Newfoundland and Labrador Housing Corporation

Annual Report

2017-18

Newfoundland Labrador

MESSAGE FROM THE CHAIRPERSON

I am pleased to present the 2017-18 Annual Report for the Newfoundland and Labrador Housing Corporation (NL Housing), which provides an overview of the key activities, achievements and financial information for the 2017-18 fiscal year.

Access to safe, stable and affordable housing is essential to the social and economic well-being of individuals, families and our communities. NL Housing's mandate is to implement Government's social housing policy and programs for the benefit of low-to-moderate income households throughout the province, with a focus on supporting the most vulnerable. There is a wide range of housing needs across the province, from those experiencing or at risk of homelessness, to low-income households needing assistance to pay rent, and those who struggle with the challenges of achieving homeownership. In 2017-18, the National Housing Strategy was endorsed by provinces and territories and was released publicly by the Federal Government. Also in 2018, NL Housing worked towards the finalization of a Provincial Housing and Homelessness Plan and collaborated with community partners and stakeholders to address immediate housing concerns in this province.

This report was prepared under the direction of the Board of Directors of NL Housing, in accordance with the requirements of the Transparency and Accountability Act. NL Housing's Board of Directors is accountable for the actual results reported in this document.

GLENN GOSS
Chair and Chief Executive Officer (Interim)

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Corporate Overview

NL Housing is a provincial Crown corporation which operates under the authority of the **Housing Corporation Act**. It is governed by a Board of Directors appointed by the Lieutenant-Governor in Council. The Board represents different geographic areas and interest groups and reports to the Government of Newfoundland and Labrador through the Minister Responsible for the Newfoundland and Labrador Housing Corporation.

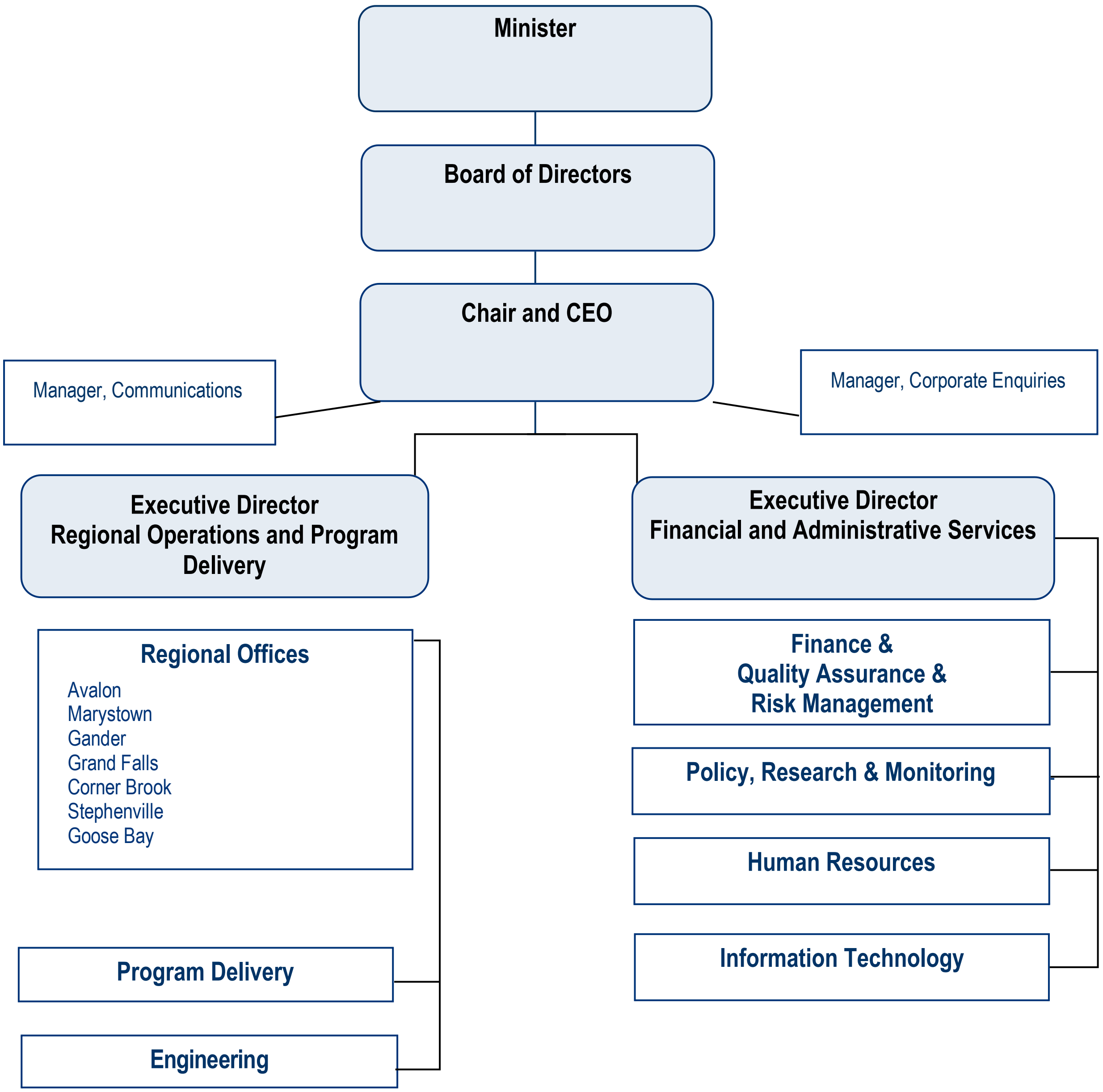
The members of the Board as of March 31, 2018:

Glenn Goss, Interim Chair and CEO St. John's	Sheena McCrate St. John's	Barbara Cull Stephenville
Glenda (Bellows) Belbin Corner Brook	Rhonda Neary St. John's	Selma Pike St. Anthony

NL Housing's clientele consists of individuals and families with low-to-moderate incomes who require assistance in accessing or maintaining safe, adequate and affordable housing. The programs delivered serve renters, homeowners, persons with disabilities, persons with complex needs, seniors, youth and victims of family violence. NL Housing offers a diverse range of programs from home repair assistance to delivery and maintenance of public affordable social housing units. NL Housing is committed to working collaboratively with our many community partners to help address the needs of those who require a combination of affordable accommodations and support services. In 2017-18, 13,950 households received direct assistance through social housing programs. Many other individuals and families have been assisted through a variety of community based non-profit housing partners supported by NL Housing. Additional information on the work done by NL Housing as well as the current mandate can be found at the NL Housing website: http://www.nlhc.nf.ca/

Organization Structure

The following chart provides an overview of NL Housing's organizational structure as of March 31, 2018:



Overview of Households and Clients Served		
Program	**Households**	**Clients**
NL Housing Units	5,590	11,957
Rent Supplement	1,803	2,063
Co-op Housing	394	n/a[1]
Partner Managed Housing	1,014	1,469
Federal Portfolio	1,172	n/a[1]
Investment in Affordable Housing	1,564	1,877
Home Modification Program	358	358
Provincial Home Repair Program	1,626	2,280
Residential Energy Efficiency Program	212	280
Home Energy Savings Program	217	217
Supportive Living Program	n/a[2]	3,300
Provincial Homelessness Fund	n/a[2]	9,150
Workplace Health, Safety and Compensation Commission clients	n/a[3]	23
Total	**13,950**	**32,974**

[1]Individual client data is not applicable as these programs serve households.

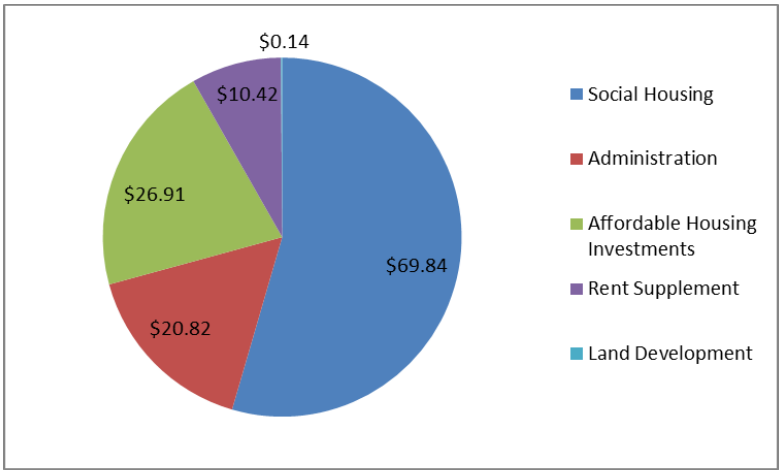
[2]Household data is not applicable as these programs serve individual clients.

[3]Inspections completed for Workplace Health, Safety and Compensation Commission clients.

Financial Profile

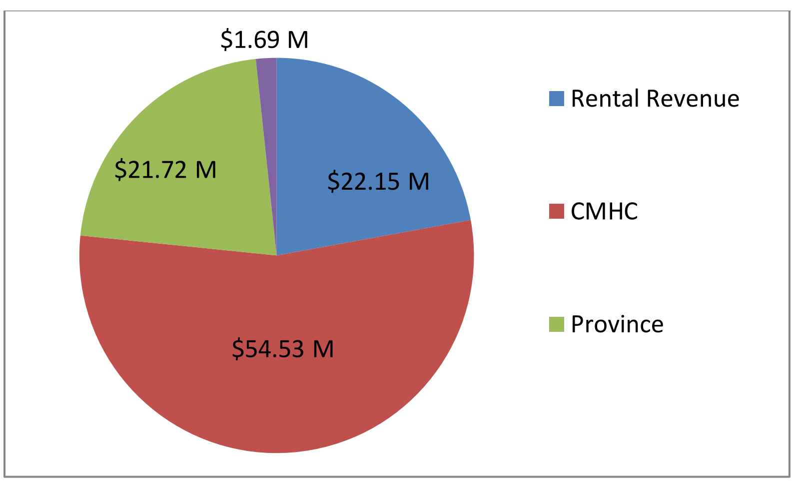
Expenditures

Total expenditures in 2017-18 were $128.1 million. Please refer to the audited financial statements for further details.



Sources of Funds

Total revenues in 2017-18 were $126.2 million. Please refer to the audited financial statements for further details.



* CMHC: Canada Mortgage and Housing Corporation is a Federal Crown Corporation.

Staff

As of March 31, 2018, NL Housing had 323 permanent, seasonal and temporary positions located in seven regional offices as well as the head office in St. John's. Ninety of the positions (28 per cent) are at head office in St. John's, while the regional offices have a combined total of 233 positions or 72 percent. The workforce is 43 per cent female and 57 per cent male.

Region	**Number of Positions**
Head Office	90
Avalon	120
Marystown	9
Grand Falls	23
Gander	10
Corner Brook	41
Stephenville	15
Labrador	15
Total	**323**

Highlights and Partnerships

National Housing Strategy

In 2017-18, significant collaborative work among federal, provincial, and territorial governments culminated in the release of a new National Housing Strategy (NHS). On a national level the National Housing Strategy will fund $40 billion in various initiatives; over a 10-year period, the federal investment in provincial and territorial housing programs will reach approximately $16.1 billion. Provinces and territories will be required to cost-match approximately half of this total investment; preserve, repair and enhance the social housing stock, and take steps to improve affordability for over 490,000 Canadians currently in core housing need. The proposed outcomes are intended to contribute to economic growth, environmental sustainability, and increased social and economic participation of low income households. In 2018-19, NL Housing will negotiate with Canada to finalize a bi-lateral agreement on the delivery of NHS funding at the local level.

Supportive Living Program (SLP)

In 2017-18, NL Housing continued to deliver the Supportive Living Program. This program provides grants to non-profit organizations in an effort to help individuals with complex needs, thereby increasing community capacity to address and prevent homelessness. The budget for this program was $8.3 million in 2017-18. SLP complements longstanding NL Housing policies and programs. In 2017-18 there were 20 groups, agencies or partnerships supported throughout the province which resulted in the delivery of 29 unique projects.

Home Energy Savings Program (HESP)

With funding over three years announced in Budget 2017, NL Housing has and will continue to provide financial assistance to homeowners who consume at least 15,000 kWh of electricity annually and who are looking to reduce their energy costs by improving the energy efficiency of their homes. The Home Energy Savings Program provides low-income households with grants of up to $5,000 for cost-effective upgrades in existing homes with electric heat, focusing on insulation and air sealing. HESP takes over from the Residential Energy Efficiency Program (REEP), which provided one-time grants to low-income homeowners to allow them to complete energy efficiency upgrades to their homes.

First-time Homebuyers Program

The former Down Payment Assistance Program delivered by NL Housing has been replaced with the First-time Homebuyers Program, announced in March 2018, placing greater focus on its goal to ensure homeownership is more accessible for first-time homebuyers. Program enhancements include increasing the maximum average household income for eligibility; allowing for applicants to have a guarantor to support mortgage financing; requiring applicants to have pre-approval from a financial institution prior to applying for the program; and providing eligible households with five per cent of the purchase price of up to $250,000 for a new or existing home, with $2,000 of that funding being in the form of a non-repayable grant.

Home Purchase Program

As part of Budget 2018, $1 million was allocated for the Home Purchase Program. This program will provide individuals and families with non-repayable grants of $3,000 to go toward the down payment of newly constructed or existing new homes never sold or occupied that are valued under $400,000, including HST. The Home Purchase Program is intended to stimulate the economy and generate employment through new home construction. The program was announced in late March 2018 and NL Housing began accepting applications in April 2018.

Scholarships

The winners of the 2017 NL Housing youth and adult scholarships were announced in December 2017. The scholarships are valued at $1,000 each and support adult tenants and tenants' children. The scholarships are awarded in three regions of the province: Avalon/Eastern, Central and Western/Labrador. Youth scholarships are awarded based on performance on public examinations. Recipients of adult scholarships are selected based on an assessment of financial need, initiative and community involvement. Additional details on the scholarship program and 2017 recipients can be found at: www.NLhousing.nf.ca/media/mediaReleases/2017/12-06.html.

Report on Performance

Strategic Issue 1**:** Responding to Diverse and Evolving Housing Needs

Housing needs in Newfoundland and Labrador continue to change as the province evolves. These needs span the continuum of housing, from individuals who experience or risk experiencing homelessness, low-income households and those struggling to achieve homeownership. Across this continuum are many diverse and distinct populations whose housing needs are particularly acute, including seniors, youth, persons with disabilities, residents with mental and physical health challenges, Indigenous peoples, and women and children fleeing intimate partner violence.

While NL Housing owns some of the oldest social housing infrastructure in the country, with over half of our units having been built between 40 and 60 years ago, we are continuously renovating and updating our public housing stock. The Modernization and Improvement Program has been an important part of improving the overall condition of the stock.

Revitalization of the current housing stock in conjunction with ongoing dialogue and consultation with stakeholders has been instrumental in providing direction and priority in the development of the Provincial Housing and Homelessness Plan.

2017-20 Goal: By March 31, 2020, NL Housing will have developed and partially implemented a Provincial Housing and Homelessness Plan.

2017-18 Objective: By March 31, 2018, NL Housing will have developed a comprehensive Provincial Housing Plan, in consultation with community partners, clients and employees.

2018-19 Objective: By March 31, 2019, NL Housing will have implemented priority initiatives identified in the Plan.

Indicators:

- Identified the priority issues of the Provincial Housing and Homelessness Plan
- Outlined timelines and sequencing of priority issues
- Implemented actions as per the timeline identified for 2018-19
- Pursued alignment with Canada Mortgage and Housing Corporation's National Housing Strategy

2017-18 Indicator	2017-18 Accomplishment
Stakeholder Consultations Completed	In 2017, a review of NL Housing's programs and services was completed. This review created dialogue and engagement with employees, clients, community groups, non-profit members and partners of all types. The external stakeholder consultations were held between January and February 2017 in Corner Brook, Gander, Happy Valley-Goose Bay, Labrador City and St. John's. Additionally, teleconferences were held with external stakeholders in Clarenville, Harbour Breton and Marystown. One-on-one meetings were held as requested. In total 115 people attended these sessions. Internal stakeholder consultations were also held with a total of 176 employees attending through all seven regions. The aim of the consultations was to ensure the mandate of the organization reflects current priorities and to realize efficiencies, improve services and streamline the organization with no negative impact on clients. A consolidation of this data was released as a What We Heard document and can be found here: www.nlhc.nl.ca/documents/consultations/survey.pdf

Comprehensive Provincial Housing Plan Developed	In March 2018, an initial draft of the Provincial Housing and Homelessness Plan was presented to NL Housing's Executive. This draft plan will be considered by the organization, reviewed in light of opportunities to leverage further Federal funding under the National Housing Strategy, and finalized in Fall 2018.

Discussion of Results:

In 2017, NL Housing completed a comprehensive review of its programs and services which relied heavily on consultation sessions with community partners and other external and internal stakeholders. These sessions, in addition to consultations conducted to inform changes to the **Residential Tenancies Act**, were combined and used to inform the development of a Provincial Housing and Homelessness Plan. NL Housing intends to strategically align the Provincial Housing and Homelessness Plan with the National Housing Strategy wherever possible. As a bilateral agreement for the delivery of the National Housing Strategy funding has yet to be finalized, the Provincial Housing and Homelessness Plan's remains in development. Working in consultation with key departments, the plan will be further refined into a comprehensive document which will address the diversity of need throughout the province related to housing and homelessness and will strategically inform and guide NL Housing's work for the coming years.

Strategic Issue 2: Maintaining and Optimizing the Use of Public Rental Housing Stock

In addition to the ongoing maintenance and renewal of the public housing stock, the effective utilization of the existing stock is an important goal for NL Housing. At present, the current public rental housing composition does not match the needs of applicants. The portfolio, mostly built 40-60 years ago, consists primarily of homes with three or more bedrooms while over 90 per cent of current applicants require one or two-bedroom homes. In addition, some tenants are currently "over housed," meaning that they are occupying units that have more bedrooms than required. As of March 29, 2018, 1,203 out of 5,590 total units were considered to be occupied by tenants who are over housed. To ensure stock is being used as effectively as possible, it will be necessary for NL Housing to look at current uses, demand, changing demographics, regional differences and needs and identify potential opportunities for repurposing and redevelopment of existing underutilized stock. Every 5 years, NL Housing creates a plan for addressing the modernization and improvement (M&I) needs for its units throughout the province; 2017-18 marked year 1 of the most recent M&I plan.

2017-20 Strategic Plan Goal: By March 31, 2020, NL Housing will have improved the condition and utilization of its public rental housing stock.

2017-18 Objective: By March 31, 2018, NL Housing will have completed Year 1 of the Modernization and Improvement Plan to upgrade its public rental housing stock and completed a comprehensive assessment of options for redevelopment and repurposing of underutilized housing units.

Objective: By March 31, 2019, NL Housing will have completed Year 2 of the Modernization and Improvement Plan to further improve the condition of its public rental housing stock and implemented priority actions to improve utilization of the stock.
Indicators:

- Number of public rental housing units that received interior upgrades
- Number of public rental housing units that received exterior upgrades
- Further developed options identified during the comprehensive assessment for redevelopment and repurposing of underutilized housing units

2017-18 Indicator	2017-18 Accomplishment
Number of public rental housing units that receive interior upgrades	In 2017-18, 333 public housing units (in 181 buildings) throughout the province received interior upgrades. Interior upgrades include kitchens, bathrooms, flooring, etc.

Number of public rental housing units that receive exterior upgrades	In 2017-18, 881 public housing units (in 284 buildings) throughout the province received exterior upgrades. Upgrades may include the replacement of windows, doors and siding, etc.
Completion of a comprehensive assessment of options for redevelopment and repurposing of underutilized housing units	In November 2017, an interdepartmental working group was created to complete a comprehensive assessment of options to improve utilization of NL Housing stock. The analysis included a critical assessment of long-term vacancies, land holdings, policies and evaluating annual inspections and asset management as key aspects of long-term utilization. Quantitative and qualitative data was used to better understand the current use of housing stock and potential alternatives to increase overall utilization. The working group concluded its work in March 2018 and recommendations are under consideration for inclusion in the draft Provincial Housing and Homelessness Plan.

Discussion of Results:

In 2017-18, NL Housing continued to make progress on its commitment to improving the exterior and/or interior condition of its social housing portfolio. During 2017-18, 1,214 units, in 465 buildings, received upgrades. These improvements are integral to keeping units suitable as well as increasing their useful life and energy efficiency. In this period NL Housing continued efforts to implement an asset management system to improve information on the housing stock and better inform infrastructure investment decisions. In addition to improving the physical condition of units, NL Housing has been working towards utilizing current stock as effectively as possible. An assessment of stock and options was completed by an interdepartmental working group in March 2018 and recommendations are under consideration in the development and finalization of the Provincial Housing and Homelessness Plan. Additionally, the National Housing Strategy includes bold national targets for the preservation, repair and expansion of social housing. Canada and Newfoundland and Labrador will, through a bi-lateral agreement, set local targets to contribute to these national targets. The National Housing Strategy includes a commitment to preserve the number of social housing units currently available. It is acknowledged that continued investment will be needed in order to maintain and modernize the existing 5,590 units.

Strategic Issue 3: Building a Culture of Continuous Improvement

NL Housing's greatest resources are our employees who work to deliver programs and services to our clients across the province. These employees have a wealth of experience and knowledge to help inform and drive the program, service and process changes required to ensure that NL Housing is meeting its mandate to our full potential.

To this end, during 2016-17 NL Housing initiated the introduction of Lean principles in our organization. Lean principles focus on current processes and on eliminating activities that do not add value from the perspective of the customer. Lean also provides a collection of tips, tools, and techniques (i.e. best practices) that have been proven effective for driving wasted effort out of a process. Lean principles and techniques can be replicated and piloted throughout the organization to identify and formalize future efficiencies and improvements as well as other dedicated processes within the organization.

Making continuous improvement a key strategic issue for the coming two years ensures there will be a formalized and focused emphasis placed on providing a framework, training and tools to build a culture of continuous improvement always seeking to improve the effectiveness and efficiency of the Corporation's programs and services.

Strategic Plan Goal: By March 31, 2020, NL Housing will have improved its capacity in implementing continued process improvements.

2017-18 Objective: By March 31, 2018, NL Housing will have formalized a Lean implementation framework for the organization; completed Lean reviews of priority areas identified for process improvement; and implemented associated recommendations.

2018-19 Objective: By March 31, 2019, NL Housing will have further implemented Lean initiatives, supported staff in achieving Lean certification and developed and published service standards for programs and services.

Indicator:

- Continued with Lean Review process and began development of public service standards
- Supported staff capacity to further Lean processes within the organization
- Further implemented initiatives as identified in the Lean review

2017-18 Indicator	2017-18 Accomplishment
Development of a formalized Lean Implementation Framework	Progress was made towards the development of a formalized framework. In 2017-18 the priority areas identified for data review were vacancy turnaround, including applicant selection and move-in processes, and maintenance turnaround. NL Housing considers the data gathering and analysis process to be an important foundation in the development of the framework and this work is ongoing. Once an appropriate amount of valid and reliable data has been collected, analysis will commence and a framework will be formulated. NL Housing is working toward finalization of data collection in early 2019.
Completion of Lean reviews of priority areas identified for process improvement.	In 2017-18 the priority areas identified for data review were vacancy turnaround, including applicant selection and move-in processes, and maintenance

	turnaround. The completion of the Lean reviews is still ongoing; and, as certain processes are identified they are updated immediately. Once all relevant data is collected Lean reviews are expected to be completed.
Development and publication of service standards for program delivery in areas of Lean reviews	Service standards are being developed in tandem with updated processes and policies and are being communicated to NL Housing employees. It is the intention of the Lean Review Committee that service standards also be included in a final report once the Lean review is completed. Examples of the service standards updated so far include: the process/timeline under which applicants are notified that they have been successful and are offered a housing unit and the method by which keys are transferred from Applications to the Maintenance department.
Commenced implementation of recommendations from the areas reviewed	As appropriate, vacancy turn-around process updates and improvements are ongoing. Examples of processes which have been modified as part of the Lean review include changes to the selection/application notification process; methods and processes to improve communication and operational practices across maintenance and tenant relations employees and improve management of the vacancy list.

Discussion of Results:

As the Lean review commenced, it was determined that the best way to move forward would be for NL Housing to collect and examine key data points. Development of the framework is ongoing, and it is anticipated that in the coming year, a comprehensive framework to guide subsequent Lean initiatives will be developed.

While data collection is ongoing, the review of priority areas remains open as well. The review committee anticipates that data collection will be in early 2019 and that a framework will begin to be formed at that time. This final report is expected to include the framework as well as relevant service standards for program delivery areas.

While the Lean review is ongoing, many processes are being updated along the way. As the review committee identifies processes that require lean improvements, updates are being made and when possible are implemented immediately by staff. Examples of such changes include selection and applicant notifications and the method used to transfer unit keys between departments and employees. These processes were identified and changed with the goal of reducing delays and improving efficiencies.

Opportunities and Challenges

Opportunities

In February 2018, the Province announced that responsibility for emergency shelter and transition houses would be transferred to NL Housing. This move put the responsibility for the majority of housing and homelessness components of the housing continuum most influenced by government policy in one place. This transfer of services is an opportunity to shift government’s response to homelessness from reactionary to prevention and support.

The 10-year National Housing Strategy commits to reinvest federal savings from expiring social housing operating agreements back to provinces and territories. This provides an opportunity to make strategic investments which will improve overall sustainability and utilization of social housing. Including investments to protect, repair and renew the existing stock, expand the supply of stock through reconfiguration of units, and work in partnership with private and non-profit sectors to identify potential opportunities for redevelopment of existing underutilized stock. The National Housing Strategy will challenge all provinces and territories to be more innovative and creative in their responses to core housing need.

In 2018-19, NL Housing will be expanding the scope of the Lean review to include regional offices outside of St. John’s. This will allow NL Housing to focus on additional processes and determine efficiencies and improvements province-wide.

NL Housing also continues to expand on how it can help make home ownership more accessible to residents of Newfoundland and Labrador. The First-time Homebuyers Program and Home Purchase Programs are new programs which will continue to be evaluated in order to determine their effectiveness and ability to achieve their purpose of assisting households secure homeownership.

Challenges

The Province's economic and fiscal environment is expected to continue to put pressure on the delivery of housing programs and supports. While federal funding stemming from the National Housing Strategy is expected, provincial cost-matching is an essential component.

The social housing stock in this province is some of the oldest in the country and was built to address the demands of the time. These units, 72 percent of which are three and four bedroom, do not enable NL Housing to most effectively serve its waitlist of individuals and families requiring one or two bedrooms. NL Housing continues to consider ways to best utilize its stock to address the needs of low income households and to work with community partners to identify creative responses to emergent needs.

Changing demographics, particularly an aging and geographically disbursed population with increasingly complex needs will continue to increase demand for affordable and supportive housing, home repair and rental assistance. It is anticipated that in the coming years seniors and other vulnerable populations will continue to require housing and supportive housing options. This will be an area in which NL Housing will continue to focus its attention and seek out creative and innovative responses to meet these needs.

NL Housing's expanded responsibility for housing will require improved coordination and collaboration with key government departments and community partners. The provision of housing can provide stability to individuals and families; however, for some of the most vulnerable in our province the support and services needed to maintain housing are critical ingredients to long term housing stability. NL Housing, government and community partners must continue to forge opportunities to collaborate and innovate to meet emergent needs, to realize meaningful social outcomes and demonstrate effective management of the province's social housing stock and related expenditures.

Financial Statements

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION

FINANCIAL STATEMENTS

MARCH 31, 2018

Management's Report

Management's Responsibility for the Newfoundland and Labrador Housing Corporation Financial Statements

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

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and liabilities are recognized.

Management is also responsible for ensuring that transactions comply with relevant policies and authorities and are properly recorded to produce timely and reliable financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial information on a quarterly basis and external audited financial statements yearly.

The Auditor General conducts an independent audit of the annual financial statements of the Corporation, in accordance with Canadian generally accepted auditing standards, in order to express an opinion thereon. The Auditor General has full and free access to financial management of the Newfoundland and Labrador Housing Corporation.

On behalf of the Newfoundland and Labrador Housing Corporation.

Glenn Goss

Mr. Glenn Goss
Chairperson and Chief Executive Officer (Interim)

Mike Tizzard

Mr. Mike Tizzard, CPA, CGA
Executive Director of Finance and Corporate Services

INDEPENDENT AUDITOR'S REPORT

To the Chairperson and Members of the Board of Directors
Newfoundland and Labrador Housing Corporation
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Newfoundland and Labrador Housing Corporation which comprise the statement of financial position as at March 31, 2018, the statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Independent Auditor's Report (cont.)

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Newfoundland and Labrador Housing Corporation as at March 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Sandra Russell

SANDRA RUSSELL, CPA, CA
Deputy Auditor General

July 23, 2018
St. John's, Newfoundland and Labrador

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
STATEMENT OF FINANCIAL POSITION
As at March 31

	2018	2017
	(000's)	(000's)
FINANCIAL ASSETS		
Cash	**$ 2,026**	$ 10,335
Accounts receivable (Note 4)	**2,054**	2,012
Land held for sale (Note 5)	**9**	9
Due from government and other government organizations (Note 6)	**22,696**	20,999
Loans receivable (Note 7)	**6,578**	6,531
Receivables from municipalities - land transfers (Note 8)	**776**	777
	34,139	40,663
LIABILITIES		
Accounts payable and accrued liabilities (Note 9)	**11,180**	9,837
Employee future benefits (Note 10)	**25,709**	25,948
Due to government and other government organizations (Note 11)	**2,057**	1,567
Deferred revenue (Note 12)	**21,619**	26,825
Long-term debt (Note 13)	**86,701**	92,024
	147,266	156,201
Net debt	**(113,127)**	(115,538)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 14)	**113,797**	118,112
Inventories held for use	**422**	383
Prepaid expenses (Note 15)	**4,329**	4,326
	118,548	122,821
Accumulated surplus	**$ 5,421**	$ 7,283

Contingent liabilities (Note 16)
Contractual rights (Note 17)
Contractual obligations (Note 18)
Trust under administration (Note 21)

Signed on behalf of the Corporation: ______________________ ______________________

Chairperson **Member**

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

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
STATEMENT OF OPERATIONS
For the Year Ended March 31

	2018 Budget (000's) (Note 25)	2018 Actual (000's)	2017 Actual (000's)
REVENUES (Note 19)			
Province of Newfoundland and Labrador operating grant	$ 39,980	$ 41,081	$ 21,720
CMHC revenue	57,138	61,504	54,528
Other government sources	250	281	361
Rent	22,095	22,571	22,150
Interest	350	492	499
Land sales	-	8	10
Gain on sale of tangible capital assets	-	10	7
Profit from land sales by municipalities	100	52	23
Other	37	271	789
	119,950	126,270	100,087
EXPENSES (Note 19)			
Rental operations	53,688	61,250	54,270
Partner managed housing	7,770	8,589	8,756
Affordable housing investments	33,057	26,905	28,962
Rent supplement	10,775	10,419	10,351
Land development	-	145	28
Administration	22,619	20,824	21,231
	127,909	128,132	123,598
Annual deficit	(7,959)	(1,862)	(23,511)
Accumulated surplus, beginning of year	7,283	7,283	30,794
Accumulated surplus/(deficit), end of year	$ (676)	$ 5,421	$ 7,283

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

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
STATEMENT OF CHANGE IN NET DEBT
For the Year Ended March 31

	2018 Budget (000's) (Note 25)	2018 Actual (000's)	2017 Actual (000's)
Annual deficit	$ (7,959)	$ (1,862)	$ (23,511)
Changes in tangible capital assets (Note 14)			
Acquisition of tangible capital assets	(372)	(952)	(2,369)
Net book value of tangible capital asset disposals and write-downs	-	2	148
Amortization of tangible capital assets	-	5,265	5,507
	(372)	4,315	3,286
Changes in other non-financial assets			
Net use (acquisition) of inventories held for use	-	(39)	9
Net use (acquisition) of prepaid expenses	-	(3)	78
	-	(42)	87
Decrease (increase) in net debt	(8,331)	2,411	(20,138)
Net debt, beginning of year	(115,538)	(115,538)	(95,400)
Net debt, end of year	$ (123,869)	$ (113,127)	$ (115,538)

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

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
STATEMENT OF CASH FLOWS

For the Year Ended March 31	2018	2017
	(000's)	(000's)
Operating transactions		
Annual deficit	**$ (1,862)**	$ (23,511)
Adjustment for non-cash items and change in non-cash operating items:		
Contribution of tangible capital assets	**-**	(137)
Decrease in provision for doubtful accounts, loans receivable	**-**	(26)
Amortization of tangible capital assets	**5,265**	5,507
Write-down of tangible capital assets	**2**	-
Gains on sale of tangible capital assets	**(10)**	(7)
Employee future benefits	**(239)**	(161)
Deferred revenue	**(5,206)**	16,960
Forgivable loans	**4,867**	5,313
Other (Note 22)	**52**	(16,991)
Cash provided from (applied to) operating transactions	**2,869**	(13,053)
Capital transactions		
Proceeds, net of selling costs, on sale of tangible capital assets	**10**	155
Cash used to acquire tangible capital assets	**(952)**	(2,232)
Cash applied to capital transactions	**(942)**	(2,077)
Investing transactions		
Decrease in receivable from municipalities - land transfers	**1**	55
(Increase) decrease in land held for sale	**-**	(9)
Repayment of loans and advances	**1,609**	1,639
Forgivable loans	**(4,867)**	(5,313)
Loans and advances	**(1,656)**	(2,654)
Cash applied to investing transactions	**(4,913)**	(6,282)
Financing transactions		
Debt assumed	**-**	486
Debt retirement	**(5,323)**	(5,540)
Cash applied to financing transactions	**(5,323)**	(5,054)
Decrease in cash	**(8,309)**	(26,466)
Cash, beginning of year	**10,335**	36,801
Cash, end of year	**$ 2,026**	$ 10,335

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

1. Nature of operations

The Newfoundland and Labrador Housing Corporation (the Corporation) operates under the authority of the *Housing Corporation Act*. The purpose of the Corporation is to provide cost-effective housing and related programs for the benefit of the residents of the Province of Newfoundland and Labrador with priority given to those most in need. Its affairs are governed by a Board of Directors appointed by the Lieutenant-Governor in Council.

The Corporation is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

2. Summary of significant accounting policies

(a) Basis of accounting

The Corporation is classified as an Other Government Organization as defined by Canadian public sector accounting standards (CPSAS). These financial statements are prepared by management in accordance with CPSAS for provincial reporting entities as established by the Canadian Public Sector Accounting Board (PSAB). The Corporation does not prepare a statement of remeasurement gains and losses as the Corporation does not enter into relevant transactions or circumstances that are being addressed by that statement. Outlined below are the significant accounting policies followed.

(b) Financial instruments

The Corporation's financial instruments recognized on the statement of financial position consist of cash, accounts receivable, due from government and other government organizations, loans receivable, receivables from municipalities - land transfers, accounts payable and accrued liabilities, due to government and other government organizations and long-term debt.

The Corporation generally recognizes a financial instrument when it enters into a contract which creates a financial asset or financial liability. The Corporation subsequently measures all of its financial assets and financial liabilities at cost or amortized cost. Financial assets measured at cost include cash, due from government and other government organizations, and receivables from municipalities - land transfers. Accounts receivable and loans receivable are measured at amortized cost as disclosed in Note 4 and Note 7, respectively. All financial assets are assessed annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations. Financial liabilities measured at cost include accounts payable and accrued liabilities and due to government and other government organizations. Long-term debt is measured at amortized cost as disclosed in Note 13.

Interest attributable to financial instruments is reported in the statement of operations.

(c) Cash

Cash includes cash in the bank.

2. Summary of significant accounting policies (cont.)

(d) Land held for sale

Land held for sale is recorded at the lower of cost and net realizable value.

(e) Loans receivable

Loans receivable are recorded at amortized cost. Valuation allowances are made when collection is in doubt and is estimated based on the value of accounts referred to a collection agency and the accounts with reported arrears balances.

(f) Liability for contaminated sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. A liability for a contaminated site is recognized based on management's best estimate of all costs directly attributable to remediation activities, including the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site, and is recorded net of any expected recoveries.

A liability for the remediation of a contaminated site is recognized when a site is generally not in productive use and all of the following criteria are met:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the Corporation:
  - 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.

(g) Employee future benefits

The cost of retirement life insurance and health care benefits, severance pay, and accumulating, non-vesting sick leave benefits are actuarially determined using management's best estimate of the long-term inflation rate, compensation increases, discount rate and health care cost trends.

The employees of the Corporation are subject to the *Public Service Pensions Act, 1991*. Employee contributions are matched by the Corporation and remitted to Provident[10] from which pensions will be paid to employees when they retire. This plan is a multi-employer, defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and the average of their best six years of earnings for service on or after January 1, 2015, and, for service before January 1, 2015, the higher of the average of the frozen best 5 years of earnings up to January 1, 2015, or the average of the best 6 years of earnings for all service.

2. Summary of significant accounting policies (cont.)

(g) Employee future benefits (cont.)

Employee future benefit expenses are included with salaries and benefits in the Corporation's financial statements.

(h) Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

Rental properties	40 years
Office buildings	40 years
Furniture and office equipment	10 years
Maintenance tools and equipment	10 years
Computer hardware and software	4 years
Vehicles	5 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to meet its mandate, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

Contributed capital assets are recorded as revenue at their fair market value on the date of donation, except in circumstances where fair value cannot be reasonably determined, which are then recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.

(i) Inventories held for use

Inventories held for use include rental property parts and supplies and are recorded at the lower of historical cost and replacement cost.

(j) Prepaid expenses

Prepaid expenses include property taxes, insurance, licenses and rent and are recorded as an expense over the periods expected to benefit from it.

2. Summary of significant accounting policies (cont.)

(k) Revenues

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers are recognized as revenues 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 the Corporation. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulations related to the liabilities are settled. Government transfers consist of funding from the Province of Newfoundland and Labrador and Canada Mortgage and Housing Corporation (CMHC).

Interest income is accounted for using the effective interest method for all loans, other than the impaired portion of loans. Recognition of interest in accordance with the terms of the original loan agreement ceases when a loan becomes impaired.

(l) Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is recorded as an expense.

Government transfers are recognized as expenses in the period in which the transfer is authorized and all eligibility criteria have been met. Government transfers include grants and subsidies under the Corporation's social programs.

(m) Measurement uncertainty

The preparation of financial statements, in conformity with CPSAS, requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include the useful life of capital assets, recoverable value of land held for sale, estimated employee future benefits, impairment of assets and liabilities for contaminated sites.

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

3. Changes in accounting policies

(a) New accounting standards

On April 1, 2017, the Corporation adopted the following five new CPSAS Handbook Sections:

PS 2200 Related Party Disclosures – a new standard defining related parties and establishing disclosure requirements for related party transactions.

PS 3210 Assets – a new standard providing guidance for applying the definition of assets and establishing general disclosure requirements for assets but does not provide guidance for the recognition and disclosure of specific types of assets.

PS 3320 Contingent Assets – a new standard defining and establishing disclosure requirements for contingent assets but does not include disclosure standards for specific types of contingent assets.

PS 3380 Contractual Rights – a new standard defining and establishing disclosure requirements for contractual rights but does not include disclosure standards for specific types of contractual rights.

PS 3420 Inter-entity Transactions – a new standard on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

In accordance with *PS 3380 Contractual Rights*, the Corporation now discloses contractual rights as outlined in Note 17. The other accounting changes had no significant impact on the financial statements.

(b) Accounting pronouncement

The PSAB has issued *PS 3430 Restructuring Transactions* which is effective April 1, 2018. This is a new standard on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities. The standard has not been applied in these financial statements.

The Corporation plans to adopt this standard by the effective date and is currently analyzing the impact the standard will have on the financial statements.

4. Accounts receivable

	2018 (000's)	2017 (000's)
Harmonized sales tax receivable	$ 1,626	$ 1,806
Rents	320	158
Other	301	203
	2,247	2,167
Less: provision for doubtful accounts	(193)	(155)
	$ 2,054	$ 2,012

5. Land held for sale

	2018 (000's)	2017 (000's)
Land held for sale, beginning of year	$ 9	$ -
Land development costs incurred during the year	-	9
	9	9
Less: cost of earned sales recognized during year	-	-
Land held for sale, end of year	$ 9	$ 9

In September 1998, the Province directed the Corporation to divest of the majority of its land holdings. Land held for sale is valued at the lower of cost and net realizable value. The estimated net realizable value is determined using management's best estimates of future sales and costs. Management recognizes that changes in future conditions, such as market demand, assumed in making these estimates, are not predictable. Consequently, material adjustments to the carrying value of the asset are possible depending upon the impact of any changes and management's best estimate of them.

6. Due from government and other government organizations

	2018 (000's)	2017 (000's)
CMHC	$ 11,616	$ 20,613
Province of Newfoundland and Labrador	10,807	138
Municipalities	273	248
	$ 22,696	$ 20,999

7. Loans receivable

	2018 (000's)	2017 (000's)
Forgivable loans bearing no interest	**$ 85,774**	$ 80,907
Promissory notes bearing fixed interest rates ranging from 0% to 11%, repayable in blended monthly principal and interest payments with due dates ranging from April 2017 to April 2041. These notes are unsecured and can be retired prior to maturity.	**5,348**	5,266
Mortgages bearing fixed interest rates ranging from 0% to 8.75%, repayable in blended monthly principal and interest payments with due dates ranging from November 2018 to August 2037. These mortgages are secured and can be retired prior to maturity.	**2,081**	2,116
Less: provision for forgivable loans	**(85,774)**	(80,907)
Less: provision for doubtful accounts	**(851)**	(851)
	$ 6,578	$ 6,531

Forgivable loans bearing no interest are advanced to recipients subject to meeting certain eligibility criteria and are recorded through grants and subsidies expense when advanced. Forgiveness terms include an amortization period ranging between 1 and 25 years, during which time the unamortized portion of the loan is required to be repaid only upon sale of the property. As such, there is a low likelihood of required repayment.

8. Receivable from municipalities - land transfers

In September 1998, the Province of Newfoundland and Labrador directed the Corporation to enter into agreements with municipalities to transfer its banked and developed industrial and commercial land. The agreements will transfer these lands to the municipalities under a mortgage arrangement and provide for a share of future land sales revenue to the Corporation.

The receivable is valued at the lower of the carrying value of the land at the date of transfer and the Corporation's share of the net realizable value of the land as outlined in the agreements. The estimated net realizable value is determined using management's best estimates of future sales. Management recognizes that changes in future conditions, such as market demand, assumed in making these estimates are not predictable. Consequently, adjustments to the carrying value of the receivable from municipalities re: land transfers are possible depending on the impact of any changes and management's best estimate of them.

For the year ended March 31, 2018, 21 agreements were in place for the transfer of land to municipalities at a carrying value of $776,000 (2017 - $777,000).

9. Accounts payable and accrued liabilities

		2018 (000's)		2017 (000's)
Trade accounts payable	$	**6,780**	$	5,814
Salaries and benefits payable		**767**		776
Management restructuring charges payable		**905**		-
Accrued leave		**1,725**		2,130
Liability for contaminated sites (Note 9(a))		**325**		422
Other		**678**		695
	$	**11,180**	$	9,837

(a) Liability for contaminated sites

The Corporation recognized an estimated environmental liability of $2,000 (2017 - $100,000) for soil remediation at Chalker Place, St. John's. The nature of the liability is related to seven electrical transformers containing polychlorinated biphenyls (PCBs) and includes the remediation of soil contaminants resulting from all transformers. Historical costs of previous work of this nature were used as a basis of measurement. Expenditures of $72,000 were incurred during the fiscal year ended March 31, 2018. Furthermore, there was a reduction in the estimated environmental liability of $26,000 due to lower than anticipated costs and no soil contamination detected during the removal of all electrical transformers. There are no estimated recoveries anticipated.

The Corporation recognized an estimated environmental liability of $323,000 (2017 - $322,000) for soil remediation at Cashin Avenue and Empire Avenue, St. John's. The nature of the liability is related to the removal of underground fuel storage tanks. Historical costs of previous work of this nature were used as a basis of measurement. Expenditures of $129,000 were incurred during the fiscal year ended March 31, 2018. Fuel storage tanks were removed during the year at a cost of $112,000. This was not included in the liability for the prior year. Furthermore, there was an increase in the estimated environmental liability of $18,000 due to higher than anticipated costs. There are no estimated recoveries anticipated.

A liability has not been recognized in relation to the following contaminated site, since based on past experience, it is not expected that future economic benefits would be given up:

Name of the Contaminated Site	Nature of Contamination
Octagon Pond Area, Paradise	Hydrocarbons and various heavy metals in soil and ground water

9. Accounts payable and accrued liabilities (cont.)

(a) Liability for contaminated sites (cont.)

A liability has not been recognized in relation to the following contaminated sites since a reasonable estimate of the amount could not be made, due to the unknown extent of contamination:

Name of the Contaminated Site	Nature of Contamination
Various Locations, St. John's	Underground fuel storage tanks
Stephenville Industrial Park	Abandoned fuel storage facilities
Gander Industrial Park	Soil contamination

10. Employee future benefits

Information about obligations for retirement benefits and other employee future benefits is as follows:

(a) Pension Plan

The Corporation and its employees contribute to the Public Service Pension Plan in accordance with the *Public Service Pensions Act, 1991* (the *Act*). The plan is administered by Provident[10], including payment of pension benefits to employees to whom the *Act* applies.

The plan provides a pension to employees based on the member's age at retirement, their length of service and rates of pay. The maximum contribution rate for eligible employees was 11.85% (2017 - 11.85%). The Corporation contributes an amount equal to the employee contributions to the plan. The pension expense for the Corporation for the year ended March 31, 2018 was $1,682,659 (2017 - $1,697,796).

10. Employee future benefits (cont.)

(b) Retirement and other employee future benefit liabilities

	2018				2017
	Retirement life insurance and health care benefits (000's)	**Severance pay (000's)**	**Accumulating Non-vesting Sick leave benefits (000's)**	**Total Employee Benefits (000's)**	Total Employee. Benefits (000's)
Accrued employee future benefit obligations, end of year	**$ 18,754**	**$ 1,371**	**$ 1,024**	**$ 21,149**	$ 22,188
Unamortized actuarial gain (loss), end of year	**4,849**	**(95)**	**(194)**	**4,560**	3,760
Employee future benefits liability, end of year	**$ 23,603**	**$ 1,276**	**$ 830**	**$ 25,709**	$ 25,948

(c) Change in employee future benefits liability

	2018				2017
	Retirement life insurance and health care benefits (000's)	**Severance pay (000's)**	**Accumulating Non-vesting Sick leave benefits (000's)**	**Total Employee Benefits (000's)**	Total Employee Benefits (000's)
Current period benefit cost	**$ -**	**$ 32**	**$ 113**	**$ 145**	$ 140
Interest on accrued benefit obligation	**970**	**67**	**51**	**1,088**	1,078
Amortization of actuarial (gains) losses	**(484)**	**(6)**	**33**	**(457)**	(387)
Employee future benefits expense	**486**	**93**	**197**	**776**	831
Less: benefits payments	**(407)**	**(335)**	**(273)**	**(1,015)**	(992)
Change in employee future benefits liability	**$ 79**	**$ (242)**	**$ (76)**	**$ (239)**	$ (161)

10. Employee future benefits (cont.)

(d) Retirement and other employee future benefits

i. Retirement life insurance and health care benefits

All retired employees of the Corporation are eligible to participate in the group insurance plans. Under the plans, the Corporation pays 50% of the total premium charged towards the benefits of both active employees and retirees for life insurance and health care benefits. The Corporation pays 100% of retirees' life insurance premiums after age 65. There are no fund assets associated with these group insurance plans.

ii. Severance pay

Severance pay is calculated based on years of service and current salary levels. Entitlement to severance pay vests with non-unionized employees after nine years of continuous service. The amount is payable when employees cease employment with the Corporation unless an employee transfers to another entity in the public service, in which case the liability is transferred with that employee to the other entity. The Corporation's severance liability also includes a provision for non-union employees with less than nine years of continuous service, based upon the Corporation's best estimate of the probability of having to pay severance to those employees.

Effective May 1, 2014, there will be no further accumulation of severance pay service for unionized employees. Unionized employees who qualify for severance pay may elect to receive all, or a portion, of severance pay accumulated as at April 30, 2014 in advance of resignation, retirement, or expiry of recall right.

iii. Accumulating, non-vesting sick leave benefits

All unionized employees hired before May 4, 2004 are credited with 2 days per month and all unionized employees hired thereafter are credited with 1 day per month for use as paid absences in the year due to illness. Employees are allowed to accumulate unused sick day credits each year, up to the allowable maximum provided in their respective employment agreement. Accumulated credits may be used in future years to the extent that the employee's illness exceeds the current year's allocation of credits. The use of accumulated sick days for sick leave compensation ceases on termination of employment. The benefit costs and liabilities are included in the financial statements.

10. Employee future benefits (cont.)

(d) Retirement and other employee future benefits (cont.)

iv. Actuarial valuation

The accrued benefit obligations for employee future benefit plans as at March 31, 2018, are based on an actuarial valuation performed as at March 31, 2018.

Assumptions about future events used in the calculation of the accrued employee future benefit obligations are as follows:

	2018	2017
Long-term inflation rate	**2.0%**	2.0%
Compensation increase	**2.5%**	4.0%
Discount rate	**5.0%**	5.0%
Health care cost trend	**4.0%**	5.5%

Other assumptions used in the valuation include termination rates, plan participation rates, utilization rates and mortality rates.

Actuarial assumptions are reviewed and assessed on a regular basis to ensure that the accounting assumptions take into account various changing conditions and reflect the Corporation's best estimate of expectations over the long-term.

v. Experience gains or losses

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

11. Due to government and other government organizations

	2018 (000's)	2017 (000's)
CMHC - accrued interest payable	**$ 801**	$ 833
CMHC - other	**10**	1
Federal government business enterprise	**2**	-
Provincial Government	**100**	12
Provincial government business enterprise	**7**	44
Municipalities	**1,137**	677
	$ 2,057	$ 1,567

12. Deferred revenue

	Balance, beginning of year	Billings/receipts during year	Transferred to revenue	Balance, end of year
	(000's)	(000's)	(000's)	(000's)
CMHC Affordable Housing Program	$ 25,898	**$ 10,521**	**$ (17,025)**	**$ 19,394**
CMHC Rent Supplement Program	500	**1,131**	**(50)**	**1,581**
CMHC Provincial Home Repair Program	427	**6,012**	**(5,795)**	**644**
	$ 26,825	**$ 17,664**	**$ (22,870)**	**$ 21,619**

Deferred revenue from CMHC relates to the unearned balance of funds from CMHC for programs as outlined under various federal-provincial agreements. The deferred revenue will be recognized as revenue when the related expenses are incurred. If the funds are not spent for the programs specified under the agreements, they will have to be repaid to CMHC. As of March 31, 2018, CMHC funding in the amount of $21,619,000 was received or receivable but not earned.

13. Long-term debt

Long-term debt reported on the statement of financial position is comprised of the following:

	2018	2017
	(000's)	(000's)
Long-term debt obligations arising from the Canada-Newfoundland Social Housing Agreement of April 1997 payable to CMHC, bearing fixed interest rates ranging from 5.50% to 19.75%, repayable in blended quarterly principal and interest payments of $2,972,083 with due dates ranging from January 2020 to January 2038. This debt is not secured and cannot be retired prior to maturity. The principal and interest payments required are funded entirely through the annual CMHC grant pursuant to the Canada - Newfoundland Social Housing Agreement of April 1997.	**$ 71,712**	$ 74,180
Long-term debt obligations arising from the Canada-Newfoundland Social Housing Agreement of April 1997 payable to CMHC, bearing fixed interest rates ranging from 6.25% to 11.75%, repayable in blended monthly principal and interest payments of $107,190 with due dates ranging from April 2018 to June 2020. This debt is not secured and cannot be retired prior to maturity. The principal and interest payments required are funded entirely through the annual CMHC grant pursuant to the Canada - Newfoundland Social Housing Agreement of April 1997.	**621**	1,572

13. Long-term debt (cont.)

	2018	2017
	(000's)	(000's)
CMHC fixed rate term debentures, at variable interest rates of 1.01% to 2.04% repayable in blended monthly installments of $184,181, with final due dates ranging from December 2021 to January 2030. This debt is not secured and can be retired prior to maturity.	**14,368**	16,261
Long-term debt obligations arising from the Canada-Newfoundland Global Agreement on Social Housing of February 1986, Canada-Newfoundland Operating Agreement of June 1986, and the Canada-Newfoundland Agreement on the Provincial Home Repair Program of January 1999 payable to CMHC.	**-**	11
	$ 86,701	$ 92,024

Anticipated annual principal repayments over the next five years and thereafter are as follows:

	(000's)
2019	$ 5,554
2020	5,050
2021	5,070
2022	5,162
2023	5,550
2024 - 2038	60,315
	$ 86,701

Interest expense for the year on outstanding debt totaled $9,597,000 (2017 - $9,969,000) and is included in interest and bank charges in the segmented information by object (Note 19).

14. Tangible capital assets

March 31, 2018

	Land (000's)	Rental properties (000's)	Office buildings (000's)	Furniture and office equipment (000's)	Maintenance tools and equipment (000's)	Computer hardware (000's)	Computer software (000's)	Vehicles (000's)	Total (000's)
Cost									
Opening balance	$ 56,276	$ 239,361	$ 9,058	$ 246	$ 86	$ 1,257	$ 2,491	$ 2,141	$ 310,916
Additions	-	734	-	-	-	-	-	218	952
Disposals	-	-	-	-	-	-	-	(76)	(76)
Write-downs	-	(106)	-	-	-	-	-	-	(106)
Closing balance	$ 56,276	$ 239,989	$ 9,058	$ 246	$ 86	$ 1,257	$ 2,491	$ 2,283	$ 311,686
Accumulated amortization									
Opening balance	$ -	$ 182,470	$ 4,738	$ 177	$ 66	$ 1,148	$ 2,418	$ 1,787	$ 192,804
Amortization	-	4,796	226	24	9	45	35	130	5,265
Disposals	-	-	-	-	-	-	-	(76)	(76)
Write-downs	-	(104)	-	-	-	-	-	-	(104)
Closing balance	$ -	$ 187,162	$ 4,964	$ 201	$ 75	$ 1,193	$ 2,453	$ 1,841	$ 197,889
Net book value	**$ 56,276**	**$ 52,827**	**$ 4,094**	**$ 45**	**$ 11**	**$ 64**	**$ 38**	**$ 442**	**$ 113,797**

14. Tangible capital assets (cont.)

March 31, 2017

	Land (000's)	Rental properties (000's)	Office buildings (000's)	Furniture and office equipment (000's)	Maintenance tools and equipment (000's)	Computer hardware (000's)	Computer software (000's)	Vehicles (000's)	Total (000's)
Cost									
Opening balance	$ 56,166	$ 237,762	$ 9,058	$ 246	$ 86	$ 1,212	$ 2,491	$ 2,260	$ 309,281
Additions	159	1,991	-	-	-	65	-	154	2,369
Disposals	(49)	(392)	-	-	-	(20)	-	(273)	(734)
Write-downs	-	-	-	-	-	-	-	-	-
Closing balance	$ 56,276	$ 239,361	$ 9,058	$ 246	$ 86	$ 1,257	$ 2,491	$ 2,141	$ 310,916
Accumulated amortization									
Opening balance	$ -	$ 177,774	$ 4,512	$ 152	$ 57	$ 1,088	$ 2,362	$ 1,938	$ 187,883
Amortization	-	4,989	226	25	9	80	56	122	5,507
Disposals	-	(293)	-	-	-	(20)	-	(273)	(586)
Write-downs	-	-	-	-	-	-	-	-	-
Closing balance	$ -	$ 182,470	$ 4,738	$ 177	$ 66	$ 1,148	$ 2,418	$ 1,787	$ 192,804
Net book value	**$ 56,276**	**$ 56,891**	**$ 4,320**	**$ 69**	**$ 20**	**$ 109**	**$ 73**	**$ 354**	**$ 118,112**

14. Tangible capital assets (cont.)

Cost of rental properties at March 31, 2018, includes work in progress of $2,228,000 (2017 - $3,568,000). Work in progress is not being amortized as it is not yet available for use. There were no contributed tangible capital assets recorded during the year (2017 - $622,000).

In accordance with current accounting standards, intangible assets and items inherited by right of the Crown, such as Crown lands are not recognized as tangible capital assets.

15. Prepaid expenses

Prepaid expenses consist of:

	2018 (000's)	2017 (000's)
Property taxes and other municipal fees	**$ 3,328**	$ 3,341
Insurance costs	**420**	420
Workers' compensation fees	**279**	276
Software licenses	**293**	278
Rent	**8**	10
Other	**1**	1
	$ 4,329	$ 4,326

16. Contingent liabilities

(a) Guaranteed debt

The Corporation has provided loan guarantees pursuant to the Canada-Newfoundland Social Housing Agreement in respect of certain CMHC debt of partner managed housing operators. For the year ended March 31, 2018, the amount of the principal outstanding under this guarantee, and limit of the guarantee, was $36,965,000. There was no provision for losses during the year on the loan guarantees.

(b) Legal liabilities

A number of small claims have been filed against the Corporation for alleged breach of contract, general damages and personal claims. These claims have not progressed far enough to enable the formation of a definite opinion as to their outcomes. Therefore, the likelihood and the amount of loss to the Corporation is not determinable at this time.

17. Contractual rights

Contractual rights are rights to economic resources arising from contracts or agreements that will result in revenues and assets in the future. The Corporation has entered into the Social Housing Agreement (1997) and Supplementary Agreement - 2014-2019 Extension of the Investment in Affordable Housing with Canada Mortgage and Housing Corporation. The contractual rights of the Corporation for future assets and revenues are $365,604,000 for the Social Housing Agreements (1997) and $6,810,000 for the Supplementary Agreement - 2014-2019 Extension of the Investment in Affordable Housing.

18. Contractual obligations

	2018 (000's)	2017 (000's)
Uncompleted purchase and construction contracts	**$ 4,977**	$ 6,782
Commitments under lending programs	**24,858**	29,925
Commitments under grant programs	**3,294**	2,593
	$ 33,129	$ 39,300

Contractual obligations are those to outside organizations and individuals in respect of contracts entered into on or before March 31, 2018. These contractual obligations will become liabilities when the terms of the contracts are met.

19. Segmented information by object

The Corporation reports its revenue and expenses by program area as outlined in its approved budget.

19. Segmented information by object (cont.)

	Rental operations		Partner managed housing		Affordable housing investments		Rent supplement		Land development		Administration		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)
Revenues														
Province of Newfoundland and Labrador operating grant	**$ 345**	$ 385	**$ -**	$ -	**$ -**	$ -	**$ -**	$ -	**$ -**	$ -	**$ 40,736**	$ 21,335	**$ 41,081**	$ 21,720
CMHC revenue	**-**	-	**-**	-	**21,484**	13,045	**53**	-	**-**	-	**39,967**	41,483	**61,504**	54,528
Other government sources	**251**	247	**-**	-	**30**	114	**-**	-	**-**	-	**-**	-	**281**	361
Rent	**22,571**	22,150	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**22,571**	22,150
Interest	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**492**	499	**492**	499
Land sales	**-**	-	**-**	-	**-**	-	**-**	-	**8**	10	**-**	-	**8**	10
Gain on sale of tangible capital assets	**10**	7	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**10**	7
Profit from land sales by Municipalities	**-**	-	**-**	-	**-**	-	**-**	-	**52**	23	**-**	-	**52**	23
Other	**-**	137	**-**	-	**-**	-	**-**	-	**-**	-	**271**	652	**271**	789
	23,177	22,926	**-**	-	**21,514**	13,159	**53**	-	**60**	33	**81,466**	63,969	**126,270**	100,087
Expenses														
Rental property operating costs	**31,609**	24,504	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**31,609**	24,504
Amortization	**4,501**	4,687	**428**	428	**-**	-	**-**	-	**-**	-	**336**	392	**5,265**	5,507
Grants and subsidies	**8,652**	7,986	**8,090**	8,192	**26,684**	28,811	**10,419**	10,351	**-**	-	**-**	-	**53,845**	55,340
Land costs	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Other administration	**-**	-	**-**	-	**-**	-	**-**	-	**145**	28	**2,640**	3,141	**2,785**	3,169
Salaries and benefits	**6,446**	6,758	**-**	-	**-**	-	**-**	-	**-**	-	**16,910**	16,775	**23,356**	23,533
Interest and bank charges	**9,715**	10,020	**71**	136	**7**	11	**-**	-	**-**	-	**938**	923	**10,731**	11,090
Loss on sale of tangible capital assets	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Valuation allowances	**327**	315	**-**	-	**214**	140	**-**	-	**-**	-	**-**	-	**541**	455
	61,250	54,270	**8,589**	8,756	**26,905**	28,962	**10,419**	10,351	**145**	28	**20,824**	21,231	**128,132**	123,598
Annual (deficit) surplus	**$ (38,073)**	$ (31,344)	**$ (8,589)**	$ (8,756)	**$ (5,391)**	$ (15,803)	**$ (10,366)**	$ (10,351)	**$ (85)**	$ 5	**$ 60,642**	$ 42,738	**$ (1,862)**	$ (23,511)

20. Related party transactions

(a) Transactions with related parties

	2018 (000's)	2017 (000's)
REVENUES		
Province of Newfoundland and Labrador operating grant		
Consolidated Revenue Fund	**$ 41,081**	$ 21,720
Rent		
Consolidated Revenue Fund	**149**	178
Labrador-Grenfell Regional Health Authority	**13**	13
Eastern Regional Health Authority	**-**	3
Western Regional Health Authority	**-**	-
EXPENSES		
Rental operations		
Nalcor Energy	**75**	60
Consolidated Revenue Fund	**33**	149
Partner managed housing		
Eastern Regional Health Authority	**888**	953
Western Regional Health Authority	**305**	405
Central Regional Health Authority	**192**	278
Labrador-Grenfell Regional Health Authority	**6**	59
Affordable housing investments		
Eastern Regional Health Authority	**175**	175
Consolidated Revenue Fund	**-**	-
Administration		
Consolidated Revenue Fund	**432**	333
Eastern Regional Health Authority	**39**	39
Nalcor Energy	**2**	1
Memorial University of Newfoundland	**-**	4

20. Related party transactions (cont.)

(b) Balances due from and to related parties

	2018 (000's)	2017 (000's)
Due from government and other government organizations		
Consolidated Revenue Fund	$ 10,758	$ 119
Western Regional Health Authority	49	-
Central Regional Health Authority	-	15
Eastern Regional Health Authority	-	4
Due to government and other government organizations		
Consolidated Revenue Fund	100	6
Nalcor Energy	7	44
Eastern Regional Health Authority	-	6
Memorial University of Newfoundland	-	-
Western Regional Health Authority	-	-

21. Trust under administration

For the year ended March 31, 2018, the balance of funds held in trust was $3,482,000 (2017 - $3,482,000). The funds are held on behalf of various non-profit housing groups to provide for the future replacement or repair of capital items.

22. Statement of cash flows - other

	2018 (000's)	2017 (000's)
Accounts receivable	$ (80)	$ 1,428
Accounts receivable - provision for doubtful accounts	38	6
Due from government and other government organizations	(1,697)	(17,417)
Accounts payable and accrued liabilities	1,343	(1,157)
Due to government and other government organizations	490	62
Inventories held for use	(39)	9
Prepaid expenses	(3)	78
	$ 52	$ (16,991)

23. Financial Risk Management

The Corporation recognizes the importance of managing risks and this includes policies, procedures and oversight designed to reduce risks identified to an appropriate threshold. The risks that the Corporation is exposed to through its financial instruments are credit risk, market risk, and liquidity risk. There was no significant change in the Corporation's exposure to these risks or its processes for managing these risks from the prior year.

Credit risk

Credit risk is the risk that the Corporation will incur a loss due to the failure by its debtors to meet their contractual obligations. The Corporation is exposed to credit risk with respect to cash, accounts receivable, due from government and other government organizations, loans receivable, and receivables from municipalities – land transfers. The Corporation's maximum exposure to credit risk is the carrying amounts of these financial instruments. The Corporation is not exposed to significant credit risk with its cash because this financial instrument is held with a Chartered Bank. The Corporation is not exposed to significant credit risk with due from government and other government organizations and receivables from municipalities - land transfers because of their nature.

The Corporation has policies and procedures for the monitoring and collection of accounts receivable, due from government and other government organizations, loans receivables, and receivables from municipalities – land transfers so as to mitigate potential credit losses. Also, the Corporation has mitigated its exposure to credit risk on its mortgage loans receivable through claims on real estate properties should borrowers default on paying the loans. In the case of a foreclosure, the Corporation has the option of evicting the tenant and selling the real estate property, using the proceeds to clear the mortgage debt.

An estimated impairment of accounts receivable for $193,000 has been provided for through an allowance for decline in value, as disclosed in Note 4. An estimated impairment of loans receivable for $851,000 has been provided for through an allowance for decline in value, as disclosed in Note 7. The Corporation classifies its loans receivable as impaired in accordance with Note 2(e). The Corporation classifies its accounts receivable as impaired when collection is in doubt and is based on analysis of the balance.

At March 31, 2018, the aging of loans receivable that are past due but not impaired, are as follows:

	(000's)
30 days	$ 90
60 days	235
90 days	86
Over 90 days	79
	$ 490

Accounts receivable and loans receivable which are not impaired or past due are considered collectible by the Corporation. There are no provisions for doubtful accounts for the other financial instruments, as all amounts are considered collectible.

23. Financial Risk Management (cont.)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency (foreign exchange) risk, interest rate risk and other price risk. The Corporation is not exposed to significant currency (foreign exchange) risk or other price 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. The interest rate exposure relates to cash, loans receivable and long-term debt. For the year ended March 31, 2018, the interest rate exposure on cash is such that a change of 25 basis points in interest rates would result in an increase/decrease in annual surplus of $15,000. The interest rate risk on loans receivable is considered to be low because the interest rates are fixed to maturity. The Corporation is subject to the risks associated with long-term debt financing, including the risk that debt will not be refinanced on terms as favorable as those of the existing debts. There is no interest rate risk on long-term debt obligations arising from the Canada-Newfoundland Social Housing Agreement as interest rates are fixed to maturity. For the year ended March 31, 2018, the increase/decrease in annual surplus for each one percent change in interest rates on the CMHC fixed rate term debentures amounts to $154,000.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial liabilities and contractual obligations as they fall due. The liquidity risk, relating mainly to accounts payable and accrued liabilities, due to government and other government organizations, long-term debt, and contractual obligations, is considered to be low. The anticipated annual principal repayments on the Corporation's long-term debt is disclosed in Note 13. The Corporation maintains adequate cash to ensure all its financial liabilities and contractual obligations can be met when they fall due. The Corporation has an authorized credit facility totaling $3,000,000, which is unused as at March 31, 2018.

24. Self-insurance

With the exception of certain high-risk projects, the Corporation follows the policy of self-insuring its rental properties for property damage such as fire, water and vandalism. The costs of these repairs are charged to rental properties expenses.

25. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Board of Directors and the Lieutenant-Governor in Council.

26. Non-financial assets

The recognition and measurement of non-financial assets is based on their service potential. These assets will not provide resources to discharge liabilities of the Corporation. For non-financial assets, the future economic benefit consists of their capacity to render service to further the Corporation's objectives.

27. Subsequent Event

On May 31, 2018, the Province of Newfoundland and Labrador enacted legislation affecting severance pay for executives, managers, and non-management/non-union employees. As a result of the legislation, executive and management employees with at least one year of service will be entitled to one week of salary for each complete year of service as of May 31, 2018, to a maximum of 20 weeks. The value of severance will be based on an employee's rate of pay as of May 31, 2018, and no additional severance will accrue beyond May 31, 2018. Employees may elect to receive all of their entitlement by March 31, 2019, or they may defer receiving their entitlement to a later date. The Corporation has included the impact of the legislation in its actuarial valuation of its severance pay liability for the year ended March 31, 2018.

Newfoundland
Labrador