

Consolidated Financial Statements of

Housing Nova Scotia

March 31, 2016

Housing Nova Scotia
Table of Contents
March 31, 2016

Management's Report	1
Independent Auditor's Report	2-3
Consolidated Statement Of Financial Position	4
Consolidated Statement Of Operations And Accumulated Surplus	5
Consolidated Statement Of Change In Net Debt	6
Consolidated Statement Of Cash Flows	7
Notes to the Consolidated Financial Statements	8-15

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 statements are management's responsibility. Management is also responsible for all of the notes to the consolidated financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the consolidated financial statements.

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

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

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

On behalf of the Housing Nova Scotia



Lynn Hartwell
Deputy Minister
Department of Community Services


Cyril LeBlanc
Chief Financial Officer

JUL 07 2016

Date



Independent auditor's report

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To the Minister of Community Services

We have audited the accompanying consolidated financial statements of the **Housing Nova Scotia**, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statement of operations and accumulated surplus, changes in net debt, and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated statement of financial position of Housing Nova Scotia as at March 31, 2016, and the consolidated statement of its operations and accumulated surplus, changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

Halifax, Canada
June 24, 2016

Chartered Accountants

Housing Nova Scotia
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at March 31, 2016

	<u>2016</u>	<u>2015</u>
FINANCIAL ASSETS		
Cash	\$ 90,747	\$ 112,932
Amounts receivable and advances (Note 16)	34,150,462	32,726,728
Loans and advances receivable (Note 7)	573,414,826	591,127,260
Fund for future social housing expenditures (Note 4)	49,882,162	57,824,197
	<u>\$ 657,538,197</u>	<u>\$ 681,791,117</u>
LIABILITIES		
Bank advances	\$ 3,009,774	\$ 2,641,978
Accounts payable and accrued liabilities (Note 12)	102,689,721	107,914,746
Loans and other debt (Note 8)	787,814,523	821,207,271
Deferred federal contribution (Note 4)	49,882,162	57,824,197
Deferred Revenue and other liabilities (Note 10)	6,052,501	5,452,501
Provision for mortgage guarantees and indemnified loans (Note 9)	4,193,597	5,681,722
	<u>953,642,278</u>	<u>1,000,722,415</u>
NET DEBT	<u>\$ (296,104,081)</u>	<u>\$ (318,931,298)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 14)	\$ 296,035,687	\$ 318,781,922
Prepaid expenses	68,394	149,376
	<u>296,104,081</u>	<u>318,931,298</u>
ACCUMULATED SURPLUS	<u>\$ -</u>	<u>\$ -</u>

Commitments and contingencies (Note 9)

See accompanying notes to the consolidated Financial Statements

Housing Nova Scotia
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
For the Year Ended March 31, 2016

	<u>2016 Budget</u>	<u>2016 Actual</u>	<u>2015 Actual</u>
REVENUE			
Rental revenue	\$ 57,521,000	\$ 56,778,882	\$ 56,914,556
Interest revenue	27,389,000	26,552,821	26,849,672
Other revenue	9,016,000	7,996,842	8,618,304
Federal revenue (Note 3)	69,024,000	66,650,178	67,437,967
Provincial and municipal revenue (Note 5)	<u>44,129,000</u>	<u>44,399,672</u>	<u>37,427,617</u>
Total revenue	<u>207,079,000</u>	<u>202,378,395</u>	<u>197,248,116</u>
EXPENSES			
Administration fee		-	-
Operating costs: Housing Authorities and Rural and Native Housing (Note 11)	119,196,000	124,668,756	121,648,396
Debt servicing costs	42,778,000	39,584,297	42,297,710
Housing renovations and affordable housing Housing Strategy	22,810,000	20,062,710	18,059,917
Social housing subsidies	2,000,000	1,088,540	582,308
Provision for doubtful accounts	20,295,000	15,789,855	13,904,374
Other expenses		1,156,260	655,227
		<u>27,977</u>	<u>100,184</u>
Total expenses	<u>207,079,000</u>	<u>202,378,395</u>	<u>197,248,116</u>
ANNUAL SURPLUS	-	-	-
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the consolidated Financial Statements

Housing Nova Scotia
CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT
For the Year Ended March 31, 2016

	<u>2016 Budget</u>	<u>2016 Actual</u>	<u>2015 Actual</u>
ANNUAL SURPLUS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Acquisition of tangible capital assets (Note 14)		(3,635,252)	(6,582,389)
Other items		2,489,638	
Loss on disposal of tangible capital assets (Note 14)		650,803	37,827
Amortization of tangible capital assets (Note 14)	21,000,000	23,241,045	20,892,774
Decrease (increase) in prepaid expense		80,982	(89,859)
	<u>21,000,000</u>	<u>22,827,216</u>	<u>14,258,353</u>
CHANGE IN NET DEBT	<u>\$ 21,000,000</u>	<u>\$ 22,827,216</u>	<u>\$ 14,258,353</u>
NET DEBT, BEGINNING OF YEAR		<u>\$ (318,931,298)</u>	<u>\$ (333,189,651)</u>
NET DEBT, END OF YEAR		<u>\$ (296,104,082)</u>	<u>\$ (318,931,298)</u>

See accompanying notes to the consolidated Financial Statements

Housing Nova Scotia
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2016

	2016 Actual	2015 Actual
OPERATING TRANSACTIONS		
Annual surplus	\$ -	\$ -
Amortization	23,241,045	20,892,774
Loss on disposal of capital asset	650,804	37,826
Changes in non-cash items:		
Amounts receivable	(1,423,734)	(11,513,476)
Inventories		
Prepays	80,982	(89,859)
Accounts payable and accrued liabilities	(5,061,133)	13,397,113
Deferred revenue and other liabilities	600,000	(484,550)
Provision for mortgage guarantees and indemnified loans	(1,488,125)	(13,483)
Long-term service awards paid	(163,892)	(302,083)
Cash provided by operating transactions	<u>16,435,947</u>	<u>21,924,262</u>
CAPITAL TRANSACTIONS		
Cash used to acquire tangible capital assets	<u>(3,635,252)</u>	<u>(6,582,389)</u>
Cash applied to capital transactions	<u>(3,635,252)</u>	<u>(6,582,389)</u>
INVESTING TRANSACTIONS		
Loans and advances repaid	54,493,106	44,013,715
Loans and advances issued	(36,848,845)	(46,366,061)
Cash applied to investing transactions	<u>17,644,261</u>	<u>(2,352,346)</u>
FINANCING TRANSACTIONS		
Bank advances and short term borrowings	367,796	(940,701)
Proceeds of long-term debt	50,055,372	64,459,621
Debt repayment	(69,288,267)	(71,951,573)
Increase (decrease) in Housing Development Corporation Fund note payable	<u>(11,602,041)</u>	<u>(4,507,939)</u>
Cash applied to financing transactions	<u>(30,467,140)</u>	<u>(12,940,591)</u>
INCREASE IN CASH	(22,184)	48,935
CASH, BEGINNING OF YEAR	<u>112,931</u>	<u>63,996</u>
CASH, END OF YEAR	<u><u>\$ 90,747</u></u>	<u><u>\$ 112,931</u></u>

See accompanying notes to the consolidated Financial Statements

1. Nature of Operations

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

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

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

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

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

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

2. Summary of Significant Accounting Policies

a. Basis of Accounting

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

b. Basis of Consolidation

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

c. Cash

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

d. Financial Instruments

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

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

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

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

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

e. Revenue Recognition

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

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

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

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

f. Government Transfers

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

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

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

g. Loans and Advances Receivable

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

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

h. Tangible Capital Assets

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

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

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

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

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

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

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

i. Inventory of Land

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

j. Forgivable Loans

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

k. Retirement Benefits

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

l. Measurement Uncertainty

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

3. Federal Revenue

The corporation receives funding from CMHC for the following programs:

	2016	2015
Social Housing	\$ 56,445,178	\$ 57,232,967
Housing Renovation and Affordable Housing	10,205,000	10,205,000
	<u>\$ 66,650,178</u>	<u>\$ 67,437,967</u>

4. Fund for Future Social Housing Expenditures (FFSHE)

	2016	2015
Opening balance, April 1	\$ 57,824,197	\$ 64,849,836
Gross public housing and other eligible expenditures	89,900,441	86,934,669
Less: Provincial contribution	24,903,419	20,961,485
Less: Municipal contribution	8,551,844	8,740,216
Expenses withdrawn from FFSHE	(56,445,178)	(57,232,968)
CMHC social housing transfer per agreement	47,879,286	49,309,713
	(8,565,892)	(7,923,255)
Interest earned by the fund	623,857	897,616
(Decrease) Increase in the fund	(7,942,035)	(7,025,639)
Closing balance, March 31	\$ 49,882,162	\$ 57,824,197

Under the terms of the Social Housing Agreement signed in 1997 with CMHC, revised March 21, 2001, HNS will receive a total of \$1.39 billion over the life of the agreement. Annual payments began in 1998 at \$56.9 million and will decline to zero by the end of the agreement in 2035. The remaining portion of the committed payments under the agreement is \$415,354,377 at March 31, 2016.

In 2014, \$42 million of these funds were committed to further increase affordable housing options. As at March 31, 2016 \$30 million (2015 - \$37 million) remains unspent and committed under the 10 year arrangement ending in fiscal 2024-2025.

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

5. Provincial and Municipal Revenue

	2016	2015
Department of Community Services		
Social Housing	\$ 24,903,419	\$ 20,961,485
Housing Renovation and Affordable Housing	9,857,710	6,225,916
Disability Support Program and		
Child Youth and Family Services	1,086,698	-
Department of Health and Wellness	-	1,500,000
Municipalities	8,551,845	8,740,216
	\$ 44,399,672	\$ 37,427,617

6. Housing Development Corporation Fund

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

7. Loans and Advances Receivable

Loans receivable under the Long Term Care Bed Renewal program and the Direct Lending program have aggregate monthly payments of \$3,639,191. These loans are typically secured by mortgages and general security agreements. Interest rates vary from 1.53% to 7.5% with maturity dates from April 1, 2016 to August 1, 2041.

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 \$313,841 including interest. Interest rates vary from 1% to 8.50%, with renewal dates ranging from April 1, 2016 to February 1, 2041. The loans may be secured by registered mortgages on the related properties or general security agreements.

	2016	2015
Long Term Care Bed Renewal Program	\$ 494,126,761	\$ 505,990,576
Direct Lending	\$ 70,305,168	\$ 72,433,892
Other Programs	13,781,575	16,590,669
Less provision for doubtful accounts	(4,798,678)	(3,887,877)
	<u>\$ 573,414,826</u>	<u>\$ 591,127,260</u>

8. Loans and Other Debt

Loans and other debt is comprised of mortgages and notes payable to various lenders. The amortization periods of the notes payable range from 5 to 36 years. The mortgages payable amortization periods range from 20 to 35 years. Notes payable are secured by investments in social housing. Mortgages and notes payable are repayable in monthly or quarterly installments of interest and principal. Interest rates vary from 1.53% to 10.50% with terms ranging from April 1, 2016 to January 1, 2035.

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

	2016	2015
Housing Development Corporation Fund Note Payable, non-interest bearing, no set terms of repayment	\$ 49,223,868	\$ 60,825,909
Direct Lending Notes Payable	76,411,780	72,433,892
Long Term Care Bed Renewal Program Notes Payable	494,126,761	505,990,576
Housing Development Corporation Fund (Note 6)	619,762,409	639,250,377
Mortgages and Notes Payable to CMHC	167,772,916	181,677,696
Other	279,198	279,198
	<u>\$ 787,814,523</u>	<u>\$ 821,207,271</u>

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

2017	\$ 34,616,054
2018	34,861,661
2019	34,661,427
2020	34,822,698
2021	35,327,246
Subsequent to 2021	613,525,438
	<u>\$ 787,814,523</u>

**Housing Nova Scotia
Notes to the Consolidated Financial Statements
March 31, 2016**

9. Commitments and Contingencies

Pursuant to the October 1, 1997 Social Housing Agreement, CMHC requires HNS to indemnify CMHC against future losses related to their insured loan portfolio for Nova Scotia. As at March 31, 2016 there were 319 loans with an outstanding balance of \$49,002,420 (2015 - \$58,959,192). In the event of default HNS would gain title to the assets and act toward mitigation of any loss. HNS has recorded provisions for \$4,193,597 (2015- \$5,681,722) 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, 2016 a total of 5 mortgage guarantees were in effect, and the outstanding balance of mortgages guaranteed was \$7,465,065 (2015 - \$7,982,679).

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

10. Deferred Revenue and Other Liabilities

HNS has recorded deferred revenue and other liabilities as follows:

	2016	2015
Fire and liability	\$2,852,501	\$2,252,501
Interest rate risk	3,200,000	3,200,000
	<u>\$6,052,501</u>	<u>\$5,452,501</u>

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

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

	2016	2015
Administration	\$ 14,172,891	\$ 13,602,060
Amortization (Note 13)	23,241,045	20,890,077
Maintenance	32,969,496	33,274,483
Modernization and improvements	3,550,086	4,230,353
Municipal taxes	11,413,263	11,191,118
Other operating	17,721,398	13,961,880
Utilities	21,600,577	24,498,425
	<u>\$ 124,668,756</u>	<u>\$ 121,648,396</u>

12. Accounts payable and accrued liabilities

	2016	2015
Payables and accruals	25,181,303	23,004,322
Due to/from Consolidated Fund - Province of NS	77,508,418	84,910,424
	<u>102,689,721</u>	<u>\$ 107,914,746</u>

13. Retirement Benefit

a. The Housing Authorities have defined contribution pension plans available to eligible employees. The Housing Authorities paid \$1,037,136 for employer contributions to the Plan in fiscal 2016, (\$1,226,208 in fiscal 2015)

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

In 2016, an actuarial valuation of the long term service award liability was performed. An extrapolation was performed by the actuary as at March 31, 2016, and HNS has recorded an obligation for long term service awards of \$3,862,464 (2015 - \$3,923,326) accruing to Housing Authority employees at retirement.

The following assumptions have been used in the valuation of HNS's accrued long term service awards at March 31, 2016:

	2016	2015
Discount rate	4.10%	4.10%
Ultimate rate of compensation increase	2.00%	2.25%

Housing Nova Scotia
Notes to the Consolidated Financial Statements
March 31, 2016

14. Tangible Capital Assets

	Housing Authorities				Social Housing	Total 2016	Total 2015
	Buildings	Machinery, Computers & Equipment	Vehicles	Custom Computer Software			
Opening Cost	\$ 9,325,122	\$ 37,304	\$ 2,509,564	\$ 6,151,512	\$ 465,128,432	\$ 483,151,934	\$ 476,650,799
Additions	-	-	497,882	-	3,137,370	3,635,252	6,582,389
Retirements	-	-	(44,113)	-	(30,917)	(75,030)	(140,930)
Other adjustments	-	-	-	-	(3,109,525)	(3,109,525)	59,677
Closing Cost	9,325,122	37,304	2,963,333	6,151,512	465,125,360	483,602,631	483,151,935
Accumulated Amortization							
Opening Acc. Amort.	(4,495,013)	(37,304)	(1,813,208)	(5,963,286)	(152,061,201)	(164,370,012)	(143,520,666)
Retirements	-	-	44,113	-	-	44,113	43,427
Amortization	(241,505)	-	(309,342)	(47,039)	(22,643,159)	(23,241,045)	(20,892,774)
Closing Acc. Amort.	(4,736,518)	(37,304)	(2,078,437)	(6,010,325)	(174,704,360)	(187,566,944)	(164,370,013)
Net Carrying Value	\$ 4,588,604	-	\$ 884,896	\$ 141,187	\$ 290,421,000	\$ 296,035,687	\$ 318,781,922

15. Financial Instrument Risk Management

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

HNS, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of those risks at March 31, 2016.

a. Credit Risk

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

The \$564.432 million of loans and advances receivable has a provision for doubtful accounts is \$4,283,703. Of the \$49.002 million in indemnified and guaranteed loans (Note 9), nothing is past due. The provision for mortgage guarantees and indemnified loans is \$4,193,597.

b. Market Risk.

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

c. Liquidity Risk

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

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

16. Amounts receivable and advances

	2016	2015
Canada Mortgage and Housing Corporation	11,691,432	11,275,141
HST receivable	4,826,908	4,465,747
Municipalities	8,721,346	8,775,142
Other receivable and advances	9,310,776	8,610,699
Allowance for doubtful accounts	(400,000)	(400,000)
	<u>34,150,462</u>	<u>\$ 32,726,728</u>

17. Contaminated sites policy and disclosure

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, as well as the combined risk for all sites.

Housing Nova Scotia (HNS) has a portfolio of about 2,500 buildings and over 350 parcels of vacant land distributed throughout the province, what may be seen as a major impact in an exceedingly small number of sites, is actually insignificant relative to the overall size and value of the portfolio. Therefore the overall probability and impact when categorizing site contamination for the HNS portfolio (say approximately 3,000 sites worth about \$1.5B) is both very low and very low.

Given the low level of contamination risk for the entire portfolio, common property management practices are in use across the province. Regional housing authorities, through agreement with the Minister, are responsible for day-to-day maintenance on HNS property (excluding vacant land). 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 24/7 and receive regular visits by property staff.

HNS does have some sites that are not in productive use. Almost all of these are surplus properties slated for disposal. The usual practice when we take control of such a property is to order a market value appraisal by a licensed appraiser. The appraiser files a report noting the condition of the property and recommends environmental assessment if they suspect the possibility of any contamination that could affect the value of the property.

We are not actively remediating any sites from previous years.

18. Subsequent Events

Subsequent to year end, the Province announced it would not be proceeding with the proposed \$100 million redevelopment project of the former Bloomfield school and community center located in the North End of Halifax. Funds on deposit of \$764,000 related to the project are included in accounts receivable as at March 31, 2016 and will be recognized in fiscal 2017 by HNS.

