

Annual Report

for the year ending March 31, 2012

Prince Edward Island
Housing Corporation



Community Services
and Seniors

Annual Report

for the year ending March 31, 2012

Prince Edward Island
Housing Corporation



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Message from the Minister



Honourable H. Frank Lewis
Lieutenant Governor of Prince Edward Island

May It Please Your Honour:

It is my privilege to present the Annual Report of the Prince Edward Island Housing Corporation for the fiscal year ended March 31, 2012.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'Valerie E. Docherty', with a long horizontal flourish extending to the right.

Valerie E. Docherty
Minister Responsible for the
Prince Edward Island Housing Corporation

Chief Executive Officer's Message



Valerie E. Docherty
Minister Responsible for
The Prince Edward Island Housing Corporation

Minister Docherty:

I am pleased to submit the Annual Report of the Prince Edward Island Housing Corporation for the fiscal year ending March 31, 2012.

Respectfully submitted,

A handwritten signature in cursive script that reads "Carol Anne Duffy".

Carol Anne Duffy
Chief Executive Officer
Prince Edward Island Housing Corporation

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Overview

The PEI Housing Corporation (PEIHC) derives its authority from the *Housing Corporation Act of 1993*. The Housing Corporation assists in providing Islanders of low and moderate incomes with access to safe, affordable and adequate housing.

Over the years numerous studies have shown a direct relationship between the health and well-being of a population and the availability of safe affordable housing. Since the 1960's, through its social housing program, the PEIHC has worked to maintain adequate housing for low and moderate income Islanders. It is clear however the needs of Islanders are changing and the PEIHC endeavours to respond to these changes with the creation of new units and the modernization of existing units.

The PEIHC shares its responsibility in the provision of housing services with the Department of Community Services and Seniors and Family Housing Authorities. The PEIHC is responsible for the control of assets, liabilities and revenues. The Department of Community Services and Seniors is responsible for the management of family housing through nine Family Housing Authorities; direct management of seniors housing; liaison with the Government of Canada on housing issues; overseeing the administration of federal-provincial agreements and the delivery of most housing programs, including the Canada-PEI Affordable Housing Agreement.

The PEIHC works with many partners most notably the Canada Mortgage and Housing Corporation (CMHC), representing the Government of Canada. CMHC cost-shares provincial programs involving approximately 1,700 units and directly administers another 900 federally funded social housing units.

Federal/Provincial cost shared Social Housing Agreements support the rental housing needs of seniors, families and other Islanders in need of housing. As these agreements have commenced expiring, the PEIHC will be challenged to secure adequate funding to maintain and improve these facilities.

The PEIHC manages and delivers the Canada - PEI Affordable Housing Agreement, signed in 2003. The purpose of this agreement is to provide for the development of affordable housing units across the Province. Through the initial and subsequent agreements, a total of \$6.66 million of funding has been made available. The most recent extension expires March 31, 2014.

In 2009, the PEIHC partnered with the federal government in investments of over \$8.5 million for affordable housing as part of the Canada Economic Action Plan. These investments have been made in new seniors housing, housing for persons with disabilities and renovations to existing social housing stock.

To meet the need for low income home owner renovations, the PEIHC and the federal government jointly fund the Residential Rehabilitation Assistance Program (RRAP). This program is administered by the CMHC. The objective of the program is to assist low and moderate income homeowners and landlords who provide service to low and moderate income tenants, with critical repairs to their properties.

Other partners of the PEIHC include the many community members who serve on the Boards for the Family Housing Authorities. Seniors and other client groups, municipal representatives, non-profits, private sector developers, the construction industry, and tenants play an important partnership role in bringing affordable housing to Islanders.

Aperçu

Les pouvoirs que détient la Société de logement de l'Île-du-Prince-Édouard lui sont conférés en vertu de la *Housing Corporation Act* (1993). La Société de logement permet d'offrir aux citoyens de l'Île-du-Prince-Édouard à revenu faible ou moyen l'accès à des logements sécuritaires, abordables et adéquats.

Au fil des ans, de nombreuses études ont révélé qu'il existe un lien direct entre la santé et le bien-être d'une population et la disponibilité de logements sécuritaires à prix abordables. Depuis les années 1960, par l'entremise de son programme de logement social, la Société de logement tâche de s'assurer que des logements convenables sont mis à la disposition des Insulaires à revenu faible ou moyen. Cependant, il est évident que ces derniers éprouvent des besoins changeants et la Société de logement tente de répondre à ceux-ci par la création de nouvelles unités et la remise en état des logements existants.

La Société de logement partage la responsabilité d'assurer des services de logement avec le ministère des Services communautaires et des Aînés et les conseils locaux de logements familiaux. La Société est responsable de la gestion des éléments d'actifs et de passifs et, des revenus. Le ministère des Services communautaires et des Aînés est responsable de la gestion des logements familiaux par l'entremise de neuf conseils de logements familiaux locaux et de la gestion directe des logements pour les aînés; il entretient des relations avec le gouvernement fédéral sur les questions liées au logement et voit à la gestion des ententes conclues avec le gouvernement fédéral et à la prestation de la majorité des programmes de logement, y compris l'Entente Canada/Île-du-Prince-Édouard concernant le logement abordable.

La Société collabore avec de nombreux partenaires, surtout la Société canadienne d'hypothèques et de logement (SCHL), représentant le gouvernement fédéral. La SCHL partage les coûts de programmes provinciaux visant environ 1 700 unités et, en outre, elle gère directement 900 unités de logement sociales financées par le gouvernement fédéral.

Les ententes conclues entre les gouvernements fédéral et provincial visant le partage des coûts relatifs aux logements sociaux contribuent à la location de logements aux aînés, aux familles et aux Insulaires qui en ont besoin. Vu l'arrivée à terme de ces ententes, la Société devra trouver le financement nécessaire pour assurer l'entretien et l'amélioration de ces installations.

La Société de logement gère l'Entente Canada/Île-du-Prince-Édouard concernant le logement abordable conclue en 2003 et voit à son application. Le but de cette entente est de financer l'établissement d'unités de logement abordables dans la province. Grâce à l'entente initiale et aux ententes subséquentes, un total de 6,66 millions de dollars en financement a été accordé. La plus récente extension prendra fin le 31 mars 2014.

En 2009, la Société de logement s'est associée au gouvernement fédéral en vertu du Plan d'action économique du Canada pour investir plus de 8,5 millions de dollars dans des logements abordables. Il y a eu des investissements dans de nouveaux logements pour les aînés, dans des logements pour personnes ayant des invalidités et dans des rénovations de logements existants.

Pour répondre aux besoins des propriétaires à faible revenu en matière de travaux de rénovation, la Société de logement et le gouvernement fédéral financent conjointement le Programme d'aide à la remise en état des logements (PAREL), géré par la SCHL. L'objectif du programme consiste à aider les propriétaires à revenu faible ou moyen et les propriétaires qui offrent des services à des locataires à revenu faible ou moyen à financer des réparations critiques pour leurs résidences.

Parmi les autres partenaires de la Société de logement, on compte un grand nombre de membres de la collectivité qui siègent aux conseils de logements familiaux. En ce qui concerne le logement abordable pour les Insulaires, la collaboration est primordiale entre les aînés et les autres groupes bénéficiaires, les représentants municipaux, les organismes sans but lucratif, les promoteurs du secteur privé, l'industrie de la construction et les locataires.

Year in Review

The past year has seen the most significant change to affordable housing since the 1980's. Through the Canada Economic Action Plan and with partnerships with the private sector, 104 new units of seniors housing were built or started. Most notably in Charlottetown, where Charlotte Court, an old out of date building, was replaced with an impressive modern complex.

Additionally, for the first time since the early 1990's, the Province commenced construction on a new publicly owned housing project, a 34 unit seniors residence in Summerside. It is expected the building will be complete and opened early in fiscal 2012-2013.

Demand for Seniors Housing remains strong across the Province and some areas that saw declining interest such as Rollo Bay and Morell have seen renewed interest and increased occupancy. However, systemic vacancy with our Tracadie Cross property resulted in the property being converted to a residential youth facility in 2011.

The need for Family Housing reduced in rural areas during the year, however, new applications in urban areas increased substantially. Strategic planning will determine options for dealing with this change.

Bilan de l'année

L'année qui vient de s'écouler a connu le plus grand nombre de changements dans le domaine du logement abordable depuis les années 1980. Par l'entremise du Plan d'action économique du Canada et de partenariats avec le secteur privé, 104 nouvelles unités de logement ont été construites ou commencées, surtout dans la région de Charlottetown où Charlotte Court, un édifice désuet, a été remplacé par un impressionnant complexe moderne.

De plus, pour la première fois depuis le début des années 1990, la province a commencé la construction d'un nouveau projet d'hébergement public, une résidence de 34 unités pour les aînés à Summerside. On s'attend à ce que le bâtiment soit terminé et ouvrira au début de l'année financière 2012-2013.

La demande de logements pour les aînés demeure forte dans la province et les régions qui avaient manifesté moins d'intérêt tel que Rollo Bay et Morell ont exprimé un regain d'intérêt et une augmentation des nombres. Cependant, les vacances générales de la propriété de Tracadie Cross ont fait qu'elle a été convertie en un établissement résidentiel pour les jeunes en 2011.

Le besoin de logement pour les familles a diminué dans les régions rurales au cours de l'année; cependant, les nouvelles demandes ont augmenté de façon considérable dans les régions urbaines. La planification stratégique déterminera les options qui permettront de faire face à ce changement.

Programs and Services

Seniors Housing

Seniors housing units are located in communities across the province and provide apartment style, self-contained rental units to low and moderate income seniors who are unable to meet their housing needs independently. Rent for seniors housing is 25 per cent of seniors' income.

The proportion of seniors in the population is expected to increase dramatically over the next 20 years. Statistical studies show this population increase will translate into increased demand for subsidized seniors housing.

Rent Supplements for Seniors

In 2011-2012, rent supplements became available for specific seniors housing units in Charlottetown, Summerside and O'Leary. These units were built and are owned by the private sector with the support of the PEIHC and CMHC Affordable Housing funding. Eighty units were completed in 2011-2012 and are now rented. Rent for these units is 25 per cent of seniors' income.

Garden Suites

Another form of subsidized housing for seniors are garden suites. These are one bedroom units placed on the property of a host family. When no longer required by the tenant, suites are moved to another site.

There are five garden suites in the PEIHC housing portfolio.

Family Housing

This program provides subsidized housing to low and moderate income families who are unable to obtain adequate and affordable accommodations in the private market. The units, with rents based on 25 per cent of income, are situated in communities across the province.

Of increasing concern is the consistently high number of families waiting for units in comparison to the number of units available and the low turnover rates in the Charlottetown and Summerside areas.

Rent Supplements for Families

This program utilizes private market housing to provide accommodations for families selected from the family housing waiting lists. Rents are made affordable for the families via rent subsidies. There are 18 rent subsidies provided with 12 in Charlottetown and six in Summerside.

Rural and Native Housing

This program provides rent-to-income housing for low and moderate income families. There are seven units across the province.

Rural Community Housing

This program provides nine affordable rental housing units in small rural communities.

Federal Provincial Agreements

On May 23, 2003, the Canada-PEI Affordable Housing Agreement was signed. Funding under this agreement is used to create new affordable housing units for low to moderate income Islanders through rental, conversion and home ownership initiatives.

The program is administered by the Department of Community Services and Seniors and the PEIHC. Affordable housing projects are selected based on provincial priorities that include housing for families, persons with disabilities and persons with special needs. The PEIHC has partnered with Habitat for Humanity to deliver the home ownership component.

Maximum funding under both phases of the agreement and the extension is \$6.66 million to be matched by the PEIHC, municipalities and other partners. Housing units supported by the Canada-P.E.I. Affordable Housing Agreement must be affordable for ten years.

Twenty-four contracts have been finalized since the program began, representing 183 new housing units.

In 2009 and 2010, P.E.I. Housing Corporation delivered funding from the Canada Economic Stimulus Program. Improvements were made to buildings containing over 400 senior and family housing units. Ninety new units of housing for seniors or persons with disabilities were created or committed.

Residential Rehabilitation Assistance Program

This program provides for major renovations, emergency repairs and home adaptations for low income home owners and major renovations for landlords renting to low income tenants. Property owners receive a fully forgivable loan provided they keep the home for five years after the repairs or improvements have been made. This is a federal/provincial cost shared (75/25) program administered by CMHC.

- Homeowner RRAP - Provides assistance to low income homeowners to bring their property up to minimum health and safety standards.
- RRAP For Disabled Persons - Provides assistance to households occupied by persons with disabilities who require special modifications to improve accessibility to their residence.
- Rental/Rooming House RRAP - Provides support for rehabilitation to private rentals or rooming houses for low income Islanders in core need of housing.
- Emergency Repair Program - Provides assistance to homeowners in rural and remote areas to undertake emergency repairs required for the continued safe occupancy of their residence.
- Home Adaptation For Seniors Independence - Assists low-income Canadians, aged 65 or older, whose difficulties in daily living can be addressed through adaptations to their homes.
- Shelter Enhancement - Provides assistance to repair existing and create new shelters and second stage housing for women, children and youth who are victims of family violence both on and off First Nations Reserves.
- RRAP Conversion - Provides assistance to convert existing commercial or buildings not used for housing into housing units.
- Secondary Suites - Provides financial assistance for the creation of Secondary or Garden Suites for a low-income senior or an adult with a disability - making it possible for them to live independently in their community, close to family and friends. A secondary suite is a self contained separate unit within an existing home or an addition to a home. This means there are full kitchen and bath facilities as well as a separate entrance. A garden suite is a separate living unit that is not attached to the principal residence but is located on the same property.

Appendix "A"

Program Activity and Information

Seniors Housing Program

Program Performance:

Current Measures

- Number of units
- Number of placements
- Number of new applications
- Number of seniors on waiting lists
- Turnover rates

Some Results:

Seniors Housing

FISCAL YEAR	2008-2009	2009-2010	2010-2011	2011-2012
Units	1,157	1,157	1,152	1,094
Rent supplements for seniors in private market housing	N/A	N/A	N/A	80
Placements	170	193	157	178
New Applications	335	294	298	566
Waiting List	410	434	483	638
Turnover Rates	14.7%	16.7%	13.6%	21.3%

Seniors Housing Units

West Prince		Kings (Southern)	
Alberton	16	Belfast	6
O'Leary	24	Cardigan	3
St. Louis	4	Georgetown	16
Tignish	<u>14</u>	Montague	91
Total	58	Murray Harbour	6
East Prince		Murray River	6
Abrams Village	5	Garden Suite - Georgetown	<u>1</u>
Bedeque	6	Total	129
Borden	22		
Kensington	50	Kings (Eastern)	
Kinkora	5	Morell	12
Miscouche	17	Rollo Bay	14
Mont Carmel	6	Souris	81
Summerside	152	St. Charles	4
Tyne Valley	11	St. Peters	9
Wellington	22	Garden Suite - Souris	1
Wilmot	6	Garden Suite - Souris West	<u>1</u>
Garden Suite - Mt. Carmel	1	Total	122
Garden Suite - Freetown	<u>1</u>		
Total	304		
Queens			
Charlottetown	428	Total Seniors Units	<u>1094</u>
Cornwall	14		
Crapaud	9		
Hunter River	14		
Mt. Stewart	6		
North Rustico	6		
South Rustico	<u>4</u>		
Total	481		

Family Housing Program

Program Performance:

Current Measures

- | |
|---|
| <ul style="list-style-type: none"> • Number of units • Number of placements • Number of new applications • Numbers of families on waiting lists • Turnover rates |
|---|

Some Results:

Family Housing

FISCAL YEAR	2008-2009	2009-2010	2010-2011	2011-2012
Units	463	463	463	463
Placements	86	74	79	90
New Applications	311	336	262	348
Waiting List	401	419	406	316
Turnover Rates	19%	16%	17.1%	19.4 %

Family Housing Boards and Number of Units Administered

Alberton	22	O'Leary	23
Charlottetown Area	168	Souris	36
Georgetown	27	Summerside	99
Montague	62	Tignish	16
Mt. Stewart	6	Total	459*

*** An additional four units of Family Housing located in Crapaud are administered by staff of Community Services and Seniors.**

Residential Rehabilitation Assistance Program

	Number of Loans
Home Owner	36
Persons with Disabilities	15
Rental/Rooming House	15
Emergency Repair Program	31
Home Adaptation for Seniors Independence	8
Shelter Enhancement	0
Conversion	0
Secondary Suites	1
Total	106

Financial Statements

AUDITOR GENERAL

**CHARLOTTETOWN
PRINCE EDWARD ISLAND**

PRINCE EDWARD ISLAND

HOUSING CORPORATION

FINANCIAL STATEMENTS

MARCH 31, 2012

Management's Report

Management's Responsibility for the Financial Statements

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for the public sector and the integrity and objectivity of these statements are management's responsibility. Management is responsible for the notes to the financial statements and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is responsible for implementing and maintaining a system of internal control to provide reasonable assurance that reliable financial information is produced.

The Minister of Community Services and Seniors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Minister reviews internal financial reports on a regular basis and externally audited financial statements annually.

The Auditor General conducts an independent examination, in accordance with Canadian generally accepted auditing standards and expresses her opinion on the financial statements. The Auditor General has full and free access to financial information and management of the Prince Edward Island Housing Corporation to meet when required.

On behalf of the Prince Edward Island Housing Corporation



Hon. Valerie E. Docherty
Minister, Department of Community Services
and Seniors



W. Lorne Clow
Director of Housing, Seniors and Corporate
Support

June 11, 2013

AUDITOR GENERAL

CHARLOTTETOWN

PRINCE EDWARD ISLAND

INDEPENDENT AUDITOR'S REPORT

Honourable Valerie E. Docherty
Minister
Department of Community Services and Seniors
Province of Prince Edward Island

I have audited the financial statements of the **Prince Edward Island Housing Corporation**, which comprise the statements of financial position as at March 31, 2012, and 2011, and the statements of operations and accumulated surplus, changes in net debt, and cash flow for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for the public sector and for such internal control as management determines is necessary to enable the preparation of 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 financial statements based on my audits. I conducted the audits in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audits to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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

Basis for Qualified Opinion

During the year, the Corporation capitalized \$715,300 (2011 - \$557,500) in repairs and maintenance expenses. Prior to 2008, similar expenses were not capitalized and the Corporation has not retroactively applied this change in accounting policy. Canadian accounting standards for the public sector recommends that the cost incurred in the maintenance of the service potential of a tangible capital asset is a repair, not a betterment, and as such should not be capitalized. If these expenses had not been capitalized, federal-provincial projects would have decreased by \$674,700 (2011 - \$534,800), Rental Housing projects by \$1,528,200 (2011 - \$1,266,600), deferred capital contributions by \$2,202,900 (2011 - \$1,801,400), accumulated amortization of deferred capital contributions and accumulated amortization by \$935,200 (2011 - \$621,400). In addition, the unamortized cost of the components being replaced have not been derecognized. We were unable to determine the impact of this issue.

Qualified Opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2012, and 2011, and the results of its operations, changes in net debt, and cash flow for the years then ended in accordance with Canadian accounting standards for the public sector.



B. Jane MacAdam, CA
Auditor General


Charlottetown, Prince Edward Island
June 11, 2013

**PRINCE EDWARD ISLAND
HOUSING CORPORATION
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2012**

	<u>2012</u>	<u>2011</u>
	\$	\$
Financial Assets		
Cash	367,900	212,400
Accounts receivable (Note 4)	2,772,800	4,127,300
Loans receivable	<u>3,200</u>	<u>6,200</u>
	<u>3,143,900</u>	<u>4,345,900</u>
Liabilities		
Accounts payable and accrued liabilities (Note 5)	2,619,700	2,030,300
Long-term debt (Note 6)	21,026,100	23,326,300
Canada Mortgage and Housing Corporation advances (Note 9)	<u>-</u>	<u>715,100</u>
	<u>23,645,800</u>	<u>26,071,700</u>
Net Debt	<u>20,501,900</u>	<u>21,725,800</u>
Non-Financial Assets		
Tangible capital assets (Note 7)	26,306,800	24,013,500
Deferred capital contributions (Note 8)	<u>(6,032,800)</u>	<u>(2,512,600)</u>
Net investment in tangible capital assets	20,274,000	21,500,900
Property holdings	<u>227,900</u>	<u>224,900</u>
	<u>20,501,900</u>	<u>21,725,800</u>
Accumulated Surplus	<u>-</u>	<u>-</u>

(The accompanying notes are an integral part of these financial statements.)

Approved by:


 Minister, Department of Community Services and Seniors

**PRINCE EDWARD ISLAND
HOUSING CORPORATION
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED MARCH 31, 2012**

	<u>2012</u> <u>Budget</u> \$	<u>2012</u> <u>Actual</u> \$	<u>2011</u> <u>Actual</u> \$
Revenues			
Grants			
Province of Prince Edward Island (Note 10)	1,004,000	1,725,600	3,239,500
Canada Mortgage and Housing Corporation (Note 11)	3,800,000	3,520,600	3,636,000
Rental income	4,627,600	4,580,700	4,452,600
Gain on disposal of property	907,000	901,300	-
Interest income	-	3,200	3,200
Other income	-	26,200	25,900
Federal contributions - Canada Economic Action Plan (Note 14 (b))	-	-	1,200,600
	<u>10,338,600</u>	<u>10,757,600</u>	<u>12,557,800</u>
Expenses			
Property taxes	1,065,300	1,083,500	1,327,200
Loss on disposal of property	-	-	26,700
Administration	122,800	142,900	137,300
Equipment	35,900	6,000	10,300
Operating costs (Note 12)	4,824,200	5,397,300	4,840,200
Canada Economic Action Plan - renovations	-	-	1,200,600
Travel and training	73,700	114,800	93,500
Professional and contract services	349,200	380,900	374,800
Grants (Note 13)	<u>1,780,800</u>	<u>1,550,100</u>	<u>2,359,900</u>
	<u>8,251,900</u>	<u>8,675,500</u>	<u>10,370,500</u>
Interest charges on debt	901,300	860,800	1,004,500
Amortization of tangible capital assets	1,717,300	1,634,300	1,524,300
Amortization of deferred capital contributions	<u>(531,900)</u>	<u>(413,000)</u>	<u>(341,500)</u>
	<u>10,338,600</u>	<u>10,757,600</u>	<u>12,557,800</u>
Annual Surplus (Note 10)	-	-	-
Accumulated Surplus, beginning of year	-	-	-
Accumulated Surplus, end of year	<u>-</u>	<u>-</u>	<u>-</u>

(The accompanying notes are an integral part of these financial statements.)

**PRINCE EDWARD ISLAND
HOUSING CORPORATION
STATEMENT OF CHANGES IN NET DEBT
FOR THE YEAR ENDED MARCH 31, 2012**

	<u>2012 Budget</u> \$	<u>2012 Actual</u> \$	<u>2011 Actual</u> \$
Net Debt, beginning of year	<u>21,725,800</u>	<u>21,725,800</u>	<u>22,960,400</u>
Changes in year:			
Annual surplus	-	-	-
Acquisition of tangible capital assets	4,570,000	3,933,200	683,100
Amortization of tangible capital assets	(1,717,300)	(1,634,300)	(1,524,300)
Net book value of tangible capital asset disposals	-	(5,600)	(65,700)
Deferred capital contributions	(4,570,000)	(3,933,200)	(683,100)
Net book value of deferred capital contribution disposals	-	-	11,500
Amortization of deferred capital contributions	531,900	413,000	341,500
Property holdings	-	3,000	2,400
Change in Net Debt	<u>(1,185,400)</u>	<u>(1,223,900)</u>	<u>(1,234,600)</u>
Net Debt, end of year	<u>20,540,400</u>	<u>20,501,900</u>	<u>21,725,800</u>

(The accompanying notes are an integral part of these financial statements.)

**PRINCE EDWARD ISLAND
HOUSING CORPORATION
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED MARCH 31, 2012**

	<u>2012</u>	<u>2011</u>
	\$	\$
Operating Activities		
Annual surplus	-	-
Amortization of tangible capital assets	1,634,300	1,524,300
Amortization of deferred capital contributions	(413,000)	(341,500)
(Gain) loss on disposal of tangible capital assets	(901,300)	26,700
Changes in:		
Accounts receivable	1,354,500	(355,900)
Loans receivable	3,000	2,000
Accounts payable and accrued liabilities	589,400	499,900
Advances	<u>(715,100)</u>	<u>715,100</u>
Cash provided by operating activities	<u>1,551,800</u>	<u>2,070,600</u>
Capital Activities		
Proceeds on sale of tangible capital assets	906,900	27,500
Acquisition of tangible capital assets	(3,933,200)	(683,100)
Capital contributions	<u>3,933,200</u>	<u>683,100</u>
Cash provided by capital activities	<u>906,900</u>	<u>27,500</u>
Investing Activities		
Property holdings	<u>(3,000)</u>	<u>(2,400)</u>
Cash used by investing activities	<u>(3,000)</u>	<u>(2,400)</u>
Financing Activities		
Long-term debt repayment	<u>(2,300,200)</u>	<u>(2,005,000)</u>
Cash used by financing activities	<u>(2,300,200)</u>	<u>(2,005,000)</u>
Change in cash	155,500	90,700
Cash, beginning of year	<u>212,400</u>	<u>121,700</u>
Cash, end of year	<u>367,900</u>	<u>212,400</u>

(The accompanying notes are an integral part of these financial statements.)

**PRINCE EDWARD ISLAND
HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012**

1. Nature of Operations

The Prince Edward Island Housing Corporation (the Corporation) operates under the authority of the *Housing Corporation Act* of Prince Edward Island. The Corporation's general objectives are to establish housing projects, construct, acquire, or renovate housing accommodations for sale or rent, and promote measures which will contribute to the availability of adequate and improved housing for low income families and individuals, elderly persons, or other groups that require assistance. The Corporation also works towards improving the quality of housing and amenities related to housing.

The Minister, having overall responsibility for the administration of the *Act*, has designated a senior public officer to supervise the administration and management of the Corporation and perform such duties as the Minister may assign. The Corporation's operations are staffed by the Department of Community Services and Seniors and the Department of Finance, Energy and Municipal Affairs.

The Corporation is a non taxable entity under the provisions of the federal *Income Tax Act*.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements for the year ended March 31, 2012, have been prepared in accordance with Canadian accounting standards for the public sector. Prior period financial statements were prepared in accordance with Canadian generally accepted accounting principles for the private sector. The adoption of public sector accounting standards has been applied retroactively. The application of the new accounting framework did not affect previously reported results. Impacts on the financial statements were limited to presentation and disclosure.

a) Accounts Receivable

Accounts receivable are recorded at cost less any specific provision when collection is in doubt.

b) Loans Receivable

Loans receivable are recorded at cost less adjustments for impairment in value and concessionary terms. Where concessionary terms apply, loans are reported at their net present value. Loans usually bear interest at approximate market rates and normally have fixed repayment terms. A provision for loss is established for doubtful accounts. Interest revenue is recognized on an accrual basis until such time that the collectability of either principal or interest is not reasonably assured.

c) Inventory

Inventories of supplies are expensed when purchased.

**PRINCE EDWARD ISLAND
HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012**

2. Summary of Significant Accounting Policies (continued...)

d) Tangible Capital Assets

Tangible capital assets relate to investments in federal-provincial and rental housing projects and are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement, and/or betterment of the assets. Cost includes overhead directly attributed to construction and development.

The cost of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	40 yrs
Renovations	10 yrs

The cost of assets under construction are not amortized until the construction is completed and the asset is available for use. In the year of acquisition, full year amortization is recorded.

Tangible capital assets are written down when conditions indicate they no longer contribute to the Corporation's ability to provide goods and services or when the future economic benefits associated with the tangible capital assets are less than their net book value. Write-downs are expensed when identified.

Tangible capital assets are not amortized in the year they are disposed.

e) Deferred Capital Contributions

Capital contributions related to the acquisition of tangible capital assets are deferred and amortized at the same rate as the related asset. Capital contributions are not amortized in the year related assets are disposed.

f) Property Holdings

Property holdings are recorded at the lower of cost or net realizable value.

g) Revenues

Revenues are recorded on an accrual basis in the period in which the transaction or event that gave rise to the revenue occurred. When accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable, revenues are recorded as received.

Transfers (revenues from non-exchange transactions) are recognized as revenue when the transfer is authorized, any eligibility criteria are met, and a reasonable estimate of the amount can be made.

**PRINCE EDWARD ISLAND
HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012**

2. Summary of Significant Accounting Policies (continued...)

g) Revenues (continued...)

Federal contributions provided by the Canada Mortgage and Housing Corporation (CMHC) are restricted in accordance with the provisions of the Affordable Housing Program Agreements, Unilateral Funding Program Agreements, and the Housing Renovation Program Agreement. Accordingly, federal contributions are recognized as revenue when the related expense has been incurred.

h) Expenses

Expenses are recorded on an accrual basis in the period in which the transaction or event that gave rise to the expense occurred.

Grants are recognized as an expense when an application for assistance has been approved and performance requirements have been met by the grantee. Conditional grants are provided to homeowners, developers, landlords, co-operatives, and non-profit housing sponsors.

i) Use of Estimates and Measurement Uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for the public sector requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Items requiring the use of significant estimates include the carrying amount and amortization of investments in properties and underlying assessments of service potential, useful life of tangible capital assets, the valuation of land held for future development, the carrying amount of loans receivable, and underlying estimates of the provision for loan impairment.

Estimates are based on the best available information at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates and the differences could be material.

3. Accounting Changes

Prior period financial statements have been restated for an accounting error associated with Federal programs administered by Prince Edward Island Housing Corporation. The restatement has no impact on the statement of financial position, statement of cash flows or statement of changes in net debt. The impact of the change to prior period financial statements is in the statement of operations and accumulated surplus.

**PRINCE EDWARD ISLAND
HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012**

3. Accounting Changes (continued...)

Statement of Operations

	<u>2011</u>	<u>(Restated)</u>
	\$	\$
Revenues		
Federal Contributions		
Canada Economic Action Plan	2,685,600	1,200,600
Affordable Housing Agreements	888,400	-
Expenses		
Grants	888,400	-
Canada Economic Action Plan	2,685,600	-
Canada Economic Action Plan - renovations	<u>-</u>	<u>1,200,600</u>
Net effect on Annual Surplus	<u>-</u>	<u>-</u>

4. Accounts Receivable

	<u>2012</u>	<u>2011</u>
	\$	\$
CMHC	2,721,900	4,059,900
General	<u>50,900</u>	<u>69,500</u>
	2,772,800	4,129,400
Less: provision for doubtful accounts	<u>-</u>	<u>2,100</u>
	<u>2,772,800</u>	<u>4,127,300</u>
Aged trade accounts receivable:		
Current	397,000	443,300
61-90 days	1,100	40,800
90-120 days	1,100	1,400
Greater than 120 days	<u>2,373,600</u>	<u>3,643,900</u>
	<u>2,772,800</u>	<u>4,129,400</u>

5. Accounts Payable and Accrued Liabilities

	<u>2012</u>	<u>2011</u>
	\$	\$
Accrued interest	151,000	205,000
Province of Prince Edward Island	1,228,100	397,900
General	<u>1,240,600</u>	<u>1,427,400</u>
	<u>2,619,700</u>	<u>2,030,300</u>

**PRINCE EDWARD ISLAND
HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012**

6. Long-term Debt

Long-term debt is comprised of the following:

	<u>2012</u>	<u>2011</u>
	\$	\$
Mortgages and debentures payable to Canada Mortgage Housing Corporation with maturity dates ranging from 2013 to 2029, with interest rates ranging from 1.64 percent to 11.00 percent and are secured by properties.		
Mortgages payable	17,360,000	19,171,400
Debentures payable	2,945,300	3,089,300
Debentures payable to the Province of Prince Edward Island with maturity dates ranging from 2013 to 2014, interest rates ranging from 8.86 percent to 10.75 percent and secured by properties.		
Debentures payable	<u>720,800</u>	<u>1,065,600</u>
	<u>21,026,100</u>	<u>23,326,300</u>

Principal Repayments

Anticipated annual principal repayments over each of the next five years and thereafter are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
	\$
2013	1,787,200
2014	1,805,200
2015	1,755,600
2016	2,213,400
2017	1,819,000
Thereafter	<u>11,645,700</u>
	<u>21,026,100</u>

Interest expense for the year on outstanding mortgages was \$792,000 (2011 - \$889,000) and outstanding debentures was \$68,800 (2011 - \$115,500).

**PRINCE EDWARD ISLAND
HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012**

7. Tangible Capital Assets

	Federal Provincial Projects Land \$	Federal Provincial Projects Buildings \$	Federal Provincial Projects Renovations \$	Rental Projects Land \$	Rental Projects Buildings \$	Rental Projects Renovations \$	2012 Total \$	2011 Total \$
Cost, beginning of year	303,800	5,983,700	716,200	2,246,200	49,775,900	1,706,600	60,732,400	60,197,200
Additions	-	-	235,000	-	3,217,900	480,300	3,933,200	683,100
Disposals	-	-	-	(5,600)	(1,096,000)	-	(1,101,600)	(147,900)
Cost, end of the year	<u>303,800</u>	<u>5,983,700</u>	<u>951,200</u>	<u>2,240,600</u>	<u>51,897,800</u>	<u>2,186,900</u>	<u>63,564,000</u>	<u>60,732,400</u>
Accumulated amortization, beginning of the year	-	4,233,500	181,300	-	31,864,100	440,000	36,718,900	35,276,800
Amortization	-	146,800	95,100	-	1,173,700	218,700	1,634,300	1,524,300
Disposals	-	-	-	-	(1,096,000)	-	(1,096,000)	(82,200)
Accumulated amortization, end of year	-	<u>4,380,300</u>	<u>276,400</u>	-	<u>31,941,800</u>	<u>658,700</u>	<u>37,257,200</u>	<u>36,718,900</u>
Net book value	<u>303,800</u>	<u>1,603,400</u>	<u>674,800</u>	<u>2,240,600</u>	<u>19,956,000</u>	<u>1,528,200</u>	<u>26,306,800</u>	<u>24,013,500</u>

Tangible capital assets represent the Corporation's ownership interest in housing projects constructed or acquired pursuant to partnership agreements. The Corporation's cost is net of amounts provided by CMHC in consideration for an ownership interest in the housing projects.

Cost at March 31, 2012 includes buildings under construction of \$3,343,500.

**PRINCE EDWARD ISLAND
HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012**

8. Deferred Capital Contributions

Contributions provided by the Province of Prince Edward Island for investment in properties consist of the following:

	<u>2012</u>	<u>2011</u>
	\$	\$
Deferred capital contributions, beginning of year	2,512,600	2,182,500
Add: capital renovations	715,300	557,500
assets under construction	3,217,900	125,600
Less: asset disposals	-	(41,900)
	<u>6,445,800</u>	<u>2,823,700</u>
 Amortization of deferred capital contributions		
Senior citizen housing	70,900	70,900
Family housing	28,300	28,300
Capital renovations	313,800	242,300
Less: asset disposals	-	(30,400)
	<u>413,000</u>	<u>311,100</u>
Deferred capital contributions, end of year	<u>6,032,800</u>	<u>2,512,600</u>

9. Canada Mortgage and Housing Corporation Advances

Certain amounts are received from the Canada Mortgage and Housing Corporation (CMHC) for programs administered by the Corporation and may only be used in the delivery of specific services and transactions.

10. Province of Prince Edward Island

The Province of Prince Edward Island funds 100 percent of the operations of the Corporation through an annual operating grant. The Corporation cannot incur a deficit or surplus.

11. Canada Mortgage and Housing Corporation

The Corporation is eligible for subsidy assistance from CMHC. Subsidy assistance is paid by project, based on agreement terms and conditions, and is equal to the difference between eligible annual operating costs and project revenues for designated units. The various agreements expire between 2013 and 2037.

**PRINCE EDWARD ISLAND
HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012**

12. Operating Costs

	<u>2012</u>	<u>2011</u>
	\$	\$
Utilities	1,954,200	1,804,400
Repairs and maintenance	1,277,400	1,180,500
Renovations	68,500	290,700
Rent supplement	442,400	146,700
Materials, supplies, and services (includes Department allocations)	<u>1,654,800</u>	<u>1,417,900</u>
	<u>5,397,300</u>	<u>4,840,200</u>

13. Grants

	<u>2012</u>	<u>2011</u>
	\$	\$
Housing renovation program agreement	328,300	322,100
Family housing boards	1,221,800	1,567,800
Other	-	<u>470,000</u>
	<u>1,550,100</u>	<u>2,359,900</u>

14. Contractual Obligations and Commitments

a) Affordable Housing Agreement

Funding through the Affordable Housing Agreement has been provided by CMHC to increase the supply of affordable housing in Prince Edward Island. CMHC will make matching contributions to those projects meeting eligibility requirements in accordance with the Original Agreement (Phase I), to match \$2.75 million in eligible expenses incurred by March 31, 2010; Supplementary Agreement (Phase II), to match \$1.41 million in eligible expenditures incurred by March 31, 2011; Supplementary Agreement No. 3 (2009 Extension), to match \$1 Million in eligible expenditures committed by March 31, 2011, and incurred by March 31, 2012; and Supplementary Agreement No. 4 (2011 Extension), to match \$1.5 million (\$500,000 annually) in eligible expenditures committed by March 31, 2014.

At March 31, 2012, \$5.66 million (2011 - \$5.16 million) of the available \$6.66 million funding from CHMC has been committed to projects, with \$5.17 million (2011 - \$4.363 million) incurred.

**PRINCE EDWARD ISLAND
HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012**

14. Contractual Obligations and Commitments (continued...)

b) Canada Economic Action Plan

i) Economic Stimulus Program

Economic Stimulus Program funding has been provided by CMHC to create new affordable housing rental units for low income seniors, renovate and upgrade existing CMHC assisted social housing to meet modern energy efficiency and accessibility standards, and provide housing for persons with disabilities.

Supplementary Agreement No. 3 (Affordable Housing Agreement 2009 Extension) also established a plan for the use of Economic Stimulus Program funding where up to \$4.27 million in contributions will be made by CMHC to those meeting the eligibility requirements to achieve the stated objectives. Commitments had to be approved by March 31, 2011, and eligible expenses incurred by March 31, 2012.

At March 31, 2012, \$4.27 million of available funding from CMHC has been committed to projects and \$3.98 million had been incurred (2011 - \$3.98 million).

ii) Unilateral Program

Under the Renovation and Retrofit of Social Housing Initiative pursuant to Section 51 of the *National Housing Act*, CMHC may make contributions for the purpose of the renovation, general improvement, energy efficiency upgrade, or conversion modification to support persons with disabilities and/or regeneration of existing social housing projects.

Projects that exceed \$25,000 in renovation and retrofit expenses are required to enter into mortgages with CMHC. The mortgage provides collateral security to CMHC if certain conditions are not satisfied.

iii) Funds invested in Prince Edward Island Housing Corporation

	<u>2012</u> \$	<u>2011</u> \$
Economic Stimulus Program		1,100,000
Unilateral Program	-	<u>100,600</u>
	<u>-</u>	<u>1,200,600</u>

**PRINCE EDWARD ISLAND
HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012**

14. Contractual Obligations and Commitments (continued...)

c) Housing Renovation Program

The Housing Renovation Program Agreement establishes a structure for cost-shared programs that provide assistance to homeowners and landlords for repairs to and rehabilitation of properties occupied by low income individuals. CMHC and the Corporation will contribute up to 75 percent and 25 percent respectively to fund eligible program costs. In 2010, the Corporation and CMHC executed a Supplementary Agreement Letter that extends the term of the Housing Renovation Program Agreement by two years to provide funding for commitments approved and incurred by March 31, 2012. During the year, the Corporation has paid \$328,300 (2011 - \$322,100) in assistance to eligible projects.

In July 2011, an extension agreement was signed and CMHC will provide \$0.98 million annually for eligible expenditures. The extension expires March 31, 2014.

d) Investment in Affordable Housing 2011-2014 Agreement

In April 2013, the Agreement for Investment in Affordable Housing 2011-2014 was signed and CMHC will provide \$1.48 million for eligible expenditures. The agreement expires March 31, 2014. This agreement supercedes all previous Affordable Housing Agreements and Housing Renovation Program Agreements.

15. Related Party Transactions

These financial statements include the results of transactions with various provincial government controlled departments, agencies, and Crown corporations with which the Corporation is considered related. Transactions with related parties are settled at prevailing market prices under normal trade terms.

The Province has assumed responsibility for certain operating costs that are shared with other departments such as property insurance, provincial portion of property tax, management salaries, and benefits. These expenses are not reflected in the Corporation's financial statements.

The Province employs all staff working within the Corporation and on an annual basis department allocations are made to the Corporation for its share of the salary and benefits.

16. Contingent Liabilities

The Corporation is subject to legal actions arising in the normal course of business. At March 31, 2012, there was one outstanding legal claim against the Corporation. Costs related to this outstanding claim is funded by the Prince Edward Island Self Insurance and Risk Management Fund. The Fund provides general liability insurance, errors and omissions insurance, primary property, and crime insurance. The Fund is administered by the Province of Prince Edward Island and responsibility for liabilities of the Fund is that of the Province of Prince Edward Island.

**PRINCE EDWARD ISLAND
HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012**

17. Budget Figures

Budget figures have been provided for comparison purposes and have been derived from the estimates approved by the Legislative Assembly of the Province of Prince Edward Island.



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