Foreign Borrowings (\$000)	Exchange Rate	Canadian (\$000)	Unamortized Foreign Exchange Gains/(Losses) and Unamortized Premiums/Discounts and Issuance Fees (\$000)	Net (\$000)
U.S.	900,000	1.4187	1,276,830	(119,284)	1,157,546
Canadian			15,322,790	-	15,322,790
		Sub-total	16,599,620	(119,284)	16,480,336
		Foreign sinking funds	(514,705)	48,798	(465,907)
		Canadian sinking funds	(1,005,453)	-	(1,005,453)
		Sub-total	15,079,462	(70,486)	15,008,976
		Unamortized premiums and discounts and issuance fees		(129,354)	(129,354)
		Total		(199,840)	14,879,622

3. Contributions and Repayment Requirements

Sinking fund contributions and long term debt repayments, by major currency, in Canadian dollars are as follows.

	U.S. (\$000)	Canadian (\$000)	Total (\$000)
2020-2021	250,004	2,628,286	2,878,290
2021-2022	172,160	252,293	424,453
2022-2023	174,166	1,654,747	1,828,913
2023-2024	119,829	528,243	648,072
2024-2025	-	100,775	100,775
2025-2049	-	8,073,494	8,073,494
	716,159	13,237,838	13,953,997
Plus: Sinking Fund Values at Maturity			3,194,463
Less: Sinking Fund Contributions			(548,840)
			16,599,620

BORROWINGS (continued)

4. Interest Expense

The gross interest expense associated with borrowings, recognized for 31 March 2020, amounted to \$692.4 million (31 March 2019 - \$647.6 million).

5. Foreign Exchange Gain/Loss and Premiums, Discounts and Issuance Fees

The foreign exchange loss which has been recognized on the Consolidated Statement of Operations is \$19.3 million which represents a debit adjustment (31 March 2019 - \$8.9 million - debit adjustment). The net amortization expense on premiums (discounts) and issuance fees is \$8.3 million which represents a debit adjustment (31 March 2019 - \$8.6 million - debit adjustment).

6. Sensitivity Analysis

An increase/decrease of one cent in the foreign exchange rates at 31 March 2020 would result in an increase/decrease in foreign borrowings of \$9.0 million (31 March 2019 - \$10.5 million).

7. Related Sinking Fund Investments

At year end, the Province held \$875.1 million worth of its own debentures (face value) in sinking funds as active investments (31 March 2019 - \$732.9 million) which are reflected in the sinking fund balances disclosed in note 2 above. These were comprised of \$742.2 million in Canadian investments and \$132.9 million in US investments.

8. Debt Related Risk

The practice of borrowing in both domestic and foreign currencies may potentially give rise to a number of risks including interest rate, credit, foreign exchange and liquidity risk. Interest rate risk is the risk that debt servicing costs will increase due to changes in interest rates while credit risk is the risk that a loss may occur from the failure of another party to meet its obligations under a derivative financial instrument contract. As well, foreign exchange risk is the risk that debt servicing costs will increase due to a decline in the value of the Canadian dollar relative to other currencies while liquidity risk is the risk that financial commitments will not be met over the short-term.

The Province attempts to manage its exposure to these risks and minimize volatility in its debt expenses by following a conservative debt and risk management strategy. The Province's debt portfolio is structured such that virtually all of its debt is long-term with fixed interest rates and fixed repayment terms. When appropriate and the option is available, debt with high interest rates has been called and refinanced with new lower interest rate debt. Otherwise, debt is generally held until maturity. Hence, the Province's exposure to interest rate and credit risk is minimal as a result of its conservative debt management strategy.

While the majority of the Province's debt is domestic in nature, there are a number of US dollar denominated debt issues. All of these are long-term issues and the Province has established sinking funds, also in US dollars, to provide repayment of the debt at maturity. For debt servicing purposes, short-term forward contracts are occasionally entered into when favorable exchange rates are available to minimize exposure to foreign exchange risk.

The Province's exposure to liquidity risk is managed by distributing debt maturities over several years, maintaining sinking funds for the repayment of certain long-term debt issues and holding adequate cash reserves or short-term borrowings as contingent sources of liquidity.

Atlantic Lottery Corporation Inc. and Nalcor Energy operate in environments with various forms of financial risk including changes in interest rates, and fluctuation in foreign currency exchange rates and commodity prices. A combination of financial instruments and portfolio management tools and techniques are utilized to manage these risks. Net borrowings of Atlantic Lottery Corporation Inc. and Nalcor Energy are reflected in the Equity in government business enterprises and partnership on the Consolidated Statement of Financial Position.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Guaranteed Debt As at 31 March 2020 with comparative figures for 2019

	<u>2020</u> (\$000)	<u>2019</u> (\$000)
Guaranteed Debentures		
Newfoundland and Labrador Hydro	1,115,330	1,693,847
Newfoundland and Labrador Housing Projects - note 4	24,376	30,028
Municipalities	<u>626</u>	<u>610</u>
	<u>1,140,332</u>	<u>1,724,485</u>
Guaranteed Bank Loans		
Fisheries	17,342	24,327
Other corporations	<u>805</u>	<u>719</u>
	<u>18,147</u>	<u>25,046</u>
Total: Guaranteed Debt	<u><u>1,158,479</u></u>	<u><u>1,749,531</u></u>

NOTES

1. Limit of Loan Guarantees

The limit of loan guarantees for guaranteed debentures is \$1,140.3 million and \$72.6 million for guaranteed bank loans.

2. Provision for Guaranteed Debt

The provision for probable losses on guaranteed debt is nil (31 March 2019 - nil).

3. General Terms and Conditions

Guaranteed debentures for Newfoundland and Labrador Hydro have maturity dates ranging from February 2026 to October 2048 at interest rates varying from 3.6% to 8.4%. Other guaranteed debentures and guaranteed bank loans have maturity dates ranging from April 2020 to October 2048 at interest rates varying from 0.99% to 10.5%.

4. Loan Guarantees

The Newfoundland and Labrador Housing Corporation has provided loan guarantees pursuant to the Canada-Newfoundland Social Housing Agreement in respect of certain Canada Mortgage and Housing Corporation debt of partner managed housing operations.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Losses, Uncollectible Accounts and Other Amounts Written Off As at 31 March 2020 with comparative figures for 2019

Department	2020 (\$000)	2019 (\$000)
Finance:		
Remissions	293	108,963
	<u>293</u>	<u>108,963</u>
Advanced Education, Skills and Labour:		
Uncollectible accounts	15,503	3,426
Fisheries and Land Resources:		
Tax forgiveness	1,629	1,741
Uncollectible accounts	-	1,665
	<u>1,629</u>	<u>3,406</u>
Justice and Public Safety:		
Uncollectible accounts	-	1
Municipal Affairs and Environment:		
Uncollectible accounts	1	-
Natural Resources:		
Uncollectible accounts	268	6
Service Newfoundland and Labrador:		
Uncollectible accounts	7	14
Tourism, Culture, Industry and Innovation:		
Overpayment of social assistance	-	1
Transportation and Works:		
Uncollectible accounts	6	-
Total: Losses, Uncollectible Accounts and Other Amounts Written Off	<u>17,707</u>	<u>115,817</u>

NOTE

Losses, Uncollectible Accounts and Other Amounts Written Off includes balances of the Consolidated Revenue Fund.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Trust Accounts As at 31 March 2020 with comparative figures for 2019

	<u>2020</u>	<u>2019</u>
	(\$000)	(\$000)
Office of the Public Trustee	36,240	32,993
Supreme Court of Newfoundland and Labrador	34,913	54,390
Refund Deposit Account (formerly known as Rate Stabilization Fund)	8,011	8,884
Teachers' Accrued Salary Trust Account	7,460	7,568
Scholarships and Awards	7,335	7,910
Patients' Funds Held in Trust	4,017	4,630
Replacement Reserve Funds	3,740	3,783
Consolidated Tender Account	2,459	4,678
Federal/Provincial Contractors' Security Account	2,373	4,926
Support Enforcement	1,391	1,331
Contractors' Security Account - Transportation and Works	1,062	958
Provincial Courts Trust Account	444	492
High Sheriff of Newfoundland	396	311
Other Trust Accounts	<u>5,181</u>	<u>6,717</u>
Total: Trust Accounts	<u><u>115,022</u></u>	<u><u>139,571</u></u>

NOTE

Workplace, Health, Safety and Compensation Commission

The Workplace, Health, Safety and Compensation Commission (the Commission) is considered to be a form of trust. For the most recent fiscal year ended 31 December 2019, the Commission reported a net fund surplus of \$301.8 million (31 December 2018 - net fund surplus of \$237.5 million) and an accumulated operating surplus of \$300.8 million (31 December 2018 - surplus of \$237.0 million). Under legislation, no liability on behalf of the Province has been established.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Tangible Capital Assets As at 31 March 2020 with comparative figures for 2019

Category	Original Cost			Accumulated Amortization			Net Book Value 31 March 2020 (\$mil)	Net Book Value 31 March 2019 (\$mil)	
	Balance 31 March 2019 (\$mil)	Additions 2020 (\$mil)	Disposals 2020 (\$mil)	Balance 31 March 2020 (\$mil)	Balance 31 March 2019 (\$mil)	Amort. Net of Disposals 2020 (\$mil)			
Buildings	4,200.4	152.7	24.1	4,329.0	2,069.5	80.6	2,150.1	2,178.9	2,130.9
Marine vessels & aircraft	397.5	2.3	6.5	393.3	124.5	12.1	136.6	256.7	273.0
Equipment & machinery	1,743.2	57.4	32.3	1,768.3	1,379.2	38.5	1,417.7	350.6	364.0
Infrastructure	5,331.9	175.0	-	5,506.9	4,131.6	107.3	4,238.9	1,268.0	1,200.3
Computer software	215.7	22.8	-	238.5	171.4	26.6	198.0	40.5	44.3
Sub-total	<u>11,888.7</u>	<u>410.2</u>	<u>62.9</u>	<u>12,236.0</u>	<u>7,876.2</u>	<u>265.1</u>	<u>8,141.3</u>	<u>4,094.7</u>	<u>4,012.5</u>
Work in progress				<u>537.0</u>				<u>537.0</u>	<u>453.5</u>
Total				<u>12,773.0</u>				<u>4,631.7</u>	<u>4,466.0</u>

NOTES

1. Tangible Capital Assets

Tangible capital assets are capitalized on the Consolidated Statement of Financial Position with the cost of the assets amortized over the estimated useful life of the assets.

2. Work In Progress

Work in progress is considered to be a tangible capital asset, however it is not amortized as it is not yet available for use. The Province currently has a number of projects under construction or development with a total for 31 March 2020 of \$537.0 million (31 March 2019 - \$453.5 million) having been spent on these projects to date. Upon completion, these assets are recorded in the appropriate category in the schedule. The additions of \$410.2 million include \$200.4 million of work in progress assets that have been capitalized in the year. Net additions to work in progress assets include additions of \$285.0 million less disposals of \$1.1 million for 2019-20.

TANGIBLE CAPITAL ASSETS (continued)

3. Accumulated Amortization

The \$265.1 million change in accumulated amortization from the prior year, as reported in the Tangible Capital Asset schedule, consists of amortization expense of \$326.1 million less accumulated amortization on assets disposed of in the year in the amount of \$61.0 million.

The \$292.2 million change in accumulated amortization as at 31 March 2019 consisted of amortization expense of \$313.5 million less accumulated amortization on assets disposed of in the year in the amount of \$21.3 million.

4. Estimated Useful Life

The historic cost of the assets is estimated in many cases, and amortization is calculated on a straight line basis over the following useful lives:

<u>Asset</u>	<u>Estimated Useful Life</u>
Buildings	40 years
Marine vessels & aircraft	
Marine vessels	20 years
Aircraft	20 years
Equipment & machinery	
Heavy machinery and equipment	20 years
Snow removal equipment	10 years
Office/other machinery and equipment	10 years
Vehicles	5 years
Computer hardware	4 years
Infrastructure	
Roads	20 years
Airstrips	20 years
Marine facility infrastructure	20 years
Other infrastructure	20 years
Land	indefinite
Bridges	40 years
Computer software	7 years

The above useful lives reflect the policies of the Consolidated Revenue Fund. Amortization reported by other organizations included in the Government reporting entity is recorded in these statements as per the amortization policies of these other organizations. These policies may differ from those identified above.

5. Historical or Cultural Assets

In accordance with current accounting standards, certain assets which have historical or cultural value belonging to the Province are not included in this schedule. Such assets consist of paintings, sculptures, historical documents, and historical and cultural artifacts.

TANGIBLE CAPITAL ASSETS (continued)

6. Intangible and Inherited Assets

Intangible assets and items inherited by right of the Crown, such as Crown lands, forest, and mineral resources, are not recognized as tangible capital assets in accordance with current accounting standards.

7. Leased Assets

The gross amount of leased tangible capital assets is \$36.7 million (31 March 2019 - \$36.4 million), amortization expense is \$2.6 million (31 March 2019 - \$1.1 million) and accumulated amortization is \$26.8 million (31 March 2019 - \$24.3 million). These are included in the appropriate category in the schedule.

8. Expropriated Assets

In December 2008, the Province passed legislation entitled Abitibi-Consolidated Rights and Assets Act, to expropriate certain rights and assets from Abitibi-Consolidated. The intent of this Act was to return to the Province rights relating to timber and water use, as well as assets and land associated with the generation of electricity enabled by water use rights. As a result of the expropriation, the Province also assumed responsibility of other assets associated with the pulp and paper mill. While the Province has licensed Nalcor Energy to manage and operate the hydro electricity generating assets on behalf of the Province, the intent is to transfer these assets to Nalcor Energy or Newfoundland and Labrador Hydro. Nalcor Energy is operating these electricity generating assets on a cost recovery basis and with revised power purchase rates now applying to these facilities. As the value of the electricity generating assets expropriated, and their ultimate use, have not been determined, any payments related to subsection 10.(2) of the Act have been recorded as tangible capital assets. \$155.8 million, (net) has been recorded as the cost of the electricity generating assets for the fiscal year ended 31 March 2020 and are included in the infrastructure category. As the value of the non-electricity generating assets expropriated, and their ultimate future use have not been determined, they have been recorded as tangible capital assets at a nominal amount.

9. Public Private Partnerships

The cost of tangible capital assets includes \$86.4 million related to public private partnership assets, of which \$0.2 million has been recorded as amortization expense and accumulated amortization. These amounts are included in the appropriate category in the schedule.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Revenue by Source For the year ended 31 March 2020 with comparative figures for 2019

	Actuals 2020 (\$000)	Original Budget 2020 (Note 21) (\$000)	Actuals 2019 (\$000)
Provincial Sources			
Taxation			
Personal income tax	1,601,226	1,587,174	1,547,612
Sales tax	1,217,974	1,186,852	1,275,450
Corporate income tax	224,686	410,609	378,383
Gasoline tax	175,648	185,527	205,368
Mining and mineral rights tax	85,814	81,183	234,626
Carbon tax	52,967	66,533	12,578
Cannabis tax	3,661	5,486	1,054
Other	370,760	399,255	389,126
	<u>3,732,736</u>	<u>3,922,619</u>	<u>4,044,197</u>
Investment			
Sinking fund earnings	70,745	62,413	62,271
Interest	38,725	12,323	42,764
Other	5,268	-	1,830
	<u>114,738</u>	<u>74,736</u>	<u>106,865</u>
Fees and Fines			
Fees	394,329	347,460	336,796
Fines	10,556	5,988	9,224
	<u>404,885</u>	<u>353,448</u>	<u>346,020</u>
Offshore royalties	957,054	1,129,345	1,082,500
Miscellaneous			
Sales and rentals	105,431	-	105,870
Cost recoveries	34,578	-	39,184
Other	443,273	616,832	430,244
	<u>583,282</u>	<u>616,832</u>	<u>575,298</u>
Total Provincial Sources	<u>5,792,695</u>	<u>6,096,980</u>	<u>6,154,880</u>
Federal Sources			
Atlantic Accord (2019)	2,355,732	2,501,239	-
Health and social transfers	771,180	769,231	752,917
Cost-shared programs	386,459	477,980	390,127
Other	71,207	57,917	38,646
Total Federal Sources	<u>3,584,578</u>	<u>3,806,367</u>	<u>1,181,690</u>
Net income of government business enterprises and partnership - see note	206,358	446,495	490,272
Total: Revenue by Source	<u>9,583,631</u>	<u>10,349,842</u>	<u>7,826,842</u>

NOTE

See Schedule 4 for a breakdown by entity.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Expenses by Department For the year ended 31 March 2020 with comparative figures for 2019

	Actuals 2020 (\$000)	Original Budget 2020 (Note 21) (\$000)	Actuals 2019 (\$000)
General Government Sector and Legislative Branch			
General Government Sector			
Consolidated Fund Services	804,126	842,649	818,640
Executive Council	107,233	93,997	86,038
Finance	599,393	506,265	590,908
Public Procurement Agency	1,821	2,094	1,631
Public Service Commission	2,400	2,345	1,615
Service NL	33,811	33,530	28,912
Transportation and Works	486,552	437,835	460,248
Legislative Branch			
Legislature	26,347	30,783	21,247
	<u>2,061,683</u>	<u>1,949,498</u>	<u>2,009,239</u>
Resource Sector			
Advanced Education, Skills and Labour	1,202,362	1,175,961	1,191,744
Fisheries and Land Resources	130,335	121,792	120,421
Natural Resources	72,791	93,879	76,768
Tourism, Culture, Industry and Innovation	86,690	91,939	93,247
	<u>1,492,178</u>	<u>1,483,571</u>	<u>1,482,180</u>
Social Sector			
Children, Seniors and Social Development	181,734	175,871	171,892
Education and Early Childhood Development	849,154	911,711	863,156
Health and Community Services	3,250,566	3,188,002	3,211,560
Justice and Public Safety	268,770	263,247	258,729
Municipal Affairs and Environment	243,742	331,711	251,518
Newfoundland and Labrador Housing Corporation	118,623	121,779	131,097
	<u>4,912,589</u>	<u>4,992,321</u>	<u>4,887,952</u>
Total: Expenses by Department	<u>8,466,450</u>	<u>8,425,390</u>	<u>8,379,371</u>

NOTE

Expenses by Department includes expenses by organizations in the Government reporting entity which report to that department.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Expenses by Object For the year ended 31 March 2020 with comparative figures for 2019

	<u>Actuals</u> 2020 (\$000)	<u>Original</u> <u>Budget</u> 2020 (Note 21) (\$000)	<u>Actuals</u> 2019 (\$000)
Salaries and employee benefits - note 1	3,493,734	3,399,252	3,487,152
Grants and subsidies	1,709,120	1,830,576	1,642,563
Operating costs	1,287,070	1,323,431	1,258,654
Debt expenses	1,064,899	1,014,743	1,039,721
Professional services	508,328	523,126	535,655
Amortization and (gain)/loss on the sale of tangible capital assets	324,313	319,361	312,428
Property, furnishings and equipment - note 2	61,827	12,413	85,431
Valuation allowances (recovery)	17,159	2,488	17,767
Total: Expenses by Object	<u>8,466,450</u>	<u>8,425,390</u>	<u>8,379,371</u>

NOTES

1. Salaries and employee benefits

Salaries and employee benefits consists of the following.

	<u>2020</u> (\$mil)	<u>2019</u> (\$mil)
Salaries	2,761.7	2,731.0
Retirement costs	405.3	383.2
Other benefits	149.7	185.9
Paid and annual leave	115.2	104.2
Severance	30.9	43.3
Sick leave	30.9	39.6
	<u>3,493.7</u>	<u>3,487.2</u>

2. Property, Furnishings and Equipment

This amount includes expenses for property, furnishings and equipment that do not meet the established definition or thresholds for tangible capital assets.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Revenue and Expense by Sector For the year ended 31 March 2020

	General Government Sector and Legislative Branch (\$000)	Resource Sector (\$000)	Social Sector (\$000)	Total (\$000)
REVENUE				
Provincial				
Taxation	3,778,502	228	-	3,778,730
Investment	95,576	13,667	5,495	114,738
Fees and Fines	174,126	133,223	97,536	404,885
Offshore Royalties	321	956,733	-	957,054
Other	83,320	371,442	209,633	664,395
Federal sources	<u>3,201,114</u>	<u>211,308</u>	<u>172,156</u>	<u>3,584,578</u>
	7,332,959	1,686,601	484,820	9,504,380
Net income of government business enterprises and partnership	306,175	(99,817)	-	206,358
Total Sector Revenue - note 2	<u>7,639,134</u>	<u>1,586,784</u>	<u>484,820</u>	<u>9,710,738</u>
EXPENSE				
Salaries and employee benefits	425,872	643,136	2,471,890	3,540,898
Operating costs	316,046	251,047	759,738	1,326,831
Grants and subsidies	178,808	476,545	1,093,883	1,749,236
Debt expenses	1,015,147	21,615	28,137	1,064,899
Professional services	7,804	17,334	483,190	508,328
Amortization and loss on sale of tangible capital assets	146,163	66,793	111,357	324,313
Property, furnishings, and equipment	1,415	13,594	46,884	61,893
Valuation allowances	(6,194)	17,763	5,590	17,159
Total Sector Expense - note 3	<u>2,085,061</u>	<u>1,507,827</u>	<u>5,000,669</u>	<u>8,593,557</u>
Sector Results - before adjustments	5,554,073	78,957	(4,515,849)	1,117,181
Inter-Sector Eliminations	<u>(22,616)</u>	<u>(57,837)</u>	<u>80,453</u>	-
Annual Surplus (Deficit)	<u>5,531,457</u>	<u>21,120</u>	<u>(4,435,396)</u>	<u>1,117,181</u>

See accompanying notes.

NOTES TO THE SCHEDULE OF REVENUE AND EXPENSE BY SECTOR
For the year ended 31 March 2020

1. Sectors

The sectors identified above are consistent with the presentation of the Consolidated Statement of Operations, the 2019-20 Estimates. Each sector includes the revenue and expenses of the applicable departments and the organizations in the Government reporting entity which report to their respective department. Certain amounts have been allocated on a systematic basis. Refer to Schedule 12 - Expenses by Department for a list of departments included within each sector.

2. Sector Revenue

Sector revenues include revenues generated from within the Government reporting entity. These inter-sector transactions are eliminated upon consolidation. Total eliminations pertaining to revenues amount to \$127.1 million resulting in total revenue of \$9,583.6 million as per the Consolidated Statement of Operations.

3. Sector Expense

Sector expenses include expenses incurred from within the Government reporting entity. These inter-sector transactions are eliminated upon consolidation. Total eliminations pertaining to expenses amount to \$127.1 million resulting in total expense of \$8,466.5 million as per the Consolidated Statement of Operations.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Government Reporting Entity For the year ended 31 March 2020

GOVERNMENT ORGANIZATIONS - note 1

	Board of Commissioners of Public Utilities
	C.A. Pippy Park Commission
	Central Regional Health Authority
D	Chicken Farmers of Newfoundland and Labrador
D - note 2	Churchill Falls (Labrador) Corporation Trust
	College of the North Atlantic
J	Conseil scolaire francophone provincial de Terre-Neuve et Labrador
	Consolidated Revenue Fund
D	Credit Union Deposit Guarantee Corporation
JU	Dairy Farmers of Newfoundland and Labrador
note 3	Eastern Regional Health Authority
D	Egg Farmers of Newfoundland and Labrador
	Heritage Foundation of Newfoundland and Labrador
	Innovation and Business Investment Corporation
	Labrador-Grenfell Regional Health Authority
	Livestock Owners Compensation Board
A	Marble Mountain Development Corporation
	Memorial University of Newfoundland
	Multi-Materials Stewardship Board
	Municipal Assessment Agency Inc.
	Newfoundland and Labrador 911 Bureau Inc.
	Newfoundland and Labrador Arts Council
	Newfoundland and Labrador Centre for Health Information
	Newfoundland and Labrador Crop Insurance Agency
J - note 4	Newfoundland and Labrador English School District
	Newfoundland and Labrador Farm Products Corporation
	Newfoundland and Labrador Film Development Corporation
	Newfoundland and Labrador Housing Corporation
	Newfoundland and Labrador Immigrant Investor Fund Limited
	Newfoundland and Labrador Industrial Development Corporation
	Newfoundland and Labrador Legal Aid Commission
	Newfoundland and Labrador Municipal Financing Corporation
	Newfoundland and Labrador Sports Centre Inc.
	Newfoundland Hardwoods Limited
	Provincial Advisory Council on the Status of Women - Newfoundland and Labrador
	Provincial Information and Library Resources Board

GOVERNMENT REPORTING ENTITY (continued)

GOVERNMENT ORGANIZATIONS

note 5	Student Loan Corporation of Newfoundland and Labrador The Rooms Corporation of Newfoundland and Labrador Western Regional Health Authority
--------	--

GOVERNMENT BUSINESS ENTERPRISES

D	Nalcor Energy
F	Newfoundland and Labrador Liquor Corporation

GOVERNMENT BUSINESS PARTNERSHIP

Atlantic Lottery Corporation Inc. (25% ownership)

LEGEND

A	This entity has a year end of 30 April.
D	These entities have a year end of 31 December.
J	These entities have a year end of 30 June.
JU	This entity has a year end of 31 July.
F	This entity has a floating year end to align with its four 13 week reporting periods. The fiscal year end of the entity will end on the first Saturday of April each year.

NOTES

- Oil and Gas Corporation of Newfoundland and Labrador was established effective January 1, 2020 with a financial year-end of 31 December. Oil and Gas Corporation of Newfoundland and Labrador is a crown corporation, which will be reporting directly to Department of Industry, Energy and Technology. Oil and Gas Corporation of Newfoundland and Labrador will be included in the Province's 2020-21 Consolidated Summary Financial Statements.
- Churchill Falls (Labrador) Corporation Trust is included in the Government reporting entity for consolidation since, in substance, it is closely held and controlled by the Province and is administered by senior Government officials.
- Eastern Regional Health Authority controls a number of foundations/associations which have not been consolidated within their financial statements. In accordance with Public Sector Accounting Standards, these organizations have been included within the Province's 2019-20 Consolidated Summary Financial Statements. These entities are as follows: 1) Health Care Foundation of St.John's Inc.; 2) Janeway Children's Hospital Foundation; 3) Dr. H. Bliss Murphy Cancer Care Foundation; 4) Discovery Health Care Foundation Inc.; 5) Trinity- Conception- Placentia Health Foundation Inc.; 6) The Burin Peninsula Health Care Foundation Inc.
- Newfoundland and Labrador English School District controls a number of foundations/associations which have not been consolidated within their financial statements. In accordance with Public Sector Accounting Standards, these associations have been included within the Province's 2019-20 Consolidated Summary Financial Statements. These entities are as follows: 1) Newfoundland and Labrador Education Foundation Inc.; and 2) Newfoundland and Labrador International Student Education Inc.
- During the year, the Student Loan Corporation of Newfoundland and Labrador was dissolved and the operations of its programs were transferred to the Consolidated Revenue Fund.

This Page Intentionally Left Blank.



Province of Newfoundland and Labrador

Consolidated Revenue Fund Financial Information (Unaudited)

**For The Year Ended
31 March 2020**

This Page Intentionally Left Blank.

INTRODUCTION

This supplementary information is comprised of the Consolidated Revenue Fund Financial Information which presents the financial statements of the Consolidated Revenue Fund of the Province of Newfoundland and Labrador. The Consolidated Revenue Fund, as required by the *Financial Administration Act*, is comprised of all public money over which the Legislature has power of appropriation.

These unaudited financial statements are prepared by the Comptroller General of Finance on the accrual basis of accounting in accordance with the Public Sector Accounting Standards of the Chartered Professional Accountants of Canada. The accounting policies applied in the preparation of these financial statements are consistent with those disclosed in Note 1 to the Consolidated Summary Financial Statements. Where available, Original Budget figures prepared on the accrual basis of accounting are provided on several statements for comparison purposes. As well, restatements to the comparative fiscal year as disclosed in the Consolidated Summary Financial Statements applicable to the Consolidated Revenue Fund have also been reflected in these statements.

The Consolidated Revenue Fund Financial Information for previous years is also available on the Internet at: http://www.fin.gov.nl.ca/fin/public_accounts/index.html

This Page Intentionally Left Blank

PROVINCE OF NEWFOUNDLAND AND LABRADOR
**Statement of Financial Position
As at 31 March 2020
with comparative figures for 2019**

	Actuals 2020 (\$000)	Actuals 2019 (\$000)
FINANCIAL ASSETS		
	1,241,385	905,811
	135,996	96,549
Sch. A	3,520,447	508,242
	98,273	108,292
	3,422,174	399,950
Sch. B	363,947	251,471
	34,259	15,191
	329,688	236,280
Sch. C	4,700,547	4,319,892
	10,361	9,861
	4,690,186	4,310,031
	9,819,429	5,948,621
LIABILITIES		
Sch. D	2,290,242	1,585,176
	49,698	23,242
Sch. E	16,303,684	14,259,899
	1,495,739	1,550,411
	(199,840)	(193,499)
	14,608,105	12,515,989
	2,924,594	2,825,929
	394,034	378,921
	4,204,705	4,275,619
	4,598,739	4,654,540
	24,471,378	21,604,876
NET DEBT		
	14,651,949	15,656,255
NON-FINANCIAL ASSETS		
	2,582,425	2,480,512
	7,644	8,450
	42,554	43,892
	2,632,623	2,532,854
ACCUMULATED DEFICIT		
	12,019,326	13,123,401
Sch. F		Guaranteed Debt

The accompanying supporting schedules form an integral part of the financial statements.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Statement of Change in Net Debt For the year ended 31 March 2020 with comparative figures for 2019

	Actuals 2020 (\$000)	Original Budget 2020 (\$000)	Actuals 2019 (\$000)
NET DEBT - beginning of period	15,656,255	16,212,216	14,785,318
Add (Deduct):			
Adjustments			
Government organization changes	-	-	6,267
ADJUSTED NET DEBT - beginning of period	<u>15,656,255</u>	<u>16,212,216</u>	<u>14,791,585</u>
Surplus (Deficit) for the period	<u>1,104,075</u>	<u>2,053,629</u>	<u>(844,766)</u>
Changes in tangible capital assets			
Acquisition of tangible capital assets	295,405	321,502	180,105
Net book value of tangible capital asset disposals	(273)	-	(659)
Amortization of tangible capital assets	<u>(193,219)</u>	<u>(173,658)</u>	<u>(170,893)</u>
<i>Increase in net book value of tangible capital assets</i>	<u>101,913</u>	<u>147,844</u>	<u>8,553</u>
Changes in other non-financial assets			
Acquisition of prepaid expenses (net of usage)	(806)		(434)
Acquisition of inventories of supplies (net of usage)	<u>(1,338)</u>		<u>11,785</u>
<i>Increase in other non-financial assets</i>	<u>(2,144)</u>		<u>11,351</u>
<i>Increase (Decrease) in net debt</i>	<u>(1,004,306)</u>	<u>(1,905,785)</u>	<u>864,670</u>
NET DEBT - end of period	<u><u>14,651,949</u></u>	<u><u>14,306,431</u></u>	<u><u>15,656,255</u></u>

The accompanying supporting schedules form an integral part of the financial statements.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

**Statement of Operations
For the year ended 31 March 2020
with comparative figures for 2019**

	Actuals 2020 (\$000)	Original Estimates 2020 (\$000)	Actuals 2019 (\$000)
REVENUE			
Provincial			
Tax Revenue			
Sales	1,217,974	1,186,852	1,275,450
Personal income	1,601,226	1,587,174	1,547,612
Gasoline	175,648	185,527	205,368
Corporate income	224,686	410,609	378,383
Mining and mineral rights	85,814	81,183	234,626
Cannabis tax	3,661	5,486	1,054
Carbon tax	52,967	66,533	12,578
Other	416,754	399,255	434,505
Non-Tax Revenue			
Offshore royalties	957,054	1,129,345	1,082,500
Investment	306,574	507,985	308,797
Fees and fines	222,478	167,015	172,954
Other	35,877	-	37,366
Provincial related revenue	310,510	297,749	253,393
Federal			
Atlantic Accord (2019)	2,355,732	2,501,239	-
Health and social transfers	771,180	769,231	752,917
Other (repayment)	31,521	9,758	(12,731)
Federal related revenue	333,572	419,227	331,871
Total Revenue	9,103,228	9,724,168	7,016,643
EXPENSE			
Salaries and employee benefits	765,690	713,319	735,946
Transportation and communications	27,610	36,978	29,120
Supplies	101,938	106,676	92,609
Professional services	478,185	504,915	496,021
Purchased services	284,408	218,939	335,611
Property, furnishings and equipment	3,301	3,135	6,372
Allowances and assistance	745,413	578,408	722,403
Grants and subsidies	4,372,349	4,356,593	4,281,842
Debt expenses	1,017,808	977,918	978,336
Amortization and (gain)/loss of the sale of tangible capital assets	192,235	173,658	171,026
Valuation allowances (recovery)	10,216	-	12,123
Total Expense	7,999,153	7,670,539	7,861,409
ANNUAL SURPLUS (DEFICIT)	1,104,075	2,053,629	(844,766)

The accompanying supporting schedules form an integral part of the financial statements.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Statement of Change in Accumulated Deficit For the year ended 31 March 2020 with comparative figures for 2019

	<u>Actuals</u> 2020 (\$000)	<u>Original</u> Budget 2020 (\$000)	<u>Actuals</u> 2019 (\$000)
ACCUMULATED DEFICIT - beginning of period	13,123,401		12,243,545
Add (Deduct):			
Adjustments			
Tangible capital assets	-		28,823
Government organization changes	-		6,267
ADJUSTED ACCUMULATED DEFICIT - beginning of period	<u>13,123,401</u>		<u>12,278,635</u>
Surplus (Deficit) for the period	<u>1,104,075</u>	<u>2,053,629</u>	<u>(844,766)</u>
ACCUMULATED DEFICIT - end of period	<u><u>12,019,326</u></u>		<u><u>13,123,401</u></u>

The accompanying supporting schedules form an integral part of the financial statements.

PROVINCE OF NEWFOUNDLAND AND LABRADOR
**Statement of Cash Flows
For the year ended 31 March 2020
with comparative figures for 2019**

	Actuals 2020 (\$000)	Actuals 2019 (\$000)
Funds provided from (applied to):		
OPERATIONS		
Annual surplus (deficit)	1,104,075	(844,766)
Add (Deduct) non-cash items:		
Accounts payable	802,369	(254,227)
Accounts receivable	(3,012,205)	20,050
Amortization of foreign exchange (gains)/losses, premiums (discounts) and and issuance fees	23,389	17,496
Amortization of tangible capital assets	193,219	170,893
April writebacks	(104,337)	(47,394)
Deferred revenue	26,456	(1,272)
Other	(58,637)	(18,182)
Retirement costs	113,784	102,414
Sinking funds	(69,828)	(61,391)
Special purpose funds/contractors' holdback funds	(32,290)	7,256
Valuation allowances	10,216	12,123
Net cash provided from (applied to) operating transactions	<u>(1,003,789)</u>	<u>(897,000)</u>
CAPITAL		
Acquisitions	(295,405)	(180,105)
Disposals	1,257	663
Net cash provided from (applied to) capital transactions	<u>(294,148)</u>	<u>(179,442)</u>
FINANCING		
Debt issued	1,200,000	1,425,000
Debt retirement	(244,574)	(243,335)
Retirement of promissory note	(70,914)	(66,900)
Sinking fund contributions	(43,556)	(43,556)
Sinking fund proceeds	202,437	-
Treasury bills purchased	6,940,107	4,281,723
Treasury bills redeemed	(5,927,900)	(4,088,481)
Net cash provided from (applied to) financing transactions	<u>2,055,600</u>	<u>1,264,451</u>
INVESTING		
Loan advances and investments	(441,684)	(628,480)
Loan repayments	19,595	12,608
Net cash provided from (applied to) investing transactions	<u>(422,089)</u>	<u>(615,872)</u>
Net cash provided (applied)	335,574	(427,863)
Cash and temporary investments - beginning of period	905,811	1,333,674
CASH AND TEMPORARY INVESTMENTS - end of period	<u>1,241,385</u>	<u>905,811</u>

The accompanying supporting schedules form an integral part of the financial statements.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Accounts and Taxes Receivable As at 31 March 2020 with comparative figures for 2019

	2020	2019
	(\$000)	(\$000)
Accounts Receivable:		
Due from Government of Canada - note 1	3,031,103	-
Offshore royalties	73,276	126,662
Income support overpayments	70,128	67,977
Newfoundland Labrador Liquor Corporation	58,734	41,961
Innovation and Business Development Fund Receivable	48,000	54,000
Court fines	46,998	45,284
Miscellaneous/other receivables	20,779	23,906
Rent and other royalties/permits to occupy	13,312	5,476
Reciprocal billings - medical services	6,210	5,097
Due from Nalcor Energy	4,547	13,000
Accident recovery claims	2,890	2,586
Due from municipalities	2,678	1,756
Amounts due as a result of Constituency Allowance review	2,548	2,575
Medical care plan audit recoveries	2,307	2,040
Workplace, Health, Safety and Compensation Commission	1,317	1,540
Fees and licences	505	560
Atlantic Lottery Corporation Incorporated	401	2,089
Province of Newfoundland and Labrador Pooled Pension Fund	155	267
Travel advances	15	16
Total: Accounts Receivable	3,385,903	396,792
Taxes Receivable:		
Mining and mineral rights tax	61,908	39,174
Health and post secondary education tax	15,917	14,158
Gasoline tax	13,594	15,292
Tobacco tax	10,359	9,853
School tax	8,928	8,939
Sales tax	8,529	10,194
Insurance companies tax	8,103	7,879
Carbon tax	4,469	4,775
Cannabis tax	1,531	1,016
Miscellaneous/other taxes	1,206	167
Forest management tax	-	3
Total: Taxes Receivable	134,544	111,450
Total: Accounts and Taxes Receivable	3,520,447	508,242

NOTES

1. Due from Government of Canada includes a receivable of \$3.0 billion related to the Atlantic Accord (2019).
2. The allowance for doubtful accounts for 31 March 2020 is \$98.3 million (31 March 2019 - \$108.3 million).

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Loans, Advances and Mortgages Receivable

As at 31 March 2020

with comparative figures for 2019

	<u>2020</u>	<u>2019</u>
	(\$000)	(\$000)
Crown Agencies - note 4:		
Memorial University of Newfoundland	152,328	102,266
Newfoundland and Labrador Film Development Corporation	<u>6,819</u>	<u>6,819</u>
Total: Crown Agencies	<u>159,147</u>	<u>109,085</u>
Commercial Loans		
6574262 Canada Inc.	500	500
Afinin Lab Inc.	30	30
Atlantic Canada Regional Adventure Fund Limited Partnership	7,780	7,538
Blue Drop Inc.	-	106
Blue Ocean Satellite Systems Inc.	-	125
Canada Fluorspar (NL) Inc.	17,000	17,000
Clear Risk Inc.	420	420
Corner Brook Pulp and Paper Limited	105,348	99,985
D.F. Barnes Fabrication Limited	200	275
Desire2Learn Incorporated	-	1,075
Doyle, James & Sons Ltd.	771	771
Eastern Composite Services Inc.	399	399
Garrison Guitars	171	-
Holson Forest Products Ltd.	7,319	7,319
Hughes, Vincent	50	50
IC Spa Products Inc.	183	183
Icewater Harvesting Inc.	750	937
Island Seafoods Products Limited	125	125
Keats, Eric	102	102
Koby Seat Inc.	9	9
Marwood Ltd.	259	437
Mike Butland Fisheries	134	134
MyTechSupport.com Limited	20	20
MyTelescope.com Inc.	315	315
Newfoundland and Labrador Mobile Shelters Limited	400	500
Other Ocean Group Inc.	781	781
PAL Aerospace Ltd.	2,250	2,250
Phocalux International Inc.	734	762
Procom Data Services	107	108
Pumphrey, Gerry	537	537
Quorum Information Systems Inc.	500	415
ROINS Financial Services Limited	6,500	6,500
Saunders, Ralph	61	61
Seacraft Limited	68	68
Seaward, Alphonsus	99	99
Sexton Lumber Ltd.	293	383
Shell-Ex (formerly known as Eastern Star Group Canada Inc.)	145	145

CONSOLIDATED REVENUE FUND (UNAUDITED)**LOANS, ADVANCES AND MORTGAGES RECEIVABLE (continued)**

	2020	2019
	(\$000)	(\$000)
Commercial Loans:		
Short, William	262	262
Silk Stevens (NLL) Limited	-	24
Superior Waterproof Coatings NF & LB Inc.	154	154
Sweet, Roy	59	59
Uncle Phil's Think Tank Inc.	75	75
Verafin Inc.	-	6,000
Virtual Marine Technology	991	991
Wilson, Ronald & Curtis, Kevin	354	354
Total: Commercial Loans	<u>156,255</u>	<u>158,383</u>
Other Loans:		
Municipalities	630	630
Student loans	66,580	9,479
Total: Other Loans	<u>67,210</u>	<u>10,109</u>
Sub-Total: Loans, Advances and Mortgages Receivable	382,612	277,577
Less: Discounts due to concessionary terms - note 5	(12,380)	(20,113)
Provision for loan repayments through future appropriations	<u>(6,285)</u>	<u>(5,993)</u>
Total: Loans, Advances and Mortgages Receivable	<u><u>363,947</u></u>	<u><u>251,471</u></u>

NOTES**1. Interest Rates and Loan Terms**

Interest rates on loans range from non-interest bearing to 14% and are repayable over terms not exceeding 22 years.

2. Allowance for Doubtful Accounts

The allowance for doubtful accounts for 31 March 2020 is \$34.3 million (31 March 2019 - \$15.2 million).

3. Security

Security exists for certain loans that can be accessed in the event of default.

4. Loan Receivable

The Province reopened general debenture 7C and issued \$300.0 million on 20 December 2017 and an additional \$300.0 million on 20 March 2018, both on behalf of a subsidiary of Nalcor Energy. In accordance with public sector accounting standards, the loan receivable from Nalcor Energy and the offsetting debenture debt are netted for presentation purposes. In addition, the interest revenue earned on this loan totaling \$22.2 million is netted against the offsetting interest expense on the debenture debt.

5. Discounts Due to Concessionary Terms on Loans

The discounts due to concessionary terms on loans are the portion of the receivable that represents the difference between the face value and the present value of the loan. The loans are reported at their present value due to the concessionary terms in the loan agreement.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

**Investments
As at 31 March 2020
with comparative figures for 2019**

Description of Investment	Net Additions (Disposals) (\$000)	Balance 31 March 2020		2019
		No. of Shares	Cost (\$000)	Cost (\$000)
Preferred Shares:				
Atlantic Ocean Farms Limited - Class A, redeemable	-	289,655	290	290
Blue Line Innovations Inc. - Class B	-	5,000	500	500
Burton's Cove Logging and Lumber	(201)	54	3,021	3,222
Cold Ocean Salmon Inc. - Class A	-	10,000,000	10,000	10,000
Country Ribbon Inc.	-	4,500	4,500	4,500
Gray Aqua Group Ltd. - Class A	-	4,826,836	4,827	4,827
Newfoundland Aqua Services Ltd. - redeemable	-	2,000,000	2,000	2,000
Pixecur Technologies Inc. - redeemable	-	4,000	400	400
Sexton Lumber Co. Ltd.	-	5,000	500	500
Shell-Ex - Class A	-	350	350	350
Total: Preferred Shares Investments	(201)		26,388	26,589
Common Shares:				
ACF Equity Atlantic Inc.	-	2,390,000	2,203	2,203
ACZEN Innovations Inc. - Class A	-	1,763	176	176
Consilient Technologies Corporation - Class B	-	568,182	500	500
First Choice Vision Centre Limited - Class B	1	4,537	294	293
Hurley Slate Works Company Inc. - Class B	-	400	400	400
Jackman Brand Marketing Inc. - Class B	-	1,250	125	125
Marble Mountain Development Corporation	-	500	-	-
Marine Industrial Lighting Systems	-	5,000	500	500
Nalcor Energy Corporation	-	122,500,018	110,187	110,187
NavSim Technologies	-	5,000	500	500
Newfoundland and Labrador Film Development Corporation	-	600	-	-
Newfoundland and Labrador Immigrant Investor Fund Ltd.	-	3	-	-

CONSOLIDATED REVENUE FUND (UNAUDITED)

INVESTMENTS (continued)

Description of Investment	Net Additions (Disposals) (\$000)	No. of Shares	Balance 31 March 2020	2019
			Cost (\$000)	Cost (\$000)
Common Shares:				
Newfoundland Hardwoods Limited	-	253	25	25
Northern Radar Inc. - Class C	-	3,749	375	375
Rooms Corporation of Newfoundland and Labrador Inc.	-	500	-	-
Solace Power Inc. - Class D	-	1,401	140	140
Trans Ocean Gas Inc.	-	18,000	90	90
Total: Common Shares Investments	<u>1</u>		<u>115,515</u>	<u>115,514</u>
Non-Share Equity:				
Nalcor Energy Corporation	379,200	-	4,487,898	4,108,698
Newfoundland and Labrador Housing Corporation	-	-	62,852	62,852
Newfoundland and Labrador Venture Capital Fund	1,655	-	7,894	6,239
Total: Non-Share Equity Investments	<u>380,855</u>		<u>4,558,644</u>	<u>4,177,789</u>
Sub-Total: Investments	380,655		4,700,547	4,319,892
Less: Discounts due to concessionary terms - note 2	-		-	-
Total: Investments	<u><u>380,655</u></u>		<u><u>4,700,547</u></u>	<u><u>4,319,892</u></u>

NOTES

1. Allowance for Investment Write-downs

The allowance for investment write-downs for 31 March 2020 is \$10.4 million (31 March 2019 - \$9.9 million).

2. Discounts Due to Concessionary Terms on Investments

The discounts due to concessionary terms on investments are the portion of the investments that represents the difference between the cost and the present value of the investment. The investments are reported at their present value due to the concessionary terms in the investment agreement.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

**Other Liabilities
As at 31 March 2020
with comparative figures for 2019**

	2020 (\$000)	2019 (\$000)
Due to Government of Canada - note 1	1,087,308	310,953
Taxes payable - note 2	303,647	346,069
Accrued interest	219,709	219,134
Contaminated sites	168,510	168,622
Accounts payable write-backs	143,487	208,500
Accrued salaries and employee benefits - note 3	118,644	108,003
Public private partnership - note 4	74,971	-
Self-insured workers' compensation benefits - note 5	53,493	47,810
Offshore royalties	29,334	30,779
Special purpose funds - note 6	25,628	59,236
Physician services	18,423	16,476
Reciprocal billing - hospital services payable	12,992	13,169
Capital leases - note 7	12,339	15,482
Contractors' holdbacks	10,195	8,877
Accounts payable - other	7,095	18,579
Due to municipalities	4,467	11,247
Atlantic Lottery Corporation Incorporated	-	2,240
Total: Other Liabilities	<u>2,290,242</u>	<u>1,585,176</u>

NOTES

1. Due to Government of Canada

This amount is comprised of \$800.0 million for the Atlantic Accord (2019), \$266.7 million for an Equalization loan (31 March 2019 - \$266.7 million), a nil amount for an overpayment related to the Fiscal Stabilization Program (31 March 2019 - \$23.7 million), \$19.5 million for a RCMP policing service contract (31 March 2019 - \$17.5 million) and \$1.1 million for other Federal programs (31 March 2019 - \$3.0 million).

2. Taxes Payable

Taxes payable is comprised of \$203.1 million for corporate income tax (31 March 2019 - \$209.9 million), \$35.2 million for HST (31 March 2019 - \$77.9 million), \$53.8 million for personal income tax (31 March 2019 - \$53.9 million) and \$11.5 million for other taxes (31 March 2019 - \$4.4 million).

3. Accrued Salaries and Employee Benefits

Accrued salaries and employee benefits consists of \$5.9 million for severance (31 March 2019 - \$10.6 million), \$56.7 million for paid/annual leave (31 March 2019 - \$53.3 million), \$37.5 million for salaries (31 March 2019 - \$26.6 million), \$14.6 million for sick leave (31 March 2019 - \$15.0 million), and \$3.9 million for other benefits (31 March 2019 - \$2.5 million).

OTHER LIABILITIES (continued)

4. Public Private Partnership

Interest rate for the public private partnership is 3.85% and has a repayment schedule with a duration of 30 years.

5. Self-Insured Workers' Compensation Benefits

The amount of \$53.5 million relates to the self-insured workers' compensation benefits liability as at 31 March 2020 (31 March 2019 - \$47.8 million). During the 2019-20 fiscal year, an actuarial valuation as of 31 December 2019, with disclosures as at 31 March 2020, was obtained for the Province's self-insured workers' compensation benefits.

6. Special Purpose Funds

Included in this schedule are funds totalling \$25.6 million (31 March 2019 - \$59.2 million) considered to be special purpose funds whereby payments are made specifically for these purposes. Pursuant to Section 22(a) of the Financial Administration Act, appropriations are not required for these payments.

7. Capital Leases

Interest rates for all capital leases are 9.41% and have repayment schedules for 4 years.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

**Debenture and Other Debt
As at 31 March 2020
with comparative figures for 2019**

Series	Date of Issue	Date of Maturity	Interest Rate %	Amount in Foreign Currency (\$000)	Sinking Fund Balance (\$000)	Amount Issued or Outstanding		Notes
						2020 (\$000)	2019 (\$000)	
General Debentures:								
AG	01 Jun. 1989	01 Jun. 2019	9.00	(150,000U.S.)	-	-	200,445	1(a)
AH	01 Jun. 1990	01 Jun. 2020	9.88	(150,000U.S.)	90,456	212,805	200,445	1(a)
AJ	29 Nov. 1990	01 Dec. 2020	10.00	(150,000U.S.)	86,805	212,805	200,445	1(a)
5X	15 Apr. 1991	15 Apr. 2021	10.95		-	147,892	147,892	1(a)
AK	17 Oct. 1991	15 Oct. 2021	9.00	(200,000U.S.)	106,153	283,740	267,260	1(a)
AM	22 Oct. 1992	22 Oct. 2022	8.65	(200,000U.S.)	97,033	283,740	267,260	1(a)
AN	13 Oct. 1993	13 Oct. 2023	7.32	(200,000U.S.)	134,258	283,740	267,260	1(a)
6B	07 Jul. 1995	07 Jul. 2025	9.15		38,688	100,000	100,000	1(a)
6C	05 Feb. 1996	05 Feb. 2026	8.45		55,723	150,000	150,000	1(a)
6F	17 Apr. 1998	17 Apr. 2028	6.15		180,031	450,000	450,000	1(a)
6H	27 Jul. 1999	17 Oct. 2029	6.50		79,743	200,000	200,000	1(a)
6K	30 Jun. 2000	17 Oct. 2030	6.55		163,836	450,000	450,000	1(a)
6R	12 Jun. 2003	17 Oct. 2033	5.60		91,480	300,000	300,000	1(a)
6T	21 Sep. 2004	17 Oct. 2035	5.70		83,015	300,000	300,000	1(a)
6U	28 Nov. 2006	17 Apr. 2037	4.50		97,174	350,000	350,000	1(a)
6V	15 May 2007	17 Oct. 2040	4.65		157,795	650,000	650,000	1(a)
6Q	16 Aug. 2002	17 Oct. 2042	6.24		33,549	250,000	250,000	1(a)
6W	18 Mar. 2015	02 Jun. 2025	2.30		-	850,000	850,000	1(a)
6X	24 Jul. 2015	17 Oct. 2046	3.30		-	2,050,000	2,050,000	1(a)
6Z	18 Mar. 2016	02 Jun. 2026	3.00		-	1,000,000	1,000,000	1(a)
7A	24 Mar. 2016	24 Mar. 2021	1.75		-	500,000	500,000	1(a)
7B	2 Jun. 2016	2 Jun. 2022	1.95		-	875,000	675,000	1(a)
7C	7 Dec. 2016	17 Oct. 2048	3.70		-	750,000	750,000	1(b)
7D	24 Nov. 2017	02 Jun. 2028	2.85		-	950,000	950,000	1(a)
7E	27 Feb. 2018	27 Feb. 2023			-	675,000	675,000	1(a,f)
7F	17 Dec. 2018	17 Mar. 2024			-	425,000	425,000	1(a,g)
7G	4 Mar. 2019	2 Jun. 2029	2.85		-	700,000	300,000	1(a)
7H	12 Sep. 2019	17 Oct. 2050	2.65		-	600,000	-	1(a)
Total: General Debentures					<u>1,495,739</u>	<u>13,999,722</u>	<u>12,926,007</u>	
Other:								
Treasury bill borrowings					<u>-</u>	<u>1,982,851</u>	<u>970,644</u>	1(c)
Total: Other					<u>-</u>	<u>1,982,851</u>	<u>970,644</u>	

CONSOLIDATED REVENUE FUND (UNAUDITED)

DEBENTURE AND OTHER DEBT (continued)

Series	Date of Issue	Date of Maturity	Interest Rate %	Sinking Fund Balance (\$000)	Amount Issued or Outstanding	
					2020 (\$000)	2019 (\$000)
Government of Canada and Other:						
Canada Pension Plan Investment Fund						
Debentures - note 1(d)						
3A-293 to 3A-02 303	Apr. 1999 to Mar. 2000	03 Apr. 2019 to 03 Mar. 2020	5.89 to 7.02	-	-	35,282
3A-304 to 3A-01 314	Apr. 2000 to Mar. 2001	01 Apr. 2020 to 02 Mar. 2021	6.41 to 6.90	-	42,645	42,645
3A-315 to 3A-01 326	Apr. 2001 to Mar. 2002	01 Apr. 2021 to 01 Mar. 2022	6.38 to 6.85	-	52,376	52,376
3A-327 to 3A-01 337	Apr. 2002 to Mar. 2003	01 Apr. 2022 to 01 Mar. 2023	5.88 to 6.61	-	52,104	52,104
3A-338 to 3A-05 347	Apr. 2003 to Mar. 2004	05 Apr. 2023 to 01 Mar. 2024	5.41 to 6.15	-	50,738	50,738
3A-348 to 3A-02 356	Apr. 2004 to Jan. 2005	02 Apr. 2024 to 02 Jan. 2025	5.36 to 5.92	-	47,146	47,146
3A-357 to 3A-01 359	Apr. 2005 to Jun. 2005	01 Apr. 2025 to 03 Jun. 2025	4.91 to 5.34	-	23,987	23,987
Total: Canada Pension Plan Investment Fund Debentures				-	268,996	304,278
Sun Life Assurance Company of Canada - see note 1(e)				-	52,115	58,970
Total: Other				-	52,115	58,970
Total: Government of Canada and Other				-	321,111	363,248
Total: Debenture and Other Debt				1,495,739	16,303,684	14,259,899
Current portion of Debenture and Other Debt					2,958,566	1,213,226
Long-term portion of Debenture and Other Debt					13,345,118	13,046,673
					16,303,684	14,259,899

DEBENTURE AND OTHER DEBT (continued)

NOTES

1. Details of Debt Issues

- a) Non-callable.
- b) Non-callable. General debenture 7C was reopened and issued \$300.0 million on 20 December 2017 and an additional \$300.0 million on 20 March 2018, both on behalf of a subsidiary of Nalcor Energy. In accordance with public sector accounting standards, the loan receivable from Nalcor Energy and the offsetting debenture debt are netted for presentation purposes. In addition, the interest expense on the debenture debt totaling \$22.2 million is netted against the offsetting interest revenue on the loan receivable.
- c) This amount represents the net proceeds from the sale of \$1.983 billion discounted treasury bills with maturity dates ranging from 2 April 2020 to 20 December 2020 and interest rates ranging from 0.800% to 1.840%.
- d) Callable at par at the option of the Minister of Finance of Canada upon six months' prior written notice, subject to the requirements of the Canada Pension Plan. Commencing March 1999, the Province has an option, pursuant to amendments of the Canada Pension Plan enacted by the Canada Pension Plan Investment Board Act, to refinance for a final twenty year term maturing Canada Pension Plan borrowings, provided sufficient monies are available in the Canada Pension Plan Investment Fund. The Province has exercised an option to refinance its maturing Canada Pension Plan debt and to date has rolled over, for a further 20 year term, all funds made available by the Canada Pension Plan Investment Fund from March 1999 to June 2005. Commencing July 2005, Canada Pension Plan borrowings have not been rolled over and have been allowed to mature.
- e) Sun Life Assurance Company of Canada represents the secured creditors of the Exploits River Hydro Partnership and the Star Lake Hydro Partnership per Section 10.(2) of the Abitibi Consolidated Rights and Assets Act. The secured creditors of the Exploits River Hydro Partnership include Industrial Alliance Life Insurance, Manufacturers Life Insurance Company of Canada and Sun Life Assurance Company of Canada. This loan is repayable in blended quarterly installments of principal and interest, at an interest rate of 7.552%, maturing 31 December 2028. The secured creditors of the Star Lake Hydro Partnership include Sun Life Assurance Company of Canada, Industrial Alliance Life Insurance, Canada Life Assurance Company, Standard Life Assurance Company of Canada and Manufacturers Life Insurance Company of Canada. This loan is repayable in blended monthly installments of principal and interest, at an interest rate of 9.20%, maturing 1 April 2023.
- f) General debenture 7E has a floating interest rate equal to the three month Canadian Dollar Bankers Acceptance Rate plus 14.5 basis points.
- g) General debenture 7F has a floating interest rate equal to the three month Canadian Dollar Bankers Acceptance Rate plus 21 basis points.

DEBENTURE AND OTHER DEBT (continued)

2. Sinking Fund Balance

The value of the sinking funds as recorded in the Newfoundland and Labrador Government Sinking Fund financial statements is reflected in these financial statements.

The Sinking Fund Assets consist of:

	31 March 2020	31 March 2019
	(\$mil)	(\$mil)
Investments at cost	1,171.7	1,251.7
Amortization of bond discount	78.8	76.1
Investments at amortized cost	1,250.5	1,327.8
Cash and receivables less accounts payable	245.2	222.6
Net Sinking Fund Assets - translated at 31 March	<u>1,495.7</u>	<u>1,550.4</u>

The net sinking fund assets balance of \$1,495.7 million Canadian dollars as at 31 March 2020 includes \$362.8 million U.S. dollars translated to \$514.7 million Canadian dollars in accordance with current practice.

The net sinking fund assets balance of \$1,550.4 million Canadian dollars as at 31 March 2019 includes \$491.8 million U.S. dollars translated to \$657.2 million Canadian dollars in accordance with current practice.

The Province does not anticipate conversion of the U.S. dollars to Canadian dollars as the U.S. funds will be used to retire U.S. debt.

DEBENTURE AND OTHER DEBT (continued)

3. Borrowings

Borrowings and unamortized foreign exchange losses, by major currency, sinking funds and unamortized premiums (discounts) and issuance fees as at 31 March 2020 are noted below.

Major Currencies	Foreign Borrowings (\$000)	Exchange Rate	Canadian (\$000)	Unamortized Foreign Exchange Gains/(Losses) and Unamortized Premiums/ Discounts and Issuance Fees (\$000)	Net (\$000)
U.S.	900,000	1.4187	1,276,830	(119,284)	1,157,546
Canadian			15,026,854	-	15,026,854
		Sub-total	16,303,684	(119,284)	16,184,400
	Foreign sinking funds		(514,705)	48,798	(465,907)
	Canadian sinking funds		(981,034)	-	(981,034)
		Sub-total	14,807,945	(70,486)	14,737,459
	Unamortized premiums (discounts) and issuance fees			(129,354)	(129,354)
		Total		(199,840)	14,608,105

4. Contributions and Repayment Requirements

Sinking fund contributions and long term debt repayments, by major currency, in Canadian dollars are as follows. The total contributions and repayment requirements differ from the total debt outstanding due to reconciling items such as treasury bills, foreign exchange adjustments between 31 March 2020 and the maturity dates, and projected adjustments for sinking fund values at maturity.

	U.S. (\$000)	Canadian (\$000)	Total (\$000)
2020-2021	250,004	2,615,049	2,865,053
2021-2022	172,160	237,706	409,866
2022-2023	174,166	1,639,542	1,813,708
2023-2024	119,829	513,176	633,005
2024-2025	-	84,584	84,584
2025-2049	-	7,876,263	7,876,263
	<u>716,159</u>	<u>12,966,320</u>	13,682,479
Plus: Sinking Fund Values at Maturity			3,155,095
Less: Sinking Fund Contributions			(533,890)
			<u>16,303,684</u>

The foreign exchange loss which has been recognized on the Statement of Operations is \$19.3 million.

DEBENTURE AND OTHER DEBT (continued)**5. Interest Expense**

The gross interest expense associated with debenture and other debt, recognized for 31 March 2020, amounted to \$675.0 million (31 March 2019 - \$602.5 million).

6. Sensitivity Analysis

An increase/decrease of one cent in the foreign exchange rates at 31 March 2020 would result in an increase/decrease in foreign borrowings of \$9.0 million (31 March 2019 - \$10.5 million).

7. Related Sinking Fund Investments

At year end, the Province held \$875.1 million worth of its own debentures (face value) in sinking funds as active investments (31 March 2019 - \$732.9 million) which are reflected in the sinking fund balances disclosed in note 3 above. These were comprised of \$742.2 million in Canadian investments and \$132.9 million in US investments.

8. Debt Related Risk

The practice of borrowing in both domestic and foreign currencies may potentially give rise to a number of risks including interest rate, credit, foreign exchange and liquidity risk. Interest rate risk is the risk that debt servicing costs will increase due to changes in interest rates while credit risk is the risk that a loss may occur from the failure of another party to meet its obligations under a derivative financial instrument contract. As well, foreign exchange risk is the risk that debt servicing costs will increase due to a decline in the value of the Canadian dollar relative to other currencies while liquidity risk is the risk that financial commitments will not be met over the short-term.

The Province attempts to manage its exposure to these risks and minimize volatility in its debt expenses by following a conservative debt and risk management strategy. The Province's debt portfolio is structured such that virtually all of its debt is long-term with fixed interest rates and fixed repayment terms. When appropriate and the option is available, debt with high interest rates has been called and refinanced with new lower interest rate debt. Otherwise, debt is generally held until maturity. Hence, the Province's exposure to interest rate and credit risk is minimal as a result of its conservative debt management strategy.

While the majority of the Province's debt is domestic in nature, there are a number of US dollar denominated debt issues. All of these are long-term issues and the Province has established sinking funds, also in US dollars, to provide repayment of the debt at maturity. For debt servicing purposes, short-term forward contracts are occasionally entered into when favorable exchange rates are available to minimize exposure to foreign exchange risk.

The Province's exposure to liquidity risk is managed by distributing debt maturities over several years, maintaining sinking funds for the repayment of certain long-term debt issues and holding adequate cash reserves or short-term borrowings as contingent sources of liquidity.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

**Guaranteed Debt
As at 31 March 2020
with comparative figures for 2019**

	Limit of Guarantee	Contingent Liability	
		2020	2019
	(\$000)	(\$000)	(\$000)
Guaranteed Debentures - note 7:			
Municipalities:			
(For debentures issued to The Municipal Development and Loan Board and The Canada Mortgage and Housing Corporation)			
Glenwood	101	101	98
Harbour Breton	241	241	234
Harbour Grace	163	163	160
Placentia	95	95	93
Wabana	26	26	25
	<u>626</u>	<u>626</u>	<u>610</u>
Crown Corporations - note 2:			
Eastern Regional Health Authority	108,186	108,186	109,856
Newfoundland and Labrador Hydro Electric Corporation	1,115,330	1,115,330	1,693,847
Newfoundland and Labrador Municipal Financing Corporation	-	-	1,400
	<u>1,223,516</u>	<u>1,223,516</u>	<u>1,805,103</u>
Guaranteed Bank Loans - note 7:			
Crown Corporations:			
Labrador-Grenfell Regional Health Authority	5,565	5,565	15,520
Marble Mountain Development Corporation	2,870	2,091	1,733
	<u>8,435</u>	<u>7,656</u>	<u>17,253</u>
Fisheries - note 3:			
A.J. Rodgers & Sons Limited	105	105	139
Adam Crocker	134	134	148
Aiden Power and Leonard Mooney	88	88	105
Allister Russell and Wade Russell	-	-	720
Anchor Point Enterprises Limited	859	859	930
Ashco Fishing Limited	-	-	75
Ashley Enterprises Limited	56	56	94
Atlantic Providence Inc.	1,496	1,496	1,683
Atlantic Retriever Limited	467	467	525

CONSOLIDATED REVENUE FUND (UNAUDITED)

GUARANTEED DEBT (continued)

	Limit of Guarantee	Contingent Liability	
		2020	2019
	(\$000)	(\$000)	(\$000)
Guaranteed Bank Loans:			
Fisheries: - note 3			
B & R Mariner Fisheries Limited	-	-	37
Bears Cove Fisheries Limited	600	600	675
Billy and David Greenham	-	-	2,010
Brendan Noonan	-	-	140
Brent Adams	-	-	229
Cecil Ward Limited	197	197	397
Colcor Fisheries Limited	156	156	182
D & A Fisheries Limited	600	600	660
Dempster's Fisheries Limited	459	459	631
E & E Fisheries Limited	86	86	170
Frazer Scanlon	24	24	29
G & L Fisheries Incorporated	567	567	623
Garrett Mulrooney	364	364	405
Gregory D Piercey	-	-	134
Hicks Fisheries Limited	-	-	87
Janica II Enterprise Limited	241	241	302
Jeffery Jones Fisheries Limited	-	-	195
John W. Brazil	148	148	166
Jones, Richard	-	-	74
Keith Bowen	438	438	438
Larry Roche	-	-	176
Noonan Enterprise Limited	1,827	1,827	1,958
North Queen Limited	608	608	663
Northern Auk Fisheries Limited	340	340	383
Ocean Surfer Limited	490	490	613
P & G Sea Harvestors Limited	880	880	940
RB Fisheries Limited	636	636	709
Rainbow Venture Inc.	148	148	164

GUARANTEED DEBT (continued)

	Limit of Guarantee (\$000)	Contingent Liability	
		2020 (\$000)	2019 (\$000)
Guaranteed Bank Loans:			
Fisheries - note 3:			
Shannon & Trevor Fisheries Limited	880	880	1,000
Shelco Fisheries Limited	240	240	320
Southside Fisheries Ltd.	-	-	784
Straits Venture Inc.	37	37	74
TJL Enterprises Limited	2,940	2,940	3,108
TPJH Fisheries Limited	224	224	248
Trina and Sons Ltd.	-	-	21
Vince Petten	299	299	399
ZHL Fisheries Limited	708	708	764
	<u>17,342</u>	<u>17,342</u>	<u>24,327</u>
Aggregate Limit & Contingent Amount	<u>69,966</u>	<u>69,966</u>	<u>69,966</u>
Corporate:			
Fogo Island Co-operative Society Limited	1,500	-	-
Stephenville Airport Corporation	900	805	719
	<u>2,400</u>	<u>805</u>	<u>719</u>
Other Bank Loans:			
Consumer Protection Fund for Prepaid Funeral Services	200	-	-
	<u>200</u>	<u>-</u>	<u>-</u>
Other Guarantees:			
Crown Corporations:			
Newfoundland and Labrador Immigrant Investor Fund Limited - note 4	2,400	2,400	19,610
	<u>2,400</u>	<u>2,400</u>	<u>19,610</u>
	<u>1,254,919</u>	<u>1,252,345</u>	<u>1,867,622</u>

GUARANTEED DEBT (continued)

NOTES

1. Definitions

The headings used in this Schedule are defined as follows:

Limit of Guarantee - This represents the maximum amount of loan advances available under the Province's guarantee plus capitalized interest thereon and past due interest, less down payment and less any receipted Provincial subsidy.

Contingent Liability - This represents the actual amount of loan advances (drawdowns) outstanding under the various guarantees plus capitalized interest thereon and past due interest. This represents the amount that the Province would be liable for if it had to honour these guarantees at year end.

The difference between these two amounts reflects the financing still available under the Province's guarantee.

2. Debenture Issues with Crown Corporations

Corporations for which guarantees are presented net of sinking funds values:

	Principal Amount of Debentures Outstanding	Accrued Interest	Value of Sinking Fund	Contingent Liability
	(\$000)	(\$000)	(\$000)	(\$000)
Eastern Regional Health Authority				
- Canadian Funds	130,000	2,605	24,419	<u>108,186</u>
Newfoundland and Labrador Hydro Electric Corporation				
- Canadian Funds	1,225,000	11,815	344,485	892,330
- Promissory Notes	<u>223,000</u>	-	-	<u>223,000</u>
	<u>1,448,000</u>	<u>11,815</u>	<u>344,485</u>	<u>1,115,330</u>

3. Fisheries Loans

During a vessel's construction period, interim financing is provided through bank loans which are fully guaranteed by the Province. Once construction has been completed, these interim loans are converted to term debt by the banks. For guarantees issued prior to 1 June 2012, the Province's contingent liability under each individual guarantee is determined as being limited to the lesser of the term loan or 20% of the aggregate of all term loans made by the Bank less the total of all claims paid to the Bank by the Province with respect to these loans. The Fisheries Loans Guarantee Program guidelines were amended effective 1 June 2012 such that all new guarantees issued from that date forward are fully guaranteed by the Province.

For the fiscal year ended 31 March 2020, the Province's contingent liability with respect to these guarantees is \$17.3 million (31 March 2019 - \$24.3 million).

4. Newfoundland and Labrador Immigrant Investor Fund Limited

The Corporation was incorporated on 28 April 2005 under the Corporations Act of the Province of Newfoundland and Labrador. The purpose of the Corporation is to administer and invest the Newfoundland and Labrador allocation of funds received from immigrant investors by Citizenship and Immigration Canada under its Business Immigration Program. The Province guarantees repayment of the funds received.

GUARANTEED DEBT (continued)

5. Payments under Guarantee

Payments under guarantee for 31 March 2020 is nil (31 March 2019 - nil).

6. Valuation Allowance

The provision for guaranteed debt for 31 March 2020 is nil (31 March 2019 - nil).

7. General Terms and Conditions

Guaranteed debentures and guaranteed bank loans have maturity dates ranging from June 2040 to October 2048 at interest rates varying from 2.2% to 6.9%.