Consolidated Financial Statements of

Housing Nova Scotia

(Formerly Nova Scotia Housing Development Corporation)

March 31, 2014

Housing Nova Scotia
(Formerly Nova Scotia Housing Development Corporation)
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Management's Report

Management's Responsibility for the Consolidated Financial Statements

The consolidated financial statements of the Housing Nova Scotia have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the consolidated financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the consolidated financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Minister of Community Services is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Deputy Minister.

The external auditors, Grant Thornton LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to the financial management of the Housing Nova Scotia and meet when required.

On behalf of the Housing Nova Scotia

for

Lynn Hartwell
Deputy Minister
Department of Community Services

S. Dale MacLennan
Chief Financial Officer

June 30, 2014
Date

Independent auditor's report

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To the Minister of Community Services

We have audited the accompanying consolidated financial statements of the Housing Nova Scotia, which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statement of operations and accumulated surplus, changes in net debt, and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated statement of financial position of Housing Nova Scotia as at March 31, 2014, and the consolidated statement of its operations and accumulated surplus, changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

Halifax, Canada
June 30, 2014

Chartered Accountants

Housing Nova Scotia
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at Mar 31, 2014

	2014	2013
FINANCIAL ASSETS		
Cash	**$ 63,996**	$ 62,853
Amounts receivable and advances	**21,213,252**	33,582,684
Loans and advances receivable (Note 7)	**588,835,615**	585,591,205
Fund for future social housing expenditures (Note 4)	**64,849,836**	61,768,952
	$ 674,962,699	$ 681,005,694
LIABILITIES		
Bank advances	**$ 3,582,679**	$ 2,942,335
Accounts payable and accrued liabilities (Note 12)	**92,187,872**	105,190,485
Loans and other debt (Note 8)	**835,899,707**	839,371,896
Deferred federal contribution (Note 4)	**64,849,836**	61,768,952
Deferred Revenue and other liabilities (Note 10)	**5,937,051**	6,608,482
Provision for mortgage guarantees and indemnified loans (Note 9)	**5,695,205**	10,800,316
	1,008,152,350	1,026,682,466
NET DEBT	**$ (333,189,651)**	$ (345,676,772)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 13)	**$ 333,130,134**	$ 345,653,962
Prepaid expenses	**59,517**	22,810
	333,189,651	345,676,772
ACCUMULATED SURPLUS	**$ -**	$ -

Commitments and contingencies (Note 9)

Housing Nova Scotia
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
For the Year Ended Mar 31, 2014

	2014 Budget	**2014 Actual**	2013 Actual
REVENUE			
Rental revenue	$ 52,975,000	**$ 56,503,668**	$ 55,111,032
Interest revenue	30,380,000	**26,962,581**	26,855,808
Other revenue		**7,590,228**	7,018,718
Federal revenue (Note 3)	63,548,000	**58,869,451**	59,529,739
Provincial and municipal revenue (Note 5)	42,497,000	**41,629,868**	49,218,956
Total revenue	189,400,000	**191,555,796**	197,734,253
EXPENSES			
Administration fee	2,500,000	**753,552**	2,305,447
Operating costs: Housing Authorities and Rural and Native Housing (Note 11)	103,800,000	**113,405,558**	105,428,545
Debt servicing costs	44,100,000	**43,425,174**	44,420,146
Housing renovations and affordable housing	21,900,000	**17,368,578**	25,584,632
Early learning and child care		**807,061**	2,953,605
Housing Strategy		**411,351**	-
Social housing subsidies	17,100,000	**14,635,769**	16,121,238
Provision for doubtful accounts	-	**748,754**	849,198
Other expenses	-	**-**	71,442
Total expenses	189,400,000	**191,555,797**	197,734,253
ANNUAL SURPLUS	$ -	-	-
ACCUMULATED SURPLUS, BEGINNING OF YEAR		-	-
ACCUMULATED SURPLUS, END OF YEAR		$ -	$ -

Housing Nova Scotia
CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT
For the Year Ended March 31, 2014

	2014 Budget	**2014 Actual**	2013 Actual
ANNUAL SURPLUS	$ -	**$ -**	$ -
Acquisition of tangible capital assets (Note 13)	(9,000,000)	**(7,322,758)**	(11,974,212)
Loss on disposal of tangible capital assets (Note 13)		**115,162**	215,974
Amortization of tangible capital assets (Note 13)	17,800,000	**19,731,424**	18,321,985
Decrease (increase) in prepaid expense		**(36,707)**	14,325
	8,800,000	**12,487,121**	6,578,072
CHANGE IN NET DEBT	$ 8,800,000	**$ 12,487,121**	$ 6,578,072
NET DEBT, BEGINNING OF YEAR		$ (345,676,772)	$ (352,254,844)
NET DEBT, END OF YEAR		**$ (333,189,651)**	$ (345,676,772)

Housing Nova Scotia
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2014

	2014 Actual	2013 Actual
OPERATING TRANSACTIONS		
Annual surplus	$ -	$ -
Amortization	19,731,424	18,321,985
Loss on disposal of capital asset	115,162	215,974
Changes in non-cash items:		
Amounts receivable	12,369,432	(2,154,957)
Inventories	-	-
Prepaids	(36,707)	14,327
Accounts payable and accrued liabilities	(13,105,170)	5,879,276
Deferred revenue and other liabilities	(671,431)	(591,518)
Provision for mortgage guarantees and indemnified loans	(5,105,111)	-
Long-term service awards paid	(102,557)	(113,357)
Cash provided by operating transactions	13,195,042	21,571,730
CAPITAL TRANSACTIONS		
Cash used to acquire tangible capital assets	(7,322,758)	(11,974,212)
Cash applied to capital transactions	(7,322,758)	(11,974,212)
INVESTING TRANSACTIONS		
Loans and advances repaid	45,796,410	44,479,514
Loans and advances issued	(49,096,856)	(54,423,980)
Cash used to investing transactions	(3,300,446)	(9,944,465)
FINANCING TRANSACTIONS		
Bank advances and short term borrowings	640,344	131,997
Proceeds of long-term debt	71,906,956	71,127,085
Debt repayment	(73,718,908)	(73,812,951)
Increase (decrease) in Housing Development Corporation Fund note payable	(1,399,087)	2,945,366
Cash provided for financing transactions	(2,570,695)	391,497
INCREASE IN CASH	1,143	44,551
CASH, BEGINNING OF YEAR	62,853	18,302
CASH, END OF YEAR	$ 63,996	$ 62,853

1. Nature of Operations

During the year the Housing Nova Scotia Act was officailly proclaimed therby effectively changing the name of the Corporation from The Nova Scotia Housing Development Corporation to Housing Nova Scotia.

The Housing Nova Scotia ("HNS"), through the Housing Authorities (Note 2.b), provides affordable housing to more than 19,000 individuals and families across Nova Scotia. These people could not access safe and affordable housing without the assistance of HNS.

Funding for HNS comes from rent from tenants, Canada Mortgage and Housing Corporation ("CMHC"), Municipalities and from the Province of Nova Scotia. See Notes 4, 5 and 6 for more detail on levels of funding from government sources.

Any profit that would be earned by HNS is returned to the Department of Community Services as an Administration Fee. Any losses incurred by HNS are also passed on to the Department of Community Services.

Staff of the Department of Community Services carry out the management and administration functions of HNS, but are not direct employees of HNS.

HNS lends money under its mandate directly to homeowners, landlords, co-operatives , non-profits and corporations that provide housing, continuing care and child care services to low-income Nova Scotians.

HNS is a corporation sole established by the Nova Scotia Housing Development Corporation Act of 1986. HNS is a government unit which forms part of the consolidated entity of the Government of Nova Scotia.

2. Summary of Significant Accounting Policies

a. Basis of Accounting

These consolidated financial statements are prepared by management in accordance with Public Sector Accounting Standards (PSAS) established by the Public Sector Accounting Board (PSAB).

b. Basis of Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of the reporting entity, which is composed of all organizations, which are controlled by HNS. These organizations are Cape Breton Island Housing Authority, Cobequid Housing Authority, Eastern Mainland Housing Authority, Metro Regional Housing Authority, and Western Regional Housing Authority (Housing Authorities). All interorganizational transfers are eliminated on consolidation.

c. Cash
Cash is comprised of petty cash and balances on deposit with financial institutions.

d. Financial Instruments

A financial instrument is a contract establishing a financial instrument created, at its inception, rights and obligations to receive or deliver economic benefits. HNS recognizes a financial instrument when it becomes a party to a financial instrument contract.

HNS’s financial instruments consist of cash, amounts receivable and advances, loans and advances receivable, fund for future social housing expenditures, bank advances and short term borrowings, accounts payable, and loans and other debt.

All financial instruments, except loans receivable that have concessionary assistance, are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets. Part g of this note details loans receivable with concessionary assistance.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument. Transaction costs are incremental costs directly attributable to the acquisition or issue of a financial asset or a financial liability.

Write-downs on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the write-down being recognized in the consolidated statement of operations.

e. Revenue Recognition

Rental revenue represents rent charged to tenants and is recorded when the service is provided in accordance with the terms of the lease agreements. Recoveries are recorded as received.

Interest revenue is recorded on an accrual basis when it is earned.

Revenue from the sale of land inventory and development properties is recognized in the period in which the transaction occurs, provided the earnings process is completed and the collection of the proceeds is reasonably assured.

Revenue from governments is recognized in accordance with government transfers accounting as outlined in part f of this note.

f. Government Transfers

Government transfers are transfers of monetary assets or tangible capital assets from a government entity to an individual, an organization or another government for which the government making the transfer does not receive any goods or services directly in return, as would occur in a purchase / sale or other exchange transaction; expect to be repaid in the future, as would be expected in a loan; or expect a direct financial return, as would be expected in an investment.

Government transfers where HNS is the transferring entity are recognized as an expense in the period the transfer is authorized and all eligibility criteria have been met by the recipient.

Where HNS is the recipient entity, a transfer without eligibility criteria or stipulations is recognized as revenue when the transfer is authorized. A transfer with eligibility criteria but without stipulations is recognized as revenue when the transfer is authorized and all eligibility criteria have been met. A transfer with or without eligibility criteria but with stipulations is recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability for HNS which is then recorded as deferred federal contribution or deferred revenue.

g. Loans and Advances Receivable

Loans receivable are carried net of provisions for concessionary assistance and doubtful recoveries. A provision for doubtful recoveries is established to the extent that anticipated losses on bad debts exceed reserves. When loans receivable are overdue they are classified as impaired.

The provision for concessionary assistance represents the present value of estimated future subsidies provided by the Housing Services section of the Department of Community Services to low income borrowers to assist them in meeting their monthly mortgage payments to HNS.

h. Tangible Capital Assets

Tangible capital assets represent housing properties which are carried at cost including the cost of site investigation, land, construction, administration and interest during construction less accumulated amortization.

The tangible capital assets include social housing properties acquired through the Social Housing Agreement from the Housing Development Corporation Fund and from acquisitions dating back several decades to predecessor housing organizations within government.

These properties were originally recorded at net book value which included the cost of land and buildings. Net book value was previously depreciated over the years. Management has estimated the portion assigned to land and buildings because historical information related to the original cost of land versus buildings is not available.

New construction and acquisitions are separated between land and building at the time of construction or acquisition.

The rates and methods used to depreciate tangible capital assets over their estimated useful lives are as follows:

Buildings	5%	Declining balance
Equipment	20%	Declining balance
Computer equipment	30%	Declining balance
Vehicles	30%	Declining balance
Computer software	25%	Declining balance

When conditions indicate that a tangible capital asset no longer contributes to HNS's ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value, the cost of the tangible capital asset is reduced to reflect the decline in the asset's value. Write-downs are not reversed.

i. Inventory of Land

Inventory of land and properties under development for resale are recognized as part of tangible capital assets until the criteria for available for sale assets is met and will be recognized as financial assets.

j. Forgivable Loans

Forgivable loans are accounted for as government transfers (part f of this note). The forgivable loans are non-interest bearing and are advanced with repayment not to be expected unless certain conditions are not met. The forgivable loans are expensed in the year of transfer. If the conditions on a forgivable loan are no longer met, the loan is recorded on the balance sheet and tested for impairment.

k. Retirement Benefits

The HNS's Public Service Award liability earned by employees is actuarially determined using the projected unit method pro-rated on service and management's best estimate of salary escalation and retirement ages of employees. Actuarial gains and losses are amortized over the average remaining service life of active members expected to receive benefits under the program.

l. Measurement Uncertainty

The preparation of financial statements requires management to make judgements on estimates and assumptions that affect the reported amounts of assets and liabilities and revenues and expenditures, and disclosure of contingent assets and liabilities. Estimates are used for certain items such as the provision for doubtful recoveries, provision for mortgage guarantees and indemnified loans and other liabilities, the useful life of capital assets, accrued liabilities, and retirement benefits. Actual results could differ from estimates.

3. Federal Revenue

The corporation receives funding from CMHC for the following programs:

	2014	**2013**
Social Housing	**$ 48,664,451**	$ 49,324,738
Housing Renovation and Affordable Housing	**10,205,000**	10,205,001
	$ 58,869,451	$ 59,529,739

4. Fund for Future Social Housing Expenditures (FFSHE)

	2014	2013
Opening balance, April 1	**$ 61,768,952**	$ 58,602,378
Gross public housing and other eligible expenditures	**(80,994,359)**	(79,151,265)
Less: Provincial contribution	**24,492,289**	22,440,241
Less: Municipal contribution	**7,837,619**	7,386,285
Expenses withdrawn from FFSHE	**(48,664,451)**	(49,324,738)
CMHC social housing transfer per agreement	**50,538,553**	51,730,895
	1,874,102	2,406,157
Interest earned by the fund	**1,206,782**	760,417
Net increase in the fund	**3,080,884**	3,166,574
Closing balance, March 31	**$ 64,849,836**	$ 61,768,952

Under the terms of the Social Housing Agreement signed in 1997 with CMHC, HNS will receive at total of $1.35 billion over the life of the agreement. Annual payments began in 1998 at $56.9 million and will decline to zero by the end of the agreement in 2035. The remaining portion of the committed payments under the agreement is $512,543,376 at March 31, 2014.

These funds are held on deposit at the Department of Finance until qualifying expenditures are made, at which time an equal amount of revenue from the Deferred Federal Contribution is taken into income.

5. Provincial and Municipal Revenue

	2014	2013
Department of Community Services		
Social Housing	**$ 24,492,289**	$ 20,538,908
Housing Renovation and Affordable Housing	**5,663,578**	12,379,631
Early Learning and Child Care	**807,061**	2,953,605
Services for Persons with Disabilities and Child Welfare	**1,203,106**	1,059,193
Miscellaneous	**126,215**	-
Department of Health and Wellness	**1,500,000**	3,000,000
Department of Transportation and Infrastructure Renewal	**-**	1,901,333
Municipalities	**7,837,619**	7,386,286
	$ 41,629,868	$ 49,218,956

6. Housing Development Corporation Fund

The Housing Development Corporation Fund was established by Order-In-Council to provide working capital for Housing Nova Scotia. HNS is able to transfer funds from the Consolidated Fund of the Province of Nova Scotia to a maximum of $174 million for the purposes of carrying out the provisions of the Housing Act and to a maximum of $600 million for the purpose of financing the Province of Nova Scotia’s long term care bed renewal program commitments including direct lending. The amounts outstanding under the Housing Development Corporation Fund are outlined in Note 8.

7. Loans and Advances Receivable

Loans receivable under the Long Term Care Bed Renewal program and the Direct Lending program have aggregate monthly payments of $3,503,446. These loans are typically secured by mortgages and general security agreements. Interest rates vary from 1.53% to 7.5% with maturity dates from April 1, 2014 to February 1, 2039.

Loans receivable delivered under other programs include Housing Services and Child Care programs having an amortization period of up to 25 years and may have renewal terms. Aggregate monthly payments are $119,599 including interest. Interest rates vary from 1% to 10.5%, with renewal dates ranging from April 1, 2014 to October 1, 2017. The loans may be secured by registered mortgages on the related properties or general security agreements.

	2014	**2013**
Long Term Care Bed Renewal Program	**$ 506,833,967**	$ 448,773,235
Direct Lending	**$ 67,969,323**	$ 122,603,508
Other Programs	**17,906,673**	18,092,849
Less provision for doubtful accounts	**(3,874,348)**	(3,878,387)
	$ 588,835,615	$ 585,591,205

8. Loans and Other Debt

Loans and other debt is comprised of mortgages and notes payable to various lenders. The amortization periods of the notes payable range from 5 to 36 years. The mortgages payable amortization periods range from 20 to 35 years with either five or ten year renewal terms. Notes payable are secured by investments in social housing. Mortgages and notes payable are repayable in monthly or quarterly installments of interest and principal.

Average interest rates vary from 1.53% to 10.50% with renewal dates ranging from April 1, 2013 to January 1, 2034.

Loans and other debt reported on the consolidated statement of financial position are comprised of the following:

	2014	**2013**
Housing Development Corporation Fund Note Payable, non-interest bearing, no set terms of repayment	**$ 65,333,848**	$ 66,732,935
Direct Lending Notes Payable	**68,408,175**	123,646,963
Long Term Care Bed Renewal Program Notes Payable	**506,833,967**	446,873,235
Housing Development Corporation Fund (Note 6)	**640,575,990**	637,253,133
Mortgages and Notes Payable to CMHC	**189,344,449**	201,845,886
Other	**5,979,268**	272,877
	$ 835,899,707	$ 839,371,896

Estimated principal repayments for the next five years and thereafter are as follows:

2015	$ 31,784,062
2016	32,553,890
2017	32,954,823
2018	33,437,389
2019	33,321,625
Subsequent to 2019	671,847,918
	$ 835,899,707

9. Commitments and Contingencies

Pursuant to the October 1, 1997 Social Housing Agreement, CMHC requires HNS to indemnify CMHC against future losses related to their insured loan portfolio for Nova Scotia. As at March 31, 2014 there were 358 loans with an outstanding balance of $68,561,263 (2013 - $ 78,457,198). In the event of default HNS would gain title to the assets and act toward mitigation of any loss. HNS has recorded provisions for $5,695,205 (2013- $10,800,316) for any possible losses on the portfolio.

HNS provides mortgage guarantees of interest and principal to lenders financing certain housing projects. As at March 31, 2014 a total of 8 mortgage guarantees were in effect, and the outstanding balance of mortgages guaranteed was $8,394,189 (2013 - $$8,773,923).

Certain Housing Authorities are involved with various claims arising out of the ordinary course of operations. Management does not consider the exposure to such litigation to be material, although this cannot be predicted with certainty.

10. Deferred Revenue and Other Liabilities

HNS has recorded deferred revenue and other liabilities as follows:

	2014	**2013**
Fire and liability	**$2,737,051**	$3,408,482
Interest rate risk	**3,200,000**	3,200,000
	$5,937,051	$6,608,482

HNS has recognized provisions for potential fire and liability claims as well as increased program expenditures resulting from any changes in interest rates.

11. Operating Costs - Housing Authorities, Rural and Native Program

	2014	**2013**
Administration	**$ 12,544,284**	$ 12,147,613
Amortization (Note 13)	**19,731,424**	18,321,985
Maintenance	**29,489,535**	25,563,683
Modernization and improvements	**3,443,121**	4,894,929
Municipal taxes	**11,120,419**	10,674,025
Other operating	**12,022,170**	10,784,514
Utilities	**25,054,605**	23,041,797
	$ 113,405,558	$ 105,428,545

12. Retirement Benefits

a. The Housing Authorities have defined contribution pension plans available to eligible employees. The Housing Authorities paid $1,184,409 for employer contributions to the Plan in fiscal 2014,($1,128,729 in fiscal 2013)

b. HNS has a non-funded long term service award that is accrued annually, but is payable on retirement or death if the employee has at least 5 years of continuous service. The benefit is equal to a certain number of weeks of current salary, with the number of weeks determined based on the years of continuous service up to a maximum of 26 weeks.

In 2012, an actuarial valuation of the long term service award liability was performed. An extrapolation was performed by the actuary as at March 31, 2014, and HNS has recorded an obligation for long term service awards of $3,816,645 (2013 - $3,488,718) accruing to Housing Authority employees at retirement.

The following assumptions have been used in the valuation of HNS's accrued long term service awards at March 31, 2014:

	2014	**2013**
Discount rate	**4.10%**	4.30%
Ultimate rate of compensation increase	**2.50%**	2.50%

13. Tangible Capital Assets

	Housing Authorities						
	Buildings	**Machinery, Computers & Equipment**	**Vehicles**	**Custom Computer Software**	**Social Housing**	**Total 2014**	**Total 2013**
Opening Cost	$ 8,641,142	$ 37,304	$ 1,717,056	$ 6,151,512	$ 452,977,334	**$ 469,524,348**	$ 457,902,169
Additions	479,482	-	585,676	-	6,257,600	**7,322,758**	11,974,212
Retirements	-	-	(81,145)	-	(115,162)	**(196,307)**	(352,033)
Other adjustments (Note 15)	-	-	-	-	-	**-**	-
Closing Cost	9,120,624	37,304	2,221,587	6,151,512	459,119,772	**476,650,799**	469,524,348
Accumulated Amortization							
Opening Acc. Amort.	(4,028,952)	(37,304)	(1,464,419)	(5,816,943)	(112,522,768)	**(123,870,386)**	(105,684,460)
Retirements	-	-	81,145	-	-	**81,145**	136,059
Amortization	(214,558)	-	(184,719)	(83,625)	(19,248,522)	**(19,731,424)**	(18,321,985)
Closing Acc. Amort.	(4,243,510)	(37,304)	(1,567,993)	(5,900,568)	(131,771,290)	**(143,520,665)**	(123,870,386)
Net Carrying Value	$ 4,877,114	-	$ 653,594	$ 250,944	$ 327,348,482	**$ 333,130,134**	$ 345,653,962

Included in the social housing assets are software costs under development with a net book value of $7,834,102 (2013 - $5,718,743) .

14. Financial Instrument Risk Management

HNS, being a government unit, manages its risk in collaboration with the Province of Nova Scotia (Province).

HNS, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of those risks at March 31, 2014.

a. Credit Risk

Credit risk is the risk that HNS will incur a loss due to the failure by its debtors to meet their contractual obligations. Financial instruments that potentially subject HNS to credit risk consist primarily of the loans receivable and the indemnified and guaranteed loan portfolios. This risk is managed through mitigations set in place in collaboration with the Province. Most borrowers under the direct lending and long term care bed renewal program receive funding from the Province. 98% of loans and advances receivable are due from borrowers in the long-term health care industry. Credit risk is further managed through collateral pledged by the borrowers and the appropriate provisions for loan losses (Note 7 and 9).

Of the $588.8 million loans and advances receivable, $3.136,million is past due. The provision for doubtful accounts is $3,874,348. Of the $68.5 million in indemnified and guaranteed loans (Note 9), $3.697 million is past due. The provision for mortgage guarantees and indemnified loans is $5,695,205.

b. Market Risk.

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of market factors. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. HNS is primarily exposed to interest rate risk. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. HNS is subject to interest rate risk on its asset and liability loan portfolios. The loan portfolios are exposed to interest rate risk when asset and liability principal and interest cash flows have different payment repricing or maturity dates. HNS mitigates this risk by lending and borrowing at fixed interest rates for extended terms, maximizing its borrowing from CMHC and the Province of Nova Scotia at lower interest rates.

c. Liquidity Risk

Liquidity risk is the risk that HNS will not be able to meet its obligations as they fall due. The Province of Nova Scotia administers the finances of HNS. HNS's banking operations are linked along with the Province of Nova Scotia along with the integrated governance structure of the Provincial Cabinet and Treasury Board Office. The Province monitors the HNS's bank balances and provides funding on a daily basis to ensure HNS has funds available to meet its liquidity requirements

There have been no significant changes from the previous year in the exposure to risk and policies, procedures and methods used to mitigate risk.

15 Certain of the comparative figures for the year 2013 have been reclassified to conform to the consolidated financial statement presentation adopted for 2014