

**Manitoba Housing and Renewal Corporation (MHRC)  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDING  
MARCH 31, 2006**

## **MANAGEMENT REPORT**

The accompanying financial statements of The Manitoba Housing and Renewal Corporation are the responsibility of management and have been prepared in accordance with the accounting policies stated in the financial statements. These accounting policies have been applied on a basis consistent with that of the preceding year. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available up to June 30, 2006.

Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and that the assets of The Manitoba Housing and Renewal Corporation are properly safeguarded.

The responsibility of the Office of the Auditor General of the Province of Manitoba is to express an independent, professional opinion on whether the financial statements of The Manitoba Housing and Renewal Corporation are fairly presented in accordance with the accounting policies stated in the notes to the financial statements. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management

Original signed by:

Henry Bos, Director, Corporate Services June 30,2006

Original signed by:

Joy Cramer, Assistant Deputy Minister

June 30,2006



*Office of the Auditor General*

---

500 - 330 Portage Avenue  
Winnipeg, Manitoba  
CANADA R3C 0C4

## **AUDITORS' REPORT**

To the Legislative Assembly of Manitoba  
To the Board of Directors of The Manitoba Housing and Renewal Corporation

We have audited the balance sheet of The Manitoba Housing and Renewal Corporation as at March 31, 2006 and the statements of operations, The Manitoba Housing and Renewal Fund Deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

“Original signed by”

Office of the Auditor General

Winnipeg, Manitoba  
June 30, 2006

**THE MANITOBA HOUSING AND RENEWAL CORPORATION  
BALANCE SHEET  
MARCH 31, 2006**

**A S S E T S**

|   | <u>2006</u>          | <u>2005</u>          |
|---|----------------------|----------------------|
| Cash (note 3)                             | \$ 75,156,460        | \$ 74,459,864        |
| Accounts receivable and accruals (note 4) | 38,433,543           | 35,581,085           |
| Prepaid expenses                          | 3,919,879            | 2,670,964            |
| Loans and mortgages receivable (note 5)   | 155,989,518          | 160,790,395          |
| Investment in land and housing:           |                      |                      |
| Housing projects (note 6)                 | 72,951,628           | 78,391,434           |
| Housing investment (note 7)               | 1,666,590            | 1,958,554            |
| Land development costs                    | 3,532,329            | 3,017,886            |
| Land (note 9)                             | <u>11,407,929</u>    | <u>11,493,954</u>    |
|   | <u>89,558,476</u>    | <u>94,861,828</u>    |
|   | <u>\$363,057,876</u> | <u>\$368,364,136</u> |

**LIABILITIES AND FUND BALANCE**

|   |                      |                      |
|---|----------------------|----------------------|
| Accounts payable, holdbacks and accruals      | \$ 35,239,830        | \$ 36,539,162        |
| Deferred revenue (note 10)                    | 2,158,656            | 2,133,690            |
| Long-term debt (note 11)                      | 497,787,420          | 507,853,404          |
| Risk reserve fund (note 12)                   | 10,430,339           | 10,131,280           |
| Deferred contributions (note 12)              | 61,331,375           | 57,234,663           |
| The Manitoba Housing and Renewal Fund Deficit | <u>(243,889,744)</u> | <u>(245,528,063)</u> |
| Contingencies (note 21)                       |                      |                      |
| Commitments (note 22)                         |                      |                      |
| Guarantees (note 23)                          |                      |                      |
|   | <u>\$363,057,876</u> | <u>\$368,364,136</u> |

Approved by the Board of Directors:

Original Signed by

Joy Cramer Director

Original Signed by

Grant Doak Director

(see accompanying notes)

**THE MANITOBA HOUSING AND RENEWAL CORPORATION**  
**STATEMENT OF OPERATIONS**  
**YEAR ENDED MARCH 31, 2006**

|  | <u>2006</u>         | <u>2005</u>         |
|--|---------------------|---------------------|
| Revenue:   |                     |                     |
| Grants from the Province of Manitoba (note 13)   | \$ 38,830,779       | \$ 37,115,583       |
| Contributed services (note 14)                   | 2,532,900           | 2,382,300           |
| Rental revenue (note 15)                         | 63,011,604          | 62,431,244          |
| Subsidy contributions                            | 68,637,291          | 72,430,727          |
| Interest:  |                     |                     |
| Loans and mortgages                              | 15,673,102          | 16,262,934          |
| Bank and other                                   | <u>44,934</u>       | <u>39,127</u>       |
|  | <u>15,718,036</u>   | <u>16,302,061</u>   |
| Sales of land - joint venture (note 8)           | 3,896,868           | 3,424,133           |
| Other  | <u>125,559</u>      | <u>25,219</u>       |
|  | <u>192,753,037</u>  | <u>194,111,267</u>  |
| Expenses:  |                     |                     |
| Housing operations (note 15)                     | 113,295,512         | 111,324,018         |
| Rental subsidies (note 16)                       | 43,636,491          | 45,175,501          |
| Grants and subsidies (note 17)                   | 3,225,661           | 3,719,503           |
| Interest expense (note 18)                       | 15,454,791          | 16,050,126          |
| Administrative services (note 14)                | 1,559,700           | 1,386,300           |
| (Gain) loss on sale of housing projects and land | (414,035)           | (116,843)           |
| (Recovery) of provision for loss and write downs | (68,271)            | (24,894)            |
| Cost of land sales - joint venture               | 2,822,439           | 2,651,850           |
| Repair and renovation expense (note 14)          | 9,912,681           | 12,003,282          |
| Other  | 838,511             | 469,484             |
| Pension (note 19)                                | <u>851,238</u>      | <u>(34,174)</u>     |
|  | <u>191,114,718</u>  | <u>192,604,153</u>  |
| Excess of revenue over expenses                  | <u>\$ 1,638,319</u> | <u>\$ 1,507,114</u> |

(see accompanying notes)

**THE MANITOBA HOUSING AND RENEWAL CORPORATION  
STATEMENT OF THE MANITOBA HOUSING AND RENEWAL FUND DEFICIT  
YEAR ENDED MARCH 31, 2006**

|  | <u>2006</u>             | <u>2005</u>             |
|--|-------------------------|-------------------------|
| Deficit at beginning of year<br>as previously reported | \$(245,528,063)         | \$(247,035,177)         |
| Add – excess of revenue over expenses                  | <u>1,638,319</u>        | <u>1,507,114</u>        |
| Deficit at end of year                                 | \$ <u>(243,889,744)</u> | \$ <u>(245,528,063)</u> |

(see accompanying notes)

**THE MANITOBA HOUSING AND RENEWAL CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED MARCH 31, 2006**

|  | <u>2006</u>         | <u>2005</u>         |
|--|---------------------|---------------------|
| Cash provided by (used for):                           |                     |                     |
| <u>Operating activities:</u>                           |                     |                     |
| Excess of revenue over expenses                        | \$ 1,638,319        | \$ 1,507,114        |
| Add (deduct) items not involving cash:                 |                     |                     |
| Amortization   | 8,366,084           | 8,723,797           |
| (Recovery) of provision for loss and write downs       | (68,271)            | (24,894)            |
| Gain on sale of housing projects and land              | (414,035)           | (116,843)           |
| Federal subsidies - housing projects                   | <u>( 743,433)</u>   | <u>( 743,433)</u>   |
|  | 8,778,664           | 9,345,741           |
| Net change in non-cash balances related to operations: |                     |                     |
| Accounts receivable and accruals                       | (2,852,458)         | (11,320,815)        |
| Prepaid expenses                                       | (1,248,915)         | (83,182)            |
| Accounts payable, holdbacks and accruals               | (1,299,332)         | (793,098)           |
| Deferred revenue                                       | 24,966              | (107,433)           |
| Deferred contributions                                 | 4,096,712           | 5,020,133           |
| Land development costs in joint venture (note 8)       | 764,478             | 858,465             |
| Land in joint venture (note 9)                         | 248,347             | 273,583             |
| Risk reserve fund                                      | <u>299,059</u>      | <u>(1,897,950)</u>  |
|  | <u>8,811,521</u>    | <u>1,295,444</u>    |
| <u>Financing activities:</u>                           |                     |                     |
| Borrowings   | 4,617,798           | 1,049,437           |
| Repayment of borrowings                                | <u>(14,683,782)</u> | <u>(13,601,883)</u> |
|  | <u>(10,065,984)</u> | <u>(12,552,446)</u> |
| <u>Investing activities:</u>                           |                     |                     |
| Additions to land and housing                          | (3,555,959)         | (1,958,218)         |
| Additions to loans and mortgages                       | (42,024)            | (41,945)            |
| Proceeds from sale of housing projects and land        | 637,870             | 416,034             |
| Proceeds from repayment of loans and mortgages         | <u>4,911,172</u>    | <u>5,149,744</u>    |
|  | <u>1,951,059</u>    | <u>3,565,615</u>    |
| Increase (decrease) in cash                            | 696,596             | (7,691,387)         |
| Cash at beginning of year                              | <u>74,459,864</u>   | <u>82,151,251</u>   |
| Cash at end of year                                    | <u>\$75,156,460</u> | <u>\$74,459,864</u> |

(see accompanying notes)

**THE MANITOBA HOUSING AND RENEWAL CORPORATION  
NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2006**

**1. Authority**

The Manitoba Housing and Renewal Corporation (MHRC) operates under the authority of The Housing and Renewal Corporation Act, being Chapter H 160 Revised Statutes of Manitoba 1987.

The purposes and objects of the Act are:

- a) to ensure that there is an adequate supply of housing stock in Manitoba;
- b) to enhance the affordability of, and accessibility to, adequate housing for Manitobans, particularly those of low and moderate income and those with specialized needs;
- c) to maintain and improve the condition of existing housing stock; and
- d) to stimulate and influence the activities of the housing market to the benefit of Manitobans as a whole.

MHRC is under the management and control of a Board of Directors appointed by the Lieutenant Governor in Council. The board shall consist of not fewer than five members and not more than 13 members and the Lieutenant Governor in Council may designate one of the members of the board as chairperson and one member as vice-chairperson.

The Corporation is economically dependent on the Government of the Province of Manitoba.

These financial statements include, in note 15, the operating results of MHRC owned properties which are managed by The Manitoba Housing Authority (MHA). MHA was incorporated in 1992 as an agency of MHRC.

MHA is under the management and control of a Board of Directors who are appointed by the Minister of Family Services and Housing.

## 2. **Significant accounting policies**

### a) **Basis of accounting**

The Corporation's financial statements are prepared using Canadian generally accepted accounting principles.

### b) **Loans and mortgages receivable**

Loans and mortgages receivable are valued at principal amounts less an allowance for loan impairment.

### c) **Loan forgiveness**

Loan forgiveness for forgivable loans is approved in accordance with the terms of the loan agreements. The Corporation records an asset valuation allowance equal to the amount of the loan at the time the loan is granted. As forgiveness conditions are met by the borrower, the Corporation records the annual forgiveness by reducing both the forgivable loan and the accompanying valuation allowance.

### d) **Allowance for loan impairment**

The Corporation maintains an allowance for loan impairment, which reduces the carrying value of loans and mortgages receivable to their estimated realizable amounts. Depending on the program under which the loan or mortgage is made, estimated realizable amounts are determined with reference to the Corporation's historical loss experience on similar loans or the appraised value of the project financed by the loan or mortgage.

Specific allowances are established for individual loans and mortgages for which the estimated realizable amount is less than the carrying value. The Corporation does not provide any additional non-specific, general provision for loan impairment. The Corporation's Board of Directors has approved a policy which defines whether an individual mortgage or loan balance is to be considered impaired based on the time period that it has been in arrears.

**e) Housing projects and amortization**

- i) Social housing projects are valued at cost less accumulated amortization.
- ii) Market housing projects are valued at the lesser of cost less accumulated amortization and net realizable value.
- iii) Cost includes direct construction costs, land acquisition costs and interest and other related carrying charges incurred during the period of construction.
- iv) Housing projects which are declared abandoned or surplus to the needs of the Corporation are valued at the lesser of cost less accumulated amortization and net realizable value.
- v) Housing projects are amortized on a straight-line basis over their estimated useful lives as follows:

Wood buildings – 25 years

Brick buildings – 40 years

**f) Housing investment**

Housing investment is valued at cost less accumulated amortization. Annual amortization is recorded on a straight-line basis over the estimated useful lives as follows:

Wood buildings – 25 years

Brick buildings – 40 years

**g) Interest in joint venture**

The interest in joint venture is recognized using the proportionate consolidation method. Proportionate consolidation is a method of accounting and reporting whereby MHRC's prorata share

of each of the assets, liabilities, revenues and expenses of the joint venture is combined on a line by line basis with similar items in MHRC's financial statements.

**h) Land**

Land is valued at the lower of cost and appraised value adjusted for estimated disposition costs, except for land leased to co-operatives. Cost includes acquisition costs and related carrying costs. The carrying costs of the land, which include interest, planning and development costs, grants in lieu of taxes, less revenue derived from use of undeveloped land, were capitalized to land to March 31, 1993. Effective April 1, 1993 the carrying costs are charged annually to operations. Cost for land acquired after March 31, 1993 consists of the original purchase price.

Land leased to co-operatives is valued at original cost. The Corporation incurs no liabilities or obligations with respect to the lessees' buildings situated on the land. The carrying costs of the land, net of lease revenue, are charged annually to MHRC operations.

**i) Land development costs**

Land development costs include interest, planning, development and administrative costs. These costs are capitalized as land development costs to the date of sale of the related land.

**j) Revenue recognition**

Grants are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Rental revenue is recognized in the fiscal period during which the service is provided.

Subsidy contributions are recognized on an accrual basis in the fiscal period to which they relate. Interest is recognized on an accrual basis in the fiscal period in which it is earned.

**k) Interest capitalization**

Interest costs on financing related to housing projects and housing investments are capitalized to the date of completion.

**l) Pension costs and obligations**

Current service contributions for MHA employees are recognized as operating expenses. The Corporation has no further liability associated with the annual cost of pension benefits earned by MHA employees.

The Corporation has a liability associated with the annual cost of pension benefits earned by the former Department of Family Services and Housing employees who were transferred to the Corporation on February 8, 2003.

**m) Contributed and administrative services**

Under an agreement entered into between The Manitoba Housing and Renewal Corporation and the Department of Family Services and Housing, in 1984, the Department provides administrative

services to MHRC at no cost. The value of these contributed and administrative services is recorded as revenue and expenses.

**n) Modernization and improvement**

Modernization and improvement costs are recognized as expenses in the fiscal period in which they are incurred.

**o) Financial instruments**

i) Financial Risk

Financial risk is the risk to the Corporation's operations that arises from fluctuations in interest rates, and the degree of volatility of those rates. The Corporation does not use derivative instruments to reduce its exposure to interest risk. This risk is mitigated through the almost exclusive use of fixed rate terms for its mortgages and loans receivable and its long-term debt.

ii) Credit Risk

Credit risk arises from the potential that a counterparty to an agreement with the Corporation will fail to perform its obligations. The Corporation conducts an assessment of credit issues prior to committing to such agreements and it actively monitors the credit risks associated with its accounts receivable and loans and mortgages receivable on an ongoing basis.

iii) Fair Value

There is no secondary market for many of the financial assets in which the Corporation invests or for the debt it issues. These circumstances, together with the uncertainty and potentially broad range of outcomes pertaining to the future cash flows related to these items, render the calculation of fair values, with appropriate reliability, impractical.

**p) Use of estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

**3. Cash**

|   | <u>2006</u>         | <u>2005</u>         |
|---|---------------------|---------------------|
| On deposit with the Minister of Finance:          |                     |                     |
| Trust deposits                                    | \$51,970,349        | \$52,971,487        |
| Risk reserve fund (note 12)                       | 10,430,339          | 10,131,280          |
| Mobile home loan guarantee program fund (note 23) | 852,297             | 829,386             |
| Noon meal program                                 | <u>240,984</u>      | <u>196,359</u>      |
|   | 63,493,969          | 64,128,512          |
| Bank  | 11,654,216          | 10,323,177          |
| Petty cash  | <u>8,275</u>        | <u>8,175</u>        |
| Cash  | <u>\$75,156,460</u> | <u>\$74,459,864</u> |

**4. Accounts receivable and accruals**

|   | <u>2006</u>         | <u>2005</u>         |
|---|---------------------|---------------------|
| Canada Mortgage and Housing Corporation                                 | \$16,665,044        | \$ 13,682,634       |
| Government of the Province of Manitoba and its agencies                 | 5,028,561           | 7,772,818           |
| Rent receivables - net of allowance of \$6,020,436 (2005 - \$5,824,480) | 1,789,690           | 1,854,119           |
| Accrued interest on loans and mortgages receivable                      | 465,437             | 473,295             |
| City of Winnipeg - net of allowance of \$67,927 (2005 - \$67,927)       | 112,991             | 61,059              |
| Other - net of allowance of \$12,347 (2005- \$12,347)                   | 8,714,222           | 6,930,800           |
| Government of the Province of Manitoba - pension recoverable (note 19)  | <u>5,657,598</u>    | <u>4,806,360</u>    |
| Accounts receivable and accruals  | <u>\$38,433,543</u> | <u>\$35,581,085</u> |

5. Loans and mortgages receivable

a) **Composition of loans and mortgages receivable**

|                                      | <u>2006</u>          | <u>2005</u>          |
|--------------------------------------|----------------------|----------------------|
| Federal/Provincial Housing:          |                      |                      |
| Private Non-Profit Housing Program   | \$100,616,077        | \$102,432,079        |
| Rural and Native Housing Program     | 12,030               | 24,342               |
| Urban Native Housing Program         | <u>34,513,805</u>    | <u>36,471,425</u>    |
|                                      | <u>135,141,912</u>   | <u>138,927,846</u>   |
| Market Rental Programs:              |                      |                      |
| Co-operative HomeStart Program       | 8,339,559            | 8,417,204            |
| Co-operative Index Linked Program    | 7,876,860            | 8,303,649            |
| Manitoba Rural RentalStart Program   | 281,739              | 555,191              |
| Manitoba Senior RentalStart Program  | <u>4,487,615</u>     | <u>4,579,480</u>     |
|                                      | <u>20,985,773</u>    | <u>21,855,524</u>    |
| Other Programs:                      |                      |                      |
| Community Residences Program         | 4,602,502            | 4,984,541            |
| Market Homeowner Programs            | 103,161              | 130,405              |
| Homeowner Rehabilitation Programs    | 299,509              | 469,099              |
| Other                                | <u>910,263</u>       | <u>573,140</u>       |
|                                      | <u>5,915,435</u>     | <u>6,157,185</u>     |
|                                      | <u>162,043,120</u>   | <u>166,940,555</u>   |
| Less - allowance for loan impairment | <u>6,053,602</u>     | <u>6,150,160</u>     |
| Loans and mortgages receivable       | <u>\$155,989,518</u> | <u>\$160,790,395</u> |

Loans and mortgages receivable bear interest at various rates between 0% and 13.5% with maturities at various dates to 2024.

In addition to the loans and mortgages above, forgivable loans outstanding in the amount of \$59,271,881 (2005 - \$41,443,304) have been approved in accordance with the terms of the loan agreements. An asset valuation allowance equal to the amount of outstanding forgivable loans has been recorded by the Corporation.

**b) Allowance for loan impairment**

The allowance for loan impairment is comprised of the following specific provisions:

|                        | <u>2006</u>        | <u>2005</u>        |
|------------------------|--------------------|--------------------|
| Market rental programs | \$5,878,426        | \$6,021,356        |
| Other programs         | <u>175,176</u>     | <u>128,804</u>     |
|                        | <u>\$6,053,602</u> | <u>\$6,150,160</u> |

**6. Housing projects**

|                                   | <u>2006</u>          | <u>2005</u>          |
|-----------------------------------|----------------------|----------------------|
| Housing Projects:                 |                      |                      |
| Land                              | \$ 21,742,696        | \$ 21,742,696        |
| Buildings                         | <u>384,830,672</u>   | <u>384,476,242</u>   |
|                                   | 406,573,368          | 406,218,938          |
| Under construction                | <u>1,962,010</u>     | <u>431,558</u>       |
|                                   | 408,535,378          | 406,650,496          |
| Less - financing provided by CMHC | <u>4,080,145</u>     | <u>4,823,578</u>     |
|                                   | 404,455,233          | 401,826,918          |
| Less - accumulated amortization   | <u>331,503,605</u>   | <u>323,435,484</u>   |
| Housing projects                  | <u>\$ 72,951,628</u> | <u>\$ 78,391,434</u> |

**7. Housing investment**

Housing investment represents MHRC's share in social housing projects, which until October 1, 1998 were administered by CMHC and subsequently have been administered by MHRC, under the Rural and Native Housing Program.

On September 3, 1998, MHRC and CMHC executed a Declaration of Trust by which CMHC has transferred their ownership interest in cost-shared and 100% CMHC funded Public Housing projects to MHRC, as trustee. MHRC's interest in these projects will be earned over the remainder of each project's CMHC subsidy commitment period, in amounts which will correspond to the annual amortization of the assets. No increase in housing investment has been recorded by MHRC.

**8. Joint venture**

The Corporation contributed 179 acres of land, at appraised value, to a joint venture with Ladco Company Limited on May 11, 1989. The appraised value of the land at that time, adjusted for subsequent sales, was \$1,557,202 (2005 - \$1,805,549) and is included in joint venture land in note 9. The joint venture activities include the servicing, development and sale of approximately 476 acres of land in the City of Winnipeg, Manitoba. In accordance with the terms of the agreement, the Corporation has provided loan guarantees for the purposes of the joint venture development in an amount not to exceed \$2,400,000 (note 23).

The following is a summary of the Corporation's pro rata share of the assets, liabilities, revenues and expenses of the Ladco Company Limited joint venture.

|  | <u>2006</u>        | <u>2005</u>        |
|--|--------------------|--------------------|
| Current Assets:                          |                    |                    |
| Cash and short term investments          | \$ 403,336         | \$ 457,486         |
| Accounts receivable from land sales      | <u>3,535,415</u>   | <u>2,793,357</u>   |
|  | <u>3,938,751</u>   | <u>3,250,843</u>   |
| Long Term Assets:                        |                    |                    |
| Development in progress                  | <u>1,026,648</u>   | <u>1,791,126</u>   |
| Total Assets                             | <u>\$4,965,399</u> | <u>\$5,041,969</u> |
| Current Liabilities:                     |                    |                    |
| Accounts payable and accrued liabilities | <u>47,781</u>      | <u>1,164,796</u>   |
| Net Assets                               | <u>\$4,917,618</u> | <u>\$3,877,173</u> |
| <br>                                     |                    |                    |
| Sales of land                            | 3,896,868          | 3,424,133          |
| Cost of land sales                       | <u>2,574,091</u>   | <u>2,378,661</u>   |
| Gross margin                             | <u>1,322,777</u>   | <u>1,045,472</u>   |
| Expenses:                                |                    |                    |
| Interest on bank indebtedness            | 13,421             | 20,329             |
| General                                  | 103,520            | 171,207            |
| Other                                    | <u>165,390</u>     | <u>80,793</u>      |
| Total expenses                           | <u>282,331</u>     | <u>272,329</u>     |
| Net income for the year                  | <u>\$1,040,446</u> | <u>\$ 773,143</u>  |

9. Land

|                            | <u>2006</u>         | <u>2005</u>         |
|----------------------------|---------------------|---------------------|
| Future development or sale | \$ 8,116,335        | \$ 7,954,013        |
| Leased to co-operatives    | 1,734,392           | 1,734,392           |
| Joint venture              | <u>1,557,202</u>    | <u>1,805,549</u>    |
| Land                       | <u>\$11,407,929</u> | <u>\$11,493,954</u> |

10. Deferred revenue

|  | <u>2006</u>        | <u>2005</u>        |
|--|--------------------|--------------------|
| Manitoba Housing Authority tenant prepaid rent                           | \$1,839,015        | \$1,841,841        |
| Other prepaid land lease and subsidy<br>contribution received in advance | <u>319,641</u>     | <u>291,849</u>     |
| Deferred revenue   | <u>\$2,158,656</u> | <u>\$2,133,690</u> |

**11. Long-term debt**

|  | <u>2006</u>          | <u>2005</u>          |
|--|----------------------|----------------------|
| Government of the Province of Manitoba:  |                      |                      |
| Advances, convertible to long-term advances, at prime interest rates   | \$ 7,384,038         | \$ 2,878,758         |
| Long-term advances, at interest rates from 4.75% to 13.375% maturing at various dates to 2030 and requiring annual principal and interest payments of \$38,893,348 (2005 - \$38,808,590)                             | 316,465,298          | 325,619,142          |
| Canada Mortgage and Housing Corporation:   |                      |                      |
| Long-term advances, at interest rates from 5.67% to 8.625% maturing at various dates to 2030 and requiring annual principal and interest payments of \$14,624,154 (2005 - \$15,112,820)                              | 170,993,655          | 176,348,345          |
| Mortgages payable (assumed on property acquisitions), at interest rates from 5.125% to 9.625% maturing at various dates to 2030 and requiring annual principal and interest payments of \$325,260 (2005 - \$325,260) | <u>2,944,429</u>     | <u>3,007,159</u>     |
| Long-term debt   | <u>\$497,787,420</u> | <u>\$507,853,404</u> |

Principal repayments on the long-term debt are estimated as follows:

|                    |                      |
|--------------------|----------------------|
| 2007               | \$ 15,716,037        |
| 2008               | 16,119,058           |
| 2009               | 17,405,405           |
| 2010               | 18,780,128           |
| 2011               | 20,297,450           |
| Subsequent to 2012 | <u>409,469,342</u>   |
|                    | <u>\$497,787,420</u> |

## **12. Deferred contributions and risk reserve fund**

Pursuant to the Social Housing Agreement executed by MHRC and CMHC, CMHC will pay fixed annual contributions to MHRC for individual housing projects over the remainder of the CMHC subsidy commitment period. The Agreement took effect October 1, 1998 and has a funding expiration date of August 31, 2031. The Agreement provides that a specified amount of the annual federal contributions must be applied toward housing programs, which assist low income households, as defined in the Agreement. The portion of federal contributions that may be applied toward other housing programs is similarly specified. Unexpended federal contributions are carried forward by MHRC for future use, but such contributions must be fully used, in accordance with the Agreement, by the funding expiration date of August 31, 2031.

Pursuant to the Social Housing Agreement dated September 3, 1998 between CMHC and MHRC, CMHC made a one-time payment of \$12,700,000 to MHRC in 1999. This amount was provided for the purpose of mitigating future operating risks associated with MHRC's financial responsibility for housing programs transferred from CMHC pursuant to the Agreement. This amount has been recorded as a risk reserve fund and is increased by interest earned thereon and is reduced as the Corporation incurs expenses as a result of the identified risks.

**13. Grants from the Province of Manitoba**

|  | <u>2006</u>         | <u>2005</u>         |
|--|---------------------|---------------------|
| Department of Family Services and Housing:       |                     |                     |
| MHRC operating programs                          | \$28,438,876        | \$28,927,222        |
| MHRC administration                              | 6,608,724           | 4,805,078           |
| Grants and subsidies                             | <u>2,557,967</u>    | <u>2,953,528</u>    |
|  | 37,605,567          | 36,685,828          |
| <br>   |                     |                     |
| Grants recovered from the Department of Finance: |                     |                     |
| School Tax Assistance for Tenants                |                     |                     |
| 55 Plus Program                                  | 373,974             | 463,929             |
| <br>   |                     |                     |
| Pension recovery (note 19)                       | <u>851,238</u>      | <u>(34,174)</u>     |
| <br>   |                     |                     |
| Grants from the Province of Manitoba             | <u>\$38,830,779</u> | <u>\$37,115,583</u> |

**14. Contributed and administrative services**

|  | <u>2006</u>        | <u>2005</u>        |
|--|--------------------|--------------------|
| Administrative services provided by the Department of Family Services and Housing were allocated as follows: |                    |                    |
| - included in the Statement of Operations, Administrative Services   | \$ 587,100         | \$ 582,700         |
| - included in administration expenses in note 15, Manitoba Housing Authority Housing Operations              | 1,356,600          | 998,300            |
| - included in administration expenses in note 15, Sponsor Managed Housing Operations                         | 17,600             | 18,300             |
| - included in Rental Subsidies, note 16  | 428,800            | 302,100            |
| - included in Statement of Operations, Repair and renovation expense   | <u>142,800</u>     | <u>480,900</u>     |
| <br>   |                    |                    |
| Total Department of Family Services and Housing administrative services provided                             | <u>\$2,532,900</u> | <u>\$2,382,300</u> |

## 15. Housing operations

The management and operation of all MHRC social housing projects are the responsibility of the Manitoba Housing Authority and sponsor managed groups. Their operating results are:

|                           | <u>Manitoba Housing<br/>Authority Managed</u> | <u>Sponsor<br/>Managed</u> | <u>2006</u>          | <u>2005</u>          |
|---------------------------|---|----------------------------|----------------------|----------------------|
| <u>Revenue</u>            |   |                            |                      |                      |
| Rental revenue            | <u>\$50,600,634</u>                           | <u>\$12,410,970</u>        | <u>\$63,011,604</u>  | <u>\$62,431,244</u>  |
| <u>Expenses</u>           |   |                            |                      |                      |
| Administration (note 14)  | 14,268,800                                    | 1,689,254                  | 15,958,054           | 14,823,119           |
| Property operating        | 44,635,318                                    | 8,150,505                  | 52,785,823           | 50,410,490           |
| Grants in lieu of taxes   | 8,966,045                                     | 1,498,850                  | 10,464,895           | 10,536,176           |
| Amortization and interest | <u>28,530,981</u>                             | <u>5,555,759</u>           | <u>34,086,740</u>    | <u>35,554,233</u>    |
|                           | <u>96,401,144</u>                             | <u>16,894,368</u>          | <u>113,295,512</u>   | <u>111,324,018</u>   |
| Operating loss            | <u>\$45,800,510</u>                           | <u>\$ 4,483,398</u>        | <u>\$ 50,283,908</u> | <u>\$ 48,892,774</u> |

## 16. Rental subsidies

Pursuant to the Social Housing Agreement executed by MHRC and CMHC on September 3, 1998 which took effect October 1, 1998, CMHC transferred its ownership interest in Public Housing Projects to MHRC in accordance with a Declaration of Trust, and MHRC has assumed sole responsibility for operating policy decisions relating to these projects. Previous agreements provided for the two parties to exercise joint control over operating policies. Rental subsidies are provided through agreements with third parties for which MHRC has assumed operating policy responsibility. The net rental subsidies required by these organizations are:

|                                     | <u>2006</u>         | <u>2005</u>         |
|-------------------------------------|---------------------|---------------------|
| Not for profit housing corporations | \$26,304,434        | \$27,171,730        |
| Co-operative housing corporations   | 3,863,318           | 3,855,245           |
| Private landlords                   | 4,159,927           | 4,539,667           |
| Property management agreements      | <u>9,308,812</u>    | <u>9,608,859</u>    |
| Net rental subsidies                | <u>\$43,636,491</u> | <u>\$45,175,501</u> |

**17. Grants and subsidies**

|   | <u>2006</u>        | <u>2005</u>        |
|---|--------------------|--------------------|
| Shelter Allowance for Family Renters              | \$ 903,757         | \$ 964,523         |
| Shelter Allowance for Elderly Renters             | 1,654,211          | 1,989,006          |
| School Tax Assistance for Tenants 55 Plus Program | 373,973            | 463,928            |
| Elderly & Infirm Persons Housing                  | 155,423            | 155,423            |
| Co-op Homestart Program                           | <u>138,297</u>     | <u>146,623</u>     |
|   | <u>\$3,225,661</u> | <u>\$3,719,503</u> |

**18. Interest expense**

In addition to the interest expense of \$15,454,791 (2005 - \$16,050,126), interest expense in the amount of \$25,814,592 (2005 - \$27,115,946) is included in note 15 in the amortization and interest expense.

**19. Pension obligations**

Employees of the Corporation and MHA are eligible for pensions under the Manitoba Civil Service Superannuation Fund. This pension plan is a defined benefit plan, which requires MHA to contribute an amount equal to the employees' contribution to the Superannuation Fund for current services. Such payments are charged to housing operations as incurred and MHRC has no further liability associated with the annual cost of pension benefits earned by MHA employees. Pension expense recorded for MHA employees for the year ended March 31, 2006 is \$554,038 (2005 - \$466,469).

The Corporation has a liability associated with the annual cost of pension benefits earned by the former Department of Family Services and Housing employees who were transferred to the Corporation on February 8, 2003. The liability of \$5,657,598 (2005 - \$4,806,360) and the related

recoverable amount from the Province of Manitoba of \$5,657,598 (2005 - \$4,806,360) are recorded in the financial statements. As well, the increase of \$851,238 (2005 – decrease of \$34,174) in the liability and in the recoverable is recorded in the financial statements.

## **20. Severance pay benefits**

Effective April 1, 1998, the Corporation commenced recording the estimated liability for accumulated severance pay benefits for its employees in The Manitoba Housing Authority. The amount of this estimated liability is determined and recorded annually using the method of calculation set by the Province of Manitoba.

Severance pay, at the employee's date of retirement, will be determined by multiplying the eligible employee's years of service (to a maximum of 22 or 15 years) by the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from the Corporation.

The Province of Manitoba has accepted responsibility for the severance pay benefits accumulated to March 31, 1998 by the Corporation's employees. Accordingly, the Corporation recorded, effective April 1, 1998, a receivable of \$877,105 from the Province of Manitoba, which is an amount that is equal to the estimated liability recorded for accumulated severance pay benefits at March 31, 1998.

The Corporation recorded a severance liability as at April 1, 2003 in the amount of \$569,000 associated with the severance benefits earned by the former Department of Family Services and Housing employees who were transferred to the Corporation on February 8, 2003. The amount of this estimated liability is determined and recorded annually using a method of calculation set by the Province of Manitoba. The Corporation recorded, effective April 1, 2003, a receivable in the amount of \$569,000 from the Province of Manitoba, which is an amount that is equal to the liability recorded for accumulated severance pay benefits at that date.

These receivables from the Province of Manitoba have no terms of repayment and accordingly, the amount of the receivable will remain fixed at \$1,446,105.

## **21. Contingencies**

The Corporation is involved in legal proceedings arising in the normal course of business, the outcome of which cannot be predicted at this time. In the opinion of management, the disposition of these cases will not materially affect the financial position of the Corporation. Any settlement will be recognized in the year the settlement occurs.

## **22. Commitments**

The Corporation has the following commitments as at March 31, 2006.

- |  |             |
|--|-------------|
| a) Housing project modernization and improvement | \$1,022,124 |
| b) Repair and renovation expenses                | \$7,459,191 |
| c) Grants and subsidies:                         |             |

As a result of the Social Housing Agreement dated September 3, 1998, MHRC is now fully responsible for the funding commitments of all Social Housing Projects in Manitoba. These commitments will expire on a staggered basis over the period ending 2031, concurrent with the Social Housing Agreement funding expiration date of August 31, 2031. An estimate of these commitments for each of the next five years is as follows:

|      |              |
|------|--------------|
| 2007 | \$32,752,300 |
| 2008 | 43,413,000   |
| 2009 | 43,989,900   |
| 2010 | 44,574,200   |
| 2011 | 45,175,800   |

### 23. Guarantees

The Corporation has guaranteed the repayment of mortgages and has issued letters of credit which guarantee the terms and conditions of land development agreements and construction contracts.

The outstanding guarantees are as follows:

|   | <u>2006</u>        | <u>2005</u>        |
|---|--------------------|--------------------|
| Joint Venture Investment Guarantee (note 8) | \$2,400,000        | \$2,400,000        |
| Mobile Home Loan Guarantee Program          | 513,560            | 637,356            |
| Other mortgage guarantees                   | <u>2,768,356</u>   | <u>3,548,356</u>   |
| Total guarantees                            | <u>\$5,681,916</u> | <u>\$6,585,712</u> |

A guarantee fee of 2 1/2% is charged for each mortgage under the Mobile Home Loan Guarantee Program. The assets of the Mobile Home Loan Guarantee Program as at March 31, 2006 are \$852,297 (2005 - \$829,386) and are included in cash (note 3). The trust fund liability is included in accounts payable.