

# ANNUAL REPORT 2018-19

Newfoundland and Labrador  
Housing Corporation



## MESSAGE FROM THE CHAIR

I am pleased to present the 2018-19 Annual Report for the Newfoundland and Labrador Housing Corporation (NL Housing), which provides an overview of the key activities, achievements, and financial information for the 2018-19 fiscal year.

The mandate of NL Housing is to develop and administer social housing policies and programs for the benefit of low-to-moderate income households throughout the province, with a focus on supporting the most vulnerable. The services provided by NL Housing provide clients with access to safe, stable and affordable housing which is essential to the social, financial, and physical well-being of individuals and communities. Affordable housing, core housing need, homelessness, and sustainability are some of the housing priority issues for the people of this province, particularly those who identify as having distinct needs. In 2018-19, substantial work was completed to reach a bilateral agreement that was acceptable to both the Province and the Federal Government. With a signed bilateral agreement, NL Housing is now working on the completion of a three-year action plan to deliver on the targeted outcomes of the bilateral agreement and National Housing Strategy. Once completed, the finishing touches will be added to the Provincial Housing and Homelessness Plan.

This report was prepared under the direction of the Board of Directors of NL Housing, in accordance with the requirements of the **Transparency and Accountability Act**. NL Housing is a Category One Government Entity and its Board of Directors is accountable for the actual results reported in this document.



Rhonda Neary  
Chair

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## Departmental Overview

### Organizational Structure

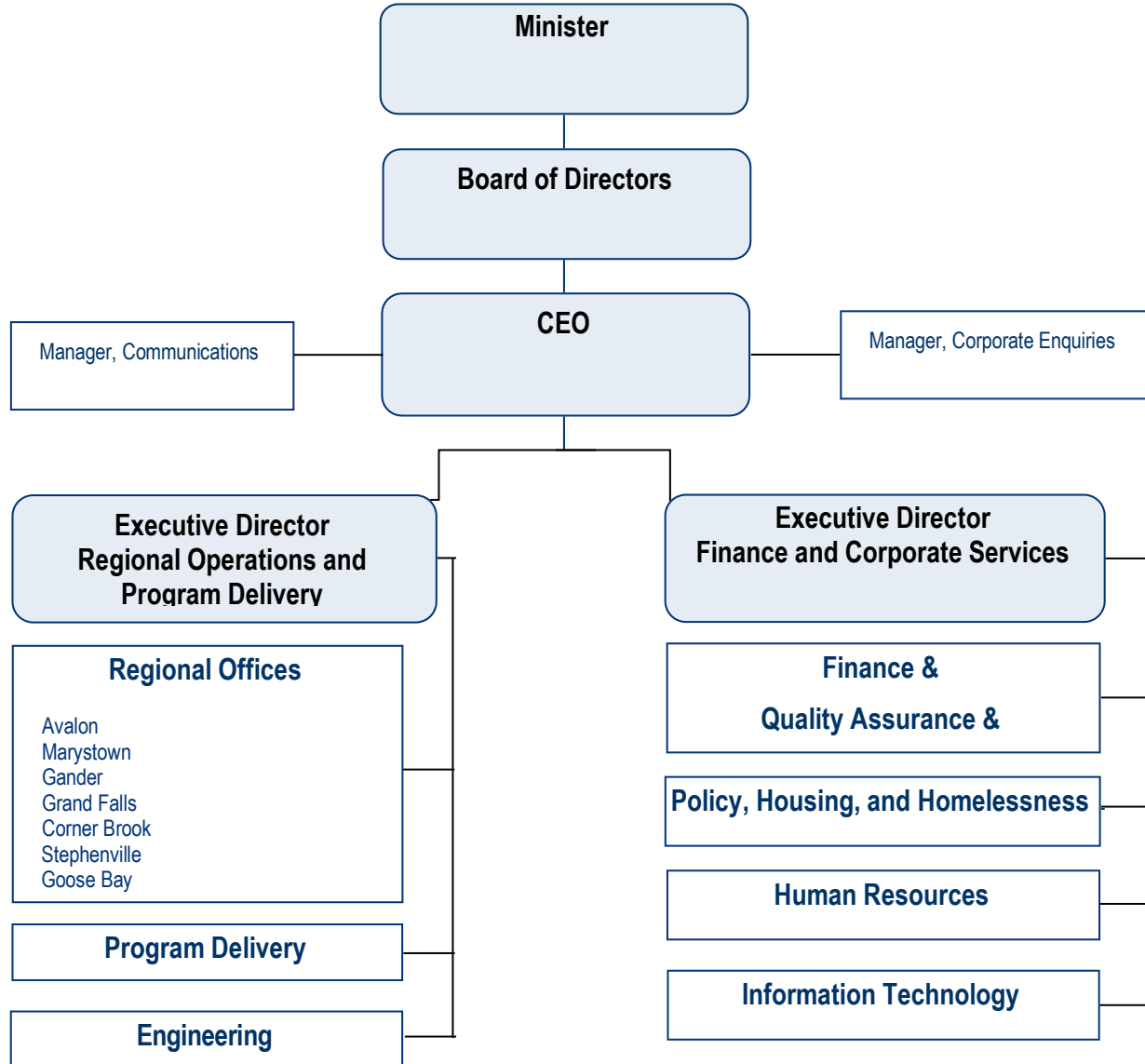
NL Housing is a provincial Crown corporation that operates under the authority of the **Housing Corporation Act**. It is governed by a Board of Directors appointed by the Lieutenant-Governor in Council. The Board represents different geographic areas and interest groups and reports to the Government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

Rhonda Neary (Chair) Portugal Cove-St. Phillips	Colin O'Brien Happy Valley-Goose Bay	David Loveys Conception Bay South
Karen Alexander Paradise	Derrick House Kippens	Barbara Cull Stephenville
Fraser Piccott St. John's	Glenn Goss, CEO (Interim) St. John's (Non-Voting Member)	

NL Housing's clientele consists of individuals and families with low-to-moderate incomes who require assistance in accessing or maintaining safe, adequate and affordable housing. The programs delivered serve renters, homeowners, persons with disabilities, persons with complex needs, seniors, youth, victims of family violence, and all others experiencing housing need. NL Housing offers a diverse range of programs from home repair assistance to delivery and maintenance of public social housing units. NL Housing is committed to working collaboratively with our many community partners to help address the needs of those who require a combination of affordable accommodations and support services. In 2018-19, 13,293 households received direct assistance through NL Housing programs. Many other individuals and families have been assisted through a variety of community-based nonprofit housing partnerships supported by NL Housing. Additional information about the programs and services offered by NL Housing as well as the current mandate can be found at the NL Housing website: [www.nlhc.nl.ca](http://www.nlhc.nl.ca)

### Staff and Budget

The following chart provides an overview of NL Housing’s organizational structure as of March 31, 2019:



**NL Housing Programs and Clients Served**

<b>Program</b>	<b>Households</b>	<b>Clients</b>
NL Housing Units	5,560	11,851
Rent Supplement	1,775	2,006
Co-Op Housing	163	n/a <sup>1</sup>
Partner Managed Housing	1,928	2,383
Investment in Affordable Housing	1,475 <sup>2</sup>	1,877
Home Modification Program	372	n/a <sup>1</sup>
Provincial Home Repair Program	1,575	2,171
Home Energy Savings Program	445	593
Workplace Health, Safety and Compensation Commission clients	n/a <sup>3</sup>	12 <sup>4</sup>
Supportive Living Program	n/a	5,000+ <sup>5</sup>
<b>Total</b>	<b>13,293</b>	<b>25,893</b>

<sup>1</sup> Individual client data is not applicable as these programs serve households.

<sup>2</sup> The total number of affordable housing units that are in operation and providing rental housing services.

<sup>3</sup> Household data is not applicable as these programs serve individual clients.

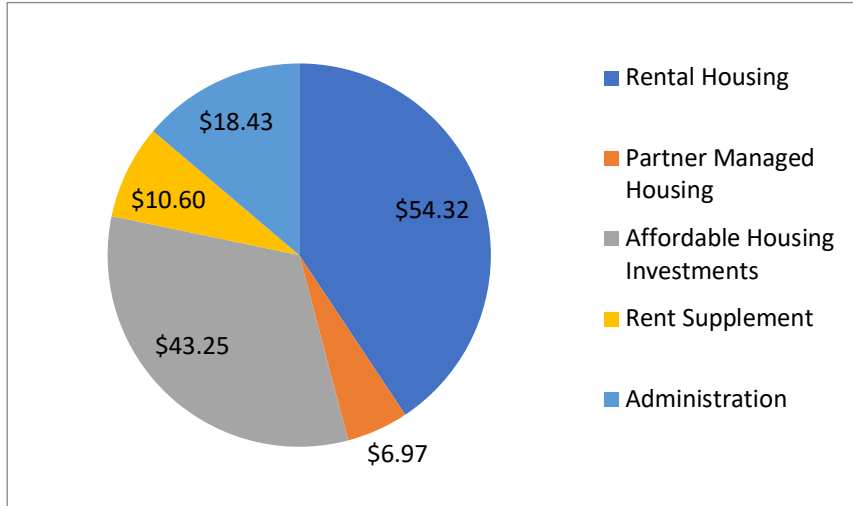
<sup>4</sup> Inspections completed for Workplace NL formally known as Workplace Health, Safety and Compensation Commission clients.

<sup>5</sup> This number is derived from all reports and statistics received by March 31, 2019. The number encompasses individuals who are at risk of or experiencing homelessness. Services include but are not limited to, housing support and placement, supported living, intensive case management, eviction prevention measures, and goods and services. Good and Services include Photo ID's, Birth certificates, bank accounts, meals, toiletries, and personal hygiene supplies, food and transportation vouchers, power bill assistance, eye exams, bus passes, apartment start-up kits, supportive counselling, harm reduction supplies, clothing, referrals to other services, emergency shelter.

**Financial Information**

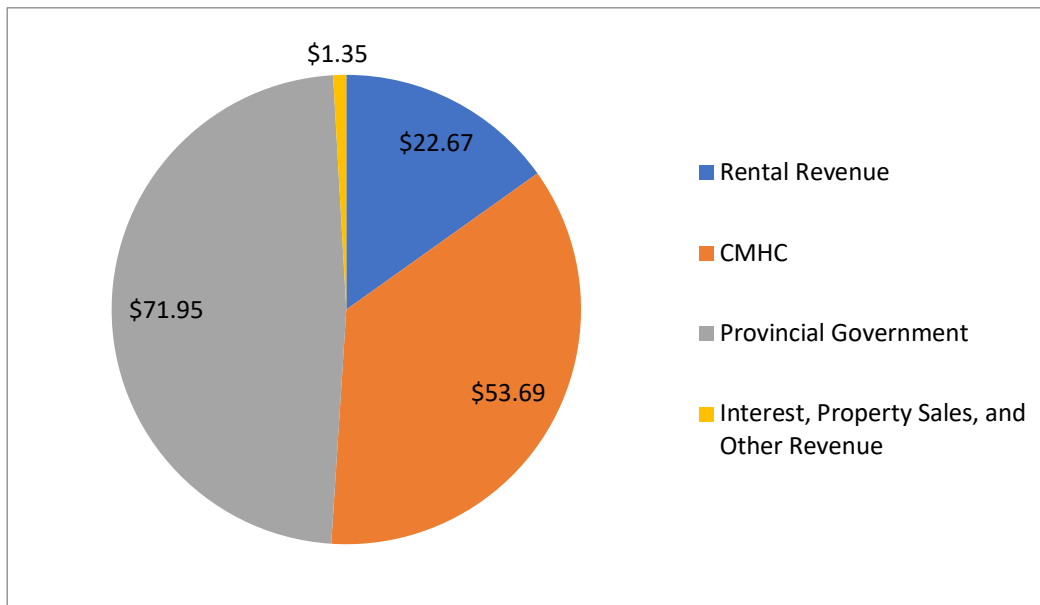
**Expenses**

Total expenditures in 2018-19 were \$133.57 million. Please refer to the audited financial statements for further details.



**Sources of Funds**

Total revenues in 2018-19 were \$149.66 million. Please refer to the audited financial statements for further details.



**Staff**

As of March 31, 2019, NL Housing had 306 permanent, seasonal and temporary positions distributed across seven regional offices and the headquarters located in St. John's. Eighty-four of the positions (27 percent) are at headquarters in St. John's, while the regional offices have a combined total of 222 positions or 73 percent. The workforce is 45 percent female and 55 percent male.

<b>Region</b>	<b>Number of Positions</b>
Head Office	84
Avalon	115
Marystown	7
Grand Falls	23
Gander	10
Corner Brook	39
Stephenville	15
Labrador	13
<b>Totals</b>	<b>306</b>



## Highlights and Partnerships

### **National Housing Strategy**

In 2018-19, the final pieces of work toward reaching a bilateral agreement between Canada Mortgage and Housing Corporation (CMHC) and Newfoundland and Labrador were finalized, representing a substantial collaborative effort between the Federal and Provincial Governments. The bilateral agreement between the Governments of Canada and Newfoundland and Labrador will provide over \$270 million in cost-matched funding over the next nine years. This funding will address the goals and outcomes of the National Housing Strategy, which include the preservation, repair, and expansion of social and community housing, and help to support key provincial priorities included in this plan. The National Housing Strategy will align closely with the forthcoming Provincial Housing and Homelessness Plan in striving for communities where the challenges of homelessness, core housing need and the lack of housing affordability are addressed through the creation and maintenance of a system of housing structures, supports, and services. The Government of Newfoundland and Labrador is committed to implementing actions and solutions that will make housing more affordable, energy-efficient, and sustainable in the future. We will work across sectors and in partnership with key stakeholders to realize the ambitious goals set forth in this plan.

### **Supportive Living Program**

The Supportive Living Program (SLP) provides grants to nonprofit organizations to assist in the provision of services and supports, or to increase community capacity towards addressing and preventing homelessness. The SLP primarily supports the Housing First approach which recognizes that permanent housing, combined with individualized flexible supports, without preconditions of wellness or sobriety, is essential to promote housing stability for individuals with complex needs. The target population of individuals supported through the Supportive Living Program experience one or more of the following:

- Complex Needs
- Require the support of multiple service providers that offer a range of support services;
- Traverse social, correctional, mental health, and addictions services systems;
- Rely on emergency shelter services on a regular basis due to a lack of affordable and supportive housing options;
- Access community supports because they have limited familial or financial resources available to them; and
- Experience social exclusion

In 2018-19, SLP funded 22 partners for 29 projects across Newfoundland and Labrador with a budget of \$8.1 million.

### **Transition Houses**

In April 2018, responsibility and oversight for Transition Houses (THs) was transferred from the four Regional Health Authorities and consolidated under NL Housing. The province's Transition Houses provide secure accommodations for women and their children who are at risk of or have been subjected to violence. They provide protection, services, and resources to their clients enabling women and their children to recover from violence, rebuild self-esteem, and take steps to regain a self-determined and independent life. Many survivors of intimate partner violence do not report abuse and often do not seek help from formal service providers and authorities for many reasons. The presence of and supports offered by transition houses address some of these barriers by encouraging women to seek assistance.

Transition Houses promote women's equality and often have a role in speaking out on systemic issues of discrimination and societal experiences of women that give rise to violence against them. Beyond providing a safe place to stay, THs may also offer a range of other services such as:

- Facilitation for legal orders of protection
- Assistance in accessing services such as housing, health, financial
- Assistance in navigating the judicial, police, legal aid, and social service systems

- Counselling and empowerment
- Children's programming
- Job readiness
- Education for clients and community
- Advocacy

Currently, there are 10 Transition Houses funded by NL Housing providing a total of 127 beds throughout the province with a budget of \$8.6 million.

### **Emergency Housing**

In June 2018, the Newfoundland and Labrador Housing Corporation assumed responsibility for the oversight and administration of the emergency shelter program. In 2018-19, NL Housing began exploring options to improve and strengthen the emergency shelter programs and services to better assist individuals throughout Newfoundland and Labrador. In an effort to offer better services to clients, NL Housing began to explore partnerships with community-based organizations in order to inform and develop an inclusive range of emergency shelter options to better meet the needs of our community and support more positive outcomes for clients.

Since taking responsibility in June 2018, NL Housing has made a number of changes to the emergency shelter system including a partnership with the City of St. John's Regulatory Services Division to perform semi-annual property and safety inspections on all shelters; introduced quarterly operational inspections carried out by NL Housing staff and renewed a commitment to engage with nonprofit shelter operators to support improved client outcomes. In addition, NL Housing partnered with community stakeholders to explore shelter operations, and develop standards that support consistent responses and training for staff.

## **Scholarships**

The 2018 NL Housing youth and adult scholarships were awarded to 12 students across the province. The scholarships are valued at \$1,000 each and support adult tenants and tenants' children. The scholarships are awarded in three regions of the province:

Avalon/Eastern, Central and Western/Labrador. Youth scholarships are awarded based on performance on public examinations. Recipients of adult scholarships are selected based on an assessment of financial need, initiative and community involvement.

Additional details on the scholarship program and 2018 recipients can be found at [www.releases.gov.nl.ca/releases/2019/cssd/0702n01.aspx](http://www.releases.gov.nl.ca/releases/2019/cssd/0702n01.aspx)

Report on Performance

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

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

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

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

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

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

**2019-20 Objective:** By March 31, 2020, the NL Housing will have implemented further initiatives from the Plan.

**Indicators:**

- Identified the priority issues of the Provincial Housing and Homelessness Plan
- Outlined timelines and sequencing of priority issues
- Implemented actions as per the timeline identified for 2019-20
- Pursued alignment with Canada Mortgage and Housing Corporation’s National Housing Strategy

2018-19 Indicator	2018-19 Accomplishment
Identified the priority issues of the Provincial Housing and Homelessness Plan	Priority issues identified during the development of the Provincial Housing and Homeless Plan include Core Housing Need, Housing Affordability, Target Populations, Homelessness, and Social Housing Sustainability.
Outlined timelines and sequencing of priority issues	The Provincial Housing and Homelessness Plan is being created with a three-year timeline for actions. This will allow for flexibility and enable NL Housing to revisit the Plan at the end of the first three-year period to evaluate and update actions and schedule in alignment with the National Housing Strategy.
Implemented actions as per the timeline identified for 2018-19	While the Provincial Housing and Homelessness Plan was still in draft form in 2018-19, many priority areas and actions were being addressed in order to ensure that the situations of those facing core housing need were improved. Examples include alignment of the emergency shelter and transition housing; introduction of a portable rent-supplement pilot; introduction of multi-year grants for a selection of housing and homelessness serving organizations.

<p>Pursued alignment with Canada Mortgage and Housing Corporation's National Housing Strategy</p>	<p>Preparations to support the signing of the bilateral agreement with CMHC and the National Housing Strategy advanced on work done in 2017-18. The Provincial Housing and Homelessness Plan is aligned with the Government of Canada and the bilateral agreement in both its goals and its reporting process. This includes a focus on key target populations, housing affordability, core housing need, social housing sustainability, and homelessness.</p>
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**Discussion of Results:**

In 2018-19, NL Housing identified priority issues for a plan that will address housing and homelessness concerns in this province for the coming years. The priority issues identified include core housing need, housing affordability, target populations, homelessness, and social housing sustainability. The plan to address these issues has been created with a timeline for actions that align directly with the bilateral agreement's three-year Action Plan and overarching National Housing Strategy. In aligning the three-year Action Plan with the forthcoming provincial plan, Newfoundland and Labrador is aiming to synchronize the goals and reporting processes at the provincial and federal level. This strategic alignment is key in facilitating the next nine years of federal funding and will support the streamlining of targets and objectives in both outcomes and reporting standards. While the Housing and Homelessness Plan was in draft form in 2018-19, many of the priority areas and actions were addressed and appropriate actions were taken to advance the housing situations of people in this province facing core housing need. This forthcoming plan was delayed in order to ensure that it aligned with the National Housing Strategy and Action Plan.

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

In addition to the ongoing maintenance and renewal of the public housing stock, the effective utilization of the existing stock is an important goal for NL Housing. The portfolio mostly built 40-60 years ago, consists primarily of homes with three or more bedrooms while over 90 percent of current applicants require one or two-bedroom homes. In addition, some tenants are currently “over-housed,” meaning that they are occupying units that have more bedrooms than required. To ensure the housing stock is being used as effectively as possible, it will be necessary for NL Housing to look at current uses, demand, changing demographics, regional differences, and needs and identify potential opportunities for repurposing and redevelopment of existing underutilized stock. Every five years, NL Housing creates a plan for addressing the modernization and improvement (M&I) needs for its units throughout the province; 2018-19 marked year two of the most recent M&I plan.

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

**2018-2019 Objective:** By March 31, 2019, NL Housing will have completed year two of the Modernization and Improvement Plan to further improve the condition of its public rental housing stock and implemented priority actions to improve utilization of the stock.

**2019-2020 Objective:** By March 31, 2020, NL Housing will have improved the condition and utilization of its public rental housing stock.

### **Indicators:**

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



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2018-19 Indicator	2018-19 Accomplishment
Number of public rental housing units that receive interior upgrades	In 2018-19, 541 units in 114 buildings received interior upgrades. Interior upgrades include improvements to kitchens, bathrooms, and flooring. In 2017-18, 333 units received upgrades.
Number of public rental housing units that receive exterior upgrades	In 2018-19, 937 units in 300 buildings received exterior upgrades. Exterior upgrades include primarily the replacement of windows, doors, siding, and roofing. In 2017-18, 881 units received upgrades.
Further developed options identified during the comprehensive assessment for redevelopment and repurposing of underutilized housing units	The bilateral agreement includes targets on the renewal of housing stock. In working to meet renewal targets, NL Housing will take units that are no longer covered under the Social Housing Agreement and renew them with a more strategic focus. NL Housing has worked with community groups to leverage housing units for various social or community purposes and in 2018-19 reviewed a number of proposals to support these continued efforts. The NL Housing five year Modernization and Improvement Plan was created having taken the redevelopment of units into consideration, the outcome being that some units identified as being suitable for retrofitting will be addressed throughout the cycle of the plan.

**Discussion of Results:**

In 2018-19, NL Housing continued its commitment to maintaining and upgrading its housing stock. Upgrades to unit interiors, which include work on kitchens, bathrooms, and flooring were completed on 541 units in 114 buildings. Exterior upgrades including the replacement of windows, doors, siding, and roofing were completed on 937 units in 300

buildings across the province. Steps were taken to optimize the NL Housing stock, particularly in ways that have not traditionally been considered. NL Housing worked with community needs in mind as it determined new ways to use its stock for emergency housing purposes. Given that the bilateral agreement was to include the renewal of stock, NL Housing moved forward with the ongoing development of its Modernization and Improvement Plan with redevelopment of units in mind. Traditionally, redevelopment of units would have meant retrofitting larger units to meet the demand for smaller 1 and 2 bedrooms units. However, in 2018-19, NL Housing began to focus attention on creative and efficient ways in which units may be best used to meet the needs of the people of this province, exploring the possibility of shared accommodations as well as compiling a comprehensive list of social housing units that have potential for reconfiguration.

### **Strategic Issue 3: Building a Culture of Continuous Improvement**

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

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

Making continuous improvement a key strategic issue for the three-year planning cycle ensures there will be a formalized and focused emphasis placed on providing a framework, training, and tools to build a culture of continuous improvement with a

commitment to improving the effectiveness and efficiency of NL Housing’s programs and services.

**2017-2020 Strategic Plan Goal:** By March 31, 2020, NL Housing will have improved its capacity in implementing continued process improvements.

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

**2019-20 Objective:** By March 31, 2020, NL Housing will have improved its capacity in implementing continued process improvements.

**Indicators:**

- Strive to continue the development and publication of service standards
- Strengthen internal communications and capacity building and knowledge sharing around the Lean Process

2018-19 Indicator	2018-19 Accomplishment
Continued with Lean Review process and began development of public service standards	As of March 31, 2019, NL Housing had published three (3) service standards on its corporate website, Service standards included areas of Corporate Enquiries, Home Repair Programs, and Finance. Specific Service Standards may be viewed at: <a href="http://www.nlhc.nl.ca/wp-content/uploads/2019/03/Service-Standards.pdf">www.nlhc.nl.ca/wp-content/uploads/2019/03/Service-Standards.pdf</a>
Supported staff capacity to further Lean processes within the organization	Informal sharing of tools and learnings of the Lean Process within NL Housing has been encouraged. Throughout 2018-19 further strides were made in embedding Lean principles and practices throughout NL Housing. These efforts have been facilitated through the including of Lean as a standing item

	<p>added to the agenda of monthly senior management meetings. Staff capacity in the Central Region was strengthened in 2018-19 following commencement of the Home Repair Program Lean initiative.</p>
<p>Further implemented initiatives as identified in the Lean review</p>	<p>A review of the Provincial Home Repair Program and the Home Modification Program was completed in 2018-19. The review involved mapping the application intake process and has resulted in a series of recommendations that seek to make the process more efficient. This review was led by the Central Region and will continue with data collection occurring in 2019.</p> <p>In 2018-19, work was done to streamline the process by which applications move through NL Housing. One example of this was the development of an improved online program application. Program applications were developed with Lean processes and Way Forward digital by design best practices and commitments in mind.</p>

**Discussion of Results:**

In 2018-19, NL Housing published three service standards as a means of reflecting its commitment to the unique requirements of the NL Housing’s programs and services. First, a service standard regarding corporate enquiries states that NL Housing’s Manager of Corporate Enquires will attempt to contact the enquirer within two (2) business days of receiving an enquiry. The second service standard is related to the Provincial Home Repair Program which commits NL Housing to strive to provide an acknowledgment to the applicant within ten (10) business days of receiving an application for all home assistance programs. The third service standard is related to the provision of electronic funds transfers (EFT) being expanded to include vendors and nonprofit grants recipients.

EFT provides a safe, secure and reliable method to receive payments and provides vendors and NL Housing with an efficient and secure method to disburse funds.

In an effort to support staff capacity to advance Lean processes and culture, the informal sharing of tools and learnings has been encouraged. These efforts have been supported and reinforced with the addition of “Lean” as a standing item to the monthly Senior Management meeting agenda. In 2018-19 a review of the Provincial Home Repair Program and Home Modification Programs was undertaken by the Central Regional Office. The review involved mapping the application intake process and has resulted in a series of recommendations that seek to make the process more efficient. This review will continue with data collection occurring in 2019. Furthermore, in 2018-19, work was done to streamline the process by which applications move through NL Housing. Program applications were developed with Lean processes and Way Forward digital by design best practices and commitments in mind.

## Opportunities and Challenges

### Opportunities

In 2019-20, NL Housing will finalize a three-year Action Plan that will outline how the province will use CMHC and provincial cost-matched funding to achieve targeted results. Over the course of the bilateral agreement, government will provide housing support to over 17,500 households, targeting households in core housing need, and with the Federal government, develop a benefit that will support renters in housing need.

NL Housing will continue to focus on partnerships with community-based organizations in order to better and more efficiently serve those in need. Strong relationships with community organizations remain extremely important for NL Housing, given their strong connection to clients. There are also opportunities for alignment between Federal, Provincial, and Municipal governments under the National Housing Strategy which could encourage shared information, knowledge, and lead to services that are more geographically inclusive and ensure that resources are wisely and prudently deployed in a strategic and planned manner.

As Transition Houses and the Emergency Housing Program now fall under the purview of NL Housing, there is an improved ability to partner with community-based organizations in order to be responsive and support clients at various points along the housing continuum. These relationships can help streamline efforts and contribute to the development of emergency shelter options that better meet the needs of our community, and support more positive outcomes for clients, as well as further the work of Transition Houses that provide secure accommodations for women and their children at risk of violence.

## Challenges

In 2019-20, the economic environment will be an important factor in the delivery of NL Housing programs and services. When responding to demand it is essential that NL Housing remain conscientious and efficient in deploying its resources. The financial circumstances of individuals and families in this province will also impact the demand for assistance, especially those with low and fixed incomes. NL Housing will focus on providing services that are most effective in providing safe, stable, and affordable housing while also considering new and innovative ways to reach those most in need.

As the population of Newfoundland and Labrador continues to age and rely on fixed incomes, there is a strong potential that the demand for the range of programs offered by NL Housing will increase. The geography of this province can also be challenging as NL Housing works to meet various housing needs in urban centres and unique rural communities. The size of communities and the distance between communities are just two of the barriers to receiving adequate services for some individuals. This is a challenge that NL Housing continues to focus on, often in consultation with community stakeholders and partner departments.

Currently, there is an underutilization of some NL Housing's stock in rural areas. In some areas of the province, there is little to no demand for units and/or bedroom configurations that exist within the housing stock. Considering the expansion of their use to meet other social purposes is something that needs to be examined further in the coming year. Pending available resources, units could potentially be repurposed as shared accommodations, emergency accommodations, or to provide space for other endeavours as local need dictates. Working with key community and government departments to envision and resource supportive housing options will continue to be a collective priority and challenge which requires us to be nimble and responsive to the needs of our provinces most vulnerable. Improved housing and client outcomes can be realized by creatively leveraging our respective budgetary allocations in new and innovative way.

**NEWFOUNDLAND AND LABRADOR  
HOUSING CORPORATION**

**FINANCIAL STATEMENTS**

**MARCH 31, 2019**



## 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.

  
\_\_\_\_\_  
Mr. Glenn Goss  
Chief Executive Officer (Interim)

  
\_\_\_\_\_  
Mr. Mike Tizzard, CPA, CGA  
Executive Director of Finance & Corporate Services



**AUDITOR  
GENERAL**  
of Newfoundland and Labrador

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**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

*Opinion*

I have audited the financial statements of the Newfoundland and Labrador Housing Corporation (the Corporation), which comprise the statement of financial position as at March 31, 2019, statements of operations, change in net debt, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*Basis for Opinion*

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

*Other Information*

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and my auditor's report thereon. The annual report is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance.

## **Independent Auditor's Report (cont.)**

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the 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.

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

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

### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

## **Independent Auditor's Report (cont.)**

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



**JULIA MULLALEY, CPA, CA**  
**Auditor General**

July 19, 2019  
St. John's, Newfoundland and Labrador

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**

As at March 31

	2019	2018
	(000's)	(000's)
<b>FINANCIAL ASSETS</b>		
Cash	\$ 3,973	\$ 2,026
Accounts receivable (Note 4)	1,554	2,054
Land held for sale (Note 5)	9	9
Due from government and other government organizations (Note 6)	22,645	22,696
Loans receivable (Note 7)	7,258	6,578
Receivables from municipalities - land transfers (Note 8)	688	776
	<b>36,127</b>	<b>34,139</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 9)	7,953	11,180
Employee future benefits (Note 10)	24,552	25,709
Due to government and other government organizations (Note 11)	1,879	2,057
Deferred revenue (Note 12)	12,605	21,619
Long-term debt (Note 13)	81,549	86,701
	<b>128,538</b>	<b>147,266</b>
<b>Net debt</b>	<b>(92,411)</b>	<b>(113,127)</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 14)	109,227	113,797
Inventories held for use	401	422
Prepaid expenses (Note 15)	4,290	4,329
	<b>113,918</b>	<b>118,548</b>
<b>Accumulated surplus</b>	<b>\$ 21,507</b>	<b>\$ 5,421</b>
<b>Contingent liabilities (Note 16)</b>		
<b>Contractual rights (Note 17)</b>		
<b>Contractual obligations (Note 18)</b>		
<b>Trust under administration (Note 21)</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

	2019 Budget	2019 Actual	2018 Actual
	(000's) (Note 25)	(000's)	(000's)
<b>REVENUES (Note 19)</b>			
Province of Newfoundland and Labrador operating grant	\$ 67,213	\$ 71,946	\$ 41,081
CMHC revenue	45,380	53,686	61,504
Other government sources	250	184	281
Rent	22,354	22,669	22,571
Interest	511	534	492
Land sales	-	177	8
Gain on sale of tangible capital assets	-	-	10
Profit from land sales by municipalities	30	82	52
Other	37	369	271
	<b>135,775</b>	<b>149,647</b>	<b>126,270</b>
<b>EXPENSES (Note 19)</b>			
Rental operations	47,446	54,315	61,250
Partner managed housing	7,280	6,969	8,589
Affordable housing investments	39,574	43,254	26,905
Rent supplement	10,975	10,597	10,419
Land development	-	-	145
Administration	19,856	18,426	20,824
	<b>125,131</b>	<b>133,561</b>	<b>128,132</b>
<b>Annual surplus (deficit)</b>	<b>10,644</b>	<b>16,086</b>	<b>(1,862)</b>
<b>Accumulated surplus, beginning of year</b>	<b>5,421</b>	<b>5,421</b>	<b>7,283</b>
<b>Accumulated surplus, end of year</b>	<b>\$ 16,065</b>	<b>\$ 21,507</b>	<b>\$ 5,421</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**

	2019 Budget	2019 Actual	2018 Actual
	(000's) (Note 25)	(000's)	(000's)
<u>Annual surplus (deficit)</u>	\$ 10,644	\$ 16,086	\$ (1,862)
<b>Changes in tangible capital assets (Note 14)</b>			
Acquisition of tangible capital assets	(1,213)	(926)	(952)
Net book value of tangible capital asset disposals and write-downs	-	184	2
<u>Amortization of tangible capital assets</u>	-	5,312	5,265
	(1,213)	4,570	4,315
<b>Changes in other non-financial assets</b>			
Net use (acquisition) of inventories held for use	-	21	(39)
<u>Net use (acquisition) of prepaid expenses</u>	-	39	(3)
	-	60	(42)
<b>Decrease in net debt</b>	9,431	20,716	2,411
<u>Net debt, beginning of year</u>	(113,127)	(113,127)	(115,538)
<u>Net debt, end of year</u>	\$ (103,696)	\$ (92,411)	\$ (113,127)

*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

	2019	2018
	(000's)	(000's)
<b>Operating transactions</b>		
Annual surplus (deficit)	\$ 16,086	\$ (1,862)
Adjustment for non-cash items and change in non-cash operating items:		
Increase in provision for doubtful accounts, loans receivable	307	-
Amortization of tangible capital assets	5,312	5,265
Write-down of tangible capital assets	23	2
Loss (gains) on sale of tangible capital assets	111	(10)
Employee future benefits	(1,157)	(239)
Deferred revenue	(9,014)	(5,206)
Forgivable loans	2,750	4,867
Other (Note 22)	(2,794)	52
<b>Cash provided from operating transactions</b>	<b>11,624</b>	<b>2,869</b>
<b>Capital transactions</b>		
Proceeds, net of selling costs, on sale of tangible capital assets	50	10
Cash used to acquire tangible capital assets	(926)	(952)
<b>Cash applied to capital transactions</b>	<b>(876)</b>	<b>(942)</b>
<b>Investing transactions</b>		
Decrease in receivable from municipalities - land transfers	88	1
Repayment of loans and advances	1,337	1,609
Forgivable loans	(2,750)	(4,867)
Loans and advances	(2,324)	(1,656)
<b>Cash applied to investing transactions</b>	<b>(3,649)</b>	<b>(4,913)</b>
<b>Financing transactions</b>		
Debt retirement	(5,152)	(5,323)
<b>Cash applied to financing transactions</b>	<b>(5,152)</b>	<b>(5,323)</b>
<b>Increase (decrease) in cash</b>	<b>1,947</b>	<b>(8,309)</b>
<b>Cash, beginning of year</b>	<b>2,026</b>	<b>10,335</b>
<b>Cash, end of year</b>	<b>\$ 3,973</b>	<b>\$ 2,026</b>

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



# NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION

## NOTES TO FINANCIAL STATEMENTS

March 31, 2019

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### 1. Nature of operations

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

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

### 2. Summary of significant accounting policies

#### (a) Basis of accounting

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

#### (b) Financial instruments

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

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

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

#### (c) Cash

Cash includes cash in the bank.

**2. Summary of significant accounting policies (cont.)**

**(d) Land held for sale**

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

**(e) Loans receivable**

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

**(f) Liability for contaminated sites**

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

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

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the Corporation:
  - is directly responsible, or
  - accepts responsibility;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

**(g) Employee future benefits**

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

The employees of the Corporation are subject to the *Public Service Pensions Act, 1991*. Employee contributions are matched by the Corporation and remitted to Provident<sup>10</sup> 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.

# NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION

## NOTES TO FINANCIAL STATEMENTS

March 31, 2019

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### 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 tangible capital assets, 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, 2019

### 3. Change in accounting policy

On April 1, 2018, the Corporation adopted *PS 3430 Restructuring Transactions*. This is a new standard on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities. The accounting change had no impact on the financial statements.

### 4. Accounts receivable

	2019 (000's)	2018 (000's)
Harmonized sales tax receivable	\$ 1,105	\$ 1,626
Rents	461	320
Other	247	301
	1,813	2,247
Less: provision for doubtful accounts	(259)	(193)
	\$ 1,554	\$ 2,054

### 5. Land held for sale

	2019 (000's)	2018 (000's)
Land held for sale, beginning of year	\$ 9	\$ 9
Land development costs incurred during the year	-	-
	9	9
Less: cost of earned sales recognized during year	-	-
Land held for sale, end of year	\$ 9	\$ 9

In September 1998, the Province directed the Corporation to divest of the majority of its land holdings. Land held for sale is valued at the lower of cost and net realizable value. The estimated net realizable value is determined using management's best estimates of future sales and costs. Management recognizes that changes in future conditions, such as market demand, assumed in making these estimates, are not predictable. Consequently, 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, 2019**

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

	<b>2019</b> <b>(000's)</b>	<b>2018</b> <b>(000's)</b>
CMHC	\$ 17,878	\$ 11,616
Province of Newfoundland and Labrador	4,602	10,807
Municipalities	165	273
	<b>\$ 22,645</b>	<b>\$ 22,696</b>

**7. Loans receivable**

	<b>2019</b> <b>(000's)</b>	<b>2018</b> <b>(000's)</b>
Forgivable loans bearing no interest	\$ 88,524	\$ 85,774
Promissory notes bearing fixed interest rates ranging from 0.99% to 11%, repayable in blended monthly principal and interest payments with due dates ranging from April 2019 to April 2041. These notes are unsecured and can be retired prior to maturity.	5,603	5,348
Mortgages bearing fixed interest rates ranging from 0% to 8%, repayable in blended monthly principal and interest payments with due dates ranging from March 2020 to April 2039. These mortgages are secured and can be retired prior to maturity.	2,813	2,081
Less: provision for forgivable loans	(88,524)	(85,774)
Less: provision for doubtful accounts	(1,158)	(851)
	<b>\$ 7,258</b>	<b>\$ 6,578</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, 2019

### 8. Receivable from municipalities - land transfers

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

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

For the year ended March 31, 2019, 21 agreements were in place for the transfer of land to municipalities at a carrying value of \$688,000 (2018 - \$776,000).

### 9. Accounts payable and accrued liabilities

	2019 (000's)	2018 (000's)
Trade accounts payable	\$ 4,820	\$ 6,780
Salaries and benefits payable	636	767
Management restructuring charges payable	-	905
Accrued leave	1,522	1,725
Liability for contaminated sites (Note 9(a))	214	325
Other	761	678
	<b>\$ 7,953</b>	<b>\$ 11,180</b>

#### (a) Liability for contaminated sites

The Corporation has not recognized an estimated environmental liability (2018 - \$2,000) for soil remediation at Chalker Place, St. John's. Remediation has been completed to seven electrical transformers containing polychlorinated biphenyls (PCBs). No future remediation is expected.

The Corporation recognized an estimated environmental liability of \$214,000 (2018 - \$323,000) for soil remediation at Cashin Avenue and Empire Avenue, St. John's. The nature of the liability is related to the removal of underground fuel storage tanks. Historical costs of previous work of this nature were used as a basis of measurement. Expenditures of \$109,000 were incurred during the fiscal year ended March 31, 2019. There are no estimated recoveries anticipated.

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
 March 31, 2019

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

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

A liability has not been recognized in relation to the following contaminated 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

**10. Employee future benefits**

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

**(a) Pension Plan**

The Corporation and its employees contribute to the Public Service Pension Plan in accordance with the *Public Service Pensions Act, 1991* (the *Act*). The plan is administered by Provident<sup>10</sup>, 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% (2018 - 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, 2019 was \$1,597,132 (2018 - \$1,682,659).



**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2019**

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

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

	2019			2018	
	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	\$ 19,234	\$ 298	\$ 925	\$ 20,457	\$ 21,149
Unamortized actuarial gain (loss), end of year	4,252	-	(157)	4,095	4,560
Employee future benefits liability, end of year	\$ 23,486	\$ 298	\$ 768	\$ 24,552	\$ 25,709

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

	2019			2018	
	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	\$ -	\$ 217	\$ 132	\$ 349	\$ 145
Interest on accrued benefit obligation	927	-	47	974	1,088
Amortization of actuarial (gains) losses	(597)	-	37	(560)	(457)
Employee future benefits expense	330	217	216	763	776
Less: benefits payments	(447)	(1,195)	(278)	(1,920)	(1,015)
Change in employee future benefits liability	\$ (117)	\$ (978)	\$ (62)	\$ (1,157)	\$ (239)

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

**(d) Retirement and other employee future benefits**

**i. Retirement life insurance and health care benefits**

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

**ii. Severance pay**

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

On May 31, 2018, the Province of Newfoundland and Labrador enacted legislation affecting severance pay for executives, managers, and non-management/non-union employees. As a result of the legislation, executive, managers and non-management/non-union employees with at least one year of service will be entitled to one week of salary for each complete year of service, up to a maximum of 20 weeks, as of May 31, 2018, and no additional severance will accrue beyond May 31, 2018. Employees may elect to receive all of their entitlement by March 31, 2019, or they may defer receiving their entitlement to a later date.

The severance liability as at March 31, 2019 represents severance owing to employees who deferred receiving their severance entitlement.

**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**  
 March 31, 2019

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

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

**iv. Actuarial valuation**

The accrued benefit obligations, excluding severance, for employee future benefit plans as at March 31, 2019, have been extrapolated based on valuations performed as at March 31, 2018.

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

	2019	2018
Long-term inflation rate	2.0%	2.0%
Compensation increase	2.5%	2.5%
Discount rate	5.0%	5.0%
Health care cost trend	4.0%	4.0%

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

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

**v. Experience gains or losses**

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

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

	2019 (000's)	2018 (000's)
CMHC - accrued interest payable	\$ 771	\$ 801
CMHC - other	-	10
Federal government business enterprise	3	2
Provincial Government	160	100
Provincial government business enterprise	12	7
<u>Municipalities</u>	<u>933</u>	<u>1,137</u>
	<u>\$ 1,879</u>	<u>\$ 2,057</u>

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2019**

**12. Deferred revenue**

	Balance, beginning of year	Billings/receipts during year	Transferred to revenue	Balance, end of year
	(000's)	(000's)	(000's)	(000's)
CMHC Affordable Housing Program	\$ 19,394	\$ 1,023	\$ (10,628)	\$ 9,789
CMHC Rent Supplement Program	1,581	-	(163)	1,418
CMHC Provincial Home Repair Program	644	5,787	(5,033)	1,398
	\$ 21,619	\$ 6,810	\$ (15,824)	\$ 12,605

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, 2019, CMHC funding in the amount of \$12,605,000 was received or receivable but not earned.

**13. Long-term debt**

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

	2019 (000's)	2018 (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.	\$ 68,975	\$ 71,712
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 6.51%, repayable in blended monthly principal and interest payments of \$14,887 with due dates ranging from April 2019 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.	120	621

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
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**13. Long-term debt (cont.)**

	2019 (000's)	2018 (000's)
CMHC fixed rate term debentures, at variable interest rates of 1.01% to 2.14% repayable in blended monthly installments of \$172,564, with final due dates ranging from December 2021 to January 2030. This debt is not secured and can be retired prior to maturity.	12,454	14,368
	<b>\$ 81,549</b>	<b>\$ 86,701</b>

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

	(000's)
2020	\$ 5,088
2021	5,109
2022	5,201
2023	5,550
2024	5,504
2025 - 2038	<u>55,097</u>
	<u>\$ 81,549</u>

Interest expense for the year on outstanding debt totaled \$9,234,000 (2018 - \$9,597,000) and is included in interest and bank charges in the segmented information by object (Note 19).

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**14. Tangible capital assets**

**March 31, 2019**

	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	\$ 56,276	\$ 239,989	\$ 9,058	\$ 246	\$ 86	\$ 1,257	\$ 2,491	\$ 2,283	\$ 311,686
Additions	-	508	-	-	-	179	32	207	926
Disposals	(58)	(317)	-	-	-	-	-	(278)	(653)
Write-downs	-	(76)	-	-	-	-	-	-	(76)
Closing balance	\$ 56,218	\$ 240,104	\$ 9,058	\$ 246	\$ 86	\$ 1,436	\$ 2,523	\$ 2,212	\$ 311,883
<b>Accumulated amortization</b>									
Opening balance	\$ -	\$ 187,162	\$ 4,964	\$ 201	\$ 75	\$ 1,193	\$ 2,453	\$ 1,841	\$ 197,889
Amortization	-	4,813	226	21	9	54	30	159	5,312
Disposals	-	(214)	-	-	-	-	-	(278)	(492)
Write-downs	-	(53)	-	-	-	-	-	-	(53)
Closing balance	\$ -	\$ 191,708	\$ 5,190	\$ 222	\$ 84	\$ 1,247	\$ 2,483	\$ 1,722	\$ 202,656
<b>Net book value</b>	<b>\$ 56,218</b>	<b>\$ 48,396</b>	<b>\$ 3,868</b>	<b>\$ 24</b>	<b>\$ 2</b>	<b>\$ 189</b>	<b>\$ 40</b>	<b>\$ 490</b>	<b>\$ 109,227</b>

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

**March 31, 2018**

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

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
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**14. Tangible capital assets (cont.)**

Cost of rental properties at March 31, 2019, includes work in progress of \$1,961,000 (2018 - \$2,228,000). Work in progress is not being amortized as it is not yet available for use. There were no contributed tangible capital assets recorded during the year (2018 - \$0).

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

**15. Prepaid expenses**

Prepaid expenses consist of:

	<b>2019</b>	<b>2018</b>
	(000's)	(000's)
Property taxes and other municipal fees	\$ 3,507	\$ 3,328
Insurance costs	407	420
Workers' compensation fees	266	279
Software licenses	104	293
Rent	6	8
Other	-	1
	<b>\$ 4,290</b>	<b>\$ 4,329</b>

**16. Contingent liabilities**

**(a) Guaranteed debt**

The Corporation has provided loan guarantees pursuant to the Canada-Newfoundland Social Housing Agreement in respect of certain CMHC debt of partner managed housing operators. For the year ended March 31, 2019, the amount of the principal outstanding under this guarantee, and limit of the guarantee, was \$30,028,000. 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**  
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**17. Contractual rights**

Contractual rights are rights to economic resources arising from contracts or agreements that will result in revenues and assets in the future. The Corporation has entered into the Social Housing Agreement (1997). The contractual rights of the Corporation for future assets and revenues are \$327,283,000 for the Social Housing Agreement (1997).

**18. Contractual obligations**

	<b>2019</b>	2018
	(000's)	(000's)
Uncompleted purchase and construction contracts	\$ 4,070	\$ 4,977
Commitments under lending programs	16,255	24,858
Commitments under grant programs	2,521	3,294
	<b>\$ 22,846</b>	<b>\$ 33,129</b>

Contractual obligations are those to outside organizations and individuals in respect of contracts entered into on or before March 31, 2019. These contractual obligations will become liabilities when the terms of the contracts are met.

**19. Segmented information by object**

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

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**19. Segmented information by object (cont.)**

	Rental operations		Partner managed housing			Affordable housing investments			Rent supplement			Land development			Administration			Total	
	2019	2018	2019	2018	2017	2019	2018	2017	2019	2018	2017	2019	2018	2017	2019	2018	2017	2018	2017
	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)
<b>Revenues</b>																			
Province of Newfoundland and Labrador operating grant	\$ 267	\$ 345	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CMHC revenue	-	-	-	15,113	21,484	171	53	-	-	-	-	-	-	-	-	-	-	-	-
Other government sources	157	251	-	27	30	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rent	22,669	22,571	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land sales	-	-	-	-	-	-	-	-	-	-	177	-	-	-	-	-	-	-	-
Gain on sale of tangible capital assets	-	10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit from land sales by Municipalities	-	-	-	-	-	-	-	-	-	-	82	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	23,093	23,177	-	15,140	21,514	171	53	259	60	110,984	81,466	149,647	126,270						
<b>Expenses</b>																			
Rental property operating costs	24,663	31,609	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amortization	4,549	4,501	428	428	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grants and subsidies	9,023	8,652	6,512	8,090	26,684	10,597	10,419	-	145	2,706	2,640	2,706	2,785	24,663	5,312	69,041	53,845	5,265	
Other administration	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Salaries and benefits	6,298	6,446	-	-	-	-	-	-	-	14,551	16,910	20,849	23,356	834	938	10,258	10,731	2,785	2,785
Interest and bank charges	9,394	9,715	29	71	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss on sale of tangible capital assets	111	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Valuation allowances	277	327	-	344	214	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	54,315	61,250	6,969	8,589	26,905	10,597	10,419	259	145	18,426	20,824	133,561	128,132						
<b>Annual (deficit) surplus</b>	\$ (31,222)	\$ (38,073)	\$ (6,969)	\$ (8,589)	\$ (5,391)	\$ (10,426)	\$ (10,366)	\$ 259	\$ (85)	\$ 92,558	\$ 60,642	\$ 16,086	\$ (1,862)						

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
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**20. Related party transactions**

**(a) Transactions with related parties**

	<b>2019</b>	<b>2018</b>
	<b>(000's)</b>	<b>(000's)</b>
<b>REVENUES</b>		
<b>Province of Newfoundland and Labrador operating grant</b>		
Consolidated Revenue Fund	\$ 71,946	\$ 41,081
<b>Rent</b>		
Consolidated Revenue Fund	165	149
Labrador-Grenfell Regional Health Authority	13	13
<b>EXPENSES</b>		
<b>Rental operations</b>		
Nalcor Energy	63	75
Consolidated Revenue Fund	131	33
Western Regional Health Authority	2	-
<b>Partner managed housing</b>		
Eastern Regional Health Authority	846	888
Western Regional Health Authority	330	305
Central Regional Health Authority	263	192
Labrador-Grenfell Regional Health Authority	39	6
<b>Affordable housing investments</b>		
Eastern Regional Health Authority	176	175
<b>Administration</b>		
Consolidated Revenue Fund	337	432
Eastern Regional Health Authority	40	39
Nalcor Energy	1	2
Memorial University of Newfoundland	1	-

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

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

	<b>2019</b>	2018
	(000's)	(000's)
<b>Due from government and other government organizations</b>		
Consolidated Revenue Fund	\$ 4,586	\$ 10,758
Western Regional Health Authority	-	49
Central Regional Health Authority	16	-
<b>Due to government and other government organizations</b>		
Consolidated Revenue Fund	74	100
Nalcor Energy	12	7
Central Regional Health Authority	86	-

**21. Trust under administration**

For the year ended March 31, 2019, the balance of funds held in trust was \$3,482,000 (2018 - \$3,482,000). The funds are held on behalf of various non-profit housing groups to provide for the future replacement or repair of capital items.

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

	<b>2019</b>	2018
	(000's)	(000's)
Accounts receivable	\$ 434	\$ (80)
Accounts receivable - provision for doubtful accounts	66	38
Due from government and other government organizations	51	(1,697)
Accounts payable and accrued liabilities	(3,227)	1,343
Due to government and other government organizations	(178)	490
Inventories held for use	21	(39)
Prepaid expenses	39	(3)
	<b>\$ (2,794)</b>	<b>\$ 52</b>

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
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**23. Financial Risk Management**

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

**Credit risk**

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

The Corporation has policies and procedures for the monitoring and collection of accounts receivable, due from government and other government organizations, loans receivable, 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 \$259,000 has been provided for through an allowance for decline in value, as disclosed in Note 4. An estimated impairment of loans receivable for \$1,158,000 has been provided for through an allowance for decline in value, as disclosed in Note 7. The Corporation classifies its loans receivable as impaired in accordance with Note 2(e). The Corporation classifies its accounts receivable as impaired when collection is in doubt and is based on analysis of the balance.

At March 31, 2019, the aging of loans receivable that are past due but not impaired, are as follows:

	(000's)
30 days	\$ 151
60 days	266
90 days	108
Over 90 days	<u>83</u>
	<u>\$ 608</u>

**23. Financial Risk Management (cont.)**

**Credit risk (cont.)**

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.

**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, 2019, 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 \$7,000. 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, 2019, the increase/decrease in annual surplus for each one percent change in interest rates on the CMHC fixed rate term debentures amounts to \$133,000.

**Liquidity risk**

Liquidity risk is the risk that the Corporation will not be able to meet its financial liabilities and contractual obligations as they fall due. The liquidity risk, relating mainly to accounts payable and accrued liabilities, due to government and other government organizations, long-term debt, and contractual obligations, is considered to be low. The anticipated annual principal repayments on the Corporation's long-term debt is disclosed in Note 13. The Corporation maintains adequate cash to ensure all its financial liabilities and contractual obligations can be met when they fall due. The Corporation has an authorized credit facility totaling \$3,000,000, which is unused as at March 31, 2019.

**24. Self-insurance**

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

**NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION**  
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**25. Budgeted figures**

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

**26. Non-financial assets**

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

**27. Subsequent event**

During April 2019, the Government of Newfoundland and Labrador and the Government of Canada entered into a Bilateral Agreement under the 2017 National Housing Strategy (the Agreement). This cost-shared agreement totaling \$270.6 million covers the period 2019-20 to 2027-28 and includes \$135.3 million from both the Government of Newfoundland and Labrador and the Government of Canada. The Agreement will provide funding to help protect, renew and expand social and community housing in the Province.

