

ANNUAL
2007
2008
REPORT



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CONSTRUCTING HOMES AND BUILDING A WORKFORCE.



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

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Letter of Transmittal

The Honourable Ann Hanson
Commissioner
Government of Nunavut

Dear Madam:

I have the honour of presenting the Annual Report for the Nunavut Housing Corporation, covering the period April 1, 2007 to March 31, 2008.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Hunter Tootoo", is positioned above the printed name.

Hunter Tootoo
Minister responsible for the Nunavut Housing Corporation

Minister's Message

The Nunavut Housing Corporation was very busy in its second year of constructing affordable housing in Nunavut under the \$200 million federal government's Northern Housing Trust (NHT). We are on target to construct 725 units which we committed to build via the NHT. The Corporation continues to investigate ways to improve economic development by unbundling the material supply components and having marshalling as a separate contract, which we believe provides Nunavut businesses with greater opportunity to compete for the tenders.

Other objectives of the Housing Trust Delivery Strategy are also being met. The number of registered apprentices continues to increase as pre-trades training is offered in more communities by Nunavut Arctic College. The goal of 60% Inuit involvement on the Housing Trust payroll is being achieved in most communities.

The Corporation has started to implement some of the recommendations presented in the performance audit prepared by the Office of the Auditor General and looks forward to the opportunity of discussing progress with the Standing Committee.

The Corporation has looked for opportunities to assist more Nunavummiut to become homeowners and to upgrade and repair their homes. As approved by Cabinet, the Northern Allowance, or similar allowances provided by employers, is no longer considered as income for the purpose of eligibility for most of the Corporation's programs.

The Corporation continues to lobby for additional investment for housing in Nunavut. After the last of the Housing Trust units are delivered during the summer of 2009, new funding must be identified to not only address the overcrowding in Public Housing, but to ensure the continuation of training and apprenticeship programs.

The Corporation is committed to providing safe and affordable housing to Nunavummiut.

Sincerely,



Hon. Hunter Tootoo
Minister responsible for the Nunavut Housing Corporation

President's Message

The \$200 million Northern Housing Trust continues to be both challenging and exciting for the Corporation and the Corporation's staff. We are confident that we will still meet our original target of 725 new affordable housing units across Nunavut at the end of this funding.

The challenges we encounter with hiring staff to fill vacant positions has not distracted from the Corporation's abilities to conduct its day to day business. Despite these ongoing concerns, we continue to seek ways to improve in the way we do business to ensure we are meeting the needs of Nunavummiut.

We have embarked on two important initiatives, the Nunavut Housing Strategy and the Housing Needs Survey, both of which we anticipate will be completed during the 2009/10 fiscal year.

The Nunavut Housing Corporation continues to work with our community partners, the Local Housing Organizations (LHOs), to address the growing need to provide community-based solutions for social housing. We feel the formula funding arrangement adequately reflects the needs of the LHOs to properly deliver Nunavut's public housing program.

The Corporation completed the one year review of the new Government of Nunavut Staff Housing Policy, which was implemented during the 2005-06 fiscal year. This review document was approved by Cabinet.

We look forward to continuing to seek ways to obtain funding for the construction of more affordable housing so as to continue to make an impact on the requirements for affordable housing.

Sincerely,



Peter Scott
President,
Nunavut Housing Corporation

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 (Nunavut) Act. 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, the section of the Act 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 benefits of Nunavummiut.

Status as a Crown corporation affords many advantages, including:

- The ability to enter into funding partnerships with others, principally the Canada Mortgage and Housing Corporation (CMHC). This means that Nunavut's transfer payments received from the federal government are not affected by the funding that 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.

Consolidation

Effective April 1, 2005 the Corporation adopted Accounting Guideline 15: Consolidation of Variable Interest Entities (AcG-15) issued by the Canadian Institute of Chartered

Accountants, which requires the consolidation of certain entities that are subject to control on a basis other than through ownership of a majority of voting interest. There were 22 Local Housing Associations and Authorities consolidated with the financial statements of the Corporation for the 2007-2008 fiscal year.

Core Business

The Corporation offers multiple housing solutions including: providing education, training and support to Local Housing Organizations (LHOs) in the areas of administration, finance, program delivery and technical construction techniques and procedures; providing homeowner services in the area of finance, life skills and technical assistance; and coordinating housing-related lobby efforts on behalf of all Nunavut residents. These business services are organized in three distinct lines of delivery: Public Housing, Staff Housing and Homeownership.

Public Housing

The Corporation, through funding agreements with twenty-five LHO community partners, delivers financial resources to ensure Nunavut residents have access to public housing. LHOs are responsible for the complete care of a portfolio of over 4,179 units, from allocating public housing to residents, rental assessment and collection, to maintenance and repair.

Staff Housing

The Corporation administers staff housing which includes leased and owned units on behalf of the GN, and provides policy support to enhance housing options and services available to GN staff in Nunavut. The LHOs have the responsibility of maintaining the units used for staff housing at a local level.

Homeownership

The Corporation homeownership and financing capital programs assist eligible residents who can afford the cost of homeownership to secure and to maintain their own housing. As well, client-counselling services are offered to homeowners. These services include, but are not limited to, consultations regarding new construction, renovation, bank financing, home budgeting and energy conservation in the home.

Departmental Roles

To administer the Corporation's programs, a small corporate team of eighty nine housing professionals work to make the Corporation an action oriented service delivery agency. Structured around five distinct offices, this cohesive group is further supported by a network of twenty-five Local Housing Organizations which provide a crucial link to Nunavummiut and their communities.

Directorate

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 Minister responsible for the Nunavut Housing Corporation and for the Executive Council (Cabinet). As well, it ensures that programs are delivered according to the Corporation's funding agreements with Canada Mortgage and Housing Corporation (CMHC).

Corporate Headquarters

Corporate Headquarters works on the development of corporate policy, strategic

planning and communications related to key program areas. It provides support to the Minister, the Corporate Executive and the District Offices. It coordinates the preparation, monitoring and reporting of the corporate operations and maintenance and capital budgets, administers the loan portfolio and provides accounting and treasury services. It also provides support to the District Offices in the areas of programs, contracting, project management, design and maintenance.

District Offices

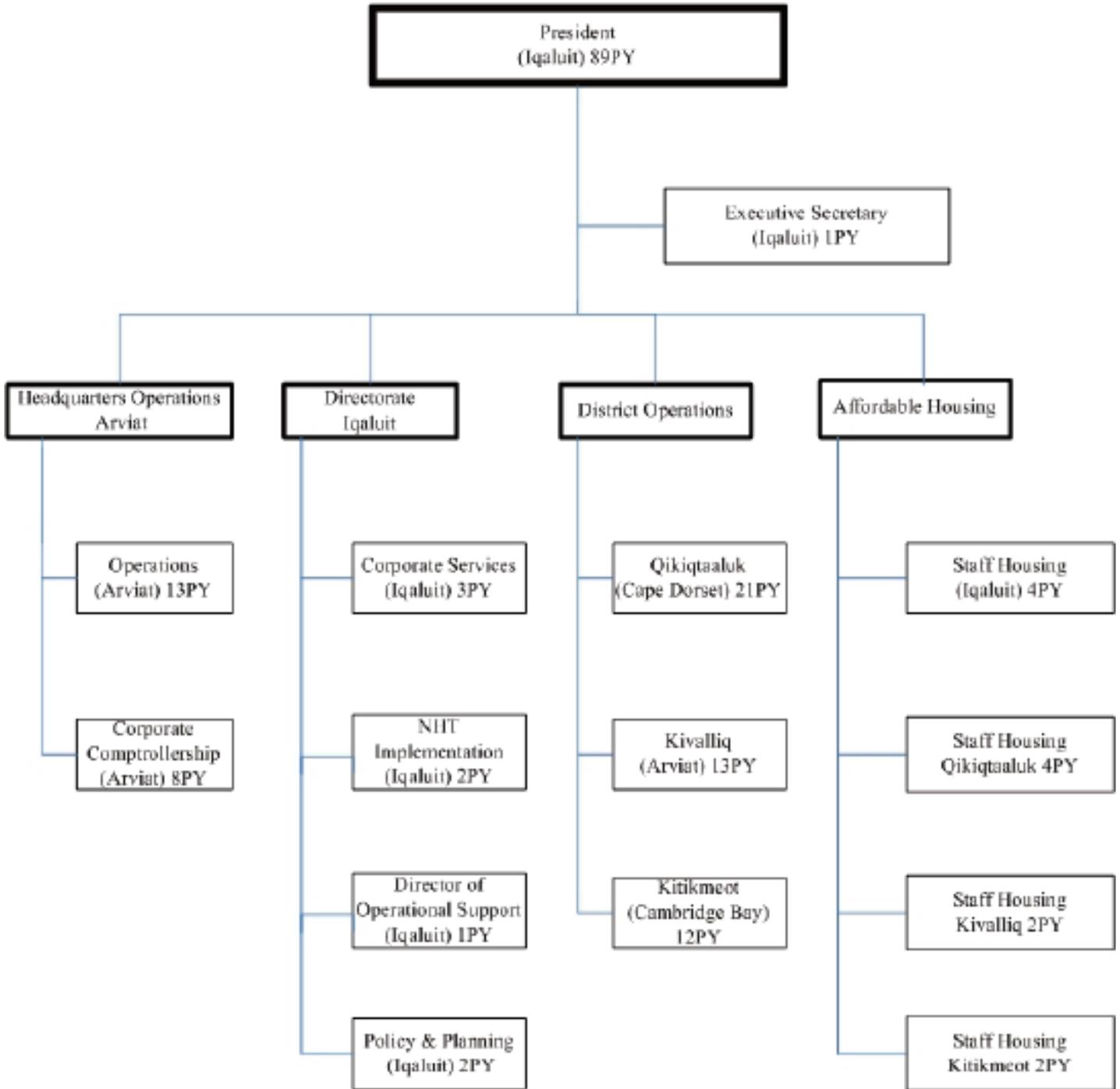
The Corporation's District Offices manage and provide support in the delivery of programs and services to the communities. District Offices set regional priorities and work with LHOs and individual clients to ensure programs delivered are of appropriate standards through monitoring and assessment. The District Office is responsible for ensuring the construction program is successful within its region. It is also responsible for developing a positive relationship with other government departments and agencies.

Local Housing Organizations (LHOs)

The Corporation partners with LHOs and, in some cases, with municipalities or hamlets who have assumed responsibility for housing services at a local level. Our community partners provide most of the day-to-day activities associated with program delivery to individuals and families.

Virtually all LHOs are formed as independent organizations under the Societies Act (Housing Associations); one exception to this is the Iqaluit Housing Authority, which was formed under the Northwest Territories Housing Corporation (Nunavut) Act.

Organizational Chart



Report on Operations

Headquarters

The 2007-2008 was the second year of the Corporation's delivery of affordable housing units under the \$200 million of the Northern Housing Trust allocated to Nunavut by the Federal Government.

Most of the construction under the Housing Trust will be the new five-plex housing design that is constructed to maximize energy efficiency and to support traditional activities and lifestyles.

The Corporation continued to seek ways to improve local economic development by further unbundling contracts using amended NNI (Nunavummi Nangminiqqtunik Ikajuuti) policies geared towards assisting Nunavummiut. This means separate tenders were issued for material procurement and supply, and for labour and marshalling as we construct both public housing under the Housing Trust and staff housing.

The Corporation's Rent Scale for public housing continues to be acceptable to clients as it takes away the disincentive to pursue employment opportunities for youth living in the home who are under the age of 25. In April 2007, the Corporation's staff met with LHO manager's in Rankin Inlet to review the Rent Scale and make recommendations for change.

Districts

District Operations are focused on delivering the Corporation's major lines of business, namely the Public Housing, GN Staff Housing, Homeownership Programs and the Modernization and Improvement Program. The District staff are seeing their responsibilities increase as they continue to support the LHOs.

The Corporation continued with the Material Assistance Program which is designed to provide Nunavummiut with an affordable option to build a new home and become homeowners. The assistance comes in the form of a 10-year forgivable loan, and pays the cost of ordering, purchasing, and shipping the building materials to the client's community.

There are other homeownership programs geared towards assisting homeowners throughout the life of their home, such as the Emergency Repair Program, Home Renovation Program, the Senior Citizen Home Repair Program and the Seniors and Disabled Persons Preventative Maintenance Program. The Corporation also offers homeownership programs geared towards the purchase of a new and existing home such as the Nunavut Downpayment Assistance Program. In September 2007, Cabinet approved to eliminate the Northern, Settlement and Isolation Posting Allowances from the assessable incomes of clients seeking assistance under the homeownership programs, ensuring a more uniform accessibility to the programs by all Nunavummiut.

Priorities and Objectives

The Corporation's priorities and objectives for the fiscal year 2007-2008:

Priorities and Objectives:

- Working with members of the Housing Trust Senior Officials Working Group to coordinate and monitor activities in support of the Housing Trust Delivery Strategy objectives, including initiatives involving training and apprenticeship across the territory;

Status: *Ongoing.*

The Interdepartmental Working Group meets monthly under the chairmanship of the Vice-president NHT Implementation.

Regional Working Groups have been established and a progress tracking system has been implemented.
 - Facilitating and evaluating new approaches to tendering, contracting and procurement as a key component of the Housing Trust construction delivery.

Status: *Ongoing.*

New approaches to tendering, contracting and procurement were undertaken and these will be monitored.
 - Address financial accountability and sustainability with LHOs.

Status: *Ongoing.*

The new funding model for the LHOs makes them more accountable for administration and maintenance budgets as well as for collection of the rents for public housing. NHC will continue to provide assistance to LHOs in the areas of financial management, administration and project management.
 - The use of labour-only delivery methods that fit with community capacity and, wherever possible, include the participation of local firms.

Status: *Ongoing.*
- 2007 community delivery included twelve LHO deliveries; nine sole source contracts; three public invitational tenders and one Capital Construction Authority Agreement.
- Tendering a proposal to conduct a Housing Needs Study in 2007 which will provide a clear picture of actual needs.

Status: *Ongoing to be completed in 2009.*

The Corporation is currently considering a proposal from the Nunavut Association of Municipalities to undertake this work and expects that interviewing will begin in January 2008; which had been delayed.
 - Continue the implementation of the revised GN Staff Housing Policy, including the leasehold attrition plan, to be in effect by 2010 in Iqaluit.

Status: *Ongoing.*

The Corporation will only commit to future and existing leases until 2010 in Iqaluit and 2015 in Rankin Inlet and Cambridge Bay.
 - Monitor the impact of the new Staff Housing Program rent increases and the demand for the Rental Assistance Program and prepares a report for the spring of 2007.

Status: *Complete.*

The Corporation has prepared a One Year Staff Housing Review and will continue to monitor the Staff Housing policy in consultation with the Department of Human Resources.
 - Implement the Staff Housing Supply Strategy and ensure that any additional supply is represented in the Capital Plan for 2007-08

and beyond and prepare a staff housing delivery plan for allocation needs over the next three years.

Status: *Ongoing.*

In response to GN budget constraints, the Corporation is implementing a focused approach of providing staff housing to coincide with the development of new facilities. For example, the Corporation will increase staff housing in Gjoa Haven and Igloolik to assist the operation of the continuing care facilities in those communities.

- Provide more counseling, community information sessions and educational materials for potential homeowners throughout Nunavut. Monitor the start-up of the Material Assistance Program, determine

need for changes and prepare a report in early 2007 for 2008 intake.

Status: *Ongoing.*

The Corporation and CMHC began the First-time Home Buyers Seminars in 2007 in Iqaluit, Rankin Inlet and Cambridge Bay. The Corporation will continue to hold seminars in communities in the fall and winter

- Prepare a public awareness campaign on energy efficiency for housing and include it in our community meetings.

Status: *Ongoing.*

The Corporation launched the Homeowners Energy Efficiency Rebate program in the fall of 2007 and introduced the \$15,000 Home Renovation Program enhancement in September 2007.

Management's Discussion

Advisory and Administration Services

Administration

In 2007/2008, administration costs (not including administration related to staff housing) increased from \$13.878 million to \$14.211 million primarily due to increase in professional and special services costs and travel and relocation.

Revenues and Recoveries

Revenues and recoveries increased by \$4.2 million in 2007/2008 primarily due to the mortgage subsidy recovery and an increase in investment revenue.

Equity

The Nunavut Housing Corporation is showing an equity surplus of \$8.46 million. This is primarily due to the adjustment eliminating the CMHC mortgages for financial statement purposes (see note 3 in the consolidated financial statements for detail explanation).

Public Housing

NHC Write-offs for the year 2007-2008 In 2007-2008, the Corporation wrote off \$28,377 of bad debts.

Community	Client	Amount
Pre Division	J&M Gordon	\$2,266
Pre Division	P Pitseolak	\$2,089
Pre Division	K&J Tagak	\$2,133
Pre Division	N&S Ishulutak	\$819
Iqaluit	P Kublu-Hill	\$540
Amounts under \$500		\$20,530
Total		\$28,377

Operation and Maintenance (O&M) for Social Housing

In 2007/2008 the consolidation of the LHO financial statements required a line by line reporting of the LHO results in the consolidated financial statements of the Corporation; therefore Social Housing Programs now consist of a single line on the Consolidated Statement of Operations with the following categories identified in Note 23: LHO Administration, Utilities, taxes and land leases, Demand and preventive maintenance, Contributions for social housing – Hamlets, Leasing, and Bad Debt from the LHOs; plus Amortization, Interest on long term debt, Repairs for modernization and improvements and Sponsor Groups from the Corporation. The amount increased from \$109.809 million in 2006/2007 to \$117.143 million in 2007/2008, an increase of \$7.334 million.

Public Housing – Capital Projects

During 2007-2008, the Corporation saw construction continuing on public housing units. To date, we have completed or have in progress 577 units that will be added to the public housing inventory as a result of the Canada-Nunavut Infrastructure Fund Agreement on Social Housing and the Nunavut Housing Trust. A new five-plex housing design, which incorporated new energy efficient and more culturally sensitive features, represents an important part of the types of units constructed.

Breakdown of New Construction under the Public Housing Program

Public Housing New Construction*

	Units	Expenditure
Kitikmeot	136	\$11,872,000
Kivalliq	168	\$13,840,000
Qikiqtaaluk	273	\$24,758,000
Total	577	\$50,470,000

*Note: All projects were complete or in progress at year end.

Public Housing – Repairs and Maintenance

The Corporation is responsible for approximately 4,179 units in the public housing portfolio. The Repairs and Maintenance Program ensures the health, safety and suitability of these units. In 2007-2008, \$ 6.025 million was used for repairs and maintenance and minor improvements. Funding for the program came from the following sources:

- GN \$1,735,000
- CMHC \$4,290,000

Homeownership Programs

Through its Homeownership Programs and financing options, the Corporation assists eligible residents who can afford the costs of homeownership to secure and maintain their own housing.

The Corporation offers a number of programs to homeowners with funding received from both the GN and CMHC.

Actual programs delivered and percentage of any one program depends on homeowner demand in each area/community. District Directors are charged with the responsibility of apportioning their funding appropriately. Demand for these programs is high. To ensure

fairness, each district uses a priority allocation rating system to determine application approval. In 2007/08 Homeownership Programs staff approved and processed 344 applications.

GN/CMHC funded:

- Emergency Repair (ERP) – up to \$15,000 per client
- Home Renovation (HRP) – up to \$50,000 per client
- Senior Citizen Home Repair (SCHRP) – up to \$15,000 (plus shipping) per client

GN funded:

Nunavut Downpayment Assistance (NDAP) – provides assistance to eligible clients depending upon the community and type of home. In Iqaluit, assistance is from \$15,000 for an existing unit or \$25,000 for a new construction while in Rankin Inlet and Cambridge Bay the amount is \$30,000 for an existing unit and \$50,000 for new construction. In all other communities the amount is \$45,000 for an existing unit and \$75,000 for new construction.

Seniors and Disabled Persons Preventative Maintenance Program (SDPPMP) - provides a \$1,500 annual grant to eligible seniors and disabled persons to undertake preventative maintenance on their homes.

The Corporation introduced a new Homeownership Program during the 2007/08 fiscal year called the Homeowner Energy Efficiency Rebate Program (HEERP) which provides up to a maximum rebate of \$1,000 by way of a 50% rebate of eligible costs for homeowners to improve the energy efficiency of their homes.

In 2007/2008, \$6.148 million was spent on Homeownership Programs. Funding for these programs came from the following sources:

- GN \$5,568,000
- CMHC \$580,000

Breakdown of homeownership spending by region and by program*

	Kitikmeot	Kivalliq	Qikiqtaaluk	Total
SCHRP	-	\$26,000	\$52,000	\$78,000
ERP	\$100,000	\$157,000	\$190,000	\$447,000
NDAP	\$380,000	\$740,000	\$720,000	\$1,840,000
HRP/RRAP	\$443,000	\$387,000	\$983,000	\$1,813,000
MAP	\$177,000	\$686,000	\$892,000	\$1,755,000
WARRANTY			\$127,000	\$127,000
SDPPMP	\$13,000	\$31,000	\$2,000	\$46,000
HEERP	\$11,000	\$16,000	\$15,000	\$42,000
Total	\$ 1,124,000	\$2,043,000	\$2,981,000	\$6,148,000

*Note: All projects were complete or in progress at year end.

Staff Housing

Through the Staff Housing Program, the Corporation provides subsidized rental units to GN staff, as well as a range of housing-related programs and services to support eligible staff.

The staff housing inventory is administered by the Corporation and includes over 1,290 units. Of these, approximately 200 are owned by the Corporation; the remainder (approximately 85% of the staff housing portfolio) is leased. Over time, the Corporation will need to address the composition of this portfolio with a

view towards rebalancing its assets. However, steps are being taken to increase the range of housing options available to GN staff.

Staff Housing Program

In 2007/08 costs related to the staff housing program decreased from \$40.321 million to \$39.500 million, a decrease of \$.821 million. This is primarily due to the decrease in the number of leases under the staff housing program. Revenues for staff housing rents are retained by the Government of Nunavut.

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Honourable Hunter Tootoo
Minister Responsible for the
Nunavut Housing Corporation

The accompanying financial statements have been prepared by Management in accordance with Canadian generally accepted accounting principles. Management is responsible for the integrity and objectivity of the data in these financial statements and, where appropriate, the statements include estimates and judgements based on careful consideration of information available to Management.

Management has developed and maintains 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, the 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 Crown corporation.

The Auditor General of Canada provides an independent, objective audit for the purpose of expressing her opinion on the 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.



Peter Scott
President



Eric Whitworth, CMA
Chief Financial Officer

Iqaluit, NU
January 15, 2009



Office of the Auditor General of Canada
Bureau du vérificateur général du Canada

AUDITOR'S REPORT

To the Minister responsible for the Nunavut Housing Corporation

I have audited the consolidated balance sheet of the Nunavut Housing Corporation as at March 31, 2008 and the consolidated statements of operations and comprehensive income, surplus, 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.

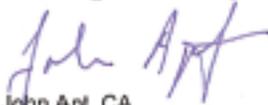
Except as explained in the following paragraph, I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit 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.

Accounting Guideline 15 (AcG 15): Consolidation of Variable Interest Entities required the Nunavut Housing Corporation to consolidate the financial statements of twenty-two Local Housing Organizations. The inventories held by the Local Housing Organizations were not counted at the beginning or at the end of the year, and I was not able to satisfy myself concerning those inventory quantities by alternative means. Since inventories impact the balance sheet and enter into the determination of the results of operations and cash flows, I was unable to determine whether adjustments to the balance sheet, maintenance expense, and net results of operations for the year, surplus and cash provided from operations might be necessary. The Auditor's Report for the 2007 fiscal year also contained a similar qualification.

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to examine opening and ending inventory quantities, as described in the preceding paragraph, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2008 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* of Nunavut, I report that, in my opinion, these principles have been applied, except for the change in the method of accounting for financial instruments as explained in Note 4 to the consolidated financial statements, on a basis consistent with that of the preceding year.

Under section 100(1) of the *Financial Administration Act* of Nunavut, every public agency is required to submit its annual report to the appropriate Minister no later than ninety days after the end of its financial year. The Corporation did not meet this deadline. Timely preparation of financial statements is important to allow completion of the Corporation's annual report and subsequent tabling in the Legislative Assembly.

Further, in my opinion, proper books of account have been kept by the Corporation and the consolidated financial statements are in agreement therewith. In addition, the transactions of the Corporation that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with Part IX of the *Financial Administration Act* of Nunavut and regulations and the *Nunavut Housing Corporation Act* and regulations with the exception that the Corporation did not meet its statutory deadline for submitting its annual report to its Minister as described in the above paragraph.


 John Apt, CA
 Principal
 For the Auditor General of Canada

Ottawa, Canada
January 15, 2009

NUNAVUT HOUSING CORPORATION
 Consolidated Balance Sheet

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as at March 31, 2008
 (thousands of dollars)

	2008	2007 (restated - Note 3)
ASSETS		
Current		
Cash and cash equivalents (Note 5)	\$ 113,657	\$ 19,739
Accounts receivable (Note 7)	26,341	103,893
Prepaid expenses (Note 8)	2,387	2,142
	142,385	125,774
Investments		
Current portion (Note 6)	1,206	1,067
Fixed-term (Note 6)	7,699	7,668
	8,905	8,735
Investment in housing projects		
Land and buildings (Note 9.a)	362,884	322,982
Mortgage receivable (Note 9.b)	3,180	1,697
Direct financing lease	401	410
	366,465	325,089
Property and equipment (Note 10)	7,200	5,518
	\$ 524,955	\$ 465,116
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 11)	\$ 40,038	\$ 29,536
Security deposits	236	225
Due to the Government of Nunavut (Note 12)	6,360	2,220
Capital funding advanced (Note 13)	83,909	81,145
Current Portion of long term debt (Note 14)	854	797
Current Portion of obligations under capital leases (Note 15)	2,839	2,596
	134,236	116,519
Long-Term		
Long-term debt (Note 14)	19,329	20,183
Obligations under capital leases (Note 15)	23,957	26,796
Employee future benefits (Note 16)	778	672
Deferred capital funding (Note 17)	338,195	293,791
	382,259	341,442
	516,495	457,961
EQUITY		
Surplus	8,460	7,155
	\$ 524,955	\$ 465,116
Contingencies and Commitments (Note 20 and 21)		

Approved by Management:



Peter Scott
 President



Eric Whitworth, CMA
 Chief Financial Officer

The accompanying notes are an integral part of the consolidated financial statements

NUNAVUT HOUSING CORPORATION
 Consolidated Statement of Operations

23

For the year ended March 31, 2008
 (thousands of dollars)

	2008	2007 (restated - Note 3)
Expenses		
Social housing programs (Note 23)	\$ 117,142	\$ 109,809
Homeownership programs (Note 24)	7,010	8,201
Staff housing programs (Note 25)	39,500	40,321
Corporate administration (Note 26)	14,211	13,878
	<u>177,863</u>	<u>172,209</u>
Revenues and recoveries		
Other revenue and recoveries	1,208	1,365
Mortgage subsidy recovery	2,438	-
Mortgage interest revenue	219	197
Investment revenue	4,103	1,909
Gain on disposal of capital assets	-	434
Recovery of homeowner's assistance	380	211
Impaired mortgage recovery	-	462
Public housing rental revenue	8,691	8,282
	<u>17,039</u>	<u>12,860</u>
Net results of operations prior to government funding	(160,824)	(159,349)
Government Funding		
Government of Nunavut	115,295	112,669
Canada Mortgage and Housing Corporation (Note 19)	31,986	32,706
Recovery of deferred capital funding - condo sale	75	1,726
Amortization of deferred capital funding (Note 17)	14,615	14,465
	<u>161,971</u>	<u>161,566</u>
Net results of operations and comprehensive income	\$ 1,147	\$ 2,217

NUNAVUT HOUSING CORPORATION
 Consolidated Statement of Surplus

For the year ended March 31, 2008
 (thousands of dollars)

	2008	2007 (restated - Note 3)
Surplus at beginning of year, as previously reported	\$ 7,155	\$ (21,962)
Correction of prior years error related to Social Housing Agreement	-	27,014
Change in accounting policy for capitalization of tangible assets	-	(114)
Surplus at beginning of year, restated	7,155	4,938
Transitional adjustment on adoption of new accounting standards for financial instruments	158	-
Net results of operations and comprehensive income, restated	1,147	2,217
Surplus at end of year	\$ 8,460	\$ 7,155

NUNAVUT HOUSING CORPORATION
 Consolidated Statement of Cash Flows
 For the year ended March 31, 2008
 (thousands of dollars)

	2008	2007 (restated - Note 3)
Cash flow from operating activities:		
Cash received from:		
Government of Nunavut	\$ 110,639	\$ 106,472
Canada Mortgage and Housing Corporation	32,197	32,417
Rent collections	7,584	6,792
Miscellaneous revenues and recoveries	4,772	3,237
	<u>155,192</u>	<u>148,918</u>
Cash used for:		
Contributions for social housing	(85,864)	(82,203)
Staff housing	(36,380)	(40,391)
Administration	(10,922)	(13,039)
Homeownership grants and contributions	(7,388)	(8,398)
Repairs for modernization and improvements	(4,907)	(9,294)
Interest on long term debt	(3,692)	(4,044)
	<u>(149,153)</u>	<u>(157,369)</u>
 Cash provided by (used for) operating activities	 6,039	 (8,451)
Cash flow from financing activities		
Funding from GN for capital assets	136,316	28,124
Funding from Infrastructure Canada for capital assets	9,065	928
Repayment of long term debt and capital lease	(3,393)	(3,133)
	<u>141,988</u>	<u>25,919</u>
Cash flow used for investing activities		
Capital assets purchased	(54,552)	(28,186)
Mortgage funds dispersed	(1,200)	-
Fixed-term investments sold (purchased)	(12)	5
Sale of capital assets	94	3,255
Recovery of homeowner's assistance	400	212
Mortgage payments received	1,161	1,249
	<u>(54,109)</u>	<u>(23,465)</u>
 Net increase (decrease) in cash	 93,918	 (5,997)
 Cash and cash equivalents, beginning of year	 19,739	 25,736
 Cash and cash equivalents, end of year (Note 5)	 \$ 113,657	 \$ 19,739

1. Purpose Of The Organization

The Nunavut Housing Corporation (the 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 and staff 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.

These consolidated financial statements are prepared including 22 Local Housing Organizations (LHO's). These organizations are accountable to and controlled by the Corporation.

2. Significant Accounting Policies

The Corporation's consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are as follows:

(a) Principles of consolidation

These consolidated financial statements include the accounts of the Corporation and, as required by Accounting Guideline 15 (AcG-15): Consolidation of Variable Interest Entities issued by the Canadian Institute of Chartered Accountants, the accounts of Local Housing Associations and Authorities, variable interest entities (VIEs) for which the Corporation is exposed to the majority of their operational risks and rewards. The consolidated statements include the accounts of the Corporation and 22 LHOs (2007 - 22 LHOs) that are fully consolidated. All significant inter-entity transactions and balances have been eliminated upon consolidation.

(b) Contributions for social housing

Housing units owned or leased by the Corporation are operated by local housing associations, authorities and municipalities (hamlets) under agreements. Contributions to municipalities (hamlets) under similar agreements, for annual operating requirements of these owned or leased units, net of rental revenues collected, are recorded on an accrual basis but only to the extent of the Corporation's agreed upon contributions to them.

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

Legislative appropriations are restricted subject to the provisions of Section 20 of the Nunavut Housing Corporation Act, Part IX of the Financial Administration Act, and an Agreement between the Corporation and the Government of Nunavut. Accordingly, appropriations received are recognized as revenue in the year in which the funding is appropriated or receivable.

Capital appropriations are recorded in the year appropriated. Capital appropriations used to purchase depreciable capital assets are recorded as deferred capital funding in the year in which the related expenditures are incurred and are amortized on the same basis and over the same period as the related capital assets. The unused portion is recorded as capital funding advanced and is recognized as deferred capital funding when used. The funds used for the long-term debt principal repayments are reported on the Statement of Operations as funding from the Government of Nunavut.

Public housing rental revenue is recognized on an accrual basis. An allowance is set-up for any amounts deemed not recoverable and are netted against rental revenue.

Federal funding from Canada Mortgage and Housing Corporation (CMHC) is restricted under provisions of the Social Housing Agreement. Accordingly, federal funding is recognized as revenue in the year in which the related expenses are incurred. Federal funding for the repayment of loans towards the purchase of capital assets approximates the annual amortization expense of these assets and are recognized in the year received.

Federal funding from CMHC, provided under the Affordable Housing Program agreement and from Infrastructure Canada, are credited against the capital costs of housing units built under these programs.

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 is composed of net minimum lease payments less unearned finance income. This amount is included in other revenue and recoveries on the Statement of Operations.

(d) Cash and cash equivalents

Cash includes security deposits and cash being held by an investment company. Cash equivalents represent short-term, highly liquid investments. Cash equivalents are recorded at the lower cost or market value with a term not exceeding 90 days.

(e) Investments

Fixed-term investments are classified as held-for-trading financial assets and are accounted for at fair market value with changes in fair value recognized in the net results of operations each period. Interest income is recorded on the accrual basis.

(f) Investment in housing projects - land and buildings

Land and buildings constructed or purchased by the Corporation for the rental portfolio are stated at cost. Buildings transferred to the Corporation from CMHC or the government, are stated at their respective book value when transferred. Construction in progress includes amounts which may be transferred to land and buildings for rental programs and are carried at cost. Construction in progress and housing for sale include amounts that may be transferred to homeowners and a mortgage taken back against the property. These properties are carried at lower of cost and estimated realizable value. Housing materials are valued at lower of cost and net realizable value.

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. In such cases, the cost of the asset is determined as 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.

Amortization of social housing, lease to purchase housing and staff housing is done using the declining balance method at an annual rate of 5%. The provisions for amortization begin in the year the building is completed or transferred into one of the depreciable asset categories and are taken for the full year.

Housing for sale and construction in progress are not amortized.

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 fair value of quit claim units included in investment in housing are determined to be the original purchase price less amortization from the original purchase date to the date the quit claim occurred. This approximates fair value of the assets recovered.

(g) Investment in housing projects - mortgages receivable

(i) Mortgage 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 year the mortgage is approved and are recorded as mortgage subsidies.

Accordingly, the mortgage receivable balance represents the present value of the expected future payments from clients on the mortgages, 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.

(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 estimated realizable value. Management has determined that a fair 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. These restored mortgages are accounted for as a recovery of the provision for impaired mortgages on the Statement of Operations. Initial and subsequent changes in the amount of mortgage impairment are recorded in the year the changes occur.

(h) Mortgage interest revenue

Interest income on mortgages is recorded on the accrual basis. When a mortgage becomes impaired, the accrual of interest ceases and any previously accrued but unpaid interest is reversed against mortgage interest revenue. 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.

(i) Property and equipment

Property and equipment are recorded at amortized 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 staff housing - Declining balance - 5%.

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

(j) Public Service Pension Plan

Employees of the Corporation participate in the Public Service Pension Plan (the Plan) administered by the Government of Canada. Employees of the LHO's are not employees of the public service and therefore do not participate in the plan. The Corporation's contributions reflect the full cost as employer. This amount is based on a multiple of an employees' contributions and may fluctuate over time, depending on the experience of the Plan. The Corporation's contributions are expensed during the year in which the services are rendered and represent the total pension obligation. The Corporation is not required to make contributions with respect to actuarial deficiencies of the Plan.

(k) Employee future benefits

Under the terms and conditions of employment, employees may earn severance and relocation out benefits based on years of service. The cost of severance benefits is accrued as a liability as employees render service and is determined based on management's best estimates. This benefit plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation. Relocation out benefits provides employees who terminate their employment with the Corporation, financial assistance for their move from the community of residence. The cost of relocation out benefits is the responsibility of the Government of Nunavut and is included in the calculation of services provided without charge to the Corporation.

(l) Measurement uncertainty

The preparation of financial statements in accordance with GAAP requires the Corporation to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenditures and disclosures of contingent liabilities 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 management of 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 future periods.

Some of the more significant management estimates and assumptions include those related to: the fair value of financial instruments; employee future benefits; valuation of social and staff housing including buildings under capital lease; valuation of allowances for mortgages receivable and of mortgage subsidies.

(m) Financial instruments

All financial instruments which meet the definition of a financial asset or financial liability are initially recorded at fair value, unless fair value cannot be reliably determined. The estimated fair values of most of these financial instruments are assumed to approximate their carrying amounts due to the relatively short period to maturity. Transaction costs are expensed as incurred. Depending on the nature of the financial instrument, revenues, expenses, gains and losses would be reported in either net results from operations or other comprehensive income. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest risks arising from these financial instruments. Subsequent measurement of each financial instrument will depend on the balance sheet classification determined by the Corporation.

The Corporation's classification, designation and measurement of financial instruments is as follows:

Cash and cash equivalents and fixed term investments are classified as held-for-trading and are subsequently measured at fair value. Gains and losses arising from changes in the fair value of these financial instruments are recorded in investment income in the period in which they arise.

Cash equivalents were previously carried at the lower of cost or market value. The designation of cash equivalents as held-for-trading resulted in no change in cash and cash equivalents and current assets as at April 1st, 2007.

Accounts receivable are classified as loans and receivables and are subsequently measured at amortized cost using the effective interest method. Mortgages receivable are considered to be held-to-maturity investments and are subsequently measured at amortized cost using the effective interest method.

Accounts payable and accrued liabilities, and long-term debt are classified as other financial liabilities and are subsequently measured at amortized cost using the effective interest method.

Derivatives may be embedded in other financial instruments (the "host instrument"). Under the new standards, embedded derivatives are treated as separate contracts when their economic characteristics and risks are not closely related to those of the host instrument, when the embedded derivative has the same terms as those of a stand-alone derivative and the combined instrument is not classified as held-for-trading or designated at fair value. These embedded derivatives are measured at fair value with subsequent changes in the fair value recognized in operations. As at March 31, 2008, the Corporation does not have any outstanding contracts or other financial instruments with embedded derivatives.

Trade date accounting is used for purchases and sales of financial assets.

(n) Future accounting changes

(i) Capital Disclosure

The CICA issued Section 1535 (Capital Disclosure). This standard requires the disclosure of both qualitative and quantitative information, which allows the users of the financial statements to evaluate the Corporation's objectives, policies, and processes for managing capital. Whether or not the Corporation has complied with its capital requirements and the consequences of non-compliance are also required to be disclosed.

(ii) Inventories

The CICA has issued Section 3031 ("Inventories"). This standard will affect the measurement and disclosure of inventory. The measurement changes include; the requirement to measure inventories at the lower of cost and net realizable value, the use of the specific cost method for inventories that are not ordinarily interchangeable or goods and services produced for specific purposes, the requirement for an entity to use a consistent cost formula for inventory of a similar nature and use, and the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. Disclosures of inventories will also be enhanced. Inventory policies, carrying amounts, amounts recognized as an expense, write-downs and the reversals of write-downs are required to be disclosed. The Corporation is assessing the impact that the new standard may have on its 2008-2009 fiscal year.

(iii) Financial Instruments

The CICA has issued Section 3862 ("Financial Instruments – Disclosures") and Section 3863 ("Financial Instruments – Presentation"), which replace Section 3861 and are effective for financial statements relating to fiscal years beginning on or after October 1, 2007. Section 3862 expands disclosure requirements for various classes of financial assets and liabilities. The existing requirements for presentation of financial instruments have been carried forward unchanged in Section 3863. The Corporation is assessing the impact that the new standards may have on its financial statements.

(iv) International Financial Reporting Standards (IFRS)

The Accounting Standards Board is planning to replace all current standards and guidance under Canadian GAAP with IFRS. The new standard will be in effect for the Corporation's 2011-2012 fiscal years; however changes to disclosure may be required as early as the 2008-2009 fiscal year. Management has not yet fully assessed the impact of these changes on its financial statements.

(o) Due (to)/from the Government of Nunavut

The Government of Nunavut makes an appropriation to the Corporation to fund its non consolidated operations and principal repayments of long-term debt. The amount of funding recorded in the financial statements is dependent upon actual expenses incurred for the year. Amounts appropriated in excess of the actual expenses at year-end, are carried forward as a non-interest-bearing advance for the following year. Amounts spent in advance of the funding are normally due from the Government of Nunavut and are normally carried forward to be funded from future year's funding unless otherwise directed by the Financial Management Board.

(p) Capital funding advanced

The Government of Nunavut makes an appropriation to the Corporation for its non consolidated capital acquisitions, modernizations and improvements, homeownership programs and other costs. The amount of funding expended is either recorded as capital acquisitions or minor capital expenditures during the year. The amount appropriated in excess of those expended is recorded as capital funding advanced.

(q) Services provided without charge

The Corporation receives payroll processing services, human resource support, information technology support, office accommodations and employee benefits without charge from the Government of Nunavut which are recorded at the Corporation's proportionate share of the carrying amount of the GN costs.

3. Restatement of 2007 Consolidated Financial Statements

a) The 2007 consolidated financial statements have been restated to correct the following errors:

Under the terms of the 1999 Social Housing Agreement (SHA) between CMHC and the Corporation, CMHC provided social housing assets to the Corporation in exchange for mortgages and loans payable by the Corporation to CMHC. In addition, under the SHA, CMHC has been funding the payments to the Corporation of 100% of the mortgages payable to CMHC (referred to as NHA Section 79 debt under the SHA), and 5/9th of the loans payable to CMHC (referred to as NHA Section 82 debt under the SHA), and the related interests payable. As a result, the Corporation has a right to offset the funding receivable from CMHC with the long-term debt owing to CMHC under the terms of the SHA.

In prior years, the Corporation had recorded on its consolidated balance sheet the long-term debt owing to CMHC, but did not record the amount receivable for the funding by CMHC of the repayment of the long-term debt and related interests. Rather, the Corporation recognized annually as government funding from CMHC on the consolidated statement of operations an amount equal to the annual non-cash repayment to CMHC of the long-term debt principal balance and related interests. Since the funding from CMHC represents an amount receivable by the Corporation, a restatement of the 2007 consolidated financial statements was necessary to record the amount receivable from CMHC. However, since there is a right to offset the funding receivable against the long-term debt payable with no exchange of cash between the Corporation and CMHC, the 2007 restatement resulted in a reduction of \$148,741 in the long-term debt payable to CMHC, a reversal of the 2007 interest on long-term debt of \$15,988, a reduction of the funding from CMHC of \$25,688, and an increase of \$121,727 to deferred capital funding.

This credit to the deferred capital funding is necessary since under Canadian GAAP, the government assistance received from CMHC in 1999 under the SHA for the social housing assets should be deferred and recognized as revenue on the same basis as the related capital assets are amortized. The 2007 consolidated statement of cash flows was restated to exclude the non-cash interest expense on the long-term debt, the non-cash reduction in the long-term debt principal balance, and the offsetting non-cash government funding from CMHC which should not be reflected in the consolidated statement of cash flows according to Canadian GAAP.

b) The change in accounting policy for capitalization of tangible assets (see Note 4c) had an impact on the 2007 financial statements. The statement of operations was effected by an increase in computer services under Corporate Administration and an increase in the Government of Nunavut funding of \$30. In the balance sheet there was a decrease in deferred capital funding and a decrease in Property and Equipment in the amount of \$88 and decrease in the Due to the GN and an increase in Capital Funding Advanced in the amount of \$30.

The net effect of the correction of errors and the change in the capitalization policy is reflected in the below table:

	\$
Balance Sheet:	
Decrease in long-term debt	148,741
Decrease in Property and Equipment	(88)
Decrease in the Due to GN	30
Increase in the Capital funding advanced	(30)
Increase in deferred capital funding	(121,639)
Increase in equity	(27,014)
Statement of Operations:	
Decrease in interest on long-term debt	(15,988)
Decrease in funding from CMHC	25,688
Increase in Corporate Administration	30
Increase in Government Funding - Government of Nunavut	(30)
Increase in amortization of deferred capital funding	(6,083)
Decrease in net results of operations	3,617
Statement of Equity:	
Increase in equity	
Equity prior to adjustment for the year	16,242
Add decrease in net results of operations	3,617
Add Equity at end of year as result of correction	7,155
Increase end of the year	(27,014)

4. Changes In Accounting Policies

a) Financial instruments

Effective April 1, 2007, the Corporation adopted the accounting recommendations for Financial Instruments - Recognition and Measurement (Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855), Financial Instruments - Disclosure and Presentation (CICA Handbook Section 3861), Hedges (CICA Handbook Section 3865) and Comprehensive Income (CICA Handbook Section 1530) in accordance with the transitional provisions of the sections. These sections establish standards for the recognition, measurement, disclosure and presentation of financial assets, financial liabilities, non-financial derivatives and embedded derivatives, describe when and how hedge accounting may be applied, and introduce the concept of comprehensive income.

The adoption of these new standards resulted in changes in accounting treatment for financial instruments. As provided under the standards, the comparative financial statements have not been restated.

Financial Assets and Financial Liabilities: Prior to the adoption of the new standards, all financial assets and financial liabilities were recorded at either cost or amortized cost. Under the new standards, financial assets and financial liabilities are initially recognized at fair value and subsequently accounted for based on their classification. Upon adoption of the new standards, the Corporation was required to classify each of its financial instruments into one of the following categories: held-for-trading; held-to-maturity; loans and receivables; available-for-sale; and other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired and their characteristics. The Corporation's financial instrument classifications are listed in Note 2 under Financial Instruments section.

Comprehensive Income: Comprehensive Income is composed of Net Income and Other Comprehensive Income. Other Comprehensive Income may include net unrealized gains and losses on available-for-sale financial assets and changes in the fair market value of derivative instruments designated as cash flow hedges.

Transitional Adjustments and Impact on Deficit: Upon adoption of the new standards, there was one transitional adjustment required in opening Deficit. The designation of fixed term investments as held-for-trading resulted in an increase in fixed term investments by \$158.

The adoption of CICA Handbook Section 1530 did not have an impact on the Corporation's Consolidated Financial Statements. The Corporation revised its statement of operations to include the newly required statement of comprehensive income by creating a consolidated statement of operations and comprehensive income.

b) Accounting changes

Effective April 1, 2007, the Corporation adopted the accounting recommendations for Accounting Changes (CICA Handbook Section 1506, as revised). The revised standard allows for voluntary changes in accounting policies only if they result in the financial statements providing reliable and more relevant information. New disclosures are required in respect of changes in accounting policies, changes in accounting estimates and correction of errors. Disclosure is also required regarding the possible impact that adoption of a new accounting standard issued but not yet applied will have on the financial statements in the period of first application. The adoption of Section 1506 has had no material impact on these financial statements.

c) Capitalization of tangible assets

During 2008, the Corporation changed its accounting policy for the capitalization of tangible assets. The minimum threshold for capitalizing for equipment increased from \$2 to \$10 and for leasehold improvements and betterments from \$10 to \$25. These thresholds are deemed by management to be more appropriate for the Corporation and will provide more reliable information. This accounting change has been applied retroactively to April 1st, 2004 and prior year numbers have been restated accordingly (see Note 3b).

5. Cash and Cash Equivalents

	2008	2007
Cash on hand	\$ 85,833	\$ 565
Short-term investments	27,824	19,174
	\$ 113,657	\$ 19,739

The Corporation invests in the short-term money market. The market yield of this portfolio ranged from 3.30% to 4.70% in 2008 (2007 - 1.50% to 4.10%). The average term to maturity is 46 days (2007 - 32 days).

6. Fixed-Term Investments

	2008		2007	
	Effective rate of return	Term to maturity	Carrying Value	Carrying Value
Fixed-term investments				
Government of Canada	Variable	1 to 8 years	\$ 846	\$ 1,026
Trust Company	3.55%	1 to 2 years	1,023	1,015
Provincial Government	4.48%	1 to 8 years	7,036	6,694
LESS: current portion			(1,206)	(1,067)
Fixed-term investments			\$ 7,699	\$ 7,668

The average yield of this portfolio in 2008 was 4.14% (2007 – 4.36%).

7. Accounts Receivable

	2008	2007
Trade receivables		
Accounts receivable	\$ 10,746	\$ 9,241
Infrastructure Canada	3,452	12,517
Receivables from related parties		
Local Housing Organizations	332	187
Due from Government of Nunavut	11,811	81,948
	\$ 26,341	\$ 103,893

8. Prepaid Expenses

	2008	2007
Prepaid Expenses		
Prepaid expenses	\$ 2,066	\$ 2,142
Prepaid expenses from related parties		
Local Housing Organizations	321	-
	\$ 2,387	\$ 2,142

9. Investment In Housing Project

a) Land and buildings

	2008			2007	
	Cost	Accumulated Amortization	Net	Net	
Land	\$ 449	\$ -	\$ 449	\$	449
Social housing	458,991	214,216	244,775		244,466
Capital Lease	41,842	21,079	20,763		23,566
Lease to purchase housing	9,014	4,293	4,721		5,200
Staff housing	34,577	8,147	26,430		27,208
Construction in progress	65,746	-	65,746		22,093
	\$ 610,619	\$ 247,735	\$ 362,884	\$	322,982

b) Mortgage receivable

	2008	2007
Mortgage bearing interest at rates varying between 6.00% and 14.25% per annum, repayable over a maximum period of 25 years	\$ 37,378	\$ 39,255
Less: subsidy amount by the Corporation	(26,809)	(31,031)
Less: allowance for impairment	(7,389)	(6,527)
	3,180	1,697
Interim financing loans bearing interest at rates varying between 8.95% and 10.5% per annum, repayable over a maximum period of 5 years	320	320
Less: subsidy amount by the Corporation	(186)	(186)
Less allowance for impairment	(134)	(134)
	\$ 3,180	\$ 1,697

The recorded value of those mortgages specifically identified as being impaired is \$7,523 (2007 - \$6,661).

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

10. Property and Equipment

	2008			2007 (restated-Note 3)	
	Cost	Accumulated Amortization	Net	Net	
Warehouses and offices	\$ 11,228	\$ 5,708	\$ 5,520	\$	4,128
Office furniture and fixtures	4,086	2,510	1,576		1,267
Leasehold improvements	188	84	104		123
	\$ 15,502	\$ 8,302	\$ 7,200	\$	5,518

11. Accounts Payable and Accrued Liabilities

	2008	2007
Trade Payables		
Accounts payable	\$ 18,414	\$ 12,021
Accrued interest payable	805	837
Employee leave benefits	722	694
Payables to related parties		
Local Housing Organizations	2,375	1,459
Government of Nunavut and Crown Agencies	17,722	14,525
	<u>\$ 40,038</u>	<u>\$ 29,536</u>

12. Due from (to) the Government of Nunavut

	2008	2007 (restated - Note 3)
(Payable) Receivable at beginning of the year	\$ (2,220)	\$ -
Operating funds from Government of Nunavut	(109,583)	(101,599)
Services provided without charge	(2,160)	(2,070)
Cost of operations funded by Government of Nunavut	115,295	110,956
Capital funding used for modernization and improvements, homeownership programs and other costs	(7,692)	(9,507)
Payable at end of the year	<u>\$ (6,360)</u>	<u>\$ (2,220)</u>

13. Capital Funding (Advanced) Receivable

	2008	2007 (restated - Note 3)
(Payable) Receivable at beginning of the year	\$ (81,145)	\$ (4,593)
Capital funding from Government of Nunavut	(69,608)	(112,033)
Capital funding used for acquisitions	59,152	25,974
Capital funding used for repairs, maintenance, grants and other costs	7,692	9,507
(Payable) Receivable at end of year	<u>\$ (83,909)</u>	<u>\$ (81,145)</u>

14. Long-Term Debt

	2008	2007 (restated - Note 3)
Loans payable to Canada Mortgage and Housing Corporation, repayable in annual installments until the year 2032, bearing interest of 6.97% (2007 - 6.97%). The loans are guaranteed by the Government of Nunavut.	\$ 20,183	\$ 20,980
Less: Portion included in current liabilities	854	797
	\$ 19,329	\$ 20,183

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

	Principal	Interest	Total
2009 \$	854 \$	1,431 \$	2,285
2010	914	1,371	2,285
2011	979	1,306	2,285
2012	1,049	1,236	2,285
2013	1,123	1,162	2,285
2014 - 2032	15,264	8,605	23,869
	\$ 20,183	\$ 15,111	\$ 35,294

Under the terms of the 1999 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 NHA Section 79 debt under the SHA) and loans payable to CMHC (referred to as NHA Section 82 debt under the SHA). Under the SHA, the funding provided to the Corporation was used to reduce 100% or \$103,516 (2007 - \$112,814) of the NHA Section 79 debt and to reduce by 5/9th or \$25,229 (2007 - \$26,226) the NHA Section 82 debt, and to fund the related interest repayments that the Corporation would make each year to CMHC. This additional funding receivable from CMHC and the related payments due by the Corporation each year on the long-term debt payable to CMHC are offset, resulting in no exchange of cash between the Corporation and CMHC.

Following the restatement of the prior years' consolidated financial statements (see Note 3 (a)); the additional funding receivable is now recorded as a reduction of the corresponding long-term debt payable. Previously, the Corporation had recorded the long-term debt payable with no corresponding receivable for the related funding by CMHC, and each year was recording the non-cash payments of the long-term debt principal and related interests as government funding from CMHC on the consolidated statement of operations.

At March 31, 2008, the funding receivable from CMHC that has been netted against the corresponding long-term debt owing to CMHC amounted to \$128,745 (2007 - \$139,041). Had CMHC not funded the repayments of the long-term debt principal and interests payable to CMHC, the Corporation would have incurred additional interest of \$14,932 (2007 - \$15,987), and would have made additional principal long-term debt repayments to CMHC of \$10,296 (2007 - \$9,701).

As the additional 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 Flows.

The provisions of the Social Housing Agreement state that an audit to determine compliance with the Agreement must be completed no later than six months after the year end. Although the Corporation has filed the results of the compliance audit, the six month deadline was not met.

15. Obligations Under Capital Leases

The Nunavut Housing Corporation is committed, over the next five years in aggregate, to payments of \$6,212 per annum for forty-seven lease agreements 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 10.75% and have expiry dates ranging from 2013 to 2025. 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.

	2008	2007
Total minimum lease payments	\$ 44,449	\$ 50,661
Less: imputed interest	(9,779)	(12,153)
Less: executory costs	(7,874)	(9,116)
Present value of minimum lease payments	\$ 26,796	\$ 29,392
Current	\$ 2,839	\$ 2,596
Long term	23,957	26,796
Total Lease Obligation	\$ 26,796	\$ 29,392

Future minimum lease payments consist of:

2009	\$ 6,212
2010	6,212
2011	6,212
2012	6,212
2013	6,212
2014 - 2025	13,389
	\$ 44,449

16. Employee Future Benefits

The Corporation and all eligible employees contribute to the Public Service Pension Plan (PSPP). This pension plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index.

Contributions to the Public Service Pension Plan were as follows:

	2008	2007
Employer's contributions	\$ 678	\$ 693
Employee's contributions	322	321

Liability for severance benefits is as follows:

	2008	2007
Accrued benefit obligation, beginning of the year	\$ 1,366	\$ 1,336
Costs for the year	134	28
Accrued benefit obligation, end of the year	1,500	1,366
Less: Employee leave benefits in accounts payable	(722)	(694)
	\$ 778	\$ 672

17. Deferred Capital Funding

	2008	2007 (restated – Note 3)
Balance, beginning of year	\$ 293,791	\$ 284,286
Government of Nunavut funding used for depreciable capital assets	59,469	26,004
Adjustment to and disposal of depreciable capital assets	(450)	(2,034)
Amortization of deferred capital funding	(14,615)	(14,465)
Balance, end of year	\$ 338,195	\$ 293,791

Included in the above totals are opening deferred capital funding of \$178,187 (2007 - \$162,559) from the Government of Nunavut and \$115,604 (2007 - \$121,727) from CMHC. The Government provided all funding used to purchase capital assets in 2008 and 2007. Amortization of deferred capital funding includes \$8,842 (2007 - \$8,382) from the Government of Nunavut and \$5,773 (2007 - \$6,083) from CMHC. The Government comprises \$228,497 (2007 - \$178,187) and CMHC comprises \$109,698 (2007 - \$115,604) of the balance end of year.

18. Financial Instruments and Risk Management

a) Fair value

The fair values of the Corporation's financial instruments are estimated as follows:

	2008		2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Amount
Fixed-term investments	\$ 8,905	\$ 8,905	\$ 8,735	\$ 8,893
Loans payable	20,183	23,948	20,980	24,386

Fair values for fixed-term investments are the market value as at March 31.

The fair value of loans payable is based on an estimated 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 & Labrador and applying this yield to the Corporation's debt. This approach is used because the Government of Nunavut does not issue debt.

The fair value of mortgages receivable is estimated to be the carrying amount due to the significant valuation allowances provided.

The fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their carrying amounts because of the short term to maturity.

b) 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 short-term investments, fixed-term investments, accounts receivable and mortgages receivable.

Investments are managed by the Corporation's external investment managers. All investments have an R-2 high or an AA rating or higher from the Dominion Bond Rating Service. Individual 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 counterpart.

Accounts receivable consists primarily of amounts due from GN, CMHC and federal government, which in aggregate represent 70% (2007 - 91%) of balances outstanding.

Mortgage credit risk arises from the possibility that clients might be unable to fulfil 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.

c) Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Corporation is exposed to interest rate risk on its investments. The Corporation manages its interest rate fluctuation on investments by concentrating on short-term investments.

d) 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 with a maturity of 90 days or less from the date of acquisition. These instruments are readily convertible to known amounts or cash.

19. Funding from Canada Mortgage and Housing Corporation

	2008	2007 (restated – Note 3)
Contributions for social housing including interest expense	\$ 27,116	\$ 27,647
Repairs, maintenance, grants and other costs	4,870	4,769
Affordable Housing Initiative	-	290
	\$ 31,986	\$ 32,706

Under the terms of a Social Housing Agreement (SHA) with Canada Mortgage and Housing Corporation (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 2037.

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. A portion of the SHA funding is used to make payments on portfolio-related CMHC mortgages (note 14). 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.

20. Contingencies

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 \$3,458 as at March 31, 2008 (2007 - \$3,639).

21. Commitments

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:

	Total
2009	\$ 24,017
2010	23,241
2011	17,296
2012	14,947
2013	14,734
2014 - 2023	81,846
	\$ 176,081

The Corporation has signed land leases for various lots through out Nunavut which are for 30 years with an annual commitment of \$344 in addition to the amount stated for the above leases.

22. 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 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. During the year, the Corporation, in carrying out their normal business paid, \$14,346 to Qulliq Energy Corporation for power, \$11,126 to Petroleum Products Division for fuel, \$3,368 to the Government of Nunavut for taxes and land leases.

The Corporation receives services provided without charge from the GN. These services provided without charge are recorded in Corporate Administration Expenses and are as follows:

	2008	2007
Office accommodations	\$ 962	\$ 942
Employee benefits	840	802
Payroll processing	358	326
	\$ 2,160	\$ 2,070

23. Social Housing Programs

The Social Housing Program includes the funding to the Local Housing Organizations to administer, maintain and pay for operating costs of public housing as well as other costs associated with social housing program such as amortization and other non-profit social housing groups.

	2008	2007
Utilities, taxes and land leases	\$ 50,394	\$ 44,900
Interest on long term debt	3,656	3,985
Amortization	16,012	17,929
Demand and preventative maintenance	17,169	15,877
Contributions for social housing - Hamlets	11,208	9,365
LHO Administration	8,543	7,921
Repairs for modernization and improvements	6,025	6,318
Leasing	2,072	2,026
Sponsor groups	848	348
Bad debt	1,216	1,140
	\$ 117,143	\$ 109,809

24. Homeownership Programs

The Homeownership programs mainly consists of funding to eligible residents who can afford the cost of homeownership to secure and maintain their own housing. These programs cover downpayment assistance to home renovation and repair. These expenditures includes mortgage related expenses.

	2008	2007
Homeownership grants and contributions	\$ 6,148	\$ 7,452
Mortgage subsidies	-	749
Provision for impaired mortgages	862	-
	\$ 7,010	\$ 8,201

25. Staff Housing Programs

The expenses for staff housing is not included in other Corporate expenses as NHC receives specific funding from the Government of Nunavut for the staff housing program.

	2008	2007
Leasing	\$ 28,206	\$ 30,113
Utilities, taxes and land leases	4,281	3,911
Demand and preventative maintenance	2,390	2,053
Amortization	1,771	1,812
Agency fees	1,287	1,052
Repairs for modernization and improvements	19	-
Administration	1,372	997
Interest on long term debt	174	383
	\$ 39,500	\$ 40,321

26. Corporate Administration Expenses

Corporate administration expenses include policy, executive, administrative and service functions that support the Corporation's overall operations including homeownership and rental housing programs and corporate responsibilities, which includes the management costs of the three district offices.

	2008	2007 (restated – Note 3)
Compensation and benefits	\$ 8,333	\$ 8,111
Professional and special services	2,302	1,841
Travel and relocation	1,823	1,452
Office accommodations	962	942
Communications	146	88
Computer services	165	135
Materials, supplies and other	186	286
Workshop and studies	128	771
Miscellaneous	73	163
Building and equipment rental	50	50
Land titles and fees	43	39
	\$ 14,211	\$ 13,878

NUNAVUT HOUSING CORPORATION

Notes to Consolidated Financial Statements
for the year ended March 31, 2008
(thousands of dollars)

27. Comparative Information

Certain comparative figures have been reclassified to conform to the current year's presentation.