

Housing Division Notice

Date: March 9, 2009

2009 - 140

This applicable legislation/policy is to be implemented by the housing provider(s) under the following programs:

Please note if your program is **not checked**, this change is **not applicable** to your project.

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Federal Non-Profit Housing Program

Private Non-Profit Housing Program

Co-operative Non-Profit Housing Program

Municipal Non-Profit Housing Program (Pre-1986)

Local Housing Corporation

Subject: MARKET REVENUE AND VACANCY LOSS RECOGNITION - FEDERAL

The revenue recognition used in the Annual Information Return (AIR) varies between housing providers. In the past the Canada Mortgage and Housing Corporation (CMHC) and the Housing Division have accepted AIR's that reported market unit revenue net of vacancy loss on Line 1502. This method of financial reporting recognizes market unit revenue on occupied units only and omits the revenue loss resulting from vacant market units. Housing providers who report only the net market unit revenues are not fully disclosing the gross market unit revenue and the losses incurred on vacant market units. This method of revenue recognition could easily mislead the financial statement users who rely on the statements for decision making purposes.

Action:

Effective with fiscal years beginning in 2009, the Housing Division will no longer accept the reporting of net market revenue on Line 1502 of the AIR. When completing the AIR, housing providers are required to report the gross market unit revenue on Line 1502. The gross market unit revenue is the revenue that would be generated by all market units, if all market units were rented. The market unit vacancy loss must be reported on Line 1505. A market unit vacancy loss is incurred when a market unit is not occupied.

This change will ensure that there is consistent revenue reporting between housing providers and enhance the usefulness of the financial information for the various users of the AIR.

The Housing Division strongly recommends that the separate reporting of gross market unit revenues and market unit vacancies also be incorporated into the housing provider's internal financial statements.

Louise Stevens
Director of Housing