



**Newfoundland  
Labrador**

**Housing**

**ANNUAL REPORT**

**2015-16**



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## Message from the Chair



In accordance with the *Transparency and Accountability Act*, I am pleased to present the 2015-16 Annual Report for Newfoundland and Labrador Housing Corporation (NLHC). Its purpose is to provide an overview of the key activities, results, investments and financial information for the 2015-16 fiscal year.

Programs and services delivered by NLHC support its mandate to develop and administer housing and homelessness policy and programs for low-to-moderate income individuals and households.

During 2015-16, NLHC launched a \$2.5 million investment for a new Down Payment Assistance Program for first-time homebuyers. The pilot program's aim is to assist qualifying first-time homebuyers in the down payment of a house. As of March 31, 2016, uptake of the program totalled 122 clients.

During 2015-16, NLHC in conjunction with the Department of Seniors, Wellness and Social Development commenced development of a long-term plan to end homelessness in Newfoundland and Labrador. The plan will focus on defining the homelessness problem across the province, and outlining a coordinated approach to addressing homelessness using the Housing First philosophy. Areas of focus will include preventing homelessness from occurring wherever possible, and providing housing and support solutions for people experiencing homelessness as quickly as possible. This plan will be one component of a provincial housing strategy that was a commitment made by government and outlined in the December 2015 mandate letter to the Minister responsible for NLHC.

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

A handwritten signature in blue ink that reads "Julia Mullahey".

JULIA MULLALEY, CPA, CA  
Chair and  
Chief Executive Officer (Interim)

## Introduction

The *Transparency and Accountability Act* (the Act) provides the legislative framework for the conduct of fiscal planning and reporting, and accountability for Government entities. This report outlines the 2015-16 accomplishments of NLHC in meeting the goals and objectives as outlined in the 2014-17 Strategic Plan.

## Corporate Overview

### Corporate Structure

NLHC is a crown corporation responsible for the implementation of Government's social housing policy and programs under the authority of the *Housing Corporation Act*. NLHC is governed by a Board of Directors appointed by the Lieutenant-Governor in Council; the Board consists of members from across the province with varying interests. The board reports through the Minister responsible for the Newfoundland and Labrador Housing Corporation.

The members of the Board as of March 31, 2016 were:

John C. Ottenheimer, Chair, St. John's  
Daniel J. McCann, Port au Port West  
William Hanlon, Grand Falls - Windsor  
Glenda J. Belbin, Corner Brook  
Rhonda Neary, St. John's  
Olive Blake, Goose Bay  
Selma Pike, St. Anthony  
Barbara Cull, Stephenville  
Pauline Winter, Lewisporte  
Gerald F. Kennedy, Mobile  
Sheena McCrate, Torbay

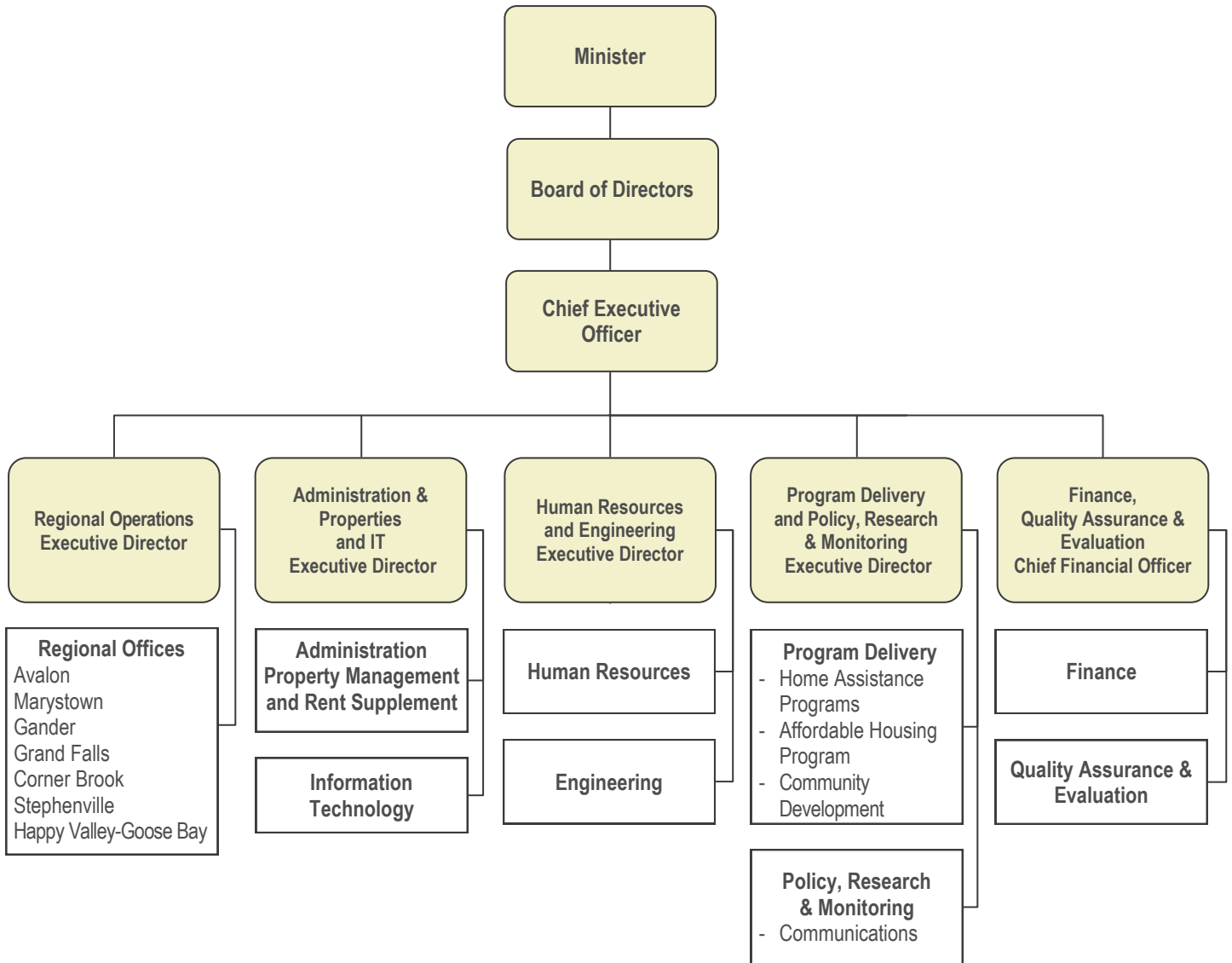
NLHC has seven offices, including the head office located in St. John's. As of March 31, 2016, the number of positions at the seven locations was 348. The staff at the head office made up 31% of the workforce (109 positions), while the regional offices of Avalon, Corner Brook, Gander, Grand Falls-Windsor, Happy Valley-Goose Bay, Marystown and Stephenville have a combined total of 239 positions, 69% of the workforce. The workforce is 43% female, with 57% male.

Location	Positions
Head Office-St. John's	109
Avalon Regional Office St. John's	121
Corner Brook	45
Gander	11
Happy Valley-Goose Bay	13
Grand Falls-Windsor	22
Marystown	9
Stephenville	18
Total	348

### Who We Serve

NLHC clients are families and individuals with low-to-moderate incomes who require assistance in order to access and/or maintain safe and affordable housing. The programs NLHC delivers serve renters, homeowners, persons with disabilities, persons with complex service needs, seniors, youth and victims of family violence. NLHC offers a diverse range of programs from the delivery and maintenance of affordable social housing to the provision of funds for the building of low income rental units. NLHC is committed to engaging and working with community partners to address the needs of those who require a combination of affordable housing and supports. In 2015-16, 14,251 households received direct assistance via NLHCs social housing programs while many additional individuals and families have been assisted through non-profit

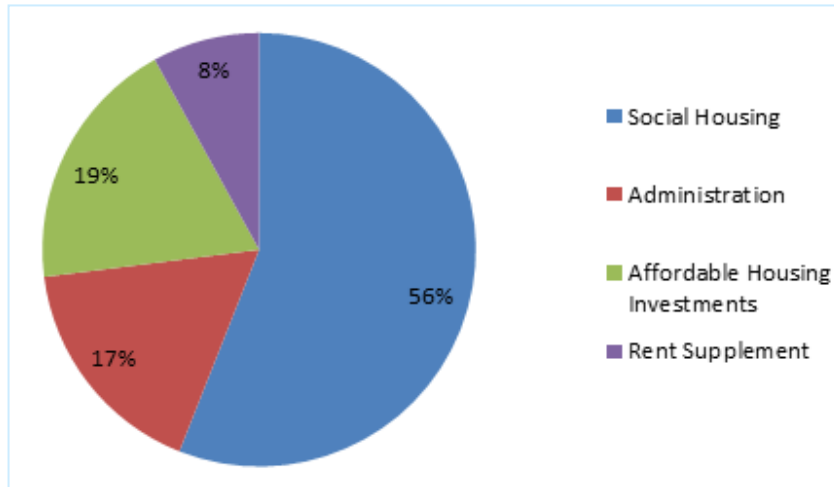
# Organizational Chart



## Financial Profile

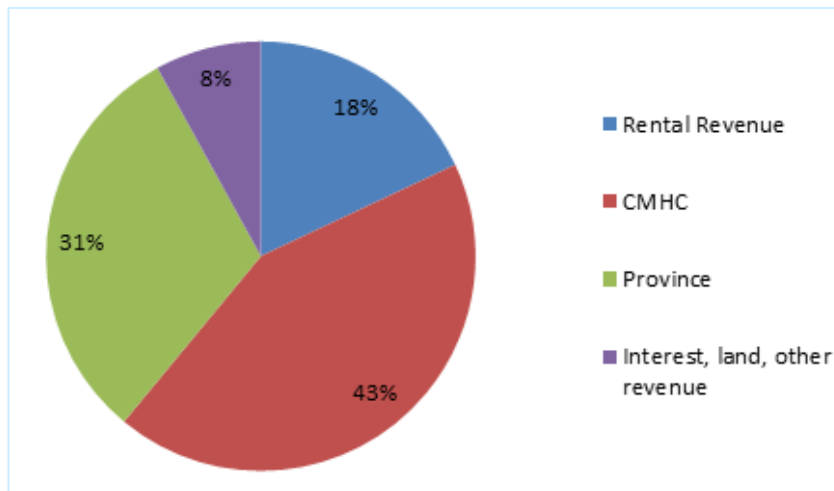
### Expenditures

Total current expenditures in 2015-2016 were \$ 136,676,000. Please refer to audited financial statements in Annex B for further details.



### Sources of Funds

Canada Mortgage and Housing Corporation (CMHC) is a Federal Crown Corporation.



## NLHC Mandate

**To develop and administer housing and homelessness policy and programs for the benefit of low-to-moderate income persons and households throughout the province.**

NLHC is the social housing arm of the provincial government and acts under the authority of the *Housing Corporation Act*. Programming offered by NLHC includes a range of social housing and renovation programs and services for low to moderate-income households across the province. This suite of programs and services represents Government's commitment to improve overall housing quality and affordability for those who are most in need.

## Vision and Mission

**VISION: That Newfoundlanders and Labradorians with the greatest need have access to secure and affordable housing.**

The Social Housing Plan and the 2015 Mandate Letter to the Minister Responsible for NLHC informs the strategic priorities of the Corporation in addressing the housing needs of lower-income households across the province. Overarching goals continue to focus on:

- Increasing emphasis on individual well-being and strengthened communities;
- Strengthening partnerships and management practices; and
- Improving housing assistance.

**MISSION: By March 31, 2017, to address changing housing needs, NLHC will have improved housing conditions for low-to-moderate income households and persons in Newfoundland and Labrador.**



## Lines of Business

NLHC offers a wide range of housing programs and services for the residents of the province. To keep up with the ever changing needs that are presented, NLHC is required to adjust its programming and support to ensure that social housing needs are met. The suite of programs and services provided represent Government's commitment to improve housing quality and affordability for those who need it most. Please see Annex A for more details on the lines of business.

NLHC's mandate is carried out through four different lines of business:

### **Subsidized Rental Housing**

- Provides social housing rental accommodation to low-income households on a rent-geared-to-income basis. Additionally, NLHC's Rent Supplement Program assists individuals and families on low incomes, and individuals with complex needs, by paying the portion of their rent that exceeds 25 percent of their net household income up to \$800 monthly.

### **Capital Assistance**

- Provides forgivable grants for critical repairs, accessibility modifications or energy efficiency improvements to protect existing housing options for low-income households.
  - NLHC's Provincial Home Repair Program assists homeowners with low income who require repairs to their homes to bring dwellings up to minimum fire and life safety standards, with improvements in basic heating, electrical and plumbing services.
  - The Home Modification Program provides financial assistance to homeowners with disabilities and seniors with low-to-moderate incomes that require accessibility changes to their residences.
  - The Residential Energy Efficiency Program assists households with low income in making energy efficient retrofits to their homes. The program assists clients with retrofits that will make their homes more affordable and reduce greenhouse gas emissions that contribute to climate change.
- Provides forgivable capital grants to public, private and non-profit organizations to develop affordable rental housing for low-income households.
- Partners with the Government of Canada to implement an agreement to invest in affordable housing to create new affordable housing units.

**Partner Managed Housing**

- Provides financial, technical and administrative support to housing partners in the non-profit, co-operative, and health sector, which provide rental housing to low-to- moderate income households. NLHC continues to support Partner Managed Housing group operations at \$4.3M/year.

Households Receiving Direct Assistance	
Public Affordable Rental Housing	5,591
Rental Supplement	1,873
Partner- Managed Housing	1,026
Provincial Home Repair Program (PHRP)	1,589
Residential Energy Efficiency Program (REEP)	1,022
Subsidized Mortgages	30
Affordable Housing	1,166*
Home Modification Program (HMP)	365
Workplace NL	52
Federal Portfolio	1,172
Co-Op Housing	395
<b>Total</b>	<b>14,281</b>

\*The total number of affordable housing units that are in operation and offering rental housing services.

**Shared Commitments**

**Social Housing**

During the year, NLHC continued to work with the Department of Advanced Education and Skills, the Department Health and Community Services, and the Department Justice and Public Safety to advance the province’s social housing objectives. During February 2016, NLHC held its annual Stakeholder Input Session where key stakeholders from government, including representatives from the partners of the social housing plan, and the community were invited to participate in discussions regarding housing and homelessness and specifically a Housing First Philosophy in NL and eviction prevention.

The Social Housing Plan commits to the development of a progress report every two years; the Fourth Bi-Annual Progress Report will be released in 2016-17. This report will outline ways in which NLHC has engaged the community on issues pertaining to affordable housing, supportive living and homelessness and will also inform the development of a provincial housing strategy.

## **Plan to End Homelessness**

In 2014-15, the independent consultant's report "Road Map to Ending Homelessness in Newfoundland and Labrador" was announced by the Minister responsible for the Newfoundland and Labrador Housing Corporation. The report recommended a Housing First philosophy in approaching housing and homelessness in the province. A Steering Committee was created with representatives from stakeholders and key government departments; the purpose of which was to review the recommendations of the report and advise government. NLHC in conjunction with the Department of Seniors, Wellness and Social Development has commenced development of a long term plan to end homelessness in Newfoundland and Labrador.

The plan will focus on defining the problem across the province and outlining a defined approach to address homelessness using the Housing First philosophy. Areas of focus in 2015-16 included preventing homelessness from occurring wherever possible, and providing housing and support solutions for people experiencing homelessness as quickly as possible. Furthermore, the plan will take a structured approach for distinct populations that are often over-represented in homeless populations or have very distinct contributing factors; particularly for youth, victims of violence, aboriginal populations and seniors.

## **Highlights and Accomplishments**

### **NLHC Announces 2015 Scholarship Program Winners**

The winners of the 2015 NLHC youth and adult scholarships were announced in December 2015. The scholarships are valued at \$1,000 each; 9 are designated for youth and 3 for adult students pursuing post-secondary education. 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. Winners of adult scholarships are selected based on an assessment of financial need, initiative and community involvement.

### **Employees Reaching Out (ERO)**

The ERO program was started twenty six years ago after an employee discovered that a family had absolutely nothing for Christmas. ERO continues to be an active volunteer organization within NLHC. In 2015-16, 16 families were provided with food hampers, 6 families were helped during emergencies, funds were provided to approximately 10 Tenant Associations and 9 seniors' Christmas parties were held for tenants.



Tenant Conference, September 18-19, 2015

### **Bi-Annual Tenant Conference**

The Bi-Annual Tenant Conference was held in Gander on September 18-19, 2015, with 104 attendees in total; 67 of whom were tenant representatives and 21 volunteer association representatives. Staff from 8 community centres were present and NLHC board members and staff were on hand to deliver opening remarks and to present certificates recognizing the achievements of the volunteer tenant associations. The theme of the conference was “Volunteers Rock” and included speakers on various topics including volunteering, housing finances and hoarding.

### **New Down Payment Assistance Program Supports Homeownership**

During the year, the province launched a \$2.5 million investment for a new Down Payment Assistance Program (DAP) for first-time homebuyers. The pilot program assists qualifying first-time homebuyers in the down payment towards the purchase of a house. As of March 31, 2016, 122 total clients availed of the program. There were 94 clients in St. John’s CMA, 15 in regional centres, 12 in rural communities and 1 in Labrador. These numbers demonstrate that the program met the intended target, 5 applications in each region, within the three areas of the island; however, there was a noticeable lack of uptake in Labrador and this will be reviewed and monitored in year 2 of the pilot. A change identified for year 2 of the pilot was that applicants will be given 120 days from the date of their approval to successfully negotiate the purchase of a home or their application will expire. In addition, all pending applicants from year one were notified that they must successfully negotiate the purchase of a home within 60 days in order to maintain their application.

# Report on Performance

## **Strategic Issue 1: Sustaining the public affordable housing portfolio**

The province of Newfoundland and Labrador owns some of the oldest social housing in Canada. Of the 5,591 units provincially owned, over half were built between 30 and 50 years ago. The aging infrastructure combined with years of deferred maintenance has led government to invest significantly in revitalizing this critical housing stock. This investment has manifested itself in a number of different approaches:

- by following through on regularly scheduled maintenance and improvement requirements;
- providing increased funding for external repairs and upgrades;
- providing designated funding for internal repairs and upgrades;
- providing investments in insulation; and
- planning and carrying out full neighbourhood renewal plans in the most challenged neighbourhoods.

Government's financial support to NLHC has improved the condition of the social housing stock. NLHC has made great progress towards this target through the Modernization and Improvement efforts, thereby addressing Government's direction in NLHC's Strategic Plan, sustaining the public affordable housing stock.

### 2014-17 Strategic Plan Goal:

By March 31, 2017, NLHC will have improved the condition of the public affordable rental housing stock.

### 2015-16 Objective:

By March 31, 2016, NLHC will have continued with scheduled modernization and improvement of the public affordable housing stock and neighbourhood revitalization plan.

### Measure:

Continue with scheduled modernization and improvement.

2015-16 Indicators	2015-16 Accomplishments
Number of public affordable rental housing homes that receive interior upgrades.	52 units received interior renovations in 2015-16. Interior upgrades generally refer to the updating of kitchens, bathrooms, flooring, etc.
Number of public affordable rental housing homes that receive exterior upgrades.	416 units received exterior upgrades in 2015-16. Upgrades may include the replacement of windows, doors, siding, and electrical systems as well as the updating of kitchens, bathrooms and flooring.
Overall percentage of completed select older public affordable housing neighbourhoods, through revitalization.	Work was continued in the areas of Cashin/Froude Avenue in St. John’s, and Crestview in Corner Brook. The Cashin/Froude renewal was completed as of March 31, 2016, while Crestview was 80% complete at that time. The work done on these neighbourhoods includes major exterior renovation such as the replacement of siding, window, door and roofing , as well as some interior work, such as inter-connected smoke alarms, and the installation of heat recovery ventilation systems in all the units. This work will result in energy efficiencies as well as fire and life safety improvements.

Discussion of Results:

In 2015-16, NLHC made progress towards achieving the goal of improving the social housing portfolio. As of March 31, 2016, 468 units have been upgraded in some way. Upgrades may include the replacement of windows, doors, siding, and electrical systems as well as the updating of kitchens, bathrooms and flooring. This important work is an integral part of the effort to improve the physical condition and increase energy efficiency of NLHC’s housing stock. Neighbourhood Renewal projects continued in 2015-16 with major exterior renovations and full neighbourhood renewal plans. As of March 31, the Cashin/Froude Avenue renewal in St. John’s was completed, while the Crestview Avenue renewal in Corner Brook was 80% complete.

2016-17

Objective: By March 31, 2017, NLHC will have completed a new three-year modernization and improvement plan for the public affordable rental housing portfolio and continued the revitalization of select older public affordable housing neighbourhoods.

- Indicators:
- Number of public affordable rental housing homes that receive upgrades.
  - Overall percentage of completed select older public affordable housing neighbourhoods, through revitalization.
  - A completed modernization plan for 2017-2020.

Measure: A completed three-year modernization plan and upgraded public affordable rental housing units.

## **Strategic Issue 2: Responding to changing housing needs**

Housing need primarily arises when people cannot afford to remain where they live. Need can also arise when the condition of a home has deteriorated so much that it is no longer considered adequate or suitable for habitation. As the population in the province ages, the housing needs of the people will change. A significant part of the work carried out by NLHC goes beyond providing affordable rentals through social housing. Many of the people who are housed also require supportive services.

Considering the changing demographics; responsive, evolving programming is required to ensure people's needs are being met. NLHC offers a suite of programs which range from grants to make homes accessible, to income supplements that allow people to continue to rent in the private rental market. These programs recognize Government's direction to provide housing and ensure social housing options for households with the greatest need. This is a key component identified in NLHC's Strategic Plan.

### 2014-17 Strategic Plan Goal:

By March 31, 2017, NLHC will have improved housing options within the stock of privately owned homes and rental homes in response to changing housing needs.

### 2015-16 Objective:

By March 31, 2016, NLHC will have further implemented measures to respond to changing housing needs.

### Measure:

Initiatives undertaken to respond to changing housing needs.

2015-16 Indicators	2015-16 Accomplishments
Number of repair and modification grants provided	<ul style="list-style-type: none"> <li>• In 2015-16, 1,153 households received regular PHRP grants totaling \$5,398,617 and 436 households received emergency PHRP grants totaling \$1,648,165. These grants allow homeowners to complete essential repairs and modifications and thereby remain in their own homes and communities. The average PHRP recipient is 68 years old and is a rural resident.</li> <li>• 365 households received Home Modification Program grants, totaling \$2,398,097, thus allowing them to make accessibility improvements to their homes. The average HMP client is approximately 70 years old and has an income of approximately \$14,288.</li> </ul>
Number of repair and modification grants provided to target groups	<ul style="list-style-type: none"> <li>• PHRP and HMP assisted the following number of households in specified target groups in 2015-16: <ul style="list-style-type: none"> <li>➤ Seniors ( persons 65 years or older) 1,810</li> <li>➤ Non-Seniors 814</li> </ul> </li> <li>• 365 households received Home Modification Program grants, allowing them to make accessibility improvements to their homes.</li> </ul>
Number of energy efficiency grants provided	<ul style="list-style-type: none"> <li>• 1,022 households received REEP grants, totaling \$2,973,493, to allow them to undertake energy efficiency improvements on their homes.</li> </ul>
Number of households assisted with Rent Supplements	<ul style="list-style-type: none"> <li>• By the end of March 2016, 1,873 households had received assistance throughout the year. 21 new rental accommodations were gained during this time.</li> </ul>
Number of new private affordable housing and supportive living units developed for specific target groups	<ul style="list-style-type: none"> <li>• By the end of March 2016, the following had been completed under the 2011 Affordable Housing proposal call: <ul style="list-style-type: none"> <li>➤ Multiple Target Groups: 98 units</li> <li>➤ Seniors: 31 units</li> <li>➤ Supportive Housing: 16 units</li> </ul> </li> <li>• Under the 2014 Affordable Housing proposal call: <ul style="list-style-type: none"> <li>➤ Multiple Target Groups: 17 units</li> </ul> </li> </ul>
Number of new private affordable housing units approved for development	<p>In 2014-15, 383 units (48 projects) were approved for development across the province under the 2014-19 IAH proposal call for private development. No additional approvals were given in 2015-16 as all funding was committed under a five year signed agreement in 2014-15.</p>



2015-16 Indicators	2015-16 Accomplishments
Number of new private affordable housing units constructed	30 units were constructed across the province by the private sector (under the 2011 IAH proposal call).
Number of new supportive living units approved for development	In 2014-15, 96 units (11 projects) were approved for development under the 2014-19 IAH proposal call for non-profit development. No additional approvals were given in 2015-16.
Number of new supportive living units constructed	20 units were constructed by the non-profit supportive living sector, under the 2011 IAH proposal call.
Number of individuals assisted by community groups funded through the Supportive Living Program (SLP)	In 2015-16, there were approximately 2,400 individuals assisted across the province by the community groups funded through SLP. As an integrated data system has not yet been completed, it is possible that some individuals utilized more than one program and as such were counted more than once.

**Discussion of Results:**

The results from 2015-16 show that NLHC remains committed to the direct delivery of public affordable rental housing, assisting homeowners in maintaining adequate and affordable housing, and in promoting the development and utilization of affordable rental housing in the private rental market. Residential repair programs (HMP, PHRP and REEP) provide funding through grants and loans to make critical repairs to their accommodations; without which most homeowners would not be able to remain in their homes. In the delivery of these programs, NLHC is able to address the changing housing needs which arise from an aging population, aging homes and rising energy prices in the province.

In 2015-16, approximately 2,976 low-income homeowners availed of these home repair programs. The Residential Energy Efficiency Program in particular helps to improve affordability by allowing homeowners to reduce their heating costs; in 2015-16, 1,022 grants were approved for this program. The full complement of rent supplements grew by 21 in 2015-16, while 1,873 households received assistance throughout the year. These programs positively and directly improve people’s housing quality and affordability and are extremely important in meeting the province’s commitment to deliver housing services to those most in need. Further to these programs, construction stimulated through the Affordable Housing Initiative engaged the private and non-profit sectors and helped address specific housing needs across the province.

## 2016-17

Objective: By March 31, 2017, NLHC will have further implemented measures to respond to changing housing needs.

Indicators:

- Number of repair and modification grants provided
- Number of repair and modification grants provided to target groups
- Number of energy efficiency grants provided
- Number of households assisted with Rent Supplements
- Number of new private affordable housing and supportive living units developed for specific target groups
- Number of new private affordable housing units approved for development
- Number of new private affordable housing units constructed
- Number of new supportive living units approved for development
- Number of new supportive living units constructed
- Number of individuals assisted by community groups funded through the Supportive Living Program (SLP)

Measure: Initiatives undertaken to respond to changing housing needs.

## Challenges

The economic environment will be an important factor in the delivery of NLHC programs and services in the coming year and NLHC will have to remain diligent and efficient in the management of its resources. The financial situations of many households will impact the need for assistance, especially those who live on relatively low and fixed incomes. NLHC will continue its work of serving these target populations. This may require the adaptation of programs, services and delivery to meet clients' needs in the light of the current economic realities. Continued pressure on the private rental market is expected as there is typically a lag between economic changes and the adjustment of rental rates. In recent years the increases in private rental rates have put significant pressure on the fixed rent supplement budget. As the demand for rent supplements are expected to continue to increase, it will be an ongoing challenge for NLHC to meet this demand.

NLHC will also continue to address the changing housing needs in "boom and bust." During a bust, communities facing significant unemployment and hardship often experience an inability to afford housing, while during a boom, those most vulnerable are at risk of being left behind as housing options tend to be utilized by those with higher incomes.

## Opportunities

A key opportunity lies with the ongoing work towards the creation of a Plan to End Homelessness as part of government's commitment to create a broad Provincial Housing Strategy as outlined in the December 2015 mandate letter to the Minister responsible for the Newfoundland and Labrador Housing Corporation. The development of this plan will require the partnership of several government departments to improve the understanding of housing and homelessness concerns and approaches identified to address individuals and families who have experienced significant barriers to being housed. An improved understanding of specific issues affecting members of our provincial community will inform the evolution of NLHC's programs, services and delivery methods.

There is an opportunity for the rent supplement market to become more open to NLHC clients. NLHC will continue to explore this market in the coming year and this may include such options as exploring how relationships with private landlords can be strengthened and to improve the delivery of this program.

## Annex A

### Detailed Lines of Business

## **Subsidized Rental Housing**

This line of business provides assistance in the form of programs and services, to households with low incomes who are unable to find suitable, affordable housing in the private market.

### Public Rental Housing

NLHC owns and operates 5,591 residential units which are located throughout the province. In 2015-16, 540 applicants were placed in NLHC units. The majority of the existing rental stock consists of 3-bedroom units, however NLHC continues to make an effort to create or access rental units with fewer bedrooms to more accurately reflect the needs of applicants and tenants and changing demographics.

### Rent Supplement Program

The private rental market remains a very important part of how housing requirements among those earning low-to-moderate incomes are met. The private market rental is able to provide one and two bedroom units for families and individuals with low-incomes. NLHC has developed hundreds of formal relationships with private landlords in an effort to deliver more affordable and suitable rental accommodations. The Rent Supplement Program assists clients by paying the portion of their rent that exceeds 25 per cent of their net household income. The portion paid by NLHC is paid directly to the landlord up to a maximum rental amount of \$800 per month. At the end of 2015-16, the total complement of rent supplement units was 1,873.

### Modernization and Improvement

Operating 5,591 rental units is a significant undertaking and requires major investments in capital. Renovations of NLHC stock include the replacement of roofing, siding, windows and doors. As a result of modernization and improvements on the exterior of this stock, there has also been an opportunity to initiate some interior renovations. In 2015-16, M&I work continued and 468 units in the seven regions were upgraded.

### Maintenance

Large infrastructure investments are essential to ensuring long term upkeep of properties; however, daily maintenance is also critical to maintaining the viability of the public rental stock. NLHC's maintenance department works hard to respond to wear and tear issues such as leaking pipes, broken heating systems, clogged drains, etc. These efforts not only improve the daily lives of tenants but act as a crucial part of sustaining the housing stock in the long term.

Maintaining and improving the quality of NLHC units remains a vital objective. In 2015-16, approximately \$12,392,000 million was budgeted for regular, everyday maintenance for 5,591 rental units across the province.

## Heat Subsidy Program

The Heat Subsidy Program is an important program that serves to reduce poverty and allows NLHC tenants to live comfortably. The program provides tenants with financial assistance to offset a significant portion of their home heating costs. The average subsidy received is \$1,236/year. The amount of heat subsidy a tenant receives depends upon number of bedrooms in their home.

In addition to providing a heat subsidy, NLHC has increased its emphasis on improving energy efficiency during modernization and improvement upgrades. Making units more energy efficient serves to improve overall housing affordability and means heat subsidies will go much further in helping tenants keep warm in their homes.

## **Capital Assistance**

Provides funding for the construction of new affordable housing, as well as grants and loans for critical repairs, accessibility modifications or energy efficiency improvements to protect existing housing options for low-income households.

## Affordable Housing Program (AHP)

The Affordable Housing Program (AHP) is the primary funding source for the construction of new affordable housing. This program provides capital funding to both the private market and non-profit groups. In 2011-12 there was a proposal call which resulted in approvals for the construction of 173 private-sector units and 41 non-profit sector units. In 2015-16, 40 of the remaining approved units were constructed and made ready for occupancy. By March 31, 2016, 173 of the 204 units approved for construction were completed.

In 2014, a new proposal call was issued and resulted in approvals for the construction of 380 private-sector units and 96 supportive-living units. As a result of the 2014 proposal call, 2015-16, 25 private-sectors units and 10 non-profit sector units were completed and work continues on the remaining approved projects.

## Provincial Home Repair Program (PHRP)

The Provincial Home Repair Program (PHRP) is a long standing successful repair program offered by NLHC. It is a cost-shared program with our federal counterpart Canada Mortgage and Housing Corporation (CMHC). Well over 55,000 low income households have benefited from this program through assistance in the form of grants and loans. Assistance is offered to individuals and families with low-incomes who require critical repairs to their homes. PHRP continues to be a significant component in the Government of Newfoundland and Labrador's efforts to support homeownership. It has been especially successful in allowing seniors to continue to live in their own homes and in their own communities for as long as possible.

PHRP is delivered via two separate components: emergency and non-emergency. Under “emergency” needs, financial assistance is provided based on priority, where issues relating to life safety are considered to be the most urgent. By definition if these repairs were not made, the homeowner would be forced to leave their home. Financial assistance is also provided for non-emergency items such as the replacement of windows, doors, siding and foundation, etc.

In 2015-16, PHRP had approved approximately \$7 million in forgivable grants to homeowners with low incomes across the province for repairs, serving 1,153 for “Regular Repairs” and 436 for “Emergency Repairs.” The average grant was \$4,435 and repayable loan commitments averaging \$4,542 were provided to 284 clients. On March 31, 2016, 398 applications were in process for assistance.

Over the past 39 years, PHRP has provided more than \$350 million in grants to over 56,000 low-income households throughout the Province.

The average PHRP recipient is 68 years of age, a rural resident with a household income of approximately \$21,074 and lives in a 50-year old house. The types of repairs that can be undertaken with a PHRP loan or grant include upgrades to heating, electrical or plumbing systems, and renovations and retrofits to structures, foundations, windows, doors, roofing or siding. Applications are prioritized based on previous assistance. Applicants must be homeowners with annual incomes of \$32,500 or less.

#### Residential Energy Efficiency Program (REEP)

The Residential Energy Efficiency Program (REEP) provides one-time grants to low-income homeowners to allow them to complete energy efficiency upgrades to their homes. The Program also provides pre- and post-inspections that prescribe the work to be completed and show the results in terms of increased energy efficiency.

In 2015-16, 1,022 applicants were approved to receive a REEP grant. These homeowners were eligible to undertake renovations such as basement and attic insulation, draft proofing, heating system upgrades as well as energy efficient windows and doors. Analysis has been completed on 2,817 clients that have availed of the program, and it was estimated that the average client will save 27% or \$690/year on their heating costs. The total annual greenhouse gas savings is 22,000 tonnes (the equivalent of 4,400 cars taken off the road each year).

#### Home Modification Program (HMP)

2015-16 marked the fifth year of the province’s specialized Home Modification Program (HMP); this program has a budget of \$3 million a year. HMP provides funding for low to moderate income persons with disabilities and seniors so that they are able to make accessibility modifications thereby allowing them to continue to live independently in their own homes.

As of March 31, 2016, approximately \$2.4 million was committed to assist 365 homeowners across the province with low to moderate incomes to make accessibility modifications to their homes. Additionally, forty-three applicants received an average of \$4,196 in repayable loans for a total of \$180,419.

The average HMP client is approximately 70 years of age, has an income of \$14,288, and lives in a 46-year-old house. The types of projects that can be undertaken with a Home Modification Program loan or grant include ramp installations, interior chair lifts, widening of doorways and halls, kitchen and bathroom alterations such as lowering kitchen counters, and the installation of walk-in showers.

#### Provincial Homelessness Fund (PHF)

The Provincial Homelessness Fund (PHF) provides funds for organizations who partner with NLHC. The Provincial Homelessness Fund provides capital funding for the development of working space/infrastructure that assists with the delivery of services for persons who are homeless or at risk of becoming homeless. In 2015-16, assistance was provided to 8 registered, non-profit organizations in 3 communities to develop working spaces for on-site and out-reach services that promote housing stability and support greater self-reliance.

Since the program was started, there have been approximately 86 grants provided to organizations in 20 different communities. This funding has allowed a large number of community members access to a range of services.



Regional Breakdown	PHRP		HMP		REEP	
	Number	% of Total	Number	% of Total	Number	% of Total
St. John's & Mt. Pearl	66	4%	23	6%	66	6%
Avalon (other)	406	25%	94	26%	321	31%
Marystown	105	7%	20	6%	68	7%
Labrador	21	1%	9	2%	4	0%
Gander	234	15%	54	15%	143	14%
Corner Brook	254	16%	38	10%	183	18%
Stephenville	189	12%	63	17%	77	8%
Grand Falls	314	20%	64	18%	160	16%
<b>TOTAL</b>	<b>1589</b>	<b>100%</b>	<b>365</b>	<b>100%</b>	<b>1022</b>	<b>100%</b>

Age Composition	PHRP		HMP		REEP	
	Number	% of Total	Number	% of Total	Number	% of Total
18-54	258	12%	51	14%	155	11%
55-64	438	19%	67	18%	307	22%
65 +	1563	69%	247	68%	948	67%
Total	2259	100%	365	100%	1410	100%
Average: 68		Average: 70		Average: 67		

Age of Homes	PHRP		HMP		REEP	
	Number	% of Total	Number	% of Total	Number	% of Total
29 Years and less	200	12%	79	22	177	17%
30 to 49 Years	642	41%	122	33	427	42%
50 Years and Older	628	40%	120	33	406	40%
Unknown	119	7%	44	12	12	1%
Total	1589	100%	365	100	1022	100%
Average: 50		Average: 46		Average: 48		

Income Profile	PHRP		HMP		REEP	
	Number	% of Total	Number	% of Total	Number	% of Total
\$0 - \$14,999	309	20%	159	43%	193	19%
\$15,000 - \$19,999	424	26%	145	40%	278	27%
\$20,000 - \$24,999	234	15%	31	9%	175	17%
\$25,000 - \$32,500	622	39%	30	8%	376	37%
Total	1589	100%	365	100%	1022	100%
Average: \$21,074		Average: \$14,288		Average: \$20,952		

## Community Housing and Service Providers

Provides financial, technical and administrative support to community housing partners in the non-profit, co-operative, and health sector, thereby supporting the provision of rental housing to low-to- moderate income households and persons with complex needs.

### Partner Managed Housing

In 2015-16, NLHC provided financial, technical and administrative support to 127 projects consisting of senior's complexes, housing cooperatives and other community based housing providers for a total of 2,593 units.

### Supportive Living Program (SLP)

In 2015-16, NLHC continued to deliver the Supportive Living Program (SLP). 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 \$5.3 million in 2015-16.

An Interdepartmental Advisory Committee chaired by NLHC staff with members from the Department of Child Youth and Family Services, the Department of Justice and Public Safety, the Department of Advanced Education and Skills, the Women's Policy Office, the Department of Health and Community Services, Eastern Health and the Department of Seniors, Wellness and Social Development continues to work in partnership to support and oversee this program. SLP compliments the longstanding programs that NLHC provides and it aligns with the first goal of the long-term Provincial Social Housing Plan, *Secure Foundations*: "increased emphasis on individual well-being and strengthened communities".

In 2015-16 there were 18 groups, agencies or partnerships supported through this program throughout the province which resulted in the delivery of 25 different projects. These projects ranged in service delivery from small used furniture bank operations to significant supportive living operations offered by Choices for Youth and Stella's Circle.

## Property Stewardship

Management of land and property holdings in a manner that is cost effective and sensitive to social housing and in keeping with other government policy direction.

## Annex B

### Financial Statements

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**NEWFOUNDLAND AND LABRADOR  
HOUSING CORPORATION**

**FINANCIAL STATEMENTS**

**MARCH 31, 2016**

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## 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.



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Mr. John Ottenheimer, Q.C.  
Chairperson and Chief Executive Officer



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Mr. Thomas F. Lawrence, FCPA, FCMA  
Chief Financial Officer



## **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, 2016, 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.)**

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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, 2016, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink, appearing to read 'T. Paddon', with a long horizontal line extending to the right.

**TERRY PADDON, CPA, CA**  
**Auditor General**

July 15, 2016  
St. John's, Newfoundland and Labrador

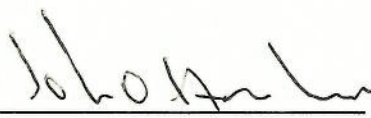
# NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION

## STATEMENT OF FINANCIAL POSITION

As at March 31

	2016	2015
	(000's)	(000's)
<b>FINANCIAL ASSETS</b>		
Cash	\$ 36,801	\$ 58,944
Accounts receivable (Note 3)	1,450	1,395
Land held for sale (Note 4)	-	22
Due from government and other government organizations (Note 5)	1,179	2,957
Loans receivable (Note 6)	5,490	5,324
Receivables from municipalities - land transfers (Note 7)	832	851
	<b>45,752</b>	<b>69,493</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 8)	10,994	12,492
Employee future benefits (Note 9)	26,109	26,125
Due to government and other government organizations (Note 10)	1,505	1,993
Deferred revenue (Note 11)	9,865	10,769
Long-term debt (Note 12)	97,078	103,364
	<b>145,551</b>	<b>154,743</b>
<b>Net debt</b>	<b>(99,799)</b>	<b>(85,250)</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 13)	121,398	125,687
Inventories held for use	392	368
Prepaid expenses (Note 14)	4,404	3,745
	<b>126,194</b>	<b>129,800</b>
<b>Accumulated surplus</b>	<b>\$ 26,395</b>	<b>\$ 44,550</b>
<b>Contingent liabilities (Note 15)</b>		
<b>Contractual obligations (Note 16)</b>		
<b>Trust under administration (Note 19)</b>		

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

	2016 Budget	2016 Actual	2015 Actual
	(000's) (Note 23)	(000's)	(000's)
<b>REVENUES (Note 17)</b>			
Province of Newfoundland and Labrador operating grant	\$ 34,518	\$ 36,430	\$ 42,754
CMHC revenue	50,260	51,288	50,092
Other government sources	225	381	308
Rent	21,421	21,682	21,321
Interest	800	841	1,160
Land sales	7,022	7,512	1,075
Gain on sale of tangible capital assets	2,250	-	-
Profit from land sales by municipalities	200	124	193
Other	37	263	139
	<b>116,733</b>	<b>118,521</b>	<b>117,042</b>
<b>EXPENSES (Note 17)</b>			
Rental operations	52,527	65,599	64,543
Partner managed housing	9,135	10,519	9,995
Affordable housing investments	23,670	25,951	17,155
Rent supplement	10,105	11,456	9,409
Land development	22	52	28
Administration	23,077	23,099	25,182
	<b>118,536</b>	<b>136,676</b>	<b>126,312</b>
<b>Annual deficit</b>	<b>(1,803)</b>	<b>(18,155)</b>	<b>(9,270)</b>
<b>Accumulated surplus, beginning of year</b>	<b>44,550</b>	<b>44,550</b>	<b>53,820</b>
<b>Accumulated surplus, end of year</b>	<b>\$ 42,747</b>	<b>\$ 26,395</b>	<b>\$ 44,550</b>

*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

	2016 Budget	2016 Actual	2015 Actual
	(000's) (Note 23)	(000's)	(000's)
<b>Annual deficit</b>	\$ (1,803)	\$ (18,155)	\$ (9,270)
<b>Changes in tangible capital assets (Note 13)</b>			
Acquisition of tangible capital assets	(1,123)	(1,545)	(2,470)
Net book value of tangible capital asset disposals and write-downs	-	76	352
Amortization of tangible capital assets	-	5,758	6,088
	<b>(1,123)</b>	<b>4,289</b>	<b>3,970</b>
<b>Changes in other non-financial assets</b>			
Net (acquisition) use of inventories held for use	-	(24)	9
Net acquisition of prepaid expenses	-	(659)	(142)
	-	(683)	(133)
<b>Increase in net debt</b>	<b>(2,926)</b>	<b>(14,549)</b>	<b>(5,433)</b>
<b>Net debt, beginning of year</b>	<b>(85,250)</b>	<b>(85,250)</b>	<b>(79,817)</b>
<b>Net debt, end of year</b>	<b>\$ (88,176)</b>	<b>\$ (99,799)</b>	<b>\$ (85,250)</b>

*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

	2016	2015
	(000's)	(000's)
<b>Operating transactions</b>		
Annual deficit	\$ (18,155)	\$ (9,270)
Adjustment for non-cash items and change in non-cash operating items:		
Contribution of tangible capital assets	-	(138)
Decrease in provision for doubtful accounts, loans receivable	(25)	(184)
Amortization of tangible capital assets	5,758	6,088
Write-down of tangible capital assets	-	54
Losses on sale of tangible capital assets	70	144
Employee future benefits	(16)	(61)
Deferred revenue	(904)	1,252
Forgivable loans	3,190	(5,368)
Other (Note 20)	(946)	1,631
<b>Cash applied to operating transactions</b>	<b>(11,028)</b>	<b>(5,852)</b>
<b>Capital transactions</b>		
Proceeds, net of selling costs, on sale of tangible capital assets	6	154
Cash used to acquire tangible capital assets	(1,545)	(2,332)
<b>Cash applied to capital transactions</b>	<b>(1,539)</b>	<b>(2,178)</b>
<b>Investing transactions</b>		
Decrease in receivable from municipalities - land transfers	19	133
Decrease in land for sale	22	-
Repayment of loans and advances	1,670	1,980
Forgivable loans	(3,190)	5,368
Loans and advances	(1,811)	(1,355)
<b>Cash (applied to) provided by investing transactions</b>	<b>(3,290)</b>	<b>6,126</b>
<b>Financing transactions</b>		
Debt retirement	(6,286)	(6,466)
<b>Cash applied to financing transactions</b>	<b>(6,286)</b>	<b>(6,466)</b>
<b>Decrease in cash</b>	<b>(22,143)</b>	<b>(8,370)</b>
<b>Cash, beginning of year</b>	<b>58,944</b>	<b>67,314</b>
<b>Cash, end of year</b>	<b>\$ 36,801</b>	<b>\$ 58,944</b>

*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 3 and Note 6, 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 12.

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 the Public Service Pension Plan Corporation 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.

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2016**

**3. Accounts receivable**

	2016 (000's)	2015 (000's)
Harmonized sales tax receivable	\$ 1,233	\$ 1,159
Rents	205	219
Other	161	148
	1,599	1,526
<u>Less: provision for doubtful accounts</u>	<u>(149)</u>	<u>(131)</u>
	<u>\$ 1,450</u>	<u>\$ 1,395</u>

**4. Land held for sale**

	2016 (000's)	2015 (000's)
Land held for sale, beginning of year	\$ 22	\$ 22
<u>Land development costs incurred during the year</u>	<u>7</u>	<u>-</u>
	29	22
<u>Less: cost of earned sales recognized during year</u>	<u>(29)</u>	<u>-</u>
<u>Land held for sale, end of year</u>	<u>\$ -</u>	<u>\$ 22</u>

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.



**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2016**

**5. Due from government and other government organizations**

	2016 (000's)	2015 (000's)
CMHC	\$ 296	\$ 2,373
Province of Newfoundland and Labrador	590	294
Municipalities	293	290
	<b>\$ 1,179</b>	<b>\$ 2,957</b>

**6. Loans receivable**

	2016 (000's)	2015 (000's)
Forgivable loans bearing no interest	\$ 75,594	\$ 72,404
Promissory notes bearing fixed interest rates ranging from 0% to 11.5%, repayable in blended monthly principal and interest payments with due dates ranging from April 2016 to April 2041. These notes are unsecured and can be retired prior to maturity.	5,310	5,463
Mortgages bearing fixed interest rates ranging from 0% to 8.75%, repayable in blended monthly principal and interest payments with due dates ranging from January 2017 to May 2036. These mortgages are secured and can be retired prior to maturity.	1,057	763
Less: provision for forgivable loans	(75,594)	(72,404)
Less: provision for doubtful accounts	(877)	(902)
	<b>\$ 5,490</b>	<b>\$ 5,324</b>

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.

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2016**

**7. 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, 2016, 21 agreements were in place for the transfer of land to municipalities at a carrying value of \$832,000 (2015 - \$851,000).

**8. Accounts payable and accrued liabilities**

	2016 (000's)	2015 (000's)
Trade accounts payable	\$ 6,211	\$ 8,344
Salaries and benefits payable	902	718
Accrued leave	2,109	2,003
Liability for contaminated sites (Note 8(a))	1,131	783
Other	641	644
	<b>\$ 10,994</b>	<b>\$ 12,492</b>

**(a) Liability for contaminated sites**

The Corporation recognized an estimated liability for contaminated sites of \$754,000 (2015 - \$783,000) for soil remediation at Chalker Place, St. John's. The nature of the liability is related to the removal of 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 \$29,000 were incurred during the fiscal year ended March 31, 2016. Expenditures are expected to occur in the fiscal years ended March 31, 2017, 2018 and 2019. There are no estimated recoveries anticipated.

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2016**

**8. Accounts payable and accrued liabilities (cont.)**

**(a) Liability for contaminated sites (cont.)**

The Corporation recognized an estimated environmental liability of \$377,000 (2015 - \$0) for soil remediation at Cashin Avenue and Pleasantville, 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 \$65,000 were incurred during the fiscal year ended March 31, 2016. Expenditures are expected to occur in the fiscal year ended March 31, 2017. 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

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

**9. 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 the Public Service Pension Plan Corporation, 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% (2015 - 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, 2016, was \$1,787,477 (2015 - \$1,433,690).

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2016**

**9. Employee future benefits (cont.)**

**(b) Retirement and other employee future benefit liabilities**

	2016			2015	
	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	\$ 19,061	\$ 1,685	\$ 1,216	\$ 21,962	\$ 21,638
Unamortized actuarial gain (loss), end of year	4,336	39	(228)	4,147	4,487
Employee future benefits liability, end of year	\$ 23,397	\$ 1,724	\$ 988	\$ 26,109	\$ 26,125

**(c) Change in employee future benefits liability**

	2016			2015	
	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	\$ -	\$ 30	\$ 105	\$ 135	\$ 711
Interest on accrued benefit obligation	916	87	60	1,063	1,382
Amortization of actuarial (gains) losses	(367)	(6)	33	(340)	468
Employee future benefits expense	549	111	198	858	2,561
Less: benefits payments	(349)	(318)	(207)	(874)	(2,622)
Change in employee future benefits liability	\$ 200	\$ (207)	\$ (9)	\$ (16)	\$ (61)

**9. 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. Effective May 1, 2014, there is no further accumulation of severance pay service for unionized employees. During the year ended March 31, 2015, unionized employees that had accumulated severance pay prior to May 1, 2014, elected to receive all, or a portion, of severance pay accumulated or to defer payment of their accumulated severance to retirement without further accumulation.

Severance pay 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.

**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.

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
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**9. 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, 2016, have been extrapolated based on valuations performed as at March 31, 2015.

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

	2016	2015
Long-term inflation rate	2.0%	2.0%
Compensation increase	4.0%	4.0%
Discount rate	5.0%	5.0%
Health care cost trend	5.5%	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 eight 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.

**10. Due to government and other government organizations**

	2016 (000's)	2015 (000's)
CMHC - accrued interest payable	\$ 869	\$ 931
CMHC - other	-	7
Federal government business enterprise	1	5
Provincial Government	10	103
Provincial government business enterprise	25	31
Municipalities	600	916
	<b>\$ 1,505</b>	<b>\$ 1,993</b>

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2016**

**11. Deferred revenue**

	Balance, beginning of year	Billings/receipts during year	Transferred to revenue	Refundable to CMHC	Balance, end of year
	(000's)	(000's)	(000's)	(000's)	(000's)
CMHC Affordable Housing Program	\$ 10,764	\$ 6,810	\$ (7,714)	\$ -	\$ 9,860
CMHC Provincial Home Repair Program	5	-	-	-	5
	\$ 10,769	\$ 6,810	\$ (7,714)	\$ -	\$ 9,865

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, 2016, CMHC funding in the amount of \$9,865,000 was received but not earned.

**12. Long-term debt**

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

	2016 (000's)	2015 (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.	\$ 76,409	\$ 78,424
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 14.25%, repayable in blended monthly principal and interest payments of \$195,962 with due dates ranging from April 2016 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.	3,038	5,604

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2016**

**12. Long-term debt (cont.)**

	2016 (000's)	2015 (000's)
CMHC fixed rate term debentures, at variable interest rates of 1.01% to 2.04% repayable in blended monthly installments of \$180,460, with final due dates ranging from December 2021 to January 2030. This debt is not secured and can be retired prior to maturity.	17,619	19,312
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, bearing fixed interest rates ranging from 2.00% to 11.00%, with final due dates ranging from June 2016 to August 2034. This debt can be retired prior to maturity.	12	24
	<b>\$ 97,078</b>	<b>\$ 103,364</b>

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

	(000's)
2017	\$ 5,535
2018	5,278
2019	5,115
2020	5,051
2021	5,070
2022 - 2038	<u>71,029</u>
	<u>\$ 97,078</u>

Interest expense for the year on outstanding debt totaled \$10,379,000 (2015 - \$11,212,000) and is included in interest and bank charges in the segmented information by object (Note 17).



**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2016**

**13. Tangible capital assets**

**March 31, 2016**

	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)
<b>Cost</b>									
Opening balance	\$ 56,192	\$ 236,766	\$ 9,058	\$ 228	\$ 86	\$ 1,152	\$ 2,393	\$ 2,175	\$ 308,050
Additions	-	1,143	-	18	-	60	98	226	1,545
Disposals	(26)	(147)	-	-	-	-	-	(141)	(314)
Write-downs	-	-	-	-	-	-	-	-	-
Closing balance	\$ 56,166	\$ 237,762	\$ 9,058	\$ 246	\$ 86	\$ 1,212	\$ 2,491	\$ 2,260	\$ 309,281
<b>Accumulated amortization</b>									
Opening balance	\$ -	\$ 172,698	\$ 4,286	\$ 128	\$ 48	\$ 983	\$ 2,276	\$ 1,944	\$ 182,363
Amortization	-	5,173	226	24	9	105	86	135	5,758
Disposals	-	(97)	-	-	-	-	-	(141)	(238)
Write-downs	-	-	-	-	-	-	-	-	-
Closing balance	\$ -	\$ 177,774	\$ 4,512	\$ 152	\$ 57	\$ 1,088	\$ 2,362	\$ 1,938	\$ 187,883
<b>Net book value</b>	<b>\$ 56,166</b>	<b>\$ 59,988</b>	<b>\$ 4,546</b>	<b>\$ 94</b>	<b>\$ 29</b>	<b>\$ 124</b>	<b>\$ 129</b>	<b>\$ 322</b>	<b>\$ 121,398</b>

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

March 31, 2016

**13. Tangible capital assets (cont.)**

**March 31, 2015**

	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)
<b>Cost</b>									
Opening balance	\$ 56,275	\$ 235,025	\$ 9,058	\$ 228	\$ 86	\$ 1,152	\$ 2,382	\$ 2,158	\$ 306,364
Additions	21	2,371	-	-	-	-	11	67	2,470
Disposals	(104)	(539)	-	-	-	-	-	(50)	(693)
Write-downs	-	(91)	-	-	-	-	-	-	(91)
Closing balance	\$ 56,192	\$ 236,766	\$ 9,058	\$ 228	\$ 86	\$ 1,152	\$ 2,393	\$ 2,175	\$ 308,050
<b>Accumulated amortization</b>									
Opening balance	\$ -	\$ 167,656	\$ 4,060	\$ 106	\$ 40	\$ 872	\$ 2,166	\$ 1,807	\$ 176,707
Amortization	-	5,424	226	22	8	111	110	187	6,088
Disposals	-	(345)	-	-	-	-	-	(50)	(395)
Write-downs	-	(37)	-	-	-	-	-	-	(37)
Closing balance	\$ -	\$ 172,698	\$ 4,286	\$ 128	\$ 48	\$ 983	\$ 2,276	\$ 1,944	\$ 182,363
<b>Net book value</b>	<b>\$ 56,192</b>	<b>\$ 64,068</b>	<b>\$ 4,772</b>	<b>\$ 100</b>	<b>\$ 38</b>	<b>\$ 169</b>	<b>\$ 117</b>	<b>\$ 231</b>	<b>\$ 125,687</b>

# NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION

## NOTES TO FINANCIAL STATEMENTS

March 31, 2016

### 13. Tangible capital assets (cont.)

Cost of rental properties at March 31, 2016, includes work in progress of \$2,743,000 (2015 - \$1,782,000). Work in progress is not being amortized as it is not yet available for use. There were contributed tangible capital assets with a fair value of \$nil recorded during the year (2015 - \$138,000).

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.

### 14. Prepaid expenses

Prepaid expenses consist of:

	2016 (000's)	2015 (000's)
Property taxes and other municipal fees	\$ 3,379	\$ 3,149
Insurance costs	390	176
Workers' compensation fees	280	311
Software licenses	327	102
Rent	10	5
Other	18	2
	<b>\$ 4,404</b>	<b>\$ 3,745</b>

### 15. 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, 2016, the amount of the principal outstanding under this guarantee, and limit of the guarantee, was \$56,873,000. 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.

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2016**

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**16. Contractual obligations**

	<b>2016</b>	<b>2015</b>
	<b>(000's)</b>	<b>(000's)</b>
Uncompleted purchase and construction contracts	\$ 6,521	\$ 8,369
Commitments under lending programs	30,085	30,024
Commitments under grant programs	3,339	2,120
	<b>\$ 39,945</b>	<b>\$ 40,513</b>

Contractual obligations are those to outside organizations in respect of contracts entered into on or before March 31, 2016. These contractual obligations will become liabilities when the terms of the contracts are met.

**17. Segmented information by object**

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

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
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**17. Segmented information by object (cont.)**

	Rental operations		Partner managed housing		Affordable housing investments		Rent supplement		Land development		Administration		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	(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)
<b>Revenues</b>														
Province of Newfoundland and Labrador operating grant	\$ 519	\$ 489	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,911	\$ 42,265	\$ 42,754
CMHC revenue	-	-	-	-	7,721	5,561	-	-	-	-	-	43,567	44,531	50,092
Other government sources	293	291	-	-	88	17	-	-	-	-	-	-	-	308
Rent	21,682	21,321	-	-	-	-	-	-	-	-	-	-	-	21,321
Interest	-	-	-	-	-	-	-	-	7,512	1,075	-	-	1,160	1,160
Land sales	-	-	-	-	-	-	-	-	124	193	-	-	-	193
Profit from land sales by municipalities	-	-	-	-	-	-	-	-	-	-	-	-	1	139
Other	-	138	-	-	-	-	-	-	-	-	263	-	-	139
	22,494	22,239	-	-	7,809	5,578	-	-	7,636	1,268	80,582	87,957	118,521	117,042
<b>Expenses</b>														
Rental property operating costs	34,246	31,772	-	-	-	-	-	-	-	-	-	-	-	31,772
Amortization	4,884	5,184	428	427	-	-	-	-	-	-	446	477	5,758	6,088
Grants and subsidies	8,298	8,696	9,850	8,933	25,809	17,043	11,456	9,409	-	-	-	152	55,413	44,233
Land costs	-	-	-	-	-	-	-	-	29	-	-	-	-	-
Other administration	-	-	-	288	-	-	-	-	23	28	3,939	5,012	3,962	5,328
Salaries and benefits	7,279	7,549	-	-	-	-	-	-	-	-	17,765	18,317	25,044	25,866
Interest and bank charges	10,537	11,028	241	347	23	40	-	-	-	-	949	1,224	11,750	12,639
Loss on sale of tangible capital assets	70	144	-	-	-	-	-	-	-	-	-	-	-	144
Valuation allowances	285	170	-	-	119	72	-	-	-	-	-	-	404	242
	65,599	64,543	10,519	9,995	25,951	17,155	11,456	9,409	52	28	23,999	25,182	136,676	126,312
<b>Annual (deficit) surplus</b>	<b>\$ (43,105)</b>	<b>\$ (42,304)</b>	<b>\$ (10,519)</b>	<b>\$ (9,995)</b>	<b>\$ (18,142)</b>	<b>\$ (11,577)</b>	<b>\$ (11,456)</b>	<b>\$ (9,409)</b>	<b>\$ 7,584</b>	<b>\$ 1,240</b>	<b>\$ 57,483</b>	<b>\$ 62,775</b>	<b>\$ (18,155)</b>	<b>\$ (9,270)</b>

# NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION

## NOTES TO FINANCIAL STATEMENTS

March 31, 2016

### 18. Related party transactions

#### (a) Transactions with related parties

	2016 (000's)	2015 (000's)
<b>REVENUES</b>		
<b>Province of Newfoundland and Labrador operating grant</b>		
Consolidated Revenue Fund	\$ 36,430	\$ 42,754
<b>Rent</b>		
Consolidated Revenue Fund	181	184
Western Regional Health Authority	25	32
Eastern Regional Health Authority	9	9
Labrador-Grenfell Regional Health Authority	-	2
<b>EXPENSES</b>		
<b>Rental operations</b>		
Consolidated Revenue Fund	146	148
Nalcor Energy	58	65
<b>Partner managed housing</b>		
Eastern Regional Health Authority	1,180	1,323
Western Regional Health Authority	486	605
Central Regional Health Authority	268	256
Labrador-Grenfell Regional Health Authority	94	83
<b>Affordable housing investments</b>		
Eastern Regional Health Authority	175	131
Consolidated Revenue Fund	-	1
<b>Administration</b>		
Consolidated Revenue Fund	418	400
Eastern Regional Health Authority	40	43
Memorial University of Newfoundland	18	20
Nalcor Energy	1	2

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2016**

**18. Related party transactions (cont.)**

**(b) Balances due from and to related parties**

	<b>2016</b>	<b>2015</b>
	<b>(000's)</b>	<b>(000's)</b>
<b>Due from government and other government organizations</b>		
Consolidated Revenue Fund	\$ 590	\$ 294
<b>Due to government and other government organizations</b>		
Consolidated Revenue Fund	7	36
Nalcor Energy	25	31
Memorial University of Newfoundland	2	5
Eastern Regional Health Authority	1	40
Western Regional Health Authority	-	22

**19. Trust under administration**

For the year ended March 31, 2016, the balance of funds held in trust was \$3,572,000 (2015 - \$3,572,000). The funds are held on behalf of various non-profit housing groups to provide for the future replacement or repair of capital items.

**20. Statement of cash flows - other**

	<b>2016</b>	<b>2015</b>
	<b>(000's)</b>	<b>(000's)</b>
Accounts receivable	\$ (73)	\$ 37
Accounts receivable - provision for doubtful accounts	18	(79)
Due from government and other government organizations	1,778	(707)
Accounts payable and accrued liabilities	(1,498)	2,229
Due to government and other government organizations	(488)	284
Inventories held for use	(24)	9
Prepaid expenses	(659)	(142)
	<b>\$ (946)</b>	<b>\$ 1,631</b>

# NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION

## NOTES TO FINANCIAL STATEMENTS

March 31, 2016

### 21. 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 \$149,000 has been provided for through an allowance for decline in value, as disclosed in Note 3. An estimated impairment of loans receivable for \$877,000 has been provided for through an allowance for decline in value, as disclosed in Note 6. 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, 2016, the aging of loans receivable that are past due but not impaired, are as follows:

	(000's)
30 days	\$ 39
60 days	154
90 days	46
Over 90 days	<u>67</u>
	<u>\$ 306</u>

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.



**21. 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, 2016, 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 \$120,000. 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, 2016, the increase/decrease in annual surplus for each one percent change in interest rates on the CMHC fixed rate term debentures amounts to \$178,000.

**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 12. 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, 2016.

**22. 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.

**23. 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.

# NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION

## NOTES TO FINANCIAL STATEMENTS

March 31, 2016

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### **24. 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.

### **25. Comparative figures**

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