

Saskatchewan Housing Corporation



Annual Report for 2014

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Letter of Transmittal



April 30, 2015

Her Honour, the Honourable Vaughn Solomon Schofield,
Lieutenant Governor of Saskatchewan

May it Please Your Honour:

I respectfully submit the Annual Report of the Saskatchewan Housing Corporation for the fiscal year ended December 31, 2014. This report includes the financial statements in accordance with *The Saskatchewan Housing Corporation Act*.

Respectfully Submitted,

A handwritten signature in black ink that reads "Donna Harpauer". The signature is fluid and cursive, with a long horizontal stroke at the end.

Donna Harpauer
Minister Responsible for
Saskatchewan Housing Corporation

Message from the Minister



It is my privilege to serve as the Minister responsible for Saskatchewan Housing Corporation (SHC).

In 2014, the Government of Saskatchewan continued to deliver on its commitment in the Plan for Growth to invest in a higher quality of life for all Saskatchewan people. As shown throughout this report, SHC carried out this vision, and I am proud of their achievements over the past year.

A key ingredient of this success lies in *The Housing Strategy for Saskatchewan*. Since its introduction in 2011, it continues to serve as a roadmap for government and the housing sector to work together to improve the well-being of citizens, and build strong communities. The strategy has helped SHC to implement a number of initiatives that have since created more balanced vacancy rates and record numbers of new rental units. This now enables SHC to focus on supporting low-income households who are facing challenges in affordability.

The past year also fostered a new spirit of co-operation and co-ordination of efforts from the entire housing sector. SHC forged new partnerships in 2014 and, at the same time, strengthened existing ones to support those in greatest housing need. Through programs such as the Rental Development Program, Capital Rent Subsidy, Rental Construction Incentive, Affordable Home Ownership Program, HeadStart on a Home and the Secondary Suite Program, to name a few, SHC and its partners worked diligently to create more affordable housing opportunities across the province.

Throughout its history, SHC's goal is to help provide safe, secure shelter for Saskatchewan people who have been otherwise unable to afford it. I commend the SHC Board of Directors, senior management and staff for their perseverance in ensuring that all Saskatchewan people have a place to call home. I also thank our numerous partners for their actions over the past year, and for their continued support of our goals.

Together, let's continue to keep Saskatchewan strong and moving forward, now and in the years ahead.

A handwritten signature in black ink that reads "Donna Harpauer". The signature is fluid and cursive, with a long, sweeping underline.

Donna Harpauer
Minister Responsible for
Saskatchewan Housing Corporation

Message from the Assistant Deputy Minister, President and CEO



I am pleased to present the 2014 Annual Report for Saskatchewan Housing Corporation (SHC).

SHC, in partnership with housing authorities and the public and private sector, has provided access to affordable, suitable and adequate housing to people who have an identified need and who could not afford it without assistance. Our Corporation works to provide sound public policy and initiate and administer effective housing programs and services. Our goal is to help individuals and families to become more secure, and to build sustainable neighbourhoods and communities.

Over the past year, SHC continued to build its capacity in these areas. This annual report outlines how we are enhancing our services to meet the ever-changing needs of our clients.

The involvement of people has always been at the heart of how we do business. By working with partners such as housing authorities, municipalities, community-based organizations, co-operatives, private sector firms and others, we are putting the needs of Saskatchewan people first and developing approaches and solutions that will help them achieve or maintain their independence.

In 2014, SHC made significant progress in increasing housing supply, as outlined in these pages. While some communities are now experiencing vacancy rates of up to 12.5 per cent, the vacant units are not necessarily affordable to clients with low incomes. We remain committed to making sound investment decisions and providing more affordable housing options.

In addition to our housing partners, I would like to take this opportunity to acknowledge the SHC Board and staff for their effort and dedication throughout the year. I am proud of our collective achievements in 2014 and, most importantly, of making a difference in the lives of our clients. We will continue to adapt to changes in the housing front and lay the foundations for a healthy housing future.

A handwritten signature in black ink, consisting of a stylized 'D' followed by a cursive 'A' and a period.

Don Allen
Assistant Deputy Minister, President and CEO
Saskatchewan Housing Corporation

Message from the Board Chair



Each day, the Saskatchewan Housing Corporation (SHC) works to provide housing and housing services for individuals, families, seniors, persons with disabilities and others who cannot afford a safe, quality place to call home. SHC's activities over the past year have continued to address these diverse needs, as shown in this annual report.

This report allows us to look back on our accomplishments, results and lessons learned and sets the stage for future planning for the benefit of Saskatchewan people. As Board Chair, I am proud of SHC's achievements in 2014 and the direction that SHC has plotted as we work together to plan the future of housing in Saskatchewan communities.

We, as the Board, will ensure that SHC's decisions continue to make a positive difference in the lives of the people they serve. SHC's exemplary leadership has allowed the Corporation to respond positively to challenges and opportunities that have presented themselves during the past year. The SHC Board looks forward to continued collaboration that will benefit clients and their respective communities.

SHC's success in 2014 is also due to the efforts of our many partners and stakeholders, fellow SHC Board members, management, volunteers and staff throughout the province. I thank them for their dedication and effort throughout the year. By working together, we will continue to build strong, vibrant communities and keep Saskatchewan moving forward.

The Board looks forward to supporting SHC's goals and objectives in the year ahead and to building a brighter housing future for all Saskatchewan people.

A handwritten signature in black ink that reads "K. Hanson". The signature is fluid and cursive, with a large initial "K" and a stylized "Hanson".

Keith Hanson, P.Eng.
Chair, Board of Directors

Introduction

This Annual Report for the Saskatchewan Housing Corporation (SHC) presents the Corporation's results on activities and outcomes for the year ending December 31, 2014. It reports to the public and elected officials on public commitments made and other key accomplishments of the Corporation.

The 2014 Annual Report will be presented in relation to Government's vision and four goals as well as the *Saskatchewan Plan for Growth – Vision 2020 and Beyond*, which was released in October 2012.

The 2014 Annual Report also sets the stage for future planning by providing an opportunity to assess the accomplishments, results, and lessons learned, and identify how to build on past successes for the benefit of Saskatchewan people.

Alignment with Government's Direction

Vision

A strong and growing Saskatchewan, the best place in Canada – to live, to work, to start a business, to get an education, to raise a family and to build a life.

Goals

- Sustaining growth and opportunities for Saskatchewan people.
- Improving our quality of life.
- Making life more affordable.
- Delivering responsive and responsible government.

Together, all ministries and agencies support the achievement of the Government's four goals and work together towards a growing and prosperous Saskatchewan.

A growing population creates more demand for housing. SHC is helping to manage the challenges of growth by partnering with the private sector, municipalities across the province, the Federal Government, Crown Corporations, and other ministries in implementing *A Strong Foundation – The Housing Strategy for Saskatchewan*. SHC provides a range of programs and initiatives to meet the housing supply challenge created by growth as well as improve access to housing for those who need it most.

SHC aligns with Government's direction by providing a range of housing programs and services for households that could not otherwise afford adequate, safe, and secure shelter. SHC also supports the repair and improvement of existing housing and the development of new housing for low- to moderate-income households to meet the demands of a growing province.

Corporation Overview

Mandate

While recognizing the marketplace as the primary vehicle for the provision of housing, SHC promotes independence and self-sufficiency by providing housing and housing services to people who could not otherwise afford or access adequate, safe, and secure shelter. SHC manages the financial contributions from the provincial, federal, and municipal levels of government and plays a lead role in the development of housing policies on behalf of the Government of Saskatchewan.

Programs and Services

SHC provides a range of housing programs and services including: social and affordable rental housing; development of new housing; programs to make modifications for persons with disabilities; programs to repair and renovate homes; homeownership options; and support for housing planning.

SHC supports about 24,900 government-subsidized Social and Affordable Rental Housing units and about 4,100 special purpose housing units (i.e. special care and group homes) in the province. Over the years, SHC has helped many households achieve homeownership. There are about 600 households who have received such assistance and who still have a forgivable loan with SHC. This does not include nearly 850 households who have purchased homes constructed under Crown Investment Corporation's HeadStart on A Home Program. In total in 2014, SHC provided support for households living in approximately 29,600 housing units.

The SHC owned rental housing portfolio consists of 18,197 units located in communities throughout the province. SHC owned units are managed by local housing authorities. In addition, 10,862 units, including rental units and special care/group home beds are owned and operated by 230 different non-profit groups and co-operatives. The housing portfolio is targeted to low- and moderate-income families, seniors and people with special needs.

Distribution of the portfolio is as follows:

- 45 per cent seniors;
- 34 per cent families;
- 14 per cent special needs;
- 7 per cent singles.

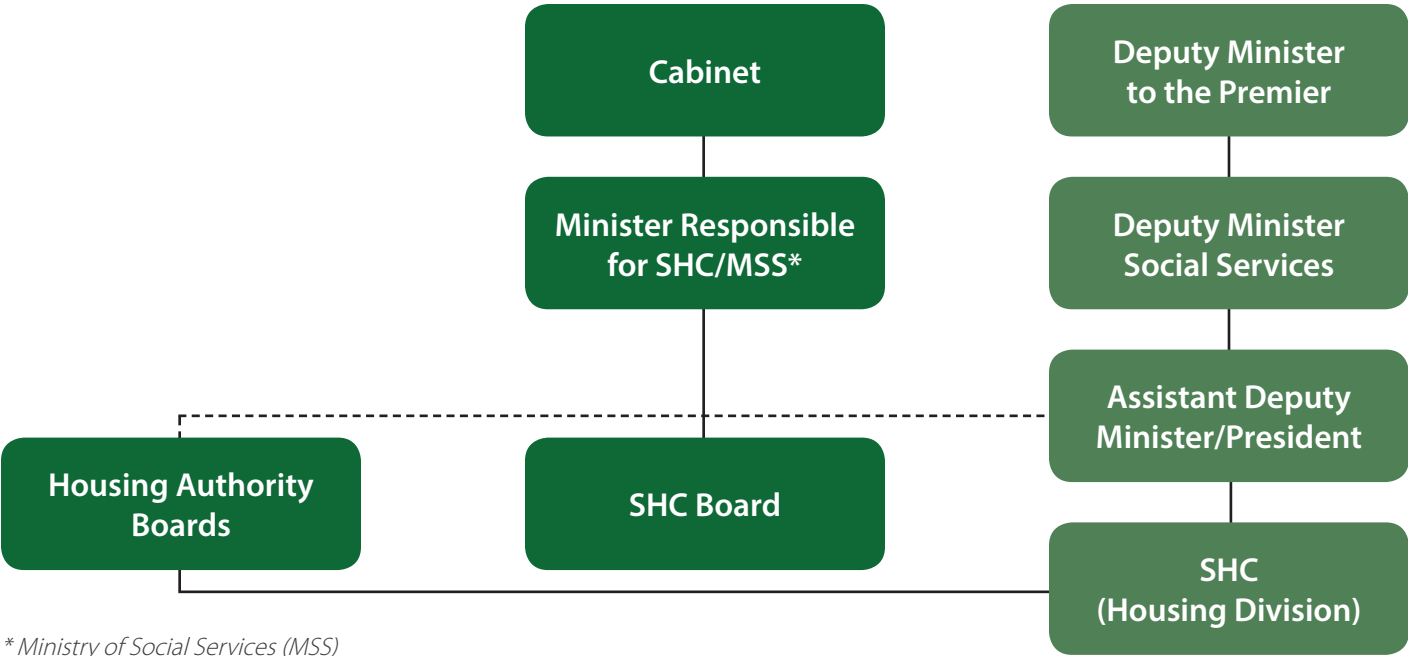
Responsibilities of SHC include: managing operating agreements with approximately 485 organizations; program, and operational policy development; program related research and reviews; accounting and other financial services; business planning and financial policy development; and delivery of housing programs and services.

Organizational Structure

SHC is a Treasury Board Crown Corporation and is accountable to Cabinet through the Minister of Social Services. SHC operates under the authority of *The Saskatchewan Housing Corporation Act* which establishes a Board of Directors (the Board) to conduct the affairs and business of the Corporation. The Board provides oversight in accordance with the legislated objectives and powers vested in SHC.

The Board is responsible for establishing a strategic direction for SHC within the context of Government priorities and directions, and monitoring results towards those ends. The Board also oversees the financial affairs of SHC, approving business and budget plans and monitoring financial results; ensures that significant risks to the business of SHC are identified and that internal controls and plans are in place to mitigate identified risks; oversees housing program design within the parameters set by the Government of Saskatchewan and/or the Government of Canada cost-sharing requirements; ensures SHC's assets, including information, are safeguarded; and appoints SHC's external auditors subject to the Government of Saskatchewan guidelines, which respect the role of the Provincial Auditor.

SHC’s Accountability Structure – Legal and Financial



* Ministry of Social Services (MSS)

Management services are provided to SHC by the Ministry of Social Services (Ministry). SHC pays an annual fee to the Ministry for these services.

The Minister establishes local housing authorities and appoints the volunteer board members who oversee operations of the housing authority.

Housing Partners

The success of SHC’s programs and services relies on partnerships. In addition to housing authorities and non-profit organizations, SHC partners with housing co-operatives, Métis and First Nations housing providers, and private landlords who own and manage housing for low- and moderate-income tenants. SHC also works with municipalities, the Ministry of Social Services and other Government ministries, and the Federal Government to integrate housing programs and services with other services.

Volunteers

Dedicated volunteers are essential to the ongoing success of SHC’s activities. Community-based management enables local people to respond to local situations, thereby bringing enhanced knowledge and responsiveness to the housing system. Saskatchewan’s network of local housing authorities is composed of more than 1,400 volunteers. Other housing agencies are served by around 1,200 volunteer members across the province.

Support to Housing Authorities and other Housing Agencies

SHC supports the general operation and services of local housing authorities and other housing agencies that are responsible for delivering housing programs and maintaining the operation of housing units. This includes broad management support to general operations, property, technical services, tenant, and financial stewardship, as well as supporting the diverse needs of each housing group in their delivery of tenant services and programs.

Progress in 2014

Significant Achievements in 2014

SHC worked with its partners in the private, public, and non-profit sectors toward the following four government-wide goals. A summary of the key 2014 achievements is provided under each goal.

GOAL 1: Sustaining growth and opportunities for Saskatchewan people.

- SHC supply programs such as the Affordable Home Ownership Program and the Rental Construction Incentive played an important role in bringing balanced vacancy rates and record numbers of new rental units to many communities in Saskatchewan.
- SHC is selling up to 300 of its single-family units in Regina, Moose Jaw and Prince Albert to help build more modern and energy efficient multi-unit housing in these communities. The initiative is intended to help improve the long-term sustainability of SHC's housing portfolio and make housing less expensive for tenants and the taxpayer, create more affordable housing and create entry-level homeownership opportunities. It is a key component in supporting the *Saskatchewan Plan for Growth*.

GOAL 2: Improve our quality of life.

- In 2014, the average provincial rental vacancy rate moved above four per cent, which is slightly above a balanced market which ranges between 2.5 and 3.5 per cent.
- In October, Shirley Skelton Manor opened in Saskatoon providing 20 units for individuals with disabilities, and homelessness or addiction issues. Residents will have a stable living environment as they learn life skills and receive counseling in preparation for independent living.
- In the 2014-15 Budget, the Province committed an additional \$750,000 to help build 12 new Habitat for Humanity homes throughout Saskatchewan. In 2014, 24 homes were complete or in progress in 10 communities, making homeownership a reality for many Saskatchewan families.

GOAL 3: Making life more affordable.

- The Home Repair and Adaptation Programs assist low-income and rental property owners housing low-income tenants to undertake repairs required to ensure properties are up to minimum health and safety standards and modify their dwellings to improve

accessibility for individuals with a housing-related disability. In 2014, approximately \$1.7 million was committed to assist in repairs and modifications to 153 properties.

- SHC and the Government of Canada partnered to develop 26 new affordable rental units in North Battleford. The project is a commercial building that was converted into 17 one-bedroom and nine bachelor suites for low- and moderate-income citizens.

GOAL 4: Delivering responsive and responsible government.

- In 2014, SHC renewed the Life Lease Program to improve affordable housing options for seniors. The Life Lease Program has been expanded to more communities and is now available in Regina, Saskatoon, Yorkton, Meadow Lake, Melfort, Tisdale, Nipawin, Estevan, and Weyburn Housing Authorities. The Program provides accessible and affordable housing for seniors who cannot afford or access housing in the private market.
- SHC and Canada Mortgage and Housing Corporation (CMHC) signed an extension of the bi-lateral agreement, *Investment in Affordable Housing 2014-2019*, on August 26, 2014.

Summary of Financial Results

Reported figures reflect results for SHC's fiscal year ending December 31, 2014.

Expenditures

SHC expenditures for 2014 were \$182.4 million. This was \$17.3 million below budget primarily due to a reduction in grants and subsidies due to differences in timing of expenditures versus plan.

Revenues

SHC revenues for 2014 were \$183.2 million. In some SHC programs, revenues are only recognized when the expense occurs: for example, in the provincially and federally funded Rental Development Program. In 2014, revenues were \$25.5 million below budget primarily due to the lower than budgeted expenditures and the corresponding revenue recognition that is recorded to offset them, combined with fewer units being sold for portfolio renewal than planned.

Progress by Key Program Areas

This section provides detailed results of SHC's achievements during the 2014 calendar year. Results are provided for each of SHC's strategic directions.

A Strong Foundation – The Housing Strategy for Saskatchewan

Introduced in 2011, *A Strong Foundation – The Housing Strategy for Saskatchewan (Strategy)* has resulted in stronger partnerships and collaboration across the housing sector, increasing housing supply and improving access to new and existing housing.

One of the key principles of the *Strategy* is that housing is a shared responsibility and a co-ordinated effort from the entire housing sector is critical in keeping Saskatchewan strong. To set the strategy into action and establish annual priorities, SHC has worked with other Crown corporations and ministries to create provincial action plans. Some actions outlined in these plans are designed to have immediate results. Many have become part of regular business practices and are carried forward into future years and action plans.

The *Strategy* outlines five strategic directions:

- Increase the housing supply;
- Improve housing affordability;
- Support individuals and families in greatest housing need;
- Enhance strategic planning for housing; and
- Collaborate, communicate and educate.

Since the introduction of the *Strategy*, progress is being made on government-wide actions that support the strategic directions outlined. Housing starts are well above the 10 year average. The past three years of rental starts have exceeded the previous 15 years combined. This has helped bring the provincial vacancy rate above four per cent, with rates between 2.5 and 3.5 per cent considered a balanced market, allowing renters to find adequate, suitable housing and landlords to receive a fair return on investments. As the rental market improved, SHC began to shift focus away from supply and towards supporting low-income households facing affordability challenges.

Measuring Performance

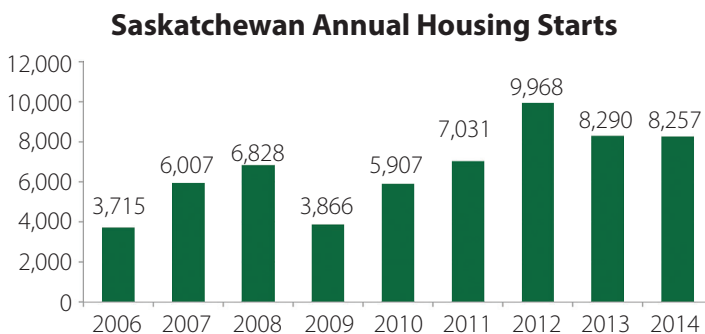
SHC tracks and reports on a number of measures that help provide an understanding of the changing marketplace. This information assists Government, SHC and other stakeholders to plan future investments.

Housing Starts

Saskatchewan's population growth has been driven by a strong provincial economy and has encouraged the construction of all types of housing across the province. The combination of SHC incentives and the housing sector responding to increased demand has produced positive results, evident in the elevated numbers of new units constructed or in development in Saskatchewan in recent years. This increase in the availability of housing stock has moderated the rise in housing prices and provided Saskatchewan residents with increased choice of housing to better meet their specific needs.

The *Housing Starts* measure tracks the number of new housing starts across the province since 2006 and includes both homeowner and rental units.

Although down slightly from last year, annual housing starts continue to be well above the 10 year average and are an indication of the relative health of the provincial housing sector and its continued ability to meet the demand for additional housing supply. *The Saskatchewan Plan for Growth – Vision 2020 and Beyond* set the goal of an average of 8,000 annual housing starts to accommodate expected provincial population growth (1.2 million by 2020). The chart below indicates that housing starts remain on track to meet this goal.



Source: Canada Mortgage and Housing Corporation (CMHC)

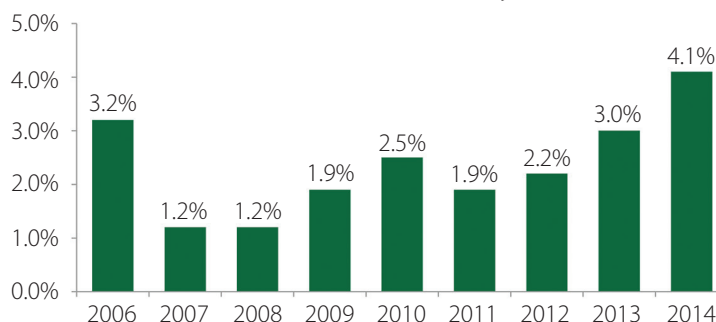
Vacancy Rates

The province's growing economy and population have created a strong demand for rental housing in Saskatchewan. While this is a sign of a strong provincial economy, it also creates challenges, especially for low- to moderate-income households due to increases in rental rates. As with the overall housing supply, SHC is helping to manage the challenges of growth by consulting and collaborating with the housing sector and municipalities across the province to provide a range of programs and initiatives to meet the rental housing supply challenge and improve access to rental housing for those who need it most. As a result, the past three years of rental starts have

exceeded the previous 15 years combined. The increased rental supply and increase in the availability of housing in general has had a positive impact on provincial vacancy rates and moderated rental rate increases.

The *Provincial Rental Vacancy Rate* measure indicates the percentage of privately-initiated apartment units in projects of three or more units, of all bedroom types, that are available for immediate rental across the province. Generally, vacancy rates of 2.5 to 3.5 per cent are considered a balanced market. A balanced rental market condition is one that allows a variety of choice for renters but also a fair rate of return on investments for landlords. The average provincial vacancy rate has now reached four per cent, which is a reflection of the large number of new rental units that have become available on the market over the past few years.

Provincial Rental Vacancy Rate

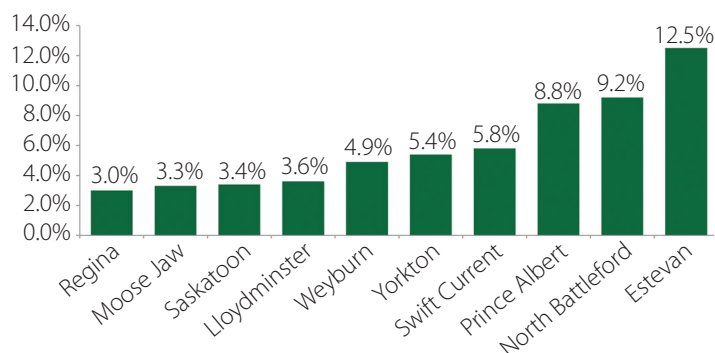


Source: CMHC Rental Market Surveys, Fall 2014

The *Vacancy Rate in Saskatchewan's 10 Largest Communities* measure indicates the percentage of privately-initiated apartment units in projects of three or more units, of all bedroom types, that are physically unoccupied and available for immediate rental in Saskatchewan's 10 largest urban areas (10,000 plus).

The chart provides a more detailed look at vacancy rates throughout the province's major urban centres. Of particular interest is that the vacancy rates in the province's two major centres, Regina and Saskatoon, are now both in the balanced range after recently being well below for an extended period of time.

Vacancy Rate in Saskatchewan's 10 Largest Communities



Source: CMHC Rental Market Surveys, Fall 2014

The Housing Starts and Vacancy Rate measures both indicate that previous concerns about the provincial housing supply are being addressed. This allows our Government to now focus its efforts on supporting low-income households who may be facing affordability challenges.

Investment in Affordable Housing

On August 26, 2014, SHC and CMHC signed an extension of the bi-lateral agreement, *Investment in Affordable Housing 2014-2019 (IAH Agreement)*. The original agreement was signed on September 6, 2011. In partnership with the Government of Canada, a combined investment of some \$91.9 million over the next five years will help more families and individuals in need of affordable housing. Under the *IAH Agreement*, SHC has the flexibility to deliver housing programs that address local housing needs and priorities and allow for more creativity and collaboration on a range of housing supports.

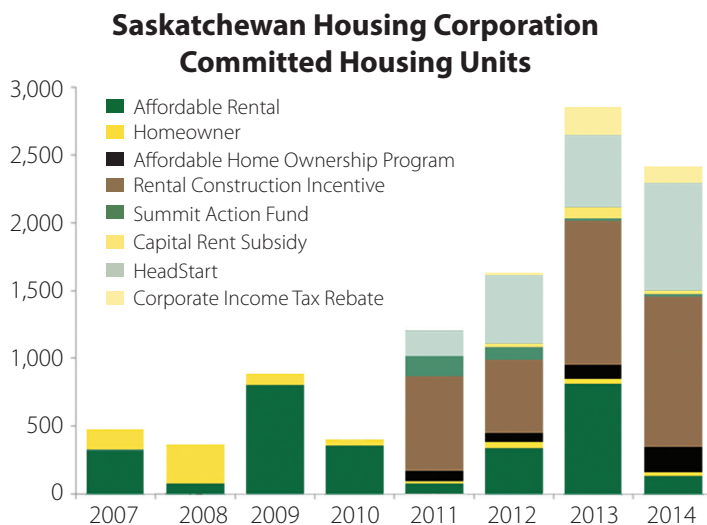
In 2014, \$4.9 million of funding through the *IAH Agreement*, for 251 units, was committed towards development of new affordable housing for the hard-to-house and low-income households, rent subsidies for low- to moderate-income households, and repairs and adaptations to existing private homeownership and rental housing.

Under *The Investment in Affordable Housing 2011-2014 Agreement*, total funding of just over \$55 million resulted in a total of 1,673 households being assisted in addressing their housing needs. Outcomes achieved include: 1,074 households are no longer living in inadequate conditions; 55 seniors and 28 persons with disabilities were able to remain living independently; 30 households were able to leave violent situations; and an additional 486 affordable housing units were added, increasing supply in the province. In addition, \$58,441 was generated through local partnerships to meet housing needs in Saskatchewan.

Increase the Housing Supply

In 2014, SHC continued to provide numerous incentives intended to increase housing supply for the growing population. This important investment will serve individuals and families for many years into the future and is one of the ways SHC is working to manage the effects of growth in the province. A particular focus of SHC has been on increasing the supply of rental housing. A combination of incentives and the private sector responding to increased demand has produced results, with a significant number of new rental units constructed or in development in Saskatchewan.

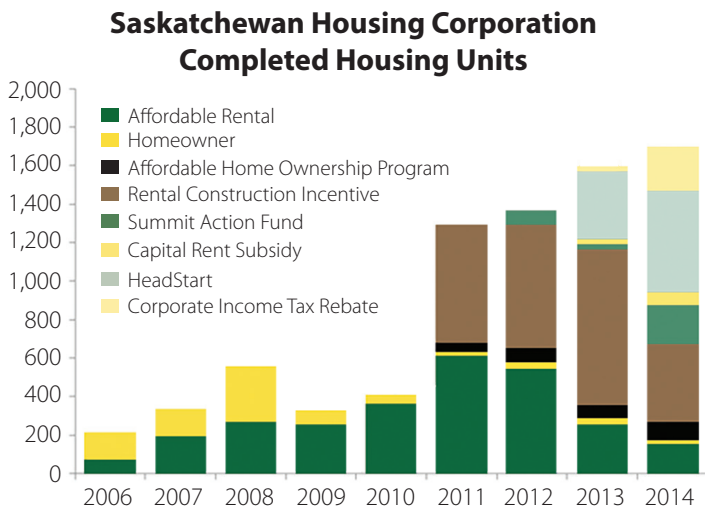
In 2014, SHC made commitments of 2,414 units (rental and homeowner), a decrease of approximately 19 per cent from 2013. The number of commitments in 2013 reflects the focus on supply. As the vacancy rate improved, SHC began to shift focus away from supply and towards affordability within the existing rental stock. The decrease in 2014 can also be attributed to the end of the federal/provincial *Investment in Affordable Housing 2011-2014 Agreement* and the 605 student housing beds at the University of Regina committed in 2013. Recent and ongoing requests for proposals will contribute to increased commitments under the new agreement. The chart titled *Saskatchewan Housing Corporation Committed Housing Units* shows the total number of commitments made by SHC broken down by program.



Adjusted for units funded by multiple programs.

Through SHC and other government programs, 1,695 housing units were completed in 2014, adding 914 units to the rental housing stock and assisting 781 households to acquire a home. The chart titled *Saskatchewan Housing Corporation Completed Housing Units* shows the total number of completed housing units broken down by program over the past eight years, illustrating the overall

impact SHC supply programs and initiatives have had on increasing the housing supply.



Adjusted for units funded by multiple programs.

Rental Construction Incentive (RCI)

RCI is designed to help municipalities and private market developers create new rental housing units. The Program provides participating municipalities a provincial grant up to \$5,000 to match municipal grants or incentives to developers for each eligible new rental unit constructed.

The Program was announced in 2011 with a budget of \$14.5 million over five years. The response from municipalities and developers was immediate and positive. To meet the demand, the Province committed additional funding, bringing the total funding for RCI to \$22.1 million over five years.

Since 2011, commitments have been made to support the development of 4,896 units in 24 communities. To date, a total of 2,534 new rental units have been completed. RCI has played an important role in bringing a balanced housing market to many communities across the province.

Affordable Home Ownership Program (AHOP)

The goal of AHOP is to engage municipalities to increase the supply of entry-level homes. The Program matches grants that eligible municipalities provide to homeowners. SHC contributes to participating municipalities an amount equivalent to the education portion of the property tax for five years, to a maximum of \$5,000 per home.

The municipal response when the Program was introduced in 2011 exceeded expectations. To meet the demand, the Province committed additional funding to the Program, bringing the total funding for AHOP to \$3.8 million over five years.

Since 2011, commitments have been made to support 672 new homeownership opportunities in nine communities across the province. To date, 369 homes have been completed. Of the 369, 76 units also received funding through other programs.

Corporate Income Tax Rebate (CITR) on New Rental Housing

The CITR on New Rental Housing was designed to encourage rental housing construction with a 10 per cent reduction in the provincial corporate income tax rate on taxable income earned from the rental of multi-unit housing. The housing market conditions that the Program was developed to address have improved, with vacancy rates in many communities moving to balanced rates. The application deadline was December 31, 2014.

In 2014, there were 110 commitments under the program. Since the beginning of the program, the construction of 340 new rental units has been supported. Of those, 74 units also took advantage of other SHC incentive programs.

Summit Action Fund (SAF)

The SAF was designed to increase housing supply across the province through innovation in the housing sector. Totalling \$6 million in funding, the SAF provides a grant of up to \$500,000 to housing stakeholders who have creative housing solutions that are not covered by existing housing programs.

Since its inception in 2011, funding from the SAF has been allocated to 20 projects to create 272 units across the province. Of the 272 units, 24 units also received funding through other SHC programs.

Improve Housing Affordability

While the availability of housing in Saskatchewan has improved, low- to moderate-income households continue to experience challenges finding an affordable place to live. SHC is committed to addressing housing affordability issues and has a number of programs that assist households that might not otherwise be able to afford housing. These programs support and complement other Government responses to housing supply and affordability challenges, such as HeadStart on a Home and the First Time Homebuyer's Tax Credit.

Saskatchewan Home Repair Programs

The redesigned Saskatchewan Home Repair Programs were launched in 2012, reflecting Saskatchewan's current housing environment and unique housing needs. The redesigned Programs have higher assistance levels, increased eligibility, and shorter loan forgiveness periods.

These Programs assist low-income homeowners, and rental property owners housing low-income tenants, to repair or modify their dwellings. These Programs, which are funded in partnership with the Federal Government, help to ensure that units meet minimum health and safety standards, building codes, and accessibility requirements for persons with disabilities. Rental property owners who receive funding must rent to low-income households and charge an affordable rent.

In 2014, approximately \$1.7 million was committed to assist in repairs and modifications to 153 properties.

Habitat for Humanity (Habitat) Partnership

SHC is proud to continue to support Habitat's efforts to provide affordable homeownership opportunities for Saskatchewan's low- to moderate-income families. In the 2014-15 Budget, the Province committed an additional \$750,000 to help build 12 new Habitat homes throughout the province.

In 2014, Habitat celebrated the completion of 13 houses in seven communities across the province. They also started construction of 12 homes and had funding approved to start construction of two more. Habitat had new housing activity in 10 different communities in 2014.

Secondary Suite Program

Through the Secondary Suite Program, eligible homeowners and rental property owners can receive up to 50 per cent of the construction costs to build or renovate a secondary suite for rental to low-income households. In 2014, changes were made to the Program to recognize the variance of cost in constructing a suite in a new build versus an existing dwelling. The maximum funding for a suite in a new build is \$10,000. For a suite in an existing home, the maximum funding remains at \$30,000.

The Program has been successful in increasing access to affordable rental housing for low-income households. Under the previous *IAH Agreement*, 217 secondary suites were completed. Funding for the Secondary Suite Program has been renewed through the new *IAH Agreement* and will have a budget of approximately \$10.0 million over the next five years. In 2014, 57 secondary suites were committed to be developed.

Capital Rent Subsidy (CRS)

Introduced in 2012, the CRS helps to develop affordable rental units by encouraging landlords of newly constructed rental housing to reduce rents for qualified low- to moderate-income renters. The Program provides housing that is more affordable for tenants in private rental housing through a rent subsidy that bridges the gap between market rent and rent affordable to households with low- to moderate-incomes.

In 2014, 30 units were committed under the Program, for a total of 134 to date. In addition, a Request for Proposals was in progress at year-end.

Support Individuals and Families in Greatest Housing Need

Saskatchewan's strong economy and robust housing market enables the majority of Saskatchewan citizens to have a place to call "home." However, there are some in the province who could not otherwise afford or access adequate, safe, and secure shelter. SHC is proud to partner with housing authorities, the Federal Government and community groups to help those with the greatest shelter needs.

Social Housing Rental Program Changes

The Social Housing Rental Program is targeted to households that cannot afford housing in the market. Changes were made to the program to help ensure that people with low-income with the greatest need have better access to Social Housing. Implementation of the changes began in 2012, and the program has now been fully implemented in all housing authorities across the province. These changes have resulted in declines in the Social Housing waitlists in our largest communities, as those with the resources to access housing in the market have done so, making room for other families in need of Social Housing.

Supporting and Partnering in Homelessness Initiatives

The Federal Government provides funding via the Homelessness Partnering Strategy in order to prevent and reduce homelessness across Canada. This money is distributed directly to communities, with the Province partnering on various projects. Funding is allocated and administered through initiatives chosen by local Community Advisory Boards. SHC officials participate on the Regina, Saskatoon, Prince Albert, Aboriginal and Rural Community Advisory Boards. SHC continues to target the Rental Development Program to clients at risk of homelessness.

Shelter Enhancement Program (SEP)

Designed to assist victims of family violence and households with the greatest need, the Shelter Enhancement Program (SEP) provides financial assistance to non-profits, First Nations groups, and charities for the purpose of constructing new or renovating existing emergency shelters and second-stage housing units.

In 2014, approximately \$124,000 was committed to repair shelters for victims of family violence.

In 2013, SEP funding of \$1.5 million was committed to a project supporting construction of a new shelter for victims of domestic violence in Melfort that would provide 16 beds in seven bedrooms. Construction on the Melfort project started in the spring of 2014, and was about 70 per cent complete when an accidental fire nearly destroyed the building in November 2014. Reconstruction of the project began in February 2015.

Rental Development Program (RDP)

SHC's Rental Development Program provides funding to non-profit corporations, co-operative groups, municipalities, First Nations and the private sector to respond to community needs by developing affordable rental housing projects targeted for vulnerable and low- to moderate-income people. In the absence of partners, SHC direct-delivers projects to address housing challenges.

In 2014, \$2.6 million was committed through this Program to support the construction of 70 rental units for families, singles, and individuals with addictions and mental illness. In addition, one Request for Proposals for new housing development was completed and a second was underway at year-end.

Housing Development for Valley View

SHC is working with other divisions in the Ministry of Social Services to assist in the transition of residents from Valley View Centre in Moose Jaw to new homes in the community. With experience in the development and acquisition of new housing, SHC has been working with the Valley View transition team to identify and acquire appropriate housing. To date, SHC has purchased four houses and three building lots. Renovations on the houses are currently underway.

Enhancing Strategic Planning for Housing

SHC continues to support housing planning in communities across the province. This includes: initiatives that provide assistance for the creation of housing plans; community planning support, including provision of information and expertise about housing to communities and local organizations; and increased partnerships and forums for housing.

Encouraging Community Housing Options (ECHO)

Municipalities play an essential role in managing growth, especially when it comes to meeting the housing needs of their communities. To assist municipalities in planning for and managing growth, the ECHO program provides cost-matched funding to municipalities and regions to assist with the cost of housing planning and to encourage action that will increase the housing supply. The program matches municipal and regional partnership contributions to complete housing plans or to take action on strategies identified in a housing plan or other type of needs assessment. Up to \$20,000 is available to complete a housing plan and up to \$10,000 to take action.

Housing planning in the North presents unique challenges due to the number of remote communities dispersed across a geographic region. The ECHO Program has been expanded to help northern communities meet housing needs by developing long-term housing plans. Two new components provide cost-matched funding to northern municipalities and regions. Up to \$5,000 is available to complete community housing plans and up to \$20,000 is available for regional plans. Of the remaining ECHO funding, \$60,000 has been reserved for grants to northern communities and regions.

Eleven housing plans have either been completed or are in process that will positively affect 34 communities in managing their housing growth. There have been five commitments made to support municipalities to take action on strategies that will increase the housing supply.

Small Communities Rental Market Survey

On an annual basis, SHC conducts the *Small Communities Rental Market Survey*, which is the only source of annual data on primary rental markets in communities with populations between 500 and 10,000 people.

The survey conducted in the fall of 2014 supports communities and Government by:

- Helping communities assess need and demand, and plan for future housing;

- Providing rental market data for adjustment of shelter allowance and rental supplement rates in the provincial income assistance programs; and
- Identifying the level of need for development of subsidized housing, and emerging housing markets and non-market communities.

Program and Operational Reviews

As part of SHC's continuing efforts to ensure its programs are effective and meeting the overall objectives of the Provincial Government, reviews of the Secondary Suite Program, the Rent Supplement Program and the Corporate Income Tax Rebate on new Rental Housing were undertaken in 2014. Recommendations for improvements to programs are made that may improve service, make the program less costly, lead to greater efficiencies or re-focus some of the activities.

In 2014, a number of Operational Reviews of housing authorities throughout the province were conducted. The purpose of Operational Reviews is to review internal business processes and outcomes in order to continually improve performance and results, facilitate dialogue and share best practices. An important component of these reviews is the survey of tenants. These tenant surveys reveal that 84 per cent of tenants are satisfied or very satisfied with their individual units and the service they receive from SHC and the housing authorities.

Sustainability

Federal funding for the Social Housing Rental Program is declining, and the funding received will eventually be less than current operating costs. This could jeopardize both the Program's ability to provide the same level of benefits to Social Housing clients as well as maintaining the assets themselves.

In order to prepare for this possibility, SHC has been busy identifying best practices and efficiencies and implementing a Capital Asset Plan. Once implemented, the Plan will improve portfolio monitoring and decisions regarding maintenance and repairs. It will also assist in determining portfolio investment decisions so that SHC will be well positioned to respond appropriately to current and future housing needs.

Portfolio Renewal

SHC is undertaking the sale of 300 single-family social housing units in Regina, Moose Jaw and Prince Albert to help build more modern and energy efficient multi-unit housing in these communities. Portfolio Renewal will create more affordable housing opportunities through the sale

of these units to first-time homebuyers. It will also provide more modern housing for Social Housing tenants with less ongoing maintenance costs for SHC.

In 2014, 30 units were completed in Prince Albert and 91 units were under construction in Moose Jaw. In Regina, a Request for Proposals to build 24 to 48 units was in progress at year-end.

Collaborate, Communicate and Educate

SHC will continue to work with stakeholders across the province to support *A Strong Foundation - The Housing Strategy for Saskatchewan*. Communication across geographic areas and between members of the housing sector is important to create efficiencies and opportunities. The housing sector needs to work together, share information effectively, and communicate well with the public.

The Importance of Partnerships

Meeting the challenge of growth requires the full participation of all parties involved in housing delivery. SHC has been consulting with community stakeholders across Saskatchewan and providing other opportunities for communication, collaboration and education on housing for many years. This has continued in 2014 with SHC supporting and participating in housing related events across the province.

Regina Mayor's Housing Summit

The City of Regina hosted its second Mayor's Housing Summit on October 21, 2014. Honourable Donna Harpauer, Minister of Social Services and Minister responsible for SHC, gave opening remarks at the Summit, and SHC staff participated in the event.

National Housing Day

SHC was proud to participate in and support the National Housing Day event in Saskatoon in November. National Housing Day provides an opportunity to recognize the importance of housing in our communities, raise awareness, share housing information and celebrate the progress in advancing housing solutions.

Meeting the Housing Needs of First Nations and Métis People

SHC continues to work in partnership with First Nations, Métis communities, and others to increase housing options for First Nations and Métis people.

In 2014, SHC partnered with the Federal Government and Silver Sage Holdings Ltd. to invest in the construction of a new rental housing development in Regina. The project will consist of 26 units located at what will be known as the Silver Sage Elder's Lodge in Regina.

SHC also worked with northern communities to address housing needs among First Nations, Métis and others living off-reserve in northern Saskatchewan. Six new Social Housing units and four new Affordable Housing units in La Loche completed construction in 2014. The Northern Village of Pinehouse received a commitment for \$500,000 under the Summit Action Fund for the development of 10 homeowner units. Two projects that are under construction will provide an additional nine family housing units in the communities of Buffalo Narrows and Île-à-la-Crosse.

In order to assist northern students, eight affordable rental housing units for students with large families furthering their education were completed in La Ronge. These affordable rental housing units are provided to students and their families as they pursue their education in La Ronge.

SHC, in partnership with the Northern Lights School Division, is helping students learn basic carpentry skills by constructing single family homes. These homes will become part of the Affordable rental portfolio in these communities when completed. In 2014, three new housing units were built and two additional housing units were under construction in Île-à-la-Crosse and La Loche. By 2015, this will bring the total homes developed under the program to 18 since 2007.

Management's Discussion and Analysis

Growth, Security and Promises

Saskatchewan Housing Corporation (SHC) plays an important role in supporting Government direction within the province and delivering on improving quality of life and affordability for all residents of Saskatchewan. The challenges that continue to impact on SHC's financial ability to support these objectives are:

- declining federal funding for ongoing operations;
- an aging portfolio of units that have high costs to maintain and operate;
- continuing demand for housing supply due to population growth and migration; and
- the impact of growing demand for housing on affordability.

SHC will continue to deliver social housing and meet its program commitments in Saskatchewan. Financial forecasts, program reviews and housing needs assessments are regularly updated to evaluate changing economic conditions within the province and programs that SHC delivers. SHC uses this information to identify opportunities to improve the allocation of its resources and best focus them to meeting the financial challenges of delivering on its objectives.

2014 – Major Developments

In 2014, moderate growth in rent and other income continued; this had been anticipated with the changes to the Social Housing Program announced in 2012. This increased revenue has helped with meeting short term funding requirements even as federal funding continues to decrease year over year. It is anticipated that the rent and other income will begin to decline over time as lower income households replace some existing tenants with moderate incomes.

Further to our focus on serving those most in need, in February of 2015 it was announced that SHC's Affordable Housing Program units in larger (market) communities would be consolidated into the Social Housing Program. This will allow for a significant increase in availability of units geared to those most in need where rent is tied to income. It is expected that this will cause a reduction in total rent revenues collected within our portfolio in 2015 and beyond.

Use of the Capital Asset Planning Model (CAPM) that was acquired in 2013 has expanded to the prioritization of Maintenance and Renovation expenditures. In 2014, CAPM was used to establish the priorities that were included in

the 2015 budget. SHC has also been able to evaluate the condition of its portfolio of properties as a whole and will be using the CAPM tool to make informed decisions on how best to manage its property portfolio over the long term.

SHC continues with its portfolio renewal program where single family units are being sold and proceeds from these sales used to construct more modern and energy efficient multi-unit housing. Sales of 36 units occurred in 2014 and construction was completed on 30 units of the new multi-unit housing. Sales will continue for the next several years and there are currently commitments in place for the construction of 91 additional units of multi-unit housing in 2015 and 2016.

SHC has continued to deliver on programs announced in 2011 to encourage the development of more housing. These programs have continued their success in 2014 and have resulted in the commitment of approximately 2,400 units in the year and the completion of almost 1,700 units (approximately 900 rental units and 800 units of home ownership assistance).

A five year extension to The Investment in Affordable Housing Agreement 2011-2014 was signed in the fall of 2014. The extension Agreement will guide bilateral arrangements for the affordable and renovation housing funding envelope of federal housing funds for the period 2014 – 2019. Canada Mortgage and Housing Corporation's (CHMC) funding will be cost matched by the Province and will result in an additional \$91.9 M in funding for housing over the next several years.

Government-wide efforts to increase supply have resulted in increased starts of new housing and rental properties over the last several years. This has helped to bring the provincial rental vacancy rate above 4.0 per cent. A balanced rental market rate is considered to be between 2.5 to 3.5 percent. This is supportive of SHC's shift in focus from creating new rental supply to addressing affordability.

In 2014, SHC began the conversion of units into the expanded Life Lease Program that was developed in 2013. The expansion of the program is intended to provide accessible and affordable housing for seniors who cannot afford or access it in the private market and are unable to access social housing programs as their asset or income levels exceed the prescribed maximum limits.

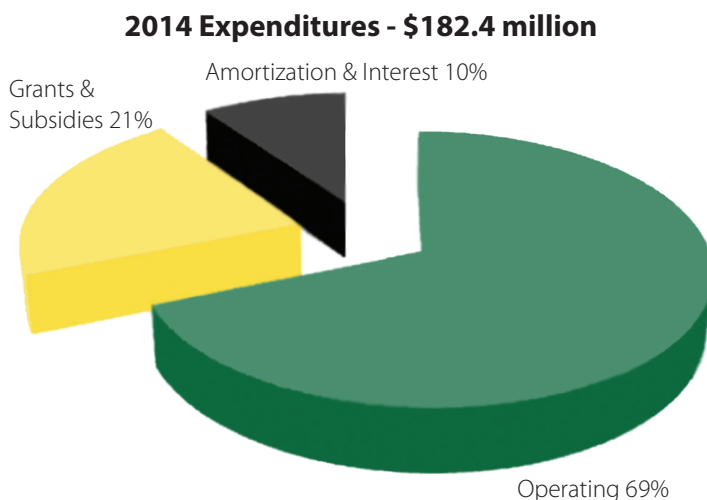
SHC began working with the Ministry of Social Services on the development of new residential homes in support of the closure of the Valley View Centre in Moose Jaw. Development in 2014 included the purchase of four homes

and three building lots. Renovations of the homes are currently underway with residents beginning to transition into these units in 2015.

2014 – Results of Operations

Expenditures

Saskatchewan Housing Corporation expenditures for 2014 were \$182.4 million, a decrease of \$10.7 million or 5.5% (2013 - \$193.1 million).



Costs of operating the rental housing portfolio (excluding amortization) were \$125.6 million, roughly equal to prior year (2013 - \$125.3 million). Major elements of operating costs for 2014 included:

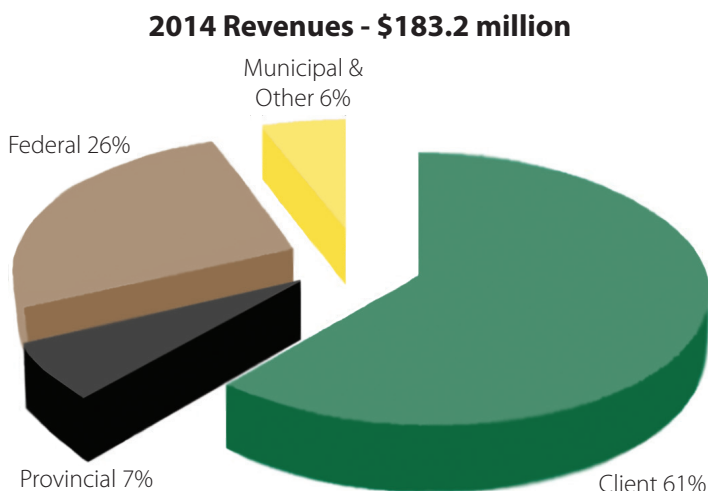
- Maintenance and renovation expenditures were \$48.3 million in 2014, (2013 - \$49.6 million);
- Utilities expenditures were \$20.3 million (2013 - \$18.7 million);
- Grants in lieu of property taxes were \$14.6 million (2013 - \$14.3 million); and
- Other operating expenditures were \$42.4 million (2013 - \$42.7 million).

Grants and subsidies expenditures decreased by \$11.0 million to \$39.0 million (2013 - \$50.0 million). The decrease in expenditures is primarily due to project completions. Many of the Corporation's funding pools have been depleted as projects are completed. The difference was primarily the result of:

- Grants under affordable housing programs decreased by \$8.6 million to \$17.3 million (2013 - \$25.9 million);
- Grants under the housing renovation program completed at the end of last year Nil in 2014 (2013 - \$1.0 million);

Revenues

Revenues for SHC were \$183.2 million for 2014, a decrease of \$41.3 million or 18.4% (2013 - \$224.5 million).



Rents and other income from clients increased by \$4.2 million in 2014 to \$112.3 million (2013 - \$108.2 million). This is a 3.9% increase and client revenue represents approximately 61% of SHC's total revenue. Other revenue items of note include:

- Federal contributions of \$48.3 million (2013 - \$54.7 million). The decrease was primarily due to increases in rent revenue and reductions in federally funded Investment in Affordable Housing (IAH) and Housing Renovation Program expenditures;
- Provincial contributions of \$12.0 million (2013 - \$13.8 million). The decrease was primarily due to an reduced revenue recognized for the Neighbourhood Revitalization Initiative program; and
- There were no gains on sale of land in 2014. In 2013, the sale of undeveloped land holdings resulted in a gain of \$38.3 million.
- Gains on disposals of properties, interest income, and other contributions, including municipal contributions, increased to \$10.6 million (2013 - \$9.5 million) due to increased sales of housing units.

Investment in Properties

At the end of 2014, SHC had \$149.9 million of investments in properties, representing the unamortized book value of approximately 18,200 owned rental units with a replacement value estimated to be \$3.6 billion.

During the year, SHC completed \$9.1 million of new properties and amortized \$12.8 million of property costs.

Construction in progress at the end of 2014 was \$2.4 million, \$0.8 million above 2013. As these properties are completed, federal and provincial funding is allocated to fund the future amortization expense.

2014 Financial Position

Under the various federal agreements, SHC is able to defer to future years amounts received, but unexpended, in any given year. These Deferred Federal Contributions must be used for eligible program expenditures as specified in the agreements. During 2014, federal contributions received under the agreements were more than SHC's expenditures, resulting in an increase in accumulated deferrals of \$5.5 million to \$145.6 million at December 31, 2014 (2013 - \$140.1 million). Of the 2014 ending amount, \$119.5 million

is available for future expenditures (2013 - \$112.6 million) and \$26.1 million (2013 - \$27.5 million) is to fund future amortization expense of capital assets.

Operating activities realized \$2.4 million cash in 2014. Capital activities, including investment in new properties, did not realize any cash amount in the year, investing and financing activities realized \$1.8 million, resulting in a net increase of \$4.2 million in SHC's cash position for the year. The 2014 ending cash and cash equivalents position is \$125.6 million (2013 - \$121.4 million).

The \$125.6 million of cash and cash equivalents is mostly related to SHC's various deferred revenue sources, which will be recognized as related expenditures occur. At the end of 2014, SHC has \$49.7 million in contractual obligations, not including ongoing subsidy assistance, associated with these deferred funds.

Saskatchewan Housing Corporation

Summary of Key Financial Operating Results

2011 – 2015 (thousands)

	2011	2012	2013	2014	2015 Plan
Rent, operating income and other contributions	\$ 107,844	\$ 117,499	\$ 155,980	\$ 122,944	\$ 121,961
Recognized Provincial Contributions	63,499	20,145	13,835	12,024	16,611
Recognized Federal Contributions	93,491	73,171	54,726	48,279	61,493
Total Revenues	\$264,834	\$210,815	\$224,541	\$183,247	\$200,065
Operating and other charges	\$ 162,020	\$ 130,885	\$ 125,240	\$ 125,541	\$ 138,425
Grants and Subsidies	81,056	61,125	49,977	39,041	36,175
Amortization	14,974	13,872	13,149	12,811	12,527
Interest	5,284	4,933	4,716	5,021	4,738
Total Expenses	\$263,334	\$210,815	\$193,082	\$182,414	\$191,865
Net Operations	\$ 1,500	\$ ---	\$ 31,459	\$ 833	\$ 8,200

2014 Financial Overview

Management's Responsibility for the Consolidated Financial Statements of Saskatchewan Housing Corporation

These consolidated financial statements have been prepared by management, which is responsible for the reliability, integrity and objectivity of the information provided.

The preparation of financial statements necessarily involves the use of estimates, based on informed judgments by management and giving appropriate consideration to reasonable limits of materiality. In the opinion of management, the consolidated financial statements present fairly, in all material respects, the financial position, results of operations, changes in net assets and cash flows of Saskatchewan Housing Corporation. Financial information presented elsewhere in this annual report is consistent with the consolidated financial statements and the underlying information from which the financial statements were prepared.

Management is responsible for maintaining a comprehensive system of accounting records, internal controls, policies and management practices, designed to provide reasonable assurance that transactions are properly authorized and in compliance with legislation, assets are safeguarded, and reliable financial information is available on a timely basis.

The Corporation's Board of Directors, through the Audit and Finance Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Audit and Finance Committee meets periodically with management and with the external auditors to discuss matters relating to financial reporting, internal control and audits. The Audit and Finance Committee also reviews the consolidated financial statements before recommending approval by the Board of Directors.

The consolidated financial statements have been approved by the Board of Directors and by Treasury Board, and have been examined by external auditors appointed by the Lieutenant Governor in Council. The responsibility of the external auditors is to report to the Members of the Legislative Assembly regarding the fairness of presentation of the Corporation's financial position, results of operations, changes in net assets and cash flows as shown in the consolidated financial statements. The Auditors' Report outlines the scope of their examination and expresses their opinion.



Don Allen
President
March 24, 2015



Miriam Myers
Chief Financial Officer

Independent Auditors' Report

To The Members of the Legislative Assembly, Province of Saskatchewan

We have audited the accompanying consolidated financial statements of Saskatchewan Housing Corporation, which comprise the consolidated statements of financial position as at December 31, 2014 and the consolidated statements of operations, changes in net assets, and cash flows for the year then ended, and notes, consisting of a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an 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 consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Saskatchewan Housing Corporation as at December 31, 2014 and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants
March 12, 2015
Regina, Canada

Saskatchewan Housing Corporation

Consolidated Statement of Financial Position

As at December 31

(thousands)

	2014	2013
Assets		
Investment in properties (note 4)	\$ 149,876	\$ 153,004
Deposits with contractors	2,456	5,571
Loans receivable (note 5)	4,867	6,311
Accounts receivable	11,932	9,074
Debt retirement funds (note 6)	29,897	28,168
Cash and cash equivalents (note 7)	125,616	121,444
	\$ 324,644	\$ 323,572
Liabilities, Deferred Contributions and Net Assets		
Liabilities and Deferred Contributions:		
Long-term debt (note 8)	\$ 55,630	\$ 57,068
Life lease deposit agreements	12,761	12,501
Land profits holding account (note 9)	215	1,366
Accounts payable and accrued liabilities	21,789	20,065
Deferred federal contributions (note 10)	145,552	140,138
Deferred provincial contributions (note 11)	65,056	70,637
Other deferred contributions related to capital assets (note 12)	3,767	2,756
	\$ 304,770	\$ 304,531
Net Assets:		
Internally restricted – portfolio renewal reserve (note 13)	\$ 10,189	\$ 4,356
Internally restricted – risk reserve (note 13)	4,601	5,112
Internally restricted – renovation commitments (note 13)	606	1,348
Unrestricted	4,478	8,225
	\$ 19,874	\$ 19,041
	\$ 324,644	\$ 323,572

Contingencies and contractual obligations (notes 22 and 23)

See accompanying notes to the consolidated financial statements.

On behalf of the Board of Directors:



Keith Hanson
Chair



Pat Pitka
Director

Saskatchewan Housing Corporation Consolidated Statement of Operations

For the year ended December 31

(thousands)

	2014 Planned	2014 Actual	2013 Actual
Revenues:			
Rents and other income	\$ 112,039	\$ 112,366	\$ 108,184
Interest income (note 15)	3,205	3,337	3,325
Gain on disposal of undeveloped land	---	---	38,259
Gain on disposal of properties (note 16)	9,100	6,292	5,249
Federal contributions:			
Social Housing Agreement (note 10)	44,606	39,079	43,709
Agreement for Investment in Affordable Housing (note 10)	8,942	8,909	10,136
Other agreements (note 10)	---	291	881
Provincial contributions:			
Operating	755	755	755
Housing trusts (note 11)	1,048	1,134	(340)
Neighbourhood revitalization and other (note 11)	28,163	10,135	13,420
Other contributions	941	949	963
	\$ 208,799	\$ 183,247	\$ 224,541
Expenses:			
Operating (note 17)	\$ 128,569	\$ 125,643	\$ 125,288
Grants and subsidies (note 18)	52,751	39,041	49,977
Amortization of investment in properties	13,756	12,811	13,149
Interest expense (note 19)	4,623	5,021	4,716
Other charges (recoveries)	---	(102)	(48)
	\$ 199,699	\$ 182,414	\$ 193,082
Net operations	\$ 9,100	\$ 833	\$ 31,459

See accompanying notes to the consolidated financial statements.

Saskatchewan Housing Corporation

Consolidated Statement of Changes in Net Assets

For the year ended December 31

(thousands)

					2014	2013
	Internally Restricted					
	Portfolio Renewal Reserve	Risk Reserve	Renovation Commitments	Unrestricted	Total Net Assets	Total Net Assets
Balance, beginning of year	\$ 4,356	\$ 5,112	\$ 1,348	\$ 8,225	\$ 19,041	\$ 14,685
Net operations	---	---	---	833	833	31,459
Expenses	---	---	(1,348)	1,348	---	---
Internal transfers (note 13)	5,833	(511)	606	(5,928)	---	---
Transfer to General Revenue Fund	---	---	---	---	---	(27,103)
Balance, end of year	\$ 10,189	\$ 4,601	\$ 606	\$ 4,478	\$ 19,874	\$ 19,041

See accompanying notes to the consolidated financial statements.

Saskatchewan Housing Corporation

Consolidated Statement of Cash Flows

For the year ended December 31

(thousands)

Cash Provided By (Used In):	2014	2013
Operating Activities:		
Net operations	\$ 833	\$ 31,459
Items not affecting cash:		
Amortization of investment in properties	12,811	13,149
Grants in kind	---	423
Amortization of system development costs	---	314
Other recoveries	(88)	(49)
Interest income earned on debt retirement funds	(1,208)	(1,362)
Gain on disposal of undeveloped land	---	(38,259)
Gain on disposal of properties	(6,292)	(5,249)
Federal contributions related to capital assets recognized as revenue	(1,971)	(2,335)
Provincial contributions related to capital assets recognized as revenue	(1,053)	(962)
Other contributions related to capital assets recognized as revenue	(302)	(308)
Payments from land profits holding account	(1,150)	(869)
(Increase) decrease in non-cash working capital balances related to operations	(1,378)	5,391
Increase in deferred federal contributions for expenses of future periods	6,856	5,706
Decrease in deferred provincial contributions for expenses of future periods	(4,742)	(5,199)
Deferral of interest income earned on provincial contributions	84	124
	\$ 2,400	\$ 1,974
Capital Activities:		
Investment in properties	\$ (9,657)	\$ (1,396)
Reduction (increase) in deposits with contractors	3,115	(5,571)
Proceeds from disposal of properties	6,524	5,158
Proceeds from disposal of undeveloped land	---	38,466
	\$ (18)	\$ 36,657
Investing Activities:		
Decrease in loans receivable	\$ 1,516	\$ 448
	\$ 1,516	\$ 448
Financing Activities:		
Repayment of long-term debt	\$(1,438)	\$(1,415)
Debt retirement fund installments	(520)	(520)
Life lease deposit agreements net of refunds	260	143
Federal contributions allocated to capital assets	529	324
Provincial contributions designated for capital assets	130	1,004
Other contributions designated for capital assets	1,313	2
Transfer to General Revenue Fund	---	(27,103)
	\$ 274	\$(27,565)
Net increase in cash position	\$ 4,172	\$ 11,514
Cash and cash equivalents, beginning of year	\$121,444	\$109,930
Cash and cash equivalents, end of year	\$125,616	\$121,444

Saskatchewan Housing Corporation

Notes to Consolidated Financial Statements

December 31, 2014

Note 1: Status of the Corporation

The Saskatchewan Housing Corporation operates under the authority of *The Saskatchewan Housing Corporation Act*. Pursuant to section 36 of the Act, the Corporation receives contributions from the Government of Saskatchewan - General Revenue Fund.

The Corporation's general objectives are to undertake, facilitate, and promote measures which will contribute to the availability of adequate and suitable housing for all Saskatchewan residents, and in particular the provision of housing for senior citizens, families, the disabled and other groups or persons who require assistance. The Corporation also undertakes, facilitates and promotes measures to repair, rehabilitate and make improvements to housing.

The Corporation has been designated as a provincial Treasury Board Crown Corporation. Accordingly, its consolidated financial position, operating results and cash flows are included in the summary financial statements of the Government of Saskatchewan. As a Crown entity, the Corporation is not subject to federal income tax or provincial income and capital taxes.

Note 2: Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting (PSA) standards, issued by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, including the PSA standards for government not-for-profit organizations. The following accounting policies are considered significant:

Basis of consolidation

The consolidated financial statements include the accounts of Saskatchewan Housing Corporation and local or regional housing authorities throughout the Province, controlled by the Corporation.

Housing authorities are corporate bodies with no share capital, established by ministerial order pursuant to subsection 18 (1) of *The Saskatchewan Housing Corporation Act*. They provide community-based property management services and deliver programs on behalf of the Corporation. Housing authorities are controlled by the Corporation by virtue of the fact that the Minister-in-charge of the Corporation has the legislative authority to appoint the members of each housing authority. Also, subsection 18 (9) of *The Saskatchewan Housing Corporation Act* provides that housing authorities must comply with policies established by the Corporation.

Transactions and account balances between the Corporation and housing authorities have been eliminated in these consolidated financial statements.

Revenue recognition

The Corporation follows the deferral method of accounting for contributions.

Provincial operating contributions provided through the Ministry of Social Services are unrestricted in nature, subject only to the broad provisions of section 36 of *The Saskatchewan Housing Corporation Act*. Accordingly, these contributions are recognized as revenue in the year they are received or receivable.

Provincial contributions that are restricted for a specified purpose (note 11) are deferred and are recognized as revenue when the related expenses are incurred. As directed by Treasury Board, interest income earned on investment of certain deferred provincial contributions is restricted for use on related program expenses; the restricted interest income is deferred and is recognized as revenue when the expenses are incurred. Provincial contributions used for investments in properties are recognized as revenue on the same basis as the amortization of the related assets.

Saskatchewan Housing Corporation

Notes to Consolidated Financial Statements

December 31, 2014

Note 2: Significant Accounting Policies, continued

Federal contributions provided by Canada Mortgage and Housing Corporation (CMHC) are restricted in accordance with provisions of federal-provincial agreements (note 10). Accordingly, federal contributions are recognized as revenue when the related expenses are incurred. For housing programs within the scope of the Social Housing Agreement, federal contributions are recognized as revenue after the application of provincial operating contributions. Federal contributions used for investments in properties and related capital assets are allocated to Deferred federal contributions - capital assets, and are recognized as revenue on the same basis as the amortization of the related assets.

Revenue from property operations is recognized at the time the accommodation has been provided and there is reasonable assurance regarding collectability of the amount due from the resident household. If there is significant uncertainty as to ultimate collection, revenue is recognized when cash is received.

Grants and subsidies

Grants are recognized as an expense when an application for assistance has been approved and performance requirements have been met. Forgivable loans provided to homeowners, developers, landlords, co-operatives and non-profit housing sponsors are accounted for as grants. Amounts repaid by clients who do not satisfy loan forgiveness conditions are recorded as other income in the consolidated statement of operations.

Subsidy assistance is provided to non-profit housing sponsors and co-operatives in accordance with operating agreements that set forth either a specified amount of assistance to be provided each year or the basis on which eligibility for assistance will be determined. For the latter type of operating agreements, subsidy assistance is recognized as an expense based on actual or estimated costs incurred by each housing sponsor in the year.

The Corporation has entered into agreements which provide for transfers of ownership of specified properties to non-profit housing sponsors, for no cash consideration. When such transfers of ownership occur, the fair value of the properties transferred is recorded as grants in kind.

Allocation of expenses

The fee for management services provided by the Ministry of Social Services (note 24) is allocated to operating expenses and to grant and subsidy programs based on the respective number of Ministry employees assigned to these functions. The Corporation applies this basis of allocation in a consistent manner each year.

Investment in properties

Investment in properties is carried at cost (which includes land, acquisition or construction, administrative and carrying costs), less accumulated amortization. The recorded cost of certain properties is net of amounts provided by CMHC and municipalities in consideration for an ownership interest in the properties.

The Corporation capitalizes costs that increase service potential by adding housing units to existing properties. Asset regeneration costs that result in replacement of housing units are also capitalized. Maintenance and renovation costs are expensed as incurred.

Amortization expense is recorded on a straight line basis over periods of up to forty years. On an ongoing basis, management reviews estimates of the useful life of properties, in the context of their respective service potential. These estimates are used to determine the periods over which the investment is amortized. Adjustments to amortization periods are accounted for on a prospective basis.

Saskatchewan Housing Corporation

Notes to Consolidated Financial Statements

December 31, 2014

Note 2: Significant Accounting Policies, continued

For properties whose service potential is impaired, due to a decline in the local demand for rental accommodation or other circumstances, the carrying amount is written down in proportion to the number of housing units for which vacancies are assessed by management as other than temporary in nature.

Properties held for sale are recorded at the lower of the carrying amount and fair value net of selling costs. Amortization is not recorded while a property is classified as held for sale. A property is classified as held for sale at the time the property is available for immediate sale, management has committed to a plan to sell the property and is actively marketing the property for sale at a price that is reasonable in relation to the fair value of the asset, and a sale is probable and expected to be completed within a one-year period.

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

Interest capitalization

Interest is capitalized on housing projects at rates established at individual project commitment dates, based on approximate market rates at the time.

System development

Software license acquisitions and related applications development costs are capitalized. System development costs are amortized on a straight line basis from the date the system is placed in use, over the estimated useful life of up to ten years.

Financial instruments – classification and measurement

The Corporation has classified its financial instruments into one of the following measurement categories: fair value; or cost or amortized cost. The classification of financial instruments is designated upon initial recognition.

Cash and cash equivalents are measured at cost. Debt retirement fund investments are measured at amortized cost. Interest income earned and realized gains or losses on debt retirement fund investments are included in interest income.

Accounts receivable and loans receivable are measured at cost. Loss provisions in respect of tenant accounts are netted against rents and other income. Loan impairment provisions are included in other charges in the consolidated statement of operations.

Accounts payable and accrued liabilities, the land profits holding account, life lease deposit agreements and long-term debt are measured at cost.

Loans receivable

Loans receivable are recorded at cost, less an allowance for loan impairment. Cost includes amounts advanced, accrued interest and other charges, less repayments and subsidies.

Debt retirement funds

Debt retirement funds consists of monies deposited into funds administered by the Saskatchewan Ministry of Finance, invested to provide funds for repayment of advances from the General Revenue Fund. Interest income on investments is recognized as revenue in the period it is earned.

Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, balances with banks, and investments in money market instruments with a maturity of four months or less from the date of acquisition, net of outstanding cheques.

Saskatchewan Housing Corporation

Notes to Consolidated Financial Statements

December 31, 2014

Note 2: Significant Accounting Policies, continued

Life lease deposit agreements

The Corporation has received interest-free deposits from residents of certain seniors' housing projects, in consideration for a life interest in a designated housing unit. Amounts received in respect of individual deposit agreements are refundable to the residents or to their personal representative, and are recorded as a liability of the Corporation.

Indemnities

Losses on indemnities (note 22) are provided for on the basis of an assessment of mortgage accounts that are in arrears, taking into consideration the fair value of the associated property net of selling costs.

Use of estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Significant items subject to estimates include the carrying amount and amortization of investment in properties and underlying assessments of service potential, and the carrying amount of loans receivable and underlying estimates of the allowance for loan impairment. Due to the inherent uncertainty involved, actual results could differ from management's estimates.

Note 3: Recently Issued Accounting Standards

The Public Sector Accounting Board has issued PSA Handbook Section PS 3260, Liability for Contaminated Sites, which will be effective for the Corporation's consolidated financial statements relating to the 2015 fiscal year. Section PS 3260 provides guidance on the recognition, measurement and disclosure of liabilities for remediation of contaminated sites. Management believes that adoption of the new standard will not have a material impact on the Corporation's consolidated financial statements.

Note 4: Investment in Properties

(thousands)

			2014	2013
	Cost	Accumulated Amortization	Carrying Amount	Carrying Amount
Wholly-owned housing projects	\$ 280,994	\$ 168,026	\$ 112,968	\$ 112,543
Housing investment	135,024	102,344	32,680	36,876
Other properties	2,420	886	1,534	1,652
Construction in progress	2,409	---	2,409	1,572
Properties held for sale	112	72	40	93
Land held for development	245	---	245	268
	\$ 421,204	\$ 271,328	\$ 149,876	\$ 153,004

Saskatchewan Housing Corporation

Notes to Consolidated Financial Statements

December 31, 2014

Note 4: Investment in Properties, continued

The carrying amount of Investment in properties is dependent upon the continued receipt of contributions from CMHC and from the General Revenue Fund.

Housing investment represents 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 and municipalities in consideration for an ownership interest in the housing projects.

The Corporation and CMHC have executed a Declaration of Trust by which the Corporation is trustee for CMHC's ownership interest in partnership and 100% CMHC-owned housing projects. CMHC's ownership interest will be earned by the Corporation over the remainder of each project's CMHC subsidy commitment period, in amounts which correspond to CMHC's annual amortization of the assets. Accordingly, no increase in investment in properties was recorded by the Corporation.

Note 5: Loans Receivable

(thousands)

			2014	2013
	Amortized Cost	Allowance for Loan Impairment	Carrying Amount	Carrying Amount
Second mortgages	\$ 4,079	\$ 637	\$ 3,442	\$ 3,990
Other mortgages	1,435	10	1,425	2,321
Other loans	8	8	---	---
	\$ 5,522	\$ 655	\$ 4,867	\$ 6,311

Second mortgages mature at various dates from 2018 to 2021 and are repayable in full at the maturity date. Interest income recorded by the Corporation is comprised of accrued interest due from clients at rates from 2.15% to 2.38% (2013 - 2.15% to 2.38%) plus a subsidy of 2.00%.

Other mortgages are repayable in monthly instalments of principal and interest and mature at various dates to the year 2026. These loans earned interest income at rates from 3.22% to 5.84% (2013 - 3.00% to 7.20%).

Note 6: Debt Retirement Funds

(thousands)

Under conditions attached to advances from the General Revenue Fund (note 8), the Corporation is required to pay annually into debt retirement funds held and invested by the Saskatchewan Ministry of Finance an amount at least equal to one per cent of the advances outstanding. Debt retirement funds are invested primarily in provincial government debt instruments, including Province of Saskatchewan debt instruments with a weighted average yield of 3.37% as at December 31, 2014 (2013 - 3.51%).

Debt retirement fund instalments totalling \$520 are due each year from 2015 to 2018. Debt retirement fund instalments totalling \$209 are due in 2019.

Saskatchewan Housing Corporation

Notes to Consolidated Financial Statements

December 31, 2014

Note 7: Cash and Cash Equivalents

(thousands)

Cash and cash equivalents is comprised of bank balances of \$125,616 (2013 - \$469) and investments in Canadian money market instruments of \$nil (2013 - \$120,975). Cash and cash equivalents earned interest at rates from 1.08% to 1.45% (2013 - 1.10% to 1.16%) per annum.

Note 8: Long-term Debt

(thousands)

		2014	2013
Advances repayable to General Revenue Fund:			
Year	Weighted Average		
Repayable	Interest Rate (%)		
2019	6.27	\$ 31,106	\$ 31,106
2020	6.48	20,898	20,898
		\$ 52,004	\$ 52,004
Mortgages payable to CMHC, due at various dates from January 1, 2015 to March 1, 2019, repayable in monthly instalments of \$126 including interest at rates from 1.46% to 1.92%, secured by properties with a carrying amount of \$4,382 (2013 - \$4,981):			
		3,626	5,064
		\$ 55,630	\$ 57,068

Principal repayments due in each of the next five years are as follows:

2015	\$ 1,299
2016	1,035
2017	705
2018	455
2019	31,238
Thereafter	20,898

Saskatchewan Housing Corporation

Notes to Consolidated Financial Statements

December 31, 2014

Note 9: Land Profits Holding Account

Profits earned on residential land development projects are distributed in accordance with the terms of development agreements with the participating municipalities. These agreements specify that profits are to be transferred to a holding account for use in development of capital projects in the municipality as approved by the Corporation, including Social Housing or Affordable Housing projects.

Note 10: Deferred Federal Contributions

(thousands)

	2014	2013
Expenses of future periods	\$ 119,503	\$ 112,647
Capital assets	26,049	27,491
	\$ 145,552	\$ 140,138

Expenses of future periods

	Social Housing Agreement	Agreement for Investment in Affordable Housing	Total	Total
Balance, beginning of year	\$ 104,628	\$ 8,019	\$ 112,647	\$ 106,941
Contributions from CMHC	47,212	4,971	52,183	57,265
Interest credited	1,484	---	1,484	1,156
Contributions allocated to capital assets	(76)	(427)	(503)	(324)
Recognized as revenue	(37,399)	(8,909)	(46,308)	(52,391)
Balance, end of year	\$ 115,849	\$ 3,654	\$ 119,503	\$ 112,647

The Social Housing Agreement took effect on January 1, 1997. Pursuant to the Agreement, CMHC will pay fixed annual contributions to the Corporation over the remainder of the CMHC subsidy commitment period for individual housing projects. A specified amount of the annual federal contributions must be applied toward housing programs which assist low income households, as defined in the Agreement. The portion of federal contributions that may be applied toward other housing programs within the scope of the Agreement is similarly specified. Interest is credited to Deferred federal contributions – expenses of future years in accordance with the Agreement. Unexpended federal contributions must be carried forward by the Corporation for use toward expenses of future periods. Such contributions must be fully used, in accordance with the Agreement, by the Funding Expiration Date of December 31, 2038.

The objective of the Agreement for Investment in Affordable Housing is to reduce the number of households in need, by improving access to affordable housing. The Agreement provides for CMHC to make matching contributions to the Corporation of up to \$27,570 for use toward commitments approved by March 31, 2014. Programs within the scope of the Agreement increase housing supply, improve housing affordability, improve and preserve the quality of the existing housing stock or extend the independent living capacity of seniors and persons with disabilities.

Saskatchewan Housing Corporation

Notes to Consolidated Financial Statements

December 31, 2014

Note 10: Deferred Federal Contributions, continued

On June 11, 2014, the Corporation and CMHC executed a Supplementary Agreement to the Agreement for Investment in Affordable Housing. The Supplementary Agreement ("2014-2019 Extension") provides for CMHC to make additional matching contributions to the Corporation of up to \$45,950 for use toward commitments approved by March 31, 2019.

Capital assets

				2014	2013
	Social Housing Agreement	Agreement for Investment in Affordable Housing	Other Agreements	Total	Total
Balance, beginning of year	\$ 17,724	\$ 322	\$ 9,445	\$ 27,491	\$ 29,504
Contributions allocated	102	427	---	529	322
Recognized as revenue	(1,680)	---	(291)	(1,971)	(2,335)
Balance, end of year	\$ 16,146	\$ 749	\$ 9,154	\$ 26,049	\$ 27,491

The Corporation may allocate federal contributions to investments in properties and related capital assets owned by the Corporation. Deferred federal contributions related to capital assets represent the unrecognized amount used for that purpose. These contributions are recognized as revenue on the same basis as the amortization of the related assets.

Note 11: Deferred Provincial Contributions

(thousands)

	2014	2013
Housing Trusts	\$ 7,420	\$ 8,554
Neighbourhood Revitalization and Other	57,636	62,083
	\$ 65,056	\$ 70,637

Housing Trusts

				2014	2013
	Affordable Housing Trust	Off-Reserve Aboriginal Housing Trust	Capital Assets	Total	Total
Balance, beginning of year	\$ 2,551	\$ 2,040	\$ 3,963	\$ 8,554	\$ 8,214
Contributions allocated	---	(88)	88	---	---
Recognized as revenue	(121)	(823)	(190)	(1,134)	340
Balance, end of year	\$ 2,430	\$ 1,129	\$ 3,861	\$ 7,420	\$ 8,554

Saskatchewan Housing Corporation

Notes to Consolidated Financial Statements

December 31, 2014

Note 11: Deferred Provincial Contributions, continued

Monies allocated to the Government of Saskatchewan from federal housing trusts are to be used for initiatives that are consistent with the intent of certain conditions established by the federal government, as set forth in the Operating Principles for each trust. Affordable Housing Trust monies are to be used for capital investments, and are not to be used to support property operations or to provide ongoing subsidy assistance to housing sponsors. Off-Reserve Aboriginal Housing Trust monies are to be used for initiatives that directly support housing for Métis and First Nations persons living off-reserve. The contributions are recognized as revenue when related expenses are incurred.

Neighbourhood Revitalization and Other

			2014	2013
	Expenses of Future Periods	Capital Assets	Total	Total
Balance, beginning of year	\$ 36,573	\$ 25,510	\$ 62,083	\$ 67,456
Contributions received or receivable	5,604	---	5,604	8,150
Refund to General Revenue Fund	---	---	---	(227)
Contributions allocated	(42)	42	---	---
Interest credited	84	---	84	124
Recognized as revenue	(9,272)	(863)	(10,135)	(13,420)
Balance, end of year	\$ 32,947	\$ 24,689	\$ 57,636	\$ 62,083

Contributions totalling \$4,354 (2013 - \$8,150) have been received or are receivable from the Ministry of Social Services, for the following specified purposes:

Affordable Housing programs	\$ 745
Construction or acquisition and renovation of homes for children in care	1,000
Construction of residential facilities for persons with intellectual disabilities and fire suppression upgrades at existing facilities	2,609
	\$ 4,354

In 2014, the Corporation received contributions of \$1,000 from the Ministry of Health and \$250 from the Ministry of Justice for renovations to a residential facility owned by a community based organization.

These contributions, and similarly restricted contributions received from the Ministry of Social Services in prior years, are recognized as revenue when related expenses are incurred. Contributions designated for capital assets are recognized as revenue on the same basis as the amortization of the related assets.

Saskatchewan Housing Corporation

Notes to Consolidated Financial Statements

December 31, 2014

Note 12: Other Deferred Contributions Related to Capital Assets

(thousands)

	2014	2013
Balance, beginning of year	\$ 2,756	\$ 3,062
Contributions received	1,313	2
Recognized as revenue	(302)	(308)
Balance, end of year	\$ 3,767	\$ 2,756

This balance relates to certain properties transferred to the Corporation, as well as contributions provided by Saskatchewan government ministries and municipalities for the construction or acquisition of housing by the Corporation. These contributions are recognized as revenue on the same basis as the amortization of the related properties.

Note 13: Internally Restricted Net Assets

(thousands)

Portfolio Renewal Reserve

The Corporation's portfolio renewal initiative provides for acquisition of multi-family properties in selected cities, to be financed using the proceeds from disposal of single-family homes in those communities. The Corporation has established a Portfolio Renewal Reserve, which will be used to offset amortization charges in respect of the properties acquired. For the year ended December 31, 2014, gains of \$5,833 (2013 - \$4,356) on disposal of properties have been internally restricted for this purpose.

Risk Reserve

The Corporation has established a Risk Reserve, to mitigate operating risks associated with the Corporation's financial responsibility for housing programs transferred from CMHC pursuant to the Social Housing Agreement. The Corporation's board of directors has approved annual transfers from the Risk Reserve to Unrestricted Net Assets, to be determined based on the reduction in the aggregate balance of CMHC mortgages outstanding (note 22). For the year ended December 31, 2014, \$511 (2013 - \$489) was transferred from the Risk Reserve to Unrestricted Net Assets.

Renovation Commitments

The Corporation and housing authorities controlled by the Corporation enter into contracts for renovation of properties. An internal restriction of net assets has been made to reflect outstanding commitments under renovation contracts as of December 31, 2014. As expenses are incurred they are charged to operations, with a corresponding reduction to the appropriated amount.

Saskatchewan Housing Corporation

Notes to Consolidated Financial Statements

December 31, 2014

Note 14: Financial Instruments and Risk Management

(thousands)

The Corporation, through its financial assets and liabilities, is exposed to various risks. The following analysis explains the nature and extent of the Corporation's exposures to credit risk, interest rate risk, other price risk and liquidity risk, and how the Corporation manages those risks.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Corporation is exposed to credit risk through its investments in Canadian money market instruments (which are accounted for as cash equivalents) and its debt retirement fund investments, and through its accounts receivable and loans receivable. The maximum exposure to credit risk, as represented by the carrying amounts of these financial assets, is as follows:

	2014	2013
Cash and cash equivalents	\$ 125,616	\$ 121,444
Debt retirement funds	29,897	28,168
Accounts receivable	11,932	9,074
Loans receivable	4,867	6,311

Investments in money market instruments are purchased through the Saskatchewan Ministry of Finance. The Corporation's policy is to invest only in instruments which secure the preservation of capital and sufficient liquidity to meet short-term financial obligations as they come due. The Corporation may also invest cash in an interest-earning bank account (note 7). Credit risk is minimized by transacting with institutions that have strong credit ratings.

Debt retirement funds are on deposit with the General Revenue Fund, and are invested as the Saskatchewan Ministry of Finance may determine. As at December 31, 2014, the funds are invested primarily in provincial government debt instruments with varying maturities. Credit risk associated with these investments is considered to be low.

Accounts receivable consist primarily of amounts due from CMHC and municipalities, federal Goods and Services Tax rebates, accrued interest income and amounts due from non-profit housing sponsors, which in aggregate represent 77% (2013 - 85%) of balances outstanding. The carrying amount of these and other accounts receivable, excluding tenant accounts, is \$11,505 as at December 31, 2014 (2013 - \$8,712). Credit risk on these accounts is considered to be low, and management does not consider the amounts outstanding to be past due.

Tenant accounts are managed by housing authorities. Credit risk arises from the possibility that tenants might be unable to fulfill their lease commitments. Housing authorities mitigate this risk by conducting rental reference checks prior to tenant placement, through well defined procedures for addressing rent arrears, and by limiting the exposure to credit loss for any one tenant.

The carrying amount of tenant accounts receivable is \$427 as at December 31, 2014 (2013 - \$362). This amount is comprised of rent arrears in respect of current tenants totalling \$243 (2013 - \$225) and former tenants totalling \$1,003 (2013 - \$925), less an allowance for doubtful accounts of \$819 (2013 - \$788).

Saskatchewan Housing Corporation

Notes to Consolidated Financial Statements

December 31, 2014

Note 14: Financial Instruments and Risk Management, continued

The allowance for doubtful accounts is determined based on a review of account balances in respect of former tenants. Rent arrears in respect of current tenants are not considered to be impaired, as there is an ongoing client relationship. Account balances in respect of former tenants are written off once it is determined that all reasonable collection efforts have been exhausted, and the Corporation's management has approved a write-off. Changes in the allowance for doubtful accounts are as follows:

	2014	2013
Balance, beginning of year	\$ 788	\$ 671
Accounts written off	(682)	(561)
Recoveries	84	60
Provision for bad debts	629	618
Balance, end of year	\$ 819	\$ 788

Credit risk also arises from the possibility that borrowers might default on their contractual loan obligations. Credit exposure on loans receivable is managed through appropriate account administration.

For second mortgages, the allowance for loan impairment consists of specific provisions for accounts that management considered to be impaired, and a general provision for other potential future credit losses. For other mortgages and loans, the allowance for impairment is determined on the basis of a review of individual clients' payment records. Generally, management considers an account to be impaired if there is no longer reasonable assurance of timely collection of the full amount of principal and interest. Management also takes into consideration the estimated realizable value of mortgage security where applicable. Changes in the allowance for loan impairment are as follows:

	2014	2013
Balance, beginning of year	\$ 834	\$ 861
Accounts written off	(123)	(6)
Reduction in provision for impairment	(56)	(21)
Balance, end of year	\$ 655	\$ 834

Credit risk associated with the obligation to indemnify CMHC against losses on certain loans is described at Note 22, Contingencies.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Corporation is exposed to interest rate risk on the maturity of its loans receivable, debt retirement fund investments and cash equivalents, and on the maturity of its long-term debt.

The Corporation manages interest rate risk on long-term debt by obtaining long-term advances from the General Revenue Fund at fixed interest rates, and by renewing mortgage financing with CMHC at fixed interest rates for the maximum available term. Because long-term debt is comprised entirely of instruments with fixed interest rates, the Corporation has not provided a sensitivity analysis to show the effect of interest rate changes on operating results.

As at December 31, 2014, the Corporation had no financial contracts in place to offset interest rate risk.

Saskatchewan Housing Corporation

Notes to Consolidated Financial Statements

December 31, 2014

Note 14: Financial Instruments and Risk Management, continued

Management believes that reasonably possible changes in interest rates over the next year would not result in a material change in the fair value of debt retirement fund investments; therefore the Corporation has not provided a sensitivity analysis to show the effect of such interest rate changes on operating results.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk), whether those changes are caused by factors specific to the particular financial instrument or its issuer or factors affecting all similar financial instruments traded in the market. The Corporation is exposed to other price risk through its debt retirement fund investments.

Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting financial obligations as they fall due. To manage liquidity risk, the Corporation maintains adequate balances of cash and cash equivalents. Also, the Corporation has established a line of credit facility with the General Revenue Fund, which allows the Corporation to access up to \$45,000 on a revolving basis. The Corporation did not draw on this line of credit facility in 2014 or in 2013.

A maturity analysis of the Corporation's financial liabilities as at December 31, 2014 is as follows. The contractual cash flows reported are undiscounted and include interest payments and finance charges.

	Contractual Cash Flows					
	Carrying Amount	Total	2015	2016	2017 to 2019	2020 and thereafter
Advances repayable to General Revenue Fund	\$ 52,004	\$ 68,831	\$ 3,304	\$ 3,304	\$ 40,647	\$ 21,576
Mortgages payable to CMHC	3,626	3,657	1,350	1,067	1,240	---
Long-term debt	55,630	72,488	4,654	4,371	41,887	21,576
Life lease deposit agreements	12,761	12,761	12,761	---	---	---
Land profits holding account	215	215	215	---	---	---
Accounts payable and accrued liabilities	21,789	21,891	20,928	827	48	88
	\$ 90,395	\$ 107,355	\$ 38,558	\$ 5,198	\$ 41,935	\$ 21,664

Note 15: Interest Income

(thousands)

	2014	2013
Interest income earned on debt retirement funds	\$ 1,208	\$ 1,362
Interest income earned on other investments	1,819	1,455
Interest income earned on loans receivable	394	632
Less amounts deferred	(84)	(124)
	\$ 3,337	\$ 3,325

Saskatchewan Housing Corporation

Notes to Consolidated Financial Statements

December 31, 2014

Note 16: Gain on Disposal of Properties

(thousands)

In 2014, the Corporation disposed of certain properties, comprised mostly of single-family homes. Proceeds, net of CMHC's share and the municipal share where applicable, were \$6,524 (2013 - \$5,158). A gain on disposal of \$6,292 (2013 - \$5,249) was recognized.

Note 17: Operating Expenses

(thousands)

	2014	2013
Maintenance and renovation	\$ 48,327	\$ 49,621
Utilities	20,331	18,717
Grants in lieu of property taxes	14,602	14,262
Other operating	42,383	42,688
	\$ 125,643	\$ 125,288

Other operating expense includes charges totalling \$4,207 (2013 - \$3,921) in respect of management services provided to the Corporation by the Ministry of Social Services.

Note 18: Grants and Subsidies

(thousands)

	2014	2013
Affordable Housing Programs	\$ 17,299	\$ 25,894
Housing Trusts	945	(378)
Housing Renovation Program Agreement	- - -	959
Rental Construction Incentive	2,514	2,370
Affordable Home Ownership Program	435	701
Housing Summit Action Fund	1,109	1,333
Subsidy assistance - Non-profit housing	12,264	12,843
Subsidy assistance - Co-operative housing	1,810	1,844
Other grants and subsidies	2,665	4,411
	\$ 39,041	\$ 49,977

Subsidy assistance is provided to non-profit housing sponsors and co-operatives in accordance with operating agreements that set forth either a specified amount of assistance to be provided each year or the basis on which eligibility for assistance will be determined. These agreements expire at various dates to the year 2029 (note 23(d)). Subsidy assistance - Non-profit housing also includes grants in kind of \$nil (2013 - \$423).

Saskatchewan Housing Corporation

Notes to Consolidated Financial Statements

December 31, 2014

Note 18: Grants and Subsidies, continued

Subsidy assistance - Non-profit housing includes assistance of \$1,892 (2013 - \$2,024) provided to Regional Health Authorities, in respect of certain nursing home facilities.

Grants and subsidies expense includes charges totalling \$481 (2013 - \$836) in respect of management services provided to the Corporation by the Ministry of Social Services.

Note 19: Interest Expense

(thousands)

	2014	2013
Interest paid during the year	\$ 3,539	\$ 3,562
Interest credited to deferred federal contributions	1,484	1,156
Reduction in accruals	(2)	(2)
	\$ 5,021	\$ 4,716

Interest incurred includes \$3,304 (2013 - \$3,304) on advances repayable to the General Revenue Fund. Accrued interest payable to the General Revenue Fund at December 31, 2014 totalled \$774 (2013 - \$774).

Note 20: Expenses by Object

(thousands)

	2014	2013
Salaries and benefits	\$ 24,155	\$ 23,825
Purchased goods and services	101,488	101,149
Grants and subsidies	39,041	49,977
Amortization	12,811	13,463
Interest expense	5,021	4,716
Other	(102)	(48)
	\$ 182,414	\$ 193,082

Note 21: Pension Plan

(thousands)

Housing authorities and eligible employees participate in the Capital Pension Plan, a multi-employer defined contribution pension plan sponsored by the Crown Investments Corporation of Saskatchewan. The housing authorities' financial obligation is limited to providing contributions to the Plan at a specified rate in respect of employees' current service. For the year ended December 31, 2014, employer contributions of \$1,500 (2013 - \$1,402) are included in other operating expense (Note 17).

Saskatchewan Housing Corporation

Notes to Consolidated Financial Statements

December 31, 2014

Note 22: Contingencies

(thousands)

Pursuant to the Social Housing Agreement, the Corporation is responsible for the administration of a portfolio of mortgage loans provided by CMHC to third party housing sponsors. The Agreement states that the Corporation shall indemnify CMHC against all losses and expenses arising from defaults by borrowers. As at December 31, 2014, mortgages with an aggregate balance of \$102,721 (2013 - \$114,500) were outstanding. The mortgages are being amortized through monthly payments and mature at various dates to the year 2030.

The portfolio includes 82 (2013 - 91) mortgages, totalling \$41,050 (2013 - \$48,462), provided to non-profit and co-operative housing sponsors who receive ongoing subsidy assistance from the Corporation that is presently sufficient to enable mortgage payments to be made when due. The portfolio also includes 182 (2013 - 183) mortgages, totalling \$61,671 (2013 - \$66,038), provided to sponsors of nursing home or group home facilities who receive funding for operations from the Ministry of Health or the Ministry of Social Services, respectively.

The Corporation has established a Risk Reserve (note 13) to fund losses incurred on the portfolio of CMHC mortgages. As at December 31, 2014, none of the mortgages administered on behalf of CMHC were in default, and accordingly no liability is recorded in respect of the Corporation's obligation to indemnify CMHC.

Note 23: Contractual Obligations

(thousands)

The Corporation has the following contractual obligations as at December 31, 2014:

- (a) Property acquisition costs of \$15,661
- (b) Renovation costs of \$606
- (c) Rental obligations in respect of operating leases for office space and maintenance facilities for the next five years as follows:

2015	\$	699
2016		468
2017		269
2018		58
2019		10

Saskatchewan Housing Corporation

Notes to Consolidated Financial Statements

December 31, 2014

Note 23: Contractual Obligations, continued

(d) Grants and subsidies:

The Corporation has approved commitments under various programs for grants or ongoing subsidy assistance to homeowners, private developers and landlords, co-operatives, non-profit housing sponsors and Regional Health Authorities.

As at December 31, 2014, commitments for grants for which performance requirements have not been met totalled \$31,897.

The estimated cost of ongoing subsidy assistance for the next five years is as follows:

2015	\$ 13,800
2016	13,500
2017	13,400
2018	13,200
2019	12,600

Ongoing subsidy assistance obligations include amounts to be provided to Regional Health Authorities as follows:

2015	\$ 1,811
2016	1,805
2017	1,756
2018	1,744
2019	1,672

Uncertainty regarding future interest rates and other economic factors precludes reasonable estimation of the Corporation's obligations for ongoing assistance beyond a five-year period.

Saskatchewan Housing Corporation

Notes to Consolidated Financial Statements

December 31, 2014

Note 24: Related Party Transactions

(thousands)

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, ministries, and agencies related to the Corporation by virtue of common control by the Government of Saskatchewan, collectively referred to as "related parties".

Transactions with related parties in the normal course of operations are settled at the prevailing prices charged by these organizations, under normal trade terms. These transactions are not significant to the Corporation's consolidated operations or financial position except as described below.

	2014	2013
Expenses:		
Services provided by Saskatchewan Power Corporation ("SaskPower")	\$7,078	\$6,742
Services provided by SaskEnergy Incorporated ("SaskEnergy")	5,792	5,013
Services provided by Ministry of Social Services	4,688	4,757
Services provided by Ministry of Central Services - Information Technology Division	1,674	1,490
Investment in properties, for the year ended December 31:		
Services provided by SaskPower	\$ 16	\$ 12
Services provided by SaskEnergy	6	---
Accounts payable and accrued liabilities, as at December 31:		
SaskPower	\$ 263	\$ 439
SaskEnergy	609	848
Ministry of Central Services - Information Technology Division	26	52

The Ministry of Social Services provides management services to the Corporation. Charges are recorded for administration of housing operations and other programs within the scope of the Social Housing Agreement, for delivery of programs within the scope of other agreements between the Corporation and CMHC, and for delivery of programs funded from provincial contributions. Amounts charged to the Corporation do not exceed related costs incurred.

Accounts receivable as at December 31, 2014 includes \$nil (2013 - \$960) due from the Ministry of Social Services, in respect of operating and other contributions. Accounts receivable also includes \$1,050 (2013 - nil) due from Saskatchewan Government Insurance, in respect of a fire insurance claim.

Accounts payable and accrued liabilities as at December 31, 2014 includes \$1,080 (2013 - \$710) received from Saskatchewan government ministries and agencies, restricted for use on renovations to Staff Housing units.

Other transactions with and amounts due to related parties are described separately in these consolidated financial statements and the notes thereto.

Note 25: Comparative Information

Certain 2013 financial information has been reclassified to conform with the current year's presentation.

Corporate Governance

Board Responsibilities

The Board is responsible for establishing a strategic direction for the Corporation within the context of Government priorities and directions and monitoring results towards those ends.

The Board does not become involved in day-to-day management, but entrusts operational decisions to senior management. Senior management is held accountable for the Corporation's performance.

Board Composition and Compensation

As of December 31, 2014, the Board consisted of seven members with diverse experience and expertise, representing a broad spectrum of housing industry stakeholders.

As a Treasury Board Crown Corporation, remuneration for the Board is established by Treasury Board Policy. Board members receive per diems for meetings attended. Travel and sustenance reimbursement for Board business is at prevailing Saskatchewan rates.

Committees

The Board has established the following committees to address specific areas of Board responsibility. These committees are essential mechanisms in ensuring that the business of the Corporation is conducted in a timely and appropriate manner.

- **Audit and Finance Committee**

The Audit and Finance Committee assists the Board in ensuring the Corporation meets legal, reporting, and accountability requirements set out in relevant legislation; financial integrity and transparency; adequate and effective management of information systems and sufficient risk management. The committee also assists the Board with other matters related to the Corporation's accounting policies, reporting practices, and internal controls.

- **Governance Committee**

The Governance Committee provides leadership to the Board in relation to all governance processes, policies, and principles of the Corporation; along with undertaking other duties upon request to assist the Board in delivering governance practices.

Board of Directors

Keith Hanson (Chair)

Mr. Hanson, a Professional Engineer, has been involved in the housing industry for over 30 years, and has always had a passion for the development and provision of appropriate, efficient and financially sustainable housing. He is currently President and CEO of Sun Ridge Residential Inc., a Saskatchewan-based company specializing in housing systems, energy and environmental efficiency, housing affordability and quality assurance.

Bob Linner (Vice Chair)

Mr. Linner served in a leadership capacity in municipal government in Regina and Prince Albert for 39 years as a city planner and administrator, retiring in 2006 after 19 years as Regina City Manager. He is one of only seven Honorary Life Members of the Canadian Association of Municipal Administrators, recipient of the Lieutenant Governor's Gold Medal for Excellence in Public Administration, the Saskatchewan Centennial Medal and, most recently, the Queen Elizabeth II Diamond Jubilee Medal. He currently serves on seven other Boards, including Regina Habitat for Humanity.

Patti Durand (Director)

Ms. Durand has been active in the Humboldt area business community for over 15 years. Her farm roots and university training in agriculture provided the foundation as she became engaged in entrepreneurial pursuits. Patti's primary focus is Prairie View Properties – a country residential acreage development, located just outside her home city. Patti's passion about her community is demonstrated as she volunteers in numerous capacities, being named Humboldt's Citizen of the year in 2010.

Colleen Mah (Director)

Ms. Mah was born and raised in Saskatoon where she attended the University of Saskatchewan, graduating with a Bachelor of Commerce degree in 1976. Upon graduation, she went to work for the federal government. In late 1998, she joined in the family business, North Ridge Development Corporation. She is a licensed Broker-realtor and has been involved in the Saskatoon and Region Home Builders' Association as well as the Saskatoon and Region Association of Realtors.

Pat Pitka (Director)

Mr. Pitka is a Chartered Accountant by profession, having been a Partner with KPMG in Regina and Saskatoon, and has been recognized by the Institute of Chartered Accountants of Saskatchewan with the distinction of Fellow in 1988. Pat has been involved in the nursing home industry for over 30 years. Currently he is involved in the construction of a 176 suite Assisted and Independent Living complex in Saskatoon. He also serves as Chief Financial Officer with a number of organizations.

Troy Tilbury (Director)

Mr. Tilbury studied architecture at the Southern Alberta Institute of Technology (SAIT) Polytechnic and graduated in 2005 with honours. He and his wife, Raelyn, operate Tilbury Design in Moose Jaw which specializes in residential design, commercial interior design, heritage restoration and adaptive re-use. Mr. Tilbury instructs Architectural Technology part time at Saskatchewan Polytechnic and continues to expand his knowledge of green and sustainable building techniques. Mr. Tilbury, along with his wife, was named to Moose Jaw's Top 40 Under 40 in 2012. Since relocating back to Moose Jaw in 2010, Mr. Tilbury is actively involved with a number of local organizations.

Ken Acton (Director)

Mr. Acton became a Director on the Board upon his appointment as Deputy Minister of Social Services on January 1, 2012. Ken was born and raised on a farm near Moose Jaw, Saskatchewan and operated the family farm from 1974 until the late 1990s. Ken joined the Saskatchewan Public Service in 1988 and held numerous senior leadership roles with the Ministry of Justice and Attorney General. Ken served as Chair of the Public and Private Rights Board of Saskatchewan from 1990 to 2011 and continues to sit on the Legal Aid Commission Board.

For More Information

For additional copies of this Annual Report, please call 1-800-667-7567 or visit SHC's home page at: www.saskatchewan.ca/shc and click on the "SHC Annual Reports" link. Information on housing programs and services is also available at this website.

Copies of SHC's Annual Reports dating back to 2006 are also available online.

E-mail contact: housinginquiry@gov.sk.ca

Regina

Chateau Tower
11th Floor, 1920 Broad Street
Regina SK S4P 3V6
Phone: 306-787-4177
Toll Free: 1-800-667-7567

Prince Albert

7th Floor, McIntosh Mall
800 Central Avenue
P.O. Box 3003
Prince Albert SK S6V 6G1
Phone: 306-953-2540
Toll Free: 1-800-667-9656

Saskatoon

225 First Avenue North
Saskatoon SK S7K 1X2
Phone: 306-933-6292
Toll Free: 1-866-245-5758