



INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of The Manitoba Housing and Renewal Corporation (the Corporation), which comprise the statement of financial position as at March 31, 2021, and the statement of operations and accumulated deficit, the statement of changes in net debt and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2021, and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PSAS, 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.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate the Corporation or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Office of the Auditor General

Office of the Auditor General
Winnipeg, Manitoba
August 3, 2021

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Statement of Financial Position

As at March 31, 2021, with comparative information for 2020

	2021	2020
Financial assets:		
Cash	\$ 94,284,507	\$ 89,665,753
Accounts receivable (note 3)	80,066,764	43,126,011
Loans and mortgages receivable (note 4)	71,438,011	78,659,823
Land inventory (note 5)	17,235,497	20,527,836
Other receivables (note 3)	19,510,580	20,757,566
	<u>282,535,359</u>	<u>252,736,989</u>
Financial liabilities:		
Accounts payable and accrued liabilities	103,157,524	56,554,676
Borrowings (note 7)	963,987,811	991,150,829
Other liabilities (note 8)	13,110,872	14,260,985
Unearned revenue (note 9):		
Rental and lot sales deposits	7,040,679	12,436,181
Funds held for third party expenses	23,438,665	17,450,596
Housing Development and Rehabilitation Fund	–	16,167,401
	<u>1,110,735,551</u>	<u>1,108,020,668</u>
Net debt	(828,200,192)	(855,283,679)
Non-financial assets:		
Prepaid expenses	1,526,850	1,445,584
Tangible capital assets (note 6)	773,447,245	793,291,331
	<u>774,974,095</u>	<u>794,736,915</u>
Accumulated deficit	\$ (53,226,097)	\$ (60,546,764)
Contractual rights (note 14)		
Contingencies (note 21)		
Commitments (note 22)		
Guarantees (note 23)		

See accompanying notes to financial statements.

On behalf of the Board:

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THE MANITOBA HOUSING AND RENEWAL CORPORATION

Statement of Operations and Accumulated Deficit

Year ended March 31, 2021, with comparative information for 2020

	2021 Budget	2021	2020
Revenue:			
Grants from the Province of Manitoba (note 10)	\$ 128,798,000	\$ 172,870,112	\$ 122,021,637
Contributed services (note 11)	–	434,700	375,400
Rental revenue (note 13)	81,106,000	80,129,053	79,592,289
Other government contributions (note 14)	55,581,000	48,769,660	53,511,734
Housing Development and Rehabilitation Fund (note 9[c])	8,057,000	27,065,980	17,330,000
Contributions related to capital	–	–	15,682,450
	<u>273,542,000</u>	<u>329,269,505</u>	<u>288,513,510</u>
Interest:			
Loans and mortgages	6,354,000	6,119,508	6,503,321
Bank and other	600,000	317,035	1,033,549
	<u>6,954,000</u>	<u>6,436,543</u>	<u>7,536,870</u>
Sales of land:			
Waverley West (note 9[c])	11,364,493	15,455,891	18,823,617
Gain on disposal of tangible capital assets	2,538,000	520,549	6,204,342
Other	–	1,628,372	1,272,991
	<u>294,398,493</u>	<u>353,310,860</u>	<u>322,351,330</u>
Expenses (note 12):			
Housing operations (note 13)	206,849,000	219,045,643	209,764,391
Rental subsidies (note 15)	36,037,000	39,655,157	39,540,674
Grants and subsidies (note 16)	4,892,000	55,014,938	4,910,172
Administrative services	12,114,500	6,689,007	8,981,538
Land development (note 9[c])	11,364,493	15,455,891	18,823,617
Housing program supports (note 17)	4,341,000	6,275,994	11,648,207
Other	3,790,000	3,853,563	2,398,722
	<u>279,387,993</u>	<u>345,990,193</u>	<u>296,067,321</u>
Surplus for the year	\$ 15,010,500	\$ 7,320,667	\$ 26,284,009
Accumulated deficit, beginning of year		(60,546,764)	(86,830,773)
Accumulated deficit, end of year		<u>\$ (53,226,097)</u>	<u>\$ (60,546,764)</u>

See accompanying notes to financial statements.

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Statement of Changes in Net Debt

Year ended March 31, 2021, with comparative information for 2020

	Budget	2021	2020
Annual surplus	\$ 15,010,500	\$ 7,320,667	\$ 26,284,009
Tangible capital assets:			
Acquisition of tangible capital assets	(62,212,000)	(38,818,773)	(46,151,975)
Amortization of tangible capital assets	63,348,493	58,556,854	52,975,762
Disposal of tangible capital assets	–	106,005	3,213,189
Net acquisition of tangible capital assets	1,136,493	19,844,086	10,036,976
Other non-financial assets:			
Increase in prepaid expenses	–	(81,266)	(81,016)
Decrease in net debt	\$ 16,146,993	\$ 27,083,487	\$ 36,239,969
Net debt, beginning of year		(855,283,679)	(891,523,648)
Net debt, end of year		\$ (828,200,192)	\$ (855,283,679)

See accompanying notes to financial statements.

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 7,320,667	\$ 26,284,009
Non-cash changes in operations:		
Amortization of tangible capital assets	58,556,854	52,975,762
Provision for loss and write downs	19,411	45,423
Gain on disposal of tangible capital assets	(520,549)	(6,204,342)
Change in non-cash operating working capital:		
Accounts receivable	(36,940,753)	(6,814,462)
Prepaid expenses	(81,266)	(81,016)
Other receivables	1,246,986	827,362
Land inventory	3,292,339	12,693,199
Accounts payable and accrued liabilities	46,602,848	1,794,526
Other liabilities	(1,150,113)	(856,048)
Net decrease in unearned revenue	(15,574,834)	(22,470,874)
	62,771,590	58,193,539
Capital activities:		
Proceeds from disposal of tangible capital assets	626,554	9,417,531
Purchase of tangible capital assets	(38,818,773)	(46,151,975)
	(38,192,219)	(36,734,444)
Investing activities:		
Additions to loans and mortgages receivable	(2,255,448)	(2,553,083)
Proceeds from repayment of loans and mortgages receivable	9,457,849	8,757,031
	7,202,401	6,203,948
Financing activities:		
Repayment of borrowings	(140,666,786)	(117,995,793)
Proceeds from borrowings	113,503,768	97,694,227
	(27,163,018)	(20,301,566)
Net increase in cash	4,618,754	7,361,477
Cash, beginning of year	89,665,753	82,304,276
Cash, end of year	\$ 94,284,507	\$ 89,665,753

See accompanying notes to financial statements.

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Notes to Financial Statements

Year ended March 31, 2021

1. General:

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 objectives 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.

MHRC is economically dependent on the Government of the Province of Manitoba.

2. Significant accounting policies:

- (a) Revenue recognition:

Any unrestricted non-government contributions or grants are recorded as revenue in the year received. All non-government contributions or grants that are externally restricted such that they must be used for a specified purpose are recognized as revenue in the period in which the resources are used for the purpose specified. Any externally restricted inflow received before the criterion has been met is reported as unearned revenue until the resources are used for the purpose or purposes specified. Funding received for the acquisition or development of tangible capital assets is recognized as revenue when the funded asset is purchased or developed.

Government transfers received are recognized in the financial statements as revenue in the fiscal year they are authorized, any eligibility criteria have been met, stipulations, if any, have been met and reasonable estimate of the amounts can be determined.

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

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

2. Significant accounting policies (continued):

Land sales are recognized in the period in which the ownership is transferred, except for the profit component associated with land development revenue. Land development profits were restricted as to their use by Legislation approved by the Province of Manitoba and therefore revenue was included in unearned revenue until the profits were used to support eligible expenditures (note 9[c]).

Interest is recognized on an accrual basis in the fiscal period in which it is earned.

(b) Financial instruments:

Financial instruments are recorded at fair value or exchange amount on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently measured at cost or amortized cost using the effective interest method, unless management has elected to carry a group of financial instruments at fair value in accordance with its risk management or investment strategy. MHRC has not elected to carry any such group of financial instruments at fair value.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs. These costs are amortized using the effective interest method.

(c) Loans and mortgages receivable:

MHRC 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 MHRC'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. MHRC does not provide an additional non-specific, general provision for loan impairment. MHRC'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.

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

2. Significant accounting policies (continued):

Loan forgiveness for forgivable loans is approved in accordance with the terms of the loan agreements. MHRC 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, MHRC records the annual forgiveness by reducing both the forgivable loan and the accompanying valuation allowance. Any Federal Government contributions towards forgivable loans are recorded as revenue as loans are disbursed.

(d) Tangible capital assets:

Purchased tangible capital assets are recorded at cost. Contributed tangible capital assets are recorded at fair value at the date of contribution. Construction in progress is transferred to the appropriate capital asset category when the project is completed and the asset is placed in service at which time, amortization commences. Cost includes direct construction costs, land acquisition costs and interest and other related carrying charges incurred during the period of construction. Repairs and maintenance costs are charged to expense. Betterments which extend or improve the life of an asset are capitalized. When a tangible capital asset no longer contributes to MHRC's ability to provide services, its carrying amount is written down to its residual value. Amortization is provided on a straight-line basis at the following rates:

Asset	Rate
Buildings	25 and 40 years
Building improvements	15 years
Leasehold improvements	Over the lease term
Computer - major application	15 years
Computer software - other	4 years
Computer system - hardware	4 years
Furniture and equipment	8 years

(e) Land inventory:

Land under development includes the value of land and all costs directly related to the land improvement. Development costs include, but are not limited to, site preparation, architectural, engineering, surveying, fencing, landscaping and infrastructure for electrical, roads and underground works.

All costs allocated to the portions of land sold in a land development project are deducted from the gross proceeds realized from sale of those portions of land in order to determine land development profits. MHRC uses the net yield method to allocate costs to the individual portions which are sold as part of a land development project.

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

2. Significant accounting policies (continued):

Common costs for the development project are allocated to portions which are sold based on acreage, and the cost allocation includes both an allocation of actual land development costs incurred as well as an allocation of costs which are required to complete those portions of the land which are reported as sold.

Land held for future development or sale is valued at the lower of cost or appraised value adjusted for estimated disposition costs. Cost includes the original purchase price and related acquisition costs.

(f) Employee future benefits:

MHRC accrues its obligations under the defined benefit plans as the employees render the services necessary to earn the pension, severance, compensated absences and other retirement benefits.

The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors).

Actuarial gains/(losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets, if applicable, for that period. Actuarial gains/(losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains/(losses) are amortized over the expected average remaining service life (EARSLS) of active employees. The average remaining service period of the active employees covered by the pension plan is 8 years (2020 - 10 years).

Past service costs arising from plan amendments are recognized immediately in the period the plan amendments occur.

Current service contributions for Direct Managed employees are recognized as operating expenses.

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

2. Significant accounting policies (continued):

(g) Contributed services:

Under an agreement entered into between MHRC and the Province of Manitoba in 1984, the Departments of the Province of Manitoba provide administrative services to MHRC at no cost. The value of these contributed and administrative services is recorded as revenue and expenses.

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of tangible capital assets, accounts receivable, loans and mortgages receivable, accrued liabilities, and other long-term liabilities. Actual results could differ from those estimates.

3. Accounts receivable:

	2021	2020
Accounts receivable:		
Canada Mortgage and Housing Corporation	\$ 16,897,167	\$ 14,691,708
Government of the Province of Manitoba and its agencies	47,075,089	11,887,228
Rent receivables - net of allowance of \$11,292,974 (2020 - \$10,283,653)	4,010,298	3,160,803
Accrued interest on loans and mortgages receivable	337,159	281,474
City of Winnipeg	926,862	866,550
Other - net of allowance of \$53,609 (2020 - \$44,851)	10,820,189	12,238,248
	\$ 80,066,764	\$ 43,126,011

	2021	2020
Other receivables:		
Government of the Province of Manitoba:		
Pension recoverable (note 18)	\$ 6,540,767	\$ 7,787,753
Severance benefits (note 19)	1,446,105	1,446,105
	7,986,872	9,233,858
Securities for Waverley West installation of services - City of Winnipeg	11,523,708	11,523,708
	\$ 19,510,580	\$ 20,757,566

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

4. Loans and mortgages receivable:

(a) Composition of loans and mortgages receivable:

	2021	2020
Federal/Provincial Housing Programs:		
Private Non-Profit Housing	\$ 37,750,937	\$ 44,439,566
Rural and Native Housing	6,854	6,854
Urban Native Housing	4,736,991	6,042,219
	<u>42,494,782</u>	<u>50,488,639</u>
Market Rental Programs:		
Co-operative HomeStart	3,123,064	3,534,549
Other Programs:		
Community Residences	179,049	340,248
Homeowner Rehabilitation	7,974	9,243
Affordable Rental Housing	17,480,093	17,536,771
Other	10,767,241	10,244,237
	<u>28,434,357</u>	<u>28,130,499</u>
	74,052,203	82,153,687
Less - allowance for loan impairment	(2,614,192)	(3,493,864)
Subtotal repayable loans and mortgages receivable	<u>71,438,011</u>	<u>78,659,823</u>
Forgivable loans	349,373,012	345,721,287
	420,811,023	424,381,110
Less - forgivable loans asset valuation allowance	(349,373,012)	(345,721,287)
Loans and mortgages receivable	<u>\$ 71,438,011</u>	<u>\$ 78,659,823</u>

Loans and mortgages receivable bear interest at various rates between 0% and 13.50% (2020 - 0% and 13.50%) with maturities at various dates to 2053.

The loans and mortgages receivable for Federal/Provincial Housing Programs, Market Rental Programs, Community Residences and Affordable Rental Housing are secured by a mortgage on the underlying property.

Principal repayments on the loans and mortgages maturing in the next five years are estimated as follows:

2022	\$ 11,036,374
2023	9,506,324
2024	8,034,190
2025	5,800,622
2026	4,238,821
Thereafter	35,435,872
	<u>\$ 74,052,203</u>

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

4. Loans and mortgages receivable (continued):

(b) Allowance for loan impairment:

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

	2021	2020
Other programs	\$ 2,614,192	\$ 3,493,864

5. Land inventory:

	2021	2020
Land under development	\$ 16,658,726	\$ 19,952,058
Future development or sale	576,771	575,778
	\$ 17,235,497	\$ 20,527,836

6. Tangible capital assets:

Cost	Balance at April 1, 2020	Additions	Disposals	Transfer to complete	2021 Total	2020 Total
Land	\$ 29,516,063	\$ 1,801	\$ 21,964	\$ -	\$ 29,495,900	\$ 29,516,063
Buildings and improvements	1,283,185,338	69,789,194	171,010	-	1,352,803,522	1,283,185,338
Under construction	104,959,327	38,816,973	-	69,789,194	73,987,106	104,959,327
Other	14,553,205	-	-	-	14,553,205	14,553,205
	\$1,432,213,933	\$ 108,607,968	\$ 192,974	\$ 69,789,194	\$ 1,470,839,733	\$ 1,432,213,933

Accumulated amortization	Balance at April 1, 2020	Additions	Disposals	Transfer to complete	2021 Total	2020 Total
Land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Buildings and improvements	634,609,635	57,630,251	86,968	-	692,152,918	634,609,635
Under construction	-	-	-	-	-	-
Other	4,312,967	926,603	-	-	5,239,570	4,312,967
	\$ 638,922,602	\$ 58,556,854	\$ 86,968	\$ -	\$ 697,392,488	\$ 638,922,602

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

6. Tangible capital assets (continued):

Net book value	2021 Total	2020 Total
Land	\$ 29,495,900	\$ 29,516,063
Buildings and improvements	660,650,604	648,575,703
Under construction	73,987,106	104,959,327
Other	9,313,635	10,240,238
	<u>\$ 773,447,245</u>	<u>\$ 793,291,331</u>

MHRC has capitalized \$309,295 (2020 - \$1,186,439) of interest during fiscal 2021 to construction in progress.

7. Borrowings:

	2021	2020
Government of the Province of Manitoba:		
Advances, interest only payments until construction is complete, at which point it is converted into long-term advances. The interest rate as at March 31, 2021 was 1.70% (2020 - 1.70%)	\$ 95,931,921	\$ 115,829,603
Long-term advances, at interest rates from 1.75% to 11.32% (2020 - 2.00% to 11.32%) maturing at various dates to 2059 and requiring annual principal and interest payments of \$98,281,553 (2020 - \$93,031,635)	809,712,707	806,575,905
Canada Mortgage and Housing Corporation:		
Long-term advances, at interest rates from 5.67% to 5.93% (2020 - 5.67% to 5.93%) maturing at various dates to 2030 and requiring annual principal and interest payments of \$14,449,688 (2020 - \$14,449,688)	58,085,200	68,458,545
Mortgages payable (assumed on property acquisitions), at an interest rate of 10.50% (2020 - 10.50%) maturing at various dates to 2027 and requiring annual principal and interest payments of \$50,337 (2020 - \$50,337)	257,983	286,776
	<u>\$ 963,987,811</u>	<u>\$ 991,150,829</u>

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

7. Borrowings (continued):

Principal repayments on the borrowings, excluding unfixed term advances of \$95,931,921 are estimated as follows:

2022	\$ 79,194,858
2023	78,458,464
2024	76,166,274
2025	72,489,441
2026	70,837,863
Thereafter	490,908,990
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	\$ 868,055,890

8. Other liabilities:

	2021	2020
Pension liability (note 18)	\$ 6,540,767	\$ 7,787,753
Severance liability (note 19)	6,098,577	5,876,505
Sick leave liability	471,528	596,727
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	\$ 13,110,872	\$ 14,260,985

9. Unearned revenue:

(a) Rent and lot sales deposits:

	2021	2020
Tenant prepaid rent	\$ 2,870,570	\$ 2,824,138
Prepaid land lease	28,590	30,128
Lot options - land under development	4,136,374	9,580,415
Deposit for future sales	5,145	1,500
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	\$ 7,040,679	\$ 12,436,181

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

9. Unearned revenue (continued):

(b) Funds held for third party expenses:

Unearned revenue related to funds held for third party expenses represents restricted unspent funding received from the Federal Government related to Investment in Affordable Housing, Social Infrastructure Fund and National Housing Strategy agreements.

	2021	2020
Balance, beginning of year	\$ 17,450,596	\$ 34,016,190
Contributions received	15,154,560	11,771,611
Amounts recognized as other government contributions	(9,166,491)	(28,337,205)
Balance, end of year	\$ 23,438,665	\$ 17,450,596

(c) Housing Development and Rehabilitation Fund:

On November 8, 2007, The Housing and Renewal Corporation Amendment Act provided for the establishment of a fund known as the Housing Development and Rehabilitation Fund (HDRF).

HDRF was to be credited with suburban land development profits realized by MHRC in respect of land owned and developed by it or by a partnership or joint venture in which MHRC is or was a participant. The gross proceeds from land development was \$26,354,470 (2020 - \$35,725,884) and the cost of land sales was \$15,455,891 (2020 - \$18,823,617) during the year ended March 31, 2021. Interest earned on the amount was to be credited to HDRF.

On November 6, 2020, the Budget Implementation and Tax Statutes Amendment Act, 2020 (BITSA) was given royal assent by the Province of Manitoba. BITSA included a section where any money in HDRF on the day before this section comes into force is transferred to the Province of Manitoba on the day this section comes into force. The section came into force on March 31, 2021 and the balance of HDRF as of March 31, 2021 was \$27,065,980. A grant to the Province of Manitoba is recognized equivalent to this amount during the year ended March 31, 2021 (note 16) and will be paid to the Province of Manitoba during fiscal 2022. Commencing in fiscal 2022, any suburban land development profits earned by MHRC will be paid to the Province of Manitoba as a grant.

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

9. Unearned revenue (continued):

	2021	2020
Balance, beginning of year	\$ 16,167,401	\$ 16,241,722
Land development profits	10,898,579	16,902,267
Interest earned	–	353,412
Amounts recognized as Housing Development and Rehabilitation Fund revenue	(27,065,980)	(17,330,000)
Balance, end of year	\$ –	\$ 16,167,401

10. Grants from the Province of Manitoba:

	2021	2020
Department of Families		
MHRC operating programs	\$ 158,554,139	\$ 104,932,966
MHRC administration	12,625,597	14,514,520
Grants and subsidies	2,897,378	3,339,514
	174,077,114	122,787,000
Grants recovered from the Department of Finance:		
School Tax Assistance for Tenants 55 Plus Program	39,984	61,999
Change to pension obligation (note 18)	(1,246,986)	(827,362)
	(1,207,002)	(765,363)
	\$ 172,870,112	\$ 122,021,637

11. Contributed services:

	2021	2020
Administrative services provided by Departments of the Province of Manitoba were allocated as follows:		
Included in Statement of Operations, administrative services	\$ 50,700	\$ 41,500
Included in administrative expenses in note 13, direct managed housing operations	384,000	332,200
Included in housing program supports, note 17	–	1,700
	\$ 434,700	\$ 375,400

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

12. Expenses by object:

The Statement of Operations reports the expenditures by function; the following classifies those same expenditures by object:

	Budget	2021	2020
Amortization of tangible capital assets	\$ 63,348,493	\$ 58,556,854	\$ 52,975,762
Communications	1,015,000	918,173	1,041,578
Debt servicing	38,540,000	38,500,819	41,307,586
Grants and transfer payments	17,317,000	72,044,185	22,295,364
Other operating	13,613,500	12,737,676	10,902,144
Personnel services	33,250,000	24,984,266	31,917,884
Supplies and services	111,704,000	137,983,613	135,220,922
Transportation	600,000	264,607	406,081
	\$ 279,387,993	\$ 345,990,193	\$ 296,067,321

13. Housing operations:

The management and operation of all MHRC owned social housing projects are direct managed and sponsor managed. The operating results are as follows:

	Direct managed	2021 Sponsor managed	Total	Direct managed	2020 Sponsor managed	Total
Revenue:						
Rental revenue	\$ 56,122,139	\$ 24,006,914	\$ 80,129,053	\$ 55,890,341	\$ 23,701,948	\$ 79,592,289
Expenses:						
Administrative	29,629,512	5,038,545	34,668,057	30,088,833	9,886,460	39,975,293
Property operating	56,888,535	20,534,559	77,423,094	48,603,535	17,940,021	66,543,556
Grants in lieu of taxes	13,146,990	3,842,967	16,989,957	13,150,792	4,165,538	17,316,330
Amortization	41,280,170	16,502,724	57,782,894	36,685,531	15,342,958	52,028,489
Interest	19,138,535	13,043,106	32,181,641	21,283,290	12,617,433	33,900,723
	160,083,742	58,961,901	219,045,643	149,811,981	59,952,410	209,764,391
Annual deficit	\$ (103,961,603)	\$ (34,954,987)	\$ (138,916,590)	\$ (93,921,640)	\$ (36,250,462)	\$ (130,172,102)

14. Other government contributions:

	2021	2020
Federal contributions (a-d)	\$ 47,208,998	\$ 52,863,088
Municipal contributions (e)	760,662	648,646
Other provincial contributions (f)	800,000	–
	\$ 48,769,660	\$ 53,511,734

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

14. Other government contributions (continued):

(a) Federal Contributions - Social Housing Agreement (SHA Agreement):

The Social Housing Agreement took effect on October 1, 1998 and expires August 31, 2031. Pursuant to the agreement, CMHC will pay pre-established annual contributions to MHRC for individual housing projects over the term of the SHA Agreement. MHRC recognized revenue in accordance with the SHA Agreement of \$37,456,359 (2020 - \$39,632,151) during the year ended March 31, 2021. Contributions due over the remaining term of the agreement are as follows:

2022	\$ 34,731,527
2023	31,099,958
2024	25,554,199
2025	21,287,945
2026	16,749,455
2027 to 2032	27,218,730
	<hr/>
	\$ 156,641,814

(b) Federal Contributions - Investment in Affordable Housing (IAH) Agreement:

The Supplementary Agreement to the IAH Agreement (the "2014-2019 Extension") provides for CMHC to make contributions to MHRC of up to \$51.8 million or \$10.4 million annually for five years. All contributions were claimed under the SIF Agreement by March 31, 2019 from CMHC based on approved commitments. MHRC recognized revenue in accordance with the 2014-2019 Extension of \$2,463,126 (2020 - \$7,735,743) during the year ended March 31, 2021.

(c) Federal Contributions - Social Infrastructure Fund Agreement (SIF) Agreement:

The SIF Agreement provides for CMHC to make contributions to MHRC of up to \$51.4 million in 2017 and \$16.3 in 2018, for a total funding of \$67.7 million. All contributions under the SIF Agreements were claimed by March 31, 2018 from CMHC based on approved commitments. MHRC recognized revenue in accordance with the SIF Agreement of \$586,148 (2020 - \$586,148) during the year ended March 31, 2021.

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

14. Other government contributions (continued):

(d) National Housing Strategy (NHS):

The NHS Agreement provides for CMHC to make contributions to MHRC of up to \$302.7 million from fiscal 2020 until fiscal 2028. The contributions claimed under the NHS Agreement as of March 31, 2021 is \$29.90 million (2020 - \$10.1 million) from CMHC on approved commitments. MHRC recognized revenue in accordance with the NHS Agreement of \$6,703,365 (2020 - \$4,909,046) during the year ended March 31, 2021.

(e) Municipal Contributions:

The City of Winnipeg signed an agreement in October 18, 1962 to provide funding of up to 12.5% of operating losses of three specific projects located in Winnipeg to help alleviate shortage of affordable housing. The City is billed based on actual operating results of these projects on an annual basis.

(f) Shared Health:

Manitoba Health and Active Living authorized Shared Health to contribute up to \$800,000 in funding to MHRC to provide one-time capital funding for the construction of a housing facility.

15. Rental subsidies:

Rental subsidies are provided in accordance with project operating agreements with third parties which establish the basis of eligibility for subsidy assistance. The net rental subsidies required by these organizations are as follows:

	2021	2020
Not-for-profit housing	\$ 27,607,842	\$ 27,559,141
Co-operative housing	2,039,956	1,625,782
Private landlords	10,007,359	10,355,751
	<u>\$ 39,655,157</u>	<u>\$ 39,540,674</u>

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

16. Grants and subsidies:

	2021	2020
Portable Housing Benefit	\$ 1,240,308	\$ 1,682,562
Emergency Shelter Assistance	4,819,713	1,656,952
School Tax Assistance for Tenants 55 Plus	39,984	61,999
Elderly and Infirm Persons Housing	62,233	88,555
Co-op HomeStart	32,385	46,894
Homeless Strategy	3,693,500	1,194,000
Bed Bug Program	230,835	179,210
Gilbert Park Going Places Grant	230,000	–
Grant to Province of Manitoba - HDRF (note 9[c])	27,065,980	–
Municipal Grant Funding for Affordable Housing	12,000,000	–
Rent Bank	5,600,000	–
	<u>\$ 55,014,938</u>	<u>\$ 4,910,172</u>

17. Housing program supports:

	2021	2020
Forgivable loans	\$ 4,491,035	\$ 10,129,207
Administration and delivery agent fees	1,784,959	1,519,000
	<u>\$ 6,275,994</u>	<u>\$ 11,648,207</u>

18. Pension obligations:

Employees of MHRC and Direct Managed employees are eligible for pensions under the Manitoba Civil Service Superannuation Fund (Superannuation Fund). This pension plan is a defined benefit plan. The most recent actuarial valuation of the Superannuation Fund at December 31, 2019 reported the Superannuation Fund had a deficiency of net assets over actuarial value of pension obligations of \$856.7 million on a going concern basis. For Direct Managed employees, MHRC is required to contribute an amount approximately 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 Direct Managed employees. Pension expense recorded for Direct Managed employees for the year ended March 31, 2021 was \$1,442,324 (2020 - \$1,669,965).

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

18. Pension obligations (continued):

MHRC has a liability associated with the annual cost of pension benefits earned by employees of MHRC. This liability is determined by an actuarial valuation each year based on data provided by MHRC with the balance for the intervening year being estimated by a formula provided by the actuary. The most recent valuation was completed at March 31, 2021.

	2021	2020
Pension liability per actuarial valuation:		
Balance at beginning of year	\$ 8,906,343	\$ 9,535,355
Interest cost on benefit obligations	512,115	572,121
Current service costs	660,185	631,489
Benefits paid	(2,562,840)	(2,143,444)
Experience loss (amortized over EARSL)	(42,180)	310,822
Balance at end of year	7,473,623	8,906,343
Unamortized actuarial loss	(932,856)	(1,118,590)
Pension liability balance at end of year	\$ 6,540,767	\$ 7,787,753

At March 31, the unamortized actuarial loss to be recognized in future periods is as follows:

	2021	2020
Unamortized actuarial loss:		
Balance at beginning of year	\$ (1,118,590)	\$ (920,240)
In year loss amortized over EARSL - 2021 - 10 years (2020 - 10 years)	42,180	(310,822)
Amortization of actuarial loss	143,554	112,472
Balance at end of year	\$ (932,856)	\$ (1,118,590)

	2021	2020
Change to pension obligation:		
Interest cost on benefit obligations	\$ 512,115	\$ 572,121
Current service costs	660,185	631,489
Benefits paid	(2,562,840)	(2,143,444)
Amortization of actuarial loss	143,554	112,472
Change to pension obligation	\$ (1,246,986)	\$ (827,362)

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

18. Pension obligations (continued):

The above liability is in respect of active employees only and does not reflect any liability with respect to retired or former employees. The key actuarial assumptions were a rate of return of 5.75% (2020 - 5.75%), 2.00% inflation (2020 - 2.00%), general salary rate increases of 2.50% (2020 - 2.50%), excluding the 1.00% service and merit increases and post retirement indexing at 2/3 of the inflation rate. The projected benefit method was used, and the liability has been calculated as at March 31, 2021 by the actuary.

The Province of Manitoba has accepted responsibility for funding MHRC's liability and related expense which includes an interest component. Therefore, MHRC has recorded a receivable from the Province of Manitoba equal to the estimated value of its actuarially determined pension liability of \$6,540,767 (2020 - \$7,787,753) as of March 31, 2021 and has recorded a decrease in revenue for fiscal 2021 equal to the related pension liability decrease of \$1,246,986 (2020 - decrease of \$827,362). The Province of Manitoba makes payments on the receivable when it is determined that the cash is required to discharge the related pension obligation.

19. Severance:

(a) Severance pay liability:

Effective April 1, 1998, MHRC commenced recording the estimated liability for accumulated severance pay benefits for its Direct Managed employees. 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 Direct Managed employee's date of retirement, will be determined by multiplying the eligible employee's years of service by the employee's weekly salary (to a maximum compensation of 22 weeks). Eligibility will require that the employee has achieved a minimum of ten years of service and that the employee is retiring from MHRC.

Severance pay, at the MHRC employee's date of retirement, will be determined by multiplying the eligible employee's years of service by the employee's weekly salary (to a maximum compensation of 23 weeks). Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from MHRC.

An actuarial report was completed for the severance pay liability as at March 31, 2021, MHRC's actuarially determined liability relating to the Direct Managed employees as at March 31, 2021 was \$2,868,756 (2020 - \$3,704,079). The report provides a formula to update the liability on an annual basis.

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

19. Severance (continued):

MHRC 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 MHRC 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.

An actuarial report was completed for the severance pay liability as at March 31, 2021. MHRC's actuarially determined liability relating to the MHRC employees as at March 31, 2021 was \$985,028 (2020 - \$1,129,881). The report provides a formula to update the liability on an annual basis.

	2021	2020
Severance liability per actuarial valuation:		
Direct Managed employees:		
Balance at beginning of year	\$ 3,704,079	\$ 3,905,145
Interest cost on benefit obligations	212,985	234,309
Current service costs	244,370	303,872
Benefits paid	(149,565)	(395,792)
Experience gain (amortized over EARSL)	(1,143,113)	(343,455)
Balance at end of year	2,868,756	3,704,079
MHRC employees (including former Department of Family Services and Housing employees):		
Balance at beginning of year	1,129,881	1,256,231
Interest cost on benefit obligations	64,967	75,374
Current service costs	57,696	70,984
Benefits paid	(79,338)	(123,968)
Experience gain (amortized over EARSL)	(188,178)	(148,740)
Balance at end of year	985,028	1,129,881
Unamortized actuarial gain	2,244,793	1,042,545
Severance liability balance at end of year	\$ 6,098,577	\$ 5,876,505

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

19. Severance (continued):

At March 31, the unamortized actuarial gain to be recognized in future periods is as follows:

	2021	2020
Unamortized actuarial gain:		
Direct Managed employees:		
Balance at beginning of year	\$ 711,846	\$ 420,103
In year gain amortized over EARSL - 2021 - 10 years (2020 - 10 years)	1,143,113	343,455
Amortization of actuarial gain	(86,058)	(51,712)
Balance at end of year	1,768,901	711,846
MHRC employees (including former Department of Family Services and Housing employees):		
Balance at beginning of year	330,699	210,071
In year gain amortized over EARSL - 2021 - 10 years (2020 - 10 years)	188,179	148,740
Amortization of actuarial gain	(42,986)	(28,112)
Balance at end of year	475,892	330,699
Balance at end of year	\$ 2,244,793	\$ 1,042,545

	2021	2020
Change to severance obligation:		
Direct Managed employees:		
Interest cost on benefit obligations	\$ 212,985	\$ 234,309
Current service costs	244,370	303,872
Benefits paid	(149,565)	(395,792)
Amortization of actuarial gain	(86,057)	(51,712)
	221,733	90,677
MHRC employees (including former Department of Family Services and Housing employees):		
Interest cost on benefit obligations	64,967	75,374
Current service costs	57,696	70,984
Benefits paid	(79,338)	(123,968)
Amortization of actuarial gain	(42,986)	(28,112)
	339	(5,722)
Change to severance obligation	\$ 222,072	\$ 84,955

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

19. Severance (continued):

The key actuarial assumptions were a rate of return of 5.75% (2020 - 5.75%), 2.00% inflation (2020 - 2.00%), and general salary rate increases of 2.50% (2020 - 2.75%), excluding the 1.00% service and merit increases. The projected benefit method was used, and the liability has been calculated as at March 31, 2021 by the actuary.

(b) Severance pay receivable:

The Province of Manitoba has accepted responsibility for the severance pay benefits accumulated to March 31, 1998 by MHRC's employees. Accordingly, MHRC recorded effective April 1, 1998, a receivable of \$877,105 from the Province of Manitoba, which was initially based on the estimated value of the corresponding actuarially determined liability for severance pay as at March 31, 1998. Subsequent to March 31, 1998, the Province of Manitoba provides annual grant funding for severance expense. As a result, the change in the severance liability each year is fully funded. The interest component related to the receivable is reflected in the funding for severance expense. The receivable for severance pay will be paid by the Province of Manitoba when it is determined that the cash is required to discharge the related severance pay liabilities.

The amount recorded as a receivable from the Province of Manitoba for severance pay of \$569,000 for former Department of Family Services and Housing employees was initially based on the estimated value of the corresponding actuarially determined liability for severance pay as at April 1, 2003. Subsequent to April 1, 2003, the Province of Manitoba provides annual grant funding for severance expense.

As a result, the change in the severance liability each year is fully funded. The interest component related to the receivable is reflected in the funding for severance expense. The receivable for severance pay will be paid by the Province of Manitoba when it is determined that the cash is required to discharge the related severance pay liabilities.

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

20. Financial instruments and financial risk management:

Financial instruments comprise the majority of MHRC assets and liabilities. MHRC risk management policies are designed to: identify and analyze risk, set appropriate risk limits and controls, and monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Board of Directors approves these policies and management is responsible for ensuring that the policies are properly carried out. The Board of Directors receives confirmation that the risks are being appropriately managed through regular reporting, third party compliance reporting and by reviews conducted by MHRC.

MHRC is exposed to credit, interest rate, and liquidity risks in respect of its use of financial instruments.

(a) Credit risk:

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. The financial instruments that potentially subject MHRC to credit risk consist principally of accounts receivable, loans and mortgages receivable and guarantees on loans.

MHRC's maximum possible exposure to credit risk is as follows:

	2021	2020
Accounts receivable (note 3)	\$ 99,577,344	\$ 63,883,577
Loans and mortgages receivable (note 4)	71,438,011	78,659,823
Loan guarantees (note 23)	8,774,596	10,834,596
	<u>\$ 179,789,951</u>	<u>\$ 153,377,996</u>

MHRC establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on MHRC's estimates and assumptions regarding customer analysis, historical payment trends and statutes of limitations. These factors are considered when determining whether past due accounts are allowed for or written off.

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

20. Financial instruments and financial risk management (continued):

The change in the allowance for doubtful accounts during the year was as follows:

	2021	2020
Balance, beginning of the year	\$ 10,328,504	\$ 8,885,252
Provision for receivable impairment	1,219,454	2,452,143
Amounts written off	(201,375)	(1,008,891)
Balance at end of year	\$ 11,346,583	\$ 10,328,504

As at March 31, 2021, \$3,532,263 (2020 - \$3,454,647) of accounts receivable and \$611,413 (2020 - \$583,493) of loans and mortgages receivable were past due, but not impaired.

Accounts receivable

The accounts receivable partially consists of \$16,897,167 (2020 - \$14,691,708) due from Canada Mortgage and Housing Corporation, \$55,061,961 (2020 - \$21,121,086) from the Province of Manitoba and \$12,450,570 (2020 - \$12,390,258) from the City of Winnipeg.

Loans and mortgage receivable

Impairment provisions are provided for losses that have been estimated as of the Statement of Financial Position date. Management of credit risk is an integral part of MHRC's activities with careful monitoring and appropriate remedial actions being taken. To mitigate credit risk, loans and mortgage receivable are mostly secured by registering a mortgage on title of the applicable property.

(b) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The interest rate exposure relates to deposit with the banks, loans and mortgages receivable, and long-term debt.

Loans and mortgage receivable/loans from the Province of Manitoba

MHRC borrows funds for lending operations from the Province of Manitoba at fixed rates and normally lends those funds to clients at a reasonable percentage above the associated borrowing rate. For long-term advances that have fixed interest rates for the full term of the advance, MHRC only offers fixed interest rate loans to its clients. Due to this corresponding arrangement, MHRC does not incur significant interest rate risk.

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

20. Financial instruments and financial risk management (continued):

However, some interest rate risk may result due to MHRC's lending policy of allowing prepayment of loans without penalty, given that MHRC does not have the offsetting ability to prepay the associated advances from the Province of Manitoba without penalty. MHRC mitigates this risk by closely matching the cash flow from client loan payments, including estimated annual prepayments, to the cash flow required to repay advances from the Province of Manitoba.

In addition, MHRC's advances from the Province of Manitoba have variable interest rates which expose MHRC to cash flow interest rate risk. At March 31, 2021, had prevailing interest rates increased or decreased by 1.00%, the estimated impact on interest expense would be approximately \$959,000 (2020 - \$1,158,000).

(c) Liquidity risk:

Liquidity risk relates to MHRC's ability to access sufficient funds to meet its financial commitments.

Advances from the Province of Manitoba have a direct correlation to the loans receivable as the funds borrowed are directly lent to MHRC clients. Funding is provided by the Province of Manitoba for the full amount of loans that are written off. As a result, MHRC has minimal liquidity risk on its lending portfolio in respect of advances from the Province of Manitoba.

21. Contingencies:

MHRC 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 MHRC. Any settlement will be recognized in the year the settlement occurs.

22. Commitments:

MHRC has the following commitments as at March 31, 2021:

Tangible capital assets:

(a) Housing project enhancements and new construction	\$66,715,719
(b) Third party repair, renovation and new construction	\$ 8,965,899

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

22. Commitments (continued):

Public housing operations:

As a result of the Social Housing Agreement dated September 3, 1998, MHRC is 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:

2022	\$ 128,937,000
2023	135,838,700
2024	141,026,500
2025	143,273,900
2026	148,165,700

23. Guarantees:

MHRC 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. MHRC is authorized to issue loan guarantees up to \$20,000,000. The outstanding guarantees are as follows:

	2021	2020
Waverley West Letters of Credit	\$ 8,774,596	\$ 8,774,596
Thompson Lions Seniors Manor Non-Profit Housing Coop Inc.	–	2,060,000
	\$ 8,774,596	\$ 10,834,596

The Loan guarantee issued in favour of Thompson Lions Seniors Manor Non-Profit Housing Coop Inc. was called by the Assiniboine Credit Union (ACU) on April 6, 2020 due to payment default. MHRC has paid off the debt and has now taken the position of ACU as first mortgage.

24. Related party transactions:

MHRC is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. MHRC enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

25. Budget:

On November 5, 2020, the Appropriation Act 2020 and the Loan Act 2020 were given Royal Assent which includes the fiscal 2020-21 budget for MHRC. Budget 2020-21 for the Province of Manitoba includes operating grants to MHRC of \$128,798,000 and capital spending of \$77,791,000. MHRC has allocated \$62,212,000 to capital asset acquisitions, \$13,000,000 to land development and \$2,519,000 to potential third-party loans. Budget amounts for expenses by object provided in note 12 agree to the budget submitted to the Province of Manitoba. Expenses included on the statement of operations are re-allocations of the expenses by object to conform with financial statement presentation.

26. COVID-19 impact:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Manitoba governments, enacting emergency measures to combat the spread of the virus.

These measures, which include implementation of travel bans, self-imposed quarantine periods, and social distancing, have caused material disruption to businesses globally and in Manitoba resulting in an economic slowdown. Government and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effects on MHRC is not known at this time.