

Northwest Territories Housing Corporation

Consolidated Financial Statements

March 31, 2014



## INDEPENDENT AUDITOR'S REPORT

To the Minister responsible for the Northwest Territories Housing Corporation

### Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Northwest Territories Housing Corporation, which comprise the consolidated statement of financial position as at 31 March 2014, and the consolidated statement of operations and accumulated surplus, consolidated statement of change in net financial assets and consolidated statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Consolidated Financial Statements*

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

#### *Auditor's Responsibility*

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### *Opinion*

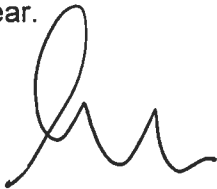
In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Northwest Territories Housing Corporation as at 31 March 2014, and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### **Report on Other Legal and Regulatory Requirements**

As required by the *Financial Administration Act* of the Northwest Territories, I report that, in my opinion, the accounting principles in Canadian public sector accounting standards 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 Northwest Territories Housing Corporation and the consolidated financial statements are in agreement therewith. In addition, the transactions of the Northwest Territories Housing 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 the Northwest Territories and regulations and the *Northwest Territories Housing Corporation Act* and regulations, with the exception that the Northwest Territories Housing Corporation did not meet its statutory deadline for submitting its annual report as described in the following paragraph.

Section 100 of the *Financial Administration Act* of the Northwest Territories requires the Northwest Territories Housing Corporation to submit its annual report to its Minister not later than 90 days after the end of its financial year, or an additional period, not exceeding 60 days, that the Minister of Finance may allow. The Northwest Territories Housing Corporation did not meet its statutory deadline for submitting its annual report to its Minister for the current fiscal year.



Guy LeGras, CA  
Principal  
for the Auditor General of Canada

17 September 2014  
Edmonton, Canada

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

These accompanying consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the consolidated financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the consolidated financial statements. Ensuring that information in the Corporation's annual report is consistent with the consolidated financial statements is management's responsibility.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are properly authorized and recorded, proper records are maintained, assets are safeguarded, and the Corporation complies with applicable laws and regulations. These controls and practices ensure the orderly conduct of business, the preparation of reliable financial information, and adherence to the Corporation's statutory requirements and policies.

The external auditor, the Auditor General of Canada, conducts an independent examination, in accordance with Canadian auditing standards, and expresses his opinion on the consolidated financial statements. The external auditor has full and free access to financial information of Northwest Territories Housing Corporation.

On behalf of Northwest Territories Housing Corporation

A blue ink signature of David Stewart, consisting of stylized initials and a surname.

David Stewart  
President & CEO

A blue ink signature of J.B. (Jeff) Anderson, featuring a large, flowing initial 'J' followed by the surname.

J.B. (Jeff) Anderson, CGA, CPA (US)  
Vice President  
Finance & Infrastructure Services

Yellowknife, Northwest Territories  
September 17, 2014

# NORTHWEST TERRITORIES HOUSING CORPORATION


## Consolidated Statement of Financial Position


As at March 31, 2014

(in thousands)

	<u>2014</u>	<u>2013</u>
<b>Financial assets</b>		
Cash and cash equivalents (Note 3)	\$ 14,388	\$ 17,097
Portfolio investments (Note 4)	54,219	49,754
Accounts receivable (Note 5)	5,854	4,484
Mortgages and loans receivable (Note 6)	<u>3,587</u>	<u>1,597</u>
	<u>78,048</u>	<u>72,932</u>
<b>Liabilities</b>		
Bank indebtedness (Note 7)	632	494
Accounts payable and accrued liabilities (Note 8)	13,355	12,715
Deferred revenue	87	65
Loans payable to Canada Mortgage and Housing Corporation (Note 9)	11,479	12,197
Obligations under capital leases (Note 10)	1,216	2,063
Retirement and post-employment benefits (Note 11)	<u>5,195</u>	<u>4,910</u>
	<u>31,964</u>	<u>32,444</u>
<b>Net financial assets</b>	\$ <u>46,084</u>	\$ <u>40,488</u>
<b>Non-financial assets</b>		
Tangible capital assets (Schedule A)	231,512	233,250
Inventories held for use	2,441	2,664
Prepaid expenses	<u>160</u>	<u>233</u>
	<u>234,113</u>	<u>236,147</u>
<b>Accumulated surplus</b>	\$ <u><u>280,197</u></u>	\$ <u><u>276,635</u></u>
Contractual obligations and contingencies (Notes 17 and 18)		
Subsequent event (Note 19)		

Approved:

  
 Minister Responsible for the  
 Northwest Territories Housing Corporation

  
 President & CEO

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

# NORTHWEST TERRITORIES HOUSING CORPORATION

## Consolidated Statement of Change in Net Financial Assets For the year ended March 31, 2014 (in thousands)

	<u>2014</u> Budget	<u>2014</u> Actual	<u>2013</u> Actual
<b>Net financial assets, beginning of the year</b>	\$ 40,488	\$ 40,488	\$ 38,579
Items affecting net financial assets:			
Annual surplus (deficit)	1,791	3,562	(701)
Acquisition of tangible capital assets	(21,448)	(12,692)	(13,858)
Amortization of tangible capital assets	11,942	12,248	11,875
Disposal of tangible capital assets	-	1,070	1,009
Write-downs of tangible capital assets	-	1,111	3,286
Acquisition of inventories held for use	-	(881)	(808)
Consumption of inventories held for use	-	1,104	1,184
Acquisition of prepaid expenses	-	(82)	(117)
Use of prepaid expenses	-	156	39
Increase in net financial assets	(7,715)	5,596	1,909
<b>Net financial assets, end of year</b>	<u>\$ 32,773</u>	<u>\$ 46,084</u>	<u>\$ 40,488</u>

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

**NORTHWEST TERRITORIES HOUSING CORPORATION**  
**Consolidated Statement of Operations and Accumulated Surplus**  
**For the year ended March 31, 2014**  
(in thousands)

	<u>2014</u> <b>Budget</b>	<u>2014</u> <b>Actual</b>	<u>2013</u> <b>Actual</b>
<b>Revenues</b>			
Government funding:			
Government of the Northwest Territories	\$ 69,316	\$ 69,316	\$ 66,961
Canada Mortgage and Housing Corporation (Note 12)	<u>17,272</u>	<u>17,491</u>	<u>18,640</u>
	<u>86,588</u>	<u>86,807</u>	<u>85,601</u>
Generated revenues:			
Rental revenue	8,228	10,210	9,496
Recoveries on mortgages and loans (Note 6)	1,400	4,131	82
Investment revenue	500	626	715
Gain on disposal of investments	490	718	593
Gain on disposal of tangible capital assets	400	282	-
Other revenue and recoveries	90	715	1,109
Interest revenue on mortgages and loans	<u>120</u>	<u>139</u>	<u>126</u>
	<u>11,228</u>	<u>16,821</u>	<u>12,121</u>
	<u>97,816</u>	<u>103,628</u>	<u>97,722</u>
<b>Expenses</b>			
Public housing program (Note 13)	48,155	52,738	51,945
Unilateral CMHC programs & other programs	4,970	4,984	2,992
Market housing program (Note 14)	1,381	1,673	1,805
Supported lease & HELP programs (Note 15)	1,719	1,831	1,333
Rent subsidy program	1,050	317	38
Homelessness fund program	325	328	181
Homeownership assistance grants	7,689	5,231	7,096
Contributions for housing for staff initiative	500	-	75
Amortization	11,942	12,248	11,875
Loss on disposal of tangible capital assets	-	-	245
Writedowns of tangible capital assets	-	1,111	3,286
Administration (Note 16)	<u>18,294</u>	<u>19,605</u>	<u>17,552</u>
	<u>96,025</u>	<u>100,066</u>	<u>98,423</u>
<b>Annual surplus (deficit)</b>	<u>\$ 1,791</u>	<u>\$ 3,562</u>	<u>\$ (701)</u>
<b>Accumulated surplus, beginning of year</b>	276,635	276,635	277,336
<b>Accumulated surplus, end of year</b>	<u>\$ 278,426</u>	<u>\$ 280,197</u>	<u>\$ 276,635</u>

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

# NORTHWEST TERRITORIES HOUSING CORPORATION

## Consolidated Statement of Cash Flow For the year ended March 31, 2014 (in thousands)

	<u>2014</u>	<u>2013</u>
<b>Operating transactions</b>		
Cash received from:		
Government of the Northwest Territories	\$ 69,616	\$ 66,935
Canada Mortgage and Housing Corporation	15,667	20,628
Rental revenue	10,633	10,100
Investment revenue	626	357
Miscellaneous revenue and recoveries	2,799	6,089
	<u>99,341</u>	<u>104,109</u>
Cash paid for:		
Payments to and on behalf of employees	(25,757)	(25,555)
Payments to suppliers	(58,861)	(57,360)
Payments for interest	(868)	(1,140)
	<u>(85,486)</u>	<u>(84,055)</u>
Cash provided by operating transactions	<u>13,855</u>	<u>20,054</u>
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(12,692)	(15,843)
Proceeds on disposal of tangible capital assets	1,352	853
Cash used in capital transactions	<u>(11,340)</u>	<u>(14,990)</u>
<b>Financing transactions</b>		
Repayment of long-term debt and capital leases	(1,566)	(1,386)
Cash used in financing transactions	<u>(1,566)</u>	<u>(1,386)</u>
<b>Investing transactions</b>		
Redemption of portfolio investments	56,262	71,316
Purchases of portfolio investments	(61,112)	(73,270)
Mortgage payments received	1,054	1,032
Cash used in investing transactions	<u>(3,796)</u>	<u>(922)</u>
<b>Increase (decrease) in cash</b>	<u>(2,847)</u>	<u>2,756</u>
<b>Cash and cash equivalents, beginning of year</b>	<u>16,603</u>	<u>13,847</u>
<b>Cash and cash equivalents, end of year</b>	\$ <u>13,756</u>	\$ <u>16,603</u>
<b>Made of:</b>		
Cash and cash equivalents	14,388	17,097
Bank indebtedness	(632)	(494)
	\$ <u>13,756</u>	\$ <u>16,603</u>

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



# **NORTHWEST TERRITORIES HOUSING CORPORATION**

## **Notes to Consolidated Financial Statements**

**March 31, 2014**

(all figures in thousands)

### **1. PURPOSE OF THE ORGANIZATION**

The Northwest Territories Housing Corporation (the "Corporation") is a territorial corporation, established under the *Northwest Territories Housing Corporation Act* (the "Act") and named in Schedule B of the *Financial Administration Act* (FAA) of the Northwest Territories (NWT). Accordingly, the Corporation operates in accordance with its Act and regulations, Part IX of the FAA, and any directives issued to it by the Minister responsible for the Corporation. The Corporation is exempt from income tax but is subject to Goods and Services Tax.

The Corporation's mandate is to ensure, where appropriate and necessary, that there is a sufficient supply of affordable, adequate, and suitable housing stock to meet the housing needs of residents in the NWT. The Corporation works in partnership with the local communities in the NWT to ensure residents have access to housing that supports a healthy, secure, independent, and dignified lifestyle.

The Corporation's public housing program is delivered by twenty-three community-based local housing organizations (LHOs). Each LHO has a board of directors and management and staff who are responsible for the day-to-day activities associated with the delivery of the program in the communities. Agreements are in place between the Corporation and the LHOs which outline the roles and responsibilities of each party.

The Corporation and the LHOs are economically dependent upon the Government of the NWT (the "Government") for the funds required to finance the net cost of their operations and capital acquisitions.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards.

The significant accounting policies are as follows:

#### **Measurement uncertainty**

The preparation of consolidated financial statements in accordance with Canadian public sector accounting standards requires the Corporation to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses reported in the consolidated financial statements and accompanying notes. By their nature, these estimates are subject to measurement uncertainty. Actual results could differ significantly from the estimates. The more significant management estimates relate to the allowance for impaired mortgages and loans receivable, the amortization of tangible capital assets, contingencies and the liability for retirement and post-employment benefits.

#### **Reporting entity**

These consolidated financial statements reflect the assets, liabilities, revenues and expenses, change in net financial assets and cash flows of the reporting entity. The reporting entity is comprised of the Corporation and the accounts of the following twenty-one LHOs, via consolidation, which are controlled by the Corporation:

# NORTHWEST TERRITORIES HOUSING CORPORATION

## Notes to Consolidated Financial Statements

March 31, 2014

(all figures in thousands)

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Aklavik Housing Association  
Bechokö Kö Gha K'òdèè  
Deline Housing Association  
Fort McPherson Housing Association  
Fort Providence Housing Association  
Fort Resolution Housing Authority  
Fort Simpson Housing Authority  
Fort Smith Housing Authority  
Hay River Housing Authority  
Inuvik Housing Authority  
Lac La Martre Housing Association

Lutsel K'e Housing Authority  
Norman Wells Housing Authority  
Paulatuk Housing Association  
Radlilh Koe' Housing Association  
Sachs Harbour Housing Association  
Tsiigehtchic Housing Association  
Tuktoyaktuk Housing Association  
Tulita Housing Association  
Ulukhaktok Housing Association  
Yellowknife Housing Authority

The following two LHOs: Yellowknife Dene First Nation (Housing Division) and Hay River Dene Band Housing Society have been excluded from the reporting entity since they are considered to be parts of separate levels of government and thus should be excluded from the reporting entity of any other government or government organization.

All significant inter-entity balances and transactions have been eliminated in the preparation of the consolidated statements.

#### Revenue recognition

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

The Corporation also receives funding from the Canada Mortgage and Housing Corporation (CMHC) under the Social Housing Agreement and other agreements between CMHC and the Corporation for the operations and maintenance of the various public housing programs, the acquisition of public housing and to provide assistance to eligible homeowners and landlords for repairs and rehabilitation of properties.

Funding provided by the Government and CMHC is recognized as government funding in the fiscal year when authorized by the transferring government, except to the extent that any such funding gives rise to an obligation that meets the definition of a liability. Funding which gives rise to a liability is recognized as revenue as the liability is settled.

Rental revenue is recognized on an accrual basis. An allowance is recognized for any rental amounts owing which are deemed uncollectible.

# **NORTHWEST TERRITORIES HOUSING CORPORATION**

## **Notes to Consolidated Financial Statements**

**March 31, 2014**

(all figures in thousands)

### **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Contributions for public housing**

The Corporation provides contributions to Yellowknife Dene First Nation (Housing Division) and Hay River Dene Band Housing Society for their operation of the public housing programs and maintenance of the public housing units. These contributions are recognized based on estimated costs for administration and maintenance expenses incurred and based on actual costs for utilities, tax and leasing expenses incurred, by the two entities in the year.

As part of contributions for public housing, the Corporation also provides subsidy assistance to various non-profit housing sponsor groups and co-operatives in accordance with operating agreements, which set out the basis on which eligibility for subsidy assistance will be determined. These expenditures are recognized based on actual or estimated costs incurred by each sponsor group in the year.

#### **Contributions for market housing**

The LHOs, on behalf of the Corporation, manage certain market rental units in accordance with operating agreements. The Corporation collects rents at market rates from those rental units and provides contributions to the LHOs for their costs incurred on administration and maintenance of those rental units.

#### **Cash and cash equivalents**

Cash and cash equivalents are comprised of bank account balances net of outstanding cheques and short-term investments that have terms to maturity of less than 90 days from the dates of acquisition.

#### **Portfolio investments**

Portfolio investments are investments in debt securities of organizations that do not form part of the reporting entity and are accounted for using the amortized cost method.

Investment income is recognized on the accrual basis, premiums and discounts arising on purchase are amortized over the term of the respective investment, and capital gains and losses are recognized when realized. When there has been a loss in value of a portfolio investment that is other than a temporary decline, the investment is written down to recognize the loss.

# **NORTHWEST TERRITORIES HOUSING CORPORATION**

## **Notes to Consolidated Financial Statements**

**March 31, 2014**

(all figures in thousands)

### **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Homeownership assistance grants**

The Corporation, under section 44(1) of its Act, may make a home ownership assistance grant in the form of a forgivable loan to eligible homeowners on terms and conditions that may be imposed by the Corporation. The conditional grants, which vary in amount depending on the income or community of the applicant and are not expected to be repaid unless certain conditions are not met, are expensed in the year the grant is approved. Any recoveries on the conditional grants are recognized in the year the amount is recovered from the borrower (Note 6).

The Corporation is not currently providing any new repayable mortgages/loans nor loan guarantees to eligible homeowners under its Homeownership Assistance program.

#### **a) Mortgages and loans receivable**

The net carrying amount of the mortgages and loans receivable represents the present value of the expected future principal and interest payments to be received, net of the grants provided to the borrowers, any restructuring costs, and the allowance for impairment. Interest income on mortgages and loans receivable is recognized when earned. The costs related to a mortgage or loan restructuring, if any, are expensed in the year of the restructuring.

A mortgage or loan is considered to be impaired when, in management's opinion, there is reasonable doubt as to the collection of principal and interest or when six months of arrears have accumulated. When a mortgage has six months of arrears an allowance for impairment of 100% is established to reduce the carrying amount of mortgages and loans receivable identified as impaired to their estimated recoverable value of nil based on management's best judgment and the Corporation's historical loss experience. The recognition of interest income also ceases on a mortgage or loan identified as impaired.

The Corporation also performs an annual assessment of restructured mortgages with payments in arrears between one and six months. A partial allowance is recorded on these mortgages based on the average collection rate and similar type mortgages for the year, which for 2014 was 60%.

A mortgage or loan receivable reverts to performing status when, in management's opinion, the ultimate collection of principal and interest is reasonably assured and in the case of a mortgage or loan restructuring, when at a minimum twelve months has passed since the restructuring and payments are not more than six months in arrears.

Write-offs of impaired mortgages and loans occur after the homeowner and the Corporation have signed a quit claim agreement and the Corporation has obtained the housing unit in exchange for the debt owed. A quit claim is an agreement between the owner of a housing unit and the Corporation to transfer title to the housing unit back to the Corporation for a nominal fee. The fair value of the housing unit acquired through the quit claims process is determined to be the original purchase price or construction costs (if available) less amortization from the original purchase date to the date the quit claim occurred. This is considered to be a reasonable estimate of the fair value of the assets recovered. Quit claim units are evaluated for suitability for delivery of programs and if suitability criteria are met are added to tangible capital assets.

#### **b) Loan guarantees**

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

# NORTHWEST TERRITORIES HOUSING CORPORATION

## Notes to Consolidated Financial Statements

March 31, 2014

(all figures in thousands)

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Tangible capital assets

##### a) Land and buildings

Land and housing units constructed or purchased by the Corporation for public housing, market housing and supported lease & HELP programs, including construction in progress, are recorded at cost. Housing units previously transferred from CMHC or the Government were recognized at net book value which was considered a reasonable estimate of fair value at the time of the transfer. Housing materials are recorded at cost and included in construction in progress.

Public 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.

Housing units are amortized at an annual rate of 5% on a declining balance basis. Amortization begins in the year the housing unit is placed into service and is taken for the full year. Construction in progress is not amortized.

##### b) Property and equipment

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

Warehouses and offices	Declining balance	5%
Office furniture and equipment	Declining balance	20%
Mobile equipment	Declining balance	20%
Software	Straight-line over 10 years	
Leaseholds	Straight-line over term of lease	

#### Inventories held for use

Inventory held for use consists of materials and supplies to be used for the maintenance or minor modifications of buildings. The inventory is valued on a weighted average basis at the lower of cost and replacement value.

#### Bank indebtedness

Bank indebtedness is comprised of the bank account of those LHOs that have cheques issued in excess of deposits.

# **NORTHWEST TERRITORIES HOUSING CORPORATION**

## **Notes to Consolidated Financial Statements**

**March 31, 2014**

(all figures in thousands)

### **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Employee future benefits**

##### **a) Pension benefits**

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

##### **b) Northern Employee Benefits Service (NEBS) Pension Plan**

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

Bechokö Kö Gha K'òdèe  
Deline Housing Association  
Fort MacPherson Housing Association  
Fort Resolution Housing Authority  
Fort Simpson Housing Authority

Fort Smith Housing Authority  
Inuvik Housing Authority  
Lutsel K'e Housing Authority  
Radlilh Koe' Housing Association  
Yellowknife Housing Authority

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

##### **c) Retirement and post-employment benefits**

Under the terms and conditions of employment, employees may earn leave, severance and removal benefits based on years of service. The benefits are paid upon resignation, retirement, or death of an employee. The cost of these retirement and post-employment benefits has been determined based on management's best estimates and accrued as a liability as employees render service.

#### **Future accounting change**

PSAB approved Section PS 3260, Liability for Contaminated Sites in March 2010. This new standard requires a government or government organization to recognize a liability for a contaminated site when an environmental standard exists, the contamination exceeds the environmental standard, the government or government organization is directly responsible or accepts responsibility for remediation of the contaminated site, and a reasonable estimate of the amount can be made. The new standard is effective for fiscal years beginning on or after April 1, 2014. Earlier adoption is encouraged. Management has not early adopted this new standard.

# NORTHWEST TERRITORIES HOUSING CORPORATION

## Notes to Consolidated Financial Statements

March 31, 2014

(all figures in thousands)

### 3. CASH AND CASH EQUIVALENTS

	<u>2014</u>	<u>2013</u>
Cash	\$ 8,187	\$ 12,662
Cash equivalents	<u>6,201</u>	<u>4,435</u>
	<u>\$ 14,388</u>	<u>\$ 17,097</u>

Cash equivalents are comprised of a high quality debt instrument with an original term to maturity of 30 days (2013 – 59 days) and a market yield of 1.07% (2013 – 1.14%).

Also, included in cash are tender and security deposits from contractors on construction projects and rental housing damage deposits held in trust in the amount of \$1,848 (2013 - \$1,871) which are also included in accounts payable and accrued liabilities (Note 8).

### 4. PORTFOLIO INVESTMENTS

<u>Issuer</u>	<u>Stated interest rate</u>	<u>2014 Remaining term</u>	<u>Carrying amount</u>	<u>2013 Carrying amount</u>
Fixed income investments:				
Bankers acceptances	1.35% to 1.58%	128 to 269 days	\$ 25,151	\$ 23,299
Provincial governments	1.66% to 3.35%	3 to 13 years	9,455	22,449
Ontario Hydro Strip Bonds	1.44% to 3.61%	2 to 11 years	16,897	1,406
Ontario Hydro Zero Coupon Bonds	2.16% to 3.27%	4 to 8 years	2,716	1,500
Business Development Bank of Canada	-	-	<u>-</u>	<u>1,100</u>
			<u>\$ 54,219</u>	<u>\$ 49,754</u>

The weighted average effective yield of this portfolio in 2014 was 1.94 % (2013 – 1.96%). Investments in bankers' acceptances are highly liquid investments with original terms to maturities of 90 days to one year.

# NORTHWEST TERRITORIES HOUSING CORPORATION

## Notes to Consolidated Financial Statements

**March 31, 2014**

(all figures in thousands)

### 5. ACCOUNTS RECEIVABLE

	<u>2014</u>	<u>2013</u>
Trade accounts receivable	\$ 2,924	\$ 2,173
Tenant rents receivable	<u>15,414</u>	<u>15,323</u>
	18,338	17,496
Less allowance for doubtful accounts	<u>(14,692)</u>	<u>(13,696)</u>
	3,646	3,800
Receivables from CMHC	2,125	301
Receivables from related parties:		
Government of the Northwest Territories	<u>83</u>	<u>383</u>
Net Accounts Receivable	<u>\$ 5,854</u>	<u>\$ 4,484</u>

### 6. MORTGAGES AND LOANS RECEIVABLE

#### a) Mortgages and loans receivable

	<u>2014</u>	<u>2013</u>
Corporate loan, repayable in monthly installments at interest rate of 7.80%, unsecured, with a term of 10 years.	\$ 12	\$ 38
Mortgages based on Income Assessment, repayable in monthly installments at interest rates varying between 5.79% and 10.5%, secured by registered charges against real property, with a term over a maximum of 15 years.	894	1,274
Loans based on Income Assessment, repayable in monthly installments at interest rates varying between 3.10% and 12%, unsecured, with a term over a maximum of 15 years.	4,085	6,115
Restructured mortgages, repayable in monthly installments at interest rates varying between 3% and 5.85%, secured by registered charges against real property, with a term over a maximum of 25 years.	1,732	952
Restructured loans, repayable in monthly installments at interest rates varying between 3% and 7.2%, unsecured, with a term over a maximum of 25 years.	<u>8,363</u>	<u>7,130</u>
Mortgages and loans receivable	15,086	15,509
Less allowance for impaired mortgages and loans	<u>(11,499)</u>	<u>(13,912)</u>
Net mortgages and loans receivable	<u>\$ 3,587</u>	<u>\$ 1,597</u>

The carrying value of the mortgages and loans receivable that are past due but not classified as impaired is \$796 (2013 - \$778). There were 13 write-offs in the current year (2013 - three).



# NORTHWEST TERRITORIES HOUSING CORPORATION

## Notes to Consolidated Financial Statements

**March 31, 2014**

(all figures in thousands)

### 6. MORTGAGES AND LOANS RECEIVABLE (continued)

#### b) Homeownership assistance grants

Conditional grants have been provided by the Corporation to eligible homeowners, which are fully forgivable on the condition of the property remaining the principal residence and annual income remaining below the core need income threshold for the term of the agreement. If the conditions are not met, the grants are repayable to the Corporation. Conditional grants comprise the Homeownership Assistance grants of \$5,231 (2013 – \$7,096), which are expensed on the consolidated statement of operations and accumulated surplus.

#### c) Net recoveries on mortgages and loans receivable and conditional grants:

	<u>2014</u>	<u>2013</u>
Recoveries on impaired mortgages and loans	\$ 522	\$ 747
Adjustment to allowance for impaired mortgages and loans	3,133	(1,063)
Recoveries from conditional grants	<u>476</u>	<u>398</u>
	<u>\$ 4,131</u>	<u>\$ 82</u>

### 7. BANK INDEBTEDNESS

	<u>2014</u>	<u>2013</u>
Cheques issued in excess of deposits for certain LHOs	<u>\$ 632</u>	<u>\$ 494</u>

### 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2014</u>	<u>2013</u>
Trade payables	\$ 8,068	\$ 6,965
Contractors holdbacks	1,527	2,309
Damage deposits	1,774	1,702
Wages and employee benefits	677	489
Tender and security deposits	74	169
Accrued interest	153	224
Prepaid rent	96	94
Payables to related parties:		
Government of the Northwest Territories	<u>986</u>	<u>763</u>
	<u>\$ 13,355</u>	<u>\$ 12,715</u>

# NORTHWEST TERRITORIES HOUSING CORPORATION

## Notes to Consolidated Financial Statements

**March 31, 2014**

(all figures in thousands)

### 9. LOANS PAYABLE TO CANADA MORTGAGE AND HOUSING CORPORATION

	2014			2013
	Debt balance	CMHC funded portion	Net debt balance	Net debt balance
Mortgages payable to CMHC (NHA Section 79 debt), repayable in monthly or quarterly installments, maturing from 2014 to 2038, at interest rates from 5.94% to 19.00% (2013 - 5.94% to 19.00%).	\$ 25,242	\$ (25,242)	\$ -	\$ -
Loans payable to CMHC (NHA Section 82 debt), repayable in annual installments until the year 2033, bearing interest of 6.97% (2013 - 6.97%). These loans are guaranteed by the Government.	18,248	(10,138)	8,110	8,609
Mortgages payable to CMHC for three housing projects acquired from third parties in accordance with the provisions of the SHA related to third party loans, maturing in 2026 and 2027, at interest rates from 2.78% to 3.68%, (2013 - 2.78% to 3.68%).	3,369	-	3,369	3,588
	<u>\$ 46,859</u>	<u>\$ (35,380)</u>	<u>\$ 11,479</u>	<u>\$ 12,197</u>

Under the terms of the 1999 Social Housing Agreement (SHA), CMHC originally provided funding to the Corporation to build public housing assets in the form of long-term mortgages payable to CMHC (referred to as National Housing Act (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, CMHC also agreed to provide additional funding to the Corporation to reduce 100% of the NHA Section 79 debt and to reduce by 5/9<sup>th</sup> 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.

Had CMHC not funded the repayments of the long-term debt principal and interests payable to CMHC, the Corporation would have incurred additional interest expense of \$3,901 in 2014 (2013 - \$4,080), and would have made additional principal long-term debt repayments to CMHC of \$1,346 in 2014 (2013 - \$2,653).

The above mortgages to CMHC are not secured.

# NORTHWEST TERRITORIES HOUSING CORPORATION

## Notes to Consolidated Financial Statements

**March 31, 2014**

(all figures in thousands)

### 9. LOANS PAYABLE TO CANADA MORTGAGE AND HOUSING CORPORATION (continued)

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 761	\$ 684	\$ 1,445
2016	806	639	1,445
2017	844	590	1,434
2018	805	539	1,344
2019	746	491	1,237
2020 - 2024	3,903	1,811	5,714
2025 - 2038	<u>3,614</u>	<u>733</u>	<u>4,347</u>
	\$ <u>11,479</u>	\$ <u>5,487</u>	\$ <u>16,966</u>

### 10. OBLIGATIONS UNDER CAPITAL LEASES

The Corporation is committed to annual payments for 10 (2013 - 13) lease agreements for public housing units under the Public Housing Rent Supplement Programs and 2 (2013 - three) lease agreements for market housing units. These lease agreements are based on implicit interest rates varying from 6.60% to 10.75% and expiry dates ranging from 2014 to 2019. 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 payments.

	<u>Executory costs</u>	<u>Imputed interest</u>	<u>Lease obligation</u>	<u>Future minimum lease payments</u>
2015	\$ 241	\$ 67	\$ 614	\$ 922
2016	126	30	308	464
2017	23	15	135	173
2018	23	8	89	120
2019	<u>17</u>	<u>2</u>	<u>70</u>	<u>89</u>
<b>Total</b>	\$ <u>430</u>	\$ <u>122</u>	\$ <u>1,216</u>	\$ <u>1,768</u>

The value of the leased housing units which are included as part of the Corporation's tangible capital assets and the related accumulated amortization as at March 31, 2014 is \$7,220 and \$6,458 respectively (2013 - \$8,480 and \$7,171 respectively).

# NORTHWEST TERRITORIES HOUSING CORPORATION

## Notes to Consolidated Financial Statements

**March 31, 2014**

(all figures in thousands)

### 11. RETIREMENT AND POST-EMPLOYMENT BENEFITS

#### Pension benefits

The Corporation's employees participate in the Public Service Pension Plan (the "Plan") administered by the Government of Canada. The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of 2% of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

The Corporation and all eligible employees contribute to the Plan. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution.

During the calendar year 2012, the Corporation contributed 1.74 dollars for every dollar contributed by the employee, and 8.95 dollars for every dollar contributed by the employee for the portion of the employee's salary above \$148 thousand.

During the calendar year 2013, the Corporation contributed 1.64 dollars for every dollar contributed by the employee, and 8.00 dollars for every dollar contributed by the employee for the portion of the employee's salary above \$150.9 thousand. For new employees participating in the plan on or after January 1, 2013, the Corporation contributes 1.57 dollars for every dollar contributed by the employee, and 8.00 dollars for every dollar contributed by the employee for the portion of the employee's salary above \$150.9 thousand.

Effective January 1, 2014, the Corporation contributed 1.45 dollars for every dollar contributed by the employee, and 7.59 dollars for every dollar contributed by the employee for the portion of the employee's salary above \$155 thousand. For new employees participating in the plan on or after January 1, 2013, the Corporation contributes 1.43 dollars for every dollar contributed by the employee, and 7.59 dollars for every dollar contributed by the employee for the portion of the employee's salary above \$155 thousand.

Employees' contributions into the plan follow the chart below as a percentage of their gross salary. Contribution rates for the plan are dependent on if the year's maximum pensionable earnings (YMPE), as defined under the Canada Pension Plan, have been reached.

	<b><u>April 1, 2012 to December 31, 2012</u></b>	<b><u>January 1, 2013 to December 31, 2013</u></b>	<b><u>January 1, 2014 to March 31, 2014</u></b>
Up to YMPE	6.20%	6.85%	7.50%
Above YMPE	8.60%	9.20%	9.80%
YMPE	\$50,100	\$51,100	\$52,500

For new employees participating in the plan after January 1, 2013 contribution rates were:

Up to YMPE	-	6.27%	6.62%
Above YMPE	-	7.63%	7.89%

Total contributions to the Plan in the fiscal year were as follows:

	<b><u>2014</u></b>	<b><u>2013</u></b>
Employer's contributions	\$ 1,494	\$ 1,492
Employees' contributions	830	778

# NORTHWEST TERRITORIES HOUSING CORPORATION

## Notes to Consolidated Financial Statements

**March 31, 2014**

(all figures in thousands)

### 11. RETIREMENT AND POST-EMPLOYMENT BENEFITS (continued)

#### Northern Employees Benefits Services (NEBS) Pension Plan

Eligible employees of member LHOs are covered by the Northern Employee Benefits Services (NEBS) Pension Plan, a contributory defined benefit plan. NEBS is a member owned, not-for profit, corporation that sponsors an insurance and health care benefits plan and a pension plan for public sector employees in the north. The employer and employee contribution rates effective at year end were both 8% (2013 – 8%). The Corporation's and employees' contribution to the NEBS Pension Plan for the year were as follows:

	<u>2014</u>	<u>2013</u>
Employer's contribution	\$ 368	\$ 293
Employees' contribution	368	293

The plan serves 1,700 Employee Members and 115 Employer Members. As of April 2004, the Office of the Superintendent of Financial Institutions (OSFI) exempted NEBS from compliance with the Pension Benefits Standards Act (PBSA). NEBS has agreed to voluntarily comply with PBSA until the plan can be registered under Territorial legislation. The Governments of the NWT and Nunavut passed the NEBS Pension Plan Protection Act in March 2009 which sets rules to protect Plan Members funds. Both governments have provided a commitment to introduce broader NEBS Pension Plan legislation in 2014. As of December 31, 2013 the plan had a pension plan fund balance in excess of actuarial calculations of \$8,557.

#### Post-employment benefits

The Corporation provides leave, severance and removal benefits to its employees based on years of service and final salary. This benefit plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation.

Liability for leave, severance, and removal benefits is as follows:

	<u>2014</u>	<u>2013</u>
Accrued benefit obligation, beginning of year	\$ 4,910	\$ 4,757
Costs for the year	1,629	1,679
Benefits paid during the year	<u>(1,344)</u>	<u>(1,526)</u>
Accrued benefit obligation, end of year	\$ <u>5,195</u>	\$ <u>4,910</u>

# NORTHWEST TERRITORIES HOUSING CORPORATION

## Notes to Consolidated Financial Statements

**March 31, 2014**

(all figures in thousands)

### 12. FUNDING FROM CANADA MORTGAGE AND HOUSING CORPORATION

	<u>2014</u>	<u>2013</u>
Funding received from CMHC is recognized as government funding under the:		
Social Housing Agreement:		
Contributions for public housing rental subsidies	\$ 10,227	\$ 11,234
Contributions to non-profit housing sponsor groups and cooperatives	3,918	3,918
Repairs, maintenance and other costs	1,473	1,580
Agreement for Investment in Affordable Housing	1,840	1,840
Agreement for Incremental Construction Costs	33	25
Agreement for Energy Construction Monitoring	<u>-</u>	<u>43</u>
	<u>\$ 17,491</u>	<u>\$ 18,640</u>

Under the terms of the 1999 Social Housing Agreement with CMHC, the Corporation assumed full responsibility for the management of various public housing programs specified in the SHA. CMHC provides annual funding to the Corporation to manage these programs. The SHA and the funding expire in 2038.

On December 20, 2011 the Corporation and CMHC signed the Agreement for Investment in Affordable Housing. This \$11 million three year agreement amalgamated two existing NWTHC/CMHC agreements (Housing Renovation Program Agreement and the Affordable Housing Agreement Extension). Funding under this agreement can be utilized under four specific NWTHC housing programs (CARE, PATH, HELP and Shelter Enhancement). The annual funding is cost shared with CMHC and the NWTHC each contributing \$1.84 million per year for this program. Both parties to the Agreement provided a total of \$5.5 million over the three year period from 2011/2012 to 2013/2014.

# NORTHWEST TERRITORIES HOUSING CORPORATION

## Notes to Consolidated Financial Statements

**March 31, 2014**

(all figures in thousands)

### 13. PUBLIC HOUSING PROGRAM

	<u>2014</u>	<u>2013</u>
Utilities, taxes and land leases	\$ 24,833	\$ 22,928
Repairs, maintenance and other costs	6,350	7,369
Salaries	12,181	12,248
Administration	1,609	1,993
Contributions for public housing	4,312	3,365
Leasing	2,597	2,948
Interest on long-term debt	<u>856</u>	<u>1,094</u>
	<u>\$ 52,738</u>	<u>\$ 51,945</u>

### 14. MARKET HOUSING PROGRAM

	<u>2014</u>	<u>2013</u>
Utilities, taxes and land leases	\$ 1,376	\$ 1,238
Repairs, maintenance and other costs	<u>297</u>	<u>567</u>
	<u>\$ 1,673</u>	<u>\$ 1,805</u>

### 15. SUPPORTED LEASE & HELP PROGRAMS

	<u>2014</u>	<u>2013</u>
Utilities, taxes and land leases	\$ 1,069	\$ 1,115
Repairs, maintenance and other costs	<u>762</u>	<u>218</u>
	<u>\$ 1,831</u>	<u>\$ 1,333</u>

# NORTHWEST TERRITORIES HOUSING CORPORATION

## Notes to Consolidated Financial Statements

**March 31, 2014**

(all figures in thousands)

### 16. ADMINISTRATION EXPENSES

	<u>2014</u>	<u>2013</u>
Salaries and benefits	\$ 14,048	\$ 13,392
Building and equipment rentals	1,899	1,760
Administration	1,090	402
Travel and relocation	1,035	544
Professional and special services	568	552
Computer services	433	400
Materials and supplies	244	201
Communications	211	222
Workshops and studies	77	49
Other expenses	<u>-</u>	<u>30</u>
	<u>\$ 19,605</u>	<u>\$ 17,552</u>

### 17. CONTRACTUAL OBLIGATIONS

The Corporation leases office space and rents supplemental public housing units and is committed to basic rental payments as follows. The leases contain escalation clauses for operating costs and property taxes, which may cause the payments to exceed the basic rental. Also included in the 2015 contractual obligations are construction commitments of \$5,510 (2014 - \$5,419).

	<u>Total</u>
2015	\$ 8,817
2016	2,751
2017	2,239
2018	1,921
2019	1,298
After	<u>5,676</u>
Total	<u>\$ 22,702</u>



# **NORTHWEST TERRITORIES HOUSING CORPORATION**

## **Notes to Consolidated Financial Statements**

**March 31, 2014**

(all figures in thousands)

### **18. CONTINGENCIES**

The Corporation provided guarantees to banks in financing certain new or renovated residential housing construction. The Corporation has the authority to provide loan guarantees to a limit of \$30,000 as established by the Financial Management Board of the Government of the Northwest Territories. As at March 31, 2014 a total of 25 (2013 - 28) loan guarantees were in effect, and the outstanding balance of loans guaranteed was \$3,945 (2013 - \$4,609). Five (2013 - seven) of these loans guaranteed with a total outstanding balance of \$2,769 (2013 - \$3,237) are secured by registered charges against real property.

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 outstanding balance of these third party loans as at March 31, 2014 was \$22,476 (2013 - \$24,282).

The outstanding balances represent the maximum amount of future loan principal payments under the guarantees and indemnities. In the event of default by the borrowers, the lenders could request payment from the Corporation. The obligation under loan guarantees as at March 31, 2014 is nil (2013 - nil).

### **19. SUBSEQUENT EVENT**

On April 23, 2014, an agreement was signed between the Corporation and the Government of the Northwest Territories to transfer to the Corporation 838 lots in fee simple title. Consideration to be paid is \$1 dollar, in accordance with the Government of the Northwest Territories Land Pricing Policy 21.01. The estimated fair market value of the lots is \$18 million. The legal transfer of the lots is expected to occur over the next several fiscal years. Management is currently assessing the impact of this transfer to the financial statements.

# **NORTHWEST TERRITORIES HOUSING CORPORATION**

## **Notes to Consolidated Financial Statements**

**March 31, 2014**

(all figures in thousands)

### **20. FINANCIAL RISK MANAGEMENT**

The Corporation's financial instruments consist of cash and cash equivalents, portfolio investments, accounts receivable, mortgages and loans receivable, bank indebtedness, accounts payable and accrued liabilities, loans payable to CMHC and obligations under capital lease and are measured at amortized cost. The Corporation has exposure to the following risks from its use of financial instruments:

#### **a) Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities. The Corporation manages its liquidity risk by regularly monitoring forecasted and actual cash flows. The Corporation does not believe that it will encounter difficulty in meeting its future obligations associated with its financial liabilities.

#### **b) Credit risk**

The Corporation is exposed to credit risk on its cash equivalents, portfolio investments, accounts receivable and mortgages and loans receivable.

##### **Cash equivalents and portfolio investments**

Credit risk on cash equivalents and portfolio investments arises from the possibility that the counterparty to the instrument fails to meet their obligations. In order to manage this risk, the Corporation only invests in high quality fixed income investments. The maximum exposure to credit risk is \$60,420 (2013 - \$54,189).

##### **Accounts receivable**

Credit risk on accounts receivable arises from the possibility that the customer fails to meet their obligations. In order to manage this risk, the Corporation monitors the age of accounts receivable and initiates collection action. The maximum exposure to credit risk is \$5,854 (2013 - \$4,484).

##### **Mortgages and loans receivable**

Credit risk on mortgages and loans receivable arises from the possibility that the borrower fails to meet their obligations. In order to manage this risk, the Corporation actively monitors mortgage and loan payments and works with borrowers to develop payment plans to resolve outstanding arrears issues. The Corporation developed the Mortgage Payment Plan to improve collections on mortgages in 2007. This ended in 2013 when a new program, the Revised Mortgage Approach was developed to determine new repayable loan amounts.

The maximum exposure to credit risk is \$3,587 (2013 - \$1,597).

# NORTHWEST TERRITORIES HOUSING CORPORATION

## Notes to Consolidated Financial Statements

**March 31, 2014**

(all figures in thousands)

### 20. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### c) Interest rate risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate in the future because of interest rate changes. The Corporation is exposed to interest rate risk primarily through its investment in fixed income investments. Fluctuations in interest rates can affect the fair value of the fixed income investments, as well as shift investor preferences among asset classes.

The Corporation does not face interest rate risk on its loans payable to the Canada Mortgage and Housing Association because these interest rates are fixed for the full term of the loans.

Interest rate risk is minimized by actively managing the duration of the fixed income investments.

						Carrying value	
Term	Within 1 year	1 to 2 years	2 to 5 years	5 to 10 years	Over 10 years	2014	2013
Portfolio investments	25,152	1,938	14,085	9,908	3,136	54,219	49,754

A 1% change in interest rates would change net investment income by \$520 (2013 - \$483).

### 21. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of the Corporation's financial assets and liabilities is estimated as follows:

	2014		2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Portfolio investments	\$ 54,219	\$ 54,147	\$ 49,754	\$ 50,227
Loans payable to CMHC	8,110	10,103	8,609	10,968
Mortgages payable to CMHC	3,369	3,376	3,588	3,712
Obligations under capital lease	1,216	1,314	2,063	2,288

The fair values of the portfolio investments are their market values at March 31.

The fair value of loans and mortgages payable to CMHC 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 the Northwest Territories does not issue debt and the province of Newfoundland & Labrador would be considered to have a similar risk profile.

The fair value of the mortgages and loans receivable is estimated to be the carrying amount due to the significant valuation allowances provided. The fair values of the cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their carrying amounts because of the short term to maturity.

# **NORTHWEST TERRITORIES HOUSING CORPORATION**

## **Notes to Consolidated Financial Statements**

**March 31, 2014**

(all figures in thousands)

### **22. RELATED PARTY TRANSACTIONS**

The Corporation is related in terms of common ownership to all Government of the Northwest Territories created departments, territorial corporations and public agencies. The Corporation enters into transactions with these entities in the normal course of business, under terms and conditions similar to those with unrelated parties. Significant transactions with related parties and balances at year-end are disclosed separately in the consolidated financial statements and notes thereto.

### **23. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

### **24. BUDGETED FIGURES**

Budgeted figures have been provided for comparison purposes and have been derived from the Main Estimates approved by the Legislative Assembly.

# NORTHWEST TERRITORIES HOUSING CORPORATION

## Schedule A

### Consolidated Schedule of Tangible Capital Assets March 31, 2014 (all figures in thousands)

Land and buildings:	Opening balance	Acquisitions	Cost			Closing balance	Opening balance	Accumulated amortization		Closing balance	Net book value	
			Disposals / transfers	Write-downs				Amortization	Disposals		2014	2013
Land	5,895	486	-	-		6,381	-	-	-	-	6,381	5,895
Public housing	283,931	16,522	(3,029)	(693)		296,731	130,161	8,948	(2,445)	136,664	160,067	153,770
Market housing	12,015	389	(223)	(5)		12,176	4,664	374	(80)	4,958	7,218	7,352
Supported lease & HELP housing	59,790	2,499	(502)	(277)		61,510	13,406	2,404	(190)	15,620	45,890	46,384
Construction in progress	13,942	11,877	(19,630)	(136)		6,053	-	-	-	-	6,053	13,942
<b>Sub-total</b>	<b>375,573</b>	<b>31,773</b>	<b>(23,384)</b>	<b>(1,111)</b>		<b>382,851</b>	<b>148,231</b>	<b>11,726</b>	<b>(2,715)</b>	<b>157,242</b>	<b>225,609</b>	<b>227,343</b>
<b>Property and equipment:</b>												
Warehouses and offices	9,056	226	-	-		9,282	4,417	243	-	4,660	4,622	4,639
Office furniture and equipment	5,332	104	-	-		5,436	4,823	102	-	4,925	511	509
Mobile equipment	1,656	210	(39)	-		1,827	1,035	134	(8)	1,161	666	620
Software	105	9	-	-		114	-	10	-	10	104	105
Leaseholds	728	-	-	-		728	695	33	-	728	-	34
<b>Sub-total</b>	<b>16,877</b>	<b>549</b>	<b>(39)</b>	<b>-</b>		<b>17,387</b>	<b>10,970</b>	<b>522</b>	<b>(8)</b>	<b>11,484</b>	<b>5,903</b>	<b>5,907</b>
<b>Total</b>	<b>392,450</b>	<b>32,322</b>	<b>(23,423)</b>	<b>(1,111)</b>		<b>400,238</b>	<b>159,201</b>	<b>12,248</b>	<b>(2,723)</b>	<b>168,726</b>	<b>231,512</b>	<b>233,250</b>