



AUDITOR GENERAL OF CANADA

VÉRIFICATEUR GÉNÉRAL DU CANADA

AUDITOR'S REPORT

To the Minister responsible for the
Yukon Housing Corporation

I have audited the balance sheet of the Yukon Housing Corporation as at March 31, 1999 and the statements of operations, equity and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1999 and the results of its operations and the changes in its cash flows for the year then ended in accordance with generally accepted accounting principles. As required by the *Yukon Housing Corporation Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

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

Donald M. Young, FCA
Assistant Auditor General
for the Auditor General of Canada

Vancouver, Canada
July 9, 1999

YUKON HOUSING CORPORATION

Balance Sheet

As at March 31, 1999

	<u>1999</u>	<u>1998</u>
	<u>(thousands of dollars)</u>	
<u>ASSETS</u>		
Current		
Due from Canada Mortgage and Housing Corporation	\$ 430	\$ 346
Accounts receivable - other	520	984
Mortgages receivable - current portion (note 3)	2,360	2,665
Housing projects held for sale (note 2)	<u>1,370</u>	<u>57</u>
	4,680	4,052
Mortgages, agreements and loans receivable (note 3)	28,237	22,531
Capital assets (note 5)	<u>33,536</u>	<u>31,583</u>
	<u>\$ 66,453</u>	<u>\$ 58,166</u>
<u>LIABILITIES</u>		
Current		
Bank indebtedness	\$ 1,885	\$ 2,045
Accounts payable	1,774	1,470
Due to the Government of Yukon	1,440	204
Current portion of long-term debt (note 6)	<u>2,106</u>	<u>2,117</u>
	7,205	5,836
Long-term		
Provision for employee termination benefits	411	364
Deferred revenue	779	417
Long-term debt (note 6)	<u>32,838</u>	<u>26,573</u>
	41,233	33,190
<u>EQUITY</u>		
Equity of the Government of Yukon	<u>25,220</u>	<u>24,976</u>
	<u>\$ 66,453</u>	<u>\$ 58,166</u>

The accompanying notes and schedules are an integral part of the financial statements

Approved by the Board

Director

Director

YUKON HOUSING CORPORATION

Statement of Equity

Year Ended March 31, 1999

	<u>1999</u>	<u>1998</u>
	(thousands of dollars)	
Balance, beginning of year	\$ 24,976	\$ 23,602
Funding advanced from the Government of Yukon	244	1,374
	<hr/>	<hr/>
Balance, end of year	<u>\$ 25,220</u>	<u>\$ 24,976</u>

The accompanying notes and schedules are an integral part of the financial statements

YUKON HOUSING CORPORATION

Statement of Operations

Year Ended March 31, 1999

	<u>1999</u>	<u>1998</u>
	(thousands of dollars)	
Revenues		
Rental income	\$ 2,648	\$ 2,643
Recoveries - Cost-shared agreements	4,313	3,553
Interest income	1,606	1,665
Recoveries - Prior year bad debt	6	220
Miscellaneous income	-	6
	<u>8,573</u>	<u>8,087</u>
Expenses		
Program costs (Schedule)	4,755	4,271
Interest on long-term debt	2,319	2,047
Personnel	3,405	2,889
Amortization	1,559	1,342
Administration (Schedule)	1,287	939
	<u>13,325</u>	<u>11,488</u>
Net loss from operations	4,752	3,401
Government of Yukon grant - operations	<u>4,752</u>	<u>3,401</u>
Net results of operations after government grant	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes and schedules are an integral part of the financial statements

YUKON HOUSING CORPORATION

Statement of Cash Flow

Year Ended March 31, 1999

	1999	1998
	(thousands of dollars)	
Cash flows from operating activities		
Net income from operations	\$ -	\$ -
Adjustments for:		
Increase in provision for employee termination benefits	47	65
Increase in deferred revenue	362	417
Amortization	1,559	1,342
	1,968	1,824
Changes in non-cash components of working capital		
Decrease in CMHC and other receivables	380	(343)
Decrease in current portion of mortgages receivable	305	(144)
Increase in housing projects held for resale	(1,313)	82
Increase in accounts payable	304	(733)
Increase in due to Government of Yukon	1,236	(166)
Decrease in current portion of long-term debt	(11)	(155)
	901	(1,459)
Cash flows used in operating activities	2,869	365
Cash flows from investing activities		
Additions to housing projects	(571)	(1,551)
Additions to computer systems, furnishings, equipment and leasehold	(308)	(236)
Assumption of housing projects from CMHC (note 8)	(2,633)	-
Assumption of mortgages receivable from CMHC (note 8)	(5,101)	-
Additions to mortgages and agreements receivable	(4,808)	(7,525)
Repayments of mortgages and agreements receivable	4,203	5,339
Cash flows used in investing activities	(9,218)	(3,973)
Cash flows from financing activities		
Transfer of land sales agreements from the Government of Yukon	2,122	3,036
Assumption of long-term debt from CMHC (note 8)	7,734	-
Repayment of long-term debt (including land sales agreements)	(3,591)	(4,224)
Increase in funding from Government of Yukon	244	1,374
Cash provided by financing activities	6,509	186
Net increase (decrease) in cash and cash equivalents	160	(3,422)
(Bank indebtedness) cash, beginning of year	(2,045)	1,377
(Bank indebtedness) cash, end of year	\$ (1,885)	\$ (2,045)

The accompanying notes and schedules are an integral part of the financial statements

YUKON HOUSING CORPORATION

Notes to Financial Statements

As at March 31, 1999

1. Authority and objectives

The Corporation was established in 1972 by the Housing Corporation Act of the Yukon Territory to develop and manage home ownership and rental housing programs in the Yukon and to administer the Government of Yukon's staff accommodations.

The Corporation has a mandate to service the housing needs of all Yukoners. As part of this mandate, the Corporation provides low rental housing which have operating losses. In addition, the Corporation has the authority for the provision, development, financing and maintenance of housing, including making loans for the purpose of housing. The Corporation is dependent on the Government of Yukon for funding its operations.

2. Significant accounting policies

These financial statements have been prepared by management in accordance with generally accepted accounting principles.

Grant provided by the Government of Yukon

The Housing Corporations Act authorizes the Government of Yukon to pay the Corporation an operating grant equal to its operating deficit.

The operating grant is reflected as a reduction to the net loss from operations, in the statement of operations.

Funding provided in excess of the operating grant is recorded as equity.

Mortgages, agreements and loans receivable

Under the Home Repair Program, the Corporation may subsidize a debtor's repayment. These subsidies, to be reviewed bi-annually, are based on the debtor's ability to pay. Mortgages receivable under the Home Repair Program are stated at estimated realizable value after providing allowances for payment subsidies and unearned forgivable advances. Despite the use of the Corporation's best estimates, the amount for this balance sheet item and related expense could change materially in the near term.

Mortgages receivable under the Home Ownership Program are fully secured and are recorded at cost. Based on historical loss experience and prevailing economic conditions, management does not consider it necessary to establish an allowance for credit losses.

Pursuant to the Social Housing Agreement (SHA) signed with Canada Mortgage and Housing Corporation (CMHC) in 1998, the Yukon Housing Corporation (YHC) may be required to subsidize a debtor's repayment. These subsidies, to be reviewed bi-annually, are based on the debtor's ability to pay. Mortgages receivable under the Rural and Native Housing Homeownership Programs are stated at book value due to the fact that CMHC incorporated into its annual cost-shared funding under the SHA, an amount for subsidies. Despite the use of the YHC's best estimates, the amount for this balance sheet item and related expense could change materially in the near term.

The land sales agreements, which pertain to loans receivable from lots sold to purchasers for residential, commercial and recreational purposes, are fully secured and are recorded at cost.

2. Significant accounting policies (cont'd)

Housing projects held for sale

During the year, the Corporation commenced the development of land for future sale as titled mobile housing lots. The development is valued at net realizable value.

Houses held for sale consist of houses repossessed under the Home Ownership Program, and purchases from former employees of the Government of Yukon. The houses are recorded at the lower of cost and appraised value.

Capital assets

Housing projects are stated at cost, net of contributions from outside agencies, and include interest on loans during construction.

Social housing projects financed by long-term debt are amortized using the sinking fund method based on the principal repayment of the associated debt.

Social housing projects not financed by long-term debt are amortized on a straight line basis over their estimated useful life of 15 years.

Staff Housing projects and other facilities are amortized on the straight-line basis over their estimated useful lives as follows:

Standard construction	35 years
Mobile units	15 years

The computer systems, furnishings and equipment, and leasehold improvements are stated at the cost of acquisition, and are amortized on the straight-line basis over their estimated useful lives as

Computer systems	3 years
Furnishings and equipment	5 years
Leasehold improvements	Term remaining on the lease plus the period of the first renewal option.

Program costs and recoveries

Administration expenses directly related to a program are allocated to that program.

The Corporation has entered into cost sharing agreements whereby operating deficits of certain housing projects are shared with Canada Mortgage and Housing Corporation and the City of Whitehorse.

These recoveries are included in revenue on an accrual basis. Adjustments upon finalization of recoveries are reflected in the accounts in the year of adjustment.

Deferred revenue

The deferred revenue represents funding received from the Yukon Development Corporation to assist in funding the residential and commercial energy management initiatives, and funding provided by Canada Mortgage and Housing Corporation (CMHC) pursuant to the Social Housing Agreement for future losses on interest and mortgage guarantees. Revenue in regard to the energy management initiatives will be recognized as loan advances are given to clients, and CMHC funding will be recognized when losses are incurred on the interest and mortgage guarantees.

2. Significant accounting policies (cont'd)

Employee termination benefits

Under the conditions of employment, employees may qualify and earn benefits for retirement and severance pay, based on the age and length of service of the employee. The cost of these benefits is expensed in the year in which the benefits are earned.

Pensions

Employees of the Corporation are members of the Public Service Superannuation Plan of the Canadian Government. Contributions to the Plan are required from both the employees and the Corporation. These contributions represent the total pension obligation of the Corporation and are expensed in the year in which the service is rendered.

Management estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues, expenses and the disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from these estimates.

3. Mortgages, agreements and loans receivable

	<u>Stated % interest rates</u>	<u>1999</u> (thousands of dollars)	<u>1998</u> (thousands of dollars)
Mortgages Receivable			
Home Ownership (also see note 8)	6.25 - 9.75	\$ 14,442	\$ 9,201
Loans with a term of up to five years, secured by registered charges against real property, repayable in blended bi-weekly or monthly payments at fixed rates of interest and with maturities up to 2006. Mortgages receiving subsidies (see also notes 2 and 8 in regard to the Rural and Native Housing Homeownership Program) as at March 31, 1999 - \$3,814,000.			
Home Repair	2.00 - 6.00	9,895	9,437
Loans with a term of up to ten years, secured by registered charges against real property, repayable in blended monthly payments at fixed rates of interest calculated at one-half of the Home Ownership mortgage rate at initiation and with maturities up to 2009. Mortgages receiving subsidies and forgiveness as at March 31, 1999 - \$2,765,000 (1998 - \$2,949,000).			
Owner Build	2.25 - 8.50	430	538
Loans with a term of two years, secured by registered charges against real property, repayable by monthly interest-only payments with principal due on maturity, at fixed rates of interest ranging from zero to the full Homeownership mortgage rate at initiation and with maturities up to 2003.			

3. **Mortgages, agreements and loans receivable (cont'd)**

	<u>Stated % interest rates</u>	<u>1999</u> (thousands of dollars)	<u>1998</u> (thousands of dollars)
Mortgages Receivable (cont'd)			
Rental Suite Program	4.00 - 7.50	443	475
Loans with a term of 10 years, secured by registered charges against real property, repayable in blended monthly payments at fixed rates of interest calculated at two percent less than the Home Ownership mortgage rate at initiation and with maturities up to 2009.			
Other mortgages	0.00 - 10.00	1,206	485
Loans with varying terms, rates and maturities.			
Total mortgages receivable		<u>26,416</u>	<u>20,136</u>
Land sales agreements receivable	7.5 - 9.00	1,359	2,357
The agreements pertain to loans receivable from lots sold to purchasers for residential, commercial and recreational purposes, secured by registered charges against real property, repayable in blended annual payments at fixed rates of interest and with maturities up to 2004.			
Loan receivable - Government of Yukon	7.05	4,605	4,651
Repayable in blended monthly payments to the year 2028 at a fixed rate of interest.			
Total mortgages, agreements and loans receivable		<u>32,380</u>	<u>27,144</u>
Less: Allowances for valuation losses for Home Repair loans (Note 4)		<u>1,783</u>	<u>1,948</u>
Total carrying value of the mortgages, agreements and loans receivable		30,597	25,196
Less: Current portion		<u>2,360</u>	<u>2,665</u>
Net mortgages, agreements and loans receivable		<u>\$ 28,237</u>	<u>\$ 22,531</u>

These investments earn interest at the following weighted average rates:

	<u>1999</u>	<u>1998</u>
Mortgages receivable	5.69%	5.58%
Agreements for sale of land	7.61%	9.00%
Loan receivable	7.05%	7.05%

4. **Allowance for valuation losses on Home Repair Loans**

	<u>1999</u>	<u>1998</u>
	(thousands of dollars)	
Payment Subsidies		
Balance, beginning of year	\$ 1,786	\$ 1,957
Add (deduct)		
Provision required	138	149
Excess provision reversed	-	(115)
Principal subsidy paid during the year	<u>(206)</u>	<u>(205)</u>
Balance, end of year	1,718	1,786
Unearned Forgivable Advances	<u>65</u>	<u>162</u>
Total Allowances for Valuation Losses	<u>\$ 1,783</u>	<u>\$ 1,948</u>

5. **Capital assets**

	<u>1999</u>		<u>1998</u>	
	(thousands of dollars)			
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Social housing (also see note 8)	\$ 32,477	\$ 8,134	\$ 24,343	\$ 22,537
Staff housing	11,903	4,116	7,787	7,699
Other facilities	759	538	221	259
Land	858	-	858	858
Computer Systems (also see note 12)	548	315	233	127
Furnishings and equipment (also see note 1)	70	29	41	43
Leasehold Improvements (also see note 1)	<u>80</u>	<u>27</u>	<u>53</u>	<u>60</u>
	<u>\$ 46,695</u>	<u>\$ 13,159</u>	<u>\$ 33,536</u>	<u>\$ 31,583</u>

Recoveries of capital costs under cost sharing agreements with CMHC during 1999 were \$228,000 (1998 - \$145,000).

6. **Long-term debt**

	<u>Stated % interest rates</u>	<u>1999</u>	<u>1998</u>
		(thousands of dollars)	
Mortgages Payable (guaranteed by the Government of Yukon)	5.35 - 12.50	\$ 23,295	\$ 18,752
Loans with a variety of terms, secured by fixed charges against housing projects, repayable in blended monthly payments at fixed rates of interest and with maturities up to 2011, see also note 8.			
CMHC Loans (guaranteed by the Government of Yukon)	5.00 - 13.25	5,140	2,510
Loans repayable in blended annual payments at fixed rates of interest to maturity, and with maturities up to 2027, see also note 8.			

6. Long-term debt (cont'd)

	Stated % interest rates	1999 <u>(thousands of dollars)</u>	1998 <u>(thousands of dollars)</u>
Loans payable - Government of Yukon	0.00	4,399	4,553
Repayable without interest in equal periodic instalments to 2028.			
Land sales agreements due to the Government of Yukon	0.00	2,110	2,875
Repayable without interest in equal periodic instalments to 2004.			
		<u>34,944</u>	<u>28,690</u>
Less: Current portion		<u>2,106</u>	<u>2,117</u>
Net long-term debt		<u>\$ 32,838</u>	<u>\$ 26,573</u>

The mortgages and loans payable bear interest at the following weighted average interest rates:

	1999	1998
Mortgages payable	8.61%	9.46%
CMHC loans	9.19%	9.33%

Principal repayments required over the next five years are as follows:

	<u>CMHC Loans</u>	<u>Mortgages</u>	<u>Yukon Loans</u>	<u>Lands Agreements</u>
		(thousands of dollars)		
2000	\$ 129	\$ 522	\$ 153	\$ 1,302
2001	141	567	153	453
2002	147	617	153	187
2003	161	673	153	105
2004	176	731	153	63

7. Fair value of financial instruments

Current asset and liability fair values:

The balances in due from Canada Mortgage and Housing Corporation, accounts receivable - other, accounts payable and due to the Government of Yukon are the result of transactions incurred in the normal course of business, have no significant credit risks, are non-interest bearing and have fair values that approximate their carrying amounts due to their short-term maturities.

7. **Fair value of financial instruments (cont'd)**

The carrying amounts and estimated fair values of the other financial instruments are as follows:

	1999		1998	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(thousands of dollars)			
Long-term investments				
Mortgages receivable	\$ 26,416	\$ 25,811	\$ 20,136	\$ 19,318
Land sales agreements receivable	1,359	1,198	2,357	2,119
Loan receivable - Government of Yukon	4,605	4,217	4,651	5,071
	<u>\$ 32,380</u>	<u>\$ 31,226</u>	<u>\$ 27,144</u>	<u>\$ 26,508</u>
Long-term debt				
Mortgages payable	\$ 23,295	\$ 24,403	\$ 18,752	\$ 21,467
CMHC loans	5,140	6,166	2,510	2,968
Loans payable - Government of Yukon	4,399	1,863	4,553	2,205
Land sales agreements	2,110	1,918	2,875	2,609
	<u>\$ 34,944</u>	<u>\$ 34,350</u>	<u>\$ 28,690</u>	<u>\$ 29,249</u>

These financial instruments do not have active markets. The fair value of these instruments may not reflect realizable amounts.

The fair values of the other financial instruments were determined on the following basis:

Mortgages receivable and payable were valued using the present value of future cash flows discounted at the March 31, 1999 average market rate for mortgages with similar terms and remaining maturities;

Land sales agreements receivable and due to the Government of Yukon, and loans receivable and payable - Government of Yukon were valued using the present value of future cash flows discounted at the March 31, 1999 average market rate of interest for the federal and provincial debt instruments with similar maturity dates, as applicable; and

CMHC loans payable were valued using the present value of future cash flows discounted at the March 31, 1999 average market rate for mortgages with similar terms and maturities.

8. **New Social Housing Agreement**

Effective October 1, 1998, a new Social Housing Agreement was in place between Canada Mortgage and Housing Corporation (CMHC) and Yukon Housing Corporation (YHC). As a result of this agreement, YHC assumed the administration and risks for specific housing programs in the Yukon previously administered directly by CMHC. Consequently, CMHC is enhancing YHC's cash flow to cover the debt obligations assumed as a result of the new programs transferred. On October 1, 1998, as a result of implementing the agreement, the assets and liabilities of YHC increased as follows:

8. New Social Housing Agreement (cont'd)

Assets			
Social housing units owned and managed		\$ 2,633	
Mortgages receivable			
Homeownership	\$ 4,245		
Other	856	5,101	\$ 7,734
			<u> </u>
Long-term debt			
CMHC loans payable		\$ 2,779	
Mortgages payable		4,955	\$ 7,734
			<u> </u>
Deferred Revenue (Fund for Future Losses)			<u>\$ 400</u>

In addition, YHC must prepare an annual statement of funding and expenditures, an annual program performance report, and monthly and annual reports on CMHC loans administered by YHC on CMHC's behalf.

9. Related party transactions

The Corporation is related in terms of common ownership to all Government of Yukon departments, agencies and Crown corporations. In addition to the grant received from the Government of Yukon and transactions disclosed in notes 3 and 6, the Corporation enters into other transactions with these entities in the normal course of business.

10. Commitments

	<u>1999</u>	<u>1998</u>
	(thousands of dollars)	
Outstanding contractual obligations to complete the funding of the mortgages receivable (see note 3) as at March 31	\$ 657	\$ 732

11. Mortgage Guarantees

The cost of construction of a house often exceeds the market value in the Yukon communities. Canada Mortgage and Housing Corporation will only provide mortgage insurance for up to 95% of the market value of a new home. Under the Extended Mortgage Guarantee Program, Yukon Housing Corporation will insure for up to 95% of the cost of a new home, therefore, enabling rural Yukon residents to have access to insured mortgage financing.

The contingent liability for mortgage guarantees under this program as at March 31, 1999 is \$374,000 (1998 - \$374,000).

12. Change in accounting policy

The Corporation now records the computer systems, furnishings and equipment, and leasehold improvements as capital assets. Prior year's figures have been restated to reflect this change.

13. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Corporation's ability to conduct normal business operations. Although the Corporation has put considerable effort to addressing these issues, it is not possible to be certain that all aspects of the Year 2000 Issue affecting the Corporation including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

14. Comparative figures

Certain comparative figures for 1998 have been reclassified to conform to the presentation adopted in the current year.

YUKON HOUSING CORPORATION

Schedule of Program Costs and Administration Expenses

Year Ended March 31, 1999

	<u>1999</u>	<u>1998</u>
	(thousands of dollars)	
Program costs		
Housing Operations		
Utilities	\$ 962	\$ 1,028
General maintenance	951	933
Subsidies - Private Non-profit	941	917
Property taxes	492	466
Property rentals	274	290
Garbage collection and janitorial	166	148
Grounds and snow removal	102	100
Housing program administration	99	90
Direct lending program administration	81	113
Bad debts - rental tenants	56	41
Insurance	40	43
	<u>4,164</u>	<u>4,169</u>
Other		
Home Repair mortgage valuation expense	156	20
Office improvements and computers	4	82
Non-recoverable land development costs	431	-
	<u>591</u>	<u>102</u>
	<u>\$ 4,755</u>	<u>\$ 4,271</u>
Administration expenses		
Rentals - office and equipment	\$ 322	\$ 247
Professional fees	297	161
Travel and transportation	142	136
Computer services	140	120
Program promotion	95	48
Trade & Export Initiatives, Conferences, etc.	82	2
Communications	80	100
Boards and committees	69	77
Office and sundry	60	48
	<u>60</u>	<u>48</u>
	<u>\$ 1,287</u>	<u>\$ 939</u>