



## Notice of Meeting and Meeting Agenda Capital Region Housing Corporation Board

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Wednesday, May 12, 2021

1:00 PM

6th Floor Boardroom  
625 Fisgard Street  
Victoria, BC

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The Capital Regional District strives to be a place where inclusion is paramount and all people are treated with dignity. We pledge to make our meetings a place where all feel welcome and respected.

### 1. TERRITORIAL ACKNOWLEDGEMENT

### 2. APPROVAL OF THE AGENDA

### 3. ADOPTION OF MINUTES

- 3.1. [21-401](#) Minutes of the April 14, 2021 Capital Region Housing Corporation Board Meeting

**Recommendation:** That the minutes of the Capital Region Housing Corporation Board meeting of April 14, 2021 be adopted as circulated.

**Attachments:** [Minutes - April 14, 2021](#)

### 4. REPORT OF THE CHAIR

### 5. PRESENTATIONS/DELEGATIONS

*In keeping with directives from the Province of BC, this meeting will be held by Live Webcast without the public present.*

*To participate electronically, complete the online application for "Addressing the Board" on our website. Alternatively, you may email the CRD Board at [crdboard@crd.bc.ca](mailto:crdboard@crd.bc.ca).*

### 6. CONSENT AGENDA

- 6.1.      [21-253](#)      Capital Region Housing Corporation 2020 Audit Findings Report and Audited Financial Statements
- Recommendation:**      The Hospitals and Housing Committee recommends to the Capital Region Housing Corporation Board:  
                                      That the Capital Region Housing Corporation 2020 Audit Findings Report be received and the 2020 Audited Financial Statements be approved.
- Attachments:**      [Staff Report: CRHC 2020 Audit Findings and Financial Statements](#)  
                                      [Appendix A: CRHC 2020 Financial Statements](#)  
                                      [Appendix B: CRHC 2020 Audit Findings Report](#)  
                                      [Appendix B \(Updated\): CRHC 2020 Audit Findings Report](#)  
                                      [Appendix C: 2020 Detailed Variance Analytics \(Financial Position\)](#)  
                                      [Appendix D: 2020 Detailed Variance Analytics \(Operations\)](#)

## 7. ADMINISTRATION REPORTS

- 7.1.      [21-365](#)      Capital Region Housing Corporation 2020 Annual Report
- Recommendation:**      That the Capital Region Housing Corporation (CRHC) Board receive the CRHC 2020 Annual Report for information.
- Attachments:**      [Staff Report: CRHC 2020 Annual Report](#)  
                                      [Appendix A: CRHC 2020 Annual Report](#)

## 8. REPORTS OF COMMITTEES

## 9. NOTICE(S) OF MOTION

## 10. NEW BUSINESS

## 11. ADJOURNMENT

## Meeting Minutes

### Capital Region Housing Corporation Board

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Wednesday, April 14, 2021

1:00 PM

6th Floor Boardroom  
625 Fisgard Street  
Victoria, BC

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#### PRESENT

Directors: L. Helps (Chair), D. Screech (Vice Chair), D. Blackwell, S. Brice (EP), B. Desjardins (EP), F. Haynes (EP), M. Hicks (EP), G. Holman, P. Brent (for D. Howe) (EP), B. Isitt (EP), J. Loveday (EP), C. McNeil-Smith (EP), D. Kobayashi (for R. Martin) (EP), R. Mersereau, K. Murdoch (EP), C. Plant, L. Seaton, M. Tait (EP), N. Taylor, K. Williams, G. Young

Staff: R. Lapham, Chief Administrative Officer; N. Chan, Chief Financial Officer; L. Hutcheson, General Manager, Parks and Environmental Services; K. Lorette, General Manager, Planning and Protective Services; K. Morley, General Manager, Corporate Services; T. Robbins, General Manager, Integrated Water Services; M. Barnes, Senior Manager, Health and Capital Planning Strategies; S. Henderson, Manager, Real Estate; M. Lagoa, Deputy Corporate Officer; S. Orr, Senior Committee Clerk; T. Pillipow, Committee Clerk (Recorder)

EP – Electronic Participation

Regrets: Directors D. Howe, R. Martin, G. Orr, J. Ranns, R. Windsor

The meeting was called to order at 1:00 pm.

#### 1. TERRITORIAL ACKNOWLEDGEMENT

Director Mersereau provided a Territorial Acknowledgement.

#### 2. APPROVAL OF THE AGENDA

**MOVED** by Director Seaton, **SECONDED** by Director Mersereau,  
That the agenda for the April 14, 2021 Session of the Capital Region Housing  
Corporation Board be approved.  
**CARRIED**

#### 3. ADOPTION OF MINUTES

- 3.1. [21-294](#) Minutes of the March 10, 2021 Capital Region Housing Corporation Board Meeting

**MOVED** by Director Screech, **SECONDED** by Director Mersereau,  
That the minutes of the Capital Region Housing Corporation Board meeting of  
March 10, 2021 be adopted as circulated.  
**CARRIED**

#### 4. REPORT OF THE CHAIR

There were no Chair's remarks.

#### 5. PRESENTATIONS/DELEGATIONS

##### 5.1. Presentations

There were no presentations.

##### 5.2. Delegations

There were no delegations.

#### 6. CONSENT AGENDA

There were no Consent Agenda items.

#### 7. ADMINISTRATION REPORTS

There were no Administration Reports.

#### 8. REPORTS OF COMMITTEES

##### 8.1. [21-240](#) 2780 Spencer Road Mortgage Registration and Final Budget Approval

K. Lorette spoke to item 8.1.

**MOVED** by Director Screech, **SECONDED** by Director Holman,

- 1) That the Major Capital Plan (2021-2025) be amended, and the final project budget for 2780 Spencer Road be approved at a value of \$19,883,209;
- 2) That the resolutions, attached as Appendix A and Appendix B and required by BC Housing Management Commission to authorize the execution of the Section 219 Covenant and the Loan and Mortgage documents for 2780 Spencer Road (PID 031-284-914) be approved; and,
- 3) That duly authorized staff or executive officer(s) be authorized to do all things necessary to effect the project and take such steps as are required to conclude the purchase and construction, as set out in the letter of intent.

**CARRIED**

#### 9. NOTICE(S) OF MOTION

There were no Notice(s) of Motion.

#### 10. NEW BUSINESS

There was no new business.

#### 11. MOTION TO CLOSE THE MEETING



11.1. [21-295](#)

Motion to Close the Meeting

**MOVED** by Director Mersereau, **SECONDED** by Director Blackwell,

1. That the meeting be closed for Land Acquisition in accordance with Section 90(1)(e) of the Community Charter.

**CARRIED**

**MOVED** by Director Blackwell, **SECONDED** by Director Mersereau,

2. That such disclosures could reasonably be expected to harm the interests of the Regional District.

**CARRIED**

The Capital Region Housing Corporation recessed at 1:07 pm and reconvened in closed session at 4:12 pm.

**12. RISE AND REPORT**

The Capital Region Housing Corporation rose from the closed session at 4:14 pm without report.

**13. ADJOURNMENT**

**MOVED** by Director Plant, **SECONDED** by Director Mersereau,

That the April 14, 2021 Capital Region Housing Corporation Board meeting be adjourned at 4:14 pm.

**CARRIED**

\_\_\_\_\_  
CHAIR

CERTIFIED CORRECT:

\_\_\_\_\_  
CORPORATE OFFICER

**REPORT TO HOSPITALS AND HOUSING COMMITTEE  
MEETING OF WEDNESDAY, MAY 05, 2021**

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**SUBJECT**      **Capital Region Housing Corporation 2020 Audit Findings Report and Audited Financial Statements**

**ISSUE SUMMARY**

To receive the Capital Region Housing Corporation (CRHC) 2020 Audit Findings Report and approve the Audited Financial Statements.

**BACKGROUND**

The CRHC is incorporated under the laws of British Columbia, and its principal activity is the provision of rental accommodation. As a wholly-owned subsidiary of the Capital Regional District (CRD), the CRHC financials are consolidated in the CRD financial statements as required by the Canadian Public Sector Accounting Board (PSAB) standards.

Section 376 of the *Local Government Act* requires that annual audited financial statements be prepared for the CRHC and presented at a public Board meeting. The 2020 Financial Statements have been prepared by management in accordance with PSAB standards, including the 4200 series standards for government not-for-profit organizations. As per BC Housing Management Commission (BCHMC) operating agreements, the Board-approved financial statements must be submitted within six months of the fiscal year end (June 30, 2020).

Under PSAB regulations, the CRHC is required to present four statements with explanatory notes:

1. Statement of Financial Position
2. Statement of Operations
3. Statement of Changes in Net Assets & Remeasurement Gains & Losses
4. Statement of Cash Flow

In addition to the required statements listed above, the 2020 Financial Statements include the following Schedules:

- A. Schedule of Changes in Replacement Reserve Fund
- B. Schedule of Changes in Portfolio Stabilization Reserves
- C. Schedule of Capital Assets
- D. Schedule of Capital Fund – Mortgages Payable
- E. Schedule of Operating Fund – Rental Operations

Attached as Appendix A are the CRHC 2020 audited financial statements and schedules.

The audit findings report from KPMG (Appendix B) summarizes the responsibilities of the audit firm, scope of investigations, and the audit results. The report highlights that the audit did not identify any uncorrected differences or significant control deficiencies. The report also confirms there were no significant changes in the audit approach from the Audit Planning Report presented to the Board on January 13, 2021.

## **ALTERNATIVES**

### *Alternative 1*

The Hospitals and Housing Committee recommends to the Capital Region Housing Corporation Board:

That the Capital Region Housing Corporation 2020 Audit Findings Report be received and the 2020 Audited Financial Statements be approved.

### *Alternative 2*

The Hospitals and Housing Committee recommends to the Capital Region Housing Corporation Board:

That the Capital Region Housing Corporation 2020 Audit Findings Report be received and the 2020 Audited Financial Statements be referred back to staff for additional information.

## **IMPLICATIONS**

### *Financial Implications*

### **Audit Findings Report**

The Auditor's opinion is included in the financial statements in Appendix A. In KPMG's opinion, the financial statements present fairly, in all material respects, the financial position of the Capital Region Housing Corporation as at December 31, 2020, and the results of its operations, its change in net assets and remeasurement gains and losses, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

The Audit Findings report (Appendix B) provides the results of their audit, and reports specific results in areas of focus identified in the Audit Planning Report presented to Board on January 6, 2021.

### **Financial Statements**

The Statement of Financial Position and the Statement of Operations form the basis of the audited financial statements and are similar to the Balance Sheet and Income Statement, respectively, in private organizations. As the CRHC is in the public sector, the financial statements are prepared and presented in accordance with Canadian public sector accounting standards (PSAB).

## **HIGHLIGHTS**

### **1. Statement of Financial Position**

The Statement of Financial Position presents the financial position of an entity at a given date. It is comprised of three main components: assets, liabilities and equity (net assets).

**Table 1 – Change in Assets Year over Year**

Statement of Financial Position (\$ millions)	2020	2019	\$ Change	% Change
<b>Current Assets</b>				
Cash & Cash Equivalents	7.0	6.8	0.2	3%
Accounts receivable	0.6	0.5	0.1	20%
Due from CRHD	-	0.1	(0.1)	(100%)
Prepaid expenses	0.5	0.4	0.1	25%
<b>Total Current Assets</b>	<b>\$8.1</b>	<b>\$7.8</b>	<b>\$0.3</b>	<b>4%</b>
<b>Non-Current Assets</b>				
Cash and cash equivalents restricted for RR	5.9	5.1	0.8	16%
Restricted cash held by BCHMC	-	0.5	(0.5)	(100%)
Capital assets	161.1	99.9	61.2	61%
<b>Total Non-current Assets</b>	<b>\$167.0</b>	<b>\$105.5</b>	<b>\$61.5</b>	<b>58%</b>
<b>Total Assets</b>	<b>\$175.1</b>	<b>\$113.30</b>	<b>\$61.8</b>	<b>55%</b>

The total assets of \$175.1 million consist of current and non-current assets. Current assets of \$8.1 million in the year represent cash and cash equivalents, accounts receivable, and prepaid expenses and reflect an organization's ability to meet short-term payment requirements. The increase in current assets of \$0.3 million or 4% is due primarily to increases in cash, accounts receivable, and prepaid expenses commensurate with increased revenue activity from new rental units in 2020.

Non-current assets of \$167.0 million consist of \$5.9 million in cash and cash equivalents restricted for replacement reserve and \$161.1 million in capital assets. Non-current assets increased by \$61.5 million, primarily due to the \$61.2 million increase relating to the Spencer Close and West Park buildings now under 60-year prepaid lease from the CRD.

**Table 2 – Change in Liabilities Year over Year**

Statement of Financial Position (\$ millions)	2020	2019	\$ Change	% Change
<b>Current Liabilities</b>				
Accounts payable	1.0	2.7	(1.7)	(63%)
Short-term capital financing	61.3	2.3	59.0	2565%
Mortgage payable - current	8.0	13.4	(5.4)	(40%)
Other Liabilities	1.8	1.6	0.2	13%
<b>Total Current Liabilities</b>	<b>72.1</b>	<b>20.0</b>	<b>52.1</b>	<b>261%</b>
<b>Non-Current Liabilities</b>				
Mortgage payable- non current	71.8	64.2	7.6	12%
<b>Total Liabilities</b>	<b>\$143.9</b>	<b>\$84.2</b>	<b>\$59.7</b>	<b>71%</b>

The total current liabilities of \$72.1 million is an increase of \$52.1 million or 261% over 2019 and is primarily related to the increase in short-term capital financing of \$61.3 million. This short-term financing was placed as long-term mortgage debt early in 2021. Accounts payable decreased by \$1.7 million due to a decrease in construction activity after the completion of the Westview property.

The net decrease of \$5.4 million in current mortgage payable and increase of \$7.7 million in non-current mortgage payable is driven primarily by an increase of \$7.4 million for Westview offset by \$5.1 million in repayment of all other existing mortgages.

Appendix C provides a detailed summary of the variances year-over-year greater than \$0.15 million and 10% on the Statement of Financial Position. The threshold is relative to the size and particular operations of the entity.

## 2. Statement of Operations

The Statement of Operations reports the annual results of the organization's financial activities by fund, presenting revenues less expenses less BCHMC subsidy overpayments.

**Table 3 – Change in Revenue Year over Year**

Statement of Operations (\$ millions)	2020	2019	\$ Change	% Change
<b>Revenue</b>				
Rent and rental management fees	16.7	15.3	1.4	9%
Government Contribution	0.7	5.8	(5.1)	(88%)
Other revenue	3.8	4.1	(0.3)	(7%)
<b>Total Revenue</b>	<b>\$21.2</b>	<b>\$25.2</b>	<b>(\$4.0)</b>	<b>(16%)</b>

Revenue from all sources totaled \$21.2 million in 2020, a decrease of \$3.9 million or 15.0%. The decrease is due to a decrease in government capital contributions of \$5.1 million offset by increased rent and rental management fees of \$1.4 million from the new units at Westview, West Park, and Spencer Close.

**Table 4 – Change in Expenses Year over Year**

Statement of Operations (\$ millions)	2020	2019	\$ Change	% Change
<b>Expenses</b>				
Building operating & admin expenses	7.4	6.9	0.5	7%
Insurance	0.9	0.6	0.3	50%
Rental management fees	1.7	1.5	0.2	13%
Amortization	6.2	6.3	(0.1)	(2%)
Interest Expense	2.1	2.2	(0.1)	(5%)
Other operating expenses	1.1	0.4	0.7	175%
<b>Total Expenses</b>	<b>\$19.4</b>	<b>\$17.9</b>	<b>\$1.5</b>	<b>8%</b>

Expenses totaled \$19.4 million, an increase of \$1.5 million or 8%. Of the total increase, \$0.5 million relates to increased operating and administration costs for the new units. Insurance increased by \$0.2 million due to increased premiums in the sector, and management fees increased by \$0.2 million to support the new buildings. Although capital assets increased by \$67 million, amortization expense remained fairly consistent with 2019. This is due to the acquisition of new assets occurring close to year-end, incurring relatively low depreciation, and five buildings becoming fully depreciated incurring no depreciation in 2020. Increase in Other operating expenses is mainly due to a repayment of a BCHMC grant of \$0.7 million which became repayable when the capital project came in under budget.

Appendix D provides a detailed summary of the variances year-over-year greater than \$0.15 million and 10% on the Statement of Operations.

### **3. Statement of Change in Net Assets and Remeasurement Gains and Losses**

The Statement of Change in Net Assets reports the annual surplus and changes in the following funds:

- Operating Fund (Corporate Fund and Rental Housing Fund)
- Restricted Fund (Capital Fund and Replacement Reserve Fund)
- Remeasurement Gains/(Losses)

**Table 5 – Change in in Net Assets and Remeasurement Gains and Losses Year over Year**

<b>Statement of Net Assets &amp; Remeasurement Gains (\$ millions)</b>	<b>2020</b>	<b>2019</b>
Net Assets, Beginning of Year	29.0	21.7
Annual Surplus	1.8	7.3
<b>Subtotal</b>	<b>30.8</b>	<b>29.03</b>
Unrealized gains on investments	0.4	0.1
<b>Net Assets, End of Year</b>	<b>\$31.2</b>	<b>\$29.1</b>

Total net assets increased from 2019 by \$2.1 million or 7.2% of net assets. Annual surplus accounts for \$1.8 million of the increase, while the remaining \$0.4 million is due to a remeasurement gain on investments. There were also changes to the Funds within the final net asset balance.

Notable changes in operating funds totalled \$7.3 million and consisted of \$5.1 million to fund principal repayments on mortgages and \$2.3 million to replacement reserves.

The capital fund increased by \$0.5 million with the repayment of \$5.1 million in principal payments on mortgages and \$1.7 million in replacement expenditures.

The replacement reserve fund had a net increase of \$0.8 million. The change was comprised of an increase in the fund of \$2.3 million transferred from operating, and a decrease of the fund of (\$1.7) million to fund asset replacement expenditures.

#### 4. Statement of Cash Flow

The Statement of Cash Flow reports the sources and uses of cash during the period. It breaks down these cash flows into three distinct categories: operating activities, investing activities, and financing activities. The positive cash flow from operating activities means that core operations is generating enough cash to maintain operations, buy new assets and cover future-related mortgage payments.

**Table 6 – Change in Cash and Cash Equivalents Year over Year**

Statement of Cash Flows (\$ millions)	2020	2019
Operating activities	6.3	14.8
Capital activities	(67.4)	(47.4)
Investing activities	0.0	0.2
Financing activities	61.3	32.6
<b>Net change in cash &amp; cash equivalents</b>	<b>0.2</b>	<b>0.2</b>
Cash & cash equivalents, beginning of year	6.8	6.6
<b>Cash and cash equivalents, end of year</b>	<b>\$7.0</b>	<b>\$6.8</b>

In 2020, the cash position increased by \$0.2 million. The change in cash was due to \$6.3 million from operating activities for net revenue after expenses, \$61.3 million from financing activities for debt proceeds received, and \$67.4 million paid as prepaid lease payments on West Park and Spencer Close.

#### 5. Schedules

##### A. Schedule of Changes in Replacement Reserve Fund

Replacement reserve is a method of setting aside funds to cover a rental property's anticipated future capital improvement expenses (replacement of a roof, carpets, appliances, and so forth). Schedule A of the financial statements details the annual Changes in the Replacement Reserve Fund by property, including contributions, interest, and transfers to the Capital Fund.

##### B. Schedule of Changes in Portfolio Stabilization Reserves

In accordance with operating agreements, a Portfolio Stabilization Reserve (PSR) has been established for each rental portfolio's accumulated operating surplus. Annual operating surplus/(deficit) is transferred to the PSR and the CRHC Board has control over specified fund use as per related operating agreement requirements. Schedule B is a summary of PSR reserve activity per portfolio.

##### C. Schedule of Capital Assets

Schedule C is a listing of tangible capital assets at book value per building, classified by land, prepaid lease, buildings, equipment, and transfers from replacement reserve fund. Accumulated amortization is based on the limited useful life of an asset, excluding land, regardless of how the asset acquisition was funded.

**D. Schedule of Capital Fund – Mortgages Payable**

Schedule D provides a summary of mortgage details by property and the cumulative principal which relates to current mortgage renewal in the following year, and the long-term mortgage payable.

**E. Schedule of Operating Fund – Rental Operations**

Schedule E provides a summary of each property's annual rental operations, with a focus on revenues and expenditures during the fiscal year. It determines how a surplus or deficit was generated per property and the related transfer to the portfolio stabilization reserve.

**6. Financial Indicators**

Financial indicators are metrics used to quantify current conditions as well as to forecast financial or economic trends. They can be used to evaluate the overall financial condition of the entity. The following indicators are relevant to CRHC performance and financial sustainability:

- **Mortgage Debt Servicing Costs as a Percentage of Rental Revenue**  
Debt servicing costs include principal retirement and interest charges made in the current fiscal year. The ratio of mortgage debt servicing costs as a percentage of total tenant rental revenue can demonstrate the amount committed to the annual debt service and the remaining amount available for discretionary operational expenditures and rent adjustments. In 2020, mortgage debt service costs were 40% of rental revenue (2019: 43%). The decrease is due to no payments being made for the first 2-3 months of operations at new buildings prior to their interest adjustment dates. As the ratio decreases, service flexibility increases because fewer operating resources are committed to the financial obligation.
- **Principal and Interest as a Proportion of Debt Servicing Costs**  
Principal and interest are the main components of a mortgage. Principal refers to the amount of money borrowed from the lender, while interest refers to the cost of borrowing. At the beginning of the mortgage term, more interest than principal is paid. In 2020, of the total mortgage debt servicing costs, 71% were attributed to principal payments (2019: 70%) accelerating repayment of the outstanding liability.
- **Contributions to Reserves as a Percentage of Total Revenue**  
Each building makes annual contributions to their Replacement Reserve Fund (RRF) which are required to fund future planned replacement of items. In 2020, contributions to the RRF were based on a calculation of \$149/unit per month and resulted in a contribution level of 12.9% (2019: 7%) of rental income. Contribution metrics and funding levels are a requirement of BCHMC operating agreements.

Additional data and analytics are detailed in the Audit Findings Report (Appendix B, p.12–17):

- Replacement Reserve Fund Balances
- Capital Fund – Mortgages Payable
- Operating Fund – Rental Operations
- Vacancy Rates

The audited statements are ready for approval. Board-approved financial statements are required to be consolidated with the Capital Regional District financial statements and filed with BCHMC.



## **CONCLUSION**

Board approval of the CRHC 2020 Audited Financial Statements is required under the *Local Government Act*, *BC Business Corporations Act*, BCHMC operating agreements, and mortgage agreements. As noted in the Auditors' Report, it is the Auditors' opinion that these Financial Statements present fairly the consolidated financial position of the CRHC as of December 31, 2020, and the results of financial activities for the year then ended in accordance with Canadian Public Sector Accounting Standards.

## **RECOMMENDATION**

The Hospitals and Housing Committee recommends to the Capital Region Housing Corporation Board:

That the Capital Region Housing Corporation 2020 Audit Findings Report be received and the 2020 Audited Financial Statements be approved.

Submitted by:	Rianna Lachance, BCom, CPA, CA, Senior Manager, Financial Services
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer
Concurrence:	Kevin Lorette, P. Eng., MBA, General Manager, Planning & Protective Services
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

## **ATTACHMENT(S):**

Appendix A: CRHC 2020 Financial Statements

Appendix B: CRHC 2020 Audit Findings Report

Appendix C: CRHC 2020 Detailed Variance analytics (Statement of Financial Position)

Appendix D: CRHC 2020 Detailed Variance analytics (Statement of Operations)



# Capital Region Housing Corporation

# 2020 Financial Statements

British Columbia, Canada  
Fiscal year ended December 31, 2020

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## INDEPENDENT AUDITORS' REPORT

To the Shareholder of the Capital Region Housing Corporation

### ***Opinion***

We have audited the financial statements of the Capital Region Housing Corporation (the Corporation), which comprise:

- the statement of financial position as at December 31, 2020
- the statement of operations for the year then ended
- the statement of changes in net assets and remeasurement gains and losses for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2020, and its results of operations, its changes in net assets and remeasurement gains and losses, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### ***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 “Auditors’ Responsibilities for the Audit of the Financial Statements” section of our auditors’ 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.

### ***Other Information***

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the Annual Report as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

### ***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 Canadian public sector accounting standards, 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 management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

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

### ***Auditors' 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 auditors' 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 the 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 auditors' 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 auditors' 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.
- 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.

Chartered Professional Accountants

Victoria, Canada  
\_\_\_\_\_ 2021

## Capital Region Housing Corporation

### MANAGEMENT REPORT

The Financial Statements contained in this report have been prepared by management in accordance with Canadian public sector accounting standards. The integrity and objectivity of these statements are management's responsibility. Management is also responsible for all the statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

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

The Capital Region Housing Corporation Board of Directors are responsible for approving the financial statements and for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises this responsibility through the Hospitals and Housing Committee of the Board.

The external auditors, KPMG LLP, conduct an independent examination, in accordance with Canadian public sector accounting standards, and express their opinion on the financial statements. Their examination includes a review and evaluation of the Corporation's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly. The external auditors have full and free access to staff and management. The Independent Auditors' Report outlines the scope of the audit for the year ended December 31, 2020.

On behalf of Capital Region Housing Corporation,

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Nelson Chan, MBA, FCPA, FCMA  
Chief Financial Officer  
May 12, 2021



## Statement of Financial Position

As at December 31, 2020

	2020	2019
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 6,961,868	\$ 6,778,570
Accounts receivable	642,886	483,154
Due from Capital Regional Hospital District	-	80,726
Prepaid expenses	541,333	391,831
	8,146,087	7,734,281
Cash and cash equivalents restricted for replacement reserve (Note 2)	5,934,450	5,116,400
Restricted cash held by BCHMC	-	478,892
Capital assets (Note 3 and Schedule C)	161,085,348	99,934,869
	\$ 175,165,885	\$ 113,264,442
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities	1,014,548	2,684,758
Accrued mortgage interest	209,964	229,824
Due to Capital Regional District	104,454	21,539
Deferred revenue	704,008	670,815
Security deposits	795,281	636,614
Short-term capital financing (Note 9)	61,277,457	2,344,958
Mortgages payable principal current portion (Schedule D)	4,828,667	4,568,934
Mortgages payable principal renewal portion (Note 4 and Schedule D)	3,189,847	8,840,245
	72,124,226	19,997,687
Mortgages payable (Note 4 and Schedule D)	71,844,896	64,173,151
Capital stock (Note 5)	1	1
Net assets:		
Invested in capital assets (Note 6)	21,351,990	20,840,337
Externally restricted (Note 7)	8,587,302	7,504,594
Internally restricted (Note 7)	623,382	306,064
Unrestricted: Corporation stabilization reserve (Note 8)	498,122	658,224
	31,060,796	29,309,219
Accumulated remeasurement losses	135,966	(215,616)
	31,196,762	29,093,603
Commitments and contingencies (Note 9)		
Subsequent events (Note 12)		
	\$ 175,165,885	\$ 113,264,442

See accompanying notes to the financial statements.

On behalf of the Board:

\_\_\_\_\_  
Director\_\_\_\_\_  
Director

## Statement of Operations

For the year ended December 31, 2020

	Operating Funds		Restricted Funds			
	Corporation	Rental Housing	Capital Fund	Replacement Reserve Fund	Total 2020	Total 2019
<b>Revenues:</b>						
Tenant rent contributions	\$ -	\$14,483,146	\$ -	\$ -	\$14,483,146	\$13,352,665
BCHMC rent subsidy assistance	-	359,792	-	-	359,792	326,494
BCHMC umbrella operating agreement funding	-	3,118,951	-	-	3,118,951	3,348,038
Rental management fees	1,736,610	-	-	-	1,736,610	1,505,344
Rental management fees - other	80,682	-	-	-	80,682	89,328
Investment income	78,422	-	45,427	148,084	271,933	303,915
Guest suites, net	(1,774)	-	-	-	(1,774)	1,320
Miscellaneous	55,890	137,626	-	-	193,516	172,248
Project management fees	273,690	-	-	-	273,690	276,000
Government contributions (Note 9)	-	-	660,000	-	660,000	5,821,264
	2,223,520	18,099,515	705,427	148,084	21,176,546	25,196,616
<b>Expenses:</b>						
Administration and property management	2,255,667	-	-	-	2,255,667	1,959,882
Amortization - office equipment and vehicles	-	-	8,970	-	8,970	11,213
Amortization - buildings and equipment	-	-	5,317,385	-	5,317,385	5,438,880
Amortization - prepaid leases	-	-	902,205	-	902,205	816,830
Property taxes	-	295,670	-	-	295,670	306,316
Insurance	-	845,756	-	-	845,756	632,846
Maintenance	-	949,823	-	-	949,823	1,031,410
Caretakers	-	1,513,770	-	-	1,513,770	1,246,120
Landscape	-	378,861	-	-	378,861	372,714
Electricity	-	264,704	-	-	264,704	323,562
Land and improvement leases	-	294,000	-	-	294,000	294,000
Water	-	1,090,990	-	-	1,090,990	977,216
Oil and gas	-	96,251	-	-	96,251	86,493
Garbage	-	286,381	-	-	286,381	265,337
Rental management fee	-	1,735,790	-	-	1,735,790	1,504,614
Audit and legal	-	31,381	-	-	31,381	28,211
Miscellaneous	-	35,745	-	-	35,745	66,139
Hospitality services (Parry Place)	-	293,690	-	-	293,690	290,262
Interest on mortgages payable	-	2,127,930	-	-	2,127,930	2,209,671
Repayment of BCHMC capital contribution	-	-	700,000	-	700,000	-
	2,255,667	10,240,742	6,928,560	-	19,424,969	17,861,716
<b>Excess (deficiency) of revenues over expenses before:</b>	(32,147)	7,858,773	(6,223,133)	148,084	1,751,577	7,334,900
Reimburse BCHMC subsidy overpayments	-	-	-	-	-	(5,047)
<b>Excess (deficiency) of revenues over expenses</b>	<b>\$ (32,147)</b>	<b>\$ 7,858,773</b>	<b>\$ (6,223,133)</b>	<b>\$ 148,084</b>	<b>\$ 1,751,577</b>	<b>\$ 7,329,853</b>

See accompanying notes to the financial statements.

## Statement of Changes in Net Assets &amp; Remeasurement Gains &amp; Losses

For the year ended December 31, 2020

	Operating Funds		Restricted Funds				
	Corporation	Rental Housing	Capital Fund	Replacement Reserve Fund	Remeasurement Gains / (Losses)	Total 2020	Total 2019
Net assets, beginning of year	\$ 826,544	\$ 2,525,938	\$ 20,840,337	\$ 5,116,400	\$ (215,616)	\$ 29,093,603	\$ 21,718,174
Excess (deficiency) of revenues over expenses	(32,147)	7,858,773	(6,223,133)	148,084	-	1,751,577	7,329,853
Interfund transfers:							
Mortgage principal repayments	-	(5,092,006)	5,092,006	-	-	-	-
Replacement reserve transfers	-	(2,327,500)	-	2,327,500	-	-	-
Replacement reserve expenditures	-	-	1,657,534	(1,657,534)	-	-	-
Rental housing fund transfers	(135,082)	149,836	(14,754)	-	-	-	-
	(135,082)	(7,269,670)	6,734,786	669,966	-	-	-
Unrealized gain (loss) on investments	-	-	-	-	351,582	351,582	45,576
Net assets, end of year	\$ 659,315	\$ 3,115,041	\$ 21,351,990	\$ 5,934,450	\$ 135,966	\$ 31,196,762	\$ 29,093,603

See accompanying notes to the financial statements.

## Statement of Cash Flows

For the year ended December 31, 2020

	2020	2019
<b>Cash provided by (used in):</b>		
<b>Operating activities:</b>		
Excess of revenues over expenses	\$ 1,751,577	\$ 7,329,853
Items not involving cash:		
Amortization	6,228,560	6,266,923
Changes in non-cash assets and liabilities:		
(Increase) in accounts receivable	(159,732)	(223,470)
Decrease (increase) in due from Capital Regional Hospital District	80,726	(80,726)
(Increase) in inventory and prepaid expenses	(149,502)	(155,228)
Increase (decrease) in accounts payable and accrued liabilities	(1,670,210)	1,585,256
Increase (decrease) in accrued mortgage interest	(19,860)	72,789
Increase in deferred revenue	33,193	37,488
Increase in security deposits	158,667	113,106
Increase (decrease) due to Capital Regional District	82,915	(145,996)
<b>Net change in cash from operating activities</b>	<b>6,336,334</b>	<b>14,799,995</b>
<b>Investing activities:</b>		
Decrease in restricted cash and cash equivalents	12,424	199,256
<b>Capital activities:</b>		
Acquisition of capital assets	(67,379,039)	(47,445,874)
<b>Net change in cash from capital activities</b>	<b>(67,379,039)</b>	<b>(47,445,874)</b>
<b>Financing activities:</b>		
Repayment of mortgages payable	(5,092,006)	(5,193,349)
Proceeds from short term debt	61,277,457	2,344,958
Proceeds from long term debt	5,028,128	35,499,184
	<b>61,213,579</b>	<b>32,650,793</b>
<b>Net change in cash and cash equivalents</b>	<b>183,298</b>	<b>204,170</b>
Cash and cash equivalents, beginning of year	6,778,570	6,574,400
<b>Cash and cash equivalents, end of year</b>	<b>\$ 6,961,868</b>	<b>\$ 6,778,570</b>

See accompanying notes to the financial statements.

## Notes to Financial Statements

*For the year ended December 31, 2020*

### General

The Capital Region Housing Corporation (the "Corporation") is incorporated under the laws of British Columbia and its principal activity is the provision of rental accommodation. As a wholly owned subsidiary of the Capital Regional District ("CRD"), the Corporation is exempt from taxation under the Income Tax Act and is regarded as a municipality for GST purposes.

### 1. Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards including the 4200 standards for government not-for-profit organizations.

#### a. Revenue Recognition

The Corporation follows the restricted fund balance method of accounting for contributions. Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions related to general operations are recognized as revenue of the Operating Fund in the year to which the funding relates. All other restricted contributions are recognized as revenue of the appropriate restricted fund in the year received or receivable.

#### b. Fund Accounting

##### i. Operating Funds

The Operating Funds reflect the Corporation's assets, liabilities and transactions relating to the ongoing rental and non-rental operations ("Corporation"). In accordance with the agreements with British Columbia Housing Management Commission (BCHMC), a Portfolio Stabilization Reserve has been established for each portfolio's accumulated operating surplus. The Corporation has also established a reserve for the No Operating Agreement portfolio. These reserves are used in the event that annual rental revenues and government subsidies are inadequate to meet the portfolio's mortgage payments and operating costs. The Corporation can also contribute funds from these reserves to the Replacement Reserve Fund, if required. At the discretion of the Board, the unrestricted Corporate Stabilization Reserve provides funding for administration and special projects.

##### ii. Capital Fund

The Capital Fund reflects the Corporation's investment in capital assets and related financial activities.

##### iii. Replacement Reserve Fund

In accordance with the agreements with BCHMC, a Replacement Reserve Fund has been established for each building to pay for the replacement of worn-out capital equipment and other approved items. The Replacement Reserves are funded by an annual transfer from the Rental Housing Operating Fund. Capital expenditures made from the reserve are transferred to the Capital Fund.

## 1. Significant Accounting Policies (continued)

### c. Capital Assets

Land, buildings, equipment and vehicles are stated at cost. Amortization over their estimated useful lives is provided on the straight-line basis at the following rates:

Asset	Rate
Prepaid leases	29-60 Years
Buildings	35 Years
Equipment	10 Years
Vehicles	5 Years

All transfers from the Replacement Reserve Fund and office equipment are stated at cost and amortization is provided on the declining balance basis at 20% per annum.

Amortization is charged upon the asset becoming available for productive use in the year of acquisition.

Capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to provide goods and services or when the value of the future economic benefits associated with the asset is less than the book value of the asset.

### d. Debt Retirement

Payment of principal on long-term debt is funded by a transfer from the Rental Housing Operating Fund to the Capital Fund.

### e. Operating Agreements

#### i. Umbrella

Effective April 1, 2012, the Corporation signed a thirty-three month Interim Umbrella Operating Agreement (the "Umbrella Agreement") with BCHMC to consolidate three operating agreements to reduce administrative duplication, allow the Corporation more flexibility to determine priorities for the portfolio maintenance and management and create a stable and predictable funding stream for the Corporation. In addition, the parties agreed to work together to develop a long-range capital planning tool to enable the Corporation and BCHMC to determine the capital replacement needs of the portfolio for the next thirty years and to negotiate on the transfer of the land ownership of the BCHMC projects from the Provincial Rental Housing Corporation to the Corporation. The final agreement was signed on December 2, 2014 with an effective date of January 1, 2015, for a five year term, and was renewed in December 2019 for an additional five year term ending 2024.

Effective August 17, 2020, the Umbrella Agreement was modified to remove three properties, Portage Place, Campus View Court, and Royal Oak Square, whose mortgages had matured and

## 1. Significant Accounting Policies (continued)

### e. Operating Agreements (continued)

#### i. Umbrella (continued)

which were originally part of the CMHC Agreement described below. The properties were moved to the CRHC No Operating Agreement portfolio and their corresponding Replacement Reserve balances were moved to the CRHC No Operating Agreement Replacement Reserve. No transfers were made between Portfolio Stabilization Reserves. As a result of this change, the Umbrella Agreement now contains 39 buildings and 1,142 units.

Except as modified by the Umbrella Agreement, all provisions of the original three operating agreements with CMHC, BCHMC and Homes BC will continue to apply to each project in the portfolio.

##### a) CMHC

Prior to April 1, 2012 the Corporation had entered into agreements with CMHC pursuant to Section 95 (formerly Section 56.1) of the National Housing Act whereby CMHC will provide mortgage assistance grants to the Corporation that reduce interest costs to not less than 2% on all mortgages payable. As of January 1, 2005 when a mortgage loan is renewed the mortgage assistance grants shall increase or decrease by the same dollar amount as the monthly loan payment of principal and interest changes.

##### b) BCHMC

Prior to April 1, 2012 the Corporation had entered into agreements with BCHMC whereby BCHMC, on behalf of the Provincial and Federal governments, will provide rent subsidy assistance equal to the BCHMC approved difference between tenant rent contributions and BCHMC defined economic rents.

##### c) Homes BC Program

Prior to April 1, 2012 the Corporation had entered into agreements with BCHMC under the unilaterally funded Homes BC Program. The Provincial Government agrees to provide rent subsidy assistance for Rent Geared to Income (RGI) units (approximately 60% of total units) based on the difference between the tenant rent contribution and the approved economic rents. The Province also agrees to provide Repayable Assistance equal to the difference between the economic and the approved low-end of market rents for the remaining units.

#### ii. Independent Living BC II Program

The Corporation has entered into an agreement with BCHMC under the unilaterally funded Independent Living BC II Program. The Provincial Government agrees to provide subsidy assistance for shelter and defined hospitality costs based on the difference between seventy percent (70%) of the residents' net income and the approved operating budget.

**1. Significant Accounting Policies (continued)****e. Operating Agreements (continued)****iii. Regional Housing First Program**

The Regional Housing First Program (RHFP) is a partnership between the Provincial and Federal governments and the CRD to provide capital funding to affordable housing projects in the region. The Corporation has entered into a 40-year agreement with BCHMC on behalf of the RHFP whereby the Corporation provides shelter-rate and affordable rents to low and moderate income tenants.

**iv. Investment in Housing Innovation Program**

The Corporation has entered into a 40-year agreement with BCHMC under the Investment in Housing Innovation (IHI) program. Capital funding was provided in the form of a forgivable loan to facilitate the construction of the Westview building. No other financial contribution will be received to subsidize the ongoing operation of the building.

**v. CRHC No Operating Agreement**

This category includes buildings that receive no mortgage assistance or rent subsidy assistance. Tenant rent contributions are determined by the Corporation.

**f. Allocation of Investment Income**

Funds available for investment are pooled and interest revenue is allocated to restricted funds at the rate of average prime minus 0.11% (2019: average prime minus 0.45%).

**g. Financial Instruments**

Financial instruments are recorded at fair value on initial recognition. Derivative instruments, bonds and equity instruments that are quoted in an active market are subsequently reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. The Corporation has not elected to carry any other such financial instruments at fair value.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to 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, which are amortized using the straight-line method.



**1. Significant Accounting Policies (continued)****g. Financial Instruments (continued)**

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 and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

**h. Use of Estimates**

The preparation of the financial statements 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 revenue and expenses during the year. Significant estimates and assumptions include amortization of capital assets. Actual results could differ from those estimates.

**2. Cash and Cash Equivalents**

Cash and cash equivalents have a maturity of three months or less at acquisition and are held for the purpose of meeting short-term cash commitments. Included in cash and cash equivalents are investments in the Municipal Finance Authority of British Columbia (MFA) Short Term Bond and Money Market Funds. See Schedule A for details of cash and cash equivalents restricted for replacement reserve.

**3. Capital Assets**

<b>December 31, 2020</b>	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>
Land	\$ 9,496,053	\$ -	\$ 9,496,053
Prepaid leases	109,499,053	7,233,959	102,265,094
Buildings	122,362,585	81,567,634	40,794,951
Equipment and other	38,956,747	30,427,497	8,529,250
	<b>\$ 280,314,438</b>	<b>\$ 119,229,090</b>	<b>\$ 161,085,348</b>

<b>December 31, 2019</b>	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>
Land	\$ 9,496,053	\$ -	\$ 9,496,053
Prepaid leases	48,030,167	6,331,754	41,698,413
Buildings	118,109,960	78,387,702	39,722,258
Equipment and other	37,299,219	28,281,074	9,018,145
	<b>\$ 212,935,399</b>	<b>\$ 113,000,530</b>	<b>\$ 99,934,869</b>

#### 4. Mortgages Payable

Pursuant to Section 5 of the National Housing Act, CMHC has undertaken to insure all mortgages payable by the Corporation except the mortgages on Village on the Green and Vergo. As additional security, the mortgagors hold chattel mortgages and assignments of rent.

Principal due within each of the next five years on these mortgages is approximately as follows:		Assuming no mortgage renewal	Assuming mortgage renewal
	2021	\$ 8,018,514	\$ 4,901,224
	2022	7,926,882	4,872,303
	2023	5,410,602	4,927,348
	2024	12,068,342	4,745,516
	2025	\$ 6,425,327	\$ 4,291,919

Interest on mortgages ranges from 0.68% to 3.50% with renewal dates February 1, 2021 to September 1, 2030 and maturity dates from February 1, 2021 to September 1, 2055.

#### 5. Capital Stock

Authorized capital: 2,000 shares with par value of \$1 each

Issued capital: 1 share of \$1 par value, owned by the Capital Regional District.

#### 6. Invested in Capital Assets

Investment in capital assets is calculated as follows:

	December 31, 2020	December 31, 2019
Capital assets	\$ 161,085,348	\$ 99,934,869
Accounts receivable	454,156	202,254
Interfund due (to)/from rental housing operating fund	953,353	151,610
Restricted cash	-	478,892
Mortgages payable	(79,863,410)	(77,582,330)
Short-term loan	(61,277,457)	(2,344,958)
	\$ 21,351,990	\$ 20,840,337

**7. Restricted Net Assets**Externally restricted net assets:

	<b>December 31, 2020</b>	December 31, 2019
Replacement reserve fund	\$ 5,934,450	\$ 5,116,400
CMHC/BCHMC/Homes BC operating agreements	(3,949)	(3,948)
Portfolio stabilization reserve - umbrella agreement	2,588,625	2,472,613
Portfolio stabilization reserve - ILBC2 agreement	(38,827)	(80,509)
Portfolio stabilization reserve - RHFP agreement	(13,589)	38
Portfolio stabilization reserve - IHI	120,592	-
	<b>\$ 8,587,302</b>	<b>\$ 7,504,594</b>

Internally restricted net assets:

	<b>December 31, 2020</b>	December 31, 2019
Portfolio stabilization reserve - no operating agreement	\$ 462,189	\$ 137,744
Guest suite surplus	36,425	38,199
Vehicle replacement reserve	94,584	92,142
Equipment replacement reserve	30,184	37,979
	<b>\$ 623,382</b>	<b>\$ 306,064</b>

Rental housing operating fund balance:

	<b>December 31, 2020</b>	December 31, 2019
Portfolio stabilization reserve - umbrella agreement	\$ 2,588,625	\$ 2,472,613
Portfolio stabilization reserve - ILBC2 agreement	(38,827)	(80,509)
Portfolio stabilization reserve - RHFP agreement	(13,589)	38
Portfolio stabilization reserve - IHI	120,592	-
Portfolio stabilization reserve - no operating agreement	462,189	137,744
CMHC/BCHMC/Homes BC operating agreements	(3,949)	(3,948)
	<b>\$ 3,115,041</b>	<b>\$ 2,525,938</b>

**8. Unrestricted Net Assets**

Unrestricted net assets - corporation stabilization reserve:

	<b>December 31, 2020</b>	December 31, 2019
Operating net assets, ending balance	\$ 659,315	\$ 826,544
Less: Internally restricted net assets		
Guest suite surplus	(36,425)	(38,199)
Vehicle replacement reserve	(94,584)	(92,142)
Equipment replacement reserve	(30,184)	(37,979)
	<b>\$ 498,122</b>	<b>\$ 658,224</b>

**9. Commitments and Contingencies****a. Related Party Transactions**

The Corporation is a wholly owned subsidiary of the Capital Regional District (CRD). In 1997, the Corporation committed to a sixty year prepaid land lease at 625 Superior Street from the CRD at the agreed upon price of \$525,000 which was recognized as an acquisition in the Corporation Capital Fund. In 2017, the Corporation committed to a sixty year land lease at 3816 Carey Road from the CRD for one dollar, with the land use restricted to affordable housing.

In 2018, a RHFP project management office was created to support the delivery of the Program. During the year the Corporation contributed \$63,520 (2019: \$62,275) to the CRD, to cost share in administrative support and project management services.

On January 25, 2019, as part of the RHFP, the CRD purchased Millstream Ridge and entered into a 60-year prepaid lease in the amount of \$33,250,194 and a 35-year operator agreement with the Corporation. The Corporation secured 35-year mortgage financing to fund the prepaid lease.

On November 2, 2020, as part of the RHFP, the CRD purchased West Park and entered into a 60-year prepaid lease in the amount of \$29,430,822 and a 35-year operator agreement with the Corporation. The CRD's Regional Housing Trust Fund provided a capital grant to the Corporation in the amount of \$660,000 for this project. The Corporation secured short-term capital financing from BCHMC to fund the prepaid lease. This short-term financing was converted to a 35-year mortgage subsequent to year-end for a 10-year term at 1.519% interest.

On November 20, 2020, as part of the RHFP, the CRD purchased Spencer Close and entered into a 60-year prepaid lease in the amount of \$28,419,513 and a 35-year operator agreement with the Corporation. The Corporation secured short-term capital financing from BCHMC to fund the prepaid lease. This short-term financing was converted to a 35-year mortgage subsequent to year-end for a 10-year term at 1.519% interest.

## 9. Commitments and Contingencies (continued)

### b. Sublease of Kings Place Housing Development

The Corporation entered into agreement with the Cridge Housing Society and the Provincial Rental Housing Corporation to sublease the land and improvements at 1070 Kings Road, Victoria for a term of thirty years commencing August 1, 1997. The Homes BC Program Operating Agreement was assigned to the Corporation from the Cridge Housing Society with the approval of the BCHMC. Current annual lease payments amount to \$231,000 and are based on the annual mortgage payments.

### c. Building Envelope Remediation (BER)

Prior to the signing of the Umbrella Agreement in 2012, BCHMC provided funding for building envelope failure remediation for BCHMC and Homes BC buildings. BCHMC may require repayment of certain BER subsidies. Repayment would be funded by second mortgages. Funding for future BER for all buildings except No Operating Agreement buildings, Village on the Green and Vergo, is subject to future negotiations with BCHMC. In 2014, BCHMC entered into an agreement with the Corporation to fund the Heathers BER with a 35 year forgivable mortgage of \$1,258,358.

## 10. Pension Liability

The Corporation and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trustee pension plan. The Board of Trustees, representing plan members and employers, is responsible for administering the Plan, including investment assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits provided are based on a formula.

As at December 31, 2019, the Plan has about 213,000 active members and approximately 106,000 retired members. Active members include approximately 32 contributors from the Corporation.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the Plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the Plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent valuation for the Municipal Pension Plan as at December 31, 2018 indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis.

The Corporation's employer contributions to the Plan for the fiscal year ended December 31, 2020 is \$222,396 (2019: \$183,804). The next valuation will be as at December 31, 2021, with results available in 2022.

Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the Plan.

## 11. Financial risks and concentration of risk

### a. Credit risk

Credit risk refers to the risk that a counter party may default on its contractual obligations resulting in a financial loss. The Corporation is exposed to credit risk with respect to the accounts receivable, cash, and cash equivalents. The Corporation assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Corporation at December 31, 2020 is the carrying value of these assets. The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the statement of operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the statement of operations. The balance of the allowance for doubtful accounts at December 31, 2020 is \$0 (2019: \$0). There have been no significant changes to the credit risk exposure from 2019.

### b. Liquidity risk

Liquidity risk is the risk that the Corporation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Corporation manages its liquidity risk by monitoring its operating requirements. The Corporation prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice. The contractual maturities of mortgages payable are disclosed in Note 4. There have been no significant changes to the liquidity risk exposure from 2019.

### c. Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the Corporation's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

#### i. Foreign exchange risk:

The Corporation does not enter into foreign exchange transactions and therefore is not exposed to foreign exchange risk. There have been no significant changes to foreign exchange risk exposure from 2019.

#### ii. Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

The Corporation holds cash equivalents in MFA Short Term Bond and Money Market Funds where changes in fair value have parallel changes in unrealized gains or losses until realized on disposal.

## 11. Financial risks and concentration of risk (continued)

### c. Market risk: (continued)

The Corporation's mortgage interest rates are fixed and are subject to interest rate risk upon renewal. The interest rate risk is mitigated by the subsidy assistance received for most properties from BCHMC and CMHC, which is based on mortgage principal and interest payments. At December 31, 2020, there are four properties which do not receive subsidy assistance based on mortgage interest rates: Village on the Green, Vergo, Millstream Ridge, and Westview. The Corporation entered into a fixed rate 10-year mortgage for Millstream Ridge in 2019 which will be subject to unsubsidized interest rate risk upon renewal.

## 12. Subsequent Events

Subsequent to December 31, 2020, the short-term capital financing provided by BCHMC to acquire the prepaid leases of West Park and Spencer Close was converted to 35-year mortgage financing at a fixed rate for a 10-year term at 1.519% interest.

On March 22, 2021, the Corporation obtained short-term financing from BCHMC and entered into a prepaid lease of Hockley House from the CRD in the amount of \$23.8 million. The financing will be converted to a 35-year mortgage after being placed with a lender by BCHMC.

On April 14, 2021, the Corporation's Board authorized staff to enter into a pre-paid lease agreement with the CRD in the amount of \$10.1 million for an affordable housing project in the region.

## 13. COVID-19

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This resulted in governments worldwide, including the Canadian federal and provincial governments enacting emergency measures to combat the spread of the virus. The economic conditions and the Corporation's response to the pandemic did not have a material impact on the Corporation's operating results and financial position in 2020. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Corporation is not known at this time.

## Changes in Replacement Reserve Fund

For the year ended December 31, 2020

	Balance at December 31 2019	Transfer from Rental Operating Fund	Contribution from UOA Stabilization Reserve	Contribution from Capital Trust Account	Interest	Transfer to Capital Fund	2020
<b><u>Umbrella Agreement</u></b>							
Oakwinds	\$ 742,608	\$ 89,454	\$ -	\$ -	\$ 19,938	\$ (69,941)	\$ 782,059
James Yates Gardens	119,434	14,313	-	-	3,350	(375)	136,722
Pinehurst	404,624	35,782	-	-	11,069	(9,597)	441,878
The Brambles	135,687	32,203	-	-	3,934	(6,645)	165,179
The Terraces	496,814	35,782	-	-	13,595	(3,357)	542,834
Michigan Square	360,602	-	-	-	9,437	(9,015)	361,024
Olympic View	165,189	107,345	-	-	3,144	(199,928)	75,750
Swanlea	125,914	25,047	-	-	3,650	(1,381)	153,230
Firgrove	4,561	57,251	-	-	780	(7,480)	55,112
Beechwood Park	(51,378)	85,876	-	-	-	(40,811)	(6,313)
Grey Oak Square	(19,013)	42,938	-	-	-	(8,756)	15,169
Willowdene	2,932	26,836	-	-	403	(2,249)	27,922
Rosewood	59,919	78,720	-	-	2,228	(29,917)	110,950
Gladstone	31,279	25,047	-	-	969	(14,475)	42,820
Camosun Place	73,466	14,313	-	-	1,763	(28,174)	61,368
Parkview	99,636	46,516	-	-	2,769	(36,836)	112,085
Carey Lane	17,087	39,360	-	-	225	(56,580)	92
Colquitz Green	(20,849)	35,782	-	-	-	(45,288)	(30,355)
Springtide	21,566	85,876	-	-	1,565	(10,260)	98,747
Greenlea	19,730	37,571	-	-	357	(50,073)	7,585
Arbutus View	(5,509)	41,149	-	-	-	(39,533)	(3,893)
Amberlea	228,217	78,720	-	-	6,000	(82,327)	230,610
Cloverhurst	38,512	17,891	-	-	1,228	(2,211)	55,420
Hamlet	(485)	17,891	-	-	-	(38,882)	(21,476)
Viewmont	119,254	64,407	-	-	2,937	(73,684)	112,914
Creekside	5,657	42,938	-	-	-	(62,115)	(13,520)
The Birches	23,925	100,188	-	-	1,406	(41,942)	83,577
Caledonia	16,802	-	-	-	445	-	17,247
The Heathers	136,991	46,516	-	-	3,691	(41,930)	145,268
Heron Cove	89,060	42,938	-	-	2,572	(26,939)	107,631
Castanea Place	370,261	105,556	-	-	9,419	(134,390)	350,846
Leblond Place	(79,845)	76,930	-	-	-	(75,569)	(78,484)
Rotary House	7,371	73,352	-	-	862	(23,040)	58,545
Cairns Park	11,127	10,734	-	-	39	(30,017)	(8,117)
Kings Place	17,676	62,618	-	-	956	(25,815)	55,435
Carillon Place	19,919	26,836	-	-	565	(24,053)	23,267
Brock Place	132	53,672	-	-	-	(53,902)	(98)
Harbour Lane	189,407	50,094	-	-	5,378	(22,991)	221,888
Tillicum Station	220,397	71,560	-	-	5,975	(61,400)	236,532
<b><u>ILBC2 Agreement</u></b>							
Parry Place	101,705	16,600	-	-	2,507	(3,287)	117,525
<b><u>No Operating Agreement</u></b>							
Village on the Green	312,419	78,719	-	-	8,467	(64,570)	335,035
Vergo	33,707	37,288	-	-	1,329	(4,419)	67,905
Portage Place	122,702	35,217	-	-	3,666	(3,928)	157,657
Campus View Court	126,804	24,859	-	-	3,474	(16,277)	138,860
Royal Oak Square	138,774	78,719	-	-	4,112	(45,901)	175,704
<b><u>RHFP Agreement</u></b>							
Millstream Ridge	81,612	114,048	-	-	3,374	(23,385)	175,649
<b><u>IHI Agreement</u></b>							
Westview	-	42,048	-	-	506	(3,889)	38,665
	\$ 5,116,400	\$ 2,327,500	\$ -	\$ -	\$ 148,084	\$ (1,657,534)	\$ 5,934,450



## Changes in Portfolio Stabilization Reserves

For the year ended December 31, 2020

	Balance at December 31, 2019	Reimburse BCHMC	Transfer (to) Replacement Reserve Fund	Transfer from/(to) Rental Operating Fund	Transfer (to) Capital Fund	Balance at December 31, 2020
			(Schedule A)	(Schedule E)		
<u>Umbrella</u>						
<u>Agreement</u>						
CMHC	\$ 3,978,668	\$ -	\$ -	\$ 1,121,581	\$ -	\$ 5,100,249
BCHMC	(1,464,774)	-	-	(924,026)	-	(2,388,800)
Homes BC	(41,281)	-	-	(81,543)	-	(122,824)
	2,472,613	-	-	116,012	-	2,588,625
<u>ILBC2</u>						
<u>Agreement</u>						
Parry Place	(80,509)	-	-	41,682	-	(38,827)
<u>RHFP</u>						
<u>Agreement</u>						
Millstream Ridge	38	-	-	(24,418)	-	(24,380)
Spencer Close	-	-	-	10,791	-	10,791
West Park	-	-	-	-	-	-
	38	-	-	(13,627)	-	(13,589)
<u>IHI Agreement</u>						
Westview	-	-	-	120,592	-	120,592
<u>No Operating</u>						
<u>Agreement</u>						
Portage Place	-	-	-	86,140	-	86,140
Campus View Court	-	-	-	58,149	-	58,149
Royal Oak Square	-	-	-	227,697	-	227,697
Village on the Green	583,734	-	-	46,280	-	630,014
Vergo	(445,990)	-	-	(93,821)	-	(539,811)
	137,744	-	-	324,445	-	462,189
	\$ 2,529,886	\$ -	\$ -	\$ 589,104	\$ -	\$ 3,118,990

## Capital Assets

For the year ended December 31, 2020

In Operation	Completed	Land	Prepaid Lease	Buildings	Equipment and Other	Transfer from Replacement Reserve Fund	Total	Accumulated Amortization	2020	2019
<b>Umbrella Agreement</b>										
Oakwinds	Feb/85	\$ -	\$ 830,075	\$ 2,835,407	\$ 1,449,152	\$ 69,941	\$ 5,184,575	\$ (4,776,238)	\$ 408,337	\$ 435,420
James Yates Gardens	Oct/84	103,200	-	387,934	285,944	375	777,453	(607,347)	170,106	186,459
Pinehurst	Feb/85	277,692	-	1,188,811	660,916	9,597	2,137,016	(1,739,255)	397,761	452,147
The Brambles	Jun/85	275,975	-	1,048,104	737,519	6,645	2,066,243	(1,679,764)	388,479	409,961
The Terraces	May/85	356,532	-	1,087,668	861,279	3,357	2,308,836	(1,821,889)	486,947	516,194
Michigan Square	Sep/85	784,763	-	3,154,222	2,485,008	9,015	6,433,008	(5,381,795)	1,051,213	1,108,811
Olympic View	Apr/86	900,000	-	3,288,908	2,045,415	199,928	6,434,251	(4,984,526)	1,449,725	1,481,198
Swanlea	Dec/85	230,215	-	746,556	451,510	1,381	1,429,662	(1,126,319)	303,343	320,244
Firgrove	Feb/86	480,000	-	1,763,183	1,147,074	7,480	3,397,737	(2,756,555)	641,182	724,374
Beechwood Park	Feb/86	888,000	-	2,317,623	2,988,251	40,811	6,234,685	(4,812,566)	1,422,119	1,581,057
Grey Oak Square	Apr/86	409,015	-	1,290,394	942,375	8,756	2,650,540	(2,045,066)	605,474	682,700
Willowdene	Sep/87	-	-	884,186	650,139	2,249	1,536,574	(1,381,491)	155,083	204,235
Rosewood	Oct/88	-	255,000	1,864,715	787,119	29,917	2,936,751	(2,553,619)	383,132	451,202
Gladstone	Jan/89	-	197,000	912,600	480,483	14,475	1,604,558	(1,358,499)	246,059	279,916
Camosun Place	Mar/89	-	108,000	489,700	195,585	28,174	821,459	(680,295)	141,164	140,978
Parkview	May/89	-	283,250	1,795,567	877,127	36,836	2,992,780	(2,544,574)	448,206	507,923
Carey Lane	Aug/89	-	283,250	1,443,751	860,411	56,580	2,643,992	(2,206,230)	437,762	472,608
Colquitz Green	Nov/89	-	160,250	1,504,000	738,220	45,288	2,447,758	(2,072,579)	375,179	418,402
Springtide	May/90	-	324,500	2,519,309	866,820	10,260	3,720,889	(3,121,895)	598,994	704,680
Greenlea	Feb/90	-	305,750	1,560,300	788,168	50,073	2,704,291	(2,215,852)	488,439	528,627
Arbutus View	Jul/90	-	370,250	1,592,750	924,257	39,533	2,926,790	(2,320,654)	606,136	679,562
Amberlea	May/90	-	447,501	2,578,479	781,907	82,327	3,890,214	(3,171,364)	718,850	769,620
Cloverhurst	May/90	-	197,000	651,500	235,714	2,211	1,086,425	(873,588)	212,837	243,314
Hamlet	Oct/90	-	152,000	803,000	360,812	38,882	1,354,694	(1,088,304)	266,390	278,273
Viewmont	Aug/91	-	402,140	2,378,046	737,657	73,684	3,591,527	(2,864,552)	726,975	774,484
Creekside	Apr/92	-	388,250	2,363,830	878,085	62,115	3,692,280	(2,897,628)	794,652	853,754
The Birches	Aug/92	-	675,000	3,684,874	847,918	41,942	5,249,734	(4,092,359)	1,157,375	1,276,198
Caledonia	Apr/93	-	403,473	1,452,777	439,163	-	2,295,413	(1,729,557)	565,856	629,118
The Heathers	Apr/93	-	436,279	1,974,683	388,764	41,930	2,841,656	(2,122,030)	719,626	764,389
Heron Cove	Oct/93	-	270,000	2,274,691	504,560	26,939	3,076,190	(2,340,964)	735,226	811,851
Castanea Place	Feb/95	-	1,277,000	4,841,879	987,008	134,390	7,240,277	(4,959,212)	2,281,065	2,384,390
Leblond Place	Sep/96	-	900,000	4,506,231	1,139,539	75,569	6,621,339	(4,263,598)	2,357,741	2,562,240
Rotary House	Nov/06	-	556,600	2,994,000	581,051	23,040	4,154,691	(2,532,119)	1,622,572	1,777,552
Cairns Park	Dec/96	-	240,000	415,314	162,140	30,017	847,471	(518,550)	328,921	332,336
Kings Place	N/A	-	-	-	653,812	25,815	679,627	(510,218)	169,409	185,948

	Completed	Land	Prepaid Lease	Buildings	Equipment and Other	Transfer from Replacement Reserve Fund	Total	Accumulated Amortization	2020	2019
Carillon Place	Jul/98	-	525,000	1,280,389	689,270	24,053	2,518,712	(1,500,885)	1,017,827	1,102,878
Brock Place	Jan/00	-	840,000	3,465,836	1,040,995	53,902	5,400,733	(3,081,536)	2,319,197	2,475,035
Harbour Lane	Oct/01	-	825,000	3,607,266	309,371	22,991	4,764,628	(2,585,995)	2,178,633	2,293,124
Tillicum Station	Jul/02	-	948,750	4,300,764	501,799	61,400	5,812,713	(3,036,433)	2,776,280	2,894,049
<b>Building Envelope Remediation</b>										
Amberlea	2008	-	-	2,367,415	-	-	2,367,415	(1,846,264)	521,151	651,439
Cloverhurst	2008	-	-	1,105,204	-	-	1,105,204	(863,417)	241,787	302,234
The Birches	2006	-	-	1,635,610	-	-	1,635,610	(1,175,435)	460,175	536,871
Heron Cove	2007	-	-	1,756,374	-	-	1,756,374	(1,197,203)	559,171	639,053
Castanea Place	2007	-	-	2,531,350	-	-	2,531,350	(1,551,839)	979,511	1,088,345
Leblond Place	2009	-	-	3,337,941	-	-	3,337,941	(1,875,017)	1,462,924	1,609,216
The Heathers	2016	-	-	1,258,358	-	-	1,258,358	(521,149)	737,209	842,524
<b>ILBC2 Agreement</b>										
Parry Place	Jun/08	1,400,000	-	4,794,268	226,793	3,287	6,424,348	(1,900,551)	4,523,797	4,677,834
<b>RHFP Agreement</b>										
Millstream Ridge	Feb/19	-	35,428,849	-	12,769	23,385	35,465,003	(1,190,236)	34,274,767	34,848,583
Spencer Close	Nov/20	-	30,218,969	-	-	-	30,218,969	(41,972)	30,176,997	-
West Park	Nov/20	-	31,249,917	-	-	-	31,249,917	(43,403)	31,206,514	-
<b>IHL Agreement</b>										
Westview	May/20	-	-	14,844,032	-	3,889	14,847,921	(247,400)	14,600,521	11,293,916
<b>No Operating Agreement</b>										
Village on the Green	May/84	910,171	-	2,002,921	903,639	64,570	3,881,301	(2,757,282)	1,124,019	1,112,911
Vergo	May/12	1,144,327	-	4,226,787	78,334	4,419	5,453,867	(1,143,782)	4,310,085	4,435,629
Portage Place	Aug/83	328,659	-	965,774	688,343	3,928	1,996,704	(1,480,988)	515,716	558,552
Campus View Court	Sep/83	341,224	-	688,111	576,313	16,277	1,621,925	(1,158,447)	463,478	477,763
Royal Oak Square	Mar/84	666,280	-	2,051,834	1,744,272	45,901	4,508,287	(3,318,270)	1,190,017	1,275,050
<b>Buildings Under Construction</b>										
Redevelopment Sites	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	1,547,359	-	-	1,547,359	-	1,547,359	844,850
Vehicles	-	-	-	-	535,869	-	535,869	(499,991)	35,878	44,848
					60,544	-	60,544	(60,544)	-	-
		\$ 9,496,053	\$ 109,499,053	\$ 122,362,585	\$ 37,299,213	\$ 1,657,534	\$ 280,314,438	\$ (119,229,090)	\$ 161,085,348	\$ 99,934,869

## Capital Fund: Mortgages Payable

For the year ended December 31, 2020

Rental Property	Interest Rate	Renewal Date	Maturity Date	2020	2019
<u>Umbrella Agreement</u>					
Oakwinds	1.390%		February 1, 2020	\$ -	\$ 38,790
Pinehurst	1.390%		March 1, 2020	-	22,859
The Brambles	1.040%		June 1, 2020	-	40,334
The Terraces	1.040%		May 1, 2020	-	36,746
Michigan Square	1.020%		September 1, 2020	-	181,257
Olympic View	2.930%		April 1, 2021	88,571	349,002
Swanlea	3.430%		December 1, 2020	-	62,817
Firgrove	3.150%		February 1, 2021	23,899	164,373
Beechwood Park	3.150%		February 1, 2021	34,235	235,461
Grey Oak Square	3.150%		March 1, 2021	27,083	133,150
Willowdene	2.580%		September 1, 2022	90,076	139,761
Rosewood	2.610%		November 1, 2023	342,135	453,603
Gladstone	2.610%		January 1, 2024	189,340	247,565
Camosun Place	1.860%		March 1, 2024	101,074	130,967
Parkview	1.690%		May 1, 2024	396,503	508,304
Carey Lane	1.690%		August 1, 2024	351,189	443,266
Colquitz Green	1.730%		November 1, 2024	363,422	451,699
Springtide	0.680%		May 1, 2025	689,317	834,317
Greenlea	0.690%		March 1, 2025	443,747	542,704
Arbutus View	0.680%		July 1, 2025	485,329	583,483
Amberlea	0.680%		May 1, 2025	736,384	891,285
Cloverhurst	0.680%		May 1, 2025	205,717	248,990
Hamlet	3.430%	February 1, 2021	October 1, 2025	253,602	301,086
Viewmont	2.490%	October 1, 2021	August 1, 2026	803,591	934,059
Creekside	2.600%	April 1, 2027	April 1, 2027	862,697	986,452
The Birches	2.550%	August 1, 2027	August 1, 2032	1,406,451	1,597,662
Caledonia	2.500%	April 1, 2028	April 1, 2033	652,595	732,716
The Heathers	2.600%	April 1, 2028	April 1, 2033	836,379	938,629
Heron Cove	2.610%	October 1, 2028	October 1, 2033	929,292	1,034,901
Castanea Place	0.690%		February 1, 2030	2,681,978	2,945,716
Leblond Place - 1st mortgage	2.490%	October 1, 2021	September 1, 2031	2,104,815	2,273,605
Leblond Place - 2nd mortgage	2.150%	March 1, 2025	March 1, 2045	2,522,835	2,601,372
Rotary House	2.510%	March 1, 2028	March 1, 2033	1,327,521	1,492,469
Cairns Park	1.698%	December 1, 2021	December 1, 2031	317,549	343,595
Carillon Place	3.220%	June 1, 2024	July 1, 2033	967,327	1,028,796
Brock Place	2.840%		January 1, 2035	2,643,524	2,899,890
Harbour Lane	2.200%	October 1, 2026	October 1, 2036	2,655,676	2,794,500
Tillicum Station	3.270%	July 1, 2024	July 1, 2037	3,456,281	3,611,010
<u>ILBC2 Agreement</u>					
Parry Place	3.480%	May 1, 2024	May 1, 2043	3,462,633	3,562,711
<u>RHFP Agreement</u>					
Millstream Ridge	2.860%	February 1, 2029	March 1, 2054	34,441,936	35,053,436
<u>IHI Agreement</u>					
Westview	1.631%	September 1, 2030	September 1, 2055	7,440,758	-
<u>CRHC No Operating Agreement</u>					
Village on the Green	3.500%	October 1, 2021	October 1, 2039	1,857,077	1,925,741
Vergo	3.450%	August 1, 2022	August 1, 2042	3,670,872	3,783,251
				<b>79,863,410</b>	<b>77,582,330</b>
Principal Current Portion				<b>(4,828,667)</b>	<b>(4,568,934)</b>
Principal Renewal Portion				<b>(3,189,847)</b>	<b>(8,840,245)</b>
				<b>\$ 71,844,896</b>	<b>\$ 64,173,151</b>

## Operating Fund: Rental Operations

For the year ended December 31, 2020

Operating Fund: Rental Operations

		Revenues				Expenditures and Interfund Transfers							Surplus (Deficit) from operations after interfund transfers		Allocation from/(to) Portfolio Stabilization Reserves	
		Number of units	Tenant rent contributions	BCHMC Rental Subsidy	BCHMC fixed funding	Other	Total	Operating costs	Transfer to Replacement Reserve	Debt charges	Other Interfund Transfers	Total				
Umbrella Agreement																
CMHC																
Oakwinds		50	\$ 654,602	\$ -	\$ 4,811	\$ 2,907	\$ 662,320	\$ 280,399	\$ 89,454	\$ 38,913	\$ -	\$ 408,766	\$ 253,554	\$ (253,554)		
James Yates Gardens		8	76,410	-	-	169	76,579	42,276	14,313	-	-	56,589	19,990	(19,990)		
Pinehurst		20	285,635	-	3,865	1,898	291,398	99,603	35,782	23,086	-	158,471	132,927	(132,927)		
The Brambles		18	239,249	-	7,500	1,901	248,650	112,785	32,203	40,521	-	185,509	63,141	(63,141)		
The Terraces		20	254,063	-	6,627	1,912	262,602	112,215	35,782	36,808	-	184,805	77,797	(77,797)		
Michigan Square		62	420,737	-	35,171	5,875	461,783	221,590	-	181,971	-	403,561	58,222	(58,222)		
Olympic View		60	800,126	-	70,610	4,512	875,248	335,023	107,345	266,496	-	708,864	166,384	(166,384)		
Swanlea		14	197,193	-	16,605	1,126	214,924	74,880	25,047	63,900	-	163,827	51,097	(51,097)		
Firgrove		32	402,886	-	37,102	2,551	442,539	151,536	57,251	143,243	-	352,030	90,509	(90,509)		
Beechwood Park		48	612,810	-	53,052	7,413	673,275	246,532	85,876	205,192	-	537,600	135,675	(135,675)		
Grey Oak Square		24	321,885	-	27,979	2,459	352,323	128,659	42,938	108,441	-	280,038	72,285	(72,285)		
		356	4,265,596	-	263,322	32,723	4,561,641	1,805,498	525,991	1,108,571	-	3,440,060	1,121,581	(1,121,581)		
BCHMC																
Willowdene		15	109,018	-	56,415	454	165,887	137,717	26,836	52,691	-	217,244	(51,357)	51,357		
Rosewood		44	245,916	-	83,724	2,921	332,561	221,726	78,720	121,926	-	422,372	(89,811)	89,811		
Gladstone		14	124,914	-	63,368	228	188,510	77,441	25,047	63,964	-	166,452	22,058	(22,058)		
Camosun Place		8	74,714	-	33,432	133	108,279	49,300	14,313	32,068	-	95,681	12,598	(12,598)		
Parkview		26	185,590	-	114,811	898	301,299	125,730	46,516	119,503	-	291,749	9,550	(9,550)		
Carey Lane		22	188,975	-	83,364	1,200	273,539	115,202	39,360	98,835	-	253,397	20,142	(20,142)		
Colquitz Green		20	171,282	-	76,241	992	248,515	113,126	35,782	96,371	-	245,279	3,236	(3,236)		
Springtide		48	260,135	-	118,997	2,725	381,857	244,156	85,876	165,287	-	495,319	(113,462)	113,462		
Greenlea		21	161,043	-	44,624	1,045	206,712	115,603	37,571	108,912	-	282,086	(55,374)	55,374		

## Operating Fund: Rental Operations (continued)

	Number of units	Tenant rent contributions	BCHMC Rental Subsidy	BCHMC fixed funding	Other	Total	Operating costs	Transfer to Replacement Reserve	Debt charges	Other Interfund Transfers	Total	Surplus (Deficit) from operations after interfund transfers	Allocation from/(to) Portfolio Stabilization Reserves
Arbutus View	23	183,661	-	53,476	627	237,764	106,483	41,149	112,373	-	260,005	(22,241)	22,241
Amberlea	44	287,367	-	119,408	2,768	409,543	233,682	78,720	176,573	-	488,975	(79,432)	79,432
Cloverhurst	10	64,827	-	42,920	133	107,880	50,596	17,891	49,327	-	117,814	(9,934)	9,934
Hamlet	10	100,935	-	53,091	233	154,259	58,050	17,891	57,004	-	132,945	21,314	(21,314)
Viewmont	36	175,090	-	166,536	2,555	344,181	176,634	64,407	152,138	-	393,179	(48,998)	48,998
Creekside	24	207,604	-	111,686	1,200	320,490	129,221	42,938	147,813	-	319,972	518	(518)
The Birches	56	292,515	-	163,537	3,048	459,100	222,212	100,188	229,534	-	551,934	(92,834)	92,834
Caledonia	18	25,586	-	79,981	556	106,123	95,459	-	97,439	-	192,898	(86,775)	86,775
The Heathers	26	141,578	-	108,372	1,822	251,772	130,239	46,516	125,324	-	302,079	(50,307)	50,307
Heron Cove	24	182,963	-	63,582	818	247,363	103,293	42,938	131,230	-	277,461	(30,098)	30,098
Castanea Place	59	376,237	-	196,456	3,112	575,805	304,680	105,556	319,154	-	729,390	(153,585)	153,585
Leblond Place	43	254,618	-	342,600	3,534	600,752	267,020	76,930	356,669	-	700,619	(99,867)	99,867
Rotary House	41	246,477	-	216,649	1,467	464,593	220,263	73,352	200,345	-	493,960	(29,367)	29,367
<b>Homes BC</b>	632	4,061,045	-	2,393,270	32,469	6,486,784	3,297,833	1,098,497	3,014,480	-	7,410,810	(924,026)	924,026
Cairns Park	6	50,941	-	22,315	240	73,496	36,768	10,734	31,658	-	79,160	(5,664)	5,664
Kings Place	35	381,346	-	152,041	2,118	535,505	474,156	62,618	-	-	536,774	(1,269)	1,269
Carillon Place	15	184,052	-	33,478	542	218,072	92,882	26,836	93,480	-	213,198	4,874	(4,874)
Brock Place	30	332,593	-	69,892	3,838	406,323	165,824	53,672	227,708	-	447,204	(40,881)	40,881
Harbour Lane	28	287,804	-	88,749	3,115	379,668	155,880	50,094	198,635	-	404,609	(24,941)	24,941
Tillicum Station	40	471,994	-	95,884	1,884	569,762	242,141	71,560	269,723	-	583,424	(13,662)	13,662
	154	1,708,730	-	462,359	11,737	2,182,826	1,167,651	275,514	821,204	-	2,264,369	(81,543)	81,543
	1,142	10,035,371	-	3,118,951	76,929	13,231,251	6,270,982	1,900,002	4,944,255	-	13,115,239	116,012	(116,012)

		Revenues			Expenditures and Interfund Transfers						Surplus (Deficit) from operations after interfund transfers	Allocation from/(to) Portfolio Stabilization Reserves	
Number of units	Tenant rent contributions	BCHMC Rental Subsidy	BCHMC fixed funding	Other	Total	Operating costs	Transfer to Replacement Reserve	Debt charges	Other Interfund Transfers	Total			
ILBC2 Agreement													
Parry Place	21	299,038	359,792	-	861	659,691	379,813	16,600	221,596	-	618,009	41,682	(41,682)
RHFP Agreement													
Millstream Ridge	132	2,087,297	-	-	38,791	2,126,088	571,821	114,048	1,599,719	(135,082)	2,150,506	(24,418)	24,418
Spencer Close	130	36,806	-	-	210	37,016	26,225	-	-	-	26,225	10,791	(10,791)
West Park	152	29,429	-	-	480	29,909	44,663	-	-	(14,754)	29,909	-	-
	414	2,153,532	-	-	39,481	2,193,013	642,709	114,048	1,599,719	(149,836)	2,206,640	(13,627)	13,627
IHI Agreement													
Westview	73	398,793	-	-	10,504	409,297	166,478	42,048	80,179	-	288,705	120,592	(120,592)
No Operating Agreement													
Portage Place	17	222,685	-	-	925	223,610	102,253	35,217	-	-	137,470	86,140	(86,140)
Campus View Court	12	150,291	-	-	1,688	151,979	68,971	24,859	-	-	93,830	58,149	(58,149)
Royal Oak Square Village on the Green	38	507,018	-	-	2,716	509,734	203,318	78,719	-	-	282,037	227,697	(227,697)
	38	443,096	-	-	4,376	447,472	188,183	78,719	134,290	-	401,192	46,280	(46,280)
Vergo	18	273,322	-	-	146	273,468	90,105	37,288	239,896	-	367,289	(93,821)	93,821
	123	1,596,412	-	-	9,851	1,606,263	652,830	254,802	374,186	-	1,281,818	324,445	(324,445)
	1,773	\$14,483,146	\$ 359,792	\$ 3,118,951	\$ 137,626	\$18,099,515	\$ 8,112,812	\$ 2,327,500	\$ 7,219,935	\$ (149,836)	\$17,510,411	\$ 589,104	\$ (589,104)



# Capital Region Housing Corporation

# Audit Findings Report

British Columbia, Canada

Fiscal year ended December 31, 2020





# Capital Region Housing Corporation

Audit Findings Report for the year ended December 31, 2020

*KPMG LLP*

For the meeting on May 5, 2021

[kpmg.ca/audit](https://kpmg.ca/audit)



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# Executive summary

## Purpose of this report

The purpose of this Audit Findings Report is to assist you, as a member of the Board of Directors, in your review of the results of our audit of the financial statements of Capital Region Housing Corporation (the Corporation) as at and for the year ended December 31, 2020. This Audit Findings Report builds on the Audit Plan we presented to the Hospitals and Housing Committee on January 6, 2021.

### What's new in fiscal 2020

There have been changes in fiscal 2020 which impacted financial reporting and our audit:

- COVID-19 pandemic – See page 5
- New auditing standard for estimates – See page 6

### Changes from the audit plan

There have been no significant changes regarding our audit from the Audit Planning Report previously presented to you.

### Finalizing the audit

As of the date of this report, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include:

- Completing our discussions with the Board of Directors;
- Obtaining the signed management representation letter;
- Obtaining evidence of the Board of Directors' approval of the financial statements; and,
- Completing subsequent event review procedures up to the date of the Board of Directors' approval of the financial statements.

We will update the Board of Directors on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures. Our auditors' report, a draft of which is attached to the enclosed draft financial statements, will be dated upon the completion of any remaining procedures.

### Areas of audit focus

Our audit is risk-focused. We have not identified any additional significant risks. However, as part of our audit, we identified areas of audit focus which include:

- Regional Housing First Program
- Development of Westview project

See pages 7 to 9 for the audit findings related to these areas of audit focus.

### Adjustments and differences

Differences and adjustments include disclosure and presentation differences and adjustments. Professional standards require that we request of management and the Board of Directors that all identified differences be corrected.

We did not identify differences that remain uncorrected.

We identified one adjustment that was communicated to management and subsequently corrected in the financial statements. Amortization for new properties was reduced to reflect the dates they began to be used by the Corporation. This increased capital assets and decreased expenses by \$1,116,598.



# Executive summary (continued)

## Significant accounting policies and practices

There have been no initial selections of, or changes to, significant accounting policies and practices to bring to your attention.

See page 10 for further details.

## Control and other observations

We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting.

## Independence

We confirm that we are independent with respect to the Corporation within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation from January 1, 2020 up to the date of this report.

## Current developments

Please refer to Appendix 3 for the current developments updates, including COVID-19 resources.

# What's new in 2020

## COVID-19 pandemic

Areas of impact	Key observations
<b>Corporation's financial reporting impacts</b>	<ul style="list-style-type: none"><li>- We considered impacts to financial reporting due to the COVID-19 pandemic and the increased disclosures needed in the financial statements as a result of the significant judgements applied. Suggestions were provided to management to enhance disclosures which have been reflected in the financial statements.</li></ul>
<b>Corporation's internal control over financial reporting</b>	<ul style="list-style-type: none"><li>- There were minimal changes to internal controls over financial reporting due to the COVID-19 pandemic as the Corporation did not move to a fully remote working environment and was able to maintain its existing internal controls and processes.</li></ul>
<b>Risk assessment</b>	<ul style="list-style-type: none"><li>- We performed a more thorough risk assessment specifically targeted at the impacts of the COVID-19 pandemic, including an assessment of fraud risk factors (i.e., conditions or events that may be indicative of an incentive/pressure to commit fraud, opportunities to commit fraud, rationalizations of committing fraud).</li></ul>
<b>Working remotely</b>	<ul style="list-style-type: none"><li>- We worked both remotely and onsite. We used virtual work rooms, video conferencing, and internally shared team sites to collaborate in real-time, both amongst the audit team as well as with management.</li><li>- We used secure technologies to conduct walkthroughs, perform tests of controls and substantive tests.</li><li>- We increased our professional skepticism when evaluating electronic evidence received and performed additional procedures to validate the authenticity and reliability of electronic information used as audit evidence.</li></ul>
<b>Direction and supervision of the audit</b>	<ul style="list-style-type: none"><li>- The Senior Manager and Engagement Partner were actively involved in determining the impact that the COVID-19 pandemic had on the audit (as discussed above), including the impact on the Corporation's financial reporting and the Corporation's internal control over financial reporting.</li><li>- The Senior Manager and Engagement Partner implemented new supervision processes to deal with working in a remote environment, and our audit approach allowed us to manage the audit using meaningful milestones and frequent touch points.</li></ul>
<b>Substantive testing – Response</b>	<ul style="list-style-type: none"><li>- As there were minimal changes to the Corporation's business during the year, we did not change our approach for the audit.</li></ul>

# What's new in 2020 continued

## New auditing standard

Standard	Key observations
<b>CAS 540, Auditing Accounting Estimates and Related Disclosures</b>	<ul style="list-style-type: none"><li>- The new standard was applied on all estimates within the financial statements that had a risk of material misstatement due to estimation uncertainty.</li><li>- We assessed the risk of material misstatement due to estimation uncertainty for all estimates within the financial statements and not just “key estimates”, “critical accounting estimates”, or “estimates with significant risk”. In assessing this risk, we considered the degree of complexity, uncertainty and subjectivity involved in making each accounting estimate to determine the level of audit response.</li><li>- We considered the potential for management bias.</li><li>- We determined that no estimates had a risk of material misstatement due to estimation uncertainty that was greater than remote.</li></ul>

# Audit risks

## Significant financial reporting risk

Fraud risk from management override of controls

## Why is this significant?

This is a presumed fraud risk. We have not identified any specific additional risks of management override relating to this audit.

## Our response

Our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include:

- Testing of journal entries and other adjustments throughout the period and during the post-closing period for financial statement preparation.
- Evaluating the business rationale of significant unusual transactions.

## Significant findings

There were no issues noted in our testing.

# Areas of audit focus

Other area of focus	Why is this significant?
<p>Regional Housing First Program (RHFP)</p> <p>West Park and Spencer Close</p>	<p>On November 2, 2020 and November 20, 2020, the Corporation entered into 60-year prepaid leases and 35-year operator agreements with Capital Regional District regarding West Park and Spencer Close respectively. These prepaid leases were initially funded through short-term financing which was converted into mortgages subsequent to year-end.</p>
Our response	
<ul style="list-style-type: none"><li>- RHFP is a partnership between three levels of government that have committed to fund affordable or supportive housing projects in the CRD. BC Housing, CMHC and CRD (through CRD, CRHC and CRHD) have committed to invest \$40M each to develop and acquire approximately 300 (at \$300,000 each) new housing units that will have a rental rate equal to the Province's income assistance shelter rate (\$375) for residents of the region experiencing chronic homelessness.</li><li>- Either BC Housing or CRD/CRD entities will purchase the approximately 20% provincial assistance rate units as an equity contribution. The operator (non-profit organization or CRHC) operates 100% of the units and maintains ownership of the remaining approximately 80% of units (or lease agreement with BC Housing or CRD/CRD entity). CMHC's \$40M contribution is in the form of a grant to the CRD, where the CRD holds ownership of those units.</li><li>- In November 2020, the CRD purchased West Park and Spencer Close under the RHFP. The properties were purchased for \$29.43M and \$28.41M respectively, including closing costs. CRD owns 100% of the units and has entered into a 60-year prepaid lease agreement with the CRHC, and a 35-year operator agreement for the RHFP units.</li><li>- The purchase of the properties is funded by contributions from CMHC and a 60-year prepaid lease with CRHC. CRHC received short-term financing from the BC Housing to fund the lease and closing costs. The short-term financing was converted into mortgages subsequent to year-end.</li><li>- KPMG inspected related information including the RHFP project details, purchase contract, lease agreement with CRD and the BC Housing financing commitment letter.</li><li>- KPMG agreed the short-term financing to 3<sup>rd</sup> party loan commitment letters and verified the prepaid lease had been appropriately added to capital assets.</li><li>- KPMG concurs with management's accounting treatment of the transactions in the financial statements.</li></ul>	
Significant findings	

There were no issues noted in our testing.



# Audit risks

Other area of focus	Why is this significant?
Development of Westview project	Material capital additions during the year.
Our response	
<ul style="list-style-type: none"><li>- During the 2020 fiscal year, \$3.6M (2019 - \$8.5M) of capital additions were incurred on the Westview project on Carey Road in Saanich. Total costs incurred to date on this project are \$14.8M as at December 31, 2020. Construction was completed in May 2020 when the property began to be rented.</li><li>- The construction costs are funded through two loans from BC Housing; a forgivable loan for \$6.4M and another loan which is not forgivable for up to \$8.5M. The forgivable loan was recognized as Provincial/Federal contributions in the statement of operations in fiscal 2019. Amounts drawn down in excess of the forgivable loan were converted into a mortgage for \$7.4M on September 1, 2020.</li><li>- KPMG selected a sample of invoices for construction costs incurred in fiscal 2020 and inspected the nature of invoices to determine if capitalization of cost is the appropriate accounting treatment.</li><li>- We did not note any issues or discrepancies in the amounts recognized for construction costs related to the Westview project.</li></ul>	
Significant findings	
There were no issues noted in our testing.	

# Significant accounting policies and practices

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## Significant accounting policies

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- There were no initial selections of or changes to the significant accounting policies and practices.
  - There were no significant accounting policies in controversial or emerging areas.
  - There were no issues noted with the timing of the Corporation's transactions in relation to the period in which they were recorded.
  - There were no issues noted with the extent to which the financial statements are affected by a significant unusual transaction and extent of disclosure of such transactions.
  - There were no issues noted with the extent to which the financial statements are affected by non-recurring amounts recognized during the period and extent of disclosure of such transactions.
- 



## Significant accounting estimates

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- There were no issues noted with management's identification of accounting estimates.
  - There were no issues noted with management's process for making accounting estimates.
  - There were no indicators of possible management bias.
  - There were no significant factors affecting the Corporation's asset and liability carrying values.
- 



## Financial statement presentation and disclosure

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- There were no issues noted with the judgments made, in formulating particularly sensitive financial statement disclosures.
  - There were no issues noted with the overall neutrality, consistency, and clarity of the disclosures in the financial statements.
  - There were no significant potential effects on the financial statements of significant risks, exposures and uncertainties.
-

# Uncorrected differences and corrected adjustments

Differences and adjustments include disclosure differences and adjustments.

Professional standards require that we request of management and the Board of Directors that all identified differences be corrected. We have already made this request of management.

## Uncorrected differences

We did not identify differences that remain uncorrected for fiscal 2020.

## Corrected adjustments

We identified one adjustment that was communicated to management and subsequently corrected in the financial statements. Amortization for new properties was reduced to reflect the dates they began to be used by the Corporation. This increased capital assets and decreased expenses by \$1,116,598.

The management representation letter includes all adjustments identified as a result of the audit, communicated to management and subsequently corrected in the financial statements.

# Appendices

**Appendix 1: Data & Analytics**

**Appendix 2: Required communications**

**Appendix 3: Current developments and audit trends**

**Appendix 4: Management representation letter**

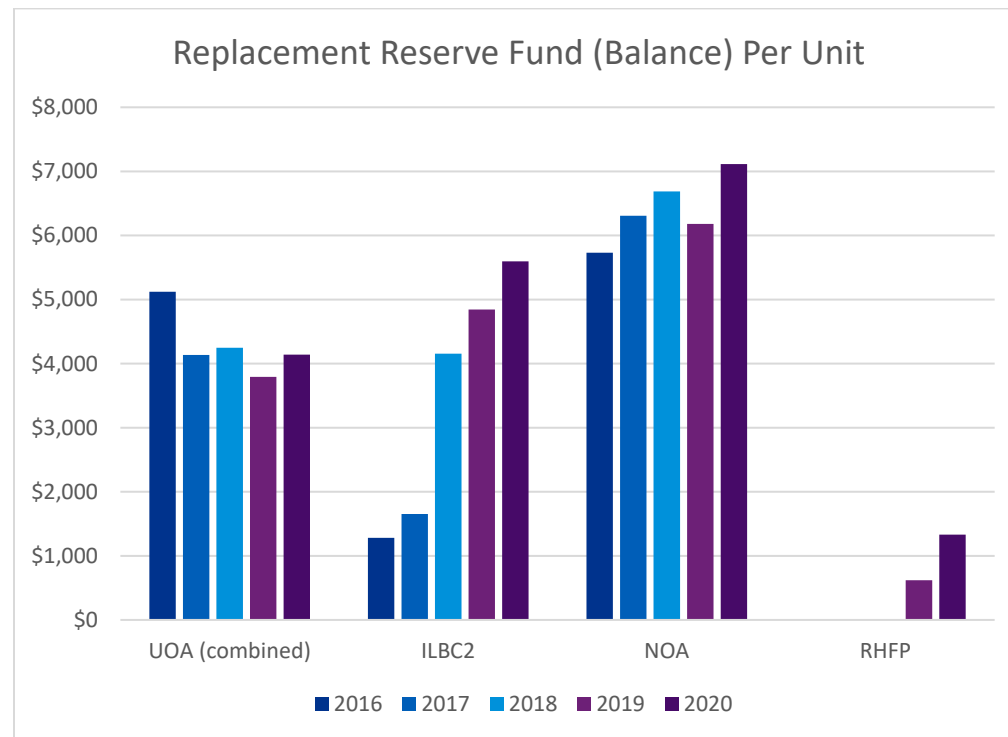


# Appendix 1: Data & Analytics

We have utilized Data & Analytics (D&A) in order to enhance the quality and effectiveness of the audit. We have summarized areas of the audit where D&A tools and routines were used.

## Schedule A: Replacement Reserve Fund (Balances)

Schedule A of the financial statements details the annual changes in the Replacement Reserve Fund by property including contributions, interest, and spending. The Replacement Reserve Funds have been established in accordance with the agreements for the purpose of each building being able to pay for the replacement of capital equipment and other approved items. The schedule below summarizes the properties in three categories: Umbrella Agreement, ILBC2 Agreement, No Operating Agreement and Regional Housing First Program (RHFP). In 2020, the Investing in Housing Initiative (IHI) Agreement was introduced which is 1 building (Westview) with 132 units. It was not included in the chart below since it is in its first year of operation.



The Replacement Reserve Fund (Balance) Per Unit ("RRFPU") graph provides a summary of the average funds available per unit from 2016 to 2020 under each of the operating agreements.

The average RRFPU for all buildings under the Umbrella Agreement ranges from a low of \$3,794 in 2019 to a high of \$5,122 in 2016. The 2020 balance has increased from 2019.

The average RRFPU for the building under the ILBC2 Agreement ranges from \$1,281 in 2016 to \$5,596 in 2020. During 2020 \$16,600 was transferred into the RRF from the Parry Place Rental Operating Fund, resulting in an increase in the overall RRF balance.

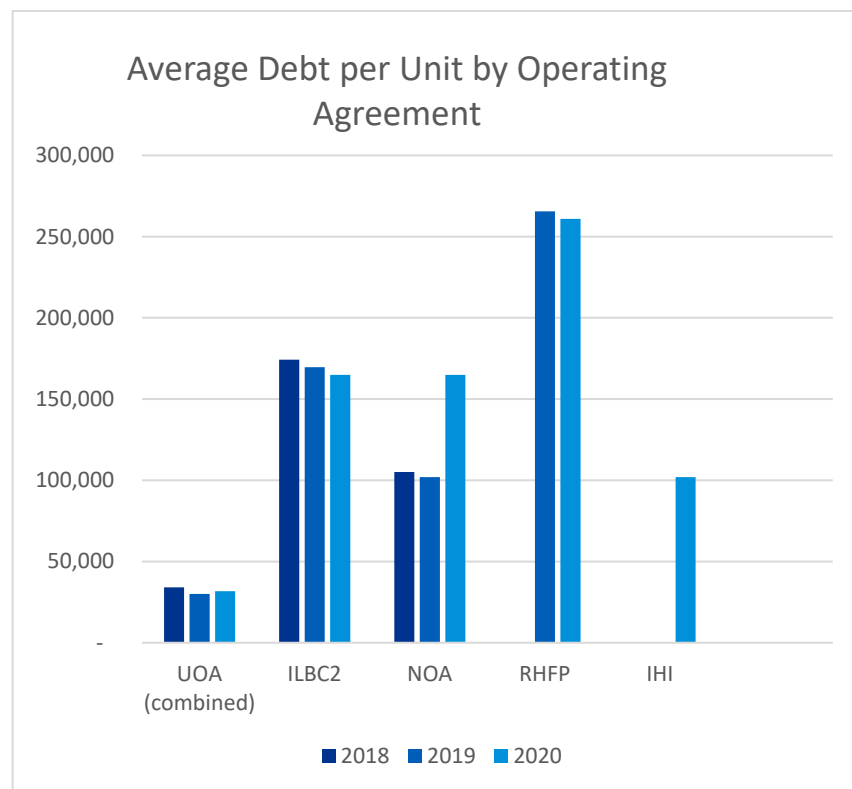
The NOA consists of 5 buildings. The average RRFPU for the buildings with no operating agreement ranges from \$5,731 in 2016 to \$7,115 in 2020. The increase in 2020 is attributed to contributions of operating surplus and interest earned being greater than capital expenditures. Furthermore, 3 buildings reached the end of their operator agreement with BC Housing and were transferred from the UOA category to NOA category - these buildings had higher individual RRFPU than those already in this category.

The RHFP 2020 replacement reserve per unit was \$1,331 which increased from \$618 in 2019 due to a full year of operations.

The IHI replacement reserve per unit was \$530. As the agreement is in its first year, it was not included in the table.

## Schedule D: Capital Fund – Mortgages Payable

Schedule D details the Mortgages Payable by property. The schedule includes the interest rate, renewal date, maturity date and the outstanding balance in fiscal 2020 and 2019. Three mortgages were renewed in fiscal 2019, while there were 7 renewals in fiscal 2020. Total principal repayments on mortgages in fiscal 2019 were \$5,193,349 and \$5,092,006 in fiscal 2020. Properties with no mortgages payable have not been included in the listing. West Park and Spencer Close are not included as at year end the short-term financing from BC Housing had not been converted into mortgages. The average debt per unit is \$66,720. Interest rates range from 0.68% to 3.5% per annum.



Average Debt per Unit by Operating Agreement is calculated by dividing the sum of the total debt per operating agreement by the total number of units per operating agreement. CMHC, BCHMC and Homes BC are all under the Umbrella Agreement.

	2020	2019	2018
UOA (combined):	\$31,683	\$30,043	\$34,049
CMHC:	\$1,060	\$3,553	\$7,771
BCHMC:	\$29,709	\$33,726	\$37,583
Homes BC:	\$84,373	\$89,729	\$93,892
ILBC2:	\$164,887	\$169,653	\$174,257
NOA:	\$98,713	\$101,946	\$105,071
RHFP:	\$260,924	\$265,556	-
IHI:	\$101,928	-	-

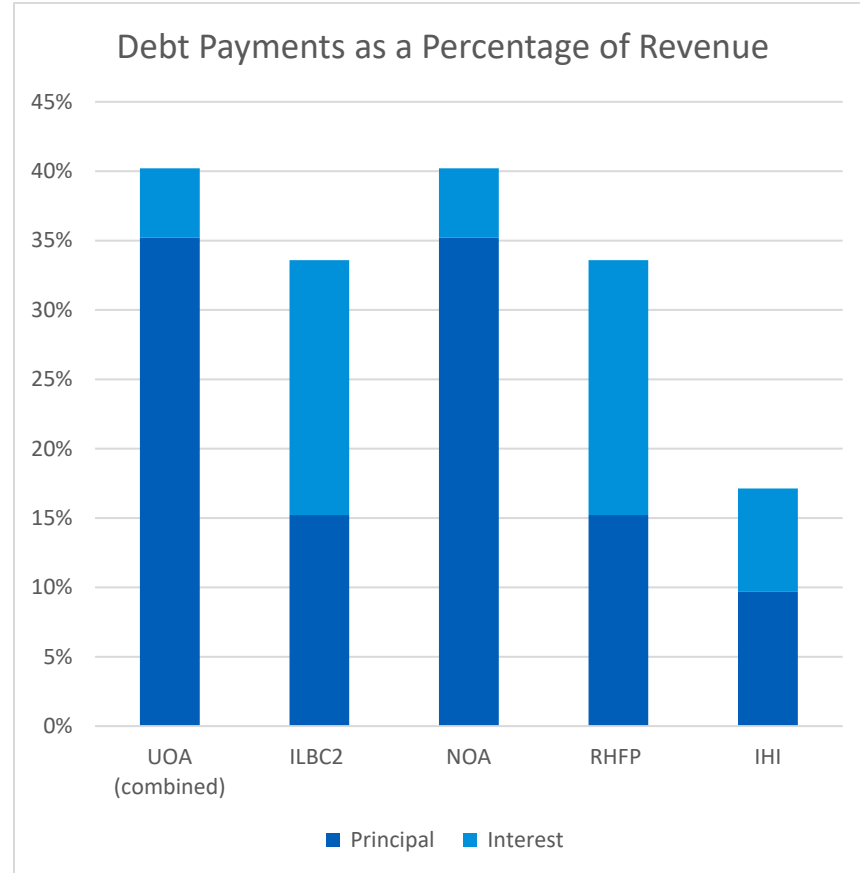
CMHC buildings have a lower average debt due to the agreements reaching the end of their term and expiring and therefore buildings almost entirely debt free.

Homes BC are included in the Umbrella Agreement; however, the mortgages are held with private lenders and have higher costs.

Buildings included in ILBC2, NOA and RHFP are newer buildings that have larger mortgage balances outstanding and therefore higher average debt.

The building in IHI is new in 2020 and the Corporation received a large forgivable for the construction cost of the building, therefore total debt is lower than RHFP even though all 3 buildings were placed in service within 2019-2020.

## Schedule D: Capital Fund – Mortgages Payable (continued)



The following graph depicts the average debt charge (interest and principal) as a percentage of revenue per building by operating agreement in 2020.

Average annual debt as a percentage of revenue have the following ratios:

UOA (combined):	39.24%
ILBC2:	33.59%
NOA:	58.96%
RHFP:	75.31%
IHI:	17.13%

It is expected that agreements with older buildings will have lower debt charges proportional to revenue as mortgages are paid off and newer buildings will have higher debt charges proportional to revenue.

The agreements are consistent with this expectation as RHFP is a new mortgage and has higher proportional debt charges to the revenues it collects.

UOA has mostly older mortgages which are paid off fully resulting in lower debt charges relative to revenue collected.

IHI is a new mortgage but the Corporation received a large forgivable loan for construction costs, therefore the total debt charge is lower.

It is expected that older agreements will have a larger portion of their debt charge relating to principal than interest and new agreements will have a larger portion of their debt charge relating to interest. All agreements are consistent with this expectation as more principal and less interest is paid each month over the term of the mortgage.

## Schedule E: Operating Fund – Rental Operations

Schedule E details the revenues, expenditures, and transfers related to each building. Also detailed is the surplus or deficit from operations after transfers which provides the readers of the financial statements with a summary of the annual surplus or deficit for the year by building.

The following table calculates the average per unit per month amount for rent, subsidy, operating costs, transfer to replacement reserve, debt charges and surplus/deficit by operating agreement.

Increased average tenant income and lower vacancy rates contributed to increased tenant rent contributions in buildings under the UOA. The ILBC2 building offers additional services to residents compared to other buildings resulting in a higher operating cost per unit. The RHFP buildings are operating at close to break even. IHI was introduced in 2020 and operated above breakeven.

Overall, the surplus per month represents a very small profit margin. For example, units under the UOA generate only \$8/month or 1% of revenue. There are a number of variables such as unexpected repairs or vacancies that can reduce the surplus and create a deficit since a number of buildings operate at no or little profit.

	UOA	ILBC2	NOA	RHFP	IHI
RENT	732	1,187	1,082	1,698	780
SUBSIDY	228	1,428	0	0	0
<i>TOTAL</i>	<b>960</b>	<b>2,615</b>	<b>1,082</b>	<b>1,698</b>	<b>780</b>
OPERATING COSTS	457	1,507	442	710	326
TRANSFER TO REPLACEMENT RESERVE	139	66	173	72	82
DEBT CHARGES	361	879	254	1,010	92
<i>TOTAL</i>	<b>957</b>	<b>2,452</b>	<b>869</b>	<b>1,792</b>	<b>500</b>
SURPLUS - average per month	8	165	220	68	236

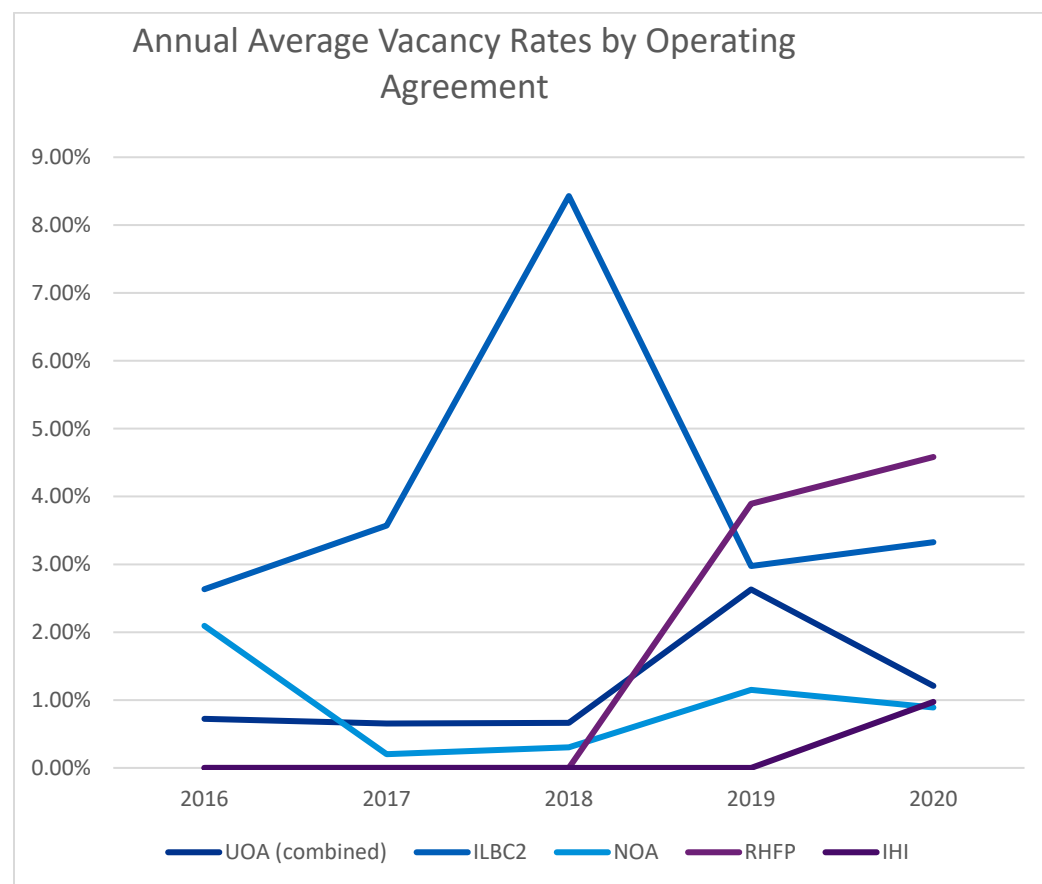


## Vacancy Rates

The vacancy rate is the numerical calculation of all the available units in a property that are vacant or unoccupied at a particular time. High vacancy rates indicate that the property is not renting well, while low vacancy rates indicate strong rentals. CMHC's reports indicate the following vacancy rates in Victoria:

2017 – 0.2%  
 2018 – 1.2%  
 2019 – 1.0%  
 2020 – 2.2%

The vacancy rate in the Victoria Census Metropolitan Area is determined by a Rental Market Survey conducted by CMHC every October.



The following graph depicts the annual average vacancy rates by operating agreement. The Umbrella Agreement ("UOA") includes CMHC, BCHMC and Homes BC.

The overall vacancy rates ranged from a low of 0.20% in the NOA properties in 2017 to a high of 8.43% in the ILBC2 property in 2018. Vancouver Island Health Authority is responsible for renting out the ILBC2 property which has only 21 units, so each unit represents a 5% change.

There was an increase in the vacancy rates for all operating agreements in the current year except UOA which decreased from 2.63% in 2019 to 1.21% in 2020. This is due to the large volume of units which impacts vacancy rates when there is turnover.

RHFP was a new building in 2019, had a vacancy rate of 3.89% due to the rent up of the building upon acquisition which increased to 4.58% due to the high number of units in the building and regular turnover.

Overall, vacancy rates are consistent with the Rental Market Survey conducted by CMHC. Higher than average vacancy rates are due to the rent up period for new buildings and the building managed by VIHA

# Appendix 2: Required communications

## Draft auditors' report

The conclusion of our audit is set out in our draft auditors' report attached to the draft financial statements.

## Management representation letter

In accordance with professional standards, a copy of the management representation letter is included in Appendix 4.

## Independence

In accordance with professional standards, we have confirmed our independence.

# Appendix 3: Current developments and audit trends

Current Developments, created by the KPMG Public Sector and Not-for-Profit Practice, summarizes regulatory and governance matters impacting public sector entities today, or expected to impact them over the next few years. We provide this information to help public sector entities understand upcoming changes and challenges they may face in their industry. Some of these developments may not impact the Corporation directly, but we believe it is important for the Board of Directors to understand what is happening in the sector.

## Public Sector Accounting Standards

Standard	Summary and implications
Impact of COVID-19	<ul style="list-style-type: none"><li>– In response to the impact of COVID-19 on public sector entities, PSAB has approved deferral of all upcoming accounting standards by one year and will issue non-authoritative guidance on the effects of COVID-19.</li></ul>
Asset Retirement Obligations	<ul style="list-style-type: none"><li>– The new standard is effective for fiscal years beginning on or after April 1, 2022. The effective date was deferred by one year due to COVID-19.</li><li>– The new standard addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets in productive use. Retirement costs will be recognized as an integral cost of owning and operating tangible capital assets. PSAB currently contains no specific guidance in this area.</li><li>– The ARO standard will require the public sector entity to record a liability related to future costs of any legal obligations to be incurred upon retirement of any controlled tangible capital assets ("TCA"). The amount of the initial liability will be added to the historical cost of the asset and amortized over its useful life.</li><li>– As a result of the new standard, the public sector entity will have to:<ul style="list-style-type: none"><li>• Consider how the additional liability will impact net debt, as a new liability will be recognized with no corresponding increase in a financial asset;</li><li>• Carefully review legal agreements, senior government directives and legislation in relation to all controlled TCA to determine if any legal obligations exist with respect to asset retirements;</li><li>• Begin considering the potential effects on the organization as soon as possible to coordinate with resources outside the finance department to identify AROs and obtain information to estimate the value of potential AROs to avoid unexpected issues.</li></ul></li></ul>

## Appendix 3: Current developments and audit trends (continued)

Standard	Summary and implications
Revenue	<ul style="list-style-type: none"> <li>– The new standard is effective for fiscal years beginning on or after April 1, 2023. The effective date was deferred by one year due to COVID-19.</li> <li>– The new standard establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement.</li> <li>– The standard notes that in the case of revenues arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations.</li> <li>– The standard notes that unilateral revenues arise when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.</li> </ul>
Purchased Intangibles	<ul style="list-style-type: none"> <li>– In October 2019, PSAB approved a proposal to allow public sector entities to recognize intangibles purchased through an exchange transaction. Practitioners are expected to use the definition of an asset, the general recognition criteria and the GAAP hierarchy to account for purchased intangibles.</li> <li>– PSAB has approved Public Sector Guideline 8 which allows recognition of intangibles purchased through an exchange transaction. Narrow-scope amendments were made to Section PS 1000 Financial statement concepts to remove prohibition on recognition of intangibles purchased through exchange transactions and PS 1201 Financial statement presentation to remove the requirement to disclose that purchased intangibles are not recognized.</li> <li>– The effective date is April 1, 2023 with early adoption permitted. Application may be retroactive or prospective.</li> </ul>

Standard	Summary and implications
Public Private Partnerships ("P3")	<ul style="list-style-type: none"> <li>PSAB has proposed new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership. PSAB is in the process of reviewing feedback provided by stakeholders on the exposure draft.</li> <li>The exposure draft proposes that recognition of infrastructure by the public sector entity would occur when it controls the purpose and use of the infrastructure, when it controls access and the price, if any, charged for use, and it controls any significant interest accumulated in the infrastructure when the P3 ends.</li> <li>The exposure draft proposes that the public sector entity recognize a liability when it needs to pay cash or non-cash consideration to the private sector partner for the infrastructure.</li> <li>The infrastructure would be valued at cost, which represents fair value at the date of recognition with a liability of the same amount if one exists. Cost would be measured in reference to the public private partnership process and agreement, or by discounting the expected cash flows by a discount rate that reflects the time value of money and risks specific to the project.</li> <li>The final standard was approved in December 2020 with an issuance date of April 1, 2021 and an effective date of April 1, 2023.</li> </ul>
Concepts Underlying Financial Performance	<ul style="list-style-type: none"> <li>PSAB is in the process of reviewing the conceptual framework that provides the core concepts and objectives underlying Canadian public sector accounting standards.</li> <li>PSAB has released four exposure drafts for the proposed conceptual framework and proposed revised reporting model, and their related consequential amendments. Comments on the exposure drafts are due in May 2021.</li> <li>PSAB is proposing a revised, ten chapter conceptual framework intended to replace PS 1000 <i>Financial Statement Concepts</i> and PS 1100 <i>Financial Statement Objectives</i>. The revised conceptual framework would be defined and elaborate on the characteristics of public sector entities and their financial reporting objectives. Additional information would be provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts would be introduced.</li> <li>In addition, PSAB is proposing: <ul style="list-style-type: none"> <li>Relocation of the net debt indicator to its own statement and the statement of net financial assets/liabilities, with the calculation of net debt refined to ensure its original meaning is retained.</li> <li>Separating liabilities into financial liabilities and non-financial liabilities.</li> <li>Restructuring the statement of financial position to present non-financial assets before liabilities.</li> <li>Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities).</li> <li>Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities), including a new component called "accumulated other".</li> <li>A new provision whereby an entity can use an amended budget in certain circumstances.</li> <li>Inclusion of disclosures related to risks and uncertainties that could affect the entity's financial position.</li> </ul> </li> </ul>

# Appendix 3: Current developments and audit trends (continued)

Our discussions with you, our audit opinion and what KPMG is seeing in the marketplace - both from an audit and industry perspective - indicate the following is specific information that will be of particular interest to you. We would, of course, be happy to further discuss this information with you at your convenience.

## Thought leadership

Thought leadership	Overview	Link
<b>2020 Audit Quality and Transparency Report</b>	Learn about KPMG's ongoing commitment to continuous audit quality improvement. KPMG maintains a system of audit quality control that is designed to meet or exceed the requirements of the applicable professional standards. In fact, we are continuously reviewing our policies and practices to ensure we're aligned with all regulatory and professional requirements, which if our firm commitment to each other as well as to our clients and to the capital markets we serve.	<a href="#">Link to report</a>
<b>Put your data to work to gain competitive advantage</b>	There is no "digital economy". The economy is digital and "digits" refer to data. Data is the lifeblood of every organization on this planet and organizations that embrace this notion are well positioned to grow as industries continue to evolve and disrupt at an ever increasing pace.	<a href="#">Link to report</a>
<b>Predictive analytics, it works</b>	CEOs recognize the value that predictive analytics delivers to their decision-making process.	<a href="#">Link to report</a>
<b>Creating the workforce of the future</b>	You can't transform the organization without also transforming the workforce. It may be time to rethink the people strategy.	<a href="#">Link to report</a>
<b>Accelerate</b>	Introducing KPMG's 2021 edition of Accelerate, a series of articles and videos offering insight into the key issues driving Board agendas, including: <ul style="list-style-type: none"><li>– Cyber risk</li><li>– Internal control over financial reporting, disclosures and regulation</li><li>– Digital disruption</li><li>– Enterprise risk management</li><li>– The evolution of environmental, social and governance (ESG) and disclosures</li></ul>	<a href="#">Link to report</a>
<b>Board Leadership Centre</b>	KPMG provides leading insights to help Board members maximize boardroom opportunities.	<a href="#">Link to site</a>

# Appendix 3: Current developments and audit trends (continued)

## COVID-19 pandemic resources

Resources	Summary	Links
<b>Resources for management and the Board of Directors</b>	<p>Please visit our COVID-19 website for resources regarding the topics below. This site is being <u>updated daily</u> based on information being released by federal, provincial and municipal news releases.</p> <ul style="list-style-type: none"><li>– Business continuity guide</li><li>– Immediate actions to take</li><li>– Medium to long-term actions</li><li>– Tax considerations and a summary of federal and provincial programs</li><li>– Legal considerations</li><li>– Financial reporting and audit considerations</li><li>– Global perspectives</li></ul>	<a href="#">COVID-19 Alerts (Live Link)</a>

# Appendix 4: Management Representation Letter

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the financial statements (hereinafter referred to as “financial statements”) of Capital Region Housing Corporation (“the Entity”) as at and for the period ended December 31, 2020.

## **General:**

We confirm that the representations we make in this letter are in accordance with the definitions as set out in Attachment I to this letter.

We also confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

## **Responsibilities:**

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated April 8, 2021 including for:
  - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.
  - b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements, such as all financial records and documentation and other matters, including:
    - (i) the names of all related parties and information regarding all relationships and transactions with related parties; and
    - (ii) the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of board of directors and committees of the board of directors that may affect the financial statements. All significant actions are included in such summaries.
  - c) providing you with unrestricted access to such relevant information.
  - d) providing you with complete responses to all enquiries made by you during the engagement.
  - e) providing you with additional information that you may request from us for the purpose of the engagement.
  - f) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.
  - g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
  - h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

## **Internal control over financial reporting:**

- 2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which we are aware.



# Appendix 4: Management Representation Letter (continued)

## **Fraud & non-compliance with laws and regulations**

- 3) We have disclosed to you:
- a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
  - b) all information in relation to fraud or suspected fraud that we are aware of that involves:
    - management;
    - employees who have significant roles in internal control over financial reporting; or
    - otherswhere such fraud or suspected fraud could have a material effect on the financial statements.
  - c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, or others.
  - d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements.
  - e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

## **Subsequent events:**

- 4) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

## **Related parties:**

- 5) We have disclosed to you the identity of the Entity's related parties.
- 6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.
- 7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

## **Estimates:**

- 8) The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

## **Going concern:**

- 9) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.
- 10) We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the Entity's ability to continue as a going concern.

# Appendix 4: Management Representation Letter (continued)

## **Misstatements:**

- 11) We approve the corrected misstatements identified by you during the audit described in Attachment II.

## **Non-SEC registrants or non-reporting issuers:**

- 12) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002). We also confirm that the financial statements of the Entity will not be included in the consolidated financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Yours very truly,

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Mr. Robert Lapham, Chief Administrative Officer

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Mr. Nelson Chan, Chief Financial Officer

---

Mr. Kevin Lorette, General Manager, Planning and Protective Services

## Attachment I – Definitions

### Materiality

Certain representations in this letter are described as being limited to matters that are material.

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgments about materiality are made in light of surrounding circumstances, and are affected by perception of the needs of, or the characteristics of, the users of the financial statements and, the size or nature of a misstatement, or a combination of both while also considering the entity's own circumstances.

Information is obscured if it is communicated in a way that would have a similar effect for users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:

- a) information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;
- b) information regarding a material item, transaction or other event is scattered throughout the financial statements;
- c) dissimilar items, transactions or other events are inappropriately aggregated;
- d) similar items, transactions or other events are inappropriately disaggregated; and
- e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

### Fraud & error

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

## Attachment II – Schedule of Audit Misstatements

Description	Statement of operations effect	Statement of financial position effect		
	(Decrease) Increase	Assets (Decrease) Increase	Liabilities (Decrease) Increase	Accumulated Deficit (Decrease) Increase
Reducing amortization to reflect the date new properties began to be used by the Corporation	1,116,598	1,116,598	-	-



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Capital Region Housing  
Corporation

# Audit Findings Report





# Capital Region Housing Corporation

Audit Findings Report for the year ended December 31, 2020

*KPMG LLP*

For the meeting on May 5, 2021

[kpmg.ca/audit](https://kpmg.ca/audit)



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# Executive summary

## Purpose of this report

The purpose of this Audit Findings Report is to assist you, as a member of the Board of Directors, in your review of the results of our audit of the financial statements of Capital Region Housing Corporation (the Corporation) as at and for the year ended December 31, 2020. This Audit Findings Report builds on the Audit Plan we presented to the Hospitals and Housing Committee on January 6, 2021.

### What's new in fiscal 2020

There have been changes in fiscal 2020 which impacted financial reporting and our audit:

- COVID-19 pandemic – See page 5
- New auditing standard for estimates – See page 6

### Changes from the audit plan

There have been no significant changes regarding our audit from the Audit Planning Report previously presented to you.

### Finalizing the audit

As of the date of this report, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include:

- Completing our discussions with the Board of Directors;
- Obtaining the signed management representation letter;
- Obtaining evidence of the Board of Directors' approval of the financial statements; and,
- Completing subsequent event review procedures up to the date of the Board of Directors' approval of the financial statements.

We will update the Board of Directors on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures. Our auditors' report, a draft of which is attached to the enclosed draft financial statements, will be dated upon the completion of any remaining procedures.

### Areas of audit focus

Our audit is risk-focused. We have not identified any additional significant risks. However, as part of our audit, we identified areas of audit focus which include:

- Regional Housing First Program
- Development of Westview project

See pages 7 to 9 for the audit findings related to these areas of audit focus.

### Adjustments and differences

Differences and adjustments include disclosure and presentation differences and adjustments. Professional standards require that we request of management and the Board of Directors that all identified differences be corrected.

We did not identify differences that remain uncorrected.

We identified one adjustment that was communicated to management and subsequently corrected in the financial statements. Amortization for new properties was reduced to reflect the dates they began to be used by the Corporation. This increased capital assets and decreased expenses by \$1,116,598.

# Executive summary (continued)

## Significant accounting policies and practices

There have been no initial selections of, or changes to, significant accounting policies and practices to bring to your attention.

See page 10 for further details.

## Control and other observations

We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting.

## Independence

We confirm that we are independent with respect to the Corporation within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation from January 1, 2020 up to the date of this report.

## Current developments

Please refer to Appendix 3 for the current developments updates, including COVID-19 resources.

# What's new in 2020

## COVID-19 pandemic

Areas of impact	Key observations
<b>Corporation's financial reporting impacts</b>	<ul style="list-style-type: none"><li>- We considered impacts to financial reporting due to the COVID-19 pandemic and the increased disclosures needed in the financial statements as a result of the significant judgements applied. Suggestions were provided to management to enhance disclosures which have been reflected in the financial statements.</li></ul>
<b>Corporation's internal control over financial reporting</b>	<ul style="list-style-type: none"><li>- There were minimal changes to internal controls over financial reporting due to the COVID-19 pandemic as the Corporation did not move to a fully remote working environment and was able to maintain its existing internal controls and processes.</li></ul>
<b>Risk assessment</b>	<ul style="list-style-type: none"><li>- We performed a more thorough risk assessment specifically targeted at the impacts of the COVID-19 pandemic, including an assessment of fraud risk factors (i.e., conditions or events that may be indicative of an incentive/pressure to commit fraud, opportunities to commit fraud, rationalizations of committing fraud).</li></ul>
<b>Working remotely</b>	<ul style="list-style-type: none"><li>- We worked both remotely and onsite. We used virtual work rooms, video conferencing, and internally shared team sites to collaborate in real-time, both amongst the audit team as well as with management.</li><li>- We used secure technologies to conduct walkthroughs, perform tests of controls and substantive tests.</li><li>- We increased our professional skepticism when evaluating electronic evidence received and performed additional procedures to validate the authenticity and reliability of electronic information used as audit evidence.</li></ul>
<b>Direction and supervision of the audit</b>	<ul style="list-style-type: none"><li>- The Senior Manager and Engagement Partner were actively involved in determining the impact that the COVID-19 pandemic had on the audit (as discussed above), including the impact on the Corporation's financial reporting and the Corporation's internal control over financial reporting.</li><li>- The Senior Manager and Engagement Partner implemented new supervision processes to deal with working in a remote environment, and our audit approach allowed us to manage the audit using meaningful milestones and frequent touch points.</li></ul>
<b>Substantive testing – Response</b>	<ul style="list-style-type: none"><li>- As there were minimal changes to the Corporation's business during the year, we did not change our approach for the audit.</li></ul>

# What's new in 2020 continued

## New auditing standard

Standard	Key observations
<b>CAS 540, Auditing Accounting Estimates and Related Disclosures</b>	<ul style="list-style-type: none"><li>- The new standard was applied on all estimates within the financial statements that had a risk of material misstatement due to estimation uncertainty.</li><li>- We assessed the risk of material misstatement due to estimation uncertainty for all estimates within the financial statements and not just “key estimates”, “critical accounting estimates”, or “estimates with significant risk”. In assessing this risk, we considered the degree of complexity, uncertainty and subjectivity involved in making each accounting estimate to determine the level of audit response.</li><li>- We considered the potential for management bias.</li><li>- We determined that no estimates had a risk of material misstatement due to estimation uncertainty that was greater than remote.</li></ul>

# Audit risks

## Significant financial reporting risk

Fraud risk from management override of controls

## Why is this significant?

This is a presumed fraud risk. We have not identified any specific additional risks of management override relating to this audit.

## Our response

Our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include:

- Testing of journal entries and other adjustments throughout the period and during the post-closing period for financial statement preparation.
- Evaluating the business rationale of significant unusual transactions.

## Significant findings

There were no issues noted in our testing.

# Areas of audit focus

Other area of focus	Why is this significant?
<p>Regional Housing First Program (RHFP)</p> <p>West Park and Spencer Close</p>	<p>On November 2, 2020 and November 20, 2020, the Corporation entered into 60-year prepaid leases and 35-year operator agreements with Capital Regional District regarding West Park and Spencer Close respectively. These prepaid leases were initially funded through short-term financing which was converted into mortgages subsequent to year-end.</p>
Our response	
<ul style="list-style-type: none"> <li>- RHFP is a partnership between three levels of government that have committed to fund affordable or supportive housing projects in the CRD. BC Housing, CMHC and CRD (through CRD, CRHC and CRHD) have committed to invest \$40M each to develop and acquire approximately 400 (at \$300,000 each) new housing units that will have a rental rate equal to the Province's income assistance shelter rate (\$375) for residents of the region experiencing chronic homelessness.</li> <li>- Either BC Housing or CRD/CRD entities will purchase the approximately 20% provincial assistance rate units as an equity contribution. The operator (non-profit organization or CRHC) operates 100% of the units and maintains ownership of the remaining approximately 80% of units (or lease agreement with BC Housing or CRD/CRD entity). CMHC's \$40M contribution is in the form of a grant to the CRD, where the CRD holds ownership of those units.</li> <li>- In November 2020, the CRD purchased West Park and Spencer Close under the RHFP. The properties were purchased for \$29.43M and \$28.41M respectively, including closing costs. CRD owns 100% of the units and has entered into a 60-year prepaid lease agreement with the CRHC, and a 35-year operator agreement for the RHFP units.</li> <li>- The purchase of the properties is funded by contributions from CMHC and a 60-year prepaid lease with CRHC. CRHC received short-term financing from the BC Housing to fund the lease and closing costs. The short-term financing was converted into mortgages subsequent to year-end.</li> <li>- KPMG inspected related information including the RHFP project details, purchase contract, lease agreement with CRD and the BC Housing financing commitment letter.</li> <li>- KPMG agreed the short-term financing to 3<sup>rd</sup> party loan commitment letters and verified the prepaid lease had been appropriately added to capital assets.</li> <li>- KPMG concurs with management's accounting treatment of the transactions in the financial statements.</li> </ul>	
Significant findings	
<p>There were no issues noted in our testing.</p>	

# Audit risks

Other area of focus	Why is this significant?
Development of Westview project	Material capital additions during the year.
Our response	
<ul style="list-style-type: none"><li>- During the 2020 fiscal year, \$3.6M (2019 - \$8.5M) of capital additions were incurred on the Westview project on Carey Road in Saanich. Total costs incurred to date on this project are \$14.8M as at December 31, 2020. Construction was completed in May 2020 when the property began to be rented.</li><li>- The construction costs are funded through two loans from BC Housing; a forgivable loan for \$6.4M and another loan which is not forgivable for up to \$8.5M. The forgivable loan was recognized as Provincial/Federal contributions in the statement of operations in fiscal 2019. Amounts drawn down in excess of the forgivable loan were converted into a mortgage for \$7.4M on September 1, 2020.</li><li>- KPMG selected a sample of invoices for construction costs incurred in fiscal 2020 and inspected the nature of invoices to determine if capitalization of cost is the appropriate accounting treatment.</li><li>- We did not note any issues or discrepancies in the amounts recognized for construction costs related to the Westview project.</li></ul>	
Significant findings	
There were no issues noted in our testing.	



# Significant accounting policies and practices

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## Significant accounting policies

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- There were no initial selections of or changes to the significant accounting policies and practices.
  - There were no significant accounting policies in controversial or emerging areas.
  - There were no issues noted with the timing of the Corporation's transactions in relation to the period in which they were recorded.
  - There were no issues noted with the extent to which the financial statements are affected by a significant unusual transaction and extent of disclosure of such transactions.
  - There were no issues noted with the extent to which the financial statements are affected by non-recurring amounts recognized during the period and extent of disclosure of such transactions.
- 



## Significant accounting estimates

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- There were no issues noted with management's identification of accounting estimates.
  - There were no issues noted with management's process for making accounting estimates.
  - There were no indicators of possible management bias.
  - There were no significant factors affecting the Corporation's asset and liability carrying values.
- 



## Financial statement presentation and disclosure

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- There were no issues noted with the judgments made, in formulating particularly sensitive financial statement disclosures.
  - There were no issues noted with the overall neutrality, consistency, and clarity of the disclosures in the financial statements.
  - There were no significant potential effects on the financial statements of significant risks, exposures and uncertainties.
-

# Uncorrected differences and corrected adjustments

Differences and adjustments include disclosure differences and adjustments.

Professional standards require that we request of management and the Board of Directors that all identified differences be corrected. We have already made this request of management.

## Uncorrected differences

We did not identify differences that remain uncorrected for fiscal 2020.

## Corrected adjustments

We identified one adjustment that was communicated to management and subsequently corrected in the financial statements. Amortization for new properties was reduced to reflect the dates they began to be used by the Corporation. This increased capital assets and decreased expenses by \$1,116,598.

The management representation letter includes all adjustments identified as a result of the audit, communicated to management and subsequently corrected in the financial statements.

# Appendices

**Appendix 1: Data & Analytics**

**Appendix 2: Required communications**

**Appendix 3: Current developments and audit trends**

**Appendix 4: Management representation letter**

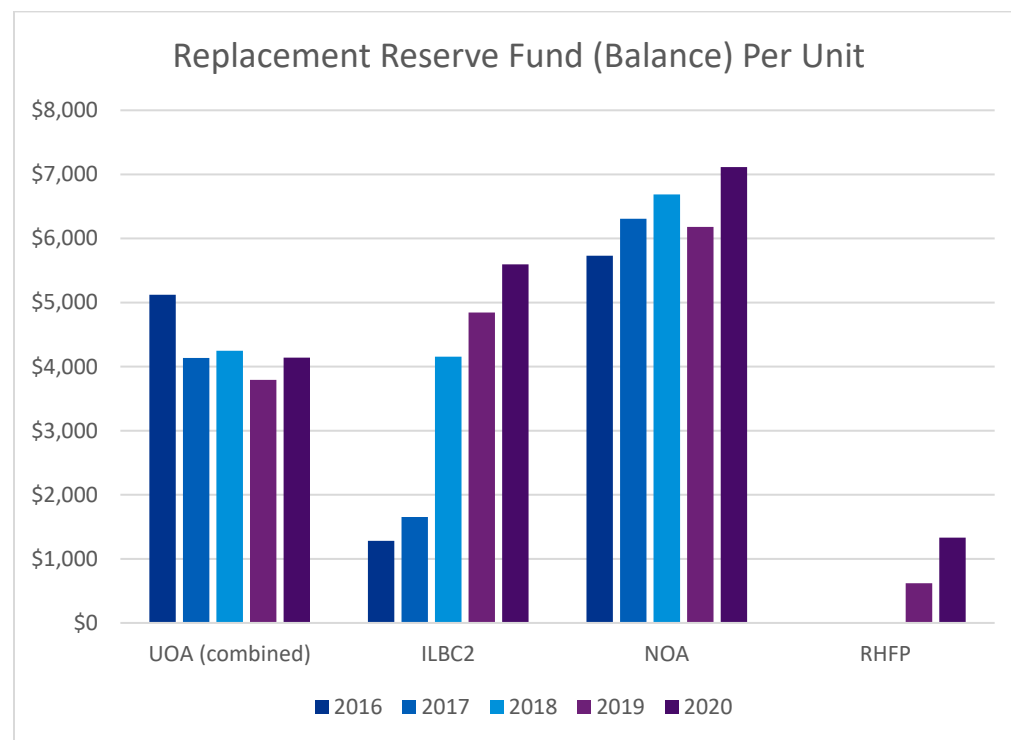


# Appendix 1: Data & Analytics

We have utilized Data & Analytics (D&A) in order to enhance the quality and effectiveness of the audit. We have summarized areas of the audit where D&A tools and routines were used.

## Schedule A: Replacement Reserve Fund (Balances)

Schedule A of the financial statements details the annual changes in the Replacement Reserve Fund by property including contributions, interest, and spending. The Replacement Reserve Funds have been established in accordance with the agreements for the purpose of each building being able to pay for the replacement of capital equipment and other approved items. The schedule below summarizes the properties in three categories: Umbrella Agreement, ILBC2 Agreement, No Operating Agreement and Regional Housing First Program (RHFP). In 2020, the Investing in Housing Initiative (IHI) Agreement was introduced which is 1 building (Westview) with 132 units. It was not included in the chart below since it is in its first year of operation.



The Replacement Reserve Fund (Balance) Per Unit ("RRFPU") graph provides a summary of the average funds available per unit from 2016 to 2020 under each of the operating agreements.

The average RRFPU for all buildings under the Umbrella Agreement ranges from a low of \$3,794 in 2019 to a high of \$5,122 in 2016. The 2020 balance has increased from 2019.

The average RRFPU for the building under the ILBC2 Agreement ranges from \$1,281 in 2016 to \$5,596 in 2020. During 2020 \$16,600 was transferred into the RRF from the Parry Place Rental Operating Fund, resulting in an increase in the overall RRF balance.

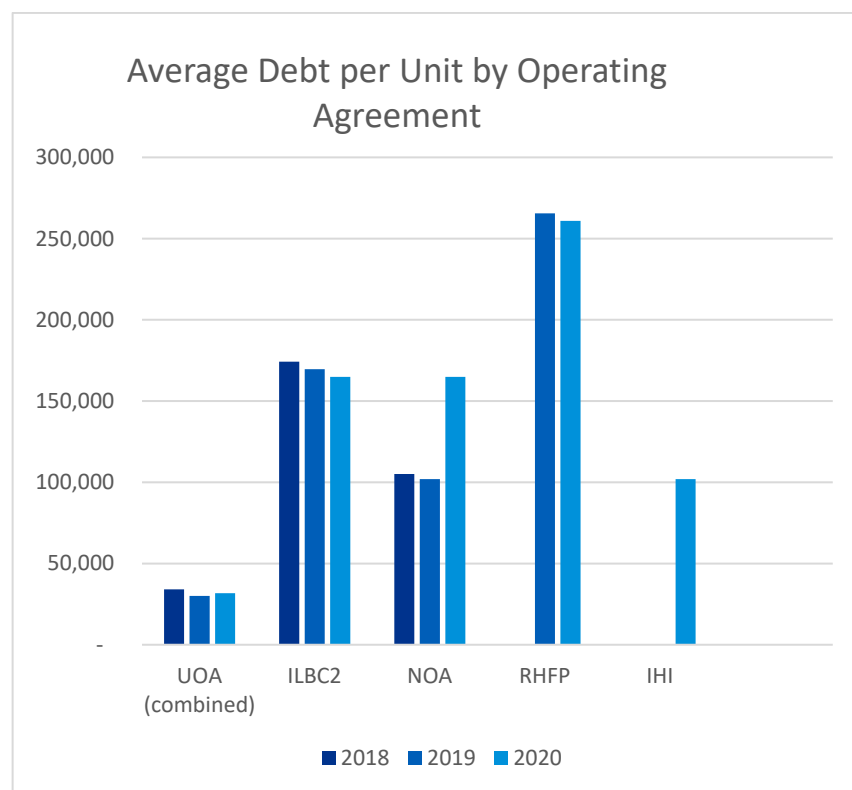
The NOA consists of 5 buildings. The average RRFPU for the buildings with no operating agreement ranges from \$5,731 in 2016 to \$7,115 in 2020. The increase in 2020 is attributed to contributions of operating surplus and interest earned being greater than capital expenditures. Furthermore, 3 buildings reached the end of their operator agreement with BC Housing and were transferred from the UOA category to NOA category - these buildings had higher individual RRFPU than those already in this category.

The RHFP 2020 replacement reserve per unit was \$1,331 which increased from \$618 in 2019 due to a full year of operations.

The IHI replacement reserve per unit was \$530. As the agreement is in its first year, it was not included in the table.

## Schedule D: Capital Fund – Mortgages Payable

Schedule D details the Mortgages Payable by property. The schedule includes the interest rate, renewal date, maturity date and the outstanding balance in fiscal 2020 and 2019. Three mortgages were renewed in fiscal 2019, while there were 7 renewals in fiscal 2020. Total principal repayments on mortgages in fiscal 2019 were \$5,193,349 and \$5,092,006 in fiscal 2020. Properties with no mortgages payable have not been included in the listing. West Park and Spencer Close are not included as at year end the short-term financing from BC Housing had not been converted into mortgages. The average debt per unit is \$66,720. Interest rates range from 0.68% to 3.5% per annum.



Average Debt per Unit by Operating Agreement is calculated by dividing the sum of the total debt per operating agreement by the total number of units per operating agreement. CMHC, BCHMC and Homes BC are all under the Umbrella Agreement.

	2020	2019	2018
UOA (combined):	\$31,683	\$30,043	\$34,049
CMHC:	\$1,060	\$3,553	\$7,771
BCHMC:	\$29,709	\$33,726	\$37,583
Homes BC:	\$84,373	\$89,729	\$93,892
ILBC2:	\$164,887	\$169,653	\$174,257
NOA:	\$98,713	\$101,946	\$105,071
RHFP:	\$260,924	\$265,556	-
IHI:	\$101,928	-	-

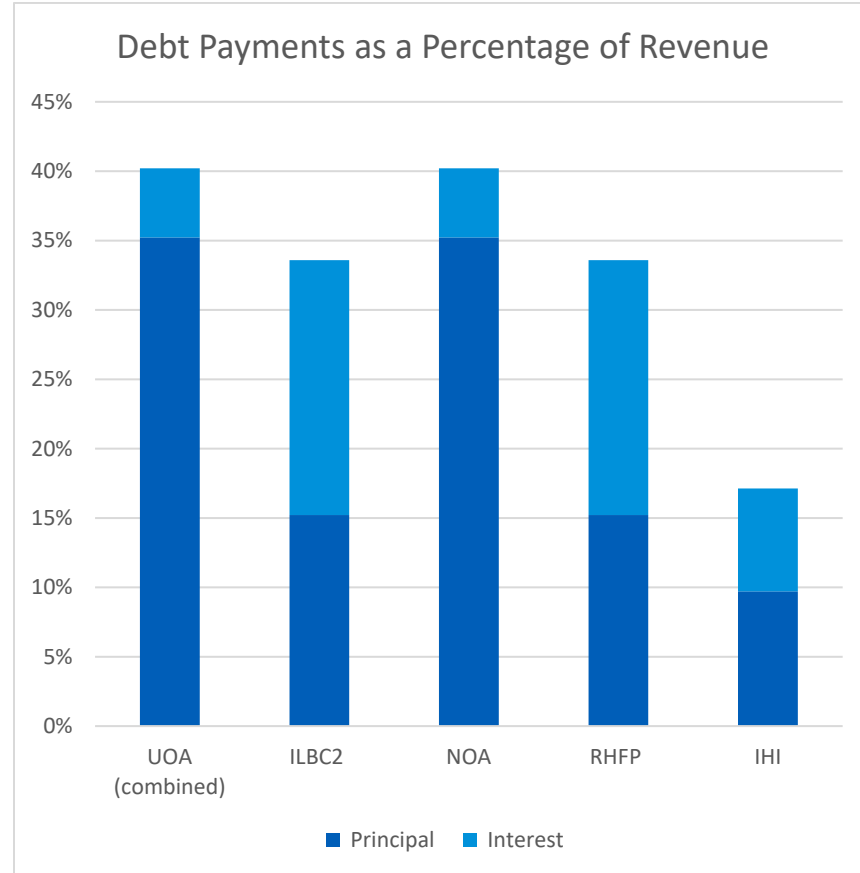
CMHC buildings have a lower average debt due to the agreements reaching the end of their term and expiring and therefore buildings almost entirely debt free.

Homes BC are included in the Umbrella Agreement; however, the mortgages are held with private lenders and have higher costs.

Buildings included in ILBC2, NOA and RHFP are newer buildings that have larger mortgage balances outstanding and therefore higher average debt.

The building in IHI is new in 2020 and the Corporation received a large forgivable for the construction cost of the building, therefore total debt is lower than RHFP even though all 3 buildings were placed in service within 2019-2020.

## Schedule D: Capital Fund – Mortgages Payable (continued)



The following graph depicts the average debt charge (interest and principal) as a percentage of revenue per building by operating agreement in 2020.

Average annual debt as a percentage of revenue have the following ratios:

UOA (combined):	39.24%
ILBC2:	33.59%
NOA:	58.96%
RHFP:	75.31%
IHI:	17.13%

It is expected that agreements with older buildings will have lower debt charges proportional to revenue as mortgages are paid off and newer buildings will have higher debt charges proportional to revenue.

The agreements are consistent with this expectation as RHFP is a new mortgage and has higher proportional debt charges to the revenues it collects.

UOA has mostly older mortgages which are paid off fully resulting in lower debt charges relative to revenue collected.

IHI is a new mortgage but the Corporation received a large forgivable loan for construction costs, therefore the total debt charge is lower.

It is expected that older agreements will have a larger portion of their debt charge relating to principal than interest and new agreements will have a larger portion of their debt charge relating to interest. All agreements are consistent with this expectation as more principal and less interest is paid each month over the term of the mortgage.

## Schedule E: Operating Fund – Rental Operations

Schedule E details the revenues, expenditures, and transfers related to each building. Also detailed is the surplus or deficit from operations after transfers which provides the readers of the financial statements with a summary of the annual surplus or deficit for the year by building.

The following table calculates the average per unit per month amount for rent, subsidy, operating costs, transfer to replacement reserve, debt charges and surplus/deficit by operating agreement.

Increased average tenant income and lower vacancy rates contributed to increased tenant rent contributions in buildings under the UOA. The ILBC2 building offers additional services to residents compared to other buildings resulting in a higher operating cost per unit. The RHFP buildings are operating at close to break even. IHI was introduced in 2020 and operated above breakeven.

Overall, the surplus per month represents a very small profit margin. For example, units under the UOA generate only \$8/month or 1% of revenue. There are a number of variables such as unexpected repairs or vacancies that can reduce the surplus and create a deficit since a number of buildings operate at no or little profit.

	UOA	ILBC2	NOA	RHFP	IHI
RENT	732	1,187	1,082	1,698	780
SUBSIDY	228	1,428	0	0	0
<b>TOTAL</b>	<b>960</b>	<b>2,615</b>	<b>1,082</b>	<b>1,698</b>	<b>780</b>
OPERATING COSTS	457	1,507	442	710	326
TRANSFER TO REPLACEMENT RESERVE	139	66	173	72	82
DEBT CHARGES	361	879	254	1,010	92
<b>TOTAL</b>	<b>957</b>	<b>2,452</b>	<b>869</b>	<b>1,792</b>	<b>500</b>
SURPLUS - average per month	8	165	220	68	236

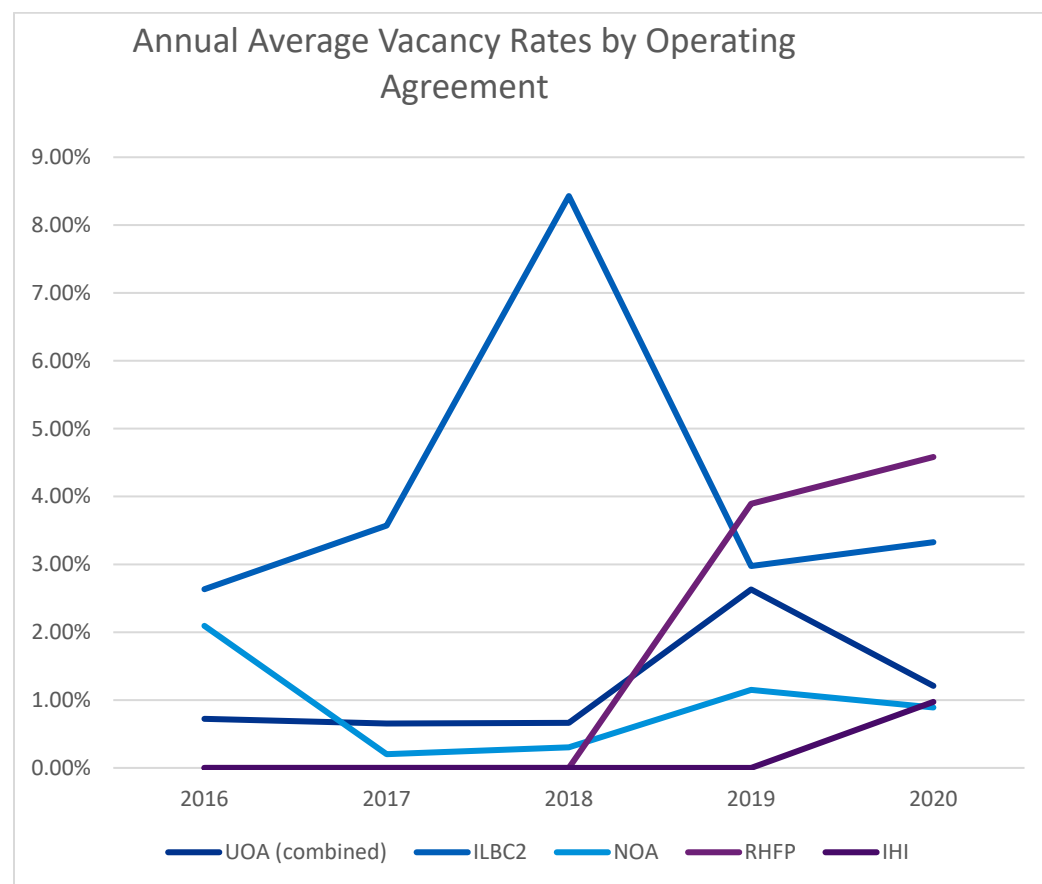


## Vacancy Rates

The vacancy rate is the numerical calculation of all the available units in a property that are vacant or unoccupied at a particular time. High vacancy rates indicate that the property is not renting well, while low vacancy rates indicate strong rentals. CMHC's reports indicate the following vacancy rates in Victoria:

2017 – 0.2%  
 2018 – 1.2%  
 2019 – 1.0%  
 2020 – 2.2%

The vacancy rate in the Victoria Census Metropolitan Area is determined by a Rental Market Survey conducted by CMHC every October.



The following graph depicts the annual average vacancy rates by operating agreement. The Umbrella Agreement ("UOA") includes CMHC, BCHMC and Homes BC.

The overall vacancy rates ranged from a low of 0.20% in the NOA properties in 2017 to a high of 8.43% in the ILBC2 property in 2018. Vancouver Island Health Authority is responsible for renting out the ILBC2 property which has only 21 units, so each unit represents a 5% change.

There was an increase in the vacancy rates for all operating agreements in the current year except UOA which decreased from 2.63% in 2019 to 1.21% in 2020. This is due to the large volume of units which impacts vacancy rates when there is turnover.

RHFP was a new building in 2019, had a vacancy rate of 3.89% due to the rent up of the building upon acquisition which increased to 4.58% due to the high number of units in the building and regular turnover.

Overall, vacancy rates are consistent with the Rental Market Survey conducted by CMHC. Higher than average vacancy rates are due to the rent up period for new buildings and the building managed by VIHA

# Appendix 2: Required communications

## Draft auditors' report

The conclusion of our audit is set out in our draft auditors' report attached to the draft financial statements.

## Management representation letter

In accordance with professional standards, a copy of the management representation letter is included in Appendix 4.

## Independence

In accordance with professional standards, we have confirmed our independence.

# Appendix 3: Current developments and audit trends

Current Developments, created by the KPMG Public Sector and Not-for-Profit Practice, summarizes regulatory and governance matters impacting public sector entities today, or expected to impact them over the next few years. We provide this information to help public sector entities understand upcoming changes and challenges they may face in their industry. Some of these developments may not impact the Corporation directly, but we believe it is important for the Board of Directors to understand what is happening in the sector.

## Public Sector Accounting Standards

Standard	Summary and implications
Impact of COVID-19	<ul style="list-style-type: none"><li>– In response to the impact of COVID-19 on public sector entities, PSAB has approved deferral of all upcoming accounting standards by one year and will issue non-authoritative guidance on the effects of COVID-19.</li></ul>
Asset Retirement Obligations	<ul style="list-style-type: none"><li>– The new standard is effective for fiscal years beginning on or after April 1, 2022. The effective date was deferred by one year due to COVID-19.</li><li>– The new standard addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets in productive use. Retirement costs will be recognized as an integral cost of owning and operating tangible capital assets. PSAB currently contains no specific guidance in this area.</li><li>– The ARO standard will require the public sector entity to record a liability related to future costs of any legal obligations to be incurred upon retirement of any controlled tangible capital assets ("TCA"). The amount of the initial liability will be added to the historical cost of the asset and amortized over its useful life.</li><li>– As a result of the new standard, the public sector entity will have to:<ul style="list-style-type: none"><li>• Consider how the additional liability will impact net debt, as a new liability will be recognized with no corresponding increase in a financial asset;</li><li>• Carefully review legal agreements, senior government directives and legislation in relation to all controlled TCA to determine if any legal obligations exist with respect to asset retirements;</li><li>• Begin considering the potential effects on the organization as soon as possible to coordinate with resources outside the finance department to identify AROs and obtain information to estimate the value of potential AROs to avoid unexpected issues.</li></ul></li></ul>

## Appendix 3: Current developments and audit trends (continued)

Standard	Summary and implications
Revenue	<ul style="list-style-type: none"> <li>– The new standard is effective for fiscal years beginning on or after April 1, 2023. The effective date was deferred by one year due to COVID-19.</li> <li>– The new standard establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement.</li> <li>– The standard notes that in the case of revenues arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations.</li> <li>– The standard notes that unilateral revenues arise when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.</li> </ul>
Purchased Intangibles	<ul style="list-style-type: none"> <li>– In October 2019, PSAB approved a proposal to allow public sector entities to recognize intangibles purchased through an exchange transaction. Practitioners are expected to use the definition of an asset, the general recognition criteria and the GAAP hierarchy to account for purchased intangibles.</li> <li>– PSAB has approved Public Sector Guideline 8 which allows recognition of intangibles purchased through an exchange transaction. Narrow-scope amendments were made to Section PS 1000 Financial statement concepts to remove prohibition on recognition of intangibles purchased through exchange transactions and PS 1201 Financial statement presentation to remove the requirement to disclose that purchased intangibles are not recognized.</li> <li>– The effective date is April 1, 2023 with early adoption permitted. Application may be retroactive or prospective.</li> </ul>

Standard	Summary and implications
Public Private Partnerships ("P3")	<ul style="list-style-type: none"> <li>– PSAB has proposed new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership. PSAB is in the process of reviewing feedback provided by stakeholders on the exposure draft.</li> <li>– The exposure draft proposes that recognition of infrastructure by the public sector entity would occur when it controls the purpose and use of the infrastructure, when it controls access and the price, if any, charged for use, and it controls any significant interest accumulated in the infrastructure when the P3 ends.</li> <li>– The exposure draft proposes that the public sector entity recognize a liability when it needs to pay cash or non-cash consideration to the private sector partner for the infrastructure.</li> <li>– The infrastructure would be valued at cost, which represents fair value at the date of recognition with a liability of the same amount if one exists. Cost would be measured in reference to the public private partnership process and agreement, or by discounting the expected cash flows by a discount rate that reflects the time value of money and risks specific to the project.</li> <li>– The final standard was approved in December 2020 with an issuance date of April 1, 2021 and an effective date of April 1, 2023.</li> </ul>
Concepts Underlying Financial Performance	<ul style="list-style-type: none"> <li>– PSAB is in the process of reviewing the conceptual framework that provides the core concepts and objectives underlying Canadian public sector accounting standards.</li> <li>– PSAB has released four exposure drafts for the proposed conceptual framework and proposed revised reporting model, and their related consequential amendments. Comments on the exposure drafts are due in May 2021.</li> <li>– PSAB is proposing a revised, ten chapter conceptual framework intended to replace PS 1000 <i>Financial Statement Concepts</i> and PS 1100 <i>Financial Statement Objectives</i>. The revised conceptual framework would be defined and elaborate on the characteristics of public sector entities and their financial reporting objectives. Additional information would be provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts would be introduced.</li> <li>– In addition, PSAB is proposing: <ul style="list-style-type: none"> <li>• Relocation of the net debt indicator to its own statement and the statement of net financial assets/liabilities, with the calculation of net debt refined to ensure its original meaning is retained.</li> <li>• Separating liabilities into financial liabilities and non-financial liabilities.</li> <li>• Restructuring the statement of financial position to present non-financial assets before liabilities.</li> <li>• Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities).</li> <li>• Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities), including a new component called "accumulated other".</li> <li>• A new provision whereby an entity can use an amended budget in certain circumstances.</li> <li>• Inclusion of disclosures related to risks and uncertainties that could affect the entity's financial position.</li> </ul> </li> </ul>

# Appendix 3: Current developments and audit trends (continued)

Our discussions with you, our audit opinion and what KPMG is seeing in the marketplace - both from an audit and industry perspective - indicate the following is specific information that will be of particular interest to you. We would, of course, be happy to further discuss this information with you at your convenience.

## Thought leadership

Thought leadership	Overview	Link
<b>2020 Audit Quality and Transparency Report</b>	Learn about KPMG's ongoing commitment to continuous audit quality improvement. KPMG maintains a system of audit quality control that is designed to meet or exceed the requirements of the applicable professional standards. In fact, we are continuously reviewing our policies and practices to ensure we're aligned with all regulatory and professional requirements, which if our firm commitment to each other as well as to our clients and to the capital markets we serve.	<a href="#">Link to report</a>
<b>Put your data to work to gain competitive advantage</b>	There is no "digital economy". The economy is digital and "digits" refer to data. Data is the lifeblood of every organization on this planet and organizations that embrace this notion are well positioned to grow as industries continue to evolve and disrupt at an ever increasing pace.	<a href="#">Link to report</a>
<b>Predictive analytics, it works</b>	CEOs recognize the value that predictive analytics delivers to their decision-making process.	<a href="#">Link to report</a>
<b>Creating the workforce of the future</b>	You can't transform the organization without also transforming the workforce. It may be time to rethink the people strategy.	<a href="#">Link to report</a>
<b>Accelerate</b>	Introducing KPMG's 2021 edition of Accelerate, a series of articles and videos offering insight into the key issues driving Board agendas, including: <ul style="list-style-type: none"><li>– Cyber risk</li><li>– Internal control over financial reporting, disclosures and regulation</li><li>– Digital disruption</li><li>– Enterprise risk management</li><li>– The evolution of environmental, social and governance (ESG) and disclosures</li></ul>	<a href="#">Link to report</a>
<b>Board Leadership Centre</b>	KPMG provides leading insights to help Board members maximize boardroom opportunities.	<a href="#">Link to site</a>

# Appendix 3: Current developments and audit trends (continued)

## COVID-19 pandemic resources

Resources	Summary	Links
<b>Resources for management and the Board of Directors</b>	<p>Please visit our COVID-19 website for resources regarding the topics below. This site is being <u>updated daily</u> based on information being released by federal, provincial and municipal news releases.</p> <ul style="list-style-type: none"><li>– Business continuity guide</li><li>– Immediate actions to take</li><li>– Medium to long-term actions</li><li>– Tax considerations and a summary of federal and provincial programs</li><li>– Legal considerations</li><li>– Financial reporting and audit considerations</li><li>– Global perspectives</li></ul>	<a href="#">COVID-19 Alerts (Live Link)</a>



# Appendix 4: Management Representation Letter

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the financial statements (hereinafter referred to as “financial statements”) of Capital Region Housing Corporation (“the Entity”) as at and for the period ended December 31, 2020.

## **General:**

We confirm that the representations we make in this letter are in accordance with the definitions as set out in Attachment I to this letter.

We also confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

## **Responsibilities:**

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated April 8, 2021 including for:
  - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.
  - b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements, such as all financial records and documentation and other matters, including:
    - (i) the names of all related parties and information regarding all relationships and transactions with related parties; and
    - (ii) the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of board of directors and committees of the board of directors that may affect the financial statements. All significant actions are included in such summaries.
  - c) providing you with unrestricted access to such relevant information.
  - d) providing you with complete responses to all enquiries made by you during the engagement.
  - e) providing you with additional information that you may request from us for the purpose of the engagement.
  - f) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.
  - g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
  - h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

## **Internal control over financial reporting:**

- 2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which we are aware.

# Appendix 4: Management Representation Letter (continued)

## **Fraud & non-compliance with laws and regulations**

- 3) We have disclosed to you:
- a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
  - b) all information in relation to fraud or suspected fraud that we are aware of that involves:
    - management;
    - employees who have significant roles in internal control over financial reporting; or
    - otherswhere such fraud or suspected fraud could have a material effect on the financial statements.
  - c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, or others.
  - d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements.
  - e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

## **Subsequent events:**

- 4) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

## **Related parties:**

- 5) We have disclosed to you the identity of the Entity's related parties.
- 6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.
- 7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

## **Estimates:**

- 8) The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

## **Going concern:**

- 9) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.
- 10) We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the Entity's ability to continue as a going concern.

# Appendix 4: Management Representation Letter (continued)

## **Misstatements:**

- 11) We approve the corrected misstatements identified by you during the audit described in Attachment II.

## **Non-SEC registrants or non-reporting issuers:**

- 12) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002). We also confirm that the financial statements of the Entity will not be included in the consolidated financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Yours very truly,

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Mr. Robert Lapham, Chief Administrative Officer

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Mr. Nelson Chan, Chief Financial Officer

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Mr. Kevin Lorette, General Manager, Planning and Protective Services

## Attachment I – Definitions

### Materiality

Certain representations in this letter are described as being limited to matters that are material.

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgments about materiality are made in light of surrounding circumstances, and are affected by perception of the needs of, or the characteristics of, the users of the financial statements and, the size or nature of a misstatement, or a combination of both while also considering the entity's own circumstances.

Information is obscured if it is communicated in a way that would have a similar effect for users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:

- a) information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;
- b) information regarding a material item, transaction or other event is scattered throughout the financial statements;
- c) dissimilar items, transactions or other events are inappropriately aggregated;
- d) similar items, transactions or other events are inappropriately disaggregated; and
- e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

### Fraud & error

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

## Attachment II – Schedule of Audit Misstatements

Description	Statement of operations effect	Statement of financial position effect		
	(Decrease) Increase	Assets (Decrease) Increase	Liabilities (Decrease) Increase	Accumulated Deficit (Decrease) Increase
Reducing amortization to reflect the date new properties began to be used by the Corporation	1,116,598	1,116,598	-	-



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Capital Region Housing  
Corporation

**Detailed Variance  
Analytics: Statement  
of Financial Position**

British Columbia, Canada

Fiscal year ended December 31, 2020



	2020	2019	Variance \$	Variance %	Explanation (greater than 150k and 10%)
<b>Financial Assets</b>					
Cash and cash equivalents	6,961,868	6,778,570	183,298	3%	
Accounts receivable	642,886	483,154	159,732	33%	Accounts receivable increased primarily due to capital project funds receivable at year end.
Due from Capital Region Hospital District	-	80,726	(80,726)	100%	
Prepaid	541,333	391,831	149,502	38%	
Cash and cash equivalents restricted for RR	5,934,450	5,116,400	818,050	16%	Replacement reserve balance increased due to decreased spending due to access and trades availability.
Restricted cash held by BCHMC	-	478,892	(478,892)	-100%	Restricted cash held by BCHMC represents holdbacks related to construction at Westview fully paid during the year.
Capital Assets	161,085,348	99,934,869	61,150,479	61%	Includes \$31.2M and \$30.2M long term lease additions of West Park and Spencer Close, respectively, \$3.4M of construction at Westview, and \$703K spent at redevelopment
<b>Total Financial Assets</b>	<b>175,165,885</b>	<b>113,264,442</b>	<b>61,901,443</b>	<b>55%</b>	
<b>Financial Liabilities &amp; Net Assets</b>					
<b>Current Liabilities</b>					
Accounts payable and other liabilities	1,014,548	2,684,758	(1,670,210)	-62%	Accounts payable decreased primarily due to a decrease in construction activity at year end as the Westview project had completed.
Accrual mortgage interest	209,964	229,824	(19,860)	-9%	
Due to CRD	104,454	21,539	82,915	385%	
Deferred Revenue	704,008	670,815	33,193	5%	
Security Deposits	795,281	636,614	158,667	25%	Security deposit increase due to new tenants at new buildings.
Short-term capital financing	61,277,457	2,344,958	58,932,499	100%	Interim capital financing provided by BC Housing for acquisition of West Park and Spencer Close.
Mortgage payable - current	4,828,667	4,568,934	259,733	6%	
Mortgage payable - renewal	3,189,847	8,840,245	(5,650,398)	-64%	Mortgages payable renewal portion decreased as a result of fewer mortgages renewing in 2021 than 2020.
<b>Total Current Liabilities</b>	<b>72,124,226</b>	<b>19,997,687</b>	<b>52,126,539</b>	<b>261%</b>	
Mortgages Payable	71,844,896	64,173,151	7,671,745	12%	Mortgages payable increased due to new mortgage for Westview.
Capital Stock	1	1	-	0%	
<b>Net Assets</b>					
Invested in capital assets	21,351,990	20,840,337	511,653	2%	
Externally restricted	8,587,302	7,504,594	1,082,708	14%	Increase due to net income from portfolio operations and an increase in the replacement reserve balance.
Internally restricted	623,382	306,064	317,318	104%	Increase due to increase in NOA portfolio stabilization reserve.
Unrestricted	498,122	658,224	(160,102)	-24%	Decrease relates to transfer from the Corporate Stabilization Reserve of \$135K to cover the operating deficit at Millstream Ridge.
Accumulated remeasurement gains ( losses )	135,966	(215,616)	351,582	163%	Due to unrealized gains on investments.
<b>Total Financial Liabilities &amp; Net Assets</b>	<b>175,165,885</b>	<b>113,264,442</b>	<b>61,901,443</b>	<b>55%</b>	

Capital Region Housing  
Corporation

# Detailed Variance Analytics: Statement of Operations

British Columbia, Canada

Fiscal year ended December 31, 2020



	2020	2019	Variance \$	Variance %	Explanation (greater than 150k and 10%)
<b>Revenue</b>					
Tenant rent contributions	14,483,146	13,352,665	1,130,481	8.5%	
BCHMC rent subsidy assistance	359,792	326,494	33,298	10.2%	
BCHMC umbrella operating agreement funding	3,118,951	3,348,038	(229,087)	-6.8%	
Rental management fees	1,736,610	1,505,344	231,266	15.4%	Increase relates to CUPE and exempt salaries, increases in CRD overhead allocations, and the cost of additional FTEs to support the new buildings.
Rental management fees - other	80,682	89,328	(8,646)	-9.7%	
Investment income	271,933	303,915	(31,982)	-10.5%	
Guest suites, net	(1,774)	1,320	(3,094)	-234.4%	
Miscellaneous	193,516	172,248	21,268	12.3%	
Project management fees	273,690	276,000	(2,310)	-0.8%	
Government contributions	660,000	5,821,264	(5,161,264)	-88.7%	Decrease due to IHI capital funding in prior year. 2020 amount represents RHTF contribution to West Park.
<b>Total Revenues</b>	<b>21,176,546</b>	<b>25,196,616</b>	<b>(4,020,070)</b>	<b>-16.0%</b>	
<b>Expenses</b>					
Administration and property management	2,255,667	1,959,882	295,785	15.1%	Increase relates to CUPE and exempt salaries, increases in CRD overhead allocations, and the cost of additional FTEs to support the new buildings.
Amortization - office equipment and vehicles	8,970	11,213	(2,243)	-20.0%	
Amortization - buildings and equipment	5,317,385	5,438,880	(121,495)	-2.2%	
Amortization - land leases	902,205	816,830	85,375	10.5%	
Property taxes	295,670	306,316	(10,646)	-3.5%	
Insurance	845,756	632,846	212,910	33.6%	Increase primarily related to new buildings.
Maintenance	949,823	1,031,410	(81,587)	-7.9%	
Caretakers	1,513,770	1,246,120	267,650	21.5%	Increase primarily related to new buildings.
Landscape	378,861	372,714	6,147	1.6%	
Electricity	264,704	323,562	(58,858)	-18.2%	
Land and Improvement leases	294,000	294,000	-	0.0%	
Water	1,090,990	977,216	113,774	11.6%	
Oil and gas	96,251	86,493	9,758	11.3%	
Garbage	286,381	265,337	21,044	7.9%	
Rental management fee	1,735,790	1,504,614	231,176	15.4%	Increase relates to CUPE and exempt salaries, increases in CRD overhead allocations, and the cost of additional FTEs to support the new buildings.
Audit and legal	31,381	28,211	3,170	11.2%	
Miscellaneous	35,746	66,139	(30,393)	-46.0%	
Hospitality services ( Parry Place)	293,690	290,262	3,428	1.2%	
Interest on mortgages payable	2,127,930	2,209,671	(81,741)	-3.7%	
Repayment of BCHMC capital contribution	700,000	-	700,000	100.0%	Represents reduction in IHI grant recognized as revenue in prior year.
<b>Total Expenses</b>	<b>19,424,970</b>	<b>17,861,716</b>	<b>1,563,254</b>	<b>8.8%</b>	
<b>Excess (deficiency) of revenues over expenses before:</b>	<b>1,751,576</b>	<b>7,334,900</b>	<b>(5,583,324)</b>	<b>-76%</b>	
Reimburse BCHMC 2016 ILBC2 subsidy overpayment	(5,047)	(5,047)	-	0%	
<b>Excess (deficiency) of revenues over expenses</b>	<b>1,746,529</b>	<b>7,329,853</b>	<b>(5,583,324)</b>	<b>-76%</b>	

## **REPORT TO CAPITAL REGION HOUSING CORPORATION BOARD MEETING OF WEDNESDAY, MAY 12, 2021**

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**SUBJECT**      **Capital Region Housing Corporation 2020 Annual Report**

### **ISSUE SUMMARY**

To present the Capital Region Housing Corporation (CRHC) 2020 Annual Report.

### **BACKGROUND**

The CRHC 2020 Annual Report, attached as Appendix A, outlines progress on strategic priorities identified by the CRHC Board, such as providing affordable housing and delivering tenant services. It also details the CRHC's response to the COVID-19 pandemic, increasing support for tenants during a time of uncertainty and taking appropriate precautions to keep people safe.

The report is prepared to give stakeholders information about the CRHC's activities and performance, and together with the approval of the 2020 financial statements will close-out the prior year. This report is filed with the provincial government together with the detailed financial statements and circulated to stakeholders.

Major accomplishments in 2020 include the opening of three new affordable housing developments with 355 homes for low-to-moderate income families and individuals: Westview in Saanich, Spencer Close in Langford and West Park in View Royal.

Other highlights include the Regional Housing First Program partners reaching agreement to expand the program by contributing additional matching grants of \$10 million each, for a total contribution of \$120 million to this \$600 million initiative.

### **ALTERNATIVES**

#### *Alternative 1*

That the Capital Region Housing Corporation (CRHC) Board receive the CRHC 2020 Annual Report for information.

#### *Alternative 2*

That the Capital Region Housing Corporation (CRHC) 2020 Annual Report be referred back to staff for additional information based on CRHC Board direction.

### **IMPLICATIONS**

#### *Alignment with Board & Corporate Priorities*

The CRHC 2020 Annual Report delivers on the Board and Corporate Priority of *Community Wellbeing – Transportation & Housing* that states the CRD Board will advocate, collaborate and form partnerships to address the affordable housing needs of the region's diverse and growing population. This is supported by initiatives that create and deliver more affordable housing across the region in a manner aligned with the Regional Growth Strategy in order to address the needs of a diverse and growing population, including vulnerable residents.

*Alignment with Existing Plans & Strategies*

The Regional Housing Affordability Strategy provides the framework that supports current Capital Regional District (CRD) policies, programs, services and initiatives in the area of housing development and affordability. It was updated in 2018 to reflect the CRD's evolving role and identify ways to better respond to changing housing market conditions and new developments in government housing programs and policies.

**CONCLUSION**

The CRHC 2020 Annual Report outlines progress on strategic priorities identified by the CRHC Board, such as providing affordable housing and delivering tenant services. It also details the CRHC's response to the COVID-19 pandemic and provides financial highlights for the year ending December 31, 2020.

**RECOMMENDATION**

That the Capital Region Housing Corporation (CRHC) Board receive the CRHC 2020 Annual Report for information.

Submitted by:	Donald Elliott, MUP, Senior Manager, Regional Housing
Concurrence:	Kevin Lorette, P. Eng., MBA, General Manager, Planning & Protective Services
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

**ATTACHMENT:**

Appendix A: CRHC 2020 Annual Report





Westview

# Capital Region Housing Corporation

CRD | CRHC

2020 ANNUAL REPORT



## Message from the Board Chair



Lisa Helps, CRHC Board Chair

For the Capital Region Housing Corporation (CRHC), 2020 was about determination, momentum, perseverance and delivery.

At its core, the CRHC mandate is to create and deliver more affordable housing across the region, and when faced with a global pandemic, this mandate could have been significantly affected. But through the resourcefulness, professionalism and focus of staff, in 2020 the CRHC delivered more affordable new homes to a community in crisis than it has since its inception. This significant achievement, and the positive impacts the new housing is already having for those in need, remains an incredible accomplishment and will go a long way to supporting a healthy and thriving region into the future.

Under the Regional Housing First Program (RHFP), the CRHC opened two new mixed-market buildings in 2020, Spencer Close in Langford and West Park in View Royal. It has taken immense efforts to build the variety of housing options our community needs.

I'm grateful for the level of deep collaboration and agility that has exemplified the work of the CRHC Board and staff through 2020. Those attributes will support our work as we continue to address our mandate to create much needed housing and build our economy into 2021. I'm also grateful for the contributions and leadership of the members of the Tenant Advisory Committee who are helping to shape each of the CRHC sites into stronger communities.

A handwritten signature in dark ink, appearing to read 'Lisa Helps'.

## Message from the Chief Administrative Officer



Robert Lapham, CRD CAO

2020 was a year like no other and the CRHC's response to the COVID-19 pandemic is an accomplishment to be proud of. Increasing support for tenants during a time of uncertainty and taking appropriate precautions throughout our properties to keep people safe remains our top priority.

Affordable housing is a key component of the CRD's Strategic Plan, and the dedicated staff of the CRHC advanced this commitment through the continued planning and development of nine projects under the RHFP. The CRHC opened 355 new homes in 2020, and when Hockley House opens in the spring of 2021, it will be the CRHC's fourth building to open in a 12-month period.

This has required significant leadership to navigate the corporation through unprecedented times. My thanks go to the Board and administration of the CRD and CRHC, and our municipal, provincial and federal government partners that are essential to this success.

I am exceptionally proud of how the CRHC has adjusted and sustained operations throughout the past year. As we move forward into 2021, our key focus remains supporting our tenants while continuing efforts to increase affordable housing options in the region.

A handwritten signature in dark ink, appearing to read 'Robert Lapham'.



Staff inspecting Spencer Close

## Supporting Tenants Through COVID-19

It has been said that in 2020 we were navigating uncharted territory. That is exactly what CRHC staff were faced with when a provincial state of emergency was declared in March. Operationally, their attention was focused on how to continue to deliver services safely in the face of an unfolding global pandemic to more than 3,500 tenants in almost 1,800 homes across the region.

In the midst of constant change, CRHC staff and management remained resilient, and through their dedication were able to ensure our buildings were well maintained and the needs of our tenant population responded to. Tenant engagement continued with regular updates including COVID-19 safety protocols and compassion for those in delicate circumstances that were adversely impacted financially.

The pandemic struck at a time of the most rapid change the corporation has seen, both in adding capacity to the CRHC team and to the number of completed affordable housing units. The year presented difficult challenges, but tremendous opportunities and progress for the CRHC, and 2021 will continue on a positive track as the corporation provides even more homes for those in our community that desperately need them.

Kevin Lorette, General Manager, Planning and Protective Services  
Don Elliott, Senior Manager, Regional Housing

## CRHC Vision

As leaders in non-profit housing in the capital region, the CRHC delivers affordable, attractive, inclusive, sustainable housing.

## CRHC Mission

The CRHC's mission is to develop and manage affordable housing within the capital region for low to moderate income households.

## COMPLETED



### WEST PARK — *completed*

West Park opened in View Royal near Thetis Lake under the RHFP, with 152 units of mixed-market housing including 20 accessible units. West Park consists of two six-storey buildings with studio, 1 and 2 bedroom apartments.



### SPENCER CLOSE — *completed*

Spencer Close opened in Langford under the RHFP, with 130 units of mixed-market housing including 13 accessible units. Spencer Close is a six-storey building with 1 bedroom, 1 bedroom plus den, 2 bedroom and 2 bedroom plus den apartments.



### WESTVIEW — *completed*

Westview opened in Saanich with 73 affordable new homes for low-to moderate-income families, individuals, seniors and adults with disabilities. Westview is a four-storey building with studio and 1, 2 and 3 bedroom apartments.



### HOCKLEY HOUSE — *opening Spring 2021*

Hockley House, the fourth building to open under the RHFP, is a six-storey rental building in downtown Langford comprised of studios and 1 and 2 bedroom apartments. The property includes 12 accessible units and will be managed by the CRHC.



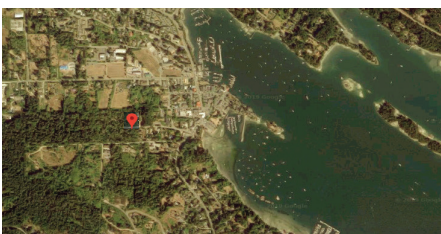
### CALEDONIA — *under development*

A redevelopment in Fernwood that is proposed to create 158 new affordable rental housing units within 2 apartments and 3 townhouse buildings.



### MICHIGAN SQUARE — *under development*

A redevelopment in James Bay under the RHFP that will provide a mix of rental options in 2 four-storey apartment buildings with 97 new mixed-market units ranging in size from studio to 3 bedrooms.



### DRAKE ROAD — *under development*

An affordable housing project on Salt Spring Island with potential for 80 new housing units.

## UNDER DEVELOPMENT



**We envision that residents have access to affordable housing that enhances community wellbeing.**

## Regional Housing First Program (RHFP)

The RHFP is an equal partnership agreement between the CRD, the Government of BC through BC Housing and the Government of Canada through the Canada Mortgage and Housing Corporation (CMHC).

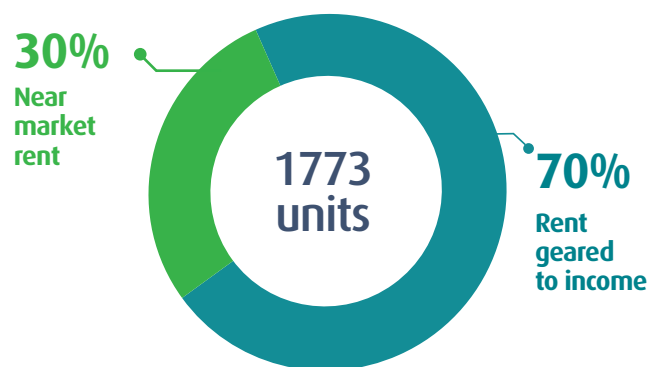
In 2020, the partners reached agreement to expand the program by contributing additional matching grants of \$10 million each, for a total contribution of \$120 million to this \$600 million initiative. This will ensure the program reaches its target number of homes for people experiencing chronic homelessness who are ready to live independently with supports.

The RHFP currently includes nine projects, which have created, or are in the process of creating, 960 units of affordable housing. In December, the program opened West Park in View Royal and Spencer Close in Langford, providing 282 new affordable rental homes on the Westshore for families and single people with mixed incomes. Hockley House opens in Spring 2021 with an additional 120 units of mixed-market housing in downtown Langford.

## CRHC Overview<sup>\*\*</sup>



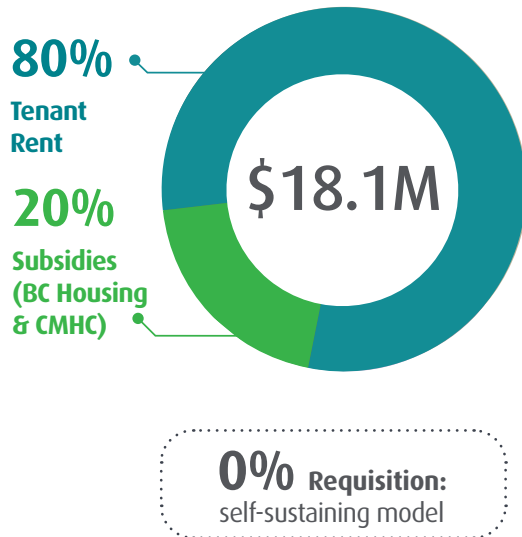
## CRHC Rental Rates



<sup>\*\*</sup>Excludes Hockley

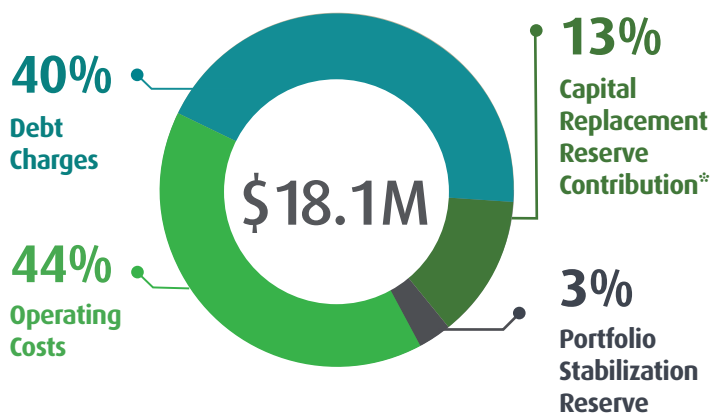
# Financial Highlights

## Operating Income



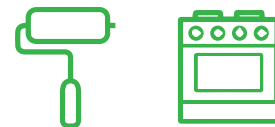
\*Based on 2020 Audited Financial Statements

## Operating Expenses



\* For transfers to capital replacement reserve and equity contributions to future redevelopment projects

## Annual Routine Capital Improvements



**\$1.1M**

### Unit Improvements

Includes replacing items such as appliances, flooring, heating, paint, cabinets, bathroom fixtures and window coverings



**\$0.6M**

### Building Improvements

Includes replacing items such as roofing, exterior paint, fencing, mechanical, common area flooring and paint



Laura Reid and family

## Tenant Profile Laura Reid

If you had told Laura Reid 10 years ago that one day she would live in social housing and later become co-chair of the Tenant Advisory Committee (TAC) of the organization she rented from, she probably would not have believed you.

Up until 2012, Laura had been a homeowner, never needing to work outside of the home and was content raising her two adopted children, both with levels of learning challenges. But a sudden break-up left them with nothing and on the verge of becoming homeless.

"I had no income, we had nowhere to live - and there certainly wasn't anywhere to live that was 'affordable,'" she recalls.

Laura made calls to her local MLA and eventually filled out an application with BC Housing. The CRHC rented the family a three bedroom townhouse and the safety, security and confidence that came along with their affordable shelter is something Laura says simply can't be understated.

"My mandate was to find a decent, safe, stable place...a home that no one could take away from my children, where they would be secure," she says. "When you are not under the whim of a landlord who is going to raise your rent beyond what you can afford, or kick you out on the street, it allows you to build the kinds of emotional and physical supports your family needs - there's just nothing more important than stable housing."

Her children Michael, 19, and Emma, 18, have benefitted from this stability, and Laura says she never thought living in social housing would have such a profound effect on all of their lives, even leading her to seek out the co-chair role on the TAC.

"Social housing has allowed me to re-invent myself, twice, allowing me to go back to school and provide for my family," she says. "Now I can bring that experience to the TAC along with the many different groups of people who know no one will take their home away and make them homeless."

## Tenant Advisory Committee

The Tenant Advisory Committee (TAC) reports through the CRD's Hospitals and Housing Committee to advise the CRHC Board of Directors on tenant policies and programs and may include up to eight tenant representatives. The purpose of the TAC is to promote effective communication, engagement and collaboration between the CRHC and its tenants, and provide information and advice regarding tenant-related policies and programs to support healthier and more livable communities.



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## **Capital Regional District**

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