

ANNUAL REPORT

2016-2017



Annual Report

for the year ending March 31, 2017

Prince Edward Island
Housing Corporation

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Message from the Minister



The Honourable Antoinette Perry
Lieutenant Governor of Prince Edward Island

May It Please Your Honour:

It is my privilege to present the Annual Report of the Prince Edward Island Housing Corporation for the fiscal year ended March 31, 2017.

Respectfully Submitted,

A handwritten signature in black ink, which appears to read "Ernie Hudson". The signature is written in a cursive, flowing style.

Ernie Hudson
Minister Responsible for the
Prince Edward Island Housing Corporation

Message from the Chief Executive Officer



Minister Responsible for the
Prince Edward Island Housing Corporation

Minister:

I am pleased to submit the Annual Report of the Prince Edward Island Housing Corporation for the fiscal year ending March 31, 2017.

For the reporting period Ms. Teresa Hennebery served as the Chief Executive Officer of the Prince Edward Island Housing Corporation.

Respectfully submitted,

A handwritten signature in dark ink, consisting of a series of loops and a long horizontal stroke at the end.

David Keedwell
Chief Executive Officer
Prince Edward Island Housing Corporation

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Overview

The Prince Edward Island Housing Corporation (PEIHC) derives its authority from the *Housing Corporation Act of 1993*. The PEIHC provides Islanders of low and moderate incomes with access to safe, affordable and adequate housing.

There is a direct relationship between the health and well-being of a population and the availability of safe, affordable housing. Since the 1960's, through PEIHC, the Government of Prince Edward Island has worked to maintain adequate housing for low and moderate income people. It is clear, however, that housing needs are changing. PEIHC endeavours to respond to these changes with the creation of new units and the modernization of existing units.

PEIHC shares its responsibility in the provision of housing programs with the Department of Family and Human Services and local family housing authorities. PEIHC is responsible for the control of assets, liabilities and revenues. The Department of Family and Human Services is responsible for the management of family housing through the local family housing authorities; direct management of seniors housing; and liaison with the Government of Canada about housing issues, overseeing the administration of federal-provincial agreements, and the delivery of most housing programs, including the Canada-PEI Affordable Housing Agreement.

PEIHC works with many partners most notably the Canada Mortgage and Housing Corporation (CMHC), representing the Government of Canada. CMHC cost-shares provincial programs involving approximately 1,700 units and directly administers other federally funded social housing units.

Federal/Provincial cost shared social housing agreements support the rental housing needs of seniors, families and other individuals in need of housing. As these agreements expire, PEIHC will be challenged to maintain adequate funding to support and improve housing properties.

PEIHC manages and delivers the Canada-PEI Affordable Housing Agreement, signed in 2003. The purpose of this agreement is to assist in the development of affordable housing units across the Province. Through the initial agreement and subsequent amendments, a total of \$7.64 million has been invested until March 31, 2014. The most recent agreement renewal, the Investment in Affordable Housing 2015-2019 Agreement, is for five years commencing April 1, 2014 and expiring March 31, 2019; it provides a total of \$7.4 million. As at March 31, 2017, \$4.44M has been invested to support affordable housing in PEI.

In April 2016, the 2016 Social Infrastructure Fund Agreement, an amendment to the Investment in Affordable Housing 2015-2019 Agreement, was signed. CMHC will provide up to \$6.32 million for eligible expenditures: in 2016/2017 - \$3.89 million and in 2017/2018 - \$2.43 million. The Province of Prince Edward Island is responsible to cost match \$3.11 million of this funding by March 31, 2019.

Other partners of PEIHC include the many community members who serve on the Boards for the family housing authorities. Seniors and other client groups, municipal representatives, non-profit organizations, private sector developers, the construction industry and tenants play important partnership roles in bringing affordable housing to Islanders.

Aperçu

Les pouvoirs que détient la Société de logement de l'Île-du-Prince-Édouard lui sont conférés en vertu de la *Housing Corporation Act* (1993). La Société de logement offre aux Insulaires à revenu faible ou moyen l'accès à des logements sécuritaires, abordables et adéquats.

Il existe un lien direct entre la santé et le bien-être d'une population et la disponibilité de logements sécuritaires à prix abordables. Depuis les années 1960, par l'entremise de la Société de logement, le gouvernement de l'Île-du-Prince-Édouard tâche de s'assurer que des logements convenables sont mis à la disposition des Insulaires à revenu faible ou moyen. Cependant, il est évident que ces derniers éprouvent des besoins changeants et la Société de logement tente de répondre à ceux-ci par la création de nouvelles unités et la remise en état des logements existants.

La Société de logement partage la responsabilité d'assurer des programmes de logement avec le ministère des Services à la famille et à la personne et les conseils locaux de logements familiaux. La gestion des revenus, des actifs et des passifs relève de la Société, tandis que le ministère des Services à la famille et à la personne est responsable de la gestion des logements familiaux par l'entremise des conseils de logements familiaux locaux, en plus de gérer directement les logements pour aînés. En outre, il entretient des relations avec le gouvernement fédéral sur les questions liées au logement et voit à la gestion des ententes conclues avec le gouvernement fédéral et à la prestation de la majorité des programmes de logement, y compris l'Entente Canada-Île-du-Prince-Édouard concernant le logement abordable.

La Société collabore avec de nombreux partenaires, surtout la Société canadienne d'hypothèques et de logement (SCHL), représentant le gouvernement fédéral. La SCHL partage les coûts de programmes provinciaux visant environ 1 700 unités et gère directement d'autres logements sociaux financés par le gouvernement fédéral.

Les ententes fédérales-provinciales à coûts partagés sur le logement social appuient les besoins des aînés, des familles et des Insulaires en matière de logements locatifs. À l'arrivée à terme de ces ententes, la Société devra trouver le financement nécessaire pour assurer l'appui et l'amélioration de ces installations.

La Société de logement gère l'Entente Canada-Île-du-Prince-Édouard concernant le logement abordable conclue en 2003 et voit à son application. Le but de cette entente est de financer l'établissement de logements abordables dans la province. Grâce à l'entente initiale et aux modifications qui y ont été apportées, 7,64 millions de dollars ont été investis jusqu'au 31 mars 2014. Le plus récent renouvellement de l'entente, soit l'Entente d'investissement dans le logement abordable, doit fournir un total de 7,4 millions de dollars du 1^{er} avril 2014 au 31 mars 2019. En date du 31 mars 2017, 4,4 millions de dollars avaient été investis dans le logement abordable à l'Île-du-Prince-Édouard.

En avril 2016, on a signé l'entente sur le Fonds pour l'infrastructure sociale, qui s'ajoute à l'Entente d'investissement dans le logement abordable de 2015-2019. La SCHL fournira jusqu'à 6,32 millions de dollars pour couvrir les dépenses admissibles : 3,89 millions de dollars en 2016-2017, et 2,43 millions de dollars en 2017-2018. La province de l'Île-du-Prince-Édouard doit fournir une contribution supplémentaire de 3,11 millions de dollars au Fonds d'ici le 31 mars 2019.

Parmi les autres partenaires de la Société de logement, on compte un grand nombre de membres de la collectivité qui siègent aux conseils de logements familiaux. Afin d'offrir des logements abordables aux Insulaires, il est essentiel de poursuivre la collaboration entre les aînés et les autres groupes bénéficiaires, les représentants municipaux, les organismes sans but lucratif, les promoteurs du secteur privé, l'industrie de la construction et les locataires.

Year In Review

There is a strong and growing demand for seniors and family housing across the province particularly in urban areas.

During 2016-2017 work has commenced to initiate the development of a provincial housing action plan. Work will continue in 2017-2018 to create a renewed approach to public housing.

The PEIHC continues to invest in social housing through partnerships with the federal government and it will look at more ways to collaborate with municipalities, private developers and communities on long term solutions to growing housing demands.

In addition to millions spent as part of the annual operational budget, capital funding of \$750,000 is invested each year to upgrade and modernize existing housing units. It is anticipated this investment will be required for the foreseeable future.

In April 2016, PEIHC approved \$350,000 for the addition of 75 rent supplements to support those identifying a need for social housing through the Family Housing Program and Seniors Housing Program.

Investments of \$250,000 were made to the PEI Home Renovation Programs to support Islanders to make necessary renovations to their homes supporting them to remain in their communities for as long as they choose.

The 2016 federal budget announced investments of \$2.3 billion over two years for housing across Canada through the Social Infrastructure Fund. Prince Edward Island's share is \$6.3 million to be invested in construction of new housing for victims of family violence and seniors, as well as for renovations to existing social housing. During 2016-2017 PEIHC started planning on the best approach to implement the investments.

The development of a national housing strategy was announced as part of the 2016 federal budget. PEI has worked closely with the Government of Canada and all provinces and territories to develop this strategy which will be formalized by November 2017.

Bilan de l'année

La demande de logements pour les aînés et pour les familles est de plus en plus forte dans toute la province, surtout dans les régions urbaines.

En 2016-2017, on a préparé le terrain pour entamer l'élaboration d'un plan d'action provincial sur le logement. Ce travail se poursuivra en 2017-2018 pour renouveler l'approche en matière de logement social.

La Société de logement continue d'investir dans les logements sociaux par l'entremise de partenariats avec le gouvernement fédéral, et d'explorer d'autres façons de collaborer avec les municipalités, les entrepreneurs privés et les collectivités en vue de trouver des solutions à long terme aux demandes croissantes de logements.

Outre les millions de dollars consacrés au budget de fonctionnement annuel, une somme de 750 000 \$ en fonds d'immobilisation est investie chaque année pour mettre à niveau et moderniser les logements actuels. On estime que ces investissements seront nécessaires pendant un certain temps.

En avril 2016, la SCHL a approuvé un montant de 350 000 \$ pour fournir 75 suppléments au loyer qui appuieront les personnes signalant un besoin de logement social par l'entremise du Programme de logement familial ou le Programme de logement pour aînés.

Au total, 250 000 \$ ont été investis dans les programmes de rénovation de logements de l'Î.-P.-É. pour appuyer les Insulaires qui apportent des rénovations nécessaires à leur domicile afin de demeurer dans leur collectivité aussi longtemps que possible.

Le budget fédéral de 2016 a annoncé des investissements de 2,3 milliards de dollars sur deux ans pour le logement à travers le Canada par l'entremise du Fonds pour l'infrastructure sociale. La part de l'Île-du-Prince-Édouard est de 6,3 millions de dollars et sera investie dans la construction de nouveaux logements pour les victimes de violence familiale et les aînés, ainsi que pour les rénovations de logements sociaux existants. En 2016-2017, la Société de logement a commencé à planifier la meilleure façon d'assurer la mise en œuvre des investissements.

L'élaboration d'une stratégie nationale sur le logement a également été annoncée dans le cadre du budget fédéral de 2016. L'Île-du-Prince-Édouard a contribué à cette stratégie en travaillant de près avec les gouvernements fédéral, provinciaux et territoriaux. La stratégie devrait être mise au point d'ici novembre 2017.

Programs

I. Seniors Housing Program

Provincially Owned Buildings

Located in communities across the province, Seniors Housing provides apartment style, self-contained rental units to low and moderate income seniors who are unable to meet their housing needs independently. Rent for seniors housing is 25 percent of the senior's income.

The proportion of seniors in the population is expected to increase dramatically over the next 20 years. Statistical studies show this population increase will translate into increased demand for subsidized seniors housing.

Rent Supplements for Seniors

Rent supplement units are built and owned by the private sector. Rent for these units is 25 percent of the senior's income.

One hundred and four (104) rent supplements are available to seniors at specific housing locations in Charlottetown, Summerside and O'Leary. Another twenty-five (25) rent supplements are available with private landlords chosen by the senior.

Garden Suites

Garden suites are one bedroom units placed on the property of a host family. When no longer required by the senior, suites are moved to another site. Rent is 25 percent of the senior's income.

PEIHC has four garden suites.

II. Family Housing Program

Provincially Owned Buildings

This program provides subsidized housing to low and moderate income families who are unable to obtain adequate and affordable accommodation in the private marketplace. The units, with rents based on 25 percent of income, are situated in communities across the province

Of increasing concern is the consistently high number of families waiting for units in comparison to the number of units available and the low turnover rates in the Charlottetown and Summerside areas.

Rent Supplement for Families

This program utilizes private market housing to provide accommodations for families selected from the family housing registry. Rents are made affordable for the families via rent subsidies. There are 128 rent subsidies provided in Charlottetown and in Summerside.

Rent supplement units are built and owned by the private sector. Rent for these units is 25 percent of a family's income.

Rural and Native Housing

This program provides rent-to-income housing for low and moderate income families. There are six units across the province.

Rural Community Housing

PEIHC has nine affordable rental housing units across the province.

III. Renovation Programs

PEI Home Renovation Programs (PEIHRP)

These programs provide funding for major renovations for low-income homeowners to bring their property up to minimum health and safety standards. Eligible property owners receive a forgivable grant provided they meet program criteria including remaining in the home for three years after the renovations have been made. Programs include:

- Home Renovation Program - Provides assistance to low income homeowners to bring their property up to minimum health and safety standards.
- Home Renovation Program for Persons with Disabilities - Provides assistance to households occupied by persons with disabilities who require special modifications to improve accessibility to their residence.
- Emergency Shelter - Provides assistance to organizations that provide ongoing shelter to victims of family violence.

IV. Affordable Housing Program

Through partnership with the Government of Canada, funding received through the Affordable Housing Agreement and its various extensions including the current Investment in Affordable Housing Agreement, the Social Infrastructure Fund, the Affordable Housing Trust and Canada's Economic Action Plan have been invested in the Affordable Housing Program. The program improves access to affordable, sound, suitable and sustainable housing.

Program Activity

Seniors Housing Program

Program Performance Results:

MEASURE	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Number of Units	1,113	1,113	1,113	1,113	1,113
Number of Garden Suites	5	5	4	4	4
New Rent Supplements	24	0	0	0	25
Number of Rent Supplements	104	104	104	104	129
Placements	198	181	170	168	175
New Applications	484	380	396	448	384
Wait List	725	801	895	1,026	918
Turnover Rates	17.7%	16.2%	15.2%	15.0%	15.6%
Note: PEIHC has initiated a review of the process to count waitlist applicants, The results of any process changes will be reflected in reporting for 2017-2018.					

Seniors Housing Units			
Queens County		Prince County	
Charlottetown	428	Alberton	16
Cornwall	14	O'Leary	24
Crapaud	9	St. Louis	4
Hunter River	14	Tignish	14
Mt. Stewart	6	Abrams Village	5
North Rustico	6	Bedeque	6
South Rustico	4	Borden	22
Total	481	Kensington	50
Kings County		Kinkora	5
Cardigan	3	Miscouche	17
Eldon	6	Mont Carmel	6
Georgetown	16	Summerside	186
Montague	91	Tyne Valley	11
Murray Harbour	6	Wellington	16
Murray River	6	Wilmot	6
Morell	12	Total	388
Rollo Bay	14	Total Seniors Units 1,113 Garden Suites 4 Total Seniors <u>1,117</u>	
Souris	81		
St. Peters	9		
Total	244		

Family Housing Program

Program Performance Results:

MEASURE	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Units	481	481	481	481	481
New Rent Supplements	20	20	20	0	50
Rent Supplements Available	38	58	78	78	128
Placements	90	78	70	72	54
New Applications	380	295	286	275	455
Wait List	383	308	290	340	425
Turnover Rates	19.5%	16.9%	15.2%	15.6%	11.7%

Family Housing Boards and Number of Units Administered			
Alberton	22	O'Leary	23
Charlottetown Area	168	Souris	36
Georgetown	27	Summerside	99
Montague	62	Tignish	16
Mt. Stewart	6	Total	459
* Four units located in Crapaud and eighteen units of Rural Community Housing and Rural Native Housing are administered by staff of Family and Human Services. Total Family Housing – 481 units			

Renovation Programs

PEI Home Renovations Programs		2016-2017
Budget	Home Renovation	\$1,151,500
	Persons with Disability	\$210,000
	Total Budget	\$1,361,500
Applications	Applications Budgeted	230
	Applications Received	532
	Applications Processed	230
	Kings County	49
	Prince County	80
	Queens County	101
	Individuals Supported	354
Clients	Program Income Cut-off	\$30,900
	Average Household Income	\$22,200
	Average Grant – Home Renovation	\$5,000
	Average Grant – Persons with Disability	\$5,300
	Average number of people in household	1.5
	Average age	64
	Total Grant \$\$\$ (projects completed at March 31, 2017)	\$1,215,700

Emergency Shelter Enhancement				
	2013-2014	2014-2015	2015-2016	2016-2017
Available Funding	\$20,000	\$20,000	\$20,000	\$20,000
Funding Committed	\$20,000	\$20,000	\$20,000	\$20,000
Note: Organizations have up to five years to spend available funding allowing them to better plan renovation needs and projects.				

MEASURE	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Number of Units Created	18	2	2	2	2
Number of Units Available	277	279	252	212	214
Type of Unit Available					
Seniors	62	62	46	46	46
Family	71	71	71	45	45
Persons with Disabilities	130	130	117	103	103
Homeowner	14	16	18	18	20

Financial Statements

**PRINCE EDWARD ISLAND
HOUSING CORPORATION**

Financial Statements
March 31, 2017

Management's Report

Management's Responsibility for the 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 responsible for 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 responsible for implementing and maintaining a system of internal control to provide reasonable assurance that reliable financial information is produced.

The Minister of Family and Human Services is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Minister reviews internal financial reports on a regular basis and externally audited financial statements annually.

The Auditor General conducts an independent examination, in accordance with Canadian generally accepted auditing standards and expresses her opinion on the financial statements. The Auditor General has full and free access to financial information and management of the Prince Edward Island Housing Corporation to meet when required.

On behalf of the Prince Edward Island Housing Corporation



Sonya L. Cobb, CPA, CA
Director of Housing Services



Lane Pineau, CPA, CMA
Director of Finance

June 19, 2018



Prince Edward Island Île-du-Prince-Édouard

Office of the Auditor General

PO Box 2000, Charlottetown PE
Canada C1A 7N8

Bureau du vérificateur général

C.P. 2000, Charlottetown PE
Canada C1A 7N8

INDEPENDENT AUDITOR'S REPORT

To the Minister of the
Department of Family and Human Services
Province of Prince Edward Island

I have audited the financial statements of the **Prince Edward Island Housing Corporation**, which comprise the statement of financial position as at March 31, 2017, and the statement of operations and accumulated surplus, changes in net debt, and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 the 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 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 significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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 Corporation as at March 31, 2017, and the results of its operations, changes in net debt, and cash flow for the year then ended in accordance with Canadian public sector accounting standards.

B. Jane MacAdam, CPA, CA
Auditor General

Charlottetown, Prince Edward Island
June 19, 2018


**PRINCE EDWARD ISLAND
HOUSING CORPORATION**

Statement of Financial Position
March 31, 2017

	2017	Restated 2016
	\$	\$
Financial Assets		
Cash	389,600	831,100
Accounts receivable (Note 3)	5,913,700	4,541,500
Loans receivable	<u>2,200</u>	<u>4,700</u>
	<u>6,305,500</u>	<u>5,377,300</u>
Liabilities		
Accounts payable and accrued liabilities (Note 4)	10,992,100	8,651,800
Long-term debt (Note 5)	<u>11,503,100</u>	<u>13,324,600</u>
	<u>22,495,200</u>	<u>21,976,400</u>
Net Debt	<u>16,189,700</u>	<u>16,599,100</u>
Non Financial Assets		
Tangible capital assets (Note 6)	21,830,400	23,219,100
Property holdings	<u>206,100</u>	<u>206,100</u>
	<u>22,036,500</u>	<u>23,425,200</u>
Accumulated Surplus	<u>5,846,800</u>	<u>6,826,100</u>

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

Approved on behalf of the Prince Edward Island Housing Corporation


Minister, Department of Family and Human Services

PRINCE EDWARD ISLAND HOUSING CORPORATION

Statement of Operations and Accumulated Surplus
for the year ended March 31, 2017

	2017 Budget	2017	Restated 2016
	\$	\$	\$
Revenues			
Rental income	5,900,000	5,908,500	5,629,400
Grants			
Province of Prince Edward Island (Note 7)			
- Operations	1,671,300	1,671,300	1,044,900
- Capital	750,000	780,700	868,300
Canada Mortgage and Housing Corporation			
- Operations (Note 8)	3,127,000	3,201,100	3,245,800
- Affordable Housing (Note 11)	1,304,700	1,670,500	1,480,100
Other income	<u>20,000</u>	<u>21,700</u>	<u>19,300</u>
	<u>12,773,000</u>	<u>13,253,800</u>	<u>12,287,800</u>
Expenses			
Administration	170,900	163,600	194,400
Equipment	2,000	2,200	400
Grants (Note 9)	2,734,500	3,224,000	2,489,400
Operating costs (Note 10)	7,632,400	7,094,400	6,872,900
Property taxes	988,400	1,139,300	1,121,600
Travel and training	<u>116,800</u>	<u>85,000</u>	<u>98,400</u>
	11,645,000	11,708,500	10,777,100
Amortization of tangible capital assets	-	2,169,400	2,099,500
Interest charges on debt	<u>358,000</u>	<u>355,200</u>	<u>404,500</u>
	<u>12,003,000</u>	<u>14,233,100</u>	<u>13,281,100</u>
Annual Surplus (Deficit)	770,000	(979,300)	(993,300)
Accumulated Surplus, beginning of year	<u>6,826,100</u>	<u>6,826,100</u>	<u>7,819,400</u>
Accumulated Surplus, end of year	<u>7,596,100</u>	<u>5,846,800</u>	<u>6,826,100</u>

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

**PRINCE EDWARD ISLAND
HOUSING CORPORATION**

Statement of Changes in Net Debt
for the year ended March 31, 2017

	2017 Budget	2017	Restated 2016
	\$	\$	\$
Net Debt, beginning of year	16,599,100	16,599,100	16,865,800
Changes in year:			
Annual deficit (surplus)	(770,000)	979,300	993,300
Acquisition of tangible capital assets	750,000	780,700	868,300
Amortization of tangible capital assets	-	(2,169,400)	(2,099,500)
Property holdings	-	-	(28,800)
Change in Net Debt	<u>(20,000)</u>	<u>(409,400)</u>	<u>(266,700)</u>
Net Debt, end of year	<u>16,579,100</u>	<u>16,189,700</u>	<u>16,599,100</u>

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

**PRINCE EDWARD ISLAND
HOUSING CORPORATION**

Statement of Cash Flow
for the year ended March 31, 2017

	2017	Restated 2016
	\$	\$
Operating Activities		
Annual deficit	(979,300)	(993,300)
Amortization of tangible capital assets	2,169,400	2,099,500
Changes in:		
Accounts receivable	(1,372,200)	(1,030,400)
Loans receivable	2,500	2,000
Accounts payable and accrued liabilities	<u>2,340,300</u>	<u>2,945,700</u>
Cash provided by operating activities	<u>2,160,700</u>	<u>3,023,500</u>
Investing Activities		
Decrease in property holdings	-	28,800
Cash provided by investing activities	-	<u>28,800</u>
Capital Activities		
Acquisition of tangible capital assets	<u>(780,700)</u>	<u>(868,300)</u>
Cash used by capital activities	<u>(780,700)</u>	<u>(868,300)</u>
Financing Activities		
Long-term debt repayment	<u>(1,821,500)</u>	<u>(1,774,100)</u>
Cash used by financing activities	<u>(1,821,500)</u>	<u>(1,774,100)</u>
Change in cash	(441,500)	409,900
Cash, beginning of year	<u>831,100</u>	<u>421,200</u>
Cash, end of year	<u>389,600</u>	<u>831,100</u>

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

PRINCE EDWARD ISLAND HOUSING CORPORATION

Notes to Financial Statements
March 31, 2017

1. Nature of Operations

The Prince Edward Island Housing Corporation (the Corporation) operates under the authority of the *Housing Corporation Act* of Prince Edward Island. The Corporation's general objectives are to establish housing projects, construct, acquire, or renovate housing accommodations for sale or rent, and promote measures which will contribute to the availability of adequate and improved housing for low income families and individuals, seniors, or other groups that require assistance. The Corporation also works towards improving the quality of housing and amenities related to housing.

The Minister, having overall responsibility for the administration of the *Act*, has designated a senior public officer to supervise the administration and management of the Corporation and perform such duties as the Minister may assign. The Corporation's operations are staffed by the Department of Family and Human Services and the Department of Finance.

The Corporation is a non-taxable entity under the provisions of the federal *Income Tax Act*.

2. Summary of Significant Accounting Policies

a) Basis of Accounting

These financial statements are prepared in accordance with Canadian public sector accounting standards. The Corporation complies with the recommendations of the Public Sector Accounting Board (PSAB) wherever applicable. PSAB standards are supplemented, where appropriate, by other accounting pronouncements.

Since the Corporation has no unrealized remeasurement gains or losses attributed to foreign exchange, derivatives, portfolio investments, or other financial instruments, a statement of remeasurement gains and losses is not prepared.

b) Financial Assets

Financial assets are those assets on hand at the end of an accounting period which could provide resources to discharge existing liabilities or finance future operations.

Cash represents cash position including bank balances.

Accounts receivable are recorded at cost less any specific provision when collection is in doubt.

Loans receivable are recorded at cost less adjustments for impairment in value. Loans usually bear interest at approximate market rates and normally have fixed repayment terms. A provision for loss is established for doubtful accounts. Interest revenue is recognized on an accrual basis until such time that the collectability of either principal or interest is not reasonably assured.

PRINCE EDWARD ISLAND HOUSING CORPORATION

Notes to Financial Statements
March 31, 2017

2. Summary of Significant Accounting Policies (continued...)

c) Liabilities

Payables and accruals are recorded for all amounts due for work performed, goods or services received, and other charges incurred in the fiscal year.

Long-term debt is recorded at amortized cost, which approximates market value.

d) Non Financial Assets

Non-financial assets are acquired, constructed, or developed assets that do not normally provide resources to discharge existing liabilities or finance future operations. They are normally employed to deliver government services and may be consumed in the normal course of operations.

Tangible capital assets are recorded at historical cost, or estimated cost where historical cost information is not available, subject to established thresholds. Interest, if any, on capital projects is expensed as incurred.

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

Buildings	40 yrs
Renovations	10 yrs
Equipment	5 -15 yrs

Amortization is pro-rated on a monthly basis starting with the date the asset is placed in service. Amortization ends when the total amortization of the asset equals the cost or on the date of disposal, whichever comes first. No amortization is recorded if an asset is taken out of service and/or disposed during the year.

Property holdings consist of land held for development properties and is recorded at the lower of cost or net realizable value.

Inventories of supplies are expensed when purchased.

e) Revenues

Revenues are recorded on an accrual basis in the period in which the transaction or event that gave rise to the revenue occurred. When accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable, revenues are recorded as received.

Transfers (revenues from non-exchange transactions) are recognized as revenue when the transfer is authorized, any eligibility criteria are met, and a reasonable estimate of the amount can be made.

PRINCE EDWARD ISLAND HOUSING CORPORATION

Notes to Financial Statements
March 31, 2017

2. Summary of Significant Accounting Policies (continued...)

e) Revenues (continued...)

Federal contributions provided by the Canada Mortgage and Housing Corporation (CMHC) are restricted in accordance with the provisions of the Affordable Housing Program Agreements. Accordingly, federal contributions are recognized as revenue when the related expenses are incurred.

f) Expenses

Expenses are recorded on an accrual basis in the period in which the transaction or event that gave rise to the expense occurred.

Grants are recognized as an expense when an application for assistance has been approved and performance requirements have been met. Conditional grants are provided to homeowners, developers, landlords, co-operatives and non-profit housing sponsors.

g) Financial Instruments

Financial instruments consists of cash, accounts receivable, loans receivable, accounts payable, accrued liabilities, and long-term debt. All financial instruments are recorded at cost or amortized cost, which approximates their fair value. The Corporation is exposed to market, credit, and liquidity risk in relation to their financial instruments as disclosed in Note 12.

h) Use of Estimates and Measurement Uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Items requiring the use of significant estimates include the carrying amount and amortization of investments in properties and underlying assessments of service potential, useful life of tangible capital assets, the valuation of land held for future development, the carrying amount of accounts receivable and loans receivable, and the underlying estimates of the provision for loan impairment and doubtful accounts.

Estimates are based on the best available information 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 and the differences could be material.

**PRINCE EDWARD ISLAND
HOUSING CORPORATION**

Notes to Financial Statements
March 31, 2017

3. Accounts Receivable

	<u>2017</u> \$	<u>2016</u> \$
CMHC	5,585,700	4,007,100
Family housing authorities	238,300	242,500
General	<u>107,300</u>	<u>302,800</u>
	5,931,300	4,552,400
Less: provision for doubtful accounts	<u>17,600</u>	<u>10,900</u>
	<u>5,913,700</u>	<u>4,541,500</u>

	<u>2017</u> \$	<u>2016</u> \$
Current	1,747,500	1,468,900
31-60 days	37,600	31,900
61-90 days	477,500	413,900
Greater than 90 days	<u>3,651,100</u>	<u>2,626,800</u>
	<u>5,913,700</u>	<u>4,541,500</u>

4. Accounts Payable and Accrued Liabilities

	<u>2017</u> \$	Restated <u>2016</u> \$
Accrued interest	47,500	53,900
Deferred revenue	41,100	11,900
General	772,800	617,800
Province of Prince Edward Island	<u>10,130,700</u>	<u>7,968,200</u>
	<u>10,992,100</u>	<u>8,651,800</u>

5. Long-term Debt

Long-term debt is comprised of the following:

	<u>2017</u> \$	<u>2016</u> \$
Mortgages and debentures payable to CMHC with maturity dates ranging from 2018 to 2029, with interest rates ranging from 1.12 percent to 7.88 percent and secured by properties.		
Mortgages payable	9,417,500	11,046,600
Debentures payable	<u>2,085,600</u>	<u>2,278,000</u>
	<u>11,503,100</u>	<u>13,324,600</u>

PRINCE EDWARD ISLAND HOUSING CORPORATION

Notes to Financial Statements
March 31, 2017

5. Long-term Debt (continued...)

Principal Repayments

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

<u>Fiscal Year</u>	<u>Amount</u> \$
2018	1,870,700
2019	6,608,600
2020	865,700
2021	721,100
2022	500,300
Thereafter	<u>936,700</u>
	<u>11,503,100</u>

Interest expense for the year on outstanding mortgages was \$221,900 (2016 - \$260,200) and outstanding debentures was \$133,300 (2016 - \$144,300).

**PRINCE EDWARD ISLAND
HOUSING CORPORATION**

Notes to Financial Statements

March 31, 2017

6. Tangible Capital Assets

	<u>Land</u> \$	<u>Buildings</u> \$	<u>Renovations</u> \$	<u>Equipment</u> \$	<u>2017</u> <u>Total</u> \$	<u>2016</u> <u>Total</u> \$
Cost, beginning of the year	2,611,800	54,404,000	8,877,100	25,300	65,918,200	65,049,900
Additions	20,000	95,800	664,900	-	780,700	868,300
Disposals / write-downs	-	(45,600)	-	-	(45,600)	-
Cost, end of year	<u>2,631,800</u>	<u>54,454,200</u>	<u>9,542,000</u>	<u>25,300</u>	<u>66,653,300</u>	<u>65,918,200</u>
Accumulated amortization, beginning of year	-	37,947,500	4,734,400	17,200	42,699,100	40,599,600
Amortization	-	1,248,800	918,200	2,400	2,169,400	2,099,500
Disposals / write-downs	-	(45,600)	-	-	(45,600)	-
Accumulated amortization, end of year	-	<u>39,150,700</u>	<u>5,652,600</u>	<u>19,600</u>	<u>44,822,900</u>	<u>42,699,100</u>
Net book value	<u>2,631,800</u>	<u>15,303,500</u>	<u>3,889,400</u>	<u>5,700</u>	<u>21,830,400</u>	<u>23,219,100</u>

Tangible capital assets represent the Corporation's ownership interest in housing projects constructed or acquired pursuant to partnership agreements. The Corporation's cost is net of amounts provided by CMHC in consideration for an ownership interest in the housing projects. Buildings funded through partnership agreements with CMHC are subject to restrictions to operate for the benefit of individuals, seniors, and families with limited income. CMHC approval is required for changes in asset use or disposal for properties which it shares an ownership interest. Disposals related to renovations are only recognized when the related building is removed from service.

PRINCE EDWARD ISLAND HOUSING CORPORATION

Notes to Financial Statements
March 31, 2017

7. Province of Prince Edward Island

The Province of Prince Edward Island provides annual operating and capital grants to the Corporation. The operating grant is provided to fund the operations of the Corporation. The capital grant is used to fund the purchase of tangible capital assets and is recognized as revenue in the year the capital transfer is authorized and eligibility criteria, if any, are met.

8. Canada Mortgage and Housing Corporation

The Corporation is eligible for subsidy assistance from CMHC. Subsidy assistance is paid by project, based on agreement terms and conditions, and is equal to the difference between eligible annual operating costs and project revenues for designated units. The various agreements expire between 2018 and 2037.

9. Grants

	<u>2017</u> \$	<u>2016</u> \$
Family housing authorities	1,211,000	1,132,100
PEI Home Renovations Program	<u>2,013,000</u>	<u>1,357,300</u>
	<u>3,224,000</u>	<u>2,489,400</u>

10. Operating Costs

	<u>2017</u> \$	<u>2016</u> \$
Materials, supplies, and services	2,332,200	2,228,800
Renovations	122,100	128,300
Rent supplement	1,669,600	1,496,800
Repairs and maintenance	1,236,500	1,300,600
Utilities	<u>1,734,000</u>	<u>1,718,400</u>
	<u>7,094,400</u>	<u>6,872,900</u>

PRINCE EDWARD ISLAND HOUSING CORPORATION

Notes to Financial Statements
March 31, 2017

11. Contractual Obligations and Commitments

a) Investment in Affordable Housing

Funding through the Investment in Affordable Housing Agreement has been provided by CMHC to improve access to affordable, sound, suitable, and sustainable housing in Prince Edward Island. CMHC will make matching contributions to those projects meeting eligibility requirements in accordance with the Agreement.

i) 2011-2014 Agreement

In July 2011, the Corporation and CMHC signed Supplementary Agreement No. 4 to enable the Corporation to access funding for the 2011-2014 extension of the Affordable Housing Initiative. This agreement enabled the Corporation to receive \$1.5 million for eligible expenditures, \$0.5 million for each of the 2011-2012, 2012-2013, and 2013-2014 fiscal years.

In April 2013, the Agreement for Investment in Affordable Housing 2011-2014 was signed. This agreement superseded and replaced all previous Affordable Housing Renovation Program Agreements, including Supplementary Agreement No.4. As a result of the agreement changes, the Agreement for Investment in Affordable Housing 2011-2014 was to provide \$2.48 million for eligible expenditures as follows: 2011-2012 - \$0.5 million, 2012-2013 - \$0.5 million, and 2013-2014 - \$1.48 million. The agreement expired March 31, 2014. The Corporation has four years from the date of commitment to disburse funding available through the agreement, with extended periods for rent supplements, but in any event not later than March 31, 2019. At March 31, 2017, \$2,480,000 (March 31, 2016 - \$2,302,000) was disbursed by the Corporation; of this amount, \$1,480,000 has been received and \$1,000,000 is receivable from CMHC.

ii) 2015-2019 Agreement

In April 2014, the Agreement for Investment in Affordable Housing 2015-2019 was signed. CMHC will provide \$1.48 million each year for eligible expenditures over the five years of which \$4.44 million is available as at March 31, 2017. This agreement superseded all previous Affordable Housing Renovation Program Agreements. The Corporation has four years from the date of commitment to disburse funding available through the agreement, but in any event not later than March 31, 2024. At March 31, 2017, \$2,741,800 (March 31, 2016 - \$1,205,700) was disbursed by the Corporation; of this amount, \$78,000 has been received and \$2,663,800 is receivable from CMHC. At March 31, 2017, the Corporation has committed \$1,698,200, which leaves no uncommitted available funding under this agreement.

In April 2016, the 2016 Social Infrastructure Fund Agreement, an amendment to the Investment in Affordable Housing 2015-2019 Agreement, was signed. CMHC will provide up to \$6.32 million for eligible expenditures to the Corporation as follows: 2016-2017 - \$3.89 million, and 2017-2018 - \$2.43 million. The Province of Prince Edward Island is responsible to cost match \$3.11 million of this funding by March 31, 2019. At March 31, 2017, no funds were disbursed and \$3,888,330 has been committed by the Corporation. Subsequent to year-end, \$3,888,330 was received from CMHC. The Corporation has two years from the date of commitment to disburse funding available through the agreement.

PRINCE EDWARD ISLAND HOUSING CORPORATION

Notes to Financial Statements
March 31, 2017

11. Contractual Obligations and Commitments (continued...)

b) Unilateral Program

Under the Renovation and Retrofit of Social Housing initiative pursuant to Section 51 of the *National Housing Act*, CMHC made contributions to the Prince Edward Island Housing Corporation in the 2010 and 2011 fiscal years for the purpose of renovating, general improvement, energy efficiency upgrades or conversions, modifications to support persons with disabilities, and/or the regeneration of existing social housing projects. Conditions of the agreements were:

- Maintain not-for-profit status, own and operate, use and maintain the land and premise to provide housing benefits to low and moderate low income households for 10 years;
- Mortgage agreement with CMHC, with collateral security for payment of the principal amount and performance by the Corporation on projects greater than \$25,000.

The Corporation has 6 mortgage agreements with CMHC on projects totaling \$530,000. This amount has already been recognized as revenue and offsetting expenditures have been incurred. This amount is only repayable if the above conditions are not met; as of March 31, 2017, all conditions have been met.

c) Property Lease Agreements

The Corporation has entered into ten year lease agreements with six property owners to provide 104 affordable housing units through rent supplement arrangements. The leases expire in the fiscal year 2021-2022. These leases are not classified as capital leases as the Corporation has not assumed the majority of the risk associated with the properties. The estimated lease obligations are calculated by using the known rent and assuming a three percent annual rental increase. Under the terms of the agreements, the agreed affordable rent rates can only be adjusted upward to reflect any increase that is permitted by the Island Regulatory and Appeals Commission (IRAC) in accordance with the *Rental of Residential Property Act* and are not guaranteed. The estimated obligations for the next five years are:

<u>Fiscal Year</u>	<u>Amount</u> \$
2018	841,300
2019	866,500
2020	892,500
2021	919,300
2022	<u>593,600</u>
	<u>4,113,200</u>

PRINCE EDWARD ISLAND HOUSING CORPORATION

Notes to Financial Statements
March 31, 2017

12. Financial Management

The Corporation is exposed to credit, market, and liquidity risk from its financial instruments. An analysis of these risks is provided below.

Credit Risk

The Corporation is exposed to credit risk with respect to accounts and loans receivable. The maximum exposure to credit risk is \$5,933,500 (2016 – \$4,557,100) of which \$17,600 (2016 - \$10,900) is impaired. The remaining unimpaired balance includes \$4,168,400 which is past due. The Corporation mitigates this risk through a regular monitoring process. Credit risk is also mitigated due to the fact that the majority of the receivables are due from CMHC, which includes those which are past due but unimpaired.

Market Risk

Market risk is comprised of three types: currency, interest, and price risk. The Corporation does not hold nor operate in foreign currency and thus market risk is derived from interest rate and price risk. Changes in interest rates, prices for goods, services, and rents significantly impact the Corporation and thus could increase the cost of operations and require increased funds from government. The risk is managed by participating in government purchasing, determining if maintenance is done internally or tendered, cost sharing operations with CMHC, establishing long-term lease agreements and rent increases limited by IRAC.

Liquidity Risk

The Corporation has contractual obligations and financial liabilities and, therefore, is exposed to liquidity risk. The Corporation manages its liquidity risk by maintaining adequate cash and credit facilities, by updating and reviewing multi-year cash flow projections on a regular and on an as needed basis, and by matching its long-term financing arrangements with its cash flow needs.

13. Related Party Transactions

These financial statements include the results of transactions with various provincial government controlled departments, agencies, Crown corporations and family housing authorities with which the Corporation is considered related. Transactions with related parties are settled at prevailing market prices under normal trade terms.

The Province of Prince Edward Island has assumed responsibility for certain operating costs that are shared with other departments such as property insurance, provincial portion of property tax, office facilities, disposal and remediation of property, management salaries and benefits, Seniors Safe @ Home Program, and Seniors Home Repair Program. These expenses are material and are not reflected in the Corporation's financial statements.

All purchases are completed by the Province on behalf of the Corporation and expenses are allocated to the Corporation.

PRINCE EDWARD ISLAND HOUSING CORPORATION

Notes to Financial Statements
March 31, 2017

13. Related Party Transactions (continued...)

The Province of Prince Edward Island also employs all staff working on behalf of the Corporation and on an annual basis department allocations are made from the Department of Family and Human Services to the Corporation for its share of the salary and benefits. The Corporation's share of salaries and benefits is included with materials, supplies and services expense (Note 10), and amounts to \$1,829,508 (2016 - \$1,762,622).

14. Contingent Liabilities

a) Claims Outstanding

The Corporation is subject to legal actions arising in the normal course of business. At March 31, 2017, there were no outstanding legal claims against the Corporation. Costs related to any outstanding claims are funded by the Prince Edward Island Self-Insurance and Risk Management Fund. The Fund provides general liability, errors and omissions, primary property, and crime insurance. The Fund is administered by the Province and responsibility for liabilities of the Fund is that of the Province.

b) Building Remediation

Some buildings owned by the Corporation contain materials with asbestos. The Corporation monitors the condition of those materials to ensure they do not pose a risk to the occupants, staff, contractors, or the public at large. The incremental cost of addressing asbestos during repairs, maintenance, or renovations has not been determined and is the responsibility of the Corporation. Any incremental cost associated with the decommissioning or demolition of a building is the responsibility of the Province.

15. Recently Issued Public Sector Accounting Standards

The Public Sector Accounting Board has issued several new standards that are not yet effective and that have not been applied in preparing these financial statements. The new standards are as follows:

- Section PS 2200, *Related Party Disclosures*, defines and establishes disclosure standards for related party transactions;
- Section PS 3210, *Assets*, provides guidance for applying the definition of assets set out in Section PS 1000, *Financial Statement Concepts*, and establishes general disclosure standards for assets;
- Section PS 3320, *Contingent Assets*, defines and establishes disclosure standards for contingent assets;
- Section PS 3380, *Contractual Rights*, defines and establishes disclosure standards for contractual rights;
- Section PS 3420, *Inter-entity Transactions*, defines and establishes accounting treatment and disclosure standards for inter-entity transactions;
- Section PS 3430, *Restructuring Transactions*, defines a restructuring transaction and establishes standards for recognition and measurement of assets and liabilities transferred in restructuring transactions.

PRINCE EDWARD ISLAND HOUSING CORPORATION

Notes to Financial Statements
March 31, 2017

15. Recently Issued Public Sector Accounting Standards (continued...)

Sections PS 2200, PS 3210, PS 3320, PS 3380 and PS 3420 are effective for financial statements relating to fiscal years beginning on or after April 1, 2017. Section PS 3430 is effective for financial statements relating to fiscal years beginning on or after April 1, 2018. The Corporation plans to adopt the standards in the fiscal year in which they are effective. Management is currently analyzing the impact that these standards will have on the Corporation's financial statements.

16. Budgeted Figures

Budget figures have been provided for comparison purposes and have been derived from the estimates approved by the Legislative Assembly of the Province.

17. Restatement of Prior Period Amounts

The Province of Prince Edward Island provides an annual operating grant to the Corporation to fund operations. In 2016, the authorized operating grant to the Corporation was lower than the amount originally recognized in the financial statements by \$928,400. As a result, prior period figures have been restated. The statement of operations and accumulated surplus has been restated to reduce the revenues and accumulated surplus by \$928,400 for the 2016 fiscal year. Accounts payable for 2016 have been increased by \$928,400.

18. Subsequent Event

In November 2017 the Government of Canada announced the National Housing Strategy (NHS), a ten year strategy with over \$40 billion of joint federal, provincial and territorial investments. The Province of Prince Edward Island commenced bilateral negotiations with the Government of Canada in March 2018; it is expected that negotiations will be completed by March 2019 to support program initiation in 2019-2020. Using a mix of funding, grants and loans the NHS will create affordable, stable and livable communities through partnerships with the public, private, and non-profit sectors.