

**NEWFOUNDLAND AND LABRADOR
HOUSING CORPORATION**

FINANCIAL STATEMENTS

MARCH 31, 2018

Management's Report

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

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


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

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


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

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

On behalf of the Newfoundland and Labrador Housing Corporation.



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



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



**AUDITOR
GENERAL**
of Newfoundland and Labrador

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Independent Auditor's Report (cont.)

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

Opinion

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



SANDRA RUSSELL, CPA, CA
Deputy Auditor General

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

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

	2018	2017
	(000's)	(000's)
FINANCIAL ASSETS		
Cash	\$ 2,026	\$ 10,335
Accounts receivable (Note 4)	2,054	2,012
Land held for sale (Note 5)	9	9
Due from government and other government organizations (Note 6)	22,696	20,999
Loans receivable (Note 7)	6,578	6,531
Receivables from municipalities - land transfers (Note 8)	776	777
	34,139	40,663
LIABILITIES		
Accounts payable and accrued liabilities (Note 9)	11,180	9,837
Employee future benefits (Note 10)	25,709	25,948
Due to government and other government organizations (Note 11)	2,057	1,567
Deferred revenue (Note 12)	21,619	26,825
Long-term debt (Note 13)	86,701	92,024
	147,266	156,201
Net debt	(113,127)	(115,538)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 14)	113,797	118,112
Inventories held for use	422	383
Prepaid expenses (Note 15)	4,329	4,326
	118,548	122,821
Accumulated surplus	\$ 5,421	\$ 7,283
Contingent liabilities (Note 16)		
Contractual rights (Note 17)		
Contractual obligations (Note 18)		
Trust under administration (Note 21)		

Signed on behalf of the Corporation:


 Chairperson


 Member

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

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

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

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

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

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

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

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION

STATEMENT OF CASH FLOWS

For the Year Ended March 31

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

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

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

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.

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2018

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 Provident¹⁰ 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, 2018

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.

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2018

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, 2018

3. Changes in accounting policies

(a) New accounting standards

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

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

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

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

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

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

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

(b) Accounting pronouncement

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

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

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2018

4. Accounts receivable

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

5. Land held for sale

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

6. Due from government and other government organizations

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

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2018

7. Loans receivable

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

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

8. Receivable from municipalities - land transfers

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

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

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

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2018

9. Accounts payable and accrued liabilities

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

(a) Liability for contaminated sites

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

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

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

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

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2018

9. Accounts payable and accrued liabilities (cont.)

(a) Liability for contaminated sites (cont.)

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

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

10. Employee future benefits

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

(a) Pension Plan

The Corporation and its employees contribute to the Public Service Pension Plan in accordance with the *Public Service Pensions Act, 1991* (the *Act*). The plan is administered by Provident¹⁰, including payment of pension benefits to employees to whom the *Act* applies.

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

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2018

10. Employee future benefits (cont.)

(b) Retirement and other employee future benefit liabilities

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

(c) Change in employee future benefits liability

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

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2018

10. Employee future benefits (cont.)

(d) Retirement and other employee future benefits

i. Retirement life insurance and health care benefits

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

ii. Severance pay

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

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

iii. Accumulating, non-vesting sick leave benefits

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

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2018

10. Employee future benefits (cont.)

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

iv. Actuarial valuation

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

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

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

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

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

v. Experience gains or losses

Experience gains or losses are amortized over 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.

11. Due to government and other government organizations

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

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2018

12. Deferred revenue

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

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

13. Long-term debt

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

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

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2018

13. Long-term debt (cont.)

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

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

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

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

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2018

14. Tangible capital assets

March 31, 2018

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

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2018

14. Tangible capital assets (cont.)

March 31, 2017

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

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2018

14. Tangible capital assets (cont.)

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

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

15. Prepaid expenses

Prepaid expenses consist of:

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

16. Contingent liabilities

(a) Guaranteed debt

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

(b) Legal liabilities

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

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2018

17. Contractual rights

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

18. Contractual obligations

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

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

19. Segmented information by object

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

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2018

19. Segmented information by object (cont.)

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

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2018

20. Related party transactions

(a) Transactions with related parties

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

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2018

20. Related party transactions (cont.)

(b) Balances due from and to related parties

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

21. Trust under administration

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

22. Statement of cash flows - other

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

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

23. Financial Risk Management

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

Credit risk

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

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

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

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

	(000's)
30 days	\$ 90
60 days	235
90 days	86
Over 90 days	<u>79</u>
	\$ 490

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

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2018

23. Financial Risk Management (cont.)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency (foreign exchange) risk, interest rate risk and other price risk. The Corporation is not exposed to significant currency (foreign exchange) risk or other price risk.

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

Liquidity risk

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

24. Self-insurance

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

25. Budgeted figures

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

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2018

26. Non-financial assets

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

27. Subsequent Event

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