



Nunavut Housing Corporation



Annual
Report
2018-19



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Our Mandate

Created in 2000 through the Nunavut Legislature by the Northwest Territories Housing Corporation Act (Nunavut), our mandate as a Public Agency of the Government of Nunavut (GN) is to create, coordinate and administer housing programs so that we may provide fair access to a range of affordable housing options to families and individuals in Nunavut.

Our Mission

To provide opportunities for all residents of Nunavut to have homes that support a healthy, secure, independent and dignified lifestyle through working with our communities to allow them to assume the role of providing housing to Nunavummiut.

Our Vision

To ensure families and individuals in Nunavut have access to a range of affordable housing options.

Our Principles and Values

The Nunavut Housing Corporation believes in and strives for:

- Placing "human capital" – its employees, Local Housing Organization (LHO) partners, tenants and clients first when targeting housing solutions for Nunavut residents;
- Recognizing the contribution the Corporation and LHO staff make to housing in Nunavut and providing them with the proper work environment and tools to enable them to maximize that contribution;
- Making a positive impact on the quality and affordability of housing;
- Quality of advice, assistance and support to LHOs, other client organizations and agencies, and individuals;
- Quality of property management services for Nunavut Public and Staff Housing;
- Ensuring housing services and support are provided in an equitable manner;
- Use of Inuit Qaujimajatuqangit (IQ) in Corporation decision-making; and
- Building constructive relationships with other governments, agencies, departments, and both community and Aboriginal organizations

Letter of Transmittal

The Honourable Nellie Kusugak
Commissioner
Government of Nunavut

Dear Madam

I have the honour of presenting the Annual Report for the Nunavut Housing Corporation, covering the period from April 1, 2018 to March 31, 2019.

Respectfully submitted,

A stylized, handwritten signature in black ink.

Honourable Patterk Netser

Minister Responsible for the Nunavut Housing Corporation



Message from the Minister

As the Minister responsible for the Nunavut Housing Corporation (NHC), I am proud to present the Corporation's achievements in 2018-19, each of which demonstrates NHC's commitment to its mandate and the Government of Nunavut's (GN) commitment to addressing the housing crisis.

In April 2018, cabinet reaffirmed the Blueprint for Action on Housing as an ongoing government priority. The priorities of the Blueprint will continue to guide NHC's strategic direction. NHC is currently working on a renewal of the Blueprint to improve processes, communication and collaboration, including the Accountability Framework for Year Three of the implementation.

In 2018-19, NHC reviewed a suite of its programs, including the homeownership programs. Homeownership is one component of the housing spectrum in Nunavut that is proportionally smaller than other provinces and territories. The homeownership review identified barriers to homeownership in Nunavut. Currently, a feasibility study is being carried out to strengthen homeownership in Nunavut, and I look forward to presenting cabinet with an options paper in the fall of 2019.

Increasing the number of public housing units for Nunavummiut remains as important as ever. With additional funding from the territorial budget, the Canada Mortgage and Housing Corporation (CMHC) and the federal government, contracts were tendered in March 2019 to construct 80 new public housing units, with an additional 20 units to be tendered in the future. In addition, to support government programs across the territory, contracts for the construction of 12 new staff housing units were also tendered in March 2019 with two more units to be tendered in the future.

I look forward to a productive 2019-20 and a continued positive working relationship with NHC and its Board of Directors.

Sincerely,

A stylized, handwritten signature in black ink, likely belonging to Honourable Patterk Netser.

Honourable Patterk Netser

Minister Responsible for the Nunavut Housing Corporation

Message from the Chair

It is my honour, as the chair of the board of directors for the Nunavut Housing Corporation (NHC), to present the Corporation's 2018-2019 Annual Report. The Board collectively ensured that the work of NHC meets its mandate to provide access to a range of affordable housing options to Nunavummiut.

I am honoured to announce the appointment of David Evalik and George Qulaut to NHC's Board of Directors in April 2018. Both David and George have displayed leadership and a commitment to helping the people of Nunavut and I look forward to working alongside them to address the housing crisis.

The Board is encouraged to see the work continue through the Blueprint for Action on Housing and addressing the housing crisis will continue to be a priority.

Considering the continuing housing shortage in Nunavut, the Board notes the Corporation's continuous efforts to increase public housing stock. Contracts were tendered in March 2019 to construct 80 new public housing units, with an additional 20 units to be tendered in the future.

Again this year, the NHC displayed its commitment to the values of accountability and transparency by collaborating with Local Housing Organizations to meet its statutory reporting deadlines.

Looking forward to 2019-2020, my fellow directors and I are optimistic that the Corporation will continue to make progress toward providing adequate and affordable housing options for Nunavummiut.

Sincerely,



Bob Leonard
Chairperson
Nunavut Housing Corporation Board of Directors

Board of Directors

Mr. Bob Leonard, Chairperson, Arviat, NU

Mr. Ross Mrazek, Sherwood Park, AB

Ms. Kathleen Gomes, Iqaluit, NU

Mr. John Apt, Ottawa, ON

Ms. Kathy Hanson, Iqaluit, NU

Mr. David Evalik, Cambridge Bay, NU

Mr. George Qulaut, Igoolik, NU



Message from the President and CEO

I am pleased to present the Nunavut Housing Corporation's (NHC) 2018-2019 Annual Report and to highlight some of the Corporation's accomplishments over the past year.

As part of the National Housing Strategy (NHS) the federal and territorial housing agencies have reached a multiyear funding agreement. Over 10 years, Nunavut will receive \$289 million to invest in housing. More stable, predictable funding allows the Corporation to better plan for the future and is critical to addressing Nunavut's ongoing housing crisis.

This year saw the Corporation work closely with the Local Housing Organizations (LHOs) to develop a new Management Agreement. The new Management Agreement will provide more clarity and support to LHO staff, while ensuring NHC's programs are delivered consistently and successfully across the territory.

The Corporation has taken steps to proactively address the issue of mould in our housing units with a made-in-Nunavut approach to remediating and preventing mould. As part of the mould remediation plan the Corporation provided mould remediation training to the LHOs in all 25 communities and continues to explore best practices for mold prevention and mitigation.

As year 2 of the Blueprint for Action on Housing draws to a close, it continues to guide the Corporation's work in addressing the housing needs of Nunavummiut by removing barriers to supply, reducing costs, increasing investment and defining demand.

As part of Blueprint Action Item 16, the Corporation conducted a homeownership program review. This review identified barriers to homeownership in Nunavut and will inform changes to the Corporation's homeownership programs. The Corporation, in collaboration with the Department of Finance, also completed a staff housing policy review. Based on this review we will see important changes to the GN Staff Housing Policy, which will improve the efficiency and effectiveness of the program. This review, together with the Homeownership Program review, will work towards creating a more robust and sustainable housing continuum in Nunavut.

The Corporation and its partners have demonstrated continuous efforts toward adequate and sustainable housing for Nunavummiut. However, even with the long-term funding commitment under the NHS, Nunavut faces a funding shortfall to address the realities of the housing crisis. Addressing these realities is our ongoing priority for the 2019-2020 fiscal year.

Sincerely,



Terry Audla

President and CEO

Nunavut Housing Corporation



Corporate Profile

The Nunavut Housing Corporation (the Corporation) was created by the Nunavut Legislature through the Nunavut Housing Corporation Act (Nunavut). As a public agency of the Government of Nunavut (GN), the Corporation is at arms-length from the GN. Its operating parameters are set out in Part IX of the Financial Administration Act (Nunavut), the section of the Act specifically devoted to public agencies. The Corporation reports to the Legislative Assembly, Executive Council and Nunavummiut through its President & CEO, Board of Directors and the Minister responsible for the Nunavut Housing Corporation.

As a territorial corporation, the Nunavut Housing Corporation has the ability to:

- Enter into funding partnerships, principally with the Canada Mortgage and Housing Corporation (CMHC). This means that Nunavut's federal transfer payments are not affected by the funding that the Corporation receives.
- Carry over funds from one year to the next. This ensures that all funding designated for housing remains within the Corporation and can be committed to housing solutions.
- Take full stewardship of funds in the Capital and Operating and Maintenance budgets. This gives the Corporation full authority for the delivery of housing initiatives.

The Corporation's mandate is delivered in partnership with 25 Local Housing Associations and Authorities in Nunavut's three regions.

NHC's Programs

The NHC provides affordable housing programs including the subsidized public housing rental program, homeownership programs and the Government of Nunavut's staff housing program. Policy and program development are key to creating responsive programs to address Nunavut's core housing need. The NHC incorporates energy-efficient technologies in its housing designs and retrofits to improve their sustainability and energy efficiency. The NHC continues to work in partnership with the Canada Mortgage and Housing Corporation to develop and improve housing infrastructure across the territory. At the community level, the NHC partners with Local Housing Organizations (LHOs) to manage and administer public housing.

Public Housing

The NHC delivers the Public Housing Program in partnership with 25 Local Housing Organizations which serve as our delivery agents. We provide financial, administrative, construction and repair support to these community partners who deliver the programs on our behalf. The NHC has management agreements with each LHO. Through these agreements, the LHOs manage the 5,582 units in the public housing portfolio (as of March 31, 2019). LHO Boards and staff perform the various tasks that are outlined in the agreements such as unit allocations, rental assessments and collections, maintenance, modernization and improvements.

Staff Housing

The Corporation administers the Government of Nunavut's Staff Housing program, which includes both leased and owned units, and provides policy support to enhance housing options and services available to GN staff. The LHOs and other contracted management agents maintain 1,623 staff housing units in all 25 communities.

Homeownership

Through its Homeownership Programs, the NHC assists residents who can afford homeownership to secure and maintain their own homes. As well, homeownership education and counseling services are provided to homeowners. These services include consultations regarding purchase of existing homes or new home construction, repairs/renovations, bank financing and energy conservation in the home.

Board of Directors

Pursuant to the Nunavut Housing Corporation Act ("the Act"), the Nunavut Housing Corporation established a Board of Directors in the fall of 2011.

The Board directs the business of the Corporation and exercises overall responsibility for the stewardship over its activities. As part of its overall stewardship responsibility the Board approves the Corporation's strategic direction and the corporate plan; ensures that the principal risks of the Corporation have been identified and that appropriate systems to manage these risks have been implemented. The Board also ensures that the Corporation's information systems and management practices meet its needs and give the Board confidence in the integrity of the Corporation's information.

The appointment of members of the Board is set out in section 2.1 of the Act, which requires no fewer than five and not more than seven Directors. Board members are appointed by the Commissioner in Executive Council, on the recommendation of the Minister to hold office for a term of three years.

The Act requires that the directors collectively hold backgrounds and experience in Northern housing, public policy, finance, project management, property management and social program development, which is reflected in the current membership.

Meetings of the Board

During the year 2018-19, the Board held six meetings (three tele-conferences and three face-to-face meetings) during which the Board passed the following 38 resolutions:

- 24 administrative resolutions
- Nine financial resolutions
- Five operational resolutions

Audit Committee

The Audit Committee assists the Board with oversight of its financial reporting and audit, including internal controls and corporate governance. The committee provides oversight on budgeting and overall comptrollership and recommends the Corporation's budgets and financial plans to the Board for approval.

The committee reviews the audit work plans and key audit risks identified by the Office of the Auditor General. Upon completion of the external audit and before the finalization of the financial statements, the committee reviews the draft annual financial statements and related notes, the external auditor's opinion, and the appropriateness of accounting policies, including disclosures through Management's Discussion and Analysis.

Board Actions and Approvals

Cabinet re-appointed Mr. Bob Leonard as Chairperson of the NHC's Board of Directors effective March 2018 for a term expiring on October 31, 2019.

Ms. Kathy Hanson was reappointed to a three year term effective August 1, 2018, and running until July 31, 2021. A public call-out was not carried out, in light of the recent nature of the previous call-out, the desire to build on existing Board capacity, while fostering the Inuit representation on the Board.

As of March 31, 2019, the Board currently consists of seven Board members and is in compliance with provisions of the Nunavut Housing Corporation Act (Nunavut). Two directors were appointed on March 1, 2018 with an effective date of April 1, 2018.



During the year, the Board had the following actions and approvals:

- Approved the response to the 2018/19 Letter of Expectation.
- Approved the 2019-2022 Draft Business Plan.
- Approved the 2020-2024 Five Year Capital Plan.
- Approved the 2019-2020 Main Estimates.
- Approved the Projected Construction Report for 2019-2020.
- Approved the budget to be presented in the Consolidated Financial Statements for 2018-2019.
- Approved the 2019-2020 Capital Budget.
- Approved the 2017-2018 Annual Report and Consolidated Financial Statements.
- Approved the Annual Audit Plan presented by the Office of the Auditor General of Canada (OAG) and reviewed Internal Control Management Letters submitted by the OAG.
- Received and reviewed various financial and operational reports submitted by management.

Board Member Profiles

Bob Leonard, Chairperson

Mr. Bob Leonard, of Arviat, has been president of a Nunavut construction company for more than 30 years and is a strong proponent of training and education in the building maintenance trades. Mr. Leonard is the current Mayor of Arviat. He has in-depth experience in construction bidding and procurement as well as working with municipalities and other business sectors through his various private and public roles.

Kathleen Gomes, Director

Ms. Kathleen Gomes, from Iqaluit, has a solid banking and financial background as Branch Manager of the First Nations Bank of Canada and gained experience with previous banks she worked for in Nunavut. Ms. Gomes volunteers on a number of community housing societies, including the Uquutaq Society and Iqaluit Habitat for Humanity.

John Apt, Director

Mr. John Apt is a retired Audit Principal with the Office of the Auditor General of Canada. He was primarily responsible for financial audits of the Government of Nunavut and its Territorial Corporations. Mr. Apt has proven leadership skills in managing change to improve efficiency and effectiveness. He has extensive experience in governance and regularly met with senior management, boards and Audit Committees.

Kathy Hanson, Director

Ms. Kathy Hanson was born and raised in Iqaluit, with over 30 years of work experience in a variety of roles. Her work as a Tenant Relations Officer with the Iqaluit Housing Authority as well as her volunteer work with the YWCA Women's homeless shelter has given her extensive knowledge of housing issues in Nunavut. Ms. Hanson has experience in management training and has sat on a number of boards, including the Iqaluit Housing Authority, the Agvuk Women's Shelter as well as volunteer work for the Nunavut Kamatsiaqtut Help Line. Ms. Hanson lives in Iqaluit and currently works for Parks Canada as a Cooperative Management Advisor.

Ross Mrazek, Director

Mr. Ross Mrazek served as a Deputy Minister in the Government of Nunavut. He has wide experience in civil engineering, project planning and development, infrastructure planning and contract management. With over 20 years working for the governments of Northwest Territories and Nunavut, Mr. Mrazek brings solid understanding of Nunavut's infrastructure challenges. He has knowledge of Board governance gained from serving on several Boards for over 10 years.

George Quvik Qulaut, Director

Mr. George Qulaut recently served as an MLA for Igloolik and Speaker of the Legislative Assembly. He has also sat on a number of boards including the Qikiqtani Inuit Association, the Qikitaalik Corporation and the Historic Sites and Monuments Board of Canada. Furthermore Mr. Qulaut was a member of the Nunavut Implementation Commission. As well, Mr. Qulaut served a term as Assistant Deputy Minister with the Department of Culture, Language, Elders and Youth at the Government of Nunavut.

Mr. David Evalik, Director

Mr. David Evalik has over 34 years of experience and training in the Apprenticeship and Occupational Trades industry. He has been involved with counselling in his community for many years in the areas of youth treatment, career development and alcohol and drugs. Mr. Evalik's experience on a number of boards and committees and his work experience at a Housing Maintainer have given him much insight into governance, as well as housing and construction issues in the territory.

Departmental Roles

To administer the Corporation's programs, the Corporation's approved staff complement of 122 professional and administrative staff provide services that make the Corporation a client-focused service delivery agency. Structured around five administrative offices, this cohesive group is further supported by a network of 25 Local Housing Organizations which provide a crucial link to Nunavummiut and their communities.

Directorate & Corporate Headquarters

The Executive is responsible for managing the Corporation to ensure consistency in all its activities across Nunavut, including the application of policies, standards and procedures, and the delivery of programs. It also oversees the development of long-range strategies, policies and operational guidelines on corporate matters for the Board of Directors, the Minister responsible for the Nunavut Housing Corporation, and for the Cabinet. As well, it ensures that programs are delivered according to the Corporation's funding agreements with the Canada Mortgage and Housing Corporation (CMHC).

The Corporate Policy & Communications group works on the development of corporate policies, strategic plans and communications related to program areas. They provide support to the Minister, the Corporate Executive and District Offices.

Corporate Headquarters coordinates the preparation, monitoring and reporting of corporate programs. It also provides support to the District Offices in the areas of programs, contracting, project management and technical design and maintenance.

District Offices

The Corporation's District Offices manage and provide support in the delivery of programs and services to the communities. District Offices set regional priorities and work with LHOs and individual clients to ensure programs delivered are of appropriate standards through monitoring and assessment. The District Offices are responsible for monitoring the construction program in the regions. They are also responsible for the delivery of various homeownership programs and developing positive relationships with other government departments and agencies.

Local Housing Organizations

The Corporation partners with LHOs at the community level, who provide most of the day-to-day services associated with program delivery to individuals and families.

Most LHOs are formed as independent organizations under the Societies Act (Housing Associations). Exceptions to this are the Baker Lake, Cape Dorset, Coral Harbour, Iqaluit, Kugaaruk, and Taloyoak Housing Authorities which were formed under the Nunavut Housing Corporation Act.

Management Discussion and Analysis

Report on Operations

Directorate & Corporate Headquarters

The Corporation effectively led the second year of implementation of the Government of Nunavut's Blueprint for Action on Housing initiative. The Blueprint represents a whole-of-government approach to addressing housing challenges and sets out 60 Actions to be undertaken by the Government and its partners over the next 20 years.

In April 2018, Cabinet reaffirmed the Blueprint as an ongoing priority. Departments have integrated Blueprint for Action activities into their 2018-2021 business plans. In June 2018, the Corporation conducted meetings with GN Departments on an individual and thematic group basis to discuss progress. Following these conversations, it was decided to merge former Actions 1, 8 and 40 of the Blueprint. The newly defined action on supportive housing will be addressed through an interdepartmental purpose-built housing working group, which was formed in the fall of 2018.

The Blueprint for Action directs the NHC to examine how homeownership programs are designed and delivered. As a part of the Homeownership Review the Corporation conducted a review of the feasibility of homeownership in each of Nunavut's 25 communities to evaluate how to strengthen homeownership in Nunavut. The review is expected to be finalized in the next fiscal year.

2018-19 was the third year operating under \$84.1 million of funding under the Social Infrastructure Fund (SIF). The funding is targeted to seniors, victims of family violence, public housing new construction, renovation and retrofits. \$76.7 million of this funding is provided specifically for Northern and Inuit housing that was combined with GN capital funding and CMHC funds provided under the Investment in Affordable Housing program to build a total of 185 public housing units in 15 communities with all units expected to be complete by the end of 2019-20.

During 2018-2019, the NHC commenced construction of 105 public housing units in 13 communities and 23 staff housing units in seven communities. These units are funded through the GN's capital budget, SIF and from \$1.45 million provided under the Investment in Affordable Housing program. Staff housing is funded entirely by the Government of Nunavut.

The Corporation has now received all \$84.1 million available under the Social Infrastructure Fund (SIF) agreement and submitted eligible claims for all \$24.0 million available under the Northern Funding Agreement. \$45.0 million of this funding is included in revenues in the Consolidated Statement of Operations, representing eligible expenditures in respect to renovations of housing for seniors, public housing and shelters as well as work on construction of new public housing units.

In 2019-2020 the Corporation plans to initiate construction of 100 public housing units funded through a combination of GN capital and federal funds, as well as 14 staff housing units funded entirely through GN capital. Requests for tenders were issued for 80 public housing and 12 staff housing units in March 2019 and related contracts were awarded in early 2019-2020 with construction to commence in the summer of 2019. Tenders for the remaining 22 units are expected to be issued later in 2019-2020.

Districts

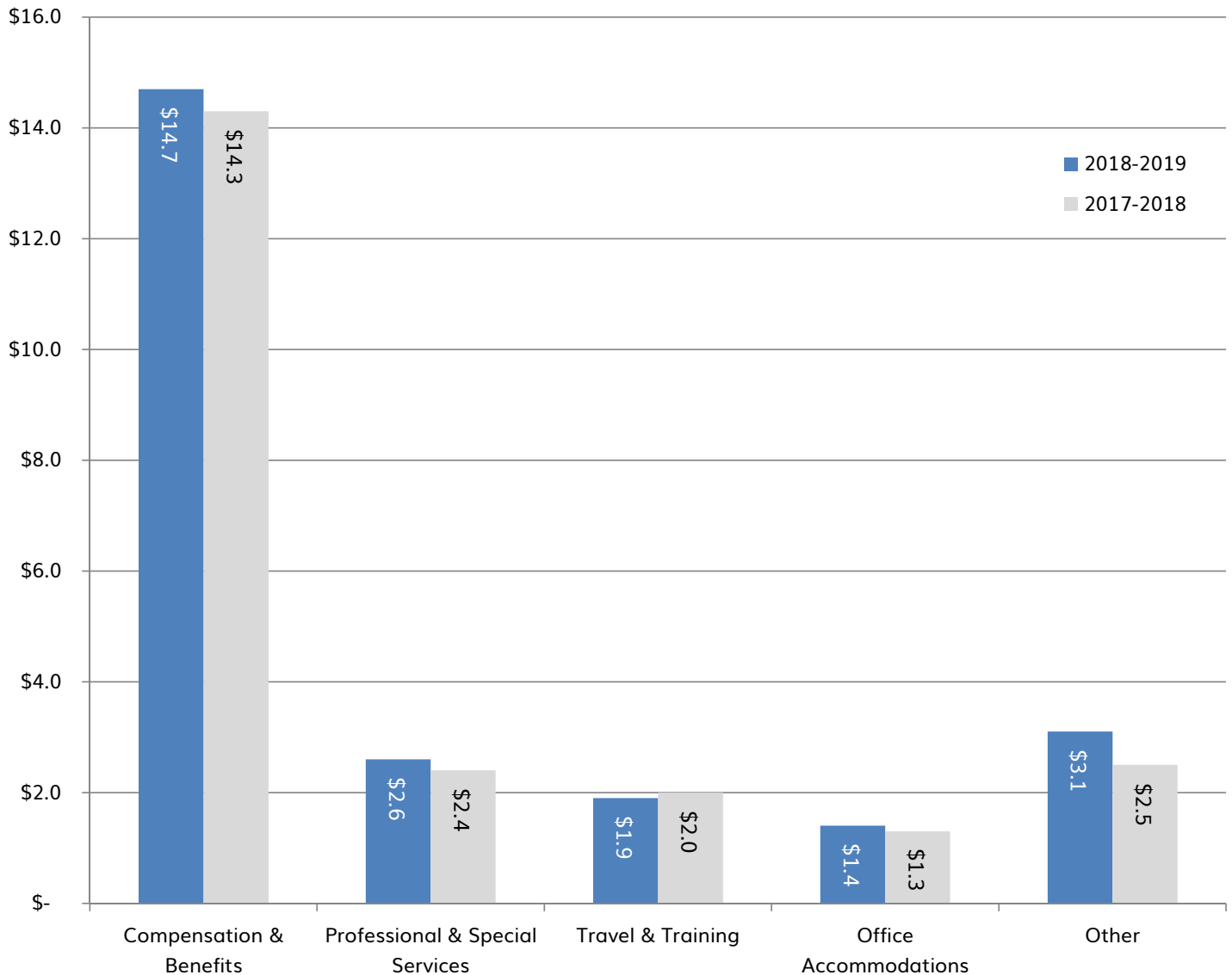
District Operations focused on providing support to LHOs and delivering the Corporation's major lines of business, namely the Public Housing, GN Staff Housing, Homeownership, Public Housing Modernization and Improvement and Construction programs.

Management Discussion and Analysis

Advisory and Administration Services

Advisory and Administration costs (not including administration related to staff housing) increased by \$1.2 million to \$23.7 million from \$22.5 million. Travel decreased slightly, but this was offset by slight increases to compensation and benefits, professional services and other expenses mainly related to providing computer services to Local Housing Organizations.

Advisory and Administration Services (\$ millions)

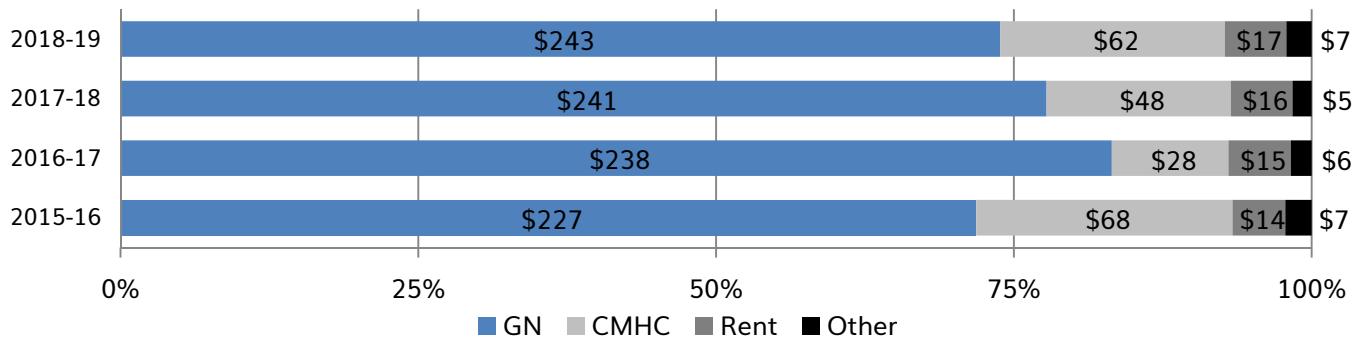


Management Discussion and Analysis

Total Revenues & Government Funding

Total revenues increased to \$329.4 million from \$310.1 million. At \$305.3 million, transfers from the Government of Nunavut and the CMHC constitute 93% of the Corporation's total revenues. CMHC revenues are in respect of capital contributions as well as operating revenues through the Social Housing Agreement. GN contributions have increased by 6% in four years and in 2018-19 constituted 74% of the Corporation's revenues.

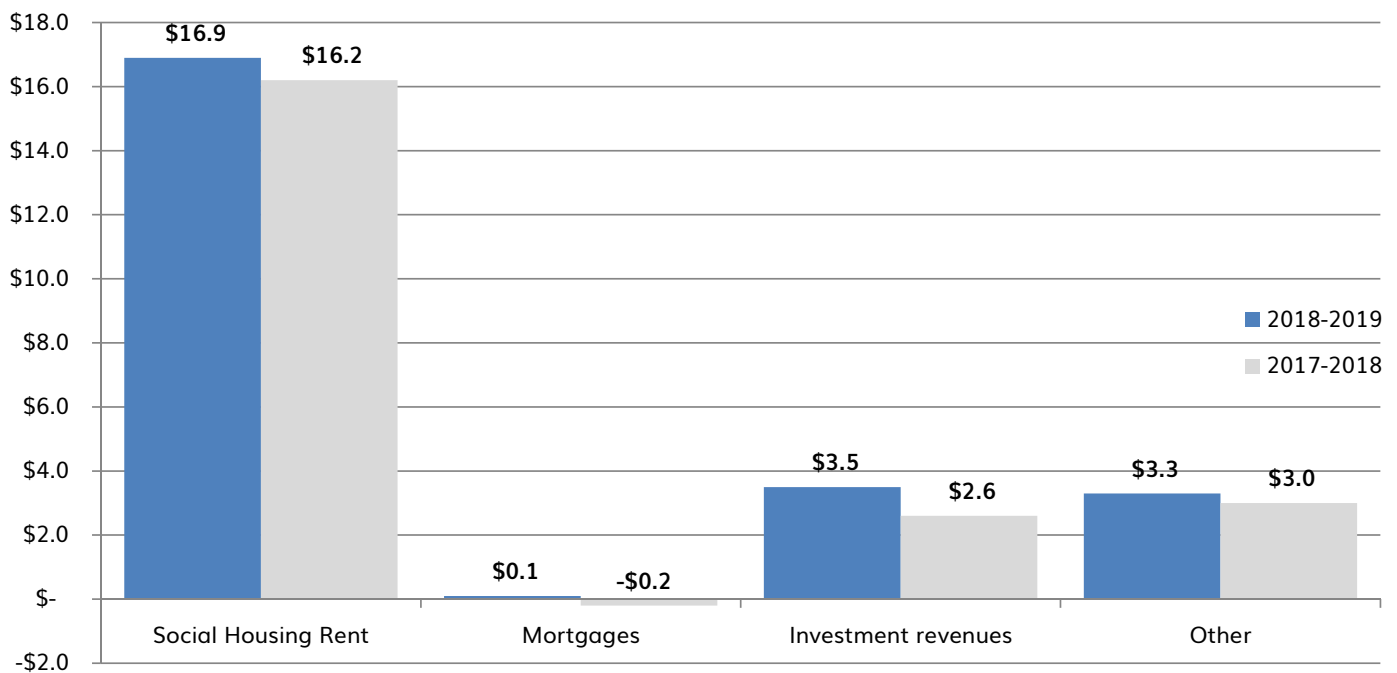
Revenue Sources (\$ millions)



Generated revenues increased to \$23.8 million from \$21.6 million. The \$0.7 million increase in social housing rent was due to the combined impact of an increase in housing stock and an improved process for collecting tenants' income information through the Canada Revenue Agency (CRA).

Increased investment revenue due to higher interest rates resulted in a \$0.9 million increase in non-government revenue from 2017-18. Recoveries related to impaired mortgages resulted in increased non-government revenue of \$0.3 million.

Non-Government Revenues (\$ millions)



Management Discussion and Analysis

Public Housing Rent Collection Rates

Community	Rent Receivable (\$'000)	Number of Months Outstanding	2018-19 (%)	2017-18 (%)	2016-17 (%)
Iqaluit	1,615	15	105	100	90
Sanikiluaq	975	31	96	81	87
Pangnirtung	1,791	22	87	87	92
Igloolik	2,049	30	85	66	73
Kimmirut	421	14	85	91	101
Qikiqtarjuaq	919	31	85	63	77
Arctic Bay	1,812	40	84	80	90
Cape Dorset	1,471	22	83	90	95
Hall Beach	3,156	65	73	67	79
Pond Inlet	2,976	36	73	75	73
Clyde River	3,665	53	70	74	61
Grise Fiord	193	19	70	95	79
Resolute Bay	313	28	60	73	87
Qikiqtaaluk	21,356	31	84	81	83
Whale Cove	40	2	117	97	99
Nauyasat	543	12	98	86	88
Coral Harbour	234	6	86	95	95
Rankin Inlet	1,405	11	85	82	89
Chesterfield Inlet	206	8	84	85	89
Arviat	2,332	23	79	77	75
Baker Lake	2,095	17	76	87	92
Kivalliq	6,855	14	84	84	87
Taloyoak	1,262	30	105	97	95
Kugaaruk	721	20	88	85	94
Kugluktuk	1,279	22	88	92	84
Gjoa Haven	1,811	29	79	87	88
Cambridge Bay	2,096	32	75	78	82
Kitikmeot	7,169	29	85	87	88
Total Nunavut	35,380	25	84	83	85

The collection rate increased to 84% this year from 83% in 2017-18. The number of months outstanding increased to 25 months this year from 24 months in 2017-18.

Accumulated Surplus

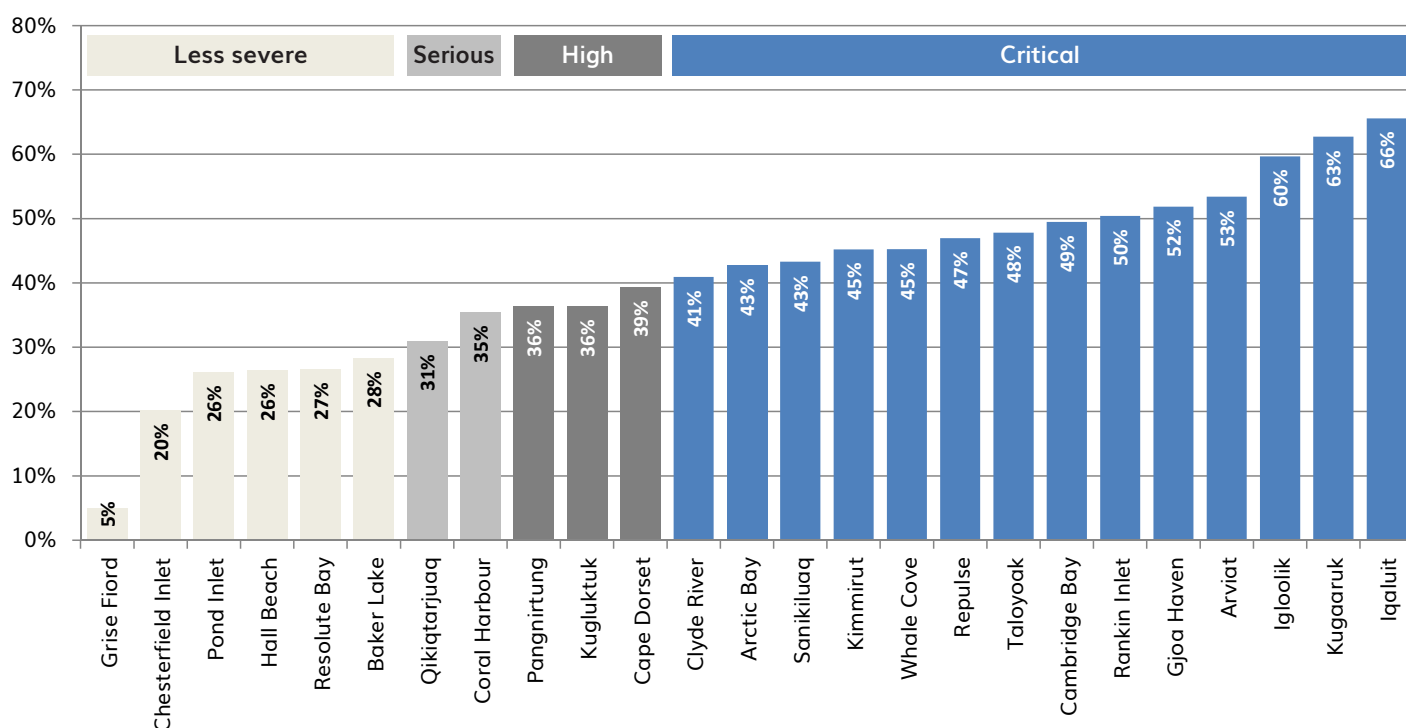
The closing accumulated surplus balance of \$822.3 million is not funds available for use. Non-financial assets that are not held for re-sale will be amortized and expensed during the course of their useful life which will draw this balance down over time. This simply represents the value of the Corporation's assets net of its liabilities.

Management Discussion and Analysis

Public Housing

The Corporation continues to address the dire need for housing in Nunavut. The chart below shows each community's housing demand. Housing demand is measured using each community's public housing need as a percentage of its existing public housing stock. For example, if a community with a public housing waiting list of 1,000 units currently has a stock of 2,500 units, its housing need as a percentage of stock is 40% (1,000/2,500). In the chart below, communities with a relative housing need above 40% have the most critical need for public housing, while those below 30% have a comparatively less severe need.

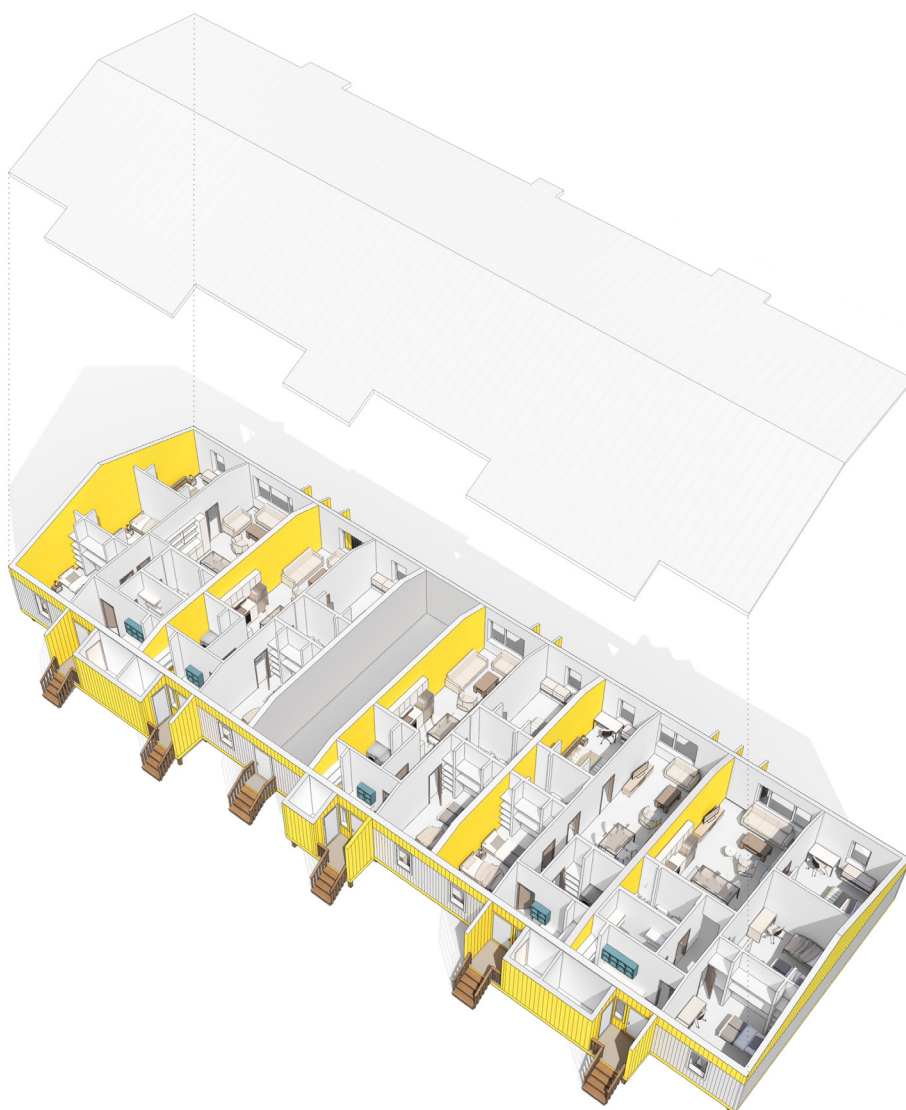
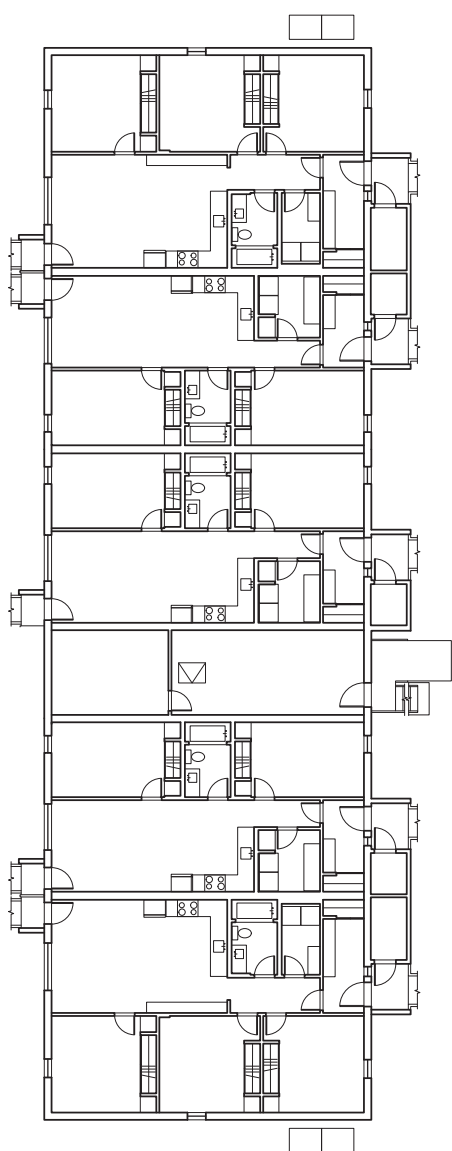
Housing Need as a Percentage of Stock



The Corporation uses housing need as a percentage of stock to prioritize new construction. In 2019-20, the Corporation will build 100 public housing units in seven communities using a new 5plex design. Funding for these projects was provided by the Government of Nunavut through the capital budget as well as the federal government through the Investment in Affordable Housing (IAH) program. Allocation of housing projects was based on each community's need as a percentage of stock. Communities with the most critical need will see more construction in the coming two years as shown below:

Relative Need	Planned Construction	% of Total	Allocated Budget
Critical	100	100%	\$ 50.0M
High	0	0%	\$ 0.0M
Serious	0	0%	\$ 0.0M
Less Severe	0	0%	\$ 0.0M
Total	100	100%	\$ 50.0M

The 'critical' category includes Iqaluit, which has a need for 360 units (14% of the territory's need). It is expected that, over time, continued use of relative need as a construction allocation methodology, will narrow the needs gap across all communities.



2019-20 5Plex

The most recent 5plex designs include gun cabinets to reflect Inuit Qaujimajatuqangit values and to better secure the safety of hunters and those with whom they share their home.

Public Housing – Capital Projects

During 2018-19, the Corporation completed the construction of 85 public housing units in Cambridge Bay, Chesterfield Inlet, Gjoa Haven, Hall Beach, Kimmirut, Kugaaruk, Sanikiluaq and Whale Cove. In 2018-19, the Corporation spent \$48.3 million (2017-18 – \$31.1 million) on the public housing construction program.

In 2018-19, the Corporation started construction of 105 public housing units in 13 communities. These projects were funded from the Government of Nunavut's capital budget and CMHC's Investment in Affordable Housing and Social Infrastructure Fund programs.

Effective April 1, 2016, the Corporation entered into a funding agreement with CMHC for \$84.1 million for new public housing construction, housing for seniors, victims of family violence and social housing renovation and retrofit programs. It is expected all related work will be completed by the end of 2019-20 resulting in construction of 185 public housing units in 15 communities and renovation and retrofits to public housing, seniors' accommodation and homeless shelters.

Effective April 1, 2018, the Corporation entered into the Northern Funding Agreement with CMHC for \$24.0 million to be used for new public housing construction. Funding this agreement will contribute to construction of 60 new public housing units in four communities, with work expected to be completed in 2020-21.



Public Housing - Modernization & Improvement (M & I)

The Corporation is responsible for 5,582 units in the public housing portfolio. The Modernization and Improvement Program ensures the health, safety and suitability of these units. In 2018-19, \$17.1 million (2017-18 – \$18.6 million) was spent on modernization & improvements. Funding for the program came from the following sources:

Government of Nunavut	\$12.2 million
Canada Mortgage and Housing Corporation	\$4.9 million

Public Housing - Tenant Demographic (All of Nunavut)

The Corporation currently serves 21,537 public housing tenants in 5,582 units. The majority of tenants are in the 18 to 60 year age group, with a sizable number below the age of 18.



The territory's population is aging, with 18% of Nunavut's public housing tenants aged 45 and over. This means that the number of elders living in public housing units will more than double in the next 15 years, further putting a strain on the Corporation's limited number of units customized for elders. Assessing the need and developing more supportive housing options for elders is an important part of the Government of Nunavut's Blueprint for Action on Housing. Over the past three years, the Corporation directed \$1.2 million provided through the Social Infrastructure Fund to repairs and renovations for the Arviat and the Iqaluit Elders' Centres and to construction of new public housing reserved for seniors. To relieve elders of the burden of rent, public tenants over the age of 60 and under the Core Need Income Threshold (CNIT) are not assessed rent. Elders will only be charged rent on any income above CNIT.

Elders living in their own homes have access to the Corporation's homeownership programs. These include the Seniors and Persons with Disabilities Housing Options Program (SPDHOP), Senior Citizen Home Repair Program (SCHRP) and the Seniors and Persons with Disabilities Preventative Maintenance Program (SPDPMP).

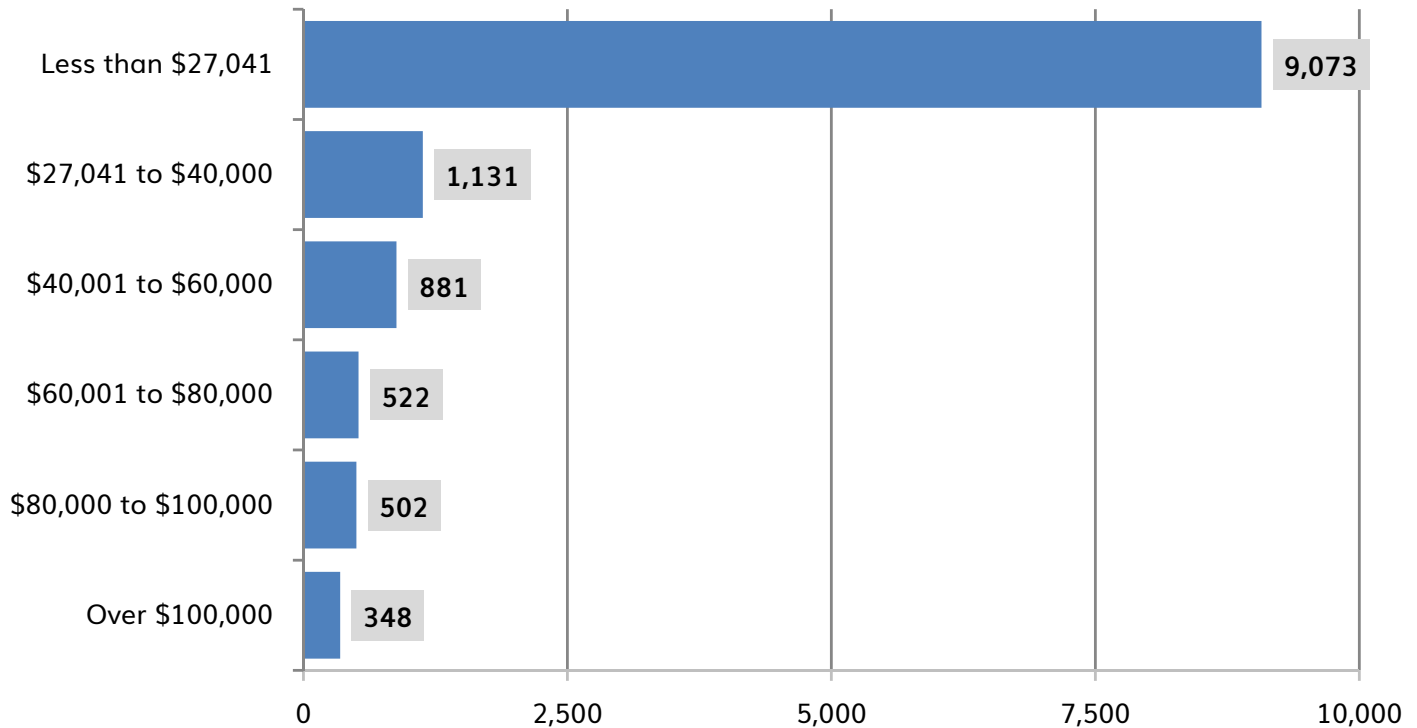
42% of public housing tenants are below the age of 18. In addition, 40% of public housing tenants are between the ages of 18 and 45. With 82% of the tenants below the age of 46, Nunavut will most likely see rapid growth in its population in the coming years. Based on the 2009 Nunavut Housing Needs Survey, the territory needed to build 90 units annually just to keep up with population growth. This number will continue to increase due to a likely increase in Nunavut's birth rate among Nunavut's productive age group.

Given the enormity of the territory's housing need, public housing on its own cannot provide the solution to the territory's housing crisis. A more robust solution that addresses varying needs on the housing continuum will need to be developed. The Blueprint for Action on Housing identifies several initiatives to address the territory's growing need including homeownership, long term federal funding for public housing and infrastructure, partnerships with the private sector and Regional Inuit Organizations and support for non-profit social housing.

Public Housing – Annual Income (Tenants Over 18)

The chart below shows income levels of 12,457 public housing tenants above the age of 18. 73% of the territory's public housing clients (9,073 tenants) earn less than \$27,041 a year. Only 3% (348 tenants) earn over \$100,000 a year.

Annual Income - Public Housing Tenants Over 18 Years



Public housing rent assessments are geared to a tenant's income, meaning the more income a tenant makes, the more rent they are likely to pay. The public housing rent scale assesses income of the two primary tenants in each unit based on the following annual income brackets:

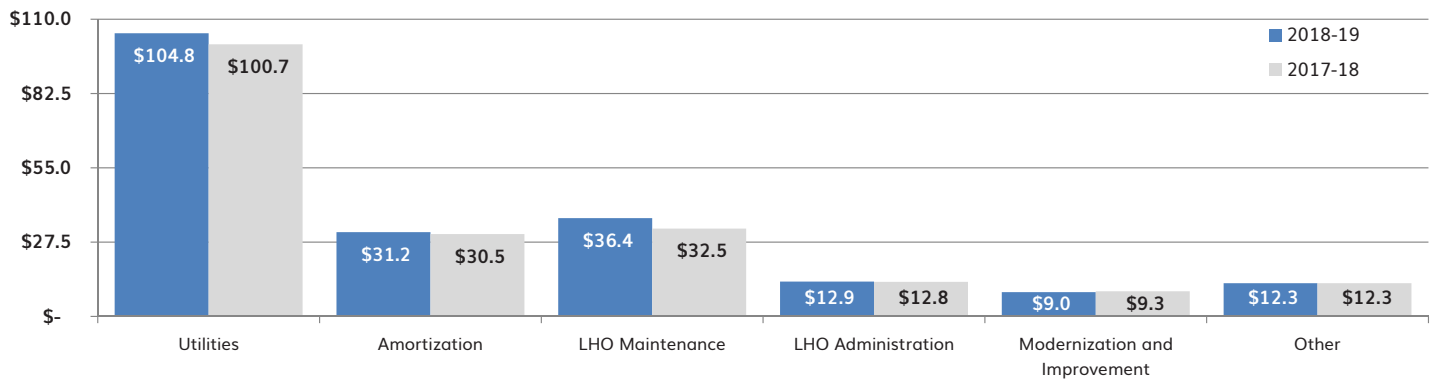
Below \$27,041	Minimum rent of \$60 a month
\$27,041 to \$40,000	20% of annual income
\$40,001 to \$80,000	25% of annual income
\$80,000 and above	30% of annual income

With 73% of public housing tenants earning less than \$27,041 per year, the Local Housing Organizations' ability to generate revenues from rent is severely limited. In 2018-2019, LHOs assessed \$16.9 million in public housing rent. This amounts to only 8% of the cost of providing public housing. The Government of Nunavut (GN) and the Canada Mortgage and Housing Corporation provide the bulk of the funds needed to run a viable public housing program. The GN's contribution will continue to grow as more and more housing units are added to the stock.

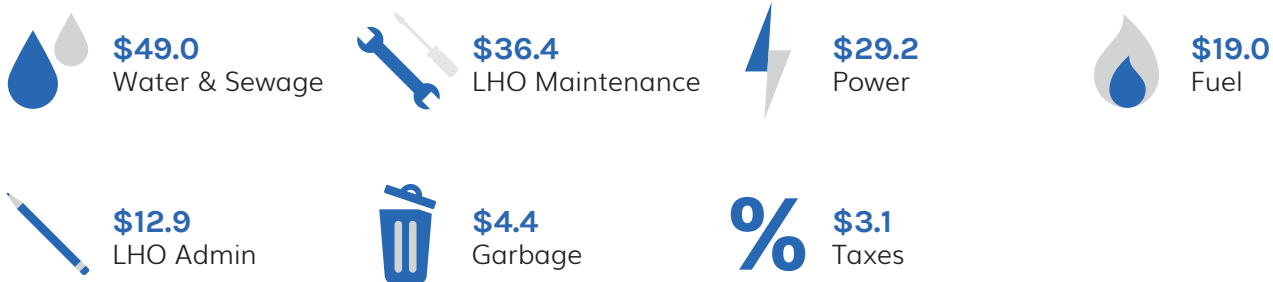
Public Housing - Operation and Maintenance (O&M)

The Social Housing Program is a single line on the Consolidated Statement of Operations with the details outlined in Schedule B of the audited consolidated financial statements. Public housing expenses increased to \$206.6 million in 2018-19 from \$198.1 million in 2017-18, an increase of \$8.5 million. This increase is primarily due to an increase in utilities expenses. The public housing stock increased by 86 units, resulting in increased utility consumption and maintenance expense.

Public Housing Operating Expenses (\$ millions)



Public housing operating costs are broken down as follows:



Average Cost Per Unit (in thousands)		Water & Sewer costs are the largest single expense for public housing. They are nearly as much as the cost of LHO administration & maintenance combined. The annual average administration and maintenance cost is \$8,900 per unit while water & sewer costs are \$8,800 per unit per year.
Water & Sewage	8.8	
Power	5.3	
Fuel	3.4	
Garbage	0.8	
Taxes	0.6	
Subtotal – Utilities	18.9	
LHO Admin	2.3	
LHO Maintenance	6.6	
Sub-total LHO	8.9	
Total	\$ 27.8	

Management Discussion and Analysis

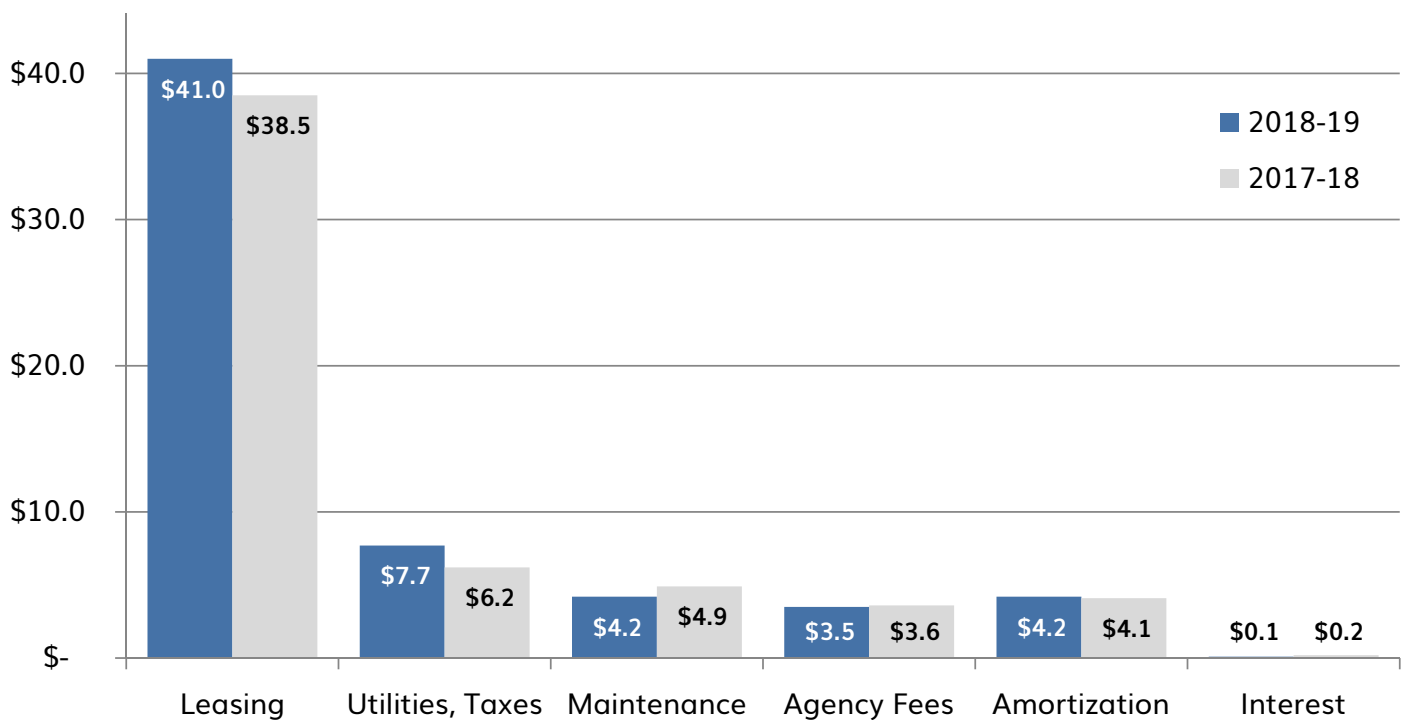
Staff Housing

Through the GN Staff Housing Program, the Corporation provides subsidized rental units to the staff of the Government of Nunavut.

The inventory of 1,623 staff housing units is administered by the Corporation. Of these, 450 are owned by the Corporation while 1,173 units are leased (72% of the staff housing portfolio). Over time, the Corporation will need to address the composition of this portfolio with a view toward rebalancing its assets. Steps are being taken to increase the range of housing options available to Government of Nunavut staff.

Staff housing program costs increased to \$60.7 million from \$57.5 million, an increase of \$3.2 million. This was largely driven by a \$2.5 million increase in lease rates and a \$1.5 million increase in utilities expense related to adding 49 units to the portfolio. Maintenance fees and interest decreased by a combined \$0.8 million. Revenues for staff housing rents are collected and retained by the Government of Nunavut Department of Finance.

Staff Housing Operations & Maintenance Costs (\$ millions)



Management Discussion and Analysis

Homeownership Programs

The Nunavut Housing Corporation (NHC) provides assistance to Nunavummiut to buy, build, maintain and repair homes through its various homeownership programs. Supporting the homeownership market in the territory is an important part of the Corporation's core business, as each new homeowner reduces demand on government provided housing in terms of rental units in the public or staff housing inventory, alleviates overcrowding, further develops the private housing market and reduces reliance.

The NHC offers two types of homeownership programs: home purchase assistance programs, and home renovation and repair programs.

Active home purchase programs currently offered:

- Nunavut Down-payment Assistance Program (NDAP)
- Interim Financing Program (IFP)
- Tenant to Owner Program (TOP)
- Seniors and Persons with Disabilities Home Options Program (SPDHOP)

Active home renovation and repair programs currently offered:

- Home Renovation Program (HRP)
- Emergency Repair Program (ERP)
- Senior Citizens Home Repair Program (SCHRP)
- Heating Oil Tank Replacement Program (HOTRP)
- Seniors and Persons with Disabilities Preventative Maintenance Program (SPDPMP)

Homeownership Program Spending

In 2018-19, \$4.4 million (2017-18 – \$4.4 million) was spent on Homeownership Programs. Funding for these programs came entirely from the Government of Nunavut's capital budget.

Breakdown of homeownership Program spending by Region

Program	Qikiqtaaluk	Kitikmeot	Kivalliq	Total Nunavut
SCHRP	\$ 42,472	\$ 23,382	\$ 28,345	\$ 94,199
ERP	210,638	174,761	443,811	829,210
NDAP	1,060,175	36,375	193,650	1,290,200
HRP	741,080	246,471	924,675	1,912,226
SPDPMP	10,120	1,690	641	12,451
HOTRP	84,827	90,112	83,089	258,028
Total	\$ 2,149,312	\$ 572,791	\$ 1,674,211	\$ 4,396,314

The Nunavut Down-payment Assistance Program, the Home Repair Program and the Emergency Repair programs are by far the most active, accounting for 92% of expenditures and 78% of approved applications. The Corporation approved 29% (254 applications) out of a pool of 890 applications. The majority of the 439 pending applications have insufficient information necessary for staff to determine eligibility.

197 applications were declined for reasons of ineligibility including the applicant having arrears, the applicant's income being above Homeownership Program Income Eligibility (HPIE) criteria, or request being submitted long after completion of repairs.

Breakdown of approved homeownership applications by program:

Community	ERP	HRP	HOTRP	NDAP	SCHRP	SPDPMP	TOP	IFP	SPDHOP	TOTAL
Arctic Bay	1	3	1	1	1	0	0	0	0	7
Cape Dorset	2	0	0	1	1	1	0	0	0	5
Clyde River	0	0	0	0	0	0	0	0	0	0
Grise Fiord	0	0	0	0	0	0	0	0	0	0
Hall Beach	0	0	0	0	0	0	0	0	0	0
Igloolik	2	3	0	0	1	1	0	0	0	7
Iqaluit	15	9	10	40	3	2	0	0	0	79
Kimmirut	2	0	0	0	0	0	0	0	0	2
Pangnirtung	1	3	3	0	0	1	0	0	0	8
Pond Inlet	1	0	1	1	0	0	0	0	0	3
Qikiqtarjuaq	7	0	0	0	1	0	0	0	0	8
Resolute Bay	0	0	0	0	0	0	0	0	0	0
Sanikiluaq	0	1	2	0	0	0	0	0	0	3
Qikiqtaaluk	31	19	17	43	7	5	0	0	0	122
Arviat	22	3	0	0	2	2	0	0	0	29
Baker lake	9	3	0	1	0	0	0	0	0	13
Chesterfield Inlet	0	0	0	0	0	0	0	0	0	0
Coral Harbour	1	0	2	1	0	0	0	0	0	4
Nauyasat	20	5	3	6	0	0	0	0	0	34
Rankin Inlet	1	0	0	0	0	0	0	0	0	1
Whale Cove	3	0	0	0	0	0	0	0	0	3
Kivalliq	56	11	5	8	2	2	0	0	0	84
Cambridge Bay	16	6	4	2	2	6	0	0	0	36
Gjoa Haven	1	2	4	0	1	0	0	0	0	8
Kugaaruk	0	0	0	0	0	0	0	0	0	0
Kugluktuk	0	0	1	0	0	0	0	0	0	1
Taloyoak	2	0	1	0	0	0	0	0	0	3
Kitikmeot	19	8	10	2	3	6	0	0	0	48
Total Nunavut	106	38	32	53	12	13	0	0	0	254

Breakdown of homeownership applications by program:

Program	Pending & Waitlisted at March 31, 2018	New Applications	Approved Applications	Declined Applications	Pending & Waitlisted at March 31, 2019
SCHRP	32	25	12	12	33
ERP	138	158	106	65	125
NDAP	10	73	53	22	8
HRP	170	104	38	52	184
SPDPMP	18	26	13	13	18
HOTRP	59	73	32	30	70
IFP	1	0	0	0	1
TOP	1	2	0	3	0
SPDHOP	0	0	0	0	0
Total	429	461	254	197	439

Eligibility for Homeownership Programs

Eligibility for homeownership programs is based on the applicant's income. Income testing is done against a community-specific Homeownership Program Income Eligibility limit (HPIE). HPIE limits range from \$158,500 in Arviat to \$186,000 in Resolute Bay.

HPIE limits are calculated using a modified Core Need Income Threshold (CNIT). The CNIT is a formula based on Canada Mortgage and Housing Corporation's (CMHC) Housing Income Limits (HILs) for calculating shelter costs, and is used to set public housing income limits. For the purposes of the NHC's homeownership programs, the CNIT was modified to more accurately reflect true costs of homeownership.

Maximum contribution amounts for HRP are set relative to household income as a percentage of HPIE limit for their community, as follows:

Income as % of the community HPIE Limit	Maximum Contribution Amount
0% up to 80% of HPIE	100% of funding limit
Between 80% and 85% of HPIE	80% of funding limit
Between 85% and 90% of HPIE	60% of funding limit
Between 90% and 95% of HPIE	40% of funding limit
Between 95% and 100% of HPIE	20% of funding limit
Greater than 100% of HPIE	0% of funding limit

In some communities, the lack of available local contractors has limited the NHC's ability to deliver its homeownership programs. Much of the work designed to be supported through NHC's homeownership programs requires specific skilled labour and the costs of flying in contractors to do renovation and repair work significantly adds to the costs. For this reason, a new clause was added to home repair and maintenance program guidelines to allow additional program funding to include travel costs of bringing a contractor in to complete the job.

Funding for contractor travel is available for the HRP, ERP, SCHRP and HOTRP programs.

This change will ensure that homeowners who are approved for funding are able to benefit from the program by securing timely and reliable contractors to complete applicable projects. This, in turn will further encourage and support the private housing market in the territory.

Management Discussion and Analysis

Construction Program

During the year the Corporation completed 85 public housing units in eight communities. These projects were funded from the Government of Nunavut's capital budget and CMHC's Investment in Affordable Housing and Social Infrastructure Fund programs.

The Corporation also completed the construction of 11 staff housing units in four communities. Construction of staff housing is funded entirely by the Government of Nunavut.

As at March 31, 2019, the Corporation had 95 public housing and 24 staff housing units under construction that were at varying levels of completion.

Housing Units Completed During 2018-2019

Community	Building Type	Program	Number of Units
Cambridge Bay	2 X Five Plexes	Public Housing	10
Chesterfield Inlet	1 X Five Plex	Public Housing	5
Gjoa Haven	4 X Five Plexes	Public Housing	20
Hall Beach	3 X Five Plexes	Public Housing	15
Kimmirut	1 X Five Plex	Public Housing	5
Kugaaruk	3 X Five Plexes	Public Housing	15
Sanikiluaq	2 X Five Plexes	Public Housing	10
Whale Cove	1 X Five Plex	Public Housing	5
Baker Lake	1 X Five Plex	Staff Housing	5
Chesterfield Inlet	1 X Duplex	Staff Housing	2
Nauyasat	1 X Duplex	Staff Housing	2
Whale Cove	1 X Duplex	Staff Housing	2
Total Units			96



Housing Construction In Progress

Community	Type	Number of Units	Percentage of Completion
Public Housing			
Arctic Bay	1 X Five Plex	5	13%
Arviat	5 X Five Plexes	25	35-50%
Cambridge Bay	3 X Five Plexes	15	5-20%
Gjoa Haven	1 X Five Plex	5	0%
Igloolik	1 X Five Plex	5	13%
Kugluktuk	2 X Five Plexes	10	13-20%
Nauyasat	1 X Five Plex	5	50%
Pond Inlet	2 X Five Plexes	10	9%
Qikiqtarjuaq	1 X Five Plex	5	41%
Rankin Inlet	1 X Five Plex	5	50%
Taloyoak	1 X Five Plex	5	95%
Total Units		95 units	
Staff Housing			
Coral Harbour	1 X Duplex	2	50%
Igloolik	1 X Five Plex	5	25%
Kugluktuk	1 X Five Plex	5	11%
Pond Inlet	1 X Five Plex	5	9%
Qikiqtarjuaq	1 X Duplex	2	25%
Taloyoak	1 X Five Plex	5	95%
Total Units		24 units	

NUNAVUT HOUSING CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2019

NUNAVUT HOUSING CORPORATION
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MARCH 31, 2019

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Management's Responsibility for Financial Reporting

27 August 2019

To the Honourable Patterk Netser
Minister Responsible for the Nunavut Housing Corporation
P.O. Box 1150 Iqaluit,
Nunavut X0A 0H0

Dear Mr. Netser,

Re: MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards. Management is responsible for the integrity and objectivity of the data in these consolidated financial statements and, where appropriate, the statements include estimates and judgements based on careful consideration of information available to management.

Management is responsible for developing and maintaining books of accounts, records, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of financial information, that assets are safeguarded and controlled, and that transactions are in accordance with the *Financial Administration Act* of Nunavut, the *Nunavut Housing Corporation Act* and policies of the Corporation. The Corporation's management recognizes its responsibility for conducting the Corporation's affairs in accordance with the requirements of applicable laws and sound business principles, and for maintaining standards of conduct that are appropriate to a territorial corporation.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board of Directors meet periodically with management and external auditors. The external auditors have full and free access to the Board of Directors.

The Auditor General of Canada provides an independent, objective audit for the purpose of expressing his opinion on the consolidated financial statements of the Corporation. He also considers whether the transactions that come to his notice in the course of this audit are, in all significant respects, in accordance with the specified legislation.



Terry Audla
President & Chief Executive Officer



Ji Liu, MBA, CPA, CMA
Chief Financial Officer

Iqaluit, Nunavut
27 August 2019



INDEPENDENT AUDITOR'S REPORT

To the Minister responsible for Nunavut Housing Corporation

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Nunavut Housing Corporation and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of operations and accumulated surplus, consolidated statement of changes in net financial assets and consolidated statement of cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the consolidated financial statements, we have audited transactions of Nunavut Housing Corporation coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are Part IX of the *Financial Administration Act* of Nunavut and regulations, the *Nunavut Housing Corporation Act* and regulations and the by-laws of Nunavut Housing Corporation.

In our opinion, the transactions of Nunavut Housing Corporation that came to our notice during the audit of the consolidated financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act* of Nunavut, we report that, in our opinion, the accounting principles in Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding year. In addition, in our opinion, proper books of account have been kept by Nunavut Housing Corporation and the consolidated financial statements are in agreement therewith.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for Nunavut Housing Corporation's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable Nunavut Housing Corporation to comply with the specified authorities.

Auditor's Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the consolidated financial statements are in compliance with the specified authorities referred to above.

A handwritten signature in black ink, appearing to read "Michael Robichaud". The signature is fluid and cursive, with the first name "Michael" and last name "Robichaud" clearly distinguishable.

Michael B. Robichaud, CPA, CA
Principal
for the Interim Auditor General of Canada

Ottawa, Canada
27 August 2019

NUNAVUT HOUSING CORPORATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2019
(in thousands of dollars)

	<u>2019</u>	<u>2018</u>
Financial assets		
Cash	\$ 17,689	\$ 19,269
Accounts receivable (Note 4)	34,681	55,285
Condominiums held for resale (Note 5)	5,431	5,431
Portfolio investments (Note 6)	134,515	129,493
Mortgages receivable (Note 7)	<u>2,241</u>	<u>2,470</u>
Total financial assets	<u>194,557</u>	<u>211,948</u>
Liabilities		
Accounts payable and accrued liabilities (Note 8)	58,201	49,642
Capital funding advanced (Note 9)	35,063	54,929
Long-term debt (Note 10)	8,370	9,167
Capital lease obligations (Note 11)	2,010	2,394
Liability for contaminated sites (Note 12)	513	372
Employee future benefits (Note 13)	<u>2,459</u>	<u>2,391</u>
Total liabilities	<u>106,616</u>	<u>118,895</u>
Net financial assets	<u>87,941</u>	<u>93,053</u>
Non-financial assets		
Tangible capital assets (Schedule C)	719,118	680,683
Condominiums held for resale (Note 5)	8,018	8,018
Inventory for use	7,017	6,578
Prepaid expenses	<u>224</u>	<u>115</u>
Total non-financial assets	<u>734,377</u>	<u>695,394</u>
Accumulated surplus	<u>\$ 822,318</u>	<u>\$ 788,447</u>
Contingencies (Note 16)		
Contractual obligations (Note 17)		
Contractual rights (Note 18)		
Subsequent events (Note 21)		



Bob Leonard
Chairperson



Terry Audla
President & Chief Executive Officer

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

NUNAVUT HOUSING CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED MARCH 31, 2019
(in thousands of dollars)

	<u>Budget 2019</u>	<u>Actual 2019</u>	<u>Actual 2018</u>
Generated revenues			
Social housing rental revenue	\$ 15,560	\$ 16,941	\$ 16,187
Other revenue and recoveries (Schedule A)	<u>2,957</u>	<u>6,884</u>	<u>5,382</u>
Total generated revenues	<u>18,517</u>	<u>23,825</u>	<u>21,569</u>
Expenses			
Social housing program (Schedule B)	203,575	206,636	198,083
Staff housing program (Schedule B)	59,702	60,735	57,470
Corporate administration (Schedule B)	19,826	23,669	22,526
Homeownership programs	4,616	4,396	4,426
Homelessness	<u>150</u>	<u>65</u>	<u>344</u>
Total Expenses	<u>287,869</u>	<u>295,501</u>	<u>282,849</u>
Net results of operations before government funding	<u>(269,352)</u>	<u>(271,676)</u>	<u>(261,280)</u>
Government funding			
Transfers from Government of Nunavut (Note 3)	243,298	243,278	240,782
Transfers from Canada Mortgage and Housing Corporation (CMHC) (Note 15)	58,350	62,061	47,583
Other government funding	<u>-</u>	<u>208</u>	<u>164</u>
Total government funding	<u>301,648</u>	<u>305,547</u>	<u>288,529</u>
Surplus for the year	32,296	33,871	27,249
Accumulated surplus, opening	<u>788,447</u>	<u>788,447</u>	<u>761,198</u>
Accumulated surplus, closing	<u><u>\$ 820,743</u></u>	<u><u>\$ 822,318</u></u>	<u><u>\$ 788,447</u></u>

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

NUNAVUT HOUSING CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED MARCH 31, 2019
(in thousands of dollars)

	Budget 2019	Actual 2019	Actual 2018
Surplus for the year	\$ 32,296	\$ 33,871	\$ 27,249
Tangible capital assets (Schedule C)			
Additions	(77,487)	(74,848)	(55,519)
Disposals/write-downs	5,431	1,002	1,786
Amortization	<u>38,057</u>	<u>35,411</u>	<u>34,577</u>
	(1,703)	(4,564)	8,093
Reclassification of condominiums for resale	-	-	6,376
Purchases of inventory for use	(5,406)	(7,442)	(6,196)
Consumption of inventory for use	5,406	7,003	5,513
Net (acquisition)/use of prepaid expenses	<u>-</u>	<u>(109)</u>	<u>21</u>
Change in net financial assets	(1,703)	(5,112)	13,807
Net financial assets, opening	<u>93,053</u>	<u>93,053</u>	<u>79,246</u>
Net financial assets, closing	<u><u>\$ 91,350</u></u>	<u><u>\$ 87,941</u></u>	<u><u>\$ 93,053</u></u>

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

NUNAVUT HOUSING CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED MARCH 31, 2019
(in thousands of dollars)

	<u>2019</u>	<u>2018</u>
Cash (used for)/provided by operations		
Transfers from the Government of Nunavut	\$ 211,356	\$ 208,839
Transfers from CMHC	16,823	19,821
Rent collections	14,771	13,885
Miscellaneous revenues and recoveries	9,771	6,838
Homelessness	(65)	(344)
Homeownership grants and contributions	(4,202)	(4,774)
Administration	(28,478)	(19,783)
Staff housing	(55,623)	(54,239)
Contributions for social housing	<u>(165,187)</u>	<u>(169,793)</u>
Cash (used for)/provided by operations	<u>(834)</u>	<u>450</u>
Cash provided by/(used for) capital activities		
Funding from Government of Nunavut	30,042	30,073
Funding from CMHC	47,413	2,161
Funding from Government of Canada	60	498
Proceeds from disposals of tangible capital assets	7	32
Tangible capital asset acquisitions	<u>(68,709)</u>	<u>(51,924)</u>
Cash provided by/(used for) capital activities	<u>8,813</u>	<u>(19,160)</u>
Cash used for financing activities		
Long term debt borrowings	-	119
Principal payments on capital lease	(383)	(440)
Principal payments on long-term debt	<u>(797)</u>	<u>(1,153)</u>
Cash used for financing activities	<u>(1,180)</u>	<u>(1,474)</u>
Cash used for by investing activities		
Investments redeemed	105,839	124,317
Recovery of homeowner's assistance	515	447
Mortgage payments received	333	397
Investments acquired	<u>(115,066)</u>	<u>(137,878)</u>
Cash used for investing activities	<u>(8,379)</u>	<u>(12,717)</u>
Decrease in cash	(1,580)	(32,901)
Cash, opening	<u>19,269</u>	<u>52,170</u>
Cash, closing	<u><u>\$ 17,689</u></u>	<u><u>\$ 19,269</u></u>

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

NUNAVUT HOUSING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2019
(in thousands of dollars)

1. PURPOSE OF THE ORGANIZATION

The Nunavut Housing Corporation (the Corporation), established under the *Nunavut Housing Corporation Act* (the Act), is a territorial corporation as defined under the *Financial Administration Act* of Nunavut. The Corporation is exempt from the *Income Tax Act* (Canada).

The Corporation is committed to working in partnership with communities and to providing opportunities for communities to become accountable for their own choices and delivery of housing programs. Through this partnership, opportunities are provided to community residents to have homes that support a healthy, secure, independent and dignified lifestyle. The Corporation's principal objective is to develop, maintain and manage social and staff housing programs in the Nunavut Territory.

Pursuant to provisions in the *Nunavut Housing Corporation Act*, the Corporation is dependent upon the Government of Nunavut (GN), either directly or indirectly, through guarantees, for the funds required to finance the net cost of its operations and for capital projects.

2. SIGNIFICANT ACCOUNTING POLICIES

The Corporation's consolidated financial statements are prepared in accordance with Canadian Public Sector Accounting Standards (PSAS) as issued by the Public Sector Accounting Board (PSAB). The following is a summary of the significant accounting policies.

(a) Principles of consolidation

These consolidated financial statements include the accounts of the Corporation and the accounts of 25 controlled Local Housing Organizations (LHOs). These can be in the form of Housing Associations or Housing Authorities.

The following LHOs comprise the reporting entity represented by these consolidated financial statements. All of the organizations have March 31 year ends.

Arctic Bay Housing Association	Qammaq (Sanikiluaq) Housing Association
Arviat Housing Association	Qikiqtarjuaq Housing Association
Cambridge Bay Housing Association	Rankin Inlet Housing Association
Chesterfield Inlet Housing Association	Repulse Bay Housing Association
Clyde River Housing Association	Resolute Bay Housing Association
Grise Fiord Housing Association	Tasiurqtit (Whale Cove) Housing Association
Hall Beach Housing Association	
Igloolik Housing Association	Baker Lake Housing Authority
Kikitak (Gjoa Haven) Housing Association	Cape Dorset Housing Authority
Kimmirut Housing Association	Coral Harbour Housing Authority
Kugluktuk Housing Association	Iqaluit Housing Authority
Pangnirtung Housing Association	Kugaaruk Housing Authority
Pond Inlet Housing Association	Taloyoak Housing Authority

All entities included in the reporting entity are fully consolidated on a line-by-line basis. Significant transactions and balances between consolidated entities are eliminated.

NUNAVUT HOUSING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2019
(in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Principles of consolidation (continued)

The Corporation's relationship with the various Local Housing Organizations is as a "partner" in the delivery of social housing, as provided under individual management agreements. The LHOs complete Modernization & Improvement projects on various social housing units, as approved by the Corporation.

(b) Contributions of social housing

Housing units owned or leased by the Corporation are operated by local housing associations and authorities under agreements. The Corporation provides subsidy assistance to various non-profit housing sponsor groups and cooperatives in accordance with operating agreements, which set out the basis on which eligibility for subsidy assistance will be determined. These expenditures are recorded based on actual or estimated costs incurred by each sponsor group in the year.

(c) Revenue recognition

The Corporation receives funding for operating and capital purposes from the Government of Nunavut.

Federal funding from CMHC, provided under the Affordable Housing Program is used for the capital costs of housing units built under these programs.

Government transfers are recognized as revenue when the funding is authorized and all eligibility criteria are met, except to the extent that funding stipulations give rise to an obligation that meets the definition of a liability. The funds used for long term debt principal repayments are reported on the consolidated statement of operations and accumulated surplus as transfers from the Government of Nunavut.

Social housing rental revenue is recognized on an accrual basis. An allowance is established for any amounts deemed not recoverable. The Corporation does not hold long term leases with any of its social housing tenants. Social housing leases are on a month-to-month basis.

(d) Cash and cash equivalents

Cash is comprised of bank account balances, net of outstanding cheques. Cash equivalents consist of highly liquid investments with initial maturities of up to 3 months held for the purpose of meeting short term operating cash commitments rather than for investment purposes. There were no cash equivalents as at March 31, 2019 (2018 - None).

NUNAVUT HOUSING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2019
(in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Assets held for sale

An asset held for sale is recognized as a financial asset when all of the following criteria are met:

- i) prior to the date of the financial statements the Corporation commits to selling the asset;
- ii) the asset is publicly seen to be for sale;
- iii) there is an active market for the asset;
- iv) there is a plan in place for selling the asset and
- v) the Corporation reasonably anticipates sale of the asset to an external purchaser within one year of the financial statement date.

When an asset intended for resale is being developed for sale it is classified as a non-financial asset. Assets held for resale are valued at cost less any valuation allowance to reflect its net recoverable value and not amortized. Cost includes amounts for improvements to prepare the assets for sale.

(f) Portfolio investments

Portfolio investments consist of investments in organizations that do not form part of the Corporation reporting entity. Where there has been a loss in value of a portfolio investment that is other than a temporary decline, the investment is written down to recognize the loss, which is included as a component of investment income. Interest income is recorded on the accrual basis.

(g) Tangible capital and leased assets

Tangible capital assets are recorded at cost less accumulated amortization. Land is recorded at cost. Mobile equipment includes transportation type vehicles. Amortization is provided using the following methods and annual rates:

Office furniture, equipment and mobile equipment	Declining balance 20%
Warehouses and offices	Declining balance 5%
Social housing, staff housing and lease to purchase housing	Declining balance 5%
Equity land leases and assets under capital leases	Straight-line basis over lease term
Leasehold improvements	Straight-line basis over the lesser of the lease term or useful life

Equity land leases are land that is owned by the municipalities which NHC leases the right to use for a period of 30 years.

Social and staff housing units are recorded as capital leases when the Corporation enters into lease agreements where, in effect, the risks and benefits of ownership are transferred to the Corporation. Obligations recorded under capital leases are reduced by rental payments net of imputed interest and executory costs. Interest expense is calculated using the effective interest method and is included in interest on long term debt.

NUNAVUT HOUSING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2019
(in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Tangible capital and leased assets (continued)

Buildings transferred to the Corporation from CMHC or by the Government of Nunavut, are initially recognized at their respective fair value when transferred. Construction in progress includes amounts, such as building materials, which may be transferred to social housing, staff housing, or offices and warehouses and are carried at cost. For construction in progress, amortization begins in the year the building is completed and transferred into one of the depreciable asset categories and is taken for the full year.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to provide goods or services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are recorded as an expense in the Consolidated Statement of Operations and Accumulated Surplus. Write-downs are not reversed following a subsequent increase in the asset's estimated value. Unrecorded potential impairment is discussed in Note 20.

(h) Mortgages receivable

(i) Mortgages subsidies

The Corporation, under section 44(1) of its Act, subsidizes principal and interest payments due from homeowners under the legal terms and conditions of mortgages. These subsidies vary in amount depending on the income of the mortgagees. Subsidies are expensed in the Consolidated Statement of Operations and Accumulated Surplus in the year the mortgage is approved and are reported as homeownership programs expense.

Accordingly, the mortgages receivable balance is measured at cost, net of the mortgage subsidies and an allowance for impairment.

Subsequent changes to the amount of the subsidy provided, resulting from changes in income of the mortgagee, are recognized as a revenue or expense in the year the changes occur.

(ii) Allowance for impaired mortgages

Mortgages are considered impaired when deterioration in credit quality has occurred and there is reasonable doubt as to the timely collection of principal and interest. A mortgage is considered impaired when a payment is six months in arrears. An allowance is established to reduce the carrying value of mortgages specifically identified as impaired to net recoverable value. Management has determined that a recoverable value of zero to all impaired mortgages is appropriate as there has been a deterioration in credit quality to the extent that there is no longer reasonable assurance of the timely collection of the principal or interest. Impaired mortgages would be restored to performing status only when payments have been received for those amounts in arrears, and there is reasonable assurance of full and timely collection of principal and interest.

NUNAVUT HOUSING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2019
(in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Mortgages receivable (continued)

(ii) Allowance for impaired mortgages (continued)

These restored mortgages are accounted for as recovery of the provision for impaired mortgages on the Consolidated Statement of Operations and Accumulated Surplus.

Initial and subsequent changes in the amount of mortgage impairment are recorded in the year the changes occur.

(iii) Write-off of impaired mortgages

Under provisions of the *Financial Administration Act* of Nunavut, the outstanding principal and interest on a loan can be approved for write-off by the Corporation's Board of Directors if the total outstanding on a loan is \$20,000 or less; or by the Legislative Assembly of Nunavut if the total amount outstanding on a loan is over \$20,000.

Mortgages are secured with the corresponding property and Management recommends the write-off of a loan only after all means of collecting the loan have been exhausted.

(iv) Quit claims

Borrowers in arrears may choose to settle their obligation with a quit claim. A quit claim is an agreement between the owner of a housing unit and the Corporation to transfer title back to the Corporation for a nominal fee. The amortized cost of quit claim units included in housing are determined to be the original purchase price less amortization from the original purchase date to the date the quit claim occurred.

(i) Mortgage interest revenue

Interest income on mortgages is recorded on an accrual basis. When a mortgage becomes impaired, the accrual of interest ceases and any previously accrued but unpaid interest is reversed against impaired mortgage loss. Thereafter, interest income is recognized on a cash basis, but only after prior write-offs arising from credit losses and the allowance for impairment have been recovered.

(j) Pension plans

(i) Public service pension plan

Eligible employees of the Corporation are covered by the Public Service Pension (the Plan), a defined benefit plan established through federal legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Corporation to cover the current service cost. Pursuant to legislation currently in place, the Corporation has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when the employees have rendered service.

NUNAVUT HOUSING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2019
(in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Pension plans (continued)

(i) Public service pension plan (continued)

Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of 2 percent of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Quebec Pension Plan benefits and they are indexed to inflation.

(ii) Northern Employee Benefits Services (NEBS) pension plan

All eligible employees of the LHOs are covered by the Northern Employee Benefits Services Pension Plan (NEBS), a multi-employer contributory defined benefit plan. NEBS is a member owned, not-for profit, corporation that sponsors an insurance and health care benefits plan and a pension plan for public sector employees in the north.

NEBS establishes contribution rates for participating employers/employees, and contributions are remitted to NEBS on a regular basis throughout the year. Contributions are recorded as an expense in the year when the employees have rendered service.

The NEBS Plan is governed by the *Northern Employee Benefits Service Pension Plan Act* (in force since October 1, 2015) (the Act) and a plan text document maintained by the administrator of the NEBS Plan. Both the Act and the NEBS Plan text provide that participating employers are liable for their share of any funding shortfalls in the NEBS Plan as determined on a going concern basis, and on plan wind up. The Act and the NEBS Plan text provide that any going concern shortfalls, should they arise, are to be paid down over no more than 15 years and that contribution rates may be increased if necessary to do so.

Pursuant to the Act, the NEBS Plan is exempt from compliance with the *Pension Benefits Standards Act*, 1985 (PBSA) and is not required to be funded on a solvency basis.

(k) Employee future benefits

Under the conditions of employment, eligible employees may earn benefits for resignation, retirement and removal costs based on the years of service. The benefits are paid upon resignation, retirement or death of an employee. The estimated liability and related expenses for these benefits are recorded as employees earn them. An actuarial valuation of the cost of these benefits for employees of the Corporation has been prepared using data provided by the Government of Nunavut and assumptions based on their best estimates.

Employee future benefits for employees of LHOs are valued based on management estimates and have not been actuarially valued.

NUNAVUT HOUSING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2019
(in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Employee future benefits (continued)

Sick leave

Included in employee future benefits is an amount for employees of the Corporation who are permitted to accumulate sick leave. However, such entitlements do not vest and can be used only in the event of illness. The amount of accumulated sick leave entitlements which are expected to be used in future years is determined by an actuarial valuation and has been recorded in these consolidated financial statements.

(l) Measurement uncertainty

The preparation of consolidated financial statements requires the Corporation to make estimates and assumptions that affect the amounts of assets, liabilities, revenues, expenses and disclosures of contingent liabilities reported in the consolidated financial statements. By their nature, these estimates and assumptions are subject to measurement uncertainty. The effect on the consolidated financial statements of changes to such estimates and assumptions in future periods could be significant, although, at the time of preparation of these consolidated financial statements, the Corporation believes the estimates and assumptions to be reasonable.

Where actual results differ from these estimates and assumptions, the impact will be recorded in periods in which the actual results become known.

The more significant management estimates and assumptions include those related to employee future benefits, valuation of tangible capital assets, valuation of inventory, contingencies, amortization expenses, and valuation of allowances for impairments and subsidies on mortgages.

(m) Related Party Transactions

Inter-entity transactions

Inter-entity transactions are transactions between commonly controlled entities. When transactions are undertaken on similar terms and conditions to those adopted if the entities were dealing at arm's length, or where the costs of goods or services provided are recovered, they are measured at the exchange amount. All other inter-entity transactions are recorded on a gross basis and are measured at the carrying amount as recorded in the accounts of the provider.

The Corporation is related in terms of common ownership, to all Government of Nunavut created departments, agencies and Territorial corporations.

The Government provides certain administrative contributions and services, such as payroll processing services, human resources support, information technology support, office accommodations and employee benefits, without charge to the Corporation. Administrative contributions and services provided by the Government are measured at the exchange amount, which is a fixed amount of consideration established and agreed to by the related parties under a Contribution Agreement and are recorded in the related account balances.

NUNAVUT HOUSING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2019
(in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Related Party Transactions (continued)

Services provided without charge by the Government are measured at the carrying amount and are reported in the related account balances on a gross basis.

Other related party transactions

Other related parties are key management personnel (President, Chief Financial Officer, Chief Operating Officer, Senior Directors, Board of Directors), as well as close family members of key management personnel and entities that are controlled by key management personnel or their close family members.

Related party transactions, other than inter-entity transactions, are recorded at the exchange amount and are in the normal course of business completed under normal trade terms.

(n) Audit services provided without charge

Audit services are provided by the Office of the Auditor General of Canada for the audit of the Corporation's consolidated financial statements. No amount has been recognized in these consolidated financial statements in respect to the services provided.

(o) Inventory for use

Inventory for use consists mainly of materials required to maintain public housing units. The inventory is valued using the first in, first out method at cost. Impairments, when recognized, result in a write-down to replacement cost and are recorded as an expense within the Consolidated Statement of Operations and Surplus.

(p) Loan guarantees

An obligation and expense is recognized related to a loan guarantee when it is likely that a loss will be incurred, and the amount of the loss can be reasonably estimated. When estimating the amount of the contingent loss, management considers the value of any security (properties) which could be sold to cover the loan guarantee.

(q) Homeownership program grants

The Corporation, under section 44(1) of its Act, may make a home ownership assistance grant in the form of a forgivable loan to eligible homeowners on terms and conditions that may be imposed by the Corporation. Grants provided to homeowners vary in amount depending on the limits of the various home ownership programs and the income of the recipients and are only expected to be repaid if certain conditions are not met. Grants are expensed in the year expenditures are approved and any recoveries of conditional grants are recognized in the year the amount is recovered from the recipient.

NUNAVUT HOUSING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2019
(in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Financial instruments

The following is a list of the Corporation's financial instruments and their related measurement bases as at March 31, 2019.

Financial Assets	Measurement Basis
Cash	Cost
Accounts receivable	Cost
Portfolio investments	Amortized cost
Mortgages receivable	Cost
Financial Liabilities	Measurement Basis
Accounts payable and accrued liabilities	Cost
Long-term debt	Amortized cost

As all financial instruments are measured at cost or amortized cost, there have been no remeasurement gains or losses. Therefore, the Statement of Remeasurement Gains and Losses has been excluded.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the Consolidated Statement of Operations and Accumulated Surplus. An impairment is not reversed following a subsequent increase in value.

Transaction costs are incremental costs directly attributable to the acquisition or issue of a financial asset or a financial liability. Transaction costs are added to the carrying value of items in the cost or amortized cost category when they are initially recognized.

(s) Budget figures

Budgeted figures have been derived from Main Estimates approved by the Board of Directors and tabled before the legislature. The main estimates are then re-stated to reflect the public sector accounting standards presentation in the corporate plan which is approved by the Corporation's Board of Directors. See Schedule B for further disclosure of budget figures by program and object and Schedule D for a reconciliation of main estimates to the reported budget.

(t) Contingencies

Contingent liabilities result from pending lawsuits and like items. The contingencies of the Corporation are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. If the future event is likely to occur and the costs can be reasonably estimated, an estimated liability is accrued. If the likelihood of a future event that would confirm the Corporation's responsibility is not determinable, or if it is not determinable if future economic benefits will be given up, or if an amount cannot be reasonably estimated, then a contingent liability is disclosed in the notes to the consolidated financial statements and no liability is accrued.

NUNAVUT HOUSING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2019
(in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Liability for contaminated sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard.

A liability for remediation of contaminated sites is recognized when all of the following criteria are met:

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

The liability reflects the Corporation's best estimate of the amount required to remediate the sites to the current minimum standard for its use prior to contamination.

The liability is recorded net of any expected recoveries and includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring. Estimates are based on the assumption that all remediation occurs within one year.

If the likelihood of the Corporation's responsibility is not determinable, a contingent liability is disclosed in the notes to the consolidated financial statements.

(v) Adoption of new accounting standards

The PSAB issued a new accounting standard which became effective for fiscal years beginning on or after April 1, 2018. The new standard provides guidance on how to account for and report assets and liabilities transferred in restructuring transactions. The Corporation will apply the new standard for any restructuring transactions occurring subsequent to the date of adoption. As the Corporation had no restructuring transactions in the current year, the adoption had no impact on the financial statements.

(w) Future changes in accounting standards

Section PS 3280 Asset Retirement Obligation has been issued by the PSAB and is effective from April 1, 2021. This section replaces PS 3270 with revised guidance on accounting for, and presentation and disclosure of, asset retirement obligations. The Corporation will adopt this new standard on its effective date and is currently assessing the impact it will have on the consolidated financial statements.

NUNAVUT HOUSING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2019
(in thousands of dollars)

3. TRANSFERS FROM GOVERNMENT OF NUNAVUT

	<u>2019</u>	<u>2018</u>
Operating and maintenance contributions	\$ 202,976	\$ 200,817
Capital contributions	40,302	39,965
	<u>\$ 243,278</u>	<u>\$ 240,782</u>

4. ACCOUNTS RECEIVABLE

	<u>2019</u>	<u>2018</u>
Receivable from related parties		
Government of Nunavut departments	\$ 705	\$ 652
Qulliq Energy Corporation	27	26
Petroleum Products Revolving Fund	23	23
	<u>755</u>	<u>701</u>
Other receivables		
Tenant accounts receivable	35,380	32,564
Canada Mortgage and Housing Corporation (CMHC)	25,778	47,486
Trade and other accounts receivable	8,104	6,439
Direct financing lease receivable	226	250
	<u>70,243</u>	<u>87,440</u>
Less: Allowance for doubtful accounts (Note 14(a))	<u>(35,562)</u>	<u>(32,155)</u>
	<u>\$ 34,681</u>	<u>\$ 55,285</u>

5. CONDOMINIUMS HELD FOR RESALE

In 2016-17 the Corporation acquired 62 residential units in Iqaluit with the intention of selling the units to Government of Nunavut staff through the Staff Condominium program. In 2017-18 two of the units were added to the Staff Housing portfolio and work was undertaken to make the remaining 60 units available for sale as condominiums. The Corporation advertised its intent to sell the condominiums to Government of Nunavut staff, held an information session and sought applications from prospective buyers. Expected sales in 2018-19 were delayed due to obstacles in establishing a condominium corporation. Prior to the end of the year, 13 of the units were occupied by prospective purchasers with sales pending. Sufficient acceptable applications were received to conclude that 24 of the units available for resale can reasonably be expected to be sold during the 2019-20 fiscal year and the related value is classified as a financial asset. The value of the remaining 36 units have been classified as non-financial assets as their sale may not be completed prior to the end of 2020-21.

NUNAVUT HOUSING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2019
(in thousands of dollars)

6. PORTFOLIO INVESTMENTS

Portfolio investments include the following:

	2019 Term to Maturity	2019 Carrying Value	2018 Carrying Value
Provincial government notes and bonds	2 years	\$ 11,377	\$ 6,148
Various banker's acceptances	Within 1 year	123,138	123,345
		<u>\$ 134,515</u>	<u>\$ 129,493</u>

The market value of the portfolio investments at March 31, 2019 was \$133,988 (2018 - \$128,369), with an average yield in 2019 of 1.93% (2018 - 1.70%).

7. MORTGAGES RECEIVABLE

	2019	2018
Mortgage bearing interest at rates varying between 2.00% and 11.25% (2018 - 2.00% and 11.25%) per annum, repayable over a maximum period of 25 years	\$ 9,877	\$ 10,359
Less: Subsidy amount by the Corporation	(4,373)	(4,558)
Less: Allowance for impairment	<u>(3,263)</u>	<u>(3,331)</u>
	<u>\$ 2,241</u>	<u>\$ 2,470</u>

Conditional grants have been provided by the Corporation to eligible homeowners, which are fully forgivable based on the conditions specific to each program. If the conditions are not met, the grants are repayable to the Corporation. The conditional grants of \$4,126 as at March 31, 2019 (2018 - \$4,113) were expensed on the Consolidated Statement of Operations and Accumulated Surplus during the year.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2019	2018
Related party accounts payable and accrued liabilities		
Petroleum Products Revolving Fund	\$ 13,852	\$ 5,226
Qulliq Energy Corporation	6,479	5,305
Government of Nunavut Departments	<u>4,939</u>	<u>10,480</u>
	25,270	21,011
Other payables		
Trade payable	28,604	24,772
Accrued wages and employee benefits	3,242	2,853
Security deposits	940	848
Accrued interest payable	<u>145</u>	<u>158</u>
	<u>\$ 58,201</u>	<u>\$ 49,642</u>

NUNAVUT HOUSING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2019
(in thousands of dollars)

9. CAPITAL FUNDING ADVANCED

In 2017, CMHC entered into an Investments in Affordable Housing (IAH) program supplementary agreement with the Corporation for additional funding of \$84,126 over two years through the Social Infrastructure Fund (SIF) agreement. In 2019, this agreement was extended to provide an additional \$24,000 over one year through the Northern Funding Agreement. As of March 31, 2019, \$108,126 (2018 - \$84,126) had been provided to the Corporation, of which \$24,000 (2018 - \$47,472) is receivable at year-end.

These funds are to be used for specific projects agreed upon between CMHC and the Corporation for new housing development as well as renovation of existing properties and are repayable to CMHC in the event that the funds are not spent as agreed to.

NHC also entered into a 5 year funding agreement extension under the Investment in Affordable Housing program. This program provided \$1,465 per year for 5 years (2014-2015 to 2018-2019) which consists of \$1,455 for new housing or renovation projects, recorded as capital funding advanced, and \$10 a year for shelter enhancement, recorded as operating revenue. \$1,465 (2018 - nil) of funding is receivable at year-end.

In 2018, the Government of Canada entered into an agreement with the Corporation for additional funding of \$566 over two years to allow for inclusion of geotechnical studies in conjunction with new construction projects. As of March 31, 2019, \$558 (2018 - \$498) had been provided to the Corporation of which \$186 (2018 - nil) is unspent and included as part of accounts payable at year-end.

Revenue recognized in relation to this funding and the corresponding liability recognized for remaining funds advanced but not yet spent are as follows:

	<u>2019</u>	<u>2018</u>
Capital funding advanced, opening	\$ 54,929	\$ 32,725
IAH and SIF capital funding advanced	25,455	50,411
Government of Canada funding advanced	60	498
Government of Canada funding reclassified to accounts payable	(186)	-
Advanced funds used for capital additions	<u>(45,195)</u>	<u>(28,705)</u>
Capital funding advanced, closing	<u>\$ 35,063</u>	<u>\$ 54,929</u>

The Corporation has committed this funding to capital projects as discussed in Note 17.

10. LONG-TERM DEBT

Under the terms of the 1999 Social Housing Agreement (SHA), CMHC originally provided funding to the Corporation to build social housing assets in the form of long-term mortgages payable to CMHC (referred to as *National Housing Act* section 79 debt under the SHA) and loans payable to CMHC (referred to as NHA section 82 debt under the SHA). Under the SHA, the funding provided to the Corporation was used to reduce 100% of the NHA section 79 debt and reduce by 5/9th of the NHA section 82 debt, and to fund the related interest repayments that the Corporation would make each year to CMHC.

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10. LONG-TERM DEBT (continued)

This funding receivable from CMHC and the related payments due by the Corporation each year on the long term debt payable to CMHC are legally offset, resulting in no exchange of cash between the Corporation and CMHC.

The funding receivable from CMHC is recorded as a reduction of the corresponding long-term debt payable. As the funding from CMHC and the corresponding repayments of long-term debt are non-cash transactions, they have not been recorded in the consolidated statement of cash flow.

	<u>Debt balance</u>	<u>CMHC Funded Portion</u>	<u>2019 Net debt balance</u>	<u>2018 Net debt balance</u>
Mortgages payable to CMHC (NHA Old Section 79 debt), repayable in monthly or quarterly installments, maturing from 2021 to 2037 at interest rates from 9.5% to 19.75% (2018 - 9.5% to 19.75%).	\$ 54,063	\$ (54,063)	\$ -	\$ -
Mortgages payable to CMHC (NHA New Section 79 debt), repayable in monthly or quarterly installments, maturing from 2019 to 2020 at interest rates from 4.45% to 5.94% (2018 - 4.45% to 6.03%).	146	(146)	-	-
Loans payable to CMHC, repayable in annual installments until the year 2032, bearing annual interest of 6.97% (2018 - 6.97%). The loans are guaranteed by the Government of Nunavut.	18,368	(10,204)	8,164	8,913
Loans payable to CMHC, assumed from Inuit Non-Profit Housing Corporation in 2017, repayable in monthly installments, maturing from 2019 to 2028 at interest rates from 2.04% to 10.375% (2018 - 2.04% to 10.375%).	<u>206</u>	<u>-</u>	<u>206</u>	<u>254</u>
	<u>\$ 72,783</u>	<u>\$ (64,413)</u>	<u>\$ 8,370</u>	<u>\$ 9,167</u>

The above mortgages and loans payable to CMHC are not secured.

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10. LONG-TERM DEBT (continued)

Principal repayments and interest requirements over the life of outstanding loans are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 802	\$ 596	\$ 1,398
2021	682	539	1,221
2022	712	492	1,204
2023	762	441	1,203
2024	817	386	1,203
2025 and beyond	<u>4,595</u>	<u>1,102</u>	<u>5,697</u>
	<u><u>\$ 8,370</u></u>	<u><u>\$ 3,556</u></u>	<u><u>\$ 11,926</u></u>

Had CMHC not funded the repayments of the long-term debt principal and interest payable to CMHC, the Corporation would have incurred additional interest expense of \$8,132 (2018 - \$8,461) and would have made additional principal long-term debt repayments to CMHC of \$3,144 (2018 - \$3,453).

11. CAPITAL LEASE OBLIGATION

The Nunavut Housing Corporation is committed to 3 lease agreements (2018 - 3) for housing units that support the Public Housing, and Staff Housing Programs. These lease agreements are based on implicit interest rates varying from 4.85% to 6.70% (2018 - 4.85% to 6.70%) and have expiry dates ranging from 2022 to 2026. The lease payments may be renegotiated every five years for changes in specific operating costs such as interest rates and cost of utilities. The Corporation is also responsible for other operating costs not included in the annual lease payment.

	<u>Future minimum lease payments</u>	<u>Executory Costs</u>	<u>Imputed Interest</u>	<u>Lease Obligation</u>
2020	\$ 525	\$ 12	\$ 106	\$ 407
2021	525	12	81	432
2022	525	12	54	459
2023	426	12	26	388
2024	168	1	12	155
2025 to 2026	<u>175</u>	<u>-</u>	<u>6</u>	<u>169</u>
Total	<u><u>\$ 2,344</u></u>	<u><u>\$ 49</u></u>	<u><u>\$ 285</u></u>	<u><u>\$ 2,010</u></u>

Interest expense related to capital lease obligations for the year was \$129 (2018 - \$155)

NUNAVUT HOUSING CORPORATION
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12. LIABILITY FOR CONTAMINATED SITES

The Corporation has identified 9 sites (2018 - 8) for which an environmental liability has been recorded. All sites are contaminated as a result of oil spills. The liability is calculated as estimated costs remaining to remediate the spills to the required environmental standard, based on a standard cost per litre established using historical experience. The spills are expected to be remediated within the next fiscal year. There are no estimated recoveries (2018 - nil).

13. EMPLOYEE FUTURE BENEFITS AND PENSION PLANS

(a) Pension plans

(i) Public service pension plan

Contributions are required by both the employees and the Corporation. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution.

The general contribution rate effective at year end was 1.01 times (2018 - 1.01 times) for existing employees and 1.00 times (2018 - 1.00 times) for new members entering into the plan on or after January 1, 2013. Total employer contributions of \$1,100 (2018 - \$1,067) were recognized as expense in the current year.

The Corporation's and employees' contribution to the Plan for the year were as follows:

	2019	2018
Employer's contribution	\$ 1,100	\$ 1,067
Employees' contribution	1,093	1,058

(ii) Northern Employee Benefits Services (NEBS) pension plan

Eligible employees of LHOs are members of the Northern Employees Benefits Services (NEBS) Pension Plan (NEBS Plan), a contributory defined benefit plan. The NEBS Plan is administered by NEBS as part of a benefits program, providing insurance, health care and pension benefits for employees of member employers in the north. NEBS is a member-owned, not-for-profit corporation of which certain LHOs are members.

Participating members in the NEBS Plan are required to make contributions to the plan of 8% (2018 - 8%) of pensionable earnings, and to remit employee contributions of 8% (2018 - 8%). These contributions cover current service costs and a provision for adverse deviation. Total employer contributions of \$1,141 (2018 - \$1,209) were recognized as expense in the current year.

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13. EMPLOYEE FUTURE BENEFITS AND PENSION PLANS (continued)

The total service contributions by LHOs to the NEBS Pension Plan for the year were as follows:

	2019	2018
Employer's contribution	\$ 1,141	\$ 1,209
Employees' contribution	1,141	1,209

As at January 1, 2019, the NEBS Plan had a going concern surplus of \$25,300 (2018 - \$24,000) and a funded ratio of 112.0% (2018 - 112.8%). The NEBS Plan serves 3,202 employee members and 111 participating employers.

(b) Employee future benefits

Under the conditions of employment, eligible employees may earn benefits for resignation, retirement and removal costs based on the years of service and final pay. The benefits are paid upon resignation, retirement or death of an employee. In addition to these benefits, employees can earn non-vesting accumulating sick leave benefits. With the exception of the employee future benefits earned by LHO's employees, all employee future benefit liabilities have been actuarially determined as at March 31, 2019 using the Government of Nunavut's assumptions and best estimates. As for LHOs employee benefits, they have been determined based on management's best estimates. The estimated liabilities and related expenses for these benefits are recorded as employees earn them.

	2019	2018
Accrued benefit obligation, beginning of the year	\$ 1,537	\$ 1,562
Net change for the year (net of benefits paid)	66	(25)
Total resignation, retirement & removal benefits	1,603	1,537
Sick leave liability	856	854
Total employee future benefits	<u>\$ 2,459</u>	<u>\$ 2,391</u>

The discount rate used to determine the accrued benefit obligation is 2.70% (2018 - 3.00%)

14. FINANCIAL RISK MANAGEMENT

The Corporation is exposed to certain risks as a result of holding financial instruments. There has been no change to the level of risk compared to prior year and no change in the methods and practices used to manage these risks. The following risks have no significant impact on the Corporation's financial statements.

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14. FINANCIAL RISK MANAGEMENT (continued)

(a) 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 financial assets and loan guarantees, and the maximum exposure to credit risk is as follows:

Financial Assets:

	<u>2019</u>	<u>2018</u>
Cash	\$ 17,689	\$ 19,269
Accounts receivable	34,455	55,035
Portfolio investments	134,515	129,493
Mortgages receivable	2,241	2,470
Direct financing lease receivable	<u>226</u>	<u>250</u>
Total financial assets	189,126	206,517
Loan guarantees to CMHC related to sponsor groups	<u>572</u>	<u>808</u>
Total	<u><u>\$ 189,698</u></u>	<u><u>\$ 207,325</u></u>

Although loan guarantees to CMHC related to sponsor groups are not recognized as a liability of the Corporation, there is a credit risk associated with the ability of related sponsor groups to discharge their obligations. The nature of these guarantees is discussed further in Note 16.

Accounts receivable consists primarily of amounts due from GN, CMHC and the federal government, which in aggregate represent 85% (2018- 91%) of balances outstanding. To mitigate credit risk related to accounts receivable, the Corporation does regular follow up on their accounts receivable. The Corporation establishes an allowance for doubtful accounts that reflects the estimated impairment of accounts receivable. The allowance is based on specific accounts and is determined by considering the Corporation's knowledge of the financial condition of customers, the aging of accounts receivable, current business conditions and historical experience.

Accounts receivable are generally due in 30 days and depending on the terms and conditions of service interest may be charged at the rate specified thereafter. The Corporation utilizes an allowance account for potential credit losses related to accounts receivable.

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14. FINANCIAL RISK MANAGEMENT (continued)

Allowance for doubtful accounts:

	Tenant	Trade & Other	Total 2019	Total 2018
Balance, beginning of the year	\$ 30,348	\$ 1,807	\$ 32,155	\$ 30,218
Increase in the allowance account	3,123	284	3,407	1,937
	<u>\$ 33,471</u>	<u>\$ 2,091</u>	<u>\$ 35,562</u>	<u>\$ 32,155</u>

The aging analysis of tenant accounts receivable is as follows:

	Current	Past due 31 - 90 days	Past due > 90 days	Total 2019	Total 2018
Tenant receivables	\$ 783	\$ 1,149	\$ 33,448	\$ 35,380	\$ 32,564
Less: Allowance	<u>-</u>	<u>(23)</u>	<u>(33,448)</u>	<u>(33,471)</u>	<u>(30,348)</u>
Total tenant receivables	<u>\$ 783</u>	<u>\$ 1,126</u>	<u>\$ -</u>	<u>\$ 1,909</u>	<u>\$ 2,216</u>

With respect to accounts receivable past due but not impaired, based on credit history and credit ratings, there are no indications that customers will not be able to meet their obligations.

The risk associated with cash is minimized substantially by placing these assets in senior Canadian chartered banks and the Corporation monitors these assets.

Mortgages receivable credit risk arises from the possibility that clients might be unable to fulfill their obligation under their mortgage contract. This risk is mitigated by verifying employment status and income, and by performing a credit assessment, which includes ensuring there are no rent arrears with LHOs.

The Corporation invests surplus funds to earn investment income with the objective of maintaining safety of principal and providing adequate liquidity to meet cash flow requirements. Portfolio investments are managed by the Corporation's external investment managers. All portfolio investments have an R-1 (mid) or an A (high) rating or higher from the Dominion Bond Rating Service. Investments from a single issuer are limited to the greater of 50% of the total portfolio or a maximum dollar value of \$10,000. There is no significant concentration in any one investment counterpart.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market prices. The Corporation is not significantly exposed to interest rate risk on its portfolio investments as these investments are not held on the open market, are intended to be held until the end of the term, and have fixed interest rates until that time. Although management monitors exposure to interest rate fluctuations, it does not employ any interest rate management policies to counteract interest rate fluctuations.

NUNAVUT HOUSING CORPORATION
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14. FINANCIAL RISK MANAGEMENT (continued)

(b) Market risk (continued)

Long-term debt is comprised entirely of instruments with fixed interest rates; therefore the Corporation has not provided a sensitivity analysis to show the effect of interest rate changes on operating results.

The Corporation is not exposed to foreign exchange or other price risk.

(c) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its short term financial obligations. To manage liquidity risk, the Corporation maintains adequate cash balances and invests in money market instruments. These instruments are readily convertible into known amounts of cash.

A maturity analysis of the Corporation's financial liabilities as at March 31, 2019 is as follows (the contractual cash flows reported are undiscounted and include principal payments and finance charges):

	Contractual Cash Flows					
	<u>Carrying Amount</u>	<u>2020 Estimated</u>	<u>2021 to 2024</u>	<u>2025 to 2035</u>	<u>Total 2019</u>	<u>Total 2018</u>
Accounts payable and accrued liabilities	\$ 57,261	\$ 57,261	\$ -	\$ -	\$ 57,261	\$ 48,794
Long term debt	\$ 8,370	\$ 1,398	\$ 4,831	\$ 5,697	\$ 11,926	\$ 13,374
Capital lease obligations	2,010	525	1,644	175	2,344	2,869
Security deposits	940	940	-	-	940	848
	<u>\$ 68,581</u>	<u>\$ 60,124</u>	<u>\$ 6,475</u>	<u>\$ 5,872</u>	<u>\$ 72,471</u>	<u>\$ 65,885</u>

15. TRANSFERS FROM CMHC

	<u>2019</u>	<u>2018</u>
Contributions for social housing including interest expense	\$ 12,784	\$ 14,752
Repairs, maintenance, grants and other costs	<u>49,277</u>	<u>32,831</u>
Total transfers from CMHC	<u>\$ 62,061</u>	<u>\$ 47,583</u>

Under the terms of a Social Housing Agreement (SHA) with CMHC, the Corporation assumed full responsibility and liability for the management of social housing programs specified in the SHA.

The Corporation receives annual funding from CMHC to manage these programs. The SHA and the funding expire in 2036.

CMHC's ownership interest in the social housing and loan portfolio affected by the SHA is transferred to the Corporation as Trustee, in accordance with a Declaration of Trust Agreement.

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15. TRANSFERS FROM CMHC (continued)

A portion of the SHA funding is used to make payments on portfolio-related CMHC mortgages (Note 10). As the related mortgages mature, the Corporation obtains clear title to CMHC's share of the book value of the respective assets. Until clear title is obtained, CMHC is entitled to its respective share of any gains realized upon the disposal of any portfolio assets.

16. CONTINGENCIES

Financial guarantees

Under the terms of the SHA with CMHC as described in Notes 10 and 15, the Corporation is responsible for the administration of a number of loans to third parties, where CMHC is the lender or insurer of these loans.

The agreement provides that the Corporation shall indemnify and reimburse CMHC for and save it harmless from all losses, costs and expenses related to these loans. The carrying value of these third party loans is approximately \$572 as at March 31, 2019 (2018 - \$808).

Environmental contingencies

In 2008, a heating oil spill occurred on the Corporation's property that was fully remediated by the Corporation by placing the contaminated soil in temporary containment cells within the Municipality of Qikiqtarjuaq's landfill site. At some point subsequent to containment by the Corporation, the Municipality of Qikiqtarjuaq moved the untreated soil to the site of a remediation facility that was being constructed but was never completed under a 2009 contribution agreement between the Corporation and the Municipality. The contribution agreement has since expired. While the Corporation has determined that it is not responsible for further remediation of the contaminated soil, there is uncertainty about whether the Corporation might be required to accept responsibility in the future by an event outside its control, the outcome and extent of which is not currently determinable.

Legal claims

In the normal course of operations, the Corporation could become party to future claims and legal proceedings. Management is of the opinion that adequate provisions have been made for any disbursements that could stem from future legal decisions and that while the outcome and extent of legal claims or possible claims is subject to future resolution, management's evaluation and analysis of such matters indicates that, individually or in the aggregate, the probable ultimate resolution of all legal claims and possible claims will not have a material financial impact on the Corporation's financial position, results of operations or its cash flows.

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17. CONTRACTUAL OBLIGATIONS

The Corporation leases staff and public housing units and is committed to basic rental payments. The leases contain escalation clauses for operating costs and property taxes, which may cause the payments to exceed the basic rental. The basic rental payments are as follows:

2020	\$ 29,458
2021	16,423
2022	7,614
2023	4,319
2024	2,094
2025 and thereafter	<u>522</u>
	<u>\$ 60,430</u>

The Corporation has contracted the construction of new buildings with an obligation of \$21,079 with the completion dates up to October 2019.

The Corporation has contracted modernization and improvements of existing buildings with an obligation of \$937 with expected completion in the 2019-2020 fiscal year.

The Corporation has committed to provide homeowners with grants related to homeownership programs with an obligation of \$4,915 with expected disbursement in the 2019-2020 fiscal year.

The Corporation has outstanding contracts for the provision of goods and services related to administration with an obligation of \$1,347 with expected disbursement in the 2019-2020 fiscal year.

The Corporation has signed land leases for various lots throughout Nunavut which are for 30 years with an annual commitment of \$742 in addition to the amount stated for the above leases.

18. CONTRACTUAL RIGHTS

Contractual rights are the rights to economic resources arising from contracts or agreements that will result in revenues and assets in the future. The Corporation's contractual rights arise because of contracts entered into for government transfers, leases of residential property and interest on portfolio investments.

NUNAVUT HOUSING CORPORATION
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18. CONTRACTUAL RIGHTS (continued)

Contractual rights are as follows:

<u>Contractual Rights</u>	<u>Expiry</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025 and Thereafter</u>
Transfers from CMHC through Social Housing Agreement	2037	\$16,702	\$16,016	\$15,081	\$14,569	\$14,514	\$ 101,909
Transfers from Government of Nunavut through Low Carbon Economy Fund	2022	1,387	2,138	2,475	-	-	-
Lease payments from Government of Nunavut for residential property	2022	1,162	346	33	-	-	-
Interest related to portfolio investments	2021	<u>968</u>	<u>77</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>\$20,219</u>	<u>\$18,577</u>	<u>\$17,589</u>	<u>\$14,569</u>	<u>\$14,514</u>	<u>\$ 101,909</u>

19. RELATED PARTY TRANSACTIONS

The Corporation is related in terms of common ownership to all Government of Nunavut created departments, agencies and territorial corporations. The Corporation enters into transactions with these entities in the normal course of business under terms and conditions similar to those with unrelated parties, with exception to services provided without charge to which no consideration is exchanged. Balances receivable and payable resulting from transactions that the Corporation had with related parties during the year are disclosed in Notes 4 and 8 respectively.

The effect of transactions where an exchange of financial consideration occurs with related parties on the Corporation's revenues and expenses are disclosed in the following table. Revenues presented are exclusive of transfers received from the GN, which are disclosed in Note 3.

NUNAVUT HOUSING CORPORATION
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19. RELATED PARTY TRANSACTIONS (continued)

	<u>2019</u>	<u>2018</u>
Related party revenues		
Government of Nunavut Departments	\$ 2,487	\$ 1,764
Qulliq Energy Corporation	<u>54</u>	<u>30</u>
	<u>\$ 2,541</u>	<u>\$ 1,794</u>
Related party expenses		
Qulliq Energy Corporation	\$ 31,291	\$ 28,774
Petroleum Products Revolving Fund	21,451	19,728
Government of Nunavut Departments	<u>2,110</u>	<u>2,014</u>
	<u>\$ 54,852</u>	<u>\$ 50,516</u>

In addition to the amounts disclosed above, the Corporation receives services provided without charge from the GN. These services provided by the GN are recorded in corporate administration expenses, with a corresponding credit to the GN funding, in the Consolidated Statement of Operations and Accumulated Surplus, and are as follows:

	<u>2019</u>	<u>2018</u>
Office accommodations	\$ 1,099	\$ 1,074
Professional services	694	707
Employee benefits	<u>87</u>	<u>89</u>
	<u>\$ 1,880</u>	<u>\$ 1,870</u>

20. IMPAIRMENT OF TANGIBLE CAPITAL ASSETS

Since 2017, the Corporation has undertaken a study of its housing assets and assessed a sample of housing units for mold damage. The results of the study has indicated varying levels of mold damage across the different communities. During 2019, mold remediation was conducted on 31 units (2018 - 35 units) across different communities. Due to the damage incurred in these housing units, the Corporation has recognized an impairment and written down the value of these assets by \$480 (2018 - 1,358).

Based on the study, it is likely that additional units have mold damage, but the extent of this is not yet known. The Corporation will continue to assess the impairment on the individual housing units as the mold remediation work is being performed and will write down on an individual asset basis the resulting impairment per unit. The total impairment across all housing units cannot be reasonably estimated at this time as it can only be assessed as the mold remediation work is undertaken.

NUNAVUT HOUSING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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21. SUBSEQUENT EVENTS

Effective April 1, 2018 and signed subsequent to March 31, 2019, the Corporation and CMHC entered into the Bilateral Agreement Under the 2017 National Housing Strategy. Through the agreement the CMHC will provide the Corporation with funding totalling \$265,618 beginning in fiscal year 2019-20 and ending in 2027-28. Funding received through the agreement will be targeted to increasing the supply of social housing, preserving existing social housing through repairs and renovations, and supporting affordability of housing.

NUNAVUT HOUSING CORPORATION
CONSOLIDATED SCHEDULE OF OTHER REVENUE AND RECOVERIES
FOR THE YEAR ENDED MARCH 31, 2019
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	Actual 2019	Actual 2018
Other revenue and recoveries		
Investment revenue	\$ 3,454	\$ 2,623
Other rental revenues	2,016	2,065
Miscellaneous revenue and recoveries	528	405
Homeowner's assistance recovery	515	447
Staff housing recoveries	156	47
Impaired mortgage recovery/(loss)	129	(267)
Mortgage interest revenue	83	84
Mortgage subsidy recovery/(loss)	3	(22)
Total other revenue and recoveries	\$ 6,884	\$ 5,382

NUNAVUT HOUSING CORPORATION
CONSOLIDATED SCHEDULE OF EXPENSES BY PROGRAM AND OBJECT
FOR THE YEAR ENDED MARCH 31, 2019
(in thousands of dollars)

	<u>Social housing program</u>	<u>Staff housing program</u>	<u>Corporate administration</u>	<u>Total 2019</u>	<u>Budget 2019</u>	<u>Total 2018</u>
Expenses						
Utilities, taxes and land leases	\$ 104,823	\$ 7,737	\$ -	\$ 112,560	\$ 109,567	\$ 106,980
Leasing	7,595	41,024	-	48,619	47,422	45,819
Amortization	31,223	4,188	-	35,411	38,057	34,577
Demand and preventative maintenance - salaries	27,105	-	-	27,105	24,436	25,302
Compensation and benefits	-	2,014	14,744	16,758	16,357	16,398
Demand and preventative maintenance - other	9,339	4,031	-	13,370	11,943	12,047
LHO administration - salaries	10,257	-	-	10,257	12,878	9,930
Repairs for modernization and improvements	8,999	143	-	9,142	8,013	9,287
Bad debt	2,859	-	-	2,859	2,334	2,409
LHO administration - other	2,692	-	-	2,692	3,733	2,880
Professional and special services	-	4	2,620	2,624	1,214	2,381
Travel and training	-	120	1,919	2,039	2,247	2,135
Miscellaneous	-	-	1,617	1,617	13	1,083
Office accommodations	-	-	1,375	1,375	1,285	1,321
Agency fees	-	1,337	-	1,337	1,246	1,340
Loss on disposal/write-downs of capital assets	1,002	-	-	1,002	-	1,786
Computer services	-	-	832	832	512	669
Interest on long term debt	637	129	-	766	781	868
Materials supplies and other	-	8	224	232	152	387
Communications	-	-	163	163	226	237
Sponsor groups	105	-	-	105	516	105
Building and equipment rental	-	-	96	96	63	80
Land titles and fees	-	-	79	79	108	58
Total expenses	<u>\$ 206,636</u>	<u>\$ 60,735</u>	<u>\$ 23,669</u>	<u>\$ 291,040</u>	<u>\$ 283,103</u>	<u>\$ 278,079</u>

NUNAVUT HOUSING CORPORATION
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED MARCH 31, 2019
(in thousands of dollars)

	Social Housing	Staff Housing	Lease To Purchase	Capital Lease Cost	Warehouses & Offices	Equipment & Leaseholds	Land	Equity Land Lease	Total 2019	Total 2018
Cost										
Balance, opening	\$ 1,019,512	\$ 105,826	\$ 142	\$ 5,839	\$ 21,680	\$ 3,377	\$ 327	\$ 10,665	\$ 1,167,368	\$ 1,129,071
Transfer from Construction in Process	43,760	5,790	-	-	707	-	-	4,203	54,460	42,022
Additions ¹	28	-	-	-	-	-	-	-	28	1,071
(Disposals)	-	-	-	-	-	-	-	-	-	(924)
Adjustments	864	(864)	-	-	-	-	-	-	-	-
Write-downs	(2,406)	-	-	-	-	-	-	-	(2,406)	(3,872)
Balance, closing	<u>1,061,758</u>	<u>110,752</u>	<u>142</u>	<u>5,839</u>	<u>22,387</u>	<u>3,377</u>	<u>327</u>	<u>14,868</u>	<u>1,219,450</u>	<u>1,167,368</u>
Accumulated Amortization										
Balance, opening	\$ 461,926	\$ 33,462	\$ 97	\$ 4,301	\$ 11,162	\$ 2,748	\$ -	\$ 1,544	\$ 515,240	\$ 483,673
Amortization	30,038	3,887	2	301	561	126	-	496	35,411	34,577
Accumulated amortization related to disposals	(1,404)	-	-	-	-	-	-	-	(1,404)	(3,010)
Adjustments to amortization	463	(463)	-	-	-	-	-	-	-	-
Balance, closing	<u>491,023</u>	<u>36,886</u>	<u>99</u>	<u>4,602</u>	<u>11,723</u>	<u>2,874</u>	<u>-</u>	<u>2,040</u>	<u>549,247</u>	<u>515,240</u>
Work in progress										
Balance, opening	22,400	2,010	-	-	4,145	-	-	-	28,555	16,129
Additions ¹	55,556	10,689	-	-	3,735	637	-	4,203	74,820	54,448
Transferred to cost of tangible capital assets	(43,760)	(5,790)	-	-	(707)	-	-	(4,203)	(54,460)	(42,022)
Balance, closing	<u>34,196</u>	<u>6,909</u>	<u>-</u>	<u>-</u>	<u>7,173</u>	<u>637</u>	<u>-</u>	<u>-</u>	<u>48,915</u>	<u>28,555</u>
Net Book Value	<u>\$ 604,931</u>	<u>\$ 80,775</u>	<u>\$ 43</u>	<u>\$ 1,237</u>	<u>\$ 17,837</u>	<u>\$ 1,140</u>	<u>\$ 327</u>	<u>\$ 12,828</u>	<u>\$ 719,118</u>	<u>\$ 680,683</u>
Estimated useful life	20 years	20 years	20 years	Lease Term	20 years	5 years	-	Lease Term		

1. The tangible capital asset acquisitions presented in the Consolidated Statement of Cash Flow excludes an amount of \$12,945 (\$6,835 in 2018) in relation to the acquisition and construction of tangible capital assets that remain unpaid as at March 31, 2019 as well as an amount of \$28 (\$1,021 in 2018) for non-monetary transactions incurred during the year.

NUNAVUT HOUSING CORPORATION
RECONCILIATION OF MAIN ESTIMATES TO PSAS ADJUSTED BUDGET
FOR THE YEAR ENDED MARCH 31, 2019
(in thousands of dollars)

	<u>2019</u>	<u>2018</u>
Revenues		
Government of Nunavut		
Approved Main Estimates	\$ 201,096	\$ 199,843
Supplementary appropriations	\$ -	(896)
Government of Nunavut capital budget	40,302	39,966
Services without charge	<u>1,900</u>	<u>1,600</u>
	<u>42,202</u>	<u>40,670</u>
Contribution from the Government of Nunavut	243,298	240,513
 Canada Mortgage and Housing Corporation (CMHC)		
CMHC contribution	25,124	26,650
CMHC capital budget	43,984	28,010
CMHC portion of debt repayment	<u>(10,758)</u>	<u>(11,453)</u>
	<u>33,226</u>	<u>16,557</u>
Contribution from CMHC	58,350	43,207
Generated revenues	<u>18,517</u>	<u>16,356</u>
Total PSAS adjusted revenues budget	320,165	300,076
 Expenditures		
Social housing		
Approved Main Estimates	171,356	170,837
Supplementary appropriation	-	(896)
Operating portion of capital budget	7,653	9,285
Amortization expense	33,787	32,219
Debt repayment	(11,555)	(12,639)
Rent assessments	<u>2,334</u>	<u>2,037</u>
	203,575	200,843
Staff housing		
Approved Main Estimates	55,455	55,548
Operating portion of capital budget	360	370
Amortization expense	4,270	4,537
Principal portion of debt repayment	<u>(383)</u>	<u>(361)</u>
	59,702	60,094
Corporate administration		
Approved Main Estimates	17,926	16,464
Government of Nunavut services without charge	<u>1,900</u>	<u>1,600</u>
	19,826	18,064
Homeownership	4,616	4,616
Homelessness	150	483
Total PSAS adjusted expenditures budget	<u>287,869</u>	<u>284,100</u>
 Surplus	<u><u>\$ 32,296</u></u>	<u><u>\$ 15,976</u></u>