Consolidated Financial Statements of

Housing Nova Scotia

March 31, 2023

Housing Nova Scotia

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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 Municipal Affairs and Housing 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

George B Murphy

George Murphy, CPA, CMA, CIA, CISA
Director of Finance
Housing Nova Scotia

Valerie Potter Burge

Acting on behalf of

Paul LaFleche
Deputy Minister, Department of Municipal Affairs and Housing

June 30, 2023

Date

Independent auditor's report

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To the Department Municipal Affairs and Housing

Opinion

We have audited the consolidated financial statements of Housing Nova Scotia (the "Corporation"), which comprise the consolidated statement of financial position as at March 31, 2023, and the consolidated statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated statement of financial position of Housing Nova Scotia as at March 31, 2023, and its consolidated statement of operations and accumulated surplus, changes in net debt, and cash flows the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

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

Responsibilities of management and those charged with governance for the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

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

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

We also:

- Identify and assess the risks of material misstatement of the consolidated 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 our 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 Corporation'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 Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We 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 we identify during our audit.

Grant Thornton LLP

Halifax, Canada
June 30, 2023

Chartered Professional Accountants

Housing Nova Scotia
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at March 31, 2023
(In thousands of dollars)

		2023		2022 (As Restated - Note 3)
FINANCIAL ASSETS				
Cash and cash equivalents	**$**	**2**	$	136
Amounts receivable and advances *(Note 5)*		**88,388**		81,031
Loans and advances receivable *(Note 6)*		**535,459**		501,237
Fund for Future Social Housing Expenditures *(Note 7)*		**23,036**		30,068
	$	**646,885**	$	612,472
FINANCIAL LIABILITIES				
Bank advances	**$**	**590**	$	7,124
Accounts payable and accrued liabilities *(Note 8)*		**56,457**		60,157
Loans and other debt *(Note 10)*		**639,685**		615,531
Deferred revenue and other liabilities *(Note 11)*		**84,719**		85,585
Commitments and contingencies *(Note 12)*		**3,585**		3,741
Asset Retirement Obligation *(Note 13)*		**282,544**		276,523
	$	**1,067,580**	$	1,048,661
NET DEBT	**$**	**(420,695)**	$	(436,189)
NON-FINANCIAL ASSETS				
Tangible capital assets *(Note 14)*		**231,819**		254,412
Prepaid expenses		**-**		730
	$	**231,819**	$	255,142
ACCUMULATED DEFICIT	**$**	**(188,876)**	$	(181,047)

Commitments and Contingencies *(Note 12)*
Subsequent event *(Note 22)*

See accompanying notes to the consolidated financial statements

Housing Nova Scotia
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
For the Year Ended March 31, 2023
(In thousands of dollars)

	2023 Budget	**2023 Actual**	2022 Actual (As Restated - Note 3)
REVENUE			
Rental revenue	$ 63,111	**$ 42,750**	$ 61,011
Interest revenue	23,671	**22,877**	21,796
Other revenue	7,621	**8,823**	10,552
Federal revenue *(Note 15)*	67,707	**55,701**	61,059
Provincial and Municipal revenue *(Note 16)*	137,469	**205,429**	118,708
Total revenue	$ 299,579	**$ 335,580**	$ 273,126
EXPENSES			
Operating costs: Housing Authorities and Rural and Native Housing *(Note 17)*	$ 162,836	**$ 117,424**	$ 165,700
Operating costs : NSPHA (*Note 2*)	-	**35,092**	-
Debt servicing costs	31,297	**29,495**	28,809
Housing Services programs	55,450	**105,865**	46,166
Social Infrastructure Fund programs	1,780	**1,111**	856
Housing strategy	1,268	**912**	1,140
Social housing subsidies	30,519	**34,716**	25,135
Provision for doubtful accounts	512	**590**	639
Impact of restructuring expense (*Note 2*)	-	**5,683**	-
Other expenses	10,217	**12,521**	12,130
Total expenses	$ 293,879	**$ 343,409**	$ 280,575
ANNUAL SURPLUS (DEFICIT)	5,700	**(7,829)**	(7,449)
ACCUMULATED SURPLUS, BEGINNING OF YEAR		**25,541**	18,276
IMPACT OF RESTATEMENT ON OPENING SURPLUS (Note 3)		**(206,588)**	-
ACCUMULATED (DEFICIT) SURPLUS, BEGINNING OF YEAR, AS RESTATED		**(181,047)**	18,276
ANNUAL DEFICIT		**(7,829)**	(7,449)
ACCUMULATED RETIREMENT OBLIGATION ADJUSTMENT (Note 3)		**-**	(191,874)
ACCUMULATED DEFICIT, END OF YEAR		**$ (188,876)**	**$ (181,047)**

See accompanying notes to the consolidated financial statements

Housing Nova Scotia
CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT
For the Year Ended March 31, 2023
(In thousands of dollars)

		2023 Actual		2022 Actual (As Restated - Note 3)
ANNUAL DEFICIT	**$**	**(7,829)**	$	(7,449)
Acquisition of tangible capital assets *(Note 14)*		**(7,379)**		(7,716)
Transfer to NSPHA *(Note 14)*		**1,951**		-
Loss on disposal of tangible capital assets		**506**		544
Impact of estimate remeasurement *(Note 14)*		**3,587**		-
Amortization *(Note 14)*		**23,928**		24,800
Decrease (increase) in prepaid expense		**730**		(619)
	$	**23,323**	$	17,009
CHANGE IN NET DEBT	**$**	**15,494**	$	9,560
NET DEBT, BEGINNING OF YEAR	**$**	**(159,666)**	$	(179,835)
IMPACT OF RESTATEMENT ON OPENING NET DEBT (Note 3)		**(276,523)**		-
NET DEBT, BEGINNING OF YEAR, AS RESTATED		**(436,189)**		(179,835)
CHANGE IN NET DEBT		**15,494**		9,560
ACCUMULATED RETIREMENT OBLIGATION ADJUSTMENT (Note 3)		**-**		(265,914)
NET DEBT, END OF YEAR	**$**	**(420,695)**	$	(436,189)

Housing Nova Scotia
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2023
(In thousands of dollars)

	2023 Actual	2022 Actual (As Restated - Note 3)
OPERATING TRANSACTIONS		
Annual deficit	**$ (7,829)**	$ (7,449)
Amortization	**23,928**	24,800
Loss on disposal of tangible capital asset	**506**	544
Impact of restructuring expense *(Note 2)*	**5,683**	-
Accretion *(Note 13)*	**9,781**	10,609
Changes in non-cash items:		
Amounts receivable	**(34,393)**	(44,588)
Prepaids	**(2,929)**	(618)
Accounts payable and accrued liabilities	**20,047**	20,028
Deferred revenue and other liabilities	**397**	14,618
Deferred federal contribution	**7,032**	12,530
Provision for mortgage guarantees and indemnified loans	**(156)**	35
Cash provided by operating transactions	**$ 22,067**	$ 30,509
CAPITAL TRANSACTIONS		
Cash used to acquire tangible capital assets	**$ (7,379)**	$ (7,716)
Repayment of asset retirement obligation	**(173)**	-
Cash applied to capital transactions	**$ (7,552)**	$ (7,716)
INVESTING TRANSACTIONS		
Loans and advances repaid	**$ 52,986**	$ 51,415
Loans and advances issued	**(87,208)**	(54,441)
Cash applied to investing transactions	**$ (34,222)**	$ (3,026)
FINANCING TRANSACTIONS		
Bank advances and short term borrowings	**$ (4,581)**	$ 4,669
Proceeds of long term debt	**120,711**	76,291
Debt repayments	**(85,213)**	(82,378)
Change in Housing Development Fund note payable	**(11,344)**	(18,288)
Cash provided by (applied to) financing transactions	**$ 19,573**	$ (19,706)
(DECREASE) INCREASE IN CASH	**$ (134)**	$ 61
CASH, BEGINNING OF YEAR	**136**	75
CASH, END OF YEAR	**$ 2**	$ 136

See accompanying notes to the consolidated financial statements

(In thousands of dollars)

1. Nature of Operations

Housing Nova Scotia ("HNS"), through the Housing Authorities up to December 1, 2022 (Note 2), provides more than 12,400 safe, affordable homes as part of its Public Housing program to more than 17,000 seniors and families.

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 up to December 1, 2022 (Note 2), Canada Mortgage and Housing Corporation ("CMHC"), Nova Scotia municipal units and the Province of Nova Scotia. See Notes 7, 9, 10, 15 and 16 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 governmental unit which forms part of the consolidated entity of the Government of Nova Scotia. These consolidated statements include the results of the Housing Authorities up to the restructuring date of December 1, 2022 as further detailed in Note 2. Management and administration roles are fulfilled by staff of the Department of Municipal Affairs and Housing. Accordingly, HNS does not have any direct employees.

2. Restructuring transaction

On October 20, 2022 the Province of Nova Scotia announced that effective December 1, 2022 (“the restructuring date”) new legislation would create a new crown corporation responsible for public housing in Nova Scotia. The new crown corporation, Nova Scotia Provincial Housing Agency (“NSPHA”), was formed by the Housing Services and Supply Act. This act replaced the Housing Act and Housing Nova Scotia Act and the creation of NSPHA was to address the recommendations the Nova Scotia Legislature passed as a result of Bill 222. Prior to the restructuring date, the consolidated financial statements of Housing Nova Scotia included the following authorities (all of which were amalgamated and restructured into the operations of NSPHA as at December 1, 2022):

- the Metropolitan Regional Housing Authority created by Order in Council 1995-24 dated January 3, 1995,
- the Cape Breton Island Housing Authority created by Order in Council 1997-153 dated March 4, 1997,
- the Cobequid Housing Authority created by Order in Council 1997-154 dated March 4, 1997,
- the Eastern Mainland Housing Authority created by Order in Council 1997-183 dated March 11, 1997, and
- the Western Regional Housing Authority created by Order in Council 2010-276 dated July 6, 2010.

In conjunction with the creation of NSPHA, the operations of the five housing authorities were transferred from Housing Nova Scotia to NSPHA and the authorities were subsequently amalgamated. NSPHA was given the responsibility for the operation and management of the Public Housing Program while HNS took over the balance of the housing programs including, but not limited to, the rent supplement, home repair, and affordable housing programs. As a result of the restructuring, the housing assets continue to be owned and maintained by HNS. NSPHA is not owned by Housing Nova Scotia but is now its own crown corporation and therefore, as of the restructuring date, the results are no longer consolidated into these financial statements (as of December 1, 2022 – both HNS and NSPHA have March 31, 2023 yearends). The following assets and liabilities were transferred, all of which were previously held by the five authorities:

	Amount
Financial assets	
Accounts receivable	$ 2,137
Due from governments	24,899
	27,036
Financial Liabilities	
Bank indebtedness	1,953
Accounts payable, accrued liabilities and benefit liabilities	23,516
Due to governments	231
Deferred revenue	1,263
	26,963
Net Debt	**73**

(In thousands of dollars)

2. Restructuring transaction (continued)

Non-financial assets		
Tangible capital assets		1,951
Inventory		402
Prepaid expenses		3,257
		5,610
Impact of restructuring expense	**$**	**5,683**

In accordance with PS 3430, Restructuring transactions, it was determined the creation of NSPHA and subsequent transfer of the items noted above met the definition of a restructuring transaction given the exchange was not purchase in nature (no consideration exchanged) and the transaction results in the transfer of an integrated set of assets and liabilities with related responsibilities to support various programs previously administered through Housing Nova Scotia. As a result, the assets and liabilities transferred have been transferred at their carrying value and the net effect of the restructuring transaction has been recorded as a separate expenditure line in the statement of operations and accumulated surplus.

As the operating grant related to the activities of the authorities was paid to Housing Nova Scotia, the portion for the period from December 1, 2022 to March 31, 2023 was subsequently transferred to NSPHA in the amount of $35,092 and is considered a related party transaction. In future periods, this funding will be paid directly from the Province of Nova Scotia to NSPHA.

3. Change in accounting policy – modified retroactive restatement

Asset retirement obligations:

Effective April 1, 2022, HNS adopted new Public Sector Accounting Standard Section PS 3280 Asset Retirement Obligations (“ARO”). The new accounting standard addressed the reporting of legal obligations associated with the retirement of certain tangible capital assets, including the removal and remediation of contaminants as buildings are retired by public sector entities. The financial statements of the comparative year have been restated to reflect this change in the accounting policy, which has been applied using a modified retroactive method. Under the modified retroactive method, the obligation and asset retirement costs were measured as at April 1, 2021 using information, assumptions and discount rates that were current at April 1, 2022.

As a result of the adoption of this new accounting policy, an asset retirement obligation of $265,914 and net tangible capital assets of $74,040 were recorded on April 1, 2021. The net balance was booked through the opening accumulated surplus (deficit) account in the amount of $191,874 for the year ended March 31, 2022. As a result of the restatement, the April 1, 2022 opening accumulated surplus (deficit) was adjusted for the $191,874 and the fiscal 2022 impacts of the restatement on the consolidated statement of operations and accumulated surplus for a total adjustment of $206,588. Similar adjustments were required for net debt with the April 1, 2021 balance being restated by $265,914 and the April 1, 2022 balance being adjusted by $276,523. The following changes have been made to the comparative information and the impact of the adoption has carried forward through the fiscal 2023 operations:

March 31, 2022	Previously Reported	Increase (Decrease)	As Restated
Consolidated statement of operations and accumulated surplus			
Operating costs (amortization)	$ 161,595	$ 4,105	$ 165,700
Other expenses (accretion)	1,521	10,609	12,130
Annual surplus (deficit)	7,265	(14,714)	(7,449)
Accumulated surplus (deficit), end of year	25,541	(206,588)	(181,047)
Consolidated statement of financial position			
Tangible capital assets	$ 184,477	$ 69,935	$ 254,412
Retirement Obligation	-	276,523	276,523
Accumulated surplus (deficit), end of year	25,541	(206,588)	(181,047)

(In thousands of dollars)

3. Change in accounting policy – modified retroactive restatement (continued)

Consolidated statement of net debt			
Annual surplus (deficit)	$ 7,265	$ (14,714)	$ (7,449)
Amortization	20,695	4,105	24,800
Net debt, end of year	(159,666)	(276,523)	(436,189)
Consolidated statement of cash flows			
Annual surplus (deficit)	$ 7,265	$ (14,714)	$ (7,449)
Amortization	20,695	4,105	24,800
Accretion	-	10,609	10,609

4. 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. Up to December 1, 2022 (Note 2) these organizations included Cape Breton Island Housing Authority, Cobequid Housing Authority, Eastern Mainland Housing Authority, Metropolitan Regional Housing Authority, and Western Regional Housing Authority (Housing Authorities). Subsequent to the restructuring date, HNS was no longer a consolidated entity, however, because the transaction was accounted for as a restructuring transaction under PS 3430, the statements for the year ended March 31, 2023 include the consolidated results of the above noted Housing Authorities from April 1, 2022 to November 30, 2022 (and in the comparative period). As a result, they continue to be presented as consolidated statements.

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.

The HNS financial instruments consist of cash and cash equivalents, amounts receivable and advances, loans and advances receivable, Fund for Future Social Housing Expenditures ("FFSHE") and Deferred Federal Contribution ("DFC"), 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.

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.

4. Summary of Significant Accounting Policies (continued)

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 over the terms and rates specified in lending agreements.

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 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. Restructuring

Restructuring transactions include the following:

- amalgamation of entities or operations within the government reporting entity;
- amalgamation of local governments; annexation or boundary alteration between neighboring local governments;
- transfers of operations or programs from one entity to another; and
- shared service arrangements entered into by local governments in a region.

In accordance with PS 3430, individual assets and liabilities received in a restructuring transaction are measured at their carrying amount, subject to certain adjustments.

Individual assets and liabilities received in a restructuring transaction are initially classified in the statement of financial position based the accounting policy and circumstances at the restructuring date with the net effect of a restructuring transaction presented as a separate revenue or expense item in the statement of operations.

A transferor and a recipient do not restate its financial position or results of operations prior to the restructuring date to retroactively report the effects of a restructuring transaction in its financial statements as if the restructuring transaction took place prior to the restructuring date.

4. Summary of Significant Accounting Policies (continued)

h. 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.

i. Tangible Capital Assets

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

The tangible capital assets include social housing properties acquired through the Social Housing Agreement from the Housing Development Fund (Note 9) and from acquisitions dating back several decades to predecessor housing organizations within

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
Machinery & 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 assets 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 less transaction costs.

j. 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.

k. Forgivable Loans

Forgivable loans are accounted for as government transfers (see Note 2(f)). 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.

4. Summary of Significant Accounting Policies (continued)

l. Retirement Benefits

The HNS Public Service Award liability earned by employees is determined by HNS based on actual staff balances or in agreement with collective agreements (see Note 19). 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.

m. Measurement Uncertainty, Estimates, and Judgements

The preparation of financial statements requires management to make judgements on estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, 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, asset retirement obligations, accrued liabilities, and retirement benefits. Judgement is applied in the recognition of financial assets, including CMHC indemnified loans and mortgage guarantees by HNS (See Note 12). Given the implementation of PS 3280 Asset Retirement Obligations (Note 3), management is now required to make estimates regarding the useful lives of effected tangible capital assets and the expected retirement costs, as well as the timing and duration of these costs. Actual results could differ from estimates.

n. Liabilities for Contaminated Sites

Liabilities associated with contaminated sites are recognized as gross expense and expected recoveries when there is a legal obligation to incur retirement costs in relation to a tangible capital asset; the past transaction or event giving rise to the liability has occurred (HNS 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. Liabilities associated with contaminated sites are only recognized if all the above

HNS 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.

o. Annual Surplus/Deficit

In the event that there was an annual operating surplus, it could be recovered to the Department of Municipal Affairs and Housing at the discretion of the Province of Nova Scotia. If so, the intended use of the surplus is for amortization expense related to tangible capital assets.

p. Harmonized Sales Tax

Under the Canada-Nova Scotia Reciprocal Taxation Agreement (RTA), HNS and the five Housing Authorities are considered listed entities with the Province of Nova Scotia and are eligible to claim 100% of HST paid or payable via a special provincial entity rebate.

(In thousands of dollars)

4. Summary of Significant Accounting Policies (continued)

q. Asset Retirement Obligation

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

a) There is a legal obligation to incur retirement costs in relation to a tangible

b) The past transaction or event giving rise to the liability has occurred;

c) It is expected that future economic benefits will be given up; and

d) A reasonable estimate of the amount can be made.

The liability associated with the remediation of contaminants present within a number of buildings owned by HNS has been recognized based on estimated future expenses on disposal of the sites. The liability is discounted using a present value calculation and adjusted annually for accretion expense. The recognition of a liability resulted in an accompanying increase to the respective capital assets. The increase to tangible capital assets is being amortized in accordance with the amortization accounting policies outlined in the tangible capital assets policy note.

5. Amounts Receivable and Advances

		2023		2022
CMHC	**$**	**25,009**	$	14,517
Harmonized Sales Tax receivable		**-**		20,468
Nova Scotia Municipal Units		**14,964**		13,676
Due from Consolidated Fund - Province of Nova Scotia		**47,745**		27,747
Other receivables and advances		**1,070**		5,023
Less: allowance for doubtful accounts		**(400)**		(400)
	$	**88,388**	$	81,031

Various Nova Scotia municipal units are billed at year end for their share of net costs related to public housing units in those municipal units, in accordance with agreements between HNS and the municipal units.

6. Loans and Advances Receivable

Loans receivable under the Long Term Care Bed Renewal program and the Direct Lending program have aggregate monthly payments of $3.7 million (2022 - $3.7 million). These loans are typically secured by mortgages and general security agreements. Interest rates vary from 1.65% to 7.45% with maturity dates from April 1, 2023 to January 4, 2053.

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 $285.5 thousand including interest. Interest rates vary from 0.0% to 6.5%, with renewal dates ranging from April 1, 2023 to February 1, 2046. The loans may be secured by registered mortgages on the related properties or general security agreements.

		2023		2022
Long Term Care Bed Renewal program	**$**	**439,831**	$	424,430
Direct Lending		**90,239**		67,727
Other Programs		**10,644**		14,156
Less: provision for doubtful accounts		**(5,255)**		(5,076)
	$	**535,459**	$	501,237

(In thousands of dollars)

7. Fund for Future Social Housing Expenditures

	2023	2022
Opening balance, April 1	**$ 30,068**	$ 42,598
CMHC Social Housing transfer per agreement	**31,569**	34,459
Interest earned by the fund	**336**	207
Total fund increases	**31,905**	34,666
Gross public housing and other eligible expenditures	**110,088**	109,314
Less: Provincial contribution	**58,607**	49,760
Less: Municipal contribution	**12,544**	12,358
Expenses withdrawn from Fund for Future Social Housing Expenditures	**(38,937)**	(47,196)
Decrease in the fund	**(7,032)**	(12,530)
Closing balance, March 31	**$ 23,036**	$ 30,068

Under the terms of the Social Housing Agreement signed in 1997 with CMHC, revised March 21, 2001, HNS will receive a total of $1.4 billion over the life of the agreement. Annual payments began in 1998 at $56.9 million and decline to zero by the end of the agreement in 2035. A total of $1.3 billion has been received to date, and the remaining portion of the committed payments under the agreement is $141.2 million at March 31, 2023 (2022 - $172.8 million).

In 2014, $41.4 million of these funds were committed 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, 2023, $2.9 million (2022 - $3.8 million) remains unspent and committed under the 10 year arrangement ending in fiscal 2024-2025.

The Social Housing Agreement sets out a cash flow schedule over the life of the agreement, but there is no requirement to spend the funds in the year received. The funds are to be spent on qualifying expenditures prior to the end of the agreement in 2035. Funds received in excess of revenue recognized are recorded as deferred revenue (Note 11). Funds are held at the Department of Finance until qualifying expenditures are made, at which time an equal amount of revenue from the DFC is taken into income.

8. Accounts Payable and Accrued Liabilities

	2023	2022
Accounts payables and accruals	**$ 56,457**	$ 60,157

Included in accounts payable and accrued liabilities is $15.23 million owning to Nova Scotia Provincial Housing Agency, a related party by virtue of common control.

9. Housing Development Fund

The Housing Development Fund was established by Order-In-Council to provide working capital for HNS. 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 $2.5 billion 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 10.

(In thousands of dollars)

10. 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 1.00% to 6.35% with terms ranging from April 1, 2023 to May 1, 2053.

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

	2023	2022
Housing Development Fund; Notes payable, non-interest bearing, no set terms of repayment	**$ 12,319**	$ 23,663
Direct Lending notes payable	**96,893**	71,407
Long Term Care Bed Renewal Program notes payable	**434,210**	418,821
Housing Development Fund (Note 9)	**543,422**	513,891
Mortgages and notes payable to CMHC	**96,263**	101,361
Other	**-**	279
	$ 639,685	$ 615,531

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

2024	**$ 43,328**
2025	**42,651**
2026	**40,704**
2027	**40,504**
2028	**39,882**
Subsequent to 2028	**432,616**
	$ 639,685

11. Deferred Revenue and Other Liabilities

HNS has recorded deferred revenue and other liabilities as follows:

	2023	2022
Deferred revenue		
Social Infrastructure Fund (Note 15)	**$ 2,315**	$ 4,001
National Housing Strategy (Note 15)	**34,024**	25,192
Deferred Federal Contribution (Note 7)	**23,036**	30,068
Province of Nova Scotia	**21,815**	21,815
Stabilization Fund	**255**	255
Total deferred revenue	**81,445**	81,331
Other liabilities		
Fire and liability	**74**	1,054
Interest rate risk	**3,200**	3,200
Total other liabilities	**3,274**	4,254
Total deferred revenue and other liabilities	**$ 84,719**	$ 85,585

HNS has recognized provisions for increased program expenditures resulting from any changes in interest rates.

(In thousands of dollars)

12. 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, 2023, there were 212 loans administered by HNS, with an outstanding balance of $6.0 million (2022 - $7.8 million). 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 $3.6 million (2022 - $3.7 million) 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, 2023, no mortgage guarantees were in effect. Loans guaranteed by HNS are not recognized as assets of HNS.

13. Asset Retirement Obligation

The Organizations' asset retirement obligation consists of the liability associated with decommissioning and remediation of contaminants present within properties held. These contaminants represent a health hazard upon demolition and therefore there is a legal obligation for removal of these contaminants on decommissioning. Following the adoption of PS 3280 – Asset retirement obligations, the Corporation recognized an obligation relating to this decommissioning and remediation of contaminants as estimated as at April 1, 2021 under a modified retrospective application approach. These properties have expected useful live of 59 years, with remaining lives of between 1 and 53 years. Estimated costs have been discounted to the present value using a discount rate of 3.99%.

	2023	2022 (As Restated - Note 3)
Opening Balance	**$ 276,523**	$ -
Liability recognized on adoption of PS 3280	**-**	265,914
Settlement	**(173)**	-
Accretion expense	**9,781**	10,609
Impact of estimate remeasurement	**(3,587)**	-
Closing balance	**$ 282,544**	$ 276,523

(In thousands of dollars)

14. Tangible Capital Assets

	Housing Authorities							
	Buildings	Machinery Computers & Equipment	Vehicles	Custom Computer Software	Social Housing	**Total 2023**	Total 2022 (As Restated - Note 3)
Opening cost	$ 10,074	$ 451	$ 3,566	$ 6,152	$ 549,611	**$ 569,854**	$ 489,069
Additions	-	917	277	-	6,185	**7,379**	81,755
Retirements	-	-	(33)	-	(38)	**(71)**	(934)
Transfer from HAs to NSPHA	-	(1,368)	(3,810)	(6,152)	-	**(11,330)**	-
Transfer from HAs to HNS	(10,074)	-	-	-	10,074	**-**	-
Impact of estimate remeasurement	-	-	-	-	(3,587)	**(3,587)**	-
Other adjustment	-	-	-	-	(435)	**(435)**	(37)
Closing cost	$ -	$ -	$ -	$ -	$ 561,810	**$ 561,810**	$ 569,853
Opening accum. amortization	$ (6,057)	$ (199)	$ (2,871)	$ (6,127)	$ (300,188)	**$ (315,442)**	$ (291,068)
Retirement	-	-	-	-	-	**-**	427
Transfer from HAs to NSPHA	-	233	3,015	6,131	-	**9,379**	-
Transfer from HAs to HNS	6,191	-	-	-	(6,191)	**-**	-
Amortization	(134)	(34)	(144)	(4)	(23,612)	**(23,928)**	(24,800)
Closing accum. amortization	$ -	$ -	$ -	$ -	$ (329,991)	**$ (329,991)**	$ (315,441)
Net carrying value	$ -	$ -	$ -	$ -	$ 231,819	**$ 231,819**	$ 254,412

On October 20, 2022 the Province of Nova Scotia announced that effective December 1, 2022 new legislation would create a new crown corporation, Nova Scotia Provincial Housing Agency (NSPHA), responsible for public housing in Nova Scotia. The NSPHA as a separate entity would no longer be consolidated under Housing Nova Scotia effective December 1, 2022. Assets consisting of Machinery Computers & Equipment, Vehicles, and Custom Computer Software in the amount of $1.9 million, net of amortization, were transferred from HNS to NSPHA. Property assets in the amount of $3.9 million, net of amortization, held in the Housing Authorities were transferred to HNS.

The tangible capital assets include an amount relating to asset retirement obligations, net of amortization and remeasurement adjustments, of $62.2 million (2022 - $69.9 million). Included in the 2022 additions is $74,040 related to the initial impact of the adoption of PS3280 Asset Retirement Obligations (Note 3).

(In thousands of dollars)

15. Federal Revenue

HNS funding from CMHC for the following agreements:

		2023		2022
Social Housing (Note 7)	**$**	**38,937**	$	47,196
National Housing Strategy (NHS)		**15,078**		13,235
Social Infrastructure Fund (SIF)		**1,686**		628
	$	**55,701**	$	61,059

During fiscal 2016, the Federal Government committed additional funding in the amount of $53.4 million under 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 Nova Scotia 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 has been fully committed by CMHC at March 31, 2023. Funding is recognized as revenue as the associated expenses under the IAH Agreements are incurred. As at March 31, 2023, $2.3 million (Note 11) was recorded as deferred revenue related to funding received from the federal government and not spent (2022 - $4.0 million). As at March 31, 2023, total commitments under this agreement to be disbursed total $12.6 million (2022 - $15.1 million).

In fiscal 2019, the Bilateral Agreement Under the 2017 National Housing Strategy was signed with CMHC on behalf of the Federal Government. Under the terms of this agreement, which ends on March 31, 2028, HNS expects to receive a total of $197.1 million over nine years for two initiatives : (1) Nova Scotia Priorities Housing and (2) Canada Community Housing. The maximum funding of $44.1 million by CMHC for these two initiatives is specified in the agreement for fiscal years 2020 to 2022, the remaining $153.0 million will be allocated to HNS in accordance with the 2023 to 2025 and the 2026 to 2028 action plans.

In fiscal 2021, the final initiative under the Bilateral Agreement Under the 2017 National Housing Strategy was signed with CMHC on behalf of the Federal government. Under the terms of the agreement which ends on March 31, 2028, HNS expects to receive a total of $59.8 million over eight years for the Canada – Nova Scotia Housing Benefit initiative. The maximum funding of $8.6 million by CMHC for this initiative is specified in the agreement for fiscal years 2021 to 2022, the remaining $51.2 million will be allocated to HNS in accordance with the 2023 to 2025 and the 2026 to 2028 action plans.

Federal funding payments are issued upon HNS's submission of commitment-based claims, and as of March 31, 2023, $73.5 million had been committed (2022 - $49.5 million). Federal funding received by HNS is held on deposit at the Department of Finance and Treasury Board until qualifying expenditures are made, at which time an equal amount of deferred revenue is taken into income. As at March 31, 2023, $34.0 million was recorded as deferred revenue (Note 11) related to funding received from the federal government and not spent (2022 - $25.2 million).

As part of the agreement, the Province of Nova Scotia is required to cost match federal funding for an amount of at least 50% of CMHC funding paid for fiscal years 2020-2023. For fiscal 2023, $192.6 million has been committed by the Province of Nova Scotia (2022 - $108.1 million).

As at March 31, 2023, total commitments under this agreement to be disbursed total $85.4 million (2022 - $80.3 million).

(In thousands of dollars)

16. Provincial and Municipal Revenue

	2023	2022
Provincial Revenue		
Department of Municipal Affairs and Housing		
Social Housing	**$ 58,607**	$ 49,760
Housing Renovation and Affordable Housing	**91,786**	36,482
Rent Supplement	**22,870**	8,815
Social Infrastructure Fund	**550**	550
Capital Grant	**6,202**	7,265
Housing Administration Project amortization	**1,671**	1,671
Housing Strategy	**950**	950
Down Payment Assistance Program and Information Technology	**1,000**	550
Corporate (including ARO)	**7,653**	-
Property Amortization	**307**	307
Department of Community Services	**1,185**	-
Department of Environment and Climate Change	**104**	-
Municipal Revenue	**12,544**	12,358
	$ 205,429	$ 118,708

17. Operating Costs - Housing Authorities, Rural and Native Program (Note 1 and 4(b))

	2023	2022 (As Restated - Note 3)
Administration	**$ 12,168**	$ 17,316
Amortization (Note 14)	**23,928**	24,800
Maintenance	**49,163**	70,669
Modernization and improvements	**-**	180
Municipal taxes	**7,805**	11,342
Other operating	**9,748**	17,428
Utilities	**14,612**	23,965
	$ 117,424	$ 165,700

18. Financial Instrument Risk Management

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

HNS, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of those risks at March 31, 2023.

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 of Nova Scotia. Most borrowers under the direct lending and Long Term Care Bed Renewal program receive funding from the Province of Nova Scotia. 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 6 and 12).

The $535.5 million of loans and advances receivable has a provision for doubtful accounts of $5.3 million. There are $6.0 million in indemnified and guaranteed loans (Note 12), and the provision for indemnified loans is $3.6 million.

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

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 Department of Finance of the Province of Nova Scotia administers the cash position 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 of Nova Scotia monitors 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.

19. Retirement Benefit

a. The Housing Authorities have defined contribution pension plans available to eligible employees. Prior to the December 1st, 2022 restructuring (Note 2), the Housing Authorities paid $0.9 million for employer contributions to the Plan in fiscal 2023 (2022 - $1.3 million).

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. The benefits ceased to accrue at April 1, 2015 as a result of a Province of Nova Scotia Administrative Directive.

20. 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

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, 2023, HNS has not identified any contaminated sites requiring remediation.

21. Budget figures

The budgeted figures presented are a subset of the Housing Nova Scotia budget that was approved by the Lieutenant Governor on April 22, 2022 and are presented consistent with Public Sector Accounting Standards.

22. Subsequent event

On October 20, 2022 the Province of Nova Scotia announced that effective April 1, 2023 new legislation, Bill No. 222 under the Housing Supply and Services Act, established that the obligations of Housing Nova Scotia are assumed under the Minister for the Department of Housing and Municipal Affairs.