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H O U S I N G I N F O C U S



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2001 **2002**

ANNUAL REPORT

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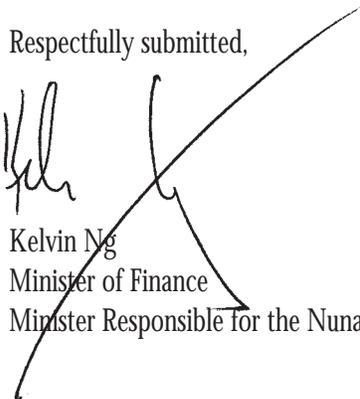
LETTER OF TRANSMITTAL

The Honourable Peter Irniq
Commissioner
Government of Nunavut

Dear Sir:

I have the honour of presenting the Annual Report for the Nunavut Housing Corporation, covering the period April 1, 2001 to March 31, 2002.

Respectfully submitted,



Kelvin Ng
Minister of Finance

Minister Responsible for the Nunavut Housing Corporation

DIRECTORATE OPERATIONS

Minister's Statement

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The conclusion of the Nunavut Housing Corporation's second year as a stand-alone entity gives us an opportunity to reflect on how far we have come since April 1, 2000. The pace of activity, advocacy and capacity-building has heightened measurably, bringing positive developments for housing in all of Nunavut's communities.

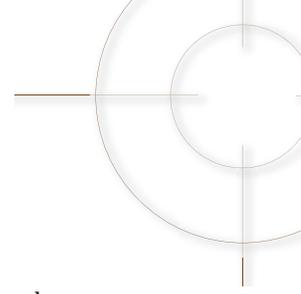
Guided by the principles of the Bathurst Mandate, and drawing from the recommendations of the Minister's Task Force on Housing, I look forward to new opportunities for intergovernmental dialogue and coordinated housing solutions. Through partnership, the Corporation can better focus its resources and energy toward made-in-Nunavut solutions.

From public housing to homeownership, we are committed to innovative programming that gives Nunavummiut access to safe, affordable and appropriate housing options. The accomplishments of 2001-2002 will be built on over the coming fiscal year, as the Corporation makes the most of opportunities to improve housing for Nunavummiut.



A handwritten signature in black ink, appearing to read 'Kelvin Ng', written over a large, thin, diagonal line that extends from the bottom left towards the top right.

Kelvin Ng
Minister Responsible for the
Nunavut Housing Corporation



President's Statement

The past year has been one of profound growth and opportunity for the Nunavut Housing Corporation. Staff have maximized resources to develop and deliver appropriate, effective housing programs and services to Nunavummiut.

During the 2001-2002 fiscal year, the Government of Nunavut and the Nunavut Housing Corporation's commitment to capacity building was supported with new construction in all Nunavut communities. At the same time, efforts to provide housing choice and accessibility continued. For example, increasing the maximum amount of downpayment assistance available for the purchase of a new home, and the development of a homeownership program for Public Housing tenants, were two key accomplishments.

In recent months, the Nunavut Housing Corporation has been working to revise the Public Housing rent scale, an initiative recommended in the Minister's Task Force Report on Housing. In close consultation with our community partners, the Local Housing Organizations, we are developing a made-in-Nunavut rent scale that is fair and easy to understand. A revised scale will be implemented in January 2003.

Another ongoing project involves preparations for the transfer of Staff Housing from the Department of Public Works and Services to the Corporation. Bringing this element *Under One Roof* together with the Public Housing and Homeownership portfolios will increase the efficiency and consistency of housing program delivery in Nunavut. These values are among those emphasized in the Government of Nunavut's guiding tool, the Bathurst Mandate, and Corporation staff have made every effort to ensure the past year's many activities reflect the principles of

this important document. As we look ahead to the challenges of the coming year, the Bathurst Mandate, the Minister's Task Force on Housing, and the expertise of our local partners will continue to inform our policy and program decisions.

In February 2002, the NHC co-hosted the first *Building Connections in Nunavut* (BCIN) event, a roundtable organized in partnership with the Canada Mortgage and Housing Corporation. BCIN is an ongoing initiative that provides stakeholders from the federal and territorial governments, as well as Inuit and community organizations with a forum to discuss cooperative solutions to housing related challenges in Nunavut. Many participants at February's meeting joined working groups that will proceed with action plans on key themes identified by the plenary. A follow-up event is already planned for September 2002, and the NHC will continue in its role on the Steering Committee and as an advocate for dialogue and partnership around Nunavut's housing crisis.

Dedicated staff and committed community partners have made possible many positive developments for housing in the territory over the past twelve months. I am pleased to present the results of their hard work and vision in this Annual Report for 2001-2002.



Pamela Hine
President

Corporate Overview

The Nunavut Housing Corporation (the Corporation) is a Public Agency of the Government of Nunavut (GN), created through the Nunavut Legislature by the *Northwest Territories Housing Corporation Act (Nunavut)*. As such an agency, the Corporation is at arms-length from the GN, and its operating boundaries are set out in Part IX of the *Financial Administration Act (FAA)*, the section of the FAA specifically devoted to Public Agencies.

The Corporation reports to the Legislative Assembly, Executive Committee and Nunavummiut through its President and the Minister responsible for the Nunavut Housing Corporation. This approach allows the Minister to maximize the effectiveness of the Corporation for the present and future benefit of Nunavummiut.

The advantages to a Crown Corporation are:

- The ability to enter into funding partnerships with others, principally the Canada Mortgage and Housing Corporation (CMHC). This means that Nunavut's transfer payments from the federal government are not affected by the funding the Corporation receives.
- The ability to carry over funds from one year to the next, ensuring that funds from all sources designated for housing initiatives remain dedicated to housing solutions.

- The stewardship of funds in the Capital and Operating and Maintenance pools, giving the Corporation full authority for the delivery of housing initiatives and to meet and exceed the housing needs of Nunavummiut.

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 Nunavummiut;
- Recognizing the contribution NHC 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;
- Building constructive relationships with other governments, agencies, departments, and both community and Aboriginal organizations.

Goals, Strategies and Targets

From the foundation of a Crown Corporation, continue the renewal that will create an organization committed to providing housing choice and access for all Nunavummiut

- Continue building capacity in the Corporation, concentrating on the complete staffing process – from hiring the right people, to providing the necessary tools for staff to succeed
- Move forward with the review of the Nunavut Housing Corporation Act to keep pace with the changing landscape of housing in Nunavut
- Consult with communities on a regular basis to ensure concerns are addressed when making revisions to housing programs
- Continue to take an IQ approach to staff training and professional development
- Collect housing data to shape and support housing strategy



- Begin the process of bringing Staff Housing programs and services *Under One Roof*
- Continue awareness (public relations) campaign to inform tenants and the general public about housing programs and services

Conduct Corporation business so as to leverage scarce dollars for the maximum benefit of Nunavummiut

- Review and refine the Public Housing rent scale in response to Recommendations #7 and #8 of the Minister's Task Force on Housing; proceed in close consultation with community partners, the Local Housing Organizations
- Continue liaison with the Department of Education, Income Support Division, to rationalize rents charged to Public Housing tenants
- Review and refine homeownership programs and delivery using data collected from the Nunavut Household Survey and in-house sources, in consultation with all stakeholders
- Implement new partnerships in the delivery of social housing programs, and continue to lobby federal government for more housing dollars
- Review seniors' and specialized housing issues with a view toward developing made-in-Nunavut solutions
- Continue to supply additional new Public Housing; renovate and revitalize the existing stock through targeted Modernization and Improvement programs

Create strategic linkages through participation on various committees and working groups at all levels of government, furthering the advancement and awareness of housing in Nunavut through partnership

- Move forward with dialogue on land leases and utility rates at the GN level to ensure the maximum use of limited dollars
- Continue to use the Housing Strategy Committee as the vehicle to bring a coordinated, interdepartmental approach to housing challenges
- Actively participate in all discussion groups and conferences that relate to housing in Nunavut, in particular, the *Building Connections in Nunavut* initiative
- Provide resources to and coordinate with community partners, the LHOs, who offer invaluable local perspectives and expertise

Policy & Planning

Assisting Corporation colleagues, community partners and Nunavummiut with coordinated housing strategies was the primary focus for Policy and

Planning during fiscal 2001-2002. With the principles of the Bathurst Mandate and the recommendations of the Minister's Task Force on Housing providing direction, the Division made significant progress on several key projects over the course of the year.

Assisting the Rental Housing Division with the development of a new public housing rent scale was an ongoing responsibility. Integrating feedback from Local Housing Organization staff and Board members, the Division worked with colleagues to craft draft documents that captured the concerns and intent of many stakeholders, while remaining consistent with the Corporation's overall mandate and objectives.

In addition, the Division provided policy support to the Homeownership team as they worked to develop a new Public Housing homeownership program, Tenant-to-Owner. Policy and Planning ensured the program's features fit with the long-term goals of the Corporation, in particular, the renewal and renovation of Public Housing units. Frequent liaison with the Minister's office on the new rent scale, the Tenant-to-Owner Program, and other ongoing projects was a key responsibility of the Division.

Communication with federal, territorial, local and other stakeholders also comprised a major area of activity for the Division. Policy and Planning exchanged information and raised awareness about Nunavut's housing challenges with multi-sectoral col-

leagues on fora as diverse as the GN's interdepartmental Housing Strategy Committee, Rural Team Nunavut, the Canadian Housing Renewal Association, the federal/provincial/territorial Rural and Remote working group, and the National Housing Research Committee.

A major achievement related to intergovernmental cooperation was the signing of the Affordable Housing Agreement in November 2001. The Policy and Planning Division worked diligently, in cooperation with the Corporation's Executive and with the Minister's office, to negotiate terms more favourable than a typical per-capita arrangement would have provided. Nunavut was one of the first Canadian jurisdictions to finalize its agreement with the federal housing authority, the Canada Mortgage and Housing Corporation, and \$4.96 million was secured for the territory. The full amount of funding will immediately be used next construction season to build 25 additional Public Housing units in various Nunavut communities.

Recognizing the importance of leveraging partnerships to generate housing-related resources and solutions for Nunavut, the Policy and Planning Division helped to initiate a multi-sectoral forum called Building Connections in Nunavut (BCIN) over the course of this fiscal year. In February 2002, participants attended the first BCIN event, an extraordinarily open and productive conference that sparked the creation of several working groups. These groups are



currently focusing their attention on various housing themes and action-plans, and will report back at future meetings. The BCIN initiative has garnered much interest as an effective mechanism to address Nunavut's specific challenges in ways that maximize resources and utilize Inuit Qaujimagatugangit.

Looking ahead to the next fiscal year, the Policy and Planning Division will continue its efforts to provide short- and long-term strategic support to Corporation colleagues as innovative housing solutions are put into place. In addition, the Division anticipates further fruitful dialogue with colleagues in other sectors, raising awareness of Nunavut's housing challenges and gathering the resources needed to effect positive change.

HEADQUARTERS OPERATIONS

Homeownership

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Nunavummiut require a range of housing options, and although the Nunavut Housing Corporation continues to focus on increasing Nunavut's supply of affordable rental housing units, the importance of homeownership initiatives remains high. Over the past year, the Corporation's Homeownership Division has continued to make the most of available resources, providing assistance to clients for home purchase, repair, renovation and construction.

In association with Canada Mortgage and Housing Corporation's (CMHC) Residential Rehabilitation Assistance Program (RRAP), the Nunavut Housing Corporation began delivering the Nunavut Home Renovation Program (HRP) in June 2001. Interest in this program, which offers eligible homeowners a forgivable loan of up to \$33,750 for the repair or renovation of their homes, has been very high: over 400 applications were received between June 2001 and April 2002. Due to the date of program rollout, and the summer sealift schedule, the number of homeowners assisted in this first year was 30. The majority of eligible applicants will receive funding in the coming fiscal year.

The existing Emergency Repair Program (ERP) was also an important source of assistance for 25 homeowners over the past year. In addition, the NHC delivered the Senior Citizen's Home Repair Program (SCHRP) to assist Nunavut's elders in making necessary repairs to their homes. Nine seniors were assisted in 2001-2002. Both ERP and SCHRP offer grants of up to \$15,000 to eligible clients, and are provided by the NHC in association with CMHC's RRAP.

2001-2002 saw the Nunavut Housing Corporation help 46 first-time homebuyers to purchase or build a home through the Nunavut Downpayment Assistance Program (NDAP). The amount of assistance available for new construction was increased from \$15,000 to \$25,000 in 2001-2002, a change that stimulated the creation of new housing units. The amount available for the purchase of an existing home remained the same at \$15,000.

During 2001-2002, the Nunavut Housing Corporation developed the Tenant-to-Owner Program (TOP). Applications will be accepted starting in September 2002. This innovative program gives Public Housing tenants who are ready to become homeowners the opportunity to purchase "their" unit. TOP is designed to make homeownership an affordable option. Monthly mortgage payments to the NHC will be based on income; if income changes, the monthly payment is adjusted

accordingly. For each unit sold under TOP, the community will receive a replacement Public Housing unit within three years. This is in keeping with the Corporation's commitment to maintaining and increasing community capacity.

Another achievement of the past year was the development of a new geared-to-income repayment scale for clients in the ACCESS Program. This initiative was prompted by the increasing costs to operate and maintain a home in Nunavut. The new scale will encourage existing ACCESS clients to remain homeowners by making monthly payments more affordable, and will come into effect September 1, 2002.

In the coming year, the NHC Homeownership Division will focus on examining and proposing additional options for homeownership programming, including initiatives to promote maintenance and safety for homeowners. In addition, staff will continue to explore and develop alternative homeownership programs and services to ensure Nunavummiut have access to a variety of housing options.

Rental Housing

During the 2001-2002 fiscal year, the Rental Housing Division continued to emphasize the importance of input from community partners, particularly the Local Housing Organizations, in the development of rental programs and services. Working with local people helps ensure that initiatives are relevant and focused on the needs of our stakeholders.

One of the key activities of the past year has been the ongoing development of a made-in-Nunavut Public Housing rent scale. This initiative is in response to Recommendations #7 and #8 of the Minister's Task Force on Housing. As the new rent scale will affect approximately 14,000 Nunavut resi-



dents, it was vital that community input be considered early in the revision process. To this end, our community partners, the Local Housing Organizations, were fully involved, with extensive feedback and suggestions for improvement requested of and received from LHO staff and Board of Directors volunteers.

The first outline of the revised rent scale was developed from feedback received at a March 2001 workshop in Rankin Inlet involving all LHOs. Rental Division staff worked over the spring and summer of 2001 to formulate a draft rent scale based on this information. This version was then refined by Corporation Program Managers and discussed in the fall with LHO Managers. A revised draft from that meeting was next circulated to all LHOs for comments. Further consultations were completed in the winter of 2001 as the proposal was prepared for further approvals. This process of revision and consultation was a methodical one that demonstrated the value of consensus, and will be continued in the coming year.

Another important area of activity for the Rental Housing Division was the revision of the database and formula used for insuring NHC multiplexes and some LHO buildings. Actual construction costs were compared to sample third party appraisals completed in Iqaluit. Recent global events have contributed to this emphasis on insurance issues. The Corporation is working closely with the Government of Nunavut's Risk Management professionals to minimize the costs of insurance premiums.

The past year has seen the use of rent scale databases to produce more relevant statistics about Public

Housing in Nunavut. This rent scale data was combined with waiting list estimates to help give a clear picture of the housing situation at the community level.

In terms of capacity building, 48 new Public Housing units were added to the existing stock. Capital funding enabled the NHC to build a minimum of one unit in every community. LHOs were asked what type of units their community preferred.

The Rental Housing Division looks back with pride on the accomplishments of 2001-2002, and anticipates a busy, productive upcoming fiscal year. In particular, the Rental team looks forward to the introduction of the new made-in-Nunavut rent scale, and is committed to continued cooperation and information-sharing with District Offices and community partners.

Design and Development

The NHC's Technical Division marked several key accomplishments over the past fiscal year. The Division is responsible for developing and monitoring territory-wide standards and regulations for affordable housing programs in accordance with the National Building Code (NBC) and prevailing municipal land use bylaws and regulations. Division staff successfully completed a formal training course on NBC requirements in 2001-2002. Taking advantage

of professional development opportunities ensures that the Technical Division is well-prepared to inform community partners about the latest building techniques and materials, and to provide advice, leadership and technical expertise.

In another effort to keep pace with prevailing industry practice, AutoCAD 2002 (Computer-Assisted Design) was installed in all Corporation offices. The addition of this powerful drafting tool is an important first step toward building an electronic library of all the Corporation's construction drawings.

Responding to Recommendation #11 of the Minister's Task Force on Housing, the Technical Division consulted with elders in Arviat to gain IQ input on housing design. Feedback from community members is essential in planning future housing design that will reflect the cultural and geographic realities of Nunavut. Housing design consultations are planned with elders in the Kitikmeot and Baffin regions during fiscal 2002-2003.

Over the past year, the Technical Division has continued to manage engineering services for the Corporation with efficiency, producing and reviewing engineering/construction drawings and specifications for a wide variety of projects.

Communication in fiscal 2001-2002 was essential as the Technical Division worked closely with District Offices to determine requirements for technical support in the delivery of capital and moderniza-

tion and improvement projects to communities. The Division's staff of four, in cooperation with District colleagues, worked diligently to ensure construction projects were delivered on time, within budget, and in accordance with requirements and standards.

The Technical Division anticipates a busy fiscal 2002-2003, and is poised to provide the high level of service and expertise that characterizes the Corporation's approach to housing provision in Nunavut.

Finance

The Finance Division is accountable for the complete management of the financial affairs of the Nunavut Housing Corporation (NHC), for safeguarding the Corporation's assets, preparing and issuing financial statements and management reports, maintaining internal financial controls and providing training and advice. It also provides advice to the Corporation's Executive on all financial matters and is accountable for the successful implementation of broad financial strategies adopted by the Corporation.

2001-2002 saw several key positions staffed: personnel joined the Corporation in the capacities of Chief Financial Officer; Manager, Financial Services; Budget and Financial Planning Officer; and, Mortgage & Investments Officer. Three positions remain vacant: Accounts Payable Clerk, Accounts Receivable Clerk, and Data Entry Clerk. Hiring for these vacancies will be done locally, and ongoing training is being provided to newly hired staff as they join the Division.

A major accomplishment of the 2001-2002 fiscal year was the design, development and implementation of the electronic financial system, "Freebalance." The transition from the existing system to the Freebalance system took place on April 1, 2002, and



the Finance team was able to provide consistent, ongoing support to District Finance staff as they learned to utilize the new platform for daily work.

Of particular note in 2001-2002 was the initiation of regular meetings between District Comptrollers and the Finance Division. The first such workshop was held in Arviat in January 2002. These meetings will provide Finance staff with a forum to discuss and find solutions to financial issues and challenges facing the Corporation in the future.

The accounting and financial services contract with the Northwest Territories Housing Corporation was renewed for 2002-2003 during the 2001-2002 fiscal year. This temporary arrangement is evaluated on an annual basis, and will remain in place until the NHC establishes the necessary structures and resources to handle comprehensive financial services independently. These services will be transferred to the Finance Division once staff vacancies are filled, and the team is ready to assume the different responsibilities of the accounting and financial function.

The Finance Division looks forward to team-building in the upcoming fiscal year, and is committed to providing a high level of financial service and accountability, both to Corporation colleagues and to Nunavummiut.

DISTRICT OPERATIONS

Baffin District

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During the 2001-2002 fiscal year, the Baffin District Office began preparations for the relocation of its office from Iqaluit to Cape Dorset. This move will take place in various stages during the 2002-2003 fiscal year. Despite staffing challenges, the Baffin District continued to provide comprehensive programs and financial assistance to community partners and clients in each of the 13 communities served.

The Nunavut Downpayment Assistance Program (NDAP) assisted 28 clients in becoming homeowners. Baffin District staff also worked with many existing homeowners to provide home repair assistance. A total of 20 clients were served under the Nunavut Home Repair Program (NHRP), the Senior Citizens' Home Repair Program (SCHRP) and the Emergency Repair Program (ERP). In total, approximately \$793,000 was allocated under the Corporation's homeownership assistance programs to clients throughout the Baffin District.

Under the Public Housing Construction Program, 30 additional housing units were built in Arctic Bay (four), Clyde River (five), Hall Beach (four), Igloolik (four), Kimmirut (four), Pond Inlet (five) and Sanikiluaq (four). An additional eight units received complete retrofits, and various Modernization and

Improvement projects were carried out on 543 Public Housing units throughout the District. Funding was also provided to replace one public housing unit that was completely destroyed by fire, and to repair seven other units damaged by fire. In Resolute Bay, a new office/warehouse facility was constructed for use by the Local Housing Organization. Capital expenditures for all Public Housing projects totaled approximately \$10.3 million.

The Baffin District also provided operating contributions totaling \$30.2 million to the 13 Local Housing Organizations throughout the District. Our community partners used these contributions to operate and maintain 1882 Public Housing rental units. In addition to the funding provided, District staff continued to consult with our representatives in each community to ensure existing policies and procedures were applied fairly and equitably to all Nunavummiut, and to seek valuable input regarding new housing initiatives.

Programs, financial, and technical staff at the Baffin District participated in a number of joint consultative and organizational efforts with Headquarters and Directorate staff over the course of the fiscal year. These efforts included discussions with LHO managers and Board members on the new Public Housing

rent scale, and testing the new Freebalance accounting system to identify problems and provide feedback.

The upcoming fiscal year will be one of transition and rebuilding, as the relocation to Cape Dorset takes place and new staff assume their roles in daily activities. The personal attention and professionalism that clients and Local Housing Organization partners have come to expect from the Baffin District will remain constants throughout the changes and challenges of the year ahead.

Kitikmeot District

The Kitikmeot District began the 2001-2002 year with some vacancies, but by March 2002, the District was fully staffed. Additional staff members enabled the District to carry out its activities with greater efficiency, improving upon an already-strong record of service to the District's five communities.

Kitikmeot clients met the introduction of the new Nunavut Home Repair Program (NHRP) in June 2001 with considerable interest. A total of eleven applicants received NHRP assistance, and six clients were offered funding for renovations or repairs under the existing Emergency Repair Program (ERP) and Senior Citizens' Home Repair Program (SCHR). In addition, seven first-time homebuyers in the Kitikmeot received assistance under the Nunavut Downpayment Assistance Program (NDAP) in 2001-2002. Kitikmeot Programs staff worked diligently to support homeowners as they proceeded through the application and approval process for these homeownership programs.

Technical staff were kept busy over the course of the year inspecting capital projects, including the construction of eight new Public Housing units in two communities: Kugaaruk (2 duplexes) and



Taloyoak (2 duplexes). In addition, the technical team assisted with a record number of Modernization and Improvement projects in all five communities.

Finance staff worked closely with their Headquarters colleagues to prepare for the transition to the new Freebalance accounting system. Kitikmeot staff provided considerable feedback and suggestions as the new system was tailored to fit the Corporation's needs.

For the upcoming fiscal year, Kitikmeot communities have elected to revert back to a two-year construction cycle. Materials for capital projects will be obtained in 2002 and stored over the winter. In 2003, the Kitikmeot District will tender the labour-only portion of the work. The District will then monitor the effects of this change, providing a cost-benefit analysis upon completion of construction.

Looking ahead to the upcoming year, Kitikmeot staff anticipate a busy and productive several months. The District is committed to continued liaison with community partners, as well as Corporation colleagues, to ensure all Nunavummiut benefit from housing programs and services over the coming year.

Kivalliq District

The Corporation's Kivalliq office worked diligently over the course of the 2001-2002 fiscal year to deliver housing services to the seven communities in the District. There were few staffing changes, and this stability helped District staff to provide consistent, quality service during a time of much activity and change for housing in the territory.

Significant construction and renovation projects were undertaken over the course of the past twelve months in all District communities. New public housing units were provided in Arviat (one duplex), Repulse Bay (two duplexes) and Coral Harbour (two duplexes); a duplex was also built in Chesterfield Inlet as a carry-over project from the previous year. In addition, Arviat received two fire replacement units, and a retrofit project was completed in both Arviat and Rankin Inlet.

Various Modernization and Improvement projects, collectively valued at over \$1.49 million, also kept the Kivalliq technical team busy in communities performing inspections and providing support and expertise when required.

In addition to providing the funding related to these capacity-building and renovation initiatives, the Kivalliq District transferred a total of \$17,849,040 to the seven Local Housing Organizations for the maintenance and operation of the social housing portfolio.

On the Homeownership side, a total of eleven clients received funding under either the Senior Citizen's Home Repair Program or the Emergency Repair Program. A combined total of \$42,000 was allocated through these programs, which provide an important source of funding for homeowners in need of repair and renovation assistance. A further eight clients received a collective total of \$199,000 under the new Nunavut Home Repair Program, which was introduced in June 2001. In addition, eleven new Kivalliq homeowners were served under the Nunavut Downpayment Assistance Program over the course of the 2001-2002 fiscal year.

An initiative of particular significance for the Kivalliq District was the construction of the Baker Lake Senior's Residence. A true example of multi-government partnership, the Nunavut Housing Corporation, the Canada Mortgage and Housing Corporation, and the Hamlet of Baker Lake cooperated to fund the construction of a senior's complex as a one-time pilot project. The NHC contributed a total of \$760,000 to the initiative, which maximized economic development and training at the community level.

The Kivalliq District again emphasized the importance of liaison with community partners during the 2001-2002 fiscal year. Practical training sessions on the Maintenance Management Operating System were conducted with Local Housing Organization staff in several communities. During frequent community visits, computer equipment requirements and professional development goals were identified for future planning purposes. As well, District staff continued to support the Kivalliq's Local Housing Organizations with Board of Directors' training, and participated alongside LHO staff at workshops to develop the new Public Housing rent scale.

The Kivalliq District looks forward to meeting the challenges of the coming fiscal year in close cooperation with its community partners, and will continue its efforts to provide the highest level of service to Nunavummiut.

Contributions for Social Housing For fiscal year ended March 31, 2002

	KITIKMEOT	KIVALLIQ	BAFFIN	2002 TOTAL
Revenue				
Rental Assessments	1,145	1,695	3,308	6,148
Doubtful Accounts	-302	-50	-293	-645
Miscellaneous Income	84	133	343	560
Total Revenue	926	1,778	3,359	6,063
Expenditures				
Administration	1,351	1,745	3,604	6,700
Honorariums	36	75	133	244
Leasing	1,142	2,003	3,743	6,888
Maintenance and Repairs	3,349	4,673	6,942	14,964
Power	2,376	2,872	5,052	10,300
Fuel	1,979	2,883	3,832	8,693
Water and Sanitation	4,616	5,636	9,212	19,464
Taxes	160	298	1,230	1,687
Total Expenditures	15,009	20,183	33,748	68,941
Deficiency of Revenue over Expenditures	14,083	18,405	30,389	62,878
Deficits paid by Local Housing Organizations	-135	-293	-560	-988
Surpluses retained by Local Housing Organization	58	170	67	295
Total Local Housing Organization's Contribution	14,006	18,282	29,896	62,185
Contributions to Sponsor Groups	0	129	325	454
Total Contributions for Social Housing (Note below)	14,006	18,411	30,221	62,639

Note - The above amount indicated for contributions for social housing differs from the amount shown on the Corporation's financial statements (Statement of Operations) due to the required accounting treatment of capital leases and warehouse leases for financial statement purposes.

Local Housing Organization Write-Offs For the year 2002

COMMUNITY	CLIENT	AMOUNT (\$)
Arctic Bay	Carson Akumalik	997.00
Arctic Bay	Luc Chouinard	1,158.00
Arctic Bay	Kigutikakjuk Muckpa	1,769.00
Arctic Bay	Sarah Nagmalik	2,761.00
Arctic Bay	Timothy Sangoya	3,798.00
Coral Harbour	E. Nakoolak (deceased)	975.00
Igloolik	Emile Immaroittok	4,144.00
Igloolik	Rene Otak	1,925.00
Igloolik	Juhn Uttak	1,223.00
Iqaluit	P. Aoudla	782.00
Iqaluit	Siarnaq Atagootak	4,343.64
Iqaluit	Johnny Bou	3,512.13
Iqaluit	O. Henderson	7,418.41
Iqaluit	Kootoo Kanayuk	1,148.76
Iqaluit	M. Kilabuk	1,212.60
Iqaluit	M. Kilabuk & Lisa Atnalisik	1,442.60
Iqaluit	Kilabuk Korgak	5,101.10
Iqaluit	A. Newkinga	1,132.00
Iqaluit	D. Okpakan	1,631.10
Iqaluit	O. Peter	1,504.30
Iqaluit	T. Sagook	12,023.00
Iqaluit	P. Sikkinerk	9,984.30
Kugluktuk	Andy Atatahak	588
Kugluktuk	Steven Ayalik	1367
Kugluktuk	Alfie Ivarlok	736
Kugluktuk	Harry Talgetok	1457
Pangirtung	Elijah Akpalialuk	1,618.00
Tasiurqtit	T. Thompson (deceased)	614.00
GRAND TOTAL		76,365.94

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING	60
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Management's Responsibility For Financial Reporting

To the Honourable Kelvin Ng
Minister Responsible for the
Nunavut Housing Corporation

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The accompanying financial statements have been prepared by management, which is responsible for the reliability, integrity and objectivity of the information provided. The statements have been prepared in accordance with generally accepted accounting principles in Canada. Where necessary the statements include amounts that are based on informed judgements and estimates by management, giving appropriate consideration to reasonable limits of materiality.

In discharging its responsibilities for the integrity and fairness of the financial statements and for the accounting systems from which they are derived, management maintains the necessary system of internal controls designed to provide assurance that transactions are authorized, assets are safeguarded and proper records are maintained. These controls include quality standards in hiring and training employees, written policies and procedures manuals, and accountability for performance within appropriate and well-defined areas of responsibility. 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 Crown Corporation.

The independent auditor, the Auditor General of Canada, is responsible for auditing the financial statements of the Corporation and for issuing her report thereon.



Pamela J. Hine
President



Maria Venida, CGA
Chief Financial Officer

Iqaluit
July 19, 2002

Auditor's Report



AUDITOR GENERAL OF CANADA

VÉRIFICATEUR GÉNÉRAL DU CANADA

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To the Minister of the Nunavut Housing Corporation

I have audited the balance sheet of the Nunavut Housing Corporation as at March 31, 2002 and the statements of operations, deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the Corporation, and the financial statements are in agreement therewith and the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part IX of the *Financial Administration Act* and regulations and the *Nunavut Housing Corporation Act* and regulations.

A handwritten signature in black ink, appearing to read "Roger Simpson".

Roger Simpson, CA
Principal
for the Auditor General of Canada

Edmonton, Canada
July 19, 2002

Balance Sheet as at March 31, 2002

	2002	2001
	\$ '000	\$ '000
ASSETS		
Current		
Cash	\$ 2,480	\$ 2,003
Short-term investments (Note 3)	19,180	15,735
Accounts receivable (Note 4)	2,528	6,208
	<u>24,188</u>	<u>23,946</u>
Investment in housing projects		
Land and buildings (Note 5a)	294,170	298,103
Mortgages receivable (Note 5b)	6,608	7,925
Net investment in lease	438	440
	<u>301,216</u>	<u>306,468</u>
Property and equipment (Note 6)	5,637	5,159
	<u>\$ 331,041</u>	<u>\$ 335,573</u>
LIABILITIES		
Current		
Accounts payable (Note 7)	\$ 11,313	\$ 9,390
Due to the Government of Nunavut (Note 8)	242	518
Capital contributions advanced (Note 9)	674	2,842
Current portion of long-term debt and capital leases	8,468	7,676
	<u>20,697</u>	<u>20,426</u>
Long-term debt (Note 10)	196,177	203,152
Deferred capital contributions (Note 11)	105,253	96,774
Obligation under capital leases (Note 12)	30,695	32,188
Employee future benefits	173	221
	<u>352,995</u>	<u>352,761</u>
EQUITY		
Accumulated Deficit	(21,954)	(17,188)
	<u>\$ 331,041</u>	<u>\$ 335,573</u>

Contingencies and commitments (Notes 17 and 18)
Approved by Management:

Pamela Hine
President



Maria Venida, CGA
Chief Financial Officer



The accompanying notes form an integral part of the financial statements.

Statement of Operations For the year ended March 31, 2002

	2002	2001
	\$ '000	\$ '000
EXPENSES		
Rental housing programs		
Contributions for social housing	\$ 57,602	\$ 55,326
Interest on long-term debt	24,595	25,290
Amortization	14,227	14,164
Repairs, maintenance and other costs	4,972	3,632
Amortization – leased assets	2,424	2,424
Homeownership programs		
Homeownership grants and contributions	1,632	2,138
Provision for impaired mortgages	1,584	1,442
Administration (Note 16)	7,154	6,327
	<u>114,190</u>	<u>110,743</u>
REVENUES AND RECOVERIES		
Subsidy recoveries	1,019	609
Other revenue and recoveries	626	440
Mortgage interest revenue	605	688
Investment revenue	560	1,214
Recovery of prior year's grants	22	166
Gain/(loss) on disposal of land and buildings	(49)	489
	<u>2,783</u>	<u>3,606</u>
Net cost of operations prior to government contributions	<u>111,407</u>	<u>107,137</u>
GOVERNMENT CONTRIBUTIONS		
Government of Nunavut	42,597	37,175
Canada Mortgage and Housing Corporation (Note 15)	57,917	57,963
Amortization of deferred capital contributions	6,087	5,708
	<u>106,601</u>	<u>100,846</u>
Net cost of operations	<u>\$ 4,806</u>	<u>\$ 6,291</u>

The accompanying notes form an integral part of the financial statements.

Statement of Deficit For the year ended March 31, 2002

	2002	2001
	\$ '000	\$ '000
Accumulated deficit at beginning of year	\$ (17,188)	\$ (12,127)
Transfer from inventory to depreciable capital assets	(635)	-
Net cost of operations	(4,806)	(6,291)
	<u>(22,629)</u>	<u>(18,418)</u>
 CONTRIBUTIONS FROM THE GOVERNMENT OF NUNAVUT		
Acquisition of non-depreciable capital assets	147	736
Contributions provided for long-term debt principal repayment	528	494
	675	1,230
Accumulated deficit at end of year	<u>\$ (21,954)</u>	<u>\$ (17,188)</u>

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The accompanying notes form an integral part of the financial statements.

Statement of Cash Flows For the year ended March 31, 2002

	2002	2001
	\$ '000	\$ '000
CASH FLOW FROM OPERATING ACTIVITIES		
Cash received from:		
Government of Nunavut (GN)	\$ 45,976	\$ 32,495
Canada Mortgage and Housing Corporation (CMHC)	52,841	53,300
Miscellaneous revenue and recoveries	1,796	2,854
	<u>100,613</u>	<u>88,649</u>
Cash used for:		
Contributions for social housing	56,479	55,639
Interest on long term debt	24,616	25,310
Administration	7,146	6,031
Repairs, maintenance & other costs	5,135	3,633
Homeownership grants and contributions	1,632	1,131
	<u>95,008</u>	<u>91,744</u>
Net cash provided by (used for) operating activities	<u>5,605</u>	<u>(3,095)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Contribution from GN for capital assets	14,000	21,246
Contribution from CMHC for loan repayment	5,119	4,618
Repayment of long term debt and capital lease	(7,676)	(6,989)
Net cash provided by financing activities	<u>11,443</u>	<u>18,875</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Capital assets purchased	(14,559)	(16,500)
Mortgage payments received	1,052	855
Sale of capital assets	381	1,845
Short-term investments purchased	(7,476)	(12,851)
Short-term investments redeemed	4,031	12,509
Net cash used for investing activities	<u>(16,571)</u>	<u>(14,142)</u>
Net increase in cash	477	1,638
Cash, beginning of year	2,003	365
Cash, end of year	<u>\$ 2,480</u>	<u>\$ 2,003</u>

The accompanying notes form an integral part of the financial statements.

Notes to Financial Statements March 31, 2002

1. PURPOSE OF THE ORGANIZATION

The Nunavut Housing Corporation, established under the *Nunavut Housing Corporation Act*, is a Territorial Crown Corporation. The Corporation is exempt from income tax but is subject to Goods and Services Tax.

The Corporation is committed to working in partnership with communities and to provide opportunities for communities to become accountable for their own choices and delivery of housing programs. Through this partnership, opportunities are provided to all 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 public housing programs in the Nunavut Territory.

Pursuant to provisions of 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 financial statements are prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are as follows:

Revenue recognition

Government contributions provided through the GN Department of the Executive, are restricted in nature, subject to the provisions of Section 20 of the *Nunavut Housing Corporation Act* and Part IX of the *Financial Administration Act*. Accordingly, contributions from the government are recognized as revenue in the year in which the related expenses are incurred.

Contributions and recoveries from the government for operations, grants and contributions to homeowners, repairs, maintenance and other costs are credited to operations, except for those amounts provided for long-term debt principal repayments, which are credited to accumulated deficit. Contributions from the government for depreciable capital assets are recorded as deferred capital contributions on the balance sheet and are amortized on the same basis and over the same periods as the related capital assets. Contributions for non-depreciable capital expenses are credited to accumulated deficit.

Federal contributions, which are provided by Canada Mortgage and Housing Corporation (CMHC), are restricted in accordance with provisions in the Social Housing Agreement executed by the Corporation and CMHC. Accordingly, federal contributions are recognized as revenue in the year in which the related expenses are incurred.

Federal contributions for the repayment of loans towards the purchase of capital assets approximates the annual amortization expense of these assets and is recognized in the year received.

Finance income related to the direct financing lease is recognized in a manner that produces a constant rate of return on the investment in the lease. The investment in the lease for purposes of income recognition is composed of net minimum lease payments less unearned finance income.

Notes to Financial Statements March 31, 2002

Investment in housing projects - land and buildings

Land and buildings constructed or purchased by the Corporation for the rental portfolio or carried in inventory are stated at cost. Buildings transferred to the Nunavut Housing Corporation from CMHC are stated at CMHC's book value effective April 1, 1999. This is considered a reasonable estimation of cost. Construction in progress includes amounts which may be transferred to land and building for rental and are carried at cost. It also includes amounts that may be transferred to homeowners and a mortgage taken back against the property. These properties are carried at their estimated realizable value.

Amortization is provided using the following methods and annual rates. The provisions for amortization begin in the year the building is completed or transferred in and are taken for the full year.

Social housing, senior citizen's housing, lease/purchase housing and staff housing	Declining	5 %
Northern rental housing	Straight-line	5 %

Inventoried units are not amortized as these units are expected to turn over within the current period.

Public and senior citizens' 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. In such cases, the cost of the asset is determined by the discounted net present value of the minimum lease payments and is amortized using the straight-line method over the lease term. Obligations recorded under capital leases are reduced by rental payments net of imputed interest and executory costs. Interest expense is included in interest on long-term debt.

Investment in housing projects - mortgages receivable

a) Mortgage subsidy

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 year the mortgage is approved and are recorded as mortgage subsidy.

Accordingly, the mortgage receivable balance represents the present value of the expected future unsubsidized payments from the mortgagees, prior to an allowance for impairment.

Subsequent changes to the amount of the subsidy provided, resulting from change in income of the mortgagee, are recognized in the year the changes occur.

b) Allowance for impaired mortgages

Mortgages are considered impaired when a 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 recorded value of the mortgage to its estimated realizable value based on the present value of expected payments.

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

Mortgage interest revenue

Interest income on mortgages is recorded on the accrual basis. When a mortgage becomes impaired, recognition of interest ceases. Thereafter, interest income is recognized on a cash basis, but only after prior write-offs arising from credit losses and the allowance for impairment has been recovered.

Notes to Financial Statements March 31, 2002

Property and equipment

Property and equipment are stated at cost. Amortization is provided using the following methods and annual rates:

Office furniture and equipment	Declining balance	20 %
Warehouses, office buildings and staff housing	Declining balance	5 %

Leasehold improvements are amortized on a straight-line basis over the term of the leases.

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Contributions for social housing

Housing units owned by the Corporation are operated by local housing associations, authorities and municipalities. The Corporation provides contributions for the annual operating requirements of these local housing organizations, net of rent revenues collected. These contributions are recorded on an accrual basis by the Corporation.

Employee future benefits

Pension benefits

Employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The Corporation's contribution to the plan reflects the full cost of the employer contributions. This amount is currently based on a multiple of the employee's required contributions, and may change from time to time depending on the experience of the Plan. These contributions represent the total pension obligations of the Corporation and are charged to operations on a current basis. The Corporation is not currently required to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

Non-pension benefits

The Corporation is required to recognize certain non-pension post-employment benefits over the periods which employees render services to the Corporation. Employees are entitled to specified benefits on termination as provided for under conditions of employment, through a severance benefit plan. The Corporation recognizes the cost of future severance benefits over the periods in which the employees render services to the entity and the liability for these benefits is recorded in the accounts as the benefits accrue to employees.

Notes to Financial Statements March 31, 2002

Measurement uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires the Corporation to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenditures reported in the financial statements. By their nature, these estimates are subject to measurement uncertainty. The effect on the financial statements of changes to such estimates and assumptions in future periods could be significant, although, at the time of preparation of these statements, the Corporation believes the estimates and assumptions to be reasonable. Some of the more significant management estimates relate to: valuation of social housing including buildings under capital lease; valuation of allowances for mortgages receivable and of mortgage subsidies; and the costs of administering social housing programs for the Canada Mortgage and Housing Corporation.

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3. SHORT-TERM INVESTMENTS

The Corporation invests in the short-term money market at fixed rates. The portfolio yield during the year ended March 31, 2002 ranged from 1.80% to 6.10% (2001 – 4.25% to 5.58%). All instruments held in short-term investments have an R1-L rating or higher from the Dominion Bond Rating Service. Investments are limited to a maximum of 10% to 50% of the total portfolio and a maximum dollar value of \$10 million depending on the issuer of the investment. There is no significant concentration in any one investment counterparty. The average term to maturity is 80 days (2001 - 34 days).

4. ACCOUNTS RECEIVABLE

	2002	2001
	\$ '000	\$ '000
Accounts receivable	\$ 1,624	\$ 1,455
Receivables from related parties		
Canada Mortgage and Housing Corporation	26	69
Local Housing Organizations	547	762
Government of Nunavut	331	3,922
	<u>\$ 2,528</u>	<u>\$ 6,208</u>

5. INVESTMENT IN HOUSING PROJECTS

a) Land and buildings

	2002			2001	
		\$ '000			\$ '000
	COST	ACCUMULATED AMORTIZATION		NET	NET
Land	\$ 260	\$ -	\$ 260	\$ 260	260
Housing for sale	638	-	638	1,473	1,473
Social housing	392,196	137,092	255,104	254,675	254,675
Social housing under capital lease	34,817	4,847	29,970	32,393	32,393
Lease/Purchase housing	10,614	3,078	7,536	8,420	8,420
Staff housing	528	37	491	68	68
Construction in progress	171	-	171	814	814
	<u>\$ 439,224</u>	<u>\$ 145,054</u>	<u>\$ 294,170</u>	<u>\$ 298,103</u>	<u>\$ 298,103</u>

Notes to Financial Statements March 31, 2002

b) Mortgages receivable

	2002	2001
	\$ '000	\$ '000
Mortgages bearing interest at rates varying between 6.00% and 14.25% per annum, repayable over a maximum period of 25 years	\$ 13,443	\$ 13,391
Less: allowance for impaired mortgages	(6,835)	(5,466)
	<u>6,608</u>	<u>7,925</u>
Interim financing loans bearing interest at rates varying between 8.95% and 10.5% per annum, repayable over a maximum period of 5 years	262	323
Less: allowance for impaired loans	(262)	(323)
	<u>-</u>	<u>-</u>
	<u>\$ 6,608</u>	<u>\$ 7,925</u>

The recorded value of those mortgages specifically identified as being impaired is \$7,097,000 (2001 - \$5,789,000).

The breakdown of the maturity of the Corporation's performing mortgage receivables is as follows:

	INTEREST RATE RANGE	AMOUNT
		\$ '000
2003	10%	\$ 8
2004	10%	5
2005	9.9% - 11.25%	9
2006	-	-
2007	-	-
2008-2012	7.2% - 10.75%	3,495
2013-2017	6.7% - 8.875%	3,091
Total		<u>\$ 6,608</u>

Notes to Financial Statements March 31, 2002

6. PROPERTY AND EQUIPMENT

	2002		2001	
	\$ '000		\$ '000	
	COST	ACCUMULATED AMORTIZATION	NET	NET
Warehouses and offices	\$ 9,598	\$ 4,297	\$ 5,301	\$ 4,935
Office furniture and equipment	652	326	326	213
Staff housing	531	531	-	-
Leasehold improvements	12	2	10	11
	<u>\$ 10,793</u>	<u>\$ 5,156</u>	<u>\$ 5,637</u>	<u>\$ 5,159</u>

7. ACCOUNTS PAYABLE

	2002	2001
	\$ '000	\$ '000
Trade payables	\$ 3,346	\$ 3,828
Accrued interest	967	988
Employee leave benefits	295	238
Payables to related parties		
Government of Nunavut	2,768	1,307
Local Housing Organizations	3,937	3,029
	<u>\$ 11,313</u>	<u>\$ 9,390</u>

8. DUE TO THE GOVERNMENT OF NUNAVUT

	2002	2001
	\$ '000	\$ '000
Balance at beginning of the year	\$ 518	\$ 373
Operating contributions	40,758	37,994
Contributions provided for long-term debt principal repayments	(528)	(494)
Capital contributions used for repairs, maintenance, grants and other costs	2,091	(180)
	<u>42,839</u>	<u>37,693</u>
Cost of operations funded by GN	42,597	37,175
Balance at end of year	<u>\$ 242</u>	<u>\$ 518</u>

The Government of Nunavut makes advances to the Corporation for funding operations and principal repayments of long-term debt. Approved contributions recorded in the financial statements are dependent upon actual expenses incurred for the year. Amounts advanced in excess of the actual expenses are due to the Government of Nunavut at year-end and are carried forward as a non-interest-bearing advance for the following year.

Notes to Financial Statements March 31, 2002

9. CAPITAL CONTRIBUTIONS ADVANCED

	2002	2001
	\$ '000	\$ '000
Balance at beginning of the year	\$ 2,842	\$ 277
Capital contributions received	14,000	21,066
	<u>16,842</u>	<u>21,343</u>
Capital acquisitions	14,077	18,681
Capital contributions used for repairs, maintenance, grants and other costs	2,091	(180)
	<u>16,168</u>	<u>18,501</u>
Balance at end of the year	<u>\$ 674</u>	<u>\$ 2,842</u>

The Government of Nunavut makes advances to the Corporation for capital acquisitions and for repairs, maintenance, grants and other costs. Approved contributions recorded in the financial statements are dependent upon actual acquisitions and costs incurred for the year. Any amounts advanced in excess of actual acquisitions and costs at year-end, are carried forward as a non-interest-bearing advance for the following year.

10. LONG-TERM DEBT

	2002	2001
	\$ '000	\$ '000
Loans payable to Canada Mortgage and Housing Corporation, repayable in annual installments until the year 2033, bearing interest of 6.97% (2001 - 6.97%). The loans are guaranteed by the Government of Nunavut.	\$ 54,544	\$ 55,733
Mortgages payable to Canada Mortgage and Housing Corporation for units transferred under the new Social Housing Agreement, maturing between the years 2003 2038, at interest rates ranging from 4.5% to 21.5% (2001 - 4.5% to 21.5%).	148,608	153,727
	<u>203,152</u>	<u>209,460</u>
Portion included in current liabilities	6,975	6,308
	<u>\$ 196,177</u>	<u>\$ 203,152</u>

Notes to Financial Statements March 31, 2002

Principal repayments and interest requirements over the next five years and beyond on outstanding loans are as follows:

	PRINCIPAL	INTEREST	TOTAL
	\$ '000	\$ '000	\$ '000
2003	\$ 6,975	\$ 21,029	\$ 28,004
2004	7,699	20,305	28,004
2005	8,555	19,449	28,004
2006	9,456	18,548	28,004
2007	10,445	17,528	27,973
2008-2012	53,043	70,718	123,761
2013-2038	106,979	159,408	266,387

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11. DEFERRED CAPITAL CONTRIBUTIONS – GOVERNMENT OF NUNAVUT

	2002	2001
	\$ '000	\$ '000
Balance, beginning of year	\$ 96,774	\$ 84,538
Contribution for depreciable capital assets	14,566	17,944
Amortization of deferred capital contributions	(6,087)	(5,708)
Balance, end of year	\$ 105,253	\$ 96,774

12. OBLIGATION UNDER CAPITAL LEASES

The Nunavut Housing Corporation is committed, in aggregate, to payments of \$5,559,000 per annum for 42 lease agreements for housing units that were initiated to support the Public Housing and Senior Citizens' Rent Supplement Programs. These lease agreements are based on implicit interest rates varying from 6.85% to 10.75% and expiry dates ranging from 2013 to 2018. 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
	\$ '000	\$ '000	\$ '000	\$ '000
Current				
2003	\$ 5,559	\$ 1,220	\$ 2,846	\$ 1,493
Long term				
2004	5,559	1,220	2,715	1,624
2005	5,559	1,220	2,553	1,786
2006	5,559	1,220	2,395	1,944
2007	5,559	1,220	2,215	2,124
2008-2018	41,191	9,045	8,929	23,217
	63,427	13,925	18,807	30,695
Total	\$ 68,986	\$ 15,145	\$ 21,653	\$ 32,188

Notes to Financial Statements March 31, 2002

13. EMPLOYEE FUTURE BENEFITS

Pension benefit

During the years the Public Service Superannuation Plan (PSSA) required the Corporation to contribute to the PSSA at a rate of 2.14 times the employees' contributions. Corporation contributions to the PSSA during the year were approximately \$211,000 (2001 - \$324,000).

14. FINANCIAL INSTRUMENTS

a) Fair Value

The fair value of the Corporation's financial instruments is estimated as follows:

	2002		2001	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Financial Assets:				
Cash	\$ 2,480	\$ 2,480	\$ 2,003	\$ 2,003
Short-term investments	19,180	19,180	15,735	15,735
Accounts receivable	2,528	2,528	6,208	6,208
Mortgages receivable	6,608	6,608	7,925	7,925
	\$ 30,796	\$ 30,796	\$ 31,871	\$ 31,871
Financial Liabilities:				
Accounts payable	\$ 11,313	\$ 11,313	\$ 9,390	\$ 9,390
Obligation under capital leases	32,188	32,188	33,556	33,556
Loans payable	54,544	56,209	55,733	60,124
Mortgages payable	148,608	213,857	153,727	230,384
	\$ 246,653	\$ 313,567	\$ 252,406	\$ 333,454

The carrying amounts of mortgages receivable should not be interpreted as the realizable value on immediate settlement of these mortgages due to the uncertainty associated with such a settlement.

The fair value of loans and mortgages payable is based on an estimation of the market value of the debt. This is determined by applying the current yield for debt with a similar maturity date issued by the province of Newfoundland and Labrador and applying this yield to the Corporation's debt. This approach is used because the Government of Nunavut does not issue debt.

Notes to Financial Statements March 31, 2002

b) Credit Risk

Accounts receivable consists primarily of amounts due from GN, CMHC, LHOs and federal Goods and Services Tax rebates, which in aggregate represent 87% (2001 – 92%) of balances outstanding.

Credit risk arises from the possibility that clients might be unable to fulfill their obligation under 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 Local Housing Organizations.

Loan guarantees provided by the Corporation are in respect of loans advanced to individual homeowners and contractors throughout the Territory. Guaranteed loans mature at various dates to the year 2023. Losses relating to loan defaults are not significant to the Corporation's 2002 operations.

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15. CONTRIBUTIONS FROM CANADA MORTGAGE AND HOUSING CORPORATION

RECOVERIES IN RESPECT OF:	2002	2001
	\$ '000	\$ '000
Operations and maintenance		
Contributions for social housing including interest expense	\$ 53,627	\$ 53,634
Repairs, maintenance, grants and other costs	4,290	4,329
	<u>\$ 57,917</u>	<u>\$ 57,963</u>

Under the terms of The Social Housing Agreement signed with Canada Mortgage and Housing Corporation (CMHC), the Corporation assumes full responsibility and liability for the management and administration of the programs specified in the Agreement, including some programs that were previously managed unilaterally by CMHC. In return for assuming these responsibilities and managing the programs in accordance with the Agreement, the Corporation will receive annual funding over the term of the Agreement which expires on March 31, 2038.

CMHC's ownership interest in the rental and loan portfolio affected by the Agreement is transferred to NHC as Trustee, in accordance with a Declaration of Trust Agreement signed by both parties. Over the term of the Agreement, NHC shall pay CMHC monthly and quarterly installments of principal and interest in return for CMHC's share of the book values of the respective assets. The obligation related to these assets has been accrued in long-term debt as at March 31, 2002 (Note 10). Consistent with previous agreements, the Corporation shall pay CMHC for its respective share of any gains realized upon the disposal of any assets that CMHC has an ownership interest.

16. ADMINISTRATION EXPENSES

	2002	2001
	\$ '000	\$ '000
Salaries and benefits	\$ 4,502	\$ 3,808
Professional and special services	1,123	988
Travel and relocation	1,014	951
Materials and supplies	122	82
Workshops and studies	115	197
Communications	82	58
Computer services	72	49
Building and equipment rentals	43	32
Miscellaneous	42	43
Land title fees and expenses	39	119
	<u>\$ 7,154</u>	<u>\$ 6,327</u>

Notes to Financial Statements March 31, 2002

17. CONTINGENCIES

The Corporation provided guarantees to lenders financing certain new or renovated residential housing construction. As at March 31, 2002 a total of 4 (2001 - 5) loan guarantees were in effect, and the outstanding balance of loans guaranteed was \$515,000 (2001 - \$572,000).

Under the terms of the Social Housing Agreement with CMHC, 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 value of these third party loans is approximately \$4,402,000 as at March 31, 2002 (2001 - \$4,519,000).

18. COMMITMENTS

The Corporation leases office space and public housing units and is committed to basic rental payments over the next five years. 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:

	<u>TOTAL</u>
	\$ '000
2003	\$ 1,238
2004	1,322
2005	1,322
2006	1,282
2007	952

19. RELATED PARTY TRANSACTIONS

The Corporation's relationship with the various local housing organizations (authorities, associations, and hamlets) is as a "partner" in the delivery of social housing, as provided under individual management agreements. The housing authorities are incorporated under the *Nunavut Housing Corporation Act* and the Minister responsible for the Corporation appoints the members.

The Corporation funds the operating costs of the local housing organizations based on a funding formula. In addition the local housing organizations complete Modernization & Improvement projects on various social housing units, as approved and funded by the Corporation.

The Corporation is also related in terms of common ownership to all Government of Nunavut created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business.

Notes to Financial Statements March 31, 2002

20. SUBSEQUENT EVENT

The Corporation is taking over the responsibility for staff housing from the Government of Nunavut effective April 1, 2002. The Government will be transferring approximately \$33,500,000 annually to the Corporation to fund staff housing operations. The staff housing assets will also be transferred to the Corporation at a value that is yet to be determined.

21. COMPARATIVE FIGURES

Certain of the 2001 comparative figures have been reclassified to conform to the current year presentation.

