

Consolidated Financial Statements of

**Housing Nova Scotia**

March 31, 2017

# Housing Nova Scotia

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# Housing Nova Scotia

## Management's Report

### Management's Responsibility for the Consolidated Financial Statements

The consolidated financial statements of Housing Nova Scotia have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these consolidated financial 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.

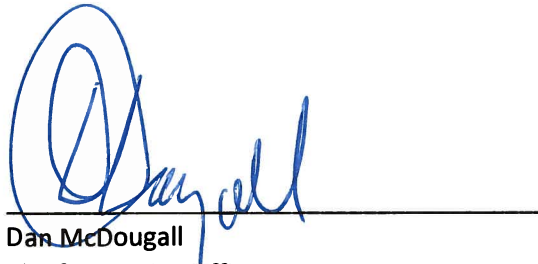
The Minister of Community Services is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Deputy Minister.

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 Housing Nova Scotia and meet with them when required.

On behalf of Housing Nova Scotia



Lynn Hartwell  
Deputy Minister  
Department of Community Services



Dan McDougall  
Chief Executive Officer  
Housing Nova Scotia

June 27, 2017  
Date



# Independent auditor's report

## 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, 2017, 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, 2017, 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.

Halifax, Canada  
June 27, 2017

The logo for Grant Thornton LLP is written in a black, cursive script font. The letters are fluid and connected, with a professional and elegant appearance.

Chartered Professional Accountants  
Licensed Public Accountants

**Housing Nova Scotia**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at March 31, 2017**  
**(In thousands of dollars)**

	<u>2017</u>	<u>2016</u>
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents	\$ 65	\$ 91
Amounts receivable and advances (Note 3)	55,826	34,150
Loans and advances receivable (Note 4)	556,443	573,415
Fund for Future Social Housing Expenditures (FFSHE) (Note 5)	38,292	49,882
	<u>\$ 650,626</u>	<u>\$ 657,538</u>
<b>LIABILITIES</b>		
Bank advances	\$ 3,157	\$ 3,010
Accounts payable and accrued liabilities (Note 6)	121,801	102,434
Loans and other debt (Note 8)	735,645	787,815
Deferred Federal Contribution (DFC) (Note 5)	38,292	49,882
Deferred revenue and other liabilities (Note 9)	24,176	6,307
Provision for mortgage guarantees and indemnified loans (Note 10)	4,506	4,194
	<u>\$ 927,577</u>	<u>\$ 953,642</u>
<b>NET DEBT</b>	<u>\$ (276,951)</u>	<u>\$ (296,104)</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 11)	\$ 277,147	\$ 296,036
Prepaid expenses	37	68
	<u>\$ 277,184</u>	<u>\$ 296,104</u>
<b>ACCUMULATED SURPLUS</b>	<u>\$ 233</u>	<u>\$ -</u>

Commitments and Contingencies (Note 10)

See accompanying notes to the consolidated financial statements

Housing Nova Scotia

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the Year Ended March 31, 2017

(In thousands of dollars)

	2017 Budget	2017 Actual	2016 Actual
<b>REVENUE</b>			
Rental revenue	\$ 57,301	\$ <b>57,546</b>	\$ 56,778
Interest revenue	25,758	<b>25,559</b>	26,553
Other revenue	9,016	<b>9,633</b>	7,997
Federal revenue (Note 12)	70,503	<b>85,094</b>	66,650
Provincial and Municipal revenue (Note 13)	46,339	<b>47,552</b>	44,400
Total revenue	<u>208,917</u>	<u><b>225,384</b></u>	<u>202,378</u>
<b>EXPENSES</b>			
Operating costs: Housing Authorities and Rural and Native Housing (Note 14)	\$ 120,455	\$ <b>124,574</b>	\$ 124,044
Debt servicing costs	41,512	<b>37,969</b>	39,584
Investment in Affordable Housing programs	22,810	<b>21,487</b>	20,063
Social Infrastructure Fund programs	-	<b>16,664</b>	-
Housing strategy	1,500	<b>1,485</b>	1,088
Social housing subsidies	21,980	<b>21,078</b>	15,790
Provision for doubtful accounts	660	<b>1,101</b>	1,156
Other expenses	-	<b>793</b>	653
Total expenses	<u>208,917</u>	<u><b>225,151</b></u>	<u>202,378</u>
<b>ANNUAL SURPLUS (Note 2 n.)</b>	-	<b>233</b>	-
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>\$ -</u>	<u>\$ <b>233</b></u>	<u>\$ -</u>

See accompanying notes to the consolidated financial statements

Housing Nova Scotia  
**CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT**  
For the Year Ended March 31, 2017  
(In thousands of dollars)

	2017 Budget	2017 Actual	2016 Actual
<b>ANNUAL SURPLUS</b>	\$ -	\$ 233	\$ -
Acquisition of tangible capital assets <i>(Note 11)</i>	-	(5,044)	(3,635)
Other	-	-	2,489
Loss on disposal of tangible capital assets	-	849	651
Amortization of tangible capital assets <i>(Note 11)</i>	20,700	23,083	23,241
Decrease in prepaid expense	-	32	81
	<u>20,700</u>	<u>18,920</u>	<u>22,827</u>
<b>CHANGE IN NET DEBT</b>	<u>\$ 20,700</u>	<u>\$ 19,153</u>	<u>\$ 22,827</u>
<b>NET DEBT, BEGINNING OF YEAR</b>		<u>\$ (296,104)</u>	<u>\$ (318,931)</u>
<b>NET DEBT, END OF YEAR</b>		<u><u>\$ (276,951)</u></u>	<u><u>\$ (296,104)</u></u>

See accompanying notes to the consolidated financial statements



**Housing Nova Scotia**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the Year Ended March 31, 2017**  
**(In thousands of dollars)**

	<b>2017</b>	<b>2016</b>
	<b>Actual</b>	<b>Actual</b>
<b>OPERATING TRANSACTIONS</b>		
Annual surplus	\$ 233	\$ -
Amortization	23,083	23,241
Loss on disposal of capital asset	849	651
Changes in non-cash items:		
Amounts receivable	(21,676)	(1,424)
Inventories		
Prepays	32	81
Accounts payable and accrued liabilities	19,037	(5,061)
Deferred revenue and other liabilities	17,869	600
Provision for mortgage guarantees and indemnified loans	57	(1,488)
Long-term service awards paid	(328)	(164)
Cash provided by operating transactions	<u>39,156</u>	<u>16,436</u>
<b>CAPITAL TRANSACTIONS</b>		
Cash used to acquire tangible capital assets	<u>(5,044)</u>	<u>(3,635)</u>
<b>INVESTING TRANSACTIONS</b>		
Loans and advances repaid	45,033	54,493
Loans and advances issued	(26,581)	(36,849)
Cash applied to investing transactions	<u>18,452</u>	<u>17,644</u>
<b>FINANCING TRANSACTIONS</b>		
Bank advances and short term borrowings	146	368
Proceeds of long-term debt	31,274	50,055
Debt repayment	(71,624)	(69,288)
Increase (Decrease) in Housing Development Fund note payable	(12,386)	(11,602)
Cash applied to financing transactions	<u>(52,590)</u>	<u>(30,467)</u>
<b>INCREASE IN CASH</b>	<b>(26)</b>	<b>(22)</b>
<b>CASH, BEGINNING OF YEAR</b>	<u>91</u>	<u>113</u>
<b>CASH, END OF YEAR</b>	<u>\$ 65</u>	<u>\$ 91</u>

See accompanying notes to the consolidated financial statements

**Housing Nova Scotia**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(In thousands of dollars)**

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**1. Nature of Operations**

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.

HNS lends money to homeowners, landlords, co-operatives, non-profits and corporations that provide housing units, continuing care facilities and child care services.

Funding for HNS comes from rent from tenants, Canada Mortgage and Housing Corporation ("CMHC"), Nova Scotian Municipalities and from the Province of Nova Scotia. See Notes 5, 7, 12 and 13 for more detail on levels of funding from government sources.

HNS is a corporation sole established by the Nova Scotia Housing Development Corporation Act of 1986 and was renamed Housing Nova Scotia by an amendment of that Act in 2013. HNS is a government unit which forms part of the consolidated entity of the Government of Nova Scotia. This consolidated statement includes the results of the Housing Authorities, which include wages of operational staff. Management and administration roles are fulfilled by staff of the Department of Community Services. Accordingly, HNS does not have any direct employees.

**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 Canadian Public Sector Accounting Board (PSAB), which sets out generally accepted accounting standards and principles for government organizations.

**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 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 inter-organizational transfers are eliminated on consolidation.

**c. Cash and Cash Equivalents**

Cash is comprised of petty cash and balances on deposit with financial institutions. Bank overdrafts are separately presented as bank advances on the consolidated statement of financial position.

**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 and cash equivalents, amounts receivable and advances, loans and advances receivable, Fund for Future Social Housing Expenditures (FFSHE), bank advances, accounts payable and accrued liabilities, and loans and other debt.

All financial instruments are initially recognized at fair value and subsequently carried at cost or amortized cost using the effective interest rate method, less any impairment losses on financial assets.

**Housing Nova Scotia**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(In thousands of dollars)**

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

HNS regularly assesses whether there are indicators of impairment. Impairment losses on financial assets measured at cost or amortized cost are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery by assessing the expected amount of future cash flows. Financial assets are then written down to net recoverable value with the write-down being recognized in the consolidated statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

**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 on loans and advances receivable 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 and advances receivable are initially measured at fair value, net of any associated fees and inclusive of transaction costs. Loans and advances are subsequently measured at amortized cost using the effective interest method, less impairments for loans losses (or doubtful accounts). Loans and advances receivable are reported at their recoverable amount, representing the aggregate amount of principal, less allowances for impairment plus accrued interest.

The allowance for impaired loans and advances receivable is determined by assessing the collectability of the loan portfolio, considering each loan's repayment history, security pledged and other circumstances. If there is evidence of impairment, the amount of the loss is measured as the difference between the loan's carrying amount and the present value of expected future cash flows discounted at the loan's original effective interest rate. Short term balances are not discounted.

**Housing Nova Scotia**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(In thousands of dollars)**

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**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 Fund (Note 5) 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.

Tangible capital assets are retired from the accounts of HNS when sold, destroyed (e.g. due to fire), abandoned or otherwise disposed. Gains and losses, which are recorded in the statement of operations and changes in net debt, are calculated as the difference between the proceeds and the net book value of the assets.

**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.

Many items are measured using management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. Uncertainty exists whenever estimates are used because it is reasonably possible that there could be material differences between the recognized amounts and another reasonably possible amount.

**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 consistent with loans and other advances.

**Housing Nova Scotia**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(In thousands of dollars)

**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. See Note 16. As of April 1, 2015, the accrual of years of service on which benefits payments would be based, were frozen. Payments would be based on earnings at the time of retirement, not April 1, 2015.

**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. Many items are measured using management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. Uncertainty exists whenever estimates are used because it is reasonably possible that there could be material differences between the recognized amounts and another reasonably possible amount. Measurement uncertainty exists for 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.

**m. Asset Retirement Obligations**

Liabilities associated with contaminated sites are recognized net of expected recoveries and when the following criteria are met:

- i. An environmental standard exists;
- ii. Contamination exceeds the applicable environmental standard;
- iii. HNS is directly responsible or accepts responsibility; and
- iv. a reasonable estimate of the amount can be made.

HSN annually reviews and considers potential tangible capital assets where there is risk of liabilities associated with contaminated sites and have concluded there are no liabilities at this time.

**n. Annual Surplus**

The annual operating surplus (deficit) of HNS is recovered (charged) to the Department of Community Services at the discretion of the Province of NS. The current year's annual and accumulated surplus relates to Federal government transfers without stipulations in excess of expenditures of the current period that is intended to be reduced in future periods for amortization expense related to tangible capital assets

**3. Amounts Receivable and Advances**

	<b>2017</b>	<b>2016</b>
Canada Mortgage and Housing Corporation	\$ <b>38,906</b>	\$ 11,691
HST receivable	<b>6,614</b>	4,827
Various NS Municipalities	<b>8,970</b>	8,721
Other receivables and advances	<b>1,736</b>	9,311
Allowance for doubtful accounts	<b>(400)</b>	(400)
	<b>\$ 55,826</b>	<b>\$ 34,150</b>

**Housing Nova Scotia**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(In thousands of dollars)

**4. Loans and Advances Receivable**

Loans receivable under the Long Term Care Bed Renewal program and the Direct Lending program have aggregate monthly payments of \$3,652. These loans are typically secured by mortgages and general security agreements. Interest rates vary from 2.18% to 7.5% with maturity dates from April 1, 2017 to February 1, 2042.

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 \$97 including interest. Interest rates vary from 0.84% to 8.11%, with renewal dates ranging from April 1, 2017 to May 1, 2042. The loans may be secured by registered mortgages on the related properties or general security agreements.

	<u>2017</u>	<u>2016</u>
Long Term Care Bed Renewal program	\$ 478,957	\$ 494,127
Direct Lending	67,752	70,305
Other Programs	14,232	13,782
Less provision for doubtful accounts	(4,498)	(4,799)
	<u>\$ 556,443</u>	<u>\$ 573,415</u>

**5. Fund for Future Social Housing Expenditures (FFSHE) and Deferred Federal Contribution (DFC)**

	<u>2017</u>	<u>2016</u>
Opening balance, April 1	\$ 49,882	\$ 57,824
CMHC Social Housing transfer per agreement	45,858	47,879
Interest earned by the fund	403	624
Total fund increases	<u>46,261</u>	<u>48,503</u>
Gross public housing and other eligible expenditures	(91,671)	(89,900)
Less: Provincial contribution	25,217	24,903
Less: Municipal contribution	8,603	8,552
Expenses withdrawn from FFSHE	<u>(57,851)</u>	<u>(56,445)</u>
Decrease in the fund	<u>(11,590)</u>	<u>(7,942)</u>
Closing balance, March 31	<u>\$ 38,292</u>	<u>\$ 49,882</u>

Under the terms of the Social Housing Agreement signed in 1997 with CMHC, revised March 21, 2001, HNS will receive a total of \$1.39 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 \$369.5 million at March 31, 2017 (2016 - \$415.4 million).

In 2014, \$41.4 million of these funds were committed to reduce the FFSHE and to a reinvestment program that addresses deferred maintenance on the social housing portfolio. The commitment also includes the creation of new housing options to address the waitlist. As at March 31, 2017, \$14.9 million (2016 - \$30.0 million) remains unspent and committed under the 10 year arrangement ending in fiscal 2024-2025.

These funds are held on deposit at the NS Department of Finance until such time as the Executive Council approves the draw down of funds from the FFSHE and revenue is recognized.

**Housing Nova Scotia**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(In thousands of dollars)

**6. Accounts Payable and Accrued Liabilities**

	<u>2017</u>	<u>2016</u>
Payables and accruals	\$ 27,013	\$ 24,926
Due to Consolidated Fund - Province of NS	94,788	77,508
	<u>\$ 121,801</u>	<u>\$ 102,434</u>

**7. Housing Development Fund**

The Housing Development 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 Fund are outlined in Note 8.

**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. Notes payable are secured by investments in social housing. Mortgages and notes payable are repayable in monthly or quarterly installments of interest and principal. Interest rates vary from 1.93% to 6.55% with terms ranging from April 1, 2017 to February 1, 2042.

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

	<u>2017</u>	<u>2016</u>
Housing Development Fund note payable, non-interest bearing, no set terms of repayment	\$ 36,838	\$ 49,224
Direct Lending notes payable	66,935	76,412
Long Term Care Bed Renewal Program notes payable	478,957	494,127
Housing Development Fund (Note 7)	<u>582,730</u>	619,763
Mortgages and notes payable to CMHC	152,636	167,773
Other	279	279
	<u>\$ 735,645</u>	<u>\$ 787,815</u>

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

2018	\$ 35,513
2019	36,523
2020	36,876
2021	37,458
2022	38,149
Subsequent to 2022	<u>551,126</u>
	<u>\$ 735,645</u>

**Housing Nova Scotia**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(In thousands of dollars)

**9. Deferred Revenue and Other Liabilities**

HNS has recorded deferred revenue and other liabilities as follows:

		<u>2017</u>	<u>2016</u>
Deferred revenue	- Social Infrastructure Fund	\$ 20,018	\$ -
	- Stabilization Fund	\$ 255	\$ 255
<b>Total deferred revenue</b>		<b>\$ 20,273</b>	<b>\$ 255</b>
Other liabilities	- Fire and liability	\$ 703	\$ 2,852
	- Interest rate risk	3,200	3,200
<b>Total other liabilities</b>		<b>\$ 3,903</b>	<b>\$ 6,052</b>
<b>Total deferred revenue and other liabilities</b>		<b>\$ 24,176</b>	<b>\$ 6,307</b>

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

**10. 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, 2017, there were 274 loans administered by HNS, with an outstanding balance of \$41,166 (2016 - \$ 49,002). Indemnified loans administered by HNS are not recognized as assets of HNS. In the event of default HNS would gain title to the assets and act toward mitigation of any loss. HNS has recorded provisions for \$4,506 (2016 - \$4,194) 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, 2017, a total of four mortgage guarantees were in effect, and the outstanding balance of mortgages guaranteed was \$6,602 (2016 - \$7,465). Loans guaranteed by HNS are not recognized as assets of HNS.

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.

**11. Tangible Capital Assets**

	<b>Housing Authorities</b>				<b>Social Housing</b>	<b>Total 2017</b>	<b>Total 2016</b>
	Buildings	Machinery Computers & Equipment	Vehicles	Custom Computer Software			
<b>Opening cost</b>	\$ 9,325	\$ 37	\$ 2,963	\$ 6,152	\$ 465,126	\$ 483,603	\$ 483,152
Additions	428	90	216	-	4,310	5,044	3,635
Retirements	-	-	(57)	-	(170)	(227)	(75)
Other adjustments	-	-	-	-	(697)	(697)	(3,109)
<b>Closing cost</b>	<b>9,753</b>	<b>127</b>	<b>3,122</b>	<b>6,152</b>	<b>468,569</b>	<b>487,723</b>	<b>483,603</b>
<b>Opening accum. amortization</b>	(4,737)	(37)	(2,079)	(6,010)	(174,705)	(187,568)	(164,370)
Retirements	-	-	75	-	-	75	44
Amortization	(267)	-	(286)	(35)	(22,495)	(23,083)	(23,241)
<b>Closing accum. amortization</b>	<b>(5,004)</b>	<b>(37)</b>	<b>(2,290)</b>	<b>(6,045)</b>	<b>(197,200)</b>	<b>(210,576)</b>	<b>(187,567)</b>
<b>Net carrying value</b>	<b>\$ 4,749</b>	<b>\$ 90</b>	<b>\$ 832</b>	<b>\$ 107</b>	<b>\$ 271,369</b>	<b>\$ 277,147</b>	<b>\$ 296,036</b>



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**12. Federal Revenue**

HNS funding from CMHC for the following programs:

	<u>2017</u>	<u>2016</u>
Social Housing (Note 5)	\$ 57,851	\$ 56,445
Investment in Affordable Housing	10,205	10,205
Social Infrastructure Fund	17,038	-
	<u>\$ 85,094</u>	<u>\$ 66,650</u>

HNS and CHMC entered into an Agreement for Investment in Affordable Housing (IAH) in 2002, setting out the terms and conditions for funding to be provided and related commitments to improve access to affordable and sustainable housing needs for Nova Scotians. In 2014, the latest supplementary agreement was entered into for additional funding for years 2015 – 2019 (the IAH Agreement) for a period of five years. Under the IAH Agreement the Province of NS is required to match funding by CMHC. Aggregate funding of \$51.0 million has been committed by CMHC through the IAH Agreements, of which \$20.4 million remains committed as at March 31, 2017 (2016 - \$30.6 million). Funding is recognized as revenue as the associated expenses under the IAH Agreements are incurred. There are no stipulations over funding recorded as capital items or expenses. Therefore, all revenue is recognized when events occur.

During 2016, the Federal Government committed additional funding in the amount of \$53.4 million under the Social Infrastructure Fund (SIF) to be provided in years 2016 - 2018 as a means of improving the quality and increasing the supply of affordable housing. Of the total funding, \$21.4 million is matched by the Province of NS associated with existing programs under the IAH Agreements, and \$32.0 million related to expanded programs which are fully funded by CMHC. Aggregate funding under the SIF Agreement of \$53.4 million was committed by CMHC, of which \$16.3 remains committed as at March 31, 2017 (2016 - \$Nil). Funding is recognized as revenue as the associated expenses under the IAH Agreements are incurred. As at March 31, 2017, \$20.0 million was recorded as deferred revenue related to funding received and not spent.

**13. Provincial and Municipal Revenue**

	<u>2017</u>	<u>2016</u>
NS Department of Community Services		
Social Housing	\$ 25,217	\$ 24,903
Housing Renovation and Affordable Housing	10,205	9,858
Social Infrastructure Fund	750	-
HAP Amortization	1,700	-
Disability Services Programs and Child Welfare	1,077	1,087
Various NS Municipalities	8,603	8,552
	<u>\$ 47,552</u>	<u>\$ 44,400</u>

**14. Operating Costs - Housing Authorities, Rural and Native Program**

	<u>2017</u>	<u>2016</u>
Administration	\$ 14,657	\$ 13,548
Amortization (Note 11)	23,083	23,241
Maintenance	37,046	32,970
Modernization and improvements	1,978	3,550
Municipal taxes	11,456	11,413
Other operating	14,792	17,721
Utilities	21,562	21,601
	<u>\$ 124,574</u>	<u>\$ 124,044</u>

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**15. 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, 2017.

**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 and advances 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 4 and 10).

The \$546.7 million of loans and advances receivable has a provision for doubtful accounts of \$4,498. Of the \$42.8 million in indemnified and guaranteed loans (Note 10), nothing is past due. The provision for mortgage guarantees and indemnified loans is \$4,506.

**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 with the Province of Nova Scotia and 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.

**16. Retirement Benefit**

**a.** The Housing Authorities have defined contribution pension plans available to eligible employees. The Housing Authorities paid \$1,260 for employer contributions to the Plan in fiscal 2017 (2016 - \$1,037).

**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 2017, an actuarial valuation of the long term service award liability was performed, and HNS has recorded an obligation for long term service awards of \$3,640 (2016 - \$3,862 ) 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, 2017:

	<u>2017</u>	<u>2016</u>
Discount rate	3.59%	4.10%
Ultimate rate of compensation increase	2.00%	2.00%

**17. Liability for Contaminated Sites**

HNS is required to recognize a liability related to the cost of the remediation of contaminated sites when certain recognition criteria are met.

A risk management approach is taken to support the completeness of the contaminated site inventory by allocating resources based on the probability and impact of contamination on individual sites. For example, Housing Authorities perform various types of maintenance as required by legislation (e.g., NS Building Code Act, Residential Tenancies Act) and consistent with normal practice for management of residential property. Properties where petroleum products are stored would have oil burning equipment and systems inspected and serviced at least annually by qualified trades people. Almost all HNS buildings are occupied and receive regular visits by property staff.

For the fiscal year ended March 31, 2017, HNS has not identified any contaminated sites requiring remediation.

**18. Comparative Figures**

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