

2019-2020 ANNUAL REPORT



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ABOUT NHC

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



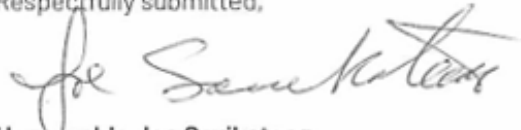
LETTER OF TRANSMITTAL

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, 2019 to March 31, 2020.

Respectfully submitted,



Honourable Joe Savikataaq

Minister Responsible for the Nunavut Housing Corporation



MESSAGE FROM THE CHAIR

It is with a heavy heart that we express grief for the loss of our former chair in March 2020.

Bob Leonard served on the Nunavut Housing Corporation's Board of Directors since his appointment in 2011. His leadership as chair of this organization proved highly valuable, having been informed by 50 years of experience in the construction industry and several terms as the mayor of Arviat. Although I am taking on his role, no one may take his place. He will be missed.

The accomplishments of 2019-2020 described in this Annual Report occurred during his leadership. It is my honour to present them on his behalf. Our board members collectively worked to ensure NHC meets its mandate to provide access to a range of affordable housing options to Nunavummiut.

I am also honoured to welcome Kathy Hanson as Vice-Chair. Peter Tapatai and John Hussey have also been welcomed as fellow directors for three-year terms. Peter has tremendous experience as an entrepreneur. He received the Order of Nunavut in 2020 and was named Kivalliq Businessman of the Year in 2016. John has served as senior administrative officer for the Hamlet of Kinngait and previously served as president of the Nunavut Association of Municipalities.

I look forward to working with all of them in the coming years.

The board is pleased to support the NHC's focus on renewing its Blueprint for Action on Housing. Our challenges in facing the housing crisis are best met through a whole-of-government approach. Drawing senior executives from across the GN reinforced efforts to track progress better, communicate with one another and share what we are doing with the public. We must address the housing crisis together as a team.

The board commends the NHC for tendering contracts in early 2020-2021 to build 106 new public housing units and 10 staff housing units. Construction in the North is always a logistical challenge. It is to the credit of NHC and the Local Housing Organizations that progress on the housing challenges continue despite the global pandemic.

I welcome the opportunity to see how NHC progresses in the next fiscal year.

Sincerely,

John Apt

Chairperson

Nunavut Housing Corporation Board of Directors

Board of Directors

Kathy Hanson, Vice Chairperson

David Evalik

George Qulaut

John Hussey

Peter Tapatai





MESSAGE FROM THE PRESIDENT AND CEO

The 2019-2020 fiscal year presented unprecedented challenges. November 2019 saw a ransomware attack hold the Government of Nunavut's digital information hostage. A global pandemic restricted our travel in March 2020 and one of our founding members of the Nunavut Housing Corporation's Board of Directors, Mr. Bob Leonard, passed away suddenly. On behalf of NHC, I want to thank Bob for his stewardship and significant contributions – rest in peace Bob and you are missed.

The Nunavut Housing Corporation perseveres and the important work we do must continue. Our continued IT support to our partners in the Local Housing Organizations remained in place. Our construction projects to build 106 public housing units and 10 staff housing units continue unimpeded.

We know that every housing unit we build makes a significant positive impact for the people who make it their home. We want to build homes for all Nunavummiut, but we can't fix this problem overnight. In the meantime, we are committed to finding made-in-Nunavut solutions through innovation and collaboration with our partners.

NHC's Project Management Office worked closely with the Hall Beach Housing Association to establish a new approach to combat severe mould. Working together, they established a system where community workers could get hands-on experience under the tutelage of expert tradespeople. This made-in-Nunavut solution is more cost effective than hiring contractors to do the job alone. It also strengthens the Local Housing Organization's mould remediation capacity. By the time workers were finished in December 2019, they had remediated two more units than had been planned. Having proven its success through this pilot project, you may expect to see this successful method expand across the territory.

We have also built local capacity for maintenance in collaboration with Nunavut Arctic College and the Rankin Inlet Housing Association. A fire-damaged unit was made available to college students to rebuild. Even though the unit had been stripped to its foundations, they finished work by February 2020. It is now occupied.

Our support for our partners in the Local Housing Organizations allowed for the completion of a new office and warehouse for the Baker Lake Housing Association in September 2019. We designed it with their specific needs in mind, so they would have a proper shop, warehouse, and office space to put our best foot forward with the public we serve.

We still have many challenges to overcome in the days, months and years ahead, and our recent progress demonstrates we are on the right path.

Sincerely,

Terry Audla

President and CEO

Nunavut Housing Corporation

PATHWAYS TO HOUSING ACROSS THE TERRITORY

We provide affordable housing options through three programs. They are public housing, homeownership and GN staff housing. We seek solutions through innovation and close collaboration with our partners. The Corporation continually incorporates energy-efficient technology in its housing designs. This cuts down on maintenance costs which allows us to stretch our resources. Each community manages their own housing stock through their Local Housing Organization in accordance with the Management Agreement with NHC. At the national level, we work in partnership with the Canada Mortgage and Housing Corporation to advocate for the resources we need.

PUBLIC HOUSING

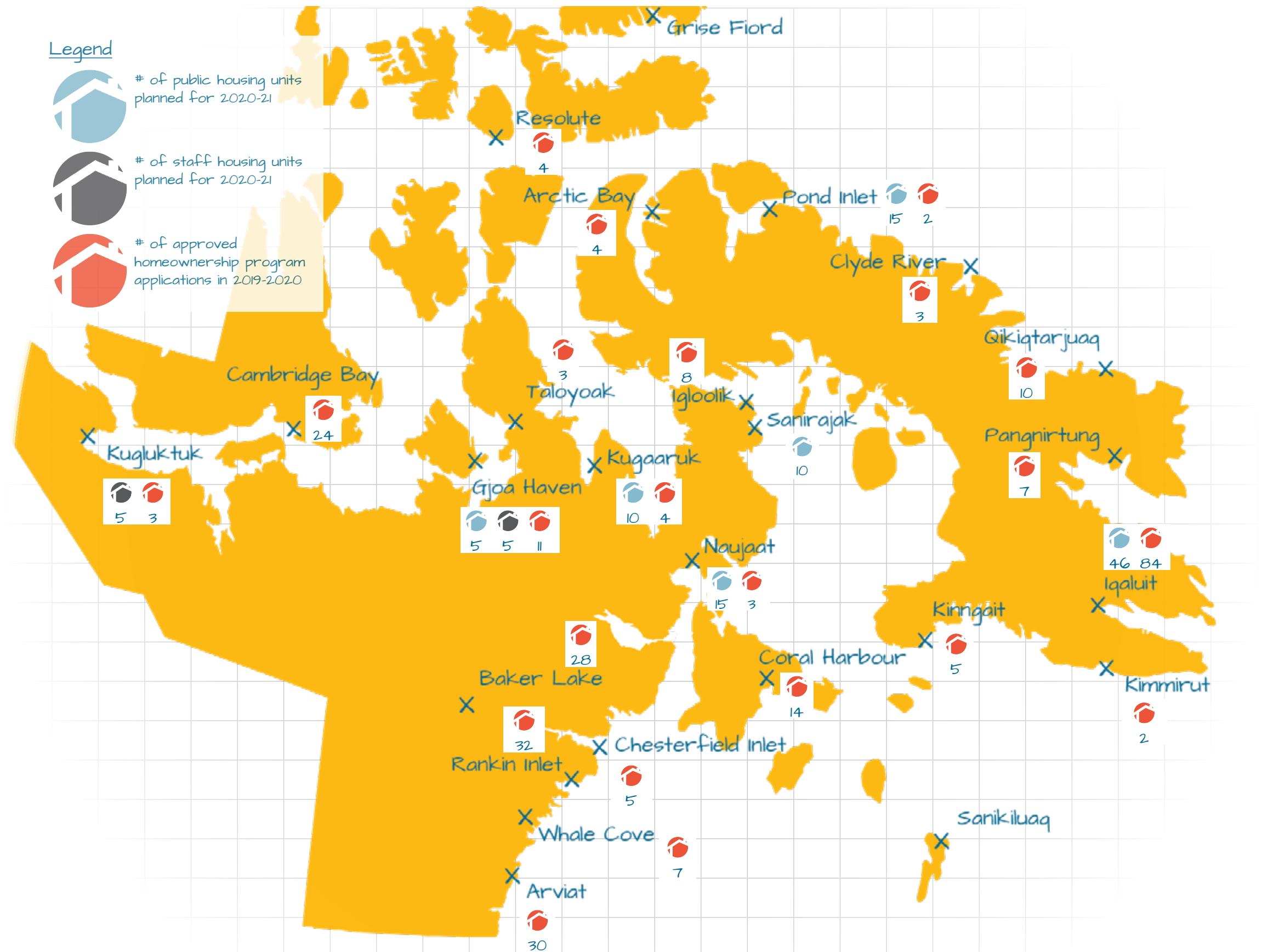
The NHC runs the Public Housing Program alongside 25 Local Housing Organizations. Each represents a Nunavut community. Together they manage 5,668 units as of March 31, 2020. They assign housing for their communities based on management agreements with NHC, informed by local knowledge and values. Their responsibilities including rental assessments, collections, maintenance, modernization and improvements. We support the LHOs by way of assistance in the areas of finance, administration, construction and repair."

STAFF HOUSING

We provide policy support for the Government of Nunavut Staff Housing Program. Through this support, we enhance housing options and services to GN staff. The LHOs and other contractors maintain 1,698 staff housing units in all 25 communities.

HOMEOWNERSHIP

We help Nunavummiut purchase and maintain homes with Homeownership Programs. Among the services the program offers is funding for emergency repairs, renovations, downpayments and energy conservation. Supporting the homeownership market in the territory is an important part of the Corporation's core business. Each new homeowner reduces demand on public housing, alleviates overcrowding and develops the private market.



2019-2020:
YEAR IN
REVIEW

May 2019

New Management Agreement is finalized and sent to all LHO Boards for signing.

The NHC Maintenance Operations Conference draws representatives from each LHO and NHC staff from Directorate, Headquarters and all three districts. Topics of discussion include design, maintenance and the root causes of mould. Surveys report participants highly valued the experience. For many, it was the first time they had the opportunity to meet housing maintainers from different communities and districts.

October 2019

NHC invited to speak to the Nunavut Partnership Table on Health, hosted by NTI and Indigenous Services Canada. Discussions focus on the housing as a key determinate of health.

November 2019

Homeownership Program Process Review tabled in Legislative Assembly. The report identifies challenges to homeownership and how to address them.

Senior executives of territorial departments meet for two days to renew the Blueprint for Action on Housing. Participants agree on how to proceed in three main areas:

- Principles for incorporating and promoting Inuit Societal Values through Blueprint activities
- Guidelines for reporting and communications
- Framework for Blueprint monitoring and evaluation

February 2020

Nunavut Arctic College students breathed new life into a fire-gutted public housing unit. The Nunavut Housing Corporation made the Rankin Inlet unit available for apprentices to renovate. Having been stripped down to its foundations, it had to be rebuilt from the ground up. This provided apprentices with construction-site experience. Final inspection was finished in February and the units are currently occupied. The Rankin Inlet Housing Association contributed the materials.

December 2019

NHC's Project Management Office and the Hall Beach Housing Association undertake new mould elimination and prevention measures where NHC provides logistical support to an LHO's mould remediation efforts. The LHO hires expert tradespeople and employs local labourers in the process. The community workers get hands-on mould remediation experience. This made-in-Nunavut solution is more cost-effective and builds long-term local capacity. These efforts resulted in seven remediated housing units, two more than planned.

April 2019

NHC signs \$265.6 million nine-year funding arrangement with CMHC.

The National Housing Strategy Bilateral Agreement will help fund social and community housing. Even with the long-term commitment, Nunavut faces a funding shortfall to address the housing crisis.

September 2019

Construction of a new LHO office and warehouse in Baker Lake is completed. Staff praise the new office's superior design in terms of comfort, ease of use and appearance.



LHO RESTORATION A STEP FORWARD IN BAKER LAKE

SUPPORTING HOUSING DELIVERY AT THE LOCAL LEVEL

Completion of the Baker Lake Housing Authority's new office in September 2019 follows years of planning and marks a step forward in efforts to support Local Housing Organizations.

Designed in 2015 to amalgamate the garage, shop and administration into a single office, Baker Lake's office was selected for replacement because it had the greatest need.

"You'd have to see our old place to really appreciate the improvement in quality of work environment," said Housing Manager Charles Eva.

"Anything I would say could not do it justice."

The administration office had previously been on the second floor of a steel warehouse building that had been modified with drywall



partitions for office space that had not intended for this purpose.

"This is a beautiful building and they did a great job. A lot of thought went into the functionality and it turned out fantastic as far as I'm concerned," Eva said. "Everything from the quality of construction to the design is great."

Storage and parking for maintenance personnel has been improved, employees

have easier access to bathrooms and the air control is superior that allows employees a greater "breath of fresh air," Eva said. As well, accessibility has improved with a ramp for wheelchair access and several accessible bathrooms.

"It's a bit bigger and warmer, if you ask me," Maintenance Management Operating System clerk Victor Killulark said. "Concrete floors, it's pretty good! It's a lot brighter

too, it was dim in our [old] office space for 30 years because there were no windows. And now we have windows so we can see really good!"

Because the new building has only a single floor, there's never any need to carry heavy equipment up or down stairs which is a real advantage on the old building.

Boiler parts that might be upwards of 40 to 50 pounds are a real chore to bring upstairs.

Given that this new building is on a single floor, Killulark said that's a thing of the past.

Finance officer Faith Mautaritnaaq echoed his praise, saying it puts the Housing Authority's best foot forward.

"The new building, it's a lot better," she said.

HOUSING IN YOUR COMMUNITY

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 AND 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. Executive also ensures that programs are delivered according to the Corporation's funding agreements with the Canada Mortgage and Housing Corporation (CMHC).

The Corporate Policy and 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.

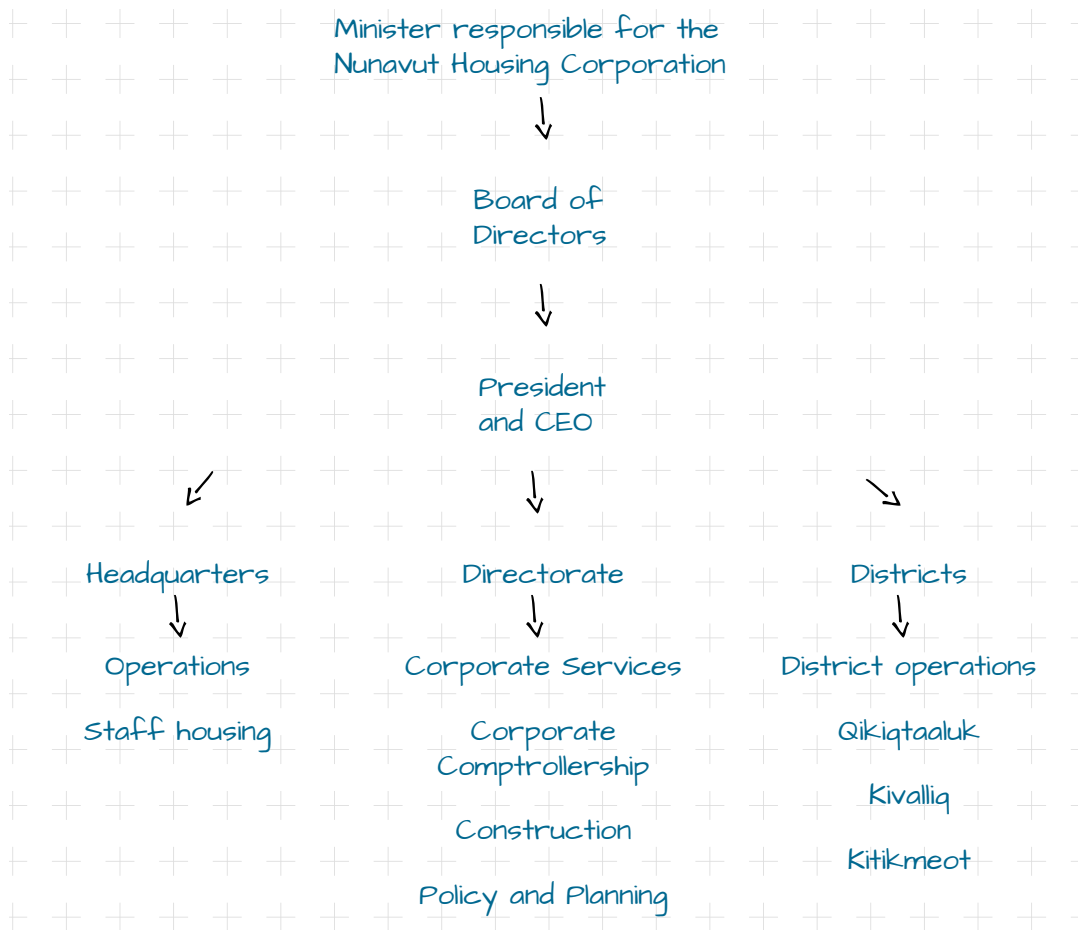
DISTRICT OFFICES

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 Local Housing Organizations 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.



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 and 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 Organizations in Nunavut's three regions.

BOARD MEMBER PROFILES



JOHN APT, CHAIRPERSON

John Apt has been an active director on the Board of Directors since 2014 and is currently serving in the role of Chairperson. He has been a key support for NHC offering oversight as Chair for the Audit Committee as well as providing direction to NHC's senior management.

John brings many years of experience from his dedication and long service to the Office of the Auditor General of Canada. As audit principal, John was responsible for the financial audits of the Government of Nunavut and its Crown corporations prior to his retirement in 2012. He is focused on contributing in the best way possible regard to housing for Nunavummiut, while ensuring proper financial oversight.



KATHY HANSON, VICE-CHAIR

Kathy Hanson was born and raised in Iqaluit, with more than 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. Kathy has sat on a number of boards, including the Iqaluit Housing Authority, the Agvvik Women's Shelter as well as volunteer work for the Nunavut Kamatsiaqtut Help Line. Hanson lives in Iqaluit and currently works for Parks Canada as a cooperative management adviser.

She was appointed to the Board of Directors in 2015 and has been reappointed for consecutive terms. She enjoys working with NHC and for Nunavummiut through this position.



DAVID EVALIK, DIRECTOR

David Evalik moved from Perry River to Cambridge Bay in 1959 after the outpost camp closed. From 1959 to 1970, he was a student at residential schools in both Inuvik and Yellowknife, NWT. He graduated from vocational school in 1990, then moved on to apprentice in electrical trades and worked as a housing maintainer, receiving a top award in the NWT for his work. He continued to study at the Northern Alberta Institute of Technology and the Southern Alberta Institute of Technology. In later years, he trained and worked in social work and addiction programs.

In addition to serving as a member of the board of directors, he also serves on the Cambridge Bay Hamlet Council and is a Justice of the Peace. He retired from the role of apprenticeship training officer for the Kitikmeot Region and now enjoys playing and enjoying music, taking part in several music festivals.



GEORGE QULAUT, DIRECTOR

George Qulaut of Igloolik has served the Board of Directors since 2018 and has brought great knowledge and experience to the Nunavut Housing Corporation during this time. He has served as an MLA, Speaker of the Legislative Assembly and has also sat on a number of boards and committees including the Qikiqtani Inuit Association, Qikiqtaaluk Corporation, Commissioner of the Nunavut Implementation Commission, hamlet of Igloolik and the Historic Sites and Monuments Board of Canada. George also served a term as Assistant Deputy Minister with the Department of Culture, Language, Elders and Youth, Government of Nunavut.



JOHN HUSSEY, DIRECTOR

Formerly from Nova Scotia, John has been a Nunavummiq since May 2001. He has worked for the City of Iqaluit, the Hamlet of Igloolik, Pangnirtung and most recently the Hamlet of Cape Dorset now known as Kinngait.

He has a wealth of experience in municipal management and financial practices and has been involved on many boards and associations and in some cases serving in executive capacities. He is new to the Board of Directors of NHC having been appointed in the fall of 2019 for his first term. Prior to this he served for two terms on the Iqaluit Housing Authority.



PETER TAPATAI, DIRECTOR

Peter is the founder and president of Baker Lake based Peter's Expediting Limited, which has been operating for more than 20 years. It is 100 per cent Inuit-owned-and-operated business. Peter spent his life in the Kivalliq region and has seen the development of Agnico Eagle's Meadowbank Mine from its early exploration days through to production. He has worked closely on numerous regional projects, and has been a powerful advocate for the sustainable development of non-renewable resources in Nunavut and for investment in infrastructure, housing and training.

He knows the importance of housing in the development of a sustainable future in Nunavut.

Peter has received a lifetime honorary membership from the Northwest Territories and Nunavut Chamber of Mines, been named Kivalliq Business Person of the Year and has appeared before the Senate to present on the impact of mining in Nunavut.

He was awarded a Canada 150 Medal in 2017 and is the 2020 recipient of the Order of Nunavut.



BOARD ACTIVITIES

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. It 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 up to 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

In the fiscal year 2019-20, the Board held three meetings (one teleconference and two face-to-face meetings) during which the Board passed the following 20 resolutions:

- 12 administrative resolutions
- Seven financial resolutions
- One operational resolution

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

Kathy Hanson was reappointed Vice Chairperson effective May 21, 2019 and ending July 31, 2021. Her years of experience and knowledge convinced the Board it would be beneficial to renew her position for another term.

As of March 31, 2020, the Board consists of six Board members and is in compliance with provisions of the Nunavut Housing Corporation Act. Two new directors were appointed on November 1, 2019 for an appointment lasting until October 31, 2022.

The Board undertook the following actions and approvals in fiscal year 2019-20:

- Approved the 2019-20 Public Sector Accounting Standards Adjusted Operations and Maintenance Budget
- Approved the NHC Capital Budget Status Report
- Approved the O & M Variance Report
- Approved the Annual Audit Plan presented by the Office of the Auditor General of Canada (OAG)
- Approved the Audited March 31, 2019 Financial Statement and Annual Report
- Received and reviewed various financial and operational reports submitted by management.

Management Discussion and Analysis

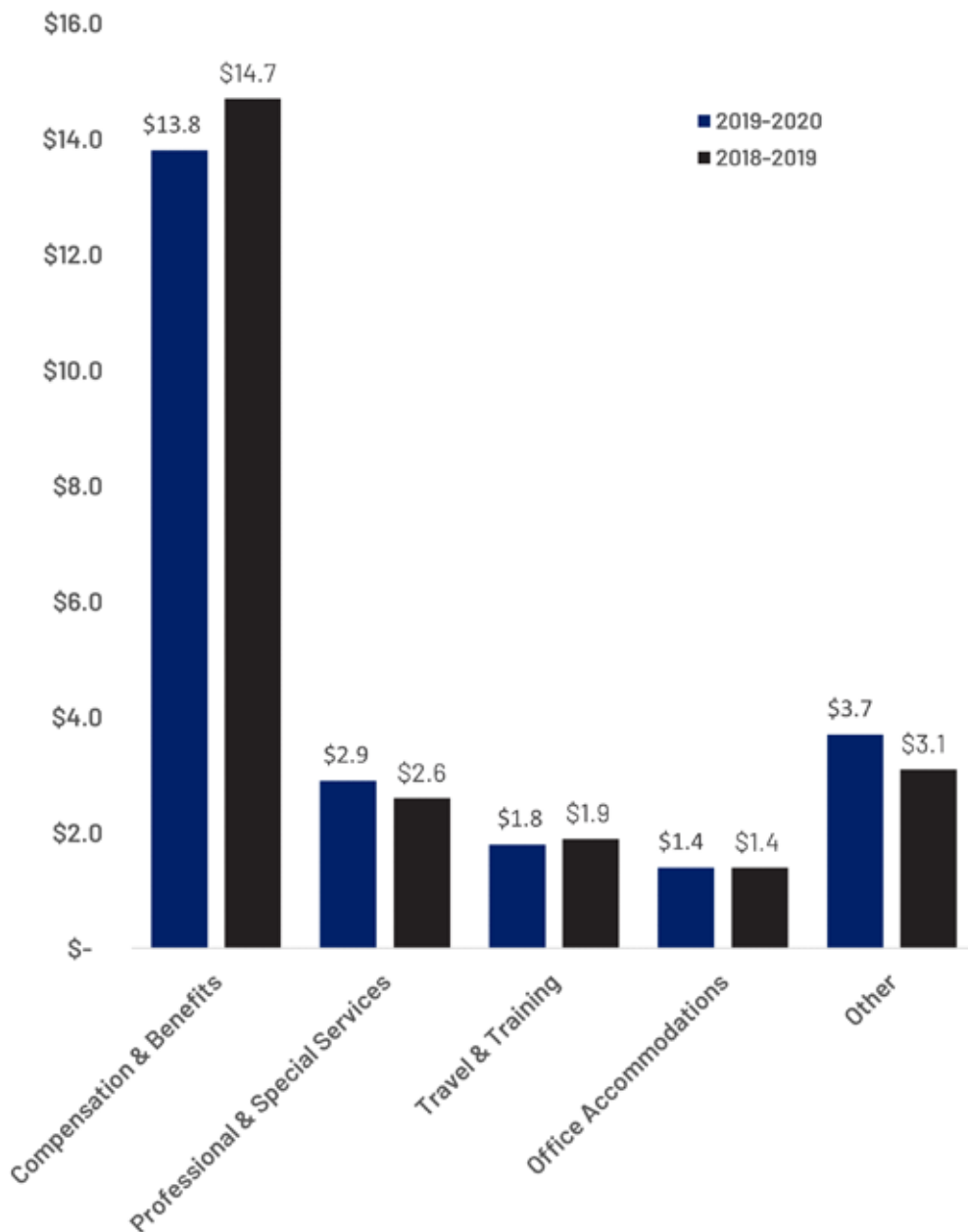
PUBLIC HOUSING RENT COLLECTION RATES

Community	Rent Receivable (\$'000)	# of Months Outstanding	2019-20 (%)	2018-19 (%)	2017-18 (%)
Resolute Bay	323	27	93	60	73
Iqaluit	1,746	17	89	105	100
Kinngait	1,585	25	88	83	90
Sanikiluaq	1,067	29	82	96	81
Sanirajak	3,263	66	81	73	67
Qikiqtarjuaq	1,003	34	76	85	63
Arctic Bay	1,992	41	71	84	80
Pangnirtung	2,089	25	72	87	87
Igloolik	2,325	32	68	85	66
Grise Fiord	239	23	64	70	95
Kimmirut	560	18	64	85	91
Pond Inlet	3,353	41	63	73	75
Clyde River	4,135	54	51	70	74
Total Qikiqtaaluk	23,680	34	73	84	81
Whale Cove	42	2	99	117	97
Baker Lake	2,181	19	94	76	87
Coral Harbour	277	7	92	86	95
Arviat	2,523	23	86	79	77
Nauyasat	628	13	86	98	86
Chesterfield Inlet	278	9	80	84	85
Rankin Inlet	1,746	12	80	85	82
Total Kivalliq	7,675	15	87	84	84
Taloyoak	1,309	32	91	105	97
Cambridge Bay	2,215	36	87	75	78
Kugluktuk	1,389	25	85	88	92
Kugaaruk	796	20	84	88	85
Gjoa Haven	1,947	33	82	79	87
Total Kitikmeot	7,656	30	86	85	87
Total Nunavut	39,011	27	80	84	83

The collection rate decreased to 80 per cent this year from 84 per cent in 2018-19. The number of months outstanding increased to 27 months this year from 25 months in 2018-19.

ADVISORY AND ADMINISTRATION

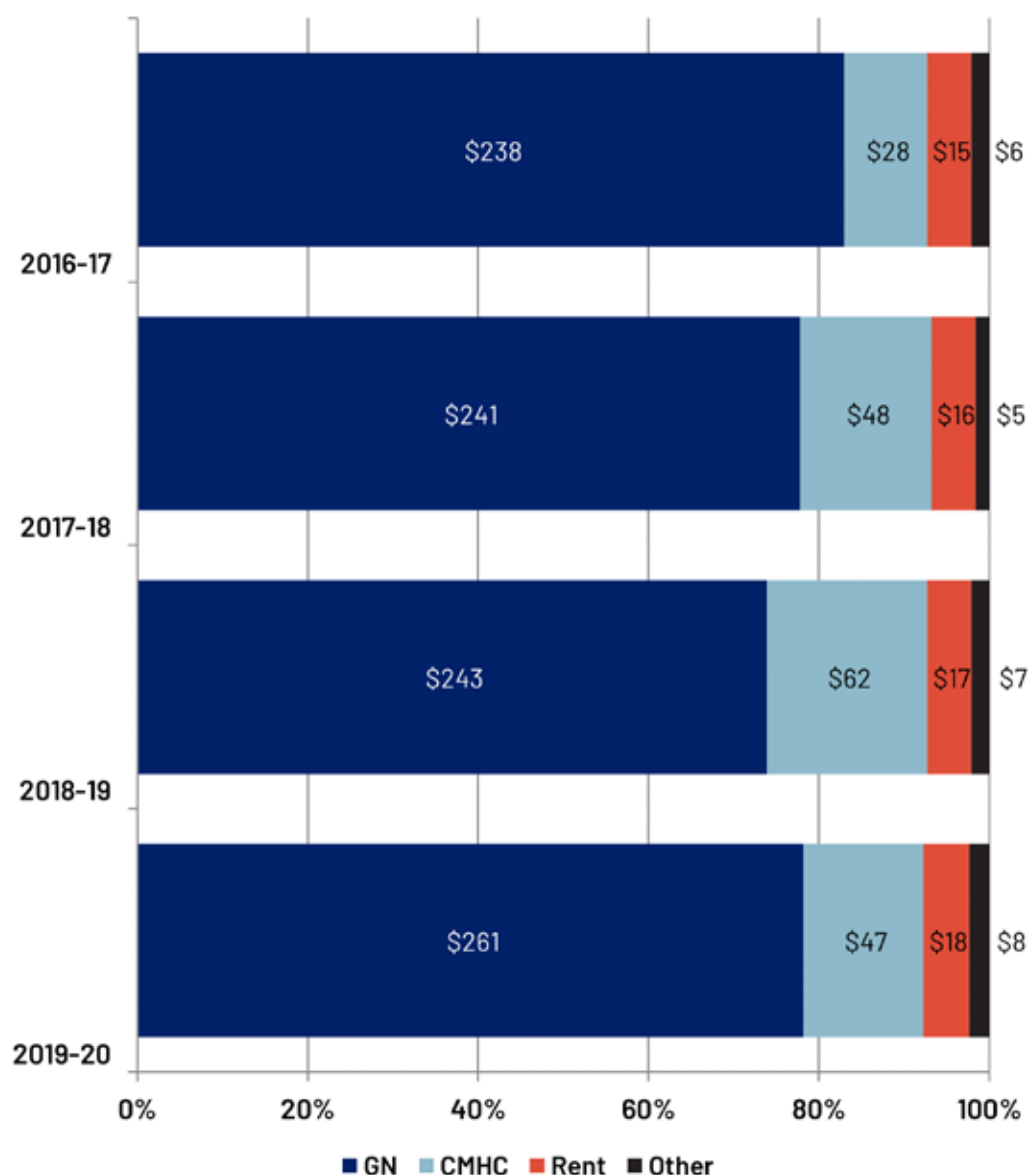
Advisory and Administration costs (not including administration related to staff housing) decreased slightly to \$23.6 million from \$23.7 million. Compensation and benefits and travel decreased slightly, but were offset by increases to professional services and other expenditures.



TOTAL REVENUES AND GOVERNMENT FUNDING

Total revenues increased to \$333.5 million from \$329.4 million. At \$307.7 million, transfers from the Government of Nunavut and the CMHC constitute 92 per cent 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 nine per cent in four years and in 2019-20 constituted 78 per cent of the Corporation's revenues.

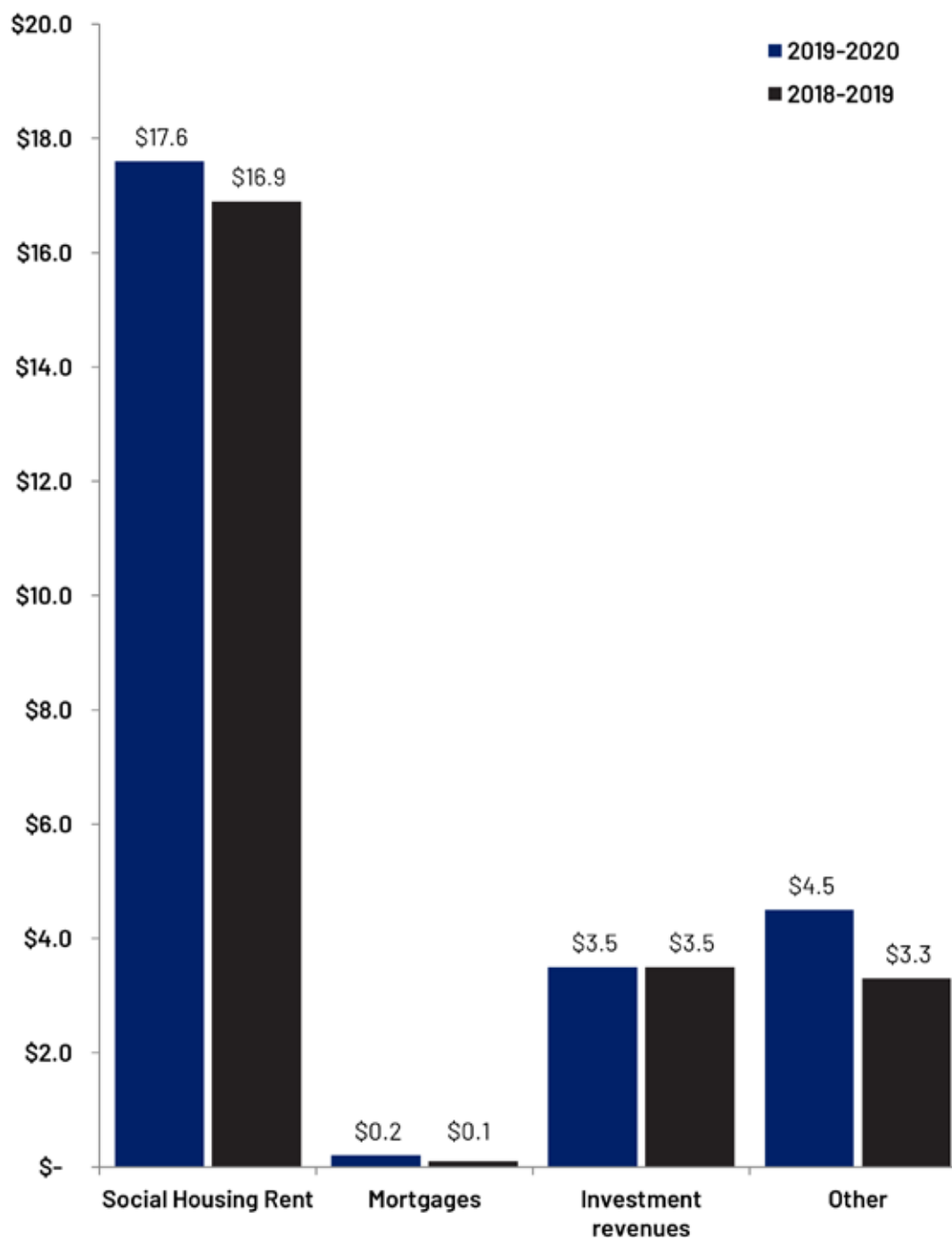
REVENUE SOURCES (\$ MILLIONS)



Generated revenues increased to \$25.8 million from \$23.8 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).

Investment revenue remained stable, while other non-government revenues increased by \$1.2 million mainly as the result of revenues related to other rental recoveries and gains on the disposal of condominiums. Recoveries related to impaired mortgages resulted in increased non-government revenue of \$0.1 million.

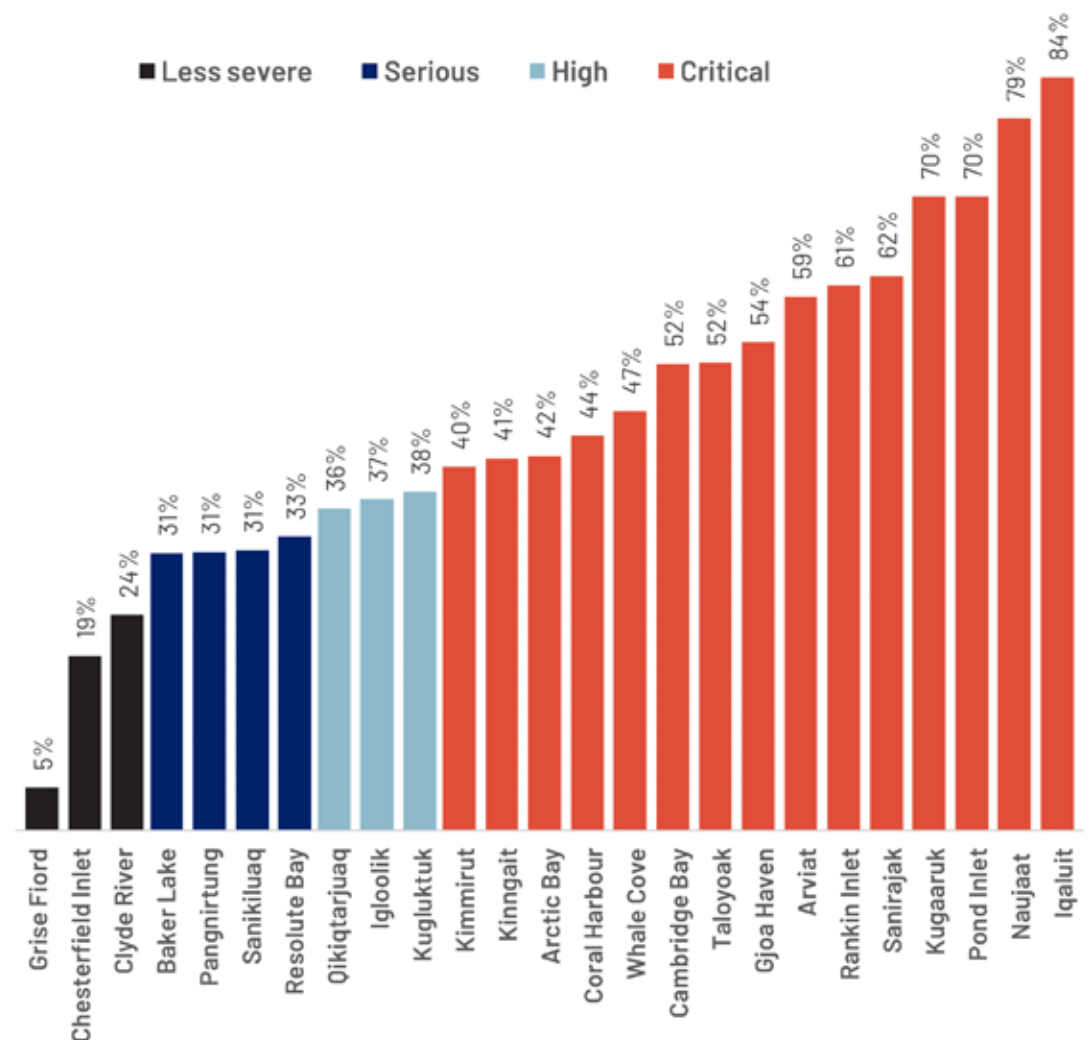
NON-GOVERNMENT REVENUES (\$ MILLIONS)



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 per cent ($1,000/2,500$). In the chart below, communities with a relative housing need above 40 per cent have the most critical need for public housing, while those below 30 per cent 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. Funding for these projects is provided by the Government of Nunavut through the capital budget as well as the federal government through the National Housing Strategy. Allocation of housing projects was based on each community's need as a percentage of stock.

It is expected that, over time, continued use of relative need as a construction allocation methodology, will narrow the needs gap across all communities.

CAPITAL PROJECTS

During 2019-20, the Corporation completed the construction of 85 public housing units in Arctic Bay, Arviat, Cambridge Bay, Gjoa Haven, Igloolik, Kugluktuk, Nauyasat, Qikiqtarjuaq, Rankin Inlet, and Taloyoak. In 2019-20, the Corporation spent \$45.0 million (2018-19 – \$48.3 million) on the public housing construction program.

In 2019-20, the Corporation started construction of 80 public housing units in six communities. These projects were funded from the Government of Nunavut's capital budget and CMHC's Investment in Affordable Housing program.

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. All related work has been 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 from this agreement will contribute to construction of 60 new public housing units in four communities, with work expected to be completed in 2020-21.

MODERNIZATION & IMPROVEMENT

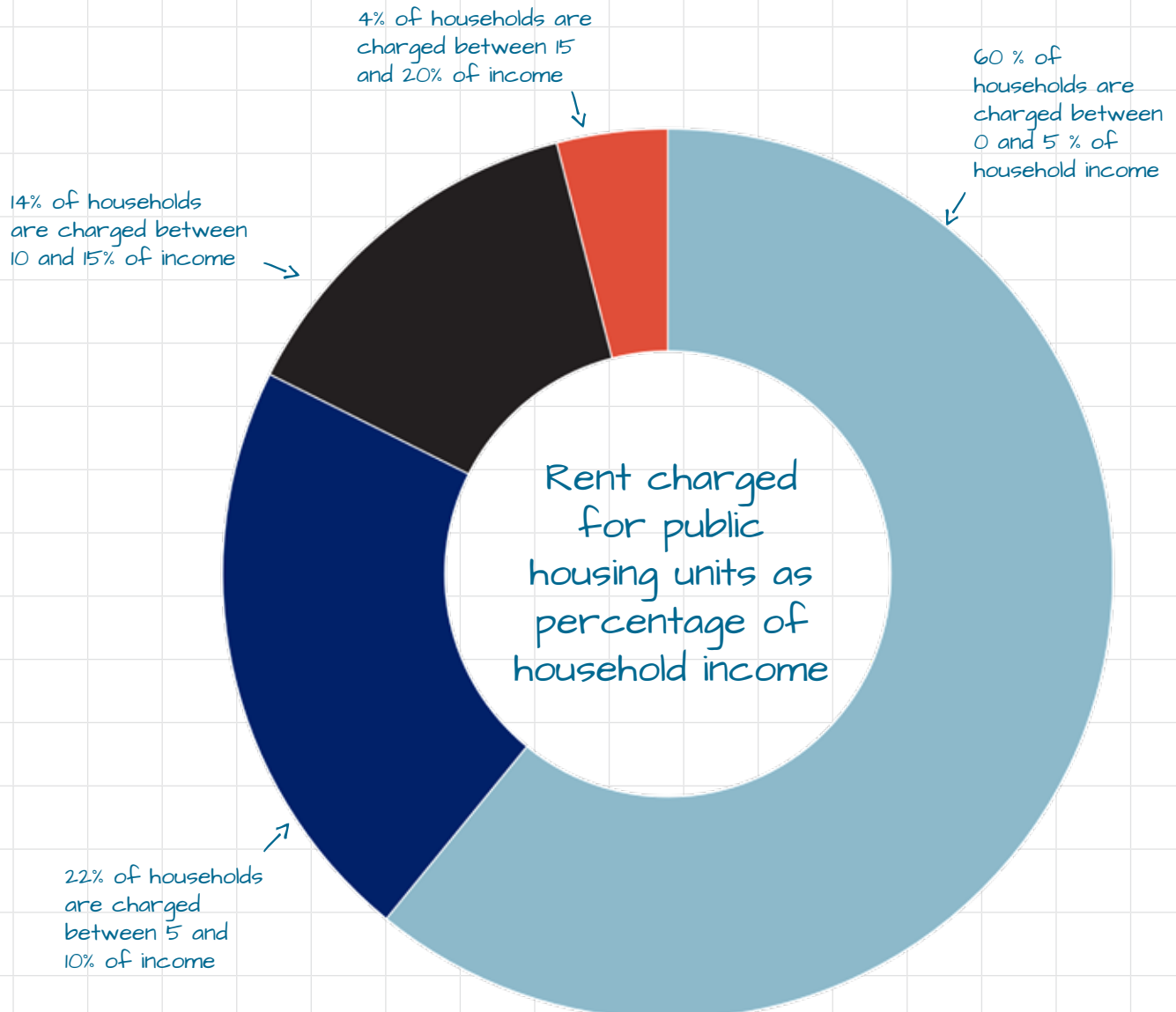
The Corporation is responsible for 5,668 units in the public housing portfolio. The Modernization and Improvement Program ensures the health, safety and suitability of these units. In 2019-20, \$13.5 million (2018-19 – \$17.1 million) was spent on modernization and improvements. Funding for the program came from the following sources:

Government of Nunavut	\$8.5 million
Canada Mortgage and Housing Corporation	\$5.0 million

RENT SCALE IN PUBLIC HOUSING

We want to charge public housing tenants an affordable rent.

- The Canadian Mortgage and Housing Corporation defines an affordable rent as being less than 30 per cent of a gross household income.
- Not a single public housing household exceeds this limit
- Most renters (60%) are charged less than 5% of their income.



OPERATION AND MAINTENANCE COSTS FOR PUBLIC HOUSING

RENT GEARED TO INCOME

In 2019-2020, LHOs assessed \$17.6 million in public housing rent. This amounts to only eight per cent 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 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:

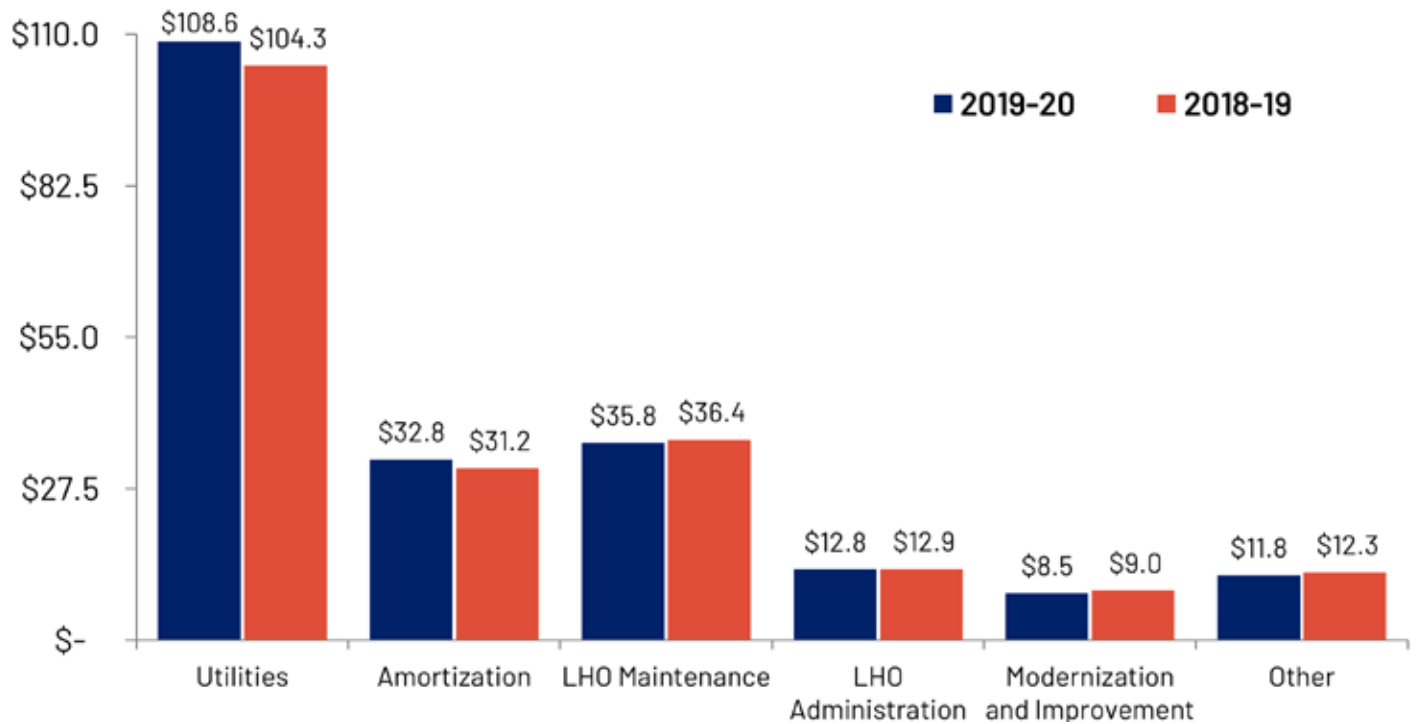
Below \$27,041	Up to \$60 a month
\$27,041 to \$40,000	20% of annual income
\$40,001 to \$80,000	25% of annual income
\$80,000 and above	30% of annual income

With 73 per cent of public housing tenants earning less than \$27,041 per year, the Local Housing Organizations' ability to generate revenues from rent is severely limited. The GN's contribution will continue to grow as more and more housing units are added to the stock.

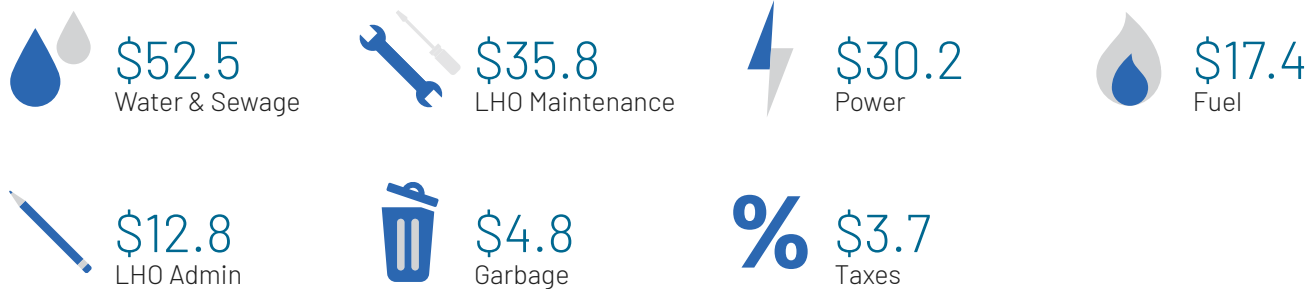
The Social Housing Program is a single line on the Consolidated Statement of Operations with the details outlined in Schedule B of the audited consolidated financial statements. Public housing expenses increased to \$210.3 million in 2019-20 from \$206.6 million in 2018-19, an increase of \$3.7 million. This increase is primarily due to an increase in utilities expenses. The public housing stock increased by 85 units, resulting in increased utility consumption and maintenance expense.



EXPENSES (\$ MILLIONS)



OPERATING COSTS BREAK DOWN (IN MILLIONS):



Average Cost Per Unit (in thousands)	
Water & Sewage	9.3
Power	5.4
Fuel	3.1
Garbage	0.9
Taxes	0.7
Subtotal – Utilities	19.4
LHO Admin	2.3
LHO Maintenance	6.3
Sub-total LHO	8.6
Total	\$ 28.0

Water & Sewer costs are the largest single expense for public housing. They are greater than the cost of LHO administration & maintenance combined. The annual average administration and maintenance cost is \$8,600 per unit while water & sewer costs are \$9,300 per unit per year.

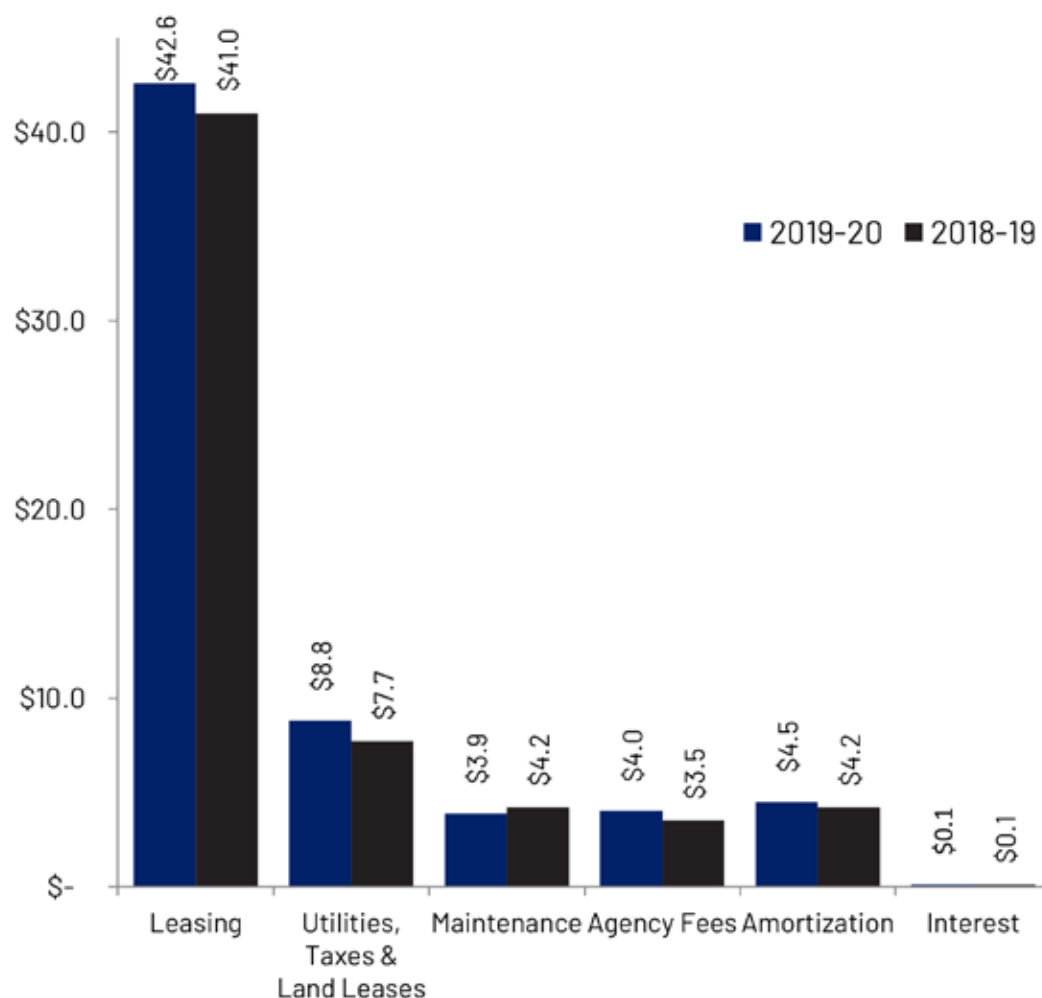
STAFF HOUSING

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

The inventory of 1,698 staff housing units is administered by the Corporation. Of these, 475 are owned by the Corporation while 1,223 units are leased (72 per cent 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 \$63.9 million from \$60.7 million, an increase of \$3.2 million. This was largely driven by a \$1.6 million increase in lease rates and a \$1.1 million increase in utilities expense related to adding 75 units to the portfolio. Maintenance fees and interest decreased by a combined \$0.3 million and agency fees increased by \$0.5 million. Revenues for staff housing rents are collected and retained by the Government of Nunavut Department of Finance.

STAFF HOUSING OPERATIONS & MAINTENANCE COSTS (\$ MILLIONS)



HOMEOWNERSHIP PROGRAMS

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 Downpayment 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 2019-20, \$5.0 million (2018-19 – \$4.4 million) was spent on Homeownership Programs. Funding for these programs came entirely from the Government of Nunavut's capital budget.

Program	Qikiqtaaluk	Kitikmeot	Kivalliq	Total Nunavut
SCHRP	\$ 70,401	\$ 35,629	\$ 63,295	\$ 169,325
ERP	286,989	216,132	576,103	1,079,224
NDAP	986,393	76,125	\$95,175	1,157,693
HRP	995,140	507,595	711,031	2,213,766
SPDPMP	3,786	10,975	7,628	22,389
HOTRP	154,919	48,880	196,016	399,815
Total	\$ 2,497,628	\$ \$895,336	\$ 1,649,582	\$ 5,042,212

The Nunavut Downpayment Assistance Program, the Home Repair Program and the Emergency Repair programs are by far the most active, accounting for 88 per cent of expenditures and 71 per cent of approved applications. The Corporation approved 32 per cent (295 applications) out of a pool of 896 applications. In all, 30 applications were declined within the fiscal year while an additional 571 were waitlisted.

APPROVED HOMEOWNERSHIP APPLICATIONS BY PROGRAM:

Community	ERP	HRP	HOTRP	NDAP	SCHRP	SPDPMP	TOP	IFP	SPDHOP	TOTAL
Arctic Bay	3	0	0	0	1	0	0	0	0	4
Cape Dorset	6	0	0	0	1	0	0	0	0	7
Clyde River	3	0	0	0	0	0	0	0	0	3
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	6	1	1	0	0	0	0	0	0	8
Iqaluit	14	14	28	25	1	2	0	0	0	84
Kimmirut	2	0	0	0	0	0	0	0	0	2
Pangnirtung	4	1	1	1	0	0	0	0	0	7
Pond Inlet	1	1	0	0	0	0	0	0	0	2
Qikiqtarjuaq	5	0	0	0	4	1	0	0	0	10
Resolute Bay	2	0	0	0	1	1	0	0	0	4
Sanikiluaq	0	0	0	0	0	0	0	0	0	0
Qikiqtaaluk	46	17	30	26	8	4	0	0	0	131
Arviat	16	5	6	0	2	1	0	0	0	30
Baker Lake	15	5	2	1	2	3	0	0	0	28
Chesterfield Inlet	3	2	0	0	0	0	0	0	0	5
Coral Harbour	8	4	0	0	1	1	0	0	0	14
Nauyasat	17	4	7	3	1	0	0	0	0	32
Rankin Inlet	2	0	1	0	0	0	0	0	0	3
Whale Cove	5	2	0	0	0	0	0	0	0	7
Kivalliq	66	22	16	4	6	5	0	0	0	119
Cambridge Bay	9	1	5	3	2	4	0	0	0	24
Gjoa Haven	5	3	1	0	0	2	0	0	0	11
Kugaaruk	3	0	0	0	1	0	0	0	0	4
Kugluktuk	2	0	1	0	0	0	0	0	0	3
Taloyoak	2	1	0	0	0	0	0	0	0	3
Kitikmeot	21	5	7	3	3	6	0	0	0	45
Total Nunavut	133	44	53	33	17	15	0	0	0	295

BREAKDOWN OF APPLICATIONS BY PROGRAM:

Program	Pending & Waitlisted at March 31, 2019	New Applications	Approved Applications	Declined Applications	Pending & Waitlisted at March 31, 2020
SCHRP	33	38	17	1	53
ERP	125	198	133	9	181
NDAP	8	60	33	11	24
HRP	184	82	44	4	218
SPDPMP	18	24	15	0	27
HOTRP	70	55	53	4	68
IFP	1	0	0	1	0
TOP	0	0	0	0	0
SPDHOP	0	0	0	0	0
Total	439	457	295	30	571

HOMEOWNERSHIP PROGRAM ELIGIBILITY

Eligibility criteria for the homeownership programs includes income testing. Verification of Income (VOI) guidelines permit adjustments to gross income, including the exclusion of Vacation Travel Allowance (VTA) and other Northern costs of living allowances provided by employers in Nunavut. The adjusted household income is measured relative to a community-specific Homeownership Program Income Eligibility limit (HPIE). HPIE limits are derived from Canada Mortgage and Housing Corporation's (CMHC) Housing Income Limits (HILs). For the NHC's homeownership program, the CMHC HILs were modified to reflect actual homeownership costs across the territory. Maximum contribution amounts for HRP are set relative to household income as a percentage of the HPIE limit.

In some communities, the lack of available local contractors has limited the NHC's ability to deliver its homeownership program.

Most of the homeownership program construction projects

require specific skilled labour. The expense of flying in contractors to do renovation and repair work significantly add to the overall cost of each project.

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

For this reason, a clause was added to the home repair and maintenance program guidelines in 2014, allowing an additional allocation to cover a portion of a contractor's mobilization costs. Funding for contractor travel is available for the HRP, ERP, SCHRP and HOTRP programs. Now, we can complete repair projects across more communities by leveraging contractors in neighbouring Hamlets. In turn, this greater level of support to Homeowners will further encourage and support the private housing market in the territory.

CONSTRUCTION PROGRAM

During the year the Corporation completed 85 public housing units in 10 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 19 staff housing units in five communities. Construction of staff housing is funded entirely by the Government of Nunavut.

As at March 31, 2020, the Corporation had 90 public housing and 17 staff housing units under construction that were at varying levels of completion.

HOUSING UNITS COMPLETED DURING 2019-2020

Community	Building Type	Program	Number of Units
Arctic Bay	1 x 5plex	Public Housing	5
Arviat	5 x 5plex	Public Housing	25
Cambridge Bay	3 x 5plex	Public Housing	15
Gjoa Haven	1 x 5plex	Public Housing	5
Iglolik	1 x 5plex	Public Housing	5
Kugluktuk	2 x 5plex	Public Housing	10
Nauyasat	1 x 5plex	Public Housing	5
Qikiqtarjuaq	1 x 5plex	Public Housing	5
Rankin Inlet	1 x 5plex	Public Housing	5
Taloyoak	1 x 5plex	Public Housing	5
Coral Harbour	1 x duplex	Staff Housing	2
Iglolik	1 x 5plex	Staff Housing	5
Kugluktuk	1 x 5plex	Staff Housing	5
Qikiqtarjuaq	1 x duplex	Staff Housing	2
Taloyoak	1 x 5plex	Staff Housing	5
Total Units			104 units

HOUSING CONSTRUCTION IN PROGRESS

Community	Type	Number of Units	Percentage of Completion
Public Housing			
Igloolik	5Plex	5	9%
Igloolik	5Plex	5	9%
Igloolik	5Plex	5	9%
Igloolik	5Plex	5	9%
Arviat	5Plex	5	60%
Arviat	5Plex	5	60%
Arviat	5Plex	5	60%
Arviat	5Plex	5	60%
Rankin Inlet	5Plex	5	48%
Rankin Inlet	5Plex	5	48%
Cambridge Bay	5Plex	5	12%
Cambridge Bay	5Plex	5	12%
Gjoa Haven	5Plex	5	12%
Gjoa Haven	5Plex	5	12%
Kugaaruk	5Plex	5	12%
Kugaaruk	5Plex	5	12%
Pond Inlet	5Plex	5	98%
Pond Inlet	5Plex	5	98%
Total Units		90 units	
Staff Housing			
Pond Inlet	5Plex	5	98%
Hall Beach	Duplex	2	0%
Pangnirtung	5Plex	5	13%
Gjoa Haven	5Plex	5	12%
Total Units		17 units	

WRITE OFF OF CORPORATE DEBT

Section 84 of the Financial Administration Act (Part IX, Public Agencies), requires public agencies to include in the annual report, any asset, debt or obligation exceeding \$500 that was written-off during the financial year.

Under section 82 of the Financial Administration Act, a public agency such as the Nunavut Housing Corporation has the authority to write-off debts or obligations up to \$20,000. Any write-off requests above \$20,000 require the express authority of an Act through the Legislative Assembly. When debts are written off they are not forgiven and the Corporation has an obligation to continue collection activities.

During 2019-2020, the Corporation's board approved write-offs to remove \$13,371 in respect of five deceased public housing tenants.

Community	Reason	Amount
Clyde River	Deceased	\$ 1,782
Hall Beach	Deceased	\$ 9,125
Iqaluit	Deceased	\$ 393
Iqaluit	Deceased	\$ 1,035
Iqaluit	Deceased	\$ 1,036
Total		\$ 13,371

NUNAVUT HOUSING CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

NUNAVUT HOUSING CORPORATION
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MARCH 31, 2020

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Management's Responsibility for Financial Reporting

27 October 2020

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

Dear Mr. Savikataaq,

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 her opinion on the consolidated financial statements of the Corporation. She also considers whether the transactions that come to her 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 October 2020



INDEPENDENT AUDITOR'S REPORT

To the Minister responsible for the Nunavut Housing Corporation

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Nunavut Housing Corporation and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 March 2020, 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 2020, 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 the 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 the Nunavut Housing Corporation.

In our opinion, the transactions of the 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 the Nunavut Housing Corporation and the consolidated financial statements are in agreement therewith.

Responsibilities of Management for Compliance with Specified Authorities

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

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

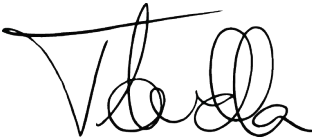
Ottawa, Canada
27 October 2020

NUNAVUT HOUSING CORPORATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2020
(in thousands of dollars)

	<u>2020</u>	<u>2019</u>
Financial assets		
Cash	\$ 42,967	\$ 17,689
Accounts receivable (Note 4)	34,670	34,681
Condominiums held for resale (Note 5)	4,726	5,431
Portfolio investments (Note 6)	123,429	134,515
Mortgages receivable (Note 7)	<u>2,027</u>	<u>2,241</u>
Total financial assets	<u>207,819</u>	<u>194,557</u>
Liabilities		
Accounts payable and accrued liabilities (Note 8)	73,006	58,201
Capital funding advanced (Note 9)	31,023	35,063
Long-term debt (Note 10)	7,568	8,370
Capital lease obligations (Note 11)	1,603	2,010
Liability for contaminated sites (Note 12)	160	513
Employee future benefits (Note 13)	<u>2,668</u>	<u>2,459</u>
Total liabilities	<u>116,028</u>	<u>106,616</u>
Net financial assets	<u>91,791</u>	<u>87,941</u>
Non-financial assets		
Tangible capital assets (Schedule C)	746,128	719,118
Condominiums held for resale (Note 5)	7,308	8,018
Inventory for use	7,495	7,017
Prepaid expenses	<u>153</u>	<u>224</u>
Total non-financial assets	<u>761,084</u>	<u>734,377</u>
Accumulated surplus	<u>\$ 852,875</u>	<u>\$ 822,318</u>
Contingencies (Note 16)		
Contractual obligations (Note 17)		
Contractual rights (Note 18)		



John Apt, CPA, CA
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, 2020
(in thousands of dollars)

	<u>Budget 2020</u>	<u>Actual 2020</u>	<u>Actual 2019</u>
Generated revenues			
Social housing rental revenue	\$ 16,940	\$ 17,572	\$ 16,941
Other revenue and recoveries (Schedule A)	<u>5,571</u>	<u>8,203</u>	<u>6,884</u>
Total generated revenues	<u>22,511</u>	<u>25,775</u>	<u>23,825</u>
Expenses			
Social housing program (Schedule B)	212,500	210,269	206,636
Staff housing program (Schedule B)	64,310	63,890	60,735
Corporate administration (Schedule B)	20,231	23,550	23,669
Homeownership programs	4,616	5,042	4,396
Homelessness	<u>-</u>	<u>212</u>	<u>65</u>
Total Expenses	<u>301,657</u>	<u>302,963</u>	<u>295,501</u>
Net results of operations before government funding	<u>(279,146)</u>	<u>(277,188)</u>	<u>(271,676)</u>
Government funding			
Transfers from Government of Nunavut (Note 3)	260,303	260,624	243,278
Transfers from Canada Mortgage and Housing Corporation (CMHC) (Note 15)	44,286	47,121	62,061
Other government funding	<u>-</u>	<u>-</u>	<u>208</u>
Total government funding	<u>304,589</u>	<u>307,745</u>	<u>305,547</u>
Surplus for the year	25,443	30,557	33,871
Accumulated surplus, opening	<u>822,318</u>	<u>822,318</u>	<u>788,447</u>
Accumulated surplus, closing	<u><u>\$ 847,761</u></u>	<u><u>\$ 852,875</u></u>	<u><u>\$ 822,318</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, 2020
(in thousands of dollars)

	Budget 2020	Actual 2020	Actual 2019
Surplus for the year	\$ 25,443	\$ 30,557	\$ 33,871
Tangible capital assets (Schedule C)			
Additions	(64,802)	(64,861)	(74,848)
Write-downs	-	564	1,002
Amortization	<u>39,375</u>	<u>37,287</u>	<u>35,411</u>
	16	3,547	(4,564)
Consumption of inventory for use	5,519	6,650	7,003
Disposals of condominiums for resale	5,431	2,262	-
Net use/(acquisition) of prepaid expenses	-	71	(109)
Reclassification of condominiums for resale	-	(705)	-
Additions to condominiums for resale	-	(847)	-
Purchases of inventory for use	<u>(5,519)</u>	<u>(7,128)</u>	<u>(7,442)</u>
Change in net financial assets	5,447	3,850	(5,112)
Net financial assets, opening	<u>87,941</u>	<u>87,941</u>	<u>93,053</u>
Net financial assets, closing	<u><u>\$ 93,388</u></u>	<u><u>\$ 91,791</u></u>	<u><u>\$ 87,941</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, 2020
(in thousands of dollars)

	<u>2020</u>	<u>2019</u>
Cash provided by/(used for) by operations		
Transfers from the Government of Nunavut	\$ 220,644	\$ 211,356
Transfers from CMHC	16,630	16,823
Rent collections	14,622	14,771
Miscellaneous revenues and recoveries	7,199	9,771
Homelessness	(212)	(65)
Homeownership grants and contributions	(4,395)	(4,202)
Administration	(19,868)	(28,478)
Staff housing	(58,571)	(55,623)
Contributions for social housing	(161,674)	(165,187)
Cash provided by/(used for) by operations	<u>14,375</u>	<u>(834)</u>
Cash (used for)/provided by capital activities		
Funding from Government of Nunavut	37,759	30,042
Funding from CMHC	25,843	47,413
Funding from Government of Canada	-	60
Proceeds from disposals of tangible capital assets	-	7
Tangible capital asset acquisitions	(64,550)	(68,709)
Cash (used for)/provided by capital activities	<u>(948)</u>	<u>8,813</u>
Cash used for financing activities		
Principal payments on capital lease	(407)	(383)
Principal payments on long-term debt	(802)	(797)
Cash used for financing activities	<u>(1,209)</u>	<u>(1,180)</u>
Cash provided by/(used for) investing activities		
Investments redeemed	105,170	105,839
Investments acquired	(94,516)	(115,066)
Proceeds from sales of condominiums	2,499	-
Acquisition of condominiums for resale	(848)	-
Recovery of homeowner's assistance	392	515
Mortgage payments received	363	333
Cash provided by/(used for) investing activities	<u>13,060</u>	<u>(8,379)</u>
Increase/(decrease) in cash	25,278	(1,580)
Cash, opening	<u>17,689</u>	<u>19,269</u>
Cash, closing	<u><u>\$ 42,967</u></u>	<u><u>\$ 17,689</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, 2020
(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, 2020
(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, 2020 (2019 - None).

NUNAVUT HOUSING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020
(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

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, 2020
(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 amortized 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, 2020
(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, 2020
(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

(i) Severance for resignation, retirement and removal benefits

Under the conditions of employment, eligible employees may earn benefits for resignation, retirement and removal costs. The Corporation provides severance and retirement benefits to eligible employees based on years of service and final salary, and removal benefits based on years of service and their community of residence. 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.

NUNAVUT HOUSING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020
(in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Employee future benefits (continued)

(i) Severance for resignation, retirement and removal benefits (continued)

Employee benefits for employees of the Corporation are based on an actuarial valuation of the cost of these benefits using data provided by the Government of Nunavut and assumptions based on their best estimates using the projected benefits method prorated on services rendered.

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

(ii) Sick leave

Included in employee future benefits is an amount for employees of the Corporation who are permitted to accumulate sick leave. Such entitlements do not vest and can be used only in the event of illness.

Sick leave benefits for employees of the Corporation correspond to the amount of accumulated sick leave entitlements which are expected to be used in future years as determined by an actuarial valuation using data provided by the Government of Nunavut and assumptions based on their best estimates using the projected benefits method prorated on services rendered.

Sick leave benefits for employees of the LHOs correspond to the amount of accumulated sick leave entitlements which are expected to be used in future years as based on management's best estimate of its discount rate, employee demographics and sick leave usage of active employees and have not been actuarially valued.

(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.

NUNAVUT HOUSING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020
(in thousands of dollars)

(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.

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.

NUNAVUT HOUSING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020
(in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(r) Financial instruments

The following is a list of the Corporation's financial instruments and their related measurement bases as at March 31, 2020.

Financial Assets

Cash

Accounts receivable

Portfolio investments

Mortgages receivable

Measurement Basis

Cost

Cost

Amortized cost

Amortized Cost

Financial Liabilities

Accounts payable and accrued liabilities

Long-term debt

Measurement Basis

Cost

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.

NUNAVUT HOUSING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020
(in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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, or fail 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.

(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.

NUNAVUT HOUSING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020
(in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Future changes in accounting standards

A number of new and amended standards issued by the Public Sector Accounting Board of Canada are not yet effective and have not been applied in preparing these consolidated financial statements. The Corporation plans to adopt these new and amended standards on their effective dates and is currently assessing the impact they will have on its consolidated financial statements. The following standards will become effective as follows:

PS 3280 Asset Retirement Obligations (effective April 1, 2022), replaces PS 3270, with revised guidance on accounting for, and presentation and disclosure of, asset retirement obligations.

PS 3400 Revenue (effective April 1, 2022), a new section establishing standards on how to account for and report on revenue, differentiating between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations.

3. TRANSFERS FROM GOVERNMENT OF NUNAVUT

	<u>2020</u>	<u>2019</u>
Operating and maintenance contributions	\$ 213,248	\$ 202,976
Capital contributions	<u>47,376</u>	<u>40,302</u>
	<u>\$ 260,624</u>	<u>\$ 243,278</u>

4. ACCOUNTS RECEIVABLE

	<u>2020</u>	<u>2019</u>
Receivable from related parties		
Government of Nunavut departments	\$ 1,278	\$ 705
Qulliq Energy Corporation	36	27
Petroleum Products Revolving Fund	<u>24</u>	<u>23</u>
	1,338	755
Other receivables		
Tenant accounts receivable	39,011	35,380
Canada Mortgage and Housing Corporation (CMHC)	26,386	25,778
Trade and other accounts receivable	6,673	8,104
Direct financing lease receivable	<u>200</u>	<u>226</u>
	73,608	70,243
Less: Allowance for doubtful accounts (Note 14(a))	<u>(38,938)</u>	<u>(35,562)</u>
	<u>\$ 34,670</u>	<u>\$ 34,681</u>

NUNAVUT HOUSING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020
(in thousands of dollars)

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 were delayed due to obstacles in establishing a condominium corporation. Prior to the end of the year, 10 of the units were sold and 19 of the units were occupied by prospective purchasers with sales pending. Pending sales are expected to be completed during the 2020-21 fiscal year and the related value is classified as a financial asset. The value of the remaining 31 units have been classified as non-financial assets as their sale may not be completed prior to the end of 2021-22.

6. PORTFOLIO INVESTMENTS

Portfolio investments include the following:

	2020 Term to <u>Maturity</u>	2020 Carrying <u>Value</u>	2019 Carrying <u>Value</u>
Provincial government notes and bonds	Within 1 year	\$ 8,094	\$ 11,377
Various banker's acceptances	Within 1 year	<u>115,335</u>	<u>123,138</u>
		<u>\$ 123,429</u>	<u>\$ 134,515</u>

The market value of the portfolio investments at March 31, 2020 was \$123,405 (2019 - \$133,988), with an average yield in 2020 of 2.16% (2019 - 1.93%).

7. MORTGAGES RECEIVABLE

	<u>2020</u>	<u>2019</u>
Mortgages bearing interest at rates varying between 2.00% and 11.25% (2019 - 2.00% and 11.25%) per annum, repayable over a maximum period of 25 years	\$ 9,410	\$ 9,877
Less: Subsidy amount by the Corporation	(4,255)	(4,373)
Less: Allowance for impairment	<u>(3,128)</u>	<u>(3,263)</u>
	<u>\$ 2,027</u>	<u>\$ 2,241</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 \$4,620 as at March 31, 2020 (2019 - \$4,126) were expensed on the Consolidated Statement of Operations and Accumulated Surplus during the year.

NUNAVUT HOUSING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020
(in thousands of dollars)

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2020</u>	<u>2019</u>
Related party accounts payable and accrued liabilities		
Qulliq Energy Corporation	\$ 15,620	\$ 6,479
Petroleum Products Revolving Fund	14,769	13,852
Government of Nunavut Departments	<u>5,110</u>	<u>4,939</u>
	35,499	25,270
Other payables		
Trade payable	32,734	28,604
Accrued wages and employee benefits	3,610	3,242
Security deposits	1,032	940
Accrued interest payable	<u>131</u>	<u>145</u>
	<u><u>\$ 73,006</u></u>	<u><u>\$ 58,201</u></u>

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, 2020, \$108,126 (2019 - \$108,126) had been provided to the Corporation, of which nil (2019 - \$24,000) 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. Nil (2019 - \$1,465) 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, 2020, \$558 (2019 - \$558) had been provided to the Corporation of which \$186 (2019 - \$186) is unspent. As per the agreement all unspent monies at the end of the agreement period are repayable to the Government of Canada. The unspent amount is included as part of accounts payable.

In 2020, CMHC entered into an the Bilateral Agreement Under the 2017 National Housing Strategy (NHS) with the Corporation for additional funding of \$265,618 over nine years. Funding received through the agreement is targeted to increasing the supply of social housing, preserving existing social housing through repairs and renovations, and supporting affordability of housing. As of March 31, 2020, \$26,374 (2019 - nil) had been provided to the Corporation, of which \$26,374 (2019 - nil) is receivable at year-end.

NUNAVUT HOUSING CORPORATION
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9. CAPITAL FUNDING ADVANCED (continued)

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

	<u>2020</u>	<u>2019</u>
Capital funding advanced, opening	\$ 35,063	\$ 54,929
NHS capital funding advanced	26,374	-
IAH and SIF capital funding advanced	-	25,455
Government of Canada funding advanced	-	60
Government of Canada funding reclassified to accounts payable	-	(186)
Advanced funds used for capital additions	<u>(30,414)</u>	<u>(45,195)</u>
Capital funding advanced, closing	<u>\$ 31,023</u>	<u>\$ 35,063</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, part of 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.

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.

NUNAVUT HOUSING CORPORATION
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10. LONG-TERM DEBT (continued)

	<u>Debt balance</u>	<u>CMHC Funded Portion</u>	<u>2020 Net debt balance</u>	<u>2019 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% (2019 - 9.5% to 19.75%).	\$ 52,121	\$ (52,121)	\$ -	\$ -
Loans payable to CMHC, repayable in annual installments until the year 2032, bearing annual interest of 6.97% (2019 - 6.97%). The loans are guaranteed by the Government of Nunavut.	16,636	(9,242)	7,394	8,164
Loans payable to CMHC, assumed from Inuit Non-Profit Housing Corporation in 2017, repayable in monthly installments, maturing from 2021 to 2028 at interest rates from 2.12% to 10.375% (2019 - 2.04% to 10.375%).	<u>174</u>	<u>-</u>	<u>174</u>	<u>206</u>
	<u>\$ 68,931</u>	<u>\$ (61,363)</u>	<u>\$ 7,568</u>	<u>\$ 8,370</u>

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

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 682	\$ 539	\$ 1,221
2022	712	492	1,204
2023	762	441	1,203
2024	817	386	1,203
2025	875	327	1,202
2026 and beyond	<u>3,720</u>	<u>775</u>	<u>4,495</u>
	<u>\$ 7,568</u>	<u>\$ 2,960</u>	<u>\$ 10,528</u>

NUNAVUT HOUSING CORPORATION
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10. LONG-TERM DEBT (continued)

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 \$7,822 (2019 - \$8,132) and would have made additional principal long-term debt repayments to CMHC of \$3,051 (2019 - \$3,144).

11. CAPITAL LEASE OBLIGATIONS

The Nunavut Housing Corporation is committed to 3 lease agreements (2019 - 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% (2019 - 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.

	Future minimum lease payments	Executory Costs	Imputed Interest	Lease Obligation
2021	\$ 525	\$ 12	\$ 81	\$ 432
2022	525	12	54	459
2023	426	12	26	388
2024	168	1	12	155
2025	162	-	5	157
2026	13	-	1	12
Total	<u>\$ 1,819</u>	<u>\$ 37</u>	<u>\$ 179</u>	<u>\$ 1,603</u>

Interest expense related to capital lease obligations for the year was \$106 (2019 - \$129)

12. LIABILITY FOR CONTAMINATED SITES

The Corporation has identified 1 site (2019 - 9) 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 (2019 - nil).

NUNAVUT HOUSING CORPORATION
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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 (2019 - 1.01 times) for existing employees and 1.00 times (2019 - 1.00 times) for new members entering into the plan on or after January 1, 2013. Total employer contributions of \$1,009 (2019 - \$1,100) were recognized as expense in the current year.

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

	<u>2020</u>	<u>2019</u>
Employer's contribution	\$ 1,009	\$ 1,100
Employees' contribution	1,004	1,093

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

Participating members in the NEBS Plan are required to make contributions to the plan of 8% (2019 - 8%) of pensionable earnings, and to remit employee contributions of 8% (2019 - 8%). These contributions cover current service costs and a provision for adverse deviation. Total employer contributions of \$1,191 (2019 - \$1,141) were recognized as expense in the current year.

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

	<u>2020</u>	<u>2019</u>
Employer's contribution	\$ 1,191	\$ 1,141
Employees' contribution	1,191	1,141

As at January 1, 2020, the NEBS Plan had a going concern surplus of \$31,200 (2019 - \$25,200) and a funded ratio of 113.0% (2019 - 112.0%). The NEBS Plan serves 3,364 (2019 - 3,202) employee members and 116 (2019 - 111) participating employers.

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13. EMPLOYEE FUTURE BENEFITS AND PENSION PLANS (continued)

(b) Employee future benefits

The estimated liabilities and related expenses for these employee future benefits are as follows:

	<u>2020</u>	<u>2019</u>
Corporation		
Resignation and retirement	\$ 703	\$ 626
Sick leave	<u>388</u>	<u>336</u>
	<u>1,091</u>	<u>962</u>
 LHOs		
Resignation and retirement	1,007	977
Sick leave	<u>570</u>	<u>520</u>
	<u>1,577</u>	<u>1,497</u>
 Total employee future benefits	<u><u>\$ 2,668</u></u>	<u><u>\$ 2,459</u></u>

The discount rate used to determine the employee future benefit liabilities is 3.20% (2019 - 2.70%) and the salary increase 3.00% (2019 - 3.00%). The Corporation paid \$107 (2019 - \$66) in employee benefits during 2020.

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 consolidated financial statements.

NUNAVUT HOUSING CORPORATION
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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>2020</u>	<u>2019</u>
Cash	\$ 42,967	\$ 17,689
Accounts receivable	34,470	34,455
Portfolio investments	123,429	134,515
Mortgages receivable	2,027	2,241
Direct financing lease receivable	<u>200</u>	<u>226</u>
Total financial assets	203,093	189,126
Loan guarantees to CMHC related to sponsor groups	<u>430</u>	<u>572</u>
Total	<u><u>\$ 203,523</u></u>	<u><u>\$ 189,698</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 87% (2019- 85%) 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.

NUNAVUT HOUSING CORPORATION
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14. FINANCIAL RISK MANAGEMENT (continued)

Allowance for doubtful accounts:

	Tenant	Trade & Other	Total 2020	Total 2019
Balance, beginning of the year	\$ 33,471	\$ 2,091	\$ 35,562	\$ 32,155
Increase in the allowance account	3,153	223	3,376	3,407
	<u>\$ 36,624</u>	<u>\$ 2,314</u>	<u>\$ 38,938</u>	<u>\$ 35,562</u>

The aging analysis of tenant accounts receivable is as follows:

	Current	Past due 31 - 90 days	Past due > 90 days	Total 2020	Total 2019
Tenant receivables	\$ 1,233	\$ 1,202	\$ 36,576	\$ 39,011	\$ 35,380
Less: Allowance	<u>-</u>	<u>(48)</u>	<u>(36,576)</u>	<u>(36,624)</u>	<u>(33,471)</u>
Total tenant receivables	<u>\$ 1,233</u>	<u>\$ 1,154</u>	<u>\$ -</u>	<u>\$ 2,387</u>	<u>\$ 1,909</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 AA (low) rating or higher from the Dominion Bond Rating Service. Investments from a single issuer are limited to a maximum dollar value of \$75,000 from the Government of Canada, or the government of a Canadian province or territory, \$50,000 from a bank listed in Schedule I of the *Bank Act* (Canada), and \$25,000 from a Canadian municipal corporation or a bank listed in Schedule II of the *Bank Act* (Canada). 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, 2020 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>2021 Estimated</u>	<u>2022 to 2025</u>	<u>2026 to 2036</u>	<u>Total 2020</u>	<u>Total 2019</u>
Accounts payable and accrued liabilities	\$ 71,974	\$ 71,974	\$ -	\$ -	\$ 71,974	\$ 57,261
Long-term debt	7,568	1,221	4,812	4,495	10,528	11,926
Capital lease obligations	1,603	525	1,281	13	1,819	2,344
Security deposits	1,032	1,032	-	-	1,032	940
	<u>\$ 82,177</u>	<u>\$ 74,752</u>	<u>\$ 6,093</u>	<u>\$ 4,508</u>	<u>\$ 85,353</u>	<u>\$ 72,471</u>

15. TRANSFERS FROM CMHC

	<u>2020</u>	<u>2019</u>
Contributions for social housing including interest expense	\$ 13,581	\$ 12,784
Repairs, maintenance, grants and other costs	<u>33,540</u>	<u>49,277</u>
Total transfers from CMHC	<u>\$ 47,121</u>	<u>\$ 62,061</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.

NUNAVUT HOUSING CORPORATION
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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 \$430 as at March 31, 2020 (2019 - \$572).

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. Although the Corporation has not accrued a provision as it 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.

NUNAVUT HOUSING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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:

2021	\$ 31,415
2022	21,994
2023	8,540
2024	2,286
2025	285
2026 and thereafter	<u>14</u>
	<u>\$ 64,534</u>

The Corporation has contracted the construction of new buildings with an obligation of \$25,216 with expected completion dates up to October 2020.

The Corporation has contracted modernization and improvements of existing buildings with an obligation of \$667 with expected completion in the 2020-2021 fiscal year.

The Corporation has committed to provide homeowners with grants related to homeownership programs with an obligation of \$4,079 with expected disbursement in the 2020-2021 fiscal year.

The Corporation has outstanding contracts for the provision of goods and services related to administration with an obligation of \$1,154 with expected disbursement in the 2020-2021 fiscal year.

The Corporation has signed land leases for various lots throughout Nunavut which are for 30 years with an annual commitment of \$746 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
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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18. CONTRACTUAL RIGHTS (continued)

Contractual rights are as follows:

<u>Contractual Rights</u>	<u>Expiry</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026 and Thereafter</u>
Transfers from CMHC through Social Housing Agreement	2037	\$16,016	\$15,081	\$14,569	\$14,514	\$14,397	\$ 87,512
Transfers from CMHC through Bilateral Agreement Under 2017 National Housing Strategy	2028	27,830	29,025	29,844	29,259	29,439	93,847
Transfers from Government of Nunavut through Low Carbon Economy Fund	2022	4,414	1,696	-	-	-	-
Lease payments from Government of Nunavut for residential property	2023	1,396	192	17	-	-	-
Interest related to portfolio investments	2021	<u>682</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>\$50,338</u>	<u>\$45,994</u>	<u>\$44,430</u>	<u>\$43,773</u>	<u>\$43,836</u>	<u>\$ 181,359</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>2020</u>	<u>2019</u>
Related party revenues		
Government of Nunavut Departments	\$ 2,592	\$ 2,487
Qulliq Energy Corporation	<u>37</u>	<u>54</u>
	<u>\$ 2,629</u>	<u>\$ 2,541</u>
Related party expenses		
Qulliq Energy Corporation	\$ 32,198	\$ 31,291
Petroleum Products Revolving Fund	20,332	21,451
Government of Nunavut Departments	<u>2,330</u>	<u>2,110</u>
	<u>\$ 54,860</u>	<u>\$ 54,852</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>2020</u>	<u>2019</u>
Office accommodations	\$ 1,124	\$ 1,099
Professional services	764	694
Employee benefits	<u>95</u>	<u>87</u>
	<u>\$ 1,983</u>	<u>\$ 1,880</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 2020, mold remediation was conducted on 32 units (2019 - 31 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 \$217 (2019 - 480).

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. COVID-19 IMPLICATIONS

The COVID-19 virus is affecting businesses in Nunavut and throughout the world. A high degree of uncertainty persists surrounding the full economic impact of the situation. The unpredictable nature of the spread of the disease makes it difficult to determine the length of time that the Corporation's operations will be impacted. Consequently, at the time of issuance of these consolidated financial statements, the effect that the abrupt decline in economic activity will have on the Corporation's operations, assets, liabilities, net financial assets, revenues, and expenses is not yet known.

NUNAVUT HOUSING CORPORATION
CONSOLIDATED SCHEDULE OF OTHER REVENUE AND RECOVERIES
FOR THE YEAR ENDED MARCH 31, 2020
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	Actual 2020	Actual 2019
Other revenue and recoveries		
Investment revenue	\$ 3,524	\$ 3,454
Other rental revenues	2,324	2,016
Gain on capital assets	666	-
Miscellaneous revenue and recoveries	647	528
Homeowner's assistance recovery	391	515
Gain on disposal of condominiums (\$2,499 sales less \$2,263 cost of sales)	236	-
Staff housing recoveries	192	156
Impaired mortgage recovery	149	129
Mortgage interest revenue	74	83
Mortgage subsidy recovery	-	3
Total other revenue and recoveries	\$ 8,203	\$ 6,884

NUNAVUT HOUSING CORPORATION
CONSOLIDATED SCHEDULE OF EXPENSES BY PROGRAM AND OBJECT
FOR THE YEAR ENDED MARCH 31, 2020
(in thousands of dollars)

	<u>Social housing program</u>	<u>Staff housing program</u>	<u>Corporate administration</u>	<u>Total 2020</u>	<u>Budget 2020</u>	<u>Total 2019</u>
Expenses						
Utilities, taxes and land leases	\$ 108,619	\$ 8,755	\$ -	\$ 117,374	\$ 116,912	\$ 112,560
Leasing	7,494	42,603	-	50,097	50,328	48,619
Amortization	32,818	4,469	-	37,287	39,375	35,411
Demand and preventative maintenance - salaries	27,377	-	-	27,377	24,771	27,105
Compensation and benefits	-	1,968	13,806	15,774	16,764	16,758
Demand and preventative maintenance - other	8,442	3,680	-	12,122	12,856	13,370
LHO administration - salaries	10,479	-	-	10,479	13,051	10,257
Repairs for modernization and improvements	8,515	171	-	8,686	8,099	9,142
Bad debt	2,944	-	-	2,944	2,541	2,859
Professional and special services	-	11	2,881	2,892	1,103	2,624
LHO administration - other	2,358	-	-	2,358	3,765	2,692
Travel and training	-	87	1,835	1,922	2,303	2,039
Miscellaneous	-	-	1,883	1,883	-	1,617
Agency fees	-	1,484	18	1,502	1,433	1,337
Office accommodations	-	-	1,370	1,370	1,395	1,375
Computer services	-	-	1,129	1,129	548	832
Communications	-	553	199	752	166	163
Interest on long term debt	582	106	-	688	702	766
Write-downs of capital assets	564	-	-	564	-	1,002
Materials supplies and other	-	3	299	302	227	232
Land titles and fees	-	-	93	93	81	79
Sponsor groups	77	-	-	77	516	105
Building and equipment rental	-	-	37	37	105	96
Total expenses	<u>\$ 210,269</u>	<u>\$ 63,890</u>	<u>\$ 23,550</u>	<u>\$ 297,709</u>	<u>\$ 297,041</u>	<u>\$ 291,040</u>

NUNAVUT HOUSING CORPORATION
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED MARCH 31, 2020
(in thousands of dollars)

	Social Housing	Staff Housing	Lease To Purchase	Capital Lease Cost	Warehouses & Offices	Equipment & Leaseholds	Land	Equity Land Lease	Total 2020	Total 2019
Cost										
Balance, opening	\$ 1,061,758	\$ 110,752	\$ 142	\$ 5,839	\$ 22,387	\$ 3,377	\$ 327	\$ 14,868	\$ 1,219,450	\$ 1,167,368
Transfer from Construction in Process	49,988	8,841	-	-	8,216	641	-	2,209	69,895	54,460
Additions ¹	3,243	666	-	-	-	-	-	-	3,909	28
Write-downs	(1,612)	-	-	-	-	-	-	-	(1,612)	(2,406)
Balance, closing	<u>1,113,377</u>	<u>120,259</u>	<u>142</u>	<u>5,839</u>	<u>30,603</u>	<u>4,018</u>	<u>327</u>	<u>17,077</u>	<u>1,291,642</u>	<u>1,219,450</u>
Accumulated Amortization										
Balance, opening	\$ 491,023	\$ 36,886	\$ 99	\$ 4,602	\$ 11,723	\$ 2,874	\$ -	\$ 2,040	\$ 549,247	\$ 515,240
Amortization	31,170	4,168	2	301	944	133	-	569	37,287	35,411
Accumulated amortization related to write-downs	(1,048)	-	-	-	-	-	-	-	(1,048)	(1,404)
Balance, closing	<u>521,145</u>	<u>41,054</u>	<u>101</u>	<u>4,903</u>	<u>12,667</u>	<u>3,007</u>	<u>-</u>	<u>2,609</u>	<u>585,486</u>	<u>549,247</u>
Work in progress										
Balance, opening	34,196	6,909	-	-	7,173	637	-	-	48,915	28,555
Additions ¹	49,040	8,397	-	-	1,302	4	-	2,209	60,952	74,820
Transferred to cost of tangible capital assets	(49,988)	(8,841)	-	-	(8,216)	(641)	-	(2,209)	(69,895)	(54,460)
Balance, closing	<u>33,248</u>	<u>6,465</u>	<u>-</u>	<u>-</u>	<u>259</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,972</u>	<u>48,915</u>
Net Book Value	<u>\$ 625,480</u>	<u>\$ 85,670</u>	<u>\$ 41</u>	<u>\$ 936</u>	<u>\$ 18,195</u>	<u>\$ 1,011</u>	<u>\$ 327</u>	<u>\$ 14,468</u>	<u>\$ 746,128</u>	<u>\$ 719,118</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 \$12,588 (\$12,945 in 2019) in relation to the acquisition and construction of tangible capital assets that remain unpaid as at March 31, 2020 as well as an amount of \$666 (\$28 in 2019) 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, 2020
(in thousands of dollars)

	<u>2020</u>	<u>2019</u>
Generated revenues	\$ 22,511	\$ 18,517
Expenditures		
Social housing		
Approved Main Estimates	178,782	171,356
Operating portion of capital budget	7,884	7,653
Amortization expense	34,785	33,787
Debt repayment	(11,492)	(11,555)
Rent assessments	<u>2,541</u>	<u>2,334</u>
	212,500	203,575
Staff housing		
Approved Main Estimates	59,912	55,455
Operating portion of capital budget	215	360
Amortization expense	4,590	4,270
Principal portion of debt repayment	<u>(407)</u>	<u>(383)</u>
	64,310	59,702
Corporate administration		
Approved Main Estimates	18,331	17,926
Government of Nunavut services without charge	<u>1,900</u>	<u>1,900</u>
	20,231	19,826
Homeownership	4,616	4,616
Homelessness	-	150
Total PSAS adjusted expenditures budget	<u>301,657</u>	<u>287,869</u>
Net results of operations before government funding	<u>(279,146)</u>	<u>(269,352)</u>
Government funding		
Government of Nunavut		
Approved Main Estimates	211,265	201,096
Government of Nunavut capital budget	47,138	40,302
Services without charge	<u>1,900</u>	<u>1,900</u>
	49,038	42,202
Contribution from the Government of Nunavut	260,303	243,298
Canada Mortgage and Housing Corporation (CMHC)		
CMHC contribution	23,249	25,124
CMHC capital budget	31,727	43,984
CMHC portion of debt repayment	<u>(10,690)</u>	<u>(10,758)</u>
	21,037	33,226
Contribution from CMHC	44,286	58,350
Total PSAS adjusted government funding budget	<u>304,589</u>	<u>301,648</u>
Surplus	<u>\$ 25,443</u>	<u>\$ 32,296</u>

