

Notice of Meeting and Meeting Agenda Hospitals and Housing Committee

Wednesday, May 4, 2022

1:30 PM

6th Floor Boardroom
625 Fisgard St.
Victoria, BC V8W 1R7

J. Loveday (Chair), G. Orr (Vice Chair), D. Blackwell, S. Brice, F. Haynes, L. Helps, G. Holman,
K. Murdoch, D. Screech, C. Plant (Board Chair, ex officio)

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 Agenda

3. Adoption of Minutes

3.1. [22-295](#) Minutes of the April 6, 2022 Hospitals and Housing Committee Meeting

Recommendation: That the minutes of the Hospitals and Housing Committee meeting of April 6, 2022 be adopted as circulated.

Attachments: [Minutes - April 6, 2022](#)

4. Chair's Remarks

5. Presentations/Delegations

The public are welcome to attend CRD Board meetings in-person.

Delegations will have the option to participate electronically. Please complete the online application for "Addressing the Board" on our website and staff will respond with details.

Alternatively, you may email your comments on an agenda item to the CRD Board at crdboard@crd.bc.ca.

5.1. [22-296](#) Capital Regional Hospital District and Capital Region Housing Corporation Audit Findings Presentation, Lenora Lee, Lead Audit Engagement Partner, KPMG

6. Committee Business

- 6.1.** [22-179](#) Capital Regional Hospital District 2021 Audit Findings Report and Audited Financial Statements
- Recommendation:** The Hospitals and Housing Committee recommends to the Capital Regional Hospital District Board:
That the Capital Regional Hospital District 2021 Audited Financial Statements be approved.
- Attachments:** [Staff Report: CRHD 2021 Audit Report & Audited Financial Statements](#)
[Appendix A: CRHD 2021 Financial Statements](#)
[Appendix B: CRHD 2021 Audit Findings Report](#)
[Appendix C: CRHD 2021 Other Financial Statement Analysis](#)
[Appendix D: CRHD 2021 Financial Performance Indicators](#)
- 6.2.** [22-178](#) Capital Region Housing Corporation 2021 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 2021 Audited Financial Statements be approved.
- Attachments:** [Staff Report: CRHC 2021 Audit Findings & Financial Statements](#)
[Appendix A: CRHC 2021 Financial Statements](#)
[Appendix B: CRHC 2021 Audit Findings Report](#)
[Appendix C: CRHC 2021 Statement of Financial Position](#)
[Appendix D: CRHC 2021 Statement of Operations](#)
[Appendix E: Other Financial Statement Analysis](#)
- 6.3.** [22-293](#) Oak Bay Lodge Demolition Update and Approval of Amended Capital Bylaw
- Recommendation:** The Hospitals and Housing Committee recommends to the Capital Regional Hospital District Board:
1) That the revised project budget be approved;
2) That the Capital Regional Hospital District 2022-2031 Ten year Capital Plan be amended and approved as submitted;
3) That Bylaw No. 411, "Capital Regional Hospital District Capital Bylaw No. 178, 2021, Amendment No. 1, 2022" be read a first, second and third time; and
4) That Bylaw No. 411 be adopted.
- Attachments:** [Staff Report: OB Lodge Demo Update & Approval Amended Cap'l Bylaw](#)
[Appendix A: Bylaw No. 411](#)
[Appendix B: Contract Listing Change Orders](#)
[Appendix C: Amended 2022-2031 CRHD Capital Plan](#)

6.4. [22-292](#) Mortgage Renewal - Kings Place

Recommendation: The Hospitals and Housing Committee recommends to the Capital Region Housing Corporation Board:
1) That the resolution required by BC Housing Management Commission to renew the mortgage for Kings Place for a term not to exceed the expiry of the existing Operating Agreement be approved; and
2) That Robert Lapham, Chief Administrative Officer and Nelson Chan, Chief Financial Officer, or their duly authorized delegates be authorized to sign any documents related to the mortgage renewal.

Attachments: [Staff Report: Mortgage Renewal - Kings Place](#)
 [Appendix A: Resolution of Directors](#)

6.5. [22-270](#) Previous Minutes of Other CRD Committees and Commissions for Information

Recommendation: There is no recommendation. The following minutes are for information only:
a) Regional Housing Advisory Committee minutes - December 16, 2021
b) Tenant Advisory Committee minutes - March 21, 2022

Attachments: [Minutes: Regional Housing Advisory Cttee - Dec 16, 2021](#)
 [Minutes: Tenant Advisory Committee - Mar 21, 2022](#)

7. Notice(s) of Motion**8. New Business****9. Adjournment**

The next meeting is June 1, 2022.

To ensure quorum, please advise Tamara Pillipow (tpillipow@crd.bc.ca) if you or your alternate cannot attend.

Meeting Minutes

Hospitals and Housing Committee

Wednesday, April 6, 2022

1:30 PM

6th Floor Boardroom
625 Fisgard St.
Victoria, BC V8W 1R7

PRESENT

Directors: J. Loveday (Chair), G. Orr (Vice Chair), D. Blackwell (EP), S. Brice (EP), F. Haynes (1:34 PM) (EP), L. Helps, K. Murdoch (EP), D. Screech

Staff: R. Lapham, Chief Administrative Officer; K. Lorette, General Manager, Planning and Protective Services; D. Elliott, Senior Manager, Regional Housing; R. Fowles, Manager, Construction & Capital Projects, Regional Housing; S. Grigg, Manager of Operations, Regional Housing; M. Lagoa, Deputy Corporate Officer; T. Pillipow, Committee Clerk (Recorder)

EP - Electronic Participation

Regrets: Directors G. Holman, C. Plant

The meeting was called to order at 1:30 pm.

1. Territorial Acknowledgement

Director Orr provided a Territorial Acknowledgement.

2. Approval of Agenda

MOVED by Director Helps, **SECONDED** by Director Orr,
That the agenda for the April 6, 2022 Hospitals and Housing Committee meeting
be approved.
CARRIED

3. Adoption of Minutes

3.1. [22-209](#) Minutes of the March 2, 2022 Hospitals and Housing Committee Meeting

MOVED by Director Orr, **SECONDED** by Director Helps,
That the minutes of the Hospitals and Housing Committee meeting of March 2,
2022 be adopted as circulated.
CARRIED

4. Chair's Remarks

Chair Loveday thanked staff for their work this first quarter.

5. Presentations/Delegations

There were no presentations or delegations.

6. Committee Business

6.1. [22-206](#) Capital Region Housing Corporation Operational Update - First Quarter 2022

K. Lorette introduced D. Elliott who spoke to Item 6.1.

Discussion ensued on tracking the average wait list times of successful applicants to get a baseline of this data over time.

**MOVED by Director Screech, SECONDED by Director Helps,
The Hospitals and Housing Committee recommends to the Capital Region
Housing Corporation Board:
That the Capital Region Housing Corporation Operational Update - First Quarter,
2022 report be received for information.
CARRIED**

6.2. [22-208](#) Major Capital Plan Status Report - First Quarter 2022

D. Elliott spoke to Item 6.2.

**MOVED by Director Helps, SECONDED by Director Orr,
The Hospitals and Housing Committee recommends to the Capital Region
Housing Corporation Board:
That the Capital Region Housing Corporation Major Capital Plan Status Report -
First Quarter 2022 be received for information.
CARRIED**

6.3. [22-203](#) Regional Housing First Program: Capital Project Update, First Quarter 2022

K. Lorette spoke to Item 6.3.

Discussion ensued on the impact that background work and due diligence has on the timelines for bringing proposed project submissions from the Project Selection Committee to the Board for approval. This is required to ensure there is a high degree of confidence in the funding for the project.

**MOVED by Director Orr, SECONDED by Director Helps,
The Hospitals and Housing Committee recommends to the Capital Regional
District Board:
That the Regional Housing First Program: Capital Project Update, First Quarter
2022 report be received for information.
CARRIED**

6.4. [22-205](#) Tenant Advisory Committee Terms of Reference Amendment 2022

K. Lorette spoke to Item 6.4.

MOVED by Director Brice, **SECONDED** by Director Murdoch,
That the amended Terms of Reference for the Tenant Advisory Committee as
presented in Appendix A be approved.
CARRIED

6.5. [22-214](#) Previous Minutes of Other CRD Committees and Commissions for Information

MOVED by Director Helps, **SECONDED** by Director Haynes,
That the following minutes be received for information:
a) Tenant Advisory Committee minutes - December 15, 2021
CARRIED

7. Notice(s) of Motion

There were no notice(s) of motion.

8. New Business

There was no new business.

9. Adjournment

MOVED by Director Helps, **SECONDED** by Director Murdoch,
That the April 6, 2022 Hospitals and Housing Committee meeting be adjourned at
1:51 pm.
CARRIED

CHAIR

RECORDER

**REPORT TO THE HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, MAY 04, 2022**

SUBJECT **Capital Regional Hospital District 2021 Audit Findings Report and Audited Financial Statements**

ISSUE SUMMARY

To receive the Capital Regional Hospital District (CRHD) 2021 Audit Findings Report and approve the Audited Financial Statements.

BACKGROUND

The CRHD was established in 1967 by the provincial government (*Hospital District Act*) to provide the local share of capital funding for healthcare infrastructure in the capital region. CRHD shares the same boundaries, directors, and administrative staff as the Capital Regional District (CRD).

Section 17 of the *Hospital District Act* and Section 814 of the *Local Government Act* require that audited financial statements be prepared each year. The 2021 Financial Statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards (PSAS), as recommended by the Public Sector Accounting Board (PSAB).

Partnering with Island Health (VIHA) and community stakeholder agencies, the CRHD supports a healthy region by investing in healthcare service and strategic priorities. These include new construction, upgrades, renewals, and expansion of health facilities and medical equipment. More recently, CRHD also contributes by developing land and managing health facilities built to be used through VIHA. Financial activities include strategies and actions to raise 30–40% of required funding for shared capital projects with VIHA, and 100% for CRHD directed development and construction projects. Significant activities for CRHD in 2021 include development planning and demolition of the Oak Bay Lodge site, and the acquisition of land in Royal Bay for future development of a long-term care facility. Both projects are being pursued in partnership with Island Health.

The CRD also works through community-based networks to identify the need for non-traditional capital funding requirements in the areas of primary and complex healthcare services.

Under PSAB regulations, the CRHD is required to present four statements with accompanying notes:

1. Statement of Financial Position
2. Statement of Operations
3. Statement of Change in Net Debt
4. Statement of Cash Flows

Attached as Appendix A are the CRHD 2021 Audited Financial Statements. These also include Schedule A which provides a listing of grants to district hospitals.

The Audit Findings Report from KPMG (Appendix B) summarizes the responsibilities of the audit firm, scope of investigations and audit results. The report confirms there have been no significant

changes in the audit approach from the Audit Planning Report previously presented to the Board on January 12, 2022, and the audit findings confirm the financial statements present fairly, in all material respects, the financial position of CRHD as at December 31, 2021.

ALTERNATIVES

Alternative 1

The Hospitals and Housing Committee recommends to the Capital Regional Hospital District Board:

That the Capital Regional Hospital District 2021 Audited Financial Statements be approved.

Alternative 2

That the Capital Regional Hospital District 2021 Audited Financial Statements be referred back to staff for additional information.

IMPLICATIONS

Financial Implications

Audit Findings Report

The Audit Findings Report (Appendix B) provides the results of the KPMG audit, and reports specific results in areas of focus identified in the Audit Planning Report presented to the CRHD Board on January 12, 2022.

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 in private organizations. The CRHD financial statements are prepared and presented in accordance with Canadian PSAS.

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: financial assets, financial liabilities, and non-financial assets. As the nature of business for CRHD is to secure funds and provide capital funding for projects, the CRHD historically reported a net debt and accumulated deficit position in the Statement of Financial Position. For 2021, the financial position is a net debt of (\$106) million and an accumulated surplus of \$0.5 million.

Financial Assets

Financial assets as of December 31, 2021, were \$26.5 million a decrease of (\$1.8) million or (6%) from 2020. Table 1 summarizes financial assets as of December 31 and provides the change year over year.

Table 1 – Change in Financial Assets Year over Year

Statement of Financial Position (\$ millions)	2021	2020	\$ Change	% Change
Financial Assets				
Cash and cash equivalents	17.7	23.6	(5.9)	(25%)
Investments	5.0	-	5.0	100%
Due from CRD	0.1	0.7	(0.6)	(86%)
Other receivables	0.1	0.1	-	-
Restricted cash – MFA DRF	3.6	3.9	(0.3)	(8%)
Total Financial Assets	\$26.5	\$28.3	(\$1.8)	(6%)

Cash and cash equivalents include cash on hand, bank deposits and short-term highly liquid investments. Cash and cash equivalents decreased by (\$5.9) million primarily due to an investment strategy which moved funds on hand into longer-term holdings. As such, Investments increased by \$5 million year over year. Further detail on changes are included in Appendix C, section 4, Statement of Cash Flows.

Payments due from the Capital Regional District (CRD) and other receivables decreased by (\$0.6) million due to the timing of year-end intercompany transfers where Restricted cash decreased by (\$0.3) million due to debt maturities exceeding new debt issuances in the year, therefore reducing the MFA debt reserve fund (DRF).

Financial Liabilities

Table 2 summarizes financial liabilities of \$132.9 million which include \$2.4 million in Accounts payable & other liabilities, \$1.8 million in outstanding Short-term debt and \$128.3 million in outstanding Long-term debt.

Table 2 – Change in Financial Liabilities Year over Year

Statement of Financial Position (\$ millions)	2021	2020	\$ Change	% Change
Financial Liabilities				
Accounts payable & other liabilities	2.4	3.8	(1.4)	(37%)
Deferred revenue	0.4	0.4	-	-
Short-term debt	1.8	-	1.8	100%
Long-term debt	128.3	141.9	(13.6)	(10%)
Total Financial Liabilities	\$132.9	\$146.1	(\$13.2)	(9%)

The accounts payable balance decreased by (\$1.4) million over prior year primarily due to the completion of the Summit project and release of construction holdbacks in 2020. Short-term debt increased by \$1.8 million due to financing the Royal Bay land acquisition and long-term debt decreased by (\$13.6) million as a result of debt maturities exceeding new debt borrowings in 2021.

Non-Financial Assets

As shown in Table 3, non-financial assets of \$106.9 million consist solely of tangible capital assets.

Table 3 – Change in Non-Financial Assets Year over Year

Statement of Financial Position (\$ millions)	2021	2020	\$ Change	% Change
Non-Financial Assets				
Tangible Capital Assets	106.9	99.7	7.2	7%

The increase of \$7.2 million from prior year is primarily attributed to the \$8 million acquisition of land at Royal Bay, \$2 million of demolition work at Oak Bay Lodge, \$0.2 million of equipment and post-occupancy related expenditures for the Summit, net of \$3 million in amortization expense. Additional detail is presented in Note 6 of the 2021 Financial Statements.

2. Statement of Operations

The Statement of Operations reports the annual results of the entity's financial activities, presenting revenues less expenses and the net surplus.

Revenue

Revenue from all sources totaled \$39.6 million in 2021. Table 4 summarizes changes in revenue by source with a net decrease of (\$10.5) million or (21%) over prior year.

Table 4 – Change in Revenue Year over Year

Statement of Operations (\$ millions)	2021	2020	\$ Change	% Change
Taxation	28.1	29.4	(1.3)	(4%)
Payments in lieu of taxes	0.9	0.9	-	-
Lease and other property revenue	4.4	4.1	0.3	7%
Interest income	0.3	0.4	(0.1)	(25%)
Debenture maturity refund	-	-	-	-
Contributed revenue	-	9.3	(9.3)	(100%)
Actuarial adjustment of long-term debt	5.9	6.0	(0.1)	(2%)
Total Revenue	\$39.6	\$50.1	(\$10.5)	(21%)

Of the (\$10.5) million total revenue reduction through 2021, (\$9.3) million is a result of 2020 contributions to the Oak Bay Lodge property. Lease and other property revenue increased by \$0.3 million due to 2021 being the first full year of Summit lease payments. Other revenue changes result in a net decrease of (\$1.5) million over prior year, primarily as a result of lower taxation due to expiring debt obligations.

Expenses

Expenses consist of grants to district hospitals, interest on debt, operating expenditures and amortization expense. Table 5 summarizes the change in expenses over prior year.

Table 5 – Change in Expenses Year over Year

Statement of Operations (\$ millions)	2021	2020	\$ Change	% Change
Grants to district hospitals	9.5	9.0	0.5	6%
Interest on long-term debt	7.2	8.0	(0.8)	(10%)
Amortization	3.1	3.1	-	-
Operating expenses	1.3	1.4	(0.1)	(7%)
Total Expenses	\$21.1	\$21.5	(\$0.4)	(2%)

Grants to health authority hospitals in the year were \$9.5 million, an increase of \$0.5 million or 6% over prior year. Grants vary year-over-year depending on the timing of projects and grant-claim submissions of various initiatives. Of grants paid in 2021; \$5.1 million of the CRHD contributions went towards minor capital projects in the region, \$3.0 million towards major capital projects such as various Urgent and Primary Care Centres and the Beacon Community Services Expansion. Finally, \$1.4 million was a non-traditional grant paid to the Broadmead Care Society for the Nigel House redevelopment project.

The decrease in interest on long-term debt of (\$0.8) million is due to lower balances payable and lower interest on new issuances and renewals of existing debt.

Operating expenses consist of administration, feasibility studies and property management costs. The (\$0.1) million decrease is primarily attributed to lower costs in feasibility studies (\$0.2 million), net of increased property maintenance costs \$0.1 million.

2021 Annual Surplus

The accumulated surplus/(deficit) represents the sum of annual surpluses and deficits to date for the CRHD. Table 6 reconciles the opening and closing balance with the annual surplus:

Table 6 – Annual Surplus and Change in Accumulated Deficit Year over Year

Statement of Operations (\$ millions)	2021	2020	\$ Change	% Change
Annual surplus	18.5	28.5	(10.0)	(35%)
Accumulated deficit, beginning	(18.0)	(46.6)	28.6	(61%)
Accumulated surplus/(deficit), ending	0.5	(18.1)	18.6	(103%)

The annual surplus is the net difference between revenues and expenses for the current year. In 2021, operations resulted in an annual surplus of \$18.5 million, a decrease of (\$10) million or 35% over prior year. The decrease in surplus is primarily attributable to the decrease in contributed revenue.

The 2021 annual surplus reduced the accumulated deficit from \$18.1 million in the prior year to an accumulated surplus position of \$0.5 million at December 31, 2021.

3. Other Financial Statement Analysis

Analysis of the remaining two statements and Schedule A can be found in Appendix C:

- Statement of Change in Net Debt
- Statement of Cash Flows
- Schedule A: Grants to District Hospitals

4. Financial Indicators

Financial indicators are metrics used to quantify current conditions and to forecast financial and economic trends. They can be used as a tool to evaluate overall financial condition of the entity. The following indicators are relevant to CRHD's performance and financial sustainability.

4.1 Debt service costs as a percentage of revenue (Debt Service Ratio)

The debt service ratio is an indicator of the percentage of revenue committed to the payment of interest and principal on temporary and long-term debt. A high percentage indicates greater use of revenue for the repayment of debt. As the CRHD's primary mandate is to secure borrowing and provide capital grants for health facility infrastructure, a high debt servicing ratio is expected. CRHD's debt servicing costs as percentage of revenue at December 31, 2021, is 53% (2020: 45%).

Refer to Appendix C for a comparison of CRHD to other Hospital Districts on Vancouver Island and in southern British Columbia.

4.2 Current assets versus current liabilities (Current Ratio)

The current ratio is a measure of the liquidity of an organization, meaning the CRHD's ability to meet current obligations through the use of current assets (cash, accounts receivable, short-term investments). A high ratio indicates a greater ability to meet both planned and unexpected expenditures. The CRHD's current ratio as at December 31, 2021, is 4.9 to 1 (2020: 5.9 to 1), indicating CRHD's current assets are sufficient to pay current liabilities 4.9 times.

4.3 Interest costs as a percentage of total revenues (Interest Coverage Ratio)

This ratio is an indicator of the percentage of revenue committed to the payment of interest on temporary and long-term debt. A high percentage indicates greater use of revenues for servicing interest on outstanding debt. The CRHD's interest coverage ratio at December 31, 2021, is 5.5, meaning the CRHD's revenue is sufficient to repay interest expense 5.5 times (2020: 6.3).

CONCLUSION

Board approval of the CRHD 2021 Audited Financial Statements is required by the *Hospital District Act*, and the *Local Government Act*. Audited financial statements must be available for the Ministry of Health and Municipal Finance Authority. KPMG has completed the annual audit and,

as noted in the Auditor's Report, it is the Auditor's opinion these Financial Statements present fairly the financial position of CRHD at December 31, 2021, and the results of the financial activities for the year then ended are in accordance with Canadian Public Sector Accounting Standards.

RECOMMENDATION

The Hospitals and Housing Committee recommends to the Capital Regional Hospital District Board:

That the Capital Regional Hospital District 2021 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: CRHD 2021 Audited Financial Statements
- Appendix B: CRHD Audit Findings Report for the year ended December 31, 2021 (KPMG)
- Appendix C: CRHD 2021 Other Financial Statement Analysis
- Appendix D: CRHD 2021 Financial Performance Indicators

Capital Regional Hospital District 2021 Financial Statements

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INDEPENDENT AUDITORS' REPORT

To the Chair and Directors of the Capital Regional Hospital District

Opinion

We have audited the financial statements of the Capital Regional Hospital District (the District), which comprise:

- the statement of financial position as at December 31, 2021
- the statement of operations for the year then ended
- the statement of changes in net debt 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 District as at December 31, 2021, and its results of operations, its changes in net debt, 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 District in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 District'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 District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the District'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 District'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 District'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 District 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
May 11, 2022

Capital Regional Hospital District

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 Regional Hospital District 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 District'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, 2021.

On behalf of Capital Regional Hospital District,

Nelson Chan, MBA, FCPA, FCMA
Chief Financial Officer
May 11, 2022

Statement of Financial Position

As at December 31, 2021

	2021	2020
Financial assets		
Cash and cash equivalents (Note 2)	\$ 17,671,161	\$ 23,627,273
Investments	5,000,000	-
Accounts receivable		
Due from Capital Regional District	130,801	701,170
Other	87,423	58,046
Restricted cash - MFA Debt Reserve Fund (Note 3)	3,607,145	3,905,704
	<u>26,496,530</u>	<u>28,292,193</u>
Financial liabilities		
Accounts payable and other liabilities	2,447,965	3,783,702
Deferred revenue	367,001	361,515
Short-term debt (Note 4)	1,819,000	-
Long-term debt (Note 5)	128,318,806	141,896,510
	<u>132,952,772</u>	<u>146,041,727</u>
Net debt	(106,456,242)	(117,749,534)
Non-financial assets		
Tangible capital assets (Note 6)	106,903,759	99,710,197
Contingent liabilities (Note 13)		
Commitments (Note 7)		
Accumulated Surplus/(Deficit) (Note 11)	\$ 447,517	\$ (18,039,337)

The accompanying notes are an integral part of these financial statements

Nelson Chan, MBA, FCPA, FCMA
Chief Financial Officer

Statement of Operations

For the year ended December 31, 2021

	Budget (Note 12)	2021	2020
Revenue			
Taxation - Municipalities	\$ 25,998,531	\$ 25,998,529	\$ 27,226,407
Taxation - Electoral Areas	2,031,625	2,031,625	2,068,174
Taxation - First Nations	108,352	108,353	88,466
Payments in lieu of taxes	879,289	879,761	890,109
Lease and other property revenue	4,410,678	4,420,933	4,054,227
Interest income	50,000	285,488	390,713
Debenture maturity refund	415,000	-	19,291
Contributed revenue	-	-	9,299,990
Actuarial adjustment on long-term debt	-	5,874,862	5,960,910
	33,893,475	39,599,551	49,998,287
Expenses			
Grants to district hospitals (Schedule A)	12,620,823	9,475,488	9,033,239
Interest on long-term debt	7,320,394	7,207,154	7,969,899
Interest on short-term debt	50,000	1,926	1,367
Amortization	-	3,084,450	3,077,136
Operating expenses	1,662,065	1,343,679	1,385,565
	21,653,282	21,112,697	21,467,206
Annual surplus	12,240,193	18,486,854	28,531,081
Accumulated deficit, beginning of year	(18,039,337)	(18,039,337)	(46,570,418)
Accumulated surplus (deficit), end of year	\$ (5,799,144)	\$ 447,517	\$ (18,039,337)

Statement of Change in Net Debt

For the year ended December 31, 2021

	Budget	2021	2020
	(Note 12)		
Annual surplus	\$ 12,240,193	\$ 18,486,854	\$ 28,531,081
Acquisition of tangible capital assets	(23,700,000)	(10,278,012)	(4,526,836)
Contributed tangible capital assets	-	-	(9,299,990)
Amortization of tangible capital assets	-	3,084,450	3,077,136
Change in net debt	(11,459,807)	11,293,292	17,781,391
Net debt, beginning of year	(117,749,534)	(117,749,534)	(135,530,925)
Net debt, end of year	\$ (129,209,341)	\$ (106,456,242)	\$ (117,749,534)

The accompanying notes are an integral part of these financial statements

Statement of Cash Flows

For the year ended December 31, 2021

	2021	2020
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 18,486,854	\$ 28,531,081
Items not involving cash:		
Actuarial adjustment on long-term debt	(5,874,862)	(5,960,910)
Amortization	3,084,450	3,077,136
Contributed tangible capital assets	-	(9,299,990)
Increase (decrease) in non-cash assets and liabilities:		
Accounts receivable	(29,377)	256,546
Accounts payable and accrued liabilities	(1,335,737)	(4,723,131)
Deferred revenue	5,486	361,515
Due to/(from) Capital Regional District	570,369	(824,378)
Restricted cash	298,559	162,345
Net change in cash from operating activities	15,205,742	11,580,214
Capital activities:		
Cash used to acquire tangible capital assets	(10,278,012)	(4,526,836)
Net change in cash from capital activities	(10,278,012)	(4,526,836)
Investing activities:		
Net change in investments	(5,000,000)	-
Net change in cash from investing activities	(5,000,000)	-
Financing activities:		
Additions to short-term debt	1,819,000	-
Additions to long-term debt	6,172,570	596,005
Repayment of long-term debt	(13,875,412)	(14,402,045)
Net change in cash from financing activities	(5,883,842)	(13,806,040)
Net change in cash and cash equivalents	(5,956,112)	(6,752,662)
Cash and cash equivalents, beginning of year	23,627,273	30,379,935
Cash and cash equivalents, end of year	\$ 17,671,161	\$ 23,627,273
Cash paid for interest	\$ 7,134,689	\$ 8,212,747
Cash received for interest	285,488	390,713

The accompanying notes are an integral part of these financial statements

Capital Regional Hospital District

Notes to Financial Statements

For the year ended December 31, 2021

GENERAL

The Capital Regional Hospital District (the "Hospital District") is incorporated under letters patent issued October 17, 1967. The Hospital District provides Capital Region hospitals with funding for capital project construction and the purchase of moveable equipment.

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Hospital District are prepared by management in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant accounting policies adopted by the Hospital District are as follows:

a) Basis of Accounting

The Hospital District follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

b) Taxation

Each Municipality, Electoral Area and First Nation within the Regional District is requisitioned for their portion of the Hospital District service. These funds are then levied by the Municipalities, First Nations and the Province (for Electoral Areas) to individual taxpayers and remitted to the Hospital District by August 1 of each year.

c) Cash Equivalents

Cash equivalents include short-term highly liquid investments with a term to maturity of less than 90 days at acquisition.

d) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes amounts directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful Life
Building and building fixtures	10 to 50 Years

Amortization is charged annually, in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

i. Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

ii. Works of art and cultural and historic assets

Works of art and cultural and historic assets are not recorded as assets in these financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

iii. Interest capitalization
The Hospital District does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

iv. Impairment
Tangible capital assets are written down when conditions indicate that they no longer contribute to the Hospital District's ability to produce 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.

e) Long-Term Debt

Long-term debt is recorded net of repayments and actuarial adjustments.

f) Debenture Issue Cost

Debenture issue costs are recorded as an expense in operations as incurred.

g) Section 20(3) Reserve

As permitted by section 20(3) of the Hospital District Act, funds are raised for the future purchase of land, equipment, minor renovations to hospitals, and related studies. The unspent balance of the reserve is a component of the Hospital District Accumulated Surplus.

h) Grants to District Hospitals

Government transfers including grants to district hospitals are recognized as an expense in the period the transfer is authorized and all eligibility criteria have been met by the recipient.

i) Financial Instruments

Financial instruments are classified into two categories fair value or cost.

- i. Fair value category: portfolio investments quoted in an active market are reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are recorded as an expense.
- ii. Cost category: portfolio investments not quoted in an active market, financial assets and liabilities are recorded at cost or amortized cost. Gains and losses are recognized in the Statement of Operations when the financial asset is derecognized due to disposal or impairment. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of financial assets are included in the cost of the related instrument.

Financial assets are assessed for impairment on an annual basis. If there is an indicator of impairment, the Hospital District determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Hospital District expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)**j) Use Of Estimates**

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

2. CASH AND CASH EQUIVALENTS

	2021		2020	
Cash in bank	\$	17,671,161	\$	23,537,598
MFA Money Market		-		89,675
	\$	17,671,161	\$	23,627,273

3. RESTRICTED CASH – MFA DEBT RESERVE FUND

The Municipal Finance Authority of British Columbia (MFA) is required to establish a Debt Reserve Fund into which each borrower who shares in the proceeds of a debt issue is required to pay certain amounts set out in the debt agreements. Interest earned on these funds (less administrative expenses) becomes an obligation of the MFA to the borrower. If at any time insufficient funds are provided by the borrowers, the MFA will then use these funds to meet payments on its obligations. Should this occur, the borrowers may be called upon to restore the fund. The balance of the Debt Reserve Fund cash deposits at December 31, 2021 is \$3,607,145 (2020: \$3,905,704)

4. SHORT-TERM DEBT

During 2021, CRHD secured short-term capital financing in the amount of \$1,819,000 to fund a land acquisition. The interest rate at year end was 0.97%. The short-term financing will be converted to long-term debt in Spring 2022.

5. LONG-TERM DEBT**a) Debt**

Long-term debt represents gross debt borrowings of \$279,583,868 (2020: \$287,424,507) net of repayments and actuarial adjustments of \$151,265,062 (2020: \$145,527,997).

The loan agreements with the MFA provide that, if at any time the scheduled payments provided for in the agreements for the Hospital District and other authorities are not sufficient to meet the MFA's obligation in respect to such borrowings, the resulting deficiency becomes a liability of the Hospital District and other members of the MFA.

The following principal payments are payable over the next five years and thereafter:

	2022	2023	2024	2025	2026	Aggregate amount after 2026
	\$ 13,900,587	\$ 12,867,076	\$ 10,907,951	\$ 7,855,404	\$ 6,231,880	\$56,065,291

5. LONG-TERM DEBT (continued)**b) Interest Rates of Long Term Debt Borrowings Issued in the Year**

2021	2020
1.25% to 1.53%	0.91% to 1.99%

The long-term debt bears interest at rates ranging from 0.65% to 3.85%. The weighted average interest rate at December 31, 2021 is 2.56% (2020: 2.60%).

c) Demand Notes – Contingent Liability

The MFA holds demand notes related to the Hospital District's debenture debt in the amount of \$8,746,511 (2020: \$9,141,471). The demand notes are not recorded as they only become payable should debt be in default or if the MFA requires the funds to meet debt obligations.

6. TANGIBLE CAPITAL ASSETS

	Cost			Accumulated Amortization				Net Book
	Balance at December 31, 2020	Additions	Transfers	Balance at December 31, 2021	Balance at December 31, 2020	Amortization Expense	Balance at December 31, 2021	Value at December 31, 2021
Work in Progress	\$ -	1,985,691	-	\$ 1,985,691	-	-	-	\$ 1,985,691
Land	23,591,590	8,050,785	-	31,642,375	-	-	-	31,642,375
Buildings	79,195,743	241,536	-	79,437,279	3,077,136	3,084,450	6,161,586	73,275,693
	\$ 102,787,333	10,278,012	-	\$ 113,065,345	3,077,136	3,084,450	6,161,586	\$ 106,903,759

	Cost			Accumulated Amortization				Net Book
	Balance at December 31, 2019	Additions	Transfers	Balance at December 31, 2020	Balance at December 31, 2019	Amortization Expense	Balance at December 31, 2020	Value at December 31, 2020
Work in Progress	\$ -	-	-	\$ -	-	-	-	\$ -
Land	14,285,827	9,305,763	-	23,591,590	-	-	-	23,591,590
Buildings	74,674,680	4,521,063	-	79,195,743	-	3,077,136	3,077,136	76,118,607
	\$ 88,960,507	13,826,826	-	\$ 102,787,333	-	3,077,136	3,077,136	\$ 99,710,197

a) The Heights Long-Term Care Facility Site

In 2012, the Hospital District approved a 27 year land lease with the Baptist Housing Mount View Heights Care Society for the site owned by the Hospital District at 3814 Carey Road. The land has a historical cost of \$1,913,640.

7. COMMITMENTS

a) The Hospital District has the following approved and active capital projects:

Bylaw	Description	Approved Project Cost (Island Health)	Hospital District Share	Funded to December 31, 2020	Funded in Current Year (Schedule A)	Funded to December 31, 2021	Remaining Commitment
Sec 20(3)	Equipment and Non-Traditional Projects	\$ 4,315,000	\$ 4,315,000	\$ -	\$ 4,315,000	\$ 4,315,000	\$ -
CBL 169	Minor Capital Projects 2016 – Residual Claim	326	130	-	130	130	-
CBL 170	Minor Capital Projects 2017	19,772,954	3,750,000	3,627,757	51,627	3,679,384	70,616
CBL 171	Minor Capital Projects 2018	20,683,223	3,750,000	3,467,915	104,073	3,571,988	178,012
CBL 172	Westshore UPCC	4,240,000	1,272,000	311,121	78,643	389,764	-
CBL 173	Minor Capital Projects 2019	19,030,689	3,750,000	3,557,122	(88,659)	3,468,463	281,537
CBL 174	James Bay UPCC	5,000,000	1,500,000	564,617	104,890	669,507	830,493
CBL 175	Beacon Services Expansion	4,500,000	1,350,000	753,734	69,518	823,252	526,748
CBL 176	Minor Capital Projects 2020	17,554,299	3,750,000	1,323,455	1,816,254	3,139,709	610,291
CBL 177	Victoria UPCC #1	5,000,000	1,500,000	196,904	1,006,357	1,203,261	296,739
CBL 180	Minor Capital Projects 2021	16,172,313	3,750,000	-	260,047	260,047	3,489,953
CBL 181	Esquimalt UPCC	2,954,713	886,414	-	490,745	490,745	395,669
CBL 182	Victoria UPCC #2	4,998,639	1,499,592	-	1,169,837	1,169,837	329,755
CBL 183	Emergency Dept. Redevelopment - LMH	10,340,000	3,000,000	-	97,026	97,026	2,902,974
		\$ 134,562,156	\$ 34,073,136	\$ 13,802,625	\$ 9,475,488	\$ 23,278,113	\$ 9,912,787

Minor Capital Projects are defined as projects valued between \$100,000 and \$2.0 million to sustain exiting infrastructure, replace building components and improve functionality. Major Capital Projects are defined as projects valued at greater than \$2.0 million and modify, expand/enhance or replace health service/program spaces. Island Health's Project Cost is based on their capital plan and various funders. CRHD cost shares an average of 30% for Major Capital project expenditures up to the approved bylaw amount. When a major or minor capital project is completed and no further claims are expected, the remaining commitment is reported as nil.

Notes to Financial Statements continued

7. COMMITMENTS (continued)

b) Hospital District approved and active capital projects detailed by Hospital Facility:

Bylaw	Year Approved	Description	Approved Project Cost (Island Health)	Hospital District Share	Funded to December 31, 2020	Funded in Current Year (Schedule A)	Funded to December 31, 2021	Remaining Commitment	Planned Approved Funding 2022 - 2026
APPROVED AND ACTIVE CAPITAL PROJECTS									
<u>Designated Health Care Facilities</u>									
Sec 20(3)	2021	NTP Grant Nigel House	1,360,000	1,360,000	-	1,360,000	1,360,000	-	-
<u>Vancouver Island Health Authority</u>									
Multiple	2016-2021	Minor Capital	9,861,558	2,419,063	1,485,630	349,023	1,834,653	584,410	584,410
Sec 20(3)	2021	Equipment Grant	2,925,000	2,925,000	-	2,925,000	2,925,000	-	-
172	2019	Westshore UPCC	4,240,000	1,272,000	311,121	78,643	389,764	-	-
174	2020	James Bay UPCC	5,000,000	1,500,000	564,617	104,890	669,507	830,493	30,000
175	2020	Beacon Services Expansion	4,500,000	1,350,000	753,734	69,518	823,252	526,748	80,700
177	2020	Victoria UPCC #1	5,000,000	1,500,000	196,904	1,006,357	1,203,261	296,739	30,000
181	2021	Esquimalt UPCC	2,954,713	886,414	-	490,745	490,745	395,669	90,000
182	2021	Victoria UPCC #2	4,998,639	1,499,592	-	1,169,837	1,169,837	329,755	359,592
<u>Mount St. Mary Hospital</u>									
Sec 20(3)	2021	Movable Equipment Grant	30,000	30,000	-	30,000	30,000	-	-
<u>Gorge Road Hospital</u>									
Multiple	2017-2021	Minor Capital	5,359,388	1,086,772	413,849	596,067	1,009,916	76,856	76,856
<u>Juan de Fuca Hospital</u>									
Multiple	2017-2021	Minor Capital	12,244,877	2,119,656	1,866,123	27,794	1,893,917	225,739	225,739
<u>Lady Minto Hospital</u>									
Multiple	2017-2021	Minor Capital	1,321,549	315,519	247,802	1,205	249,007	66,512	66,512
183	2021	Emergency Dept. Redevelopment	10,340,000	3,000,000	-	97,026	97,026	2,902,974	2,902,974
<u>Queen Alexandra Hospital</u>									
Multiple	2017-2021	Minor Capital	3,840,092	919,194	571,560	92,322	663,882	255,312	255,312
<u>Royal Jubilee Hospital</u>									
Multiple	2017-2021	Minor Capital	30,984,536	6,346,413	3,791,182	640,400	4,431,582	1,914,831	1,914,831
<u>Saanich Peninsula Hospital</u>									
Multiple	2017-2021	Minor Capital	5,530,149	1,196,818	911,356	34,895	946,251	250,567	250,567
<u>Victoria General Hospital</u>									
Multiple	2017-2021	Minor Capital	24,071,655	4,346,695	2,688,747	401,766	3,090,513	1,256,182	1,256,182
Total Commitments			134,562,156	34,073,136	13,802,625	9,475,488	23,278,113	9,912,787	8,123,675

b) Hospital District approved and active capital projects detailed by Hospital Facility (continued)

Bylaw	Year Approved	Description	Approved Project Cost (Island Health)	Hospital District Share	Funded to December 31, 2020	Funded in Current Year (Schedule A)	Funded to December 31, 2021	Remaining Commitment	Planned Approved Funding 2022 - 2026
PLANNED CAPITAL PROJECTS									
TBD	2022	Med. Device Reprocessing - VGH	4,240,000	1,272,000	-	-	-	1,272,000	1,272,000
TBD	2022	High Acuity Unit - VGH	3,250,000	975,000	-	-	-	975,000	975,000
TBD	2022	High Acuity Unit - RJH	15,650,000	4,695,000	-	-	-	4,695,000	4,695,000
TBD	2022	Pneumatic to Electric Conversion - GRH	2,946,000	883,800	-	-	-	883,800	883,800
Total Planned Capital Projects			26,086,000	7,825,800	-	-	-	7,825,800	7,825,800
Total Commitments and Planned Capital Projects			\$160,648,156	\$ 41,898,936	\$ 13,802,625	\$ 9,475,488	\$ 23,278,113	\$ 17,738,587	\$ 15,949,475

Notes to Financial Statements continued

8. CONTRACTUAL OBLIGATIONS

At December 31, 2021, the Hospital District has outstanding commitments to capital projects totalling \$2,183,438.

9. CONTRACTUAL RIGHTS

- a) The Hospital District financed the capital cost of the Summit at Quadra Village, a complex care facility. The facility was substantially completed by December 31, 2019 and residents moved in July 2020. Under the agreement, Island Health contributes through annual lease payments over a 25 year period. Lease payments commenced February 1, 2020 and are \$4,338,178 annually.
- b) The Hospital District has an agreement with Fido Solutions to operate a temporary cellular site on the lands at 2251 Cadboro Bay Rd. for a term of five years until March 31, 2026. The annual rent is \$20,000.

10. RELATED PARTY TRANSACTIONS

The Hospital District is a related party to the Capital Regional District (CRD). The Board of Directors for each entity is comprised of the same individuals. As legislated by the Hospital District Act, the officers and employees of the CRD are the corresponding officers and employees of the Hospital District. The CRD and the Hospital District are separate legal entities as defined by separate Letters Patent and authorized by separate legislation. During the year the Hospital District purchased, at cost, \$763,651 (2020: \$727,404) of administrative support and project management services from the CRD, of which \$nil (2020: \$16,622) of project management services was capitalized.

The Regional Housing First Program (RHFP) is a partnership between the CRD, the Provincial and Federal governments to provide capital funding to affordable housing projects in the region. The CRD, Capital Region Housing Corporation and the Hospital District will invest a combined \$40 million towards projects. In 2018, a RHFP project management office was created to support the delivery of the program. During the year the Hospital District contributed, \$143,978 (2020: \$141,154) to the CRD, to cost share in administrative support and project management services.

11. ACCUMULATED SURPLUS

	2021	2020
<u>Surplus/(Deficit):</u>		
Other	\$ (18,683,901)	\$ (38,260,070)
Reserve funds set aside for specific purposes:		
Land Development Reserve	-	6,180,199
Regional Housing First Program Reserve	10,068,435	5,783,318
Summit Management Reserve	533,340	265,487
Land Holdings Management Reserve	1,286,762	1,193,653
Capital Loan Fund	4,630,407	3,438,752
Hospital District Act Section 20(3) Reserve	2,612,474	3,359,324
Accumulated Surplus/(Deficit)	<u>\$ 447,517</u>	<u>\$ (18,039,337)</u>

12. BUDGET DATA

The budget data presented in these financial statements is based upon the 2021 operating and capital budgets approved by the Board on March 24, 2021. The chart below reconciles the approved budget to the budget figures reported in these financial statements.

	Budget Amount
Revenue budget	\$ 36,111,356
Less:	
Transfers from reserve	(1,802,877)
Prior-year surplus	(415,004)
Revenue per Financial Statements	<u>33,893,475</u>
Expense budget	36,111,356
Add:	
Grants to district hospitals	4,555,824
Less:	
Transfers to reserve	(5,095,638)
Debt principal payments	(13,918,260)
Expense per Financial Statements	<u>21,653,282</u>
Annual Surplus	<u>\$ 12,240,193</u>

13. CONTINGENT LIABILITIES

From time to time, the Capital Regional Hospital District is subject to claims and other lawsuits that arise in the course of business, some of which may seek damages in substantial amounts. Liability for these claims and lawsuits are recorded to the extent that the probability of a loss is likely and it is estimable.

14. FINANCIAL RISKS AND CONCENTRATION OF RISK

The Capital Regional Hospital District has exposure to the following risks from its use of financial instruments:

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 Hospital District is subject to credit risk with respect to the accounts receivable and cash and cash equivalents. Credit risk arises from the possibility that taxpayers and entities to which the Hospital District provides services may experience financial difficulty and be unable to fulfill their obligations. This risk is mitigated as most accounts receivable are due from government agencies and are collectible.

There have been no significant changes to credit risk exposure from 2020.

14. FINANCIAL RISKS AND CONCENTRATION OF RISK (continued)

b) Liquidity risk:

Liquidity risk is the risk that the Hospital District will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Hospital District manages its liquidity risk by monitoring its operating requirements; preparing 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.

There have been no significant changes to liquidity risk exposure from 2020.

c) Market Risk:

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

i. Foreign exchange risk:

The Hospital District 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 2020.

ii. Interest rate risk:

The Hospital District is exposed to interest rate risk through its investments and debt instruments. It is management's opinion that the Hospital District is not exposed to significant interest rate risk in their investments as they manage this risk through its investment policy which includes restrictions on types and concentration of instruments held.

Exposure to interest rate risk in relation to debt instruments is limited to long term debt renewals and short term financing. The risk applies only to long term debt when amortization periods exceed the initial locked in term. Short term financing is subject to daily floating rates, which can result in variability over the course of short term financing. Interest rate risk related to debt instruments is managed through budget and cash forecasts.

There has been no change to the risk exposure from 2020.

15. COMPARATIVE INFORMATION

Certain 2020 comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.

Grants to District Hospitals

For the year ended December 31, 2021

	Total grants December 31 2020	Expense 2021	Transfers to completed projects	Total grants December 31 2021
PROJECTS IN PROGRESS				
Designated Health Care facilities	\$ 1,770,686	\$ 1,360,000	\$ (1,360,000)	\$ 1,770,686
Vancouver Island Health Authority	8,687,484	6,194,013	(3,447,978)	11,433,519
Gorge Road Hospital	486,989	596,067	(117,175)	965,881
Juan de Fuca Hospital	2,339,843	27,794	(459,572)	1,908,065
Lady Minto Hospital	597,791	98,231	(17,780)	678,242
Mount St. Mary Hospital	30,000	30,000	(30,000)	30,000
Queen Alexandra Hospital	571,559	92,322	(362,700)	301,181
Royal Jubilee Hospital	10,807,034	640,400	(1,105,061)	10,342,373
Saanich Peninsula Hospital	1,838,253	34,896	(158,260)	1,714,889
Victoria General Hospital	4,036,247	401,765	(1,014,631)	3,423,381
	31,165,886	9,475,488	(8,073,157)	32,568,217
COMPLETED PROJECTS				
Designated Health Care facilities	21,034,214	-	1,360,000	22,394,214
Vancouver Island Health Authority	77,115,345	-	3,447,978	80,563,323
Gorge Road Hospital	7,825,196	-	117,175	7,942,371
Juan de Fuca Hospital	37,195,870	-	459,572	37,655,442
Lady Minto Hospital	5,617,275	-	17,780	5,635,055
Mount St. Mary Hospital - Fairfield	15,449,545	-	30,000	15,479,545
Queen Alexandra Hospital	8,868,726	-	362,700	9,231,426
Royal Jubilee Hospital	258,671,112	-	1,105,061	259,776,173
Saanich Peninsula Hospital	19,859,893	-	158,260	20,018,153
Victoria General Hospital	98,731,887	-	1,014,631	99,746,518
	550,369,063	-	8,073,157	558,442,220
	581,534,949	9,475,488	-	591,010,437
LESS:				
Province of British Columbia share of grants to hospitals recorded before change in capital payment process in 2000	(126,010,301)	-	-	(126,010,301)
	\$ 455,524,648	\$ 9,475,488	\$ -	\$ 465,000,136

Total grants to date is cumulative since incorporation of the Hospital District in 1967



Capital Regional Hospital District

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Capital Regional Hospital District Audit Findings Report



Capital Regional Hospital District

Audit Findings Report for the year ended
December 31, 2021

KPMG LLP

Prepared for presentation on May 4, 2022

kpmg.ca/audit

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KPMG contacts

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Our refreshed Values

What we believe



Integrity

We do what is right.



Excellence

We never stop learning
and improving.



Courage

We think and act boldly.



Together

We respect each other
and draw strength from
our differences.



For Better

We do what matters.

Audit highlights

Purpose of this report

The purpose of this report is to assist you, as a member of the Hospitals and Housing Committee (the “Committee”), in your review of the results of our audit of the financial statements of Capital Regional Hospital District (the “District”) as at and for the year ended December 31, 2021. This Audit Findings Report builds on the Audit Plan we presented to the Board of Directors on January 12, 2022.

Status of 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 Committee;
- 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 Committee 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 financial statements, will be dated upon the completion of any remaining procedures.

Significant changes from the audit plan

There were no significant changes to our audit plan which was originally communicated to you in the audit planning report.

Areas of audit focus

Our audit is risk-focused. We have not identified any significant risks other than those required by audit standards. However, as part of our audit, we identified areas of audit focus which included the Oak Bay Lodge demolition.

See pages 4 to 5 for the audit findings related to these areas of audit focus.

Audit misstatements

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.

Uncorrected audit misstatements

We identified one difference from the 2017 fiscal year that remains uncorrected relating to debt issuance costs recognized in 2017 as an expense rather than over the 25 year term of the debt. The difference will decline in value over the term of the debt.

Corrected audit misstatements

We did not identify any adjustments that were communicated to management and subsequently corrected in the financial statements.

This report to the Committee is intended solely for the information and use of management, the Committee and the Board of Directors and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this report to the Committee has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Audit highlights (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.

The Capital Regional District (“CRD”) chose not to early adopt Section PS3160, *Public Private Partnerships* and therefore there is no impact on the District’s financial statements in fiscal 2021.

PS 3280 Asset Retirement Obligations will be effective from April 1, 2022 and will require additional assets and liabilities to be recognized to reflect the integral cost of owning and operating tangible capital assets. This will be a significant project for management to identify and measure all obligations.

See page 6 and Appendix 3 for further details.

Control deficiencies 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 District 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, 2021 up to the date of this report.

Current developments

Please refer to Appendix 3 for the current developments updates.

Audit risks

Professional requirements

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 are we focusing here?
Oak Bay Lodge	<p>In August 2020, ownership of Oak Bay Lodge was transferred from Island Health to CRHD. An external valuation was obtained for the land.</p> <p>During 2021, a community consultation was undertaken on the future use of the land.</p> <p>CRHD acquired a demolition permit for the property that resides on the land.</p>
Our response	
<ul style="list-style-type: none">- The Summit business case included the property transfer of Oak Bay Lodge (land and building) from Island Health to CRHD, with the transfer occurring on August 14, 2020.- There are restrictive covenants in the transfer agreement, requiring that CRHD use the land for “public good”, which includes not-for-profit care facilities in health or other publicly funded health care services; subsidized, supported or other public housing, shelter accommodation for homeless persons and associated health and social supports including harm reduction.- CRHD's intention is to demolish the existing structure and construct a health care facility on the land. These plans are undergoing community consultation. A construction manager has been appointed to oversee the demolition project.- KPMG reviewed the Board meeting minutes and related committees for activity and commitments related to the property with financial implications. All relevant activity has been recorded and disclosed in the District's financial statements.- KPMG selected a sample of costs incurred related to the demolition of the property and agreed such costs to invoices to verify the accuracy of the costs and that they had been recognized in the correct period. A total of \$1,985,691 has been capitalized; these represent the cost of site preparation for future capital assets.- KPMG considered any indications of adjustments required to the value of the land recognized in fiscal 2020 on acquisition. No adjustments were recommended.	

Significant findings

There were no issues noted in our testing.

Significant accounting policies and practices



Significant accounting policies

- 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 District'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

- 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 District's asset and liability carrying values.
-



Financial statement presentation and disclosure

- 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 identified one difference from the 2017 fiscal year that remains uncorrected relating to debt issuance costs recognized in 2017 as an expense rather than over the 25 year term of the debt.

The impact of the uncorrected difference at December 31, 2021 is an understatement of expense of \$4,900 and overstatement of debt of \$98,000. The difference will decline in value over the term of the debt.

We concur with management's representation that the differences are not material to the financial statements. Accordingly, the differences have no effect on our auditors' report.

Corrected adjustments

There were no corrected adjustments noted.

Appendices

Appendix 1: Required communications

Appendix 2: Management representation letter

Appendix 3: Current developments



Appendix 1: 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 2.

Independence

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

Appendix 2: Management representation letter

Date of approval of financial statements

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 Regional Hospital District (“the Entity”) as at and for the period ended December 31, 2021.

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 (“relevant information”), such as financial records, documentation and other matters, including:
 - the names of all related parties and information regarding all relationships and transactions with related parties;
 - 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.

Appendix 2: Management Representation Letter (continued)

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.

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.

Misstatements:

- 11) The effects of the uncorrected misstatements described in Attachment II are immaterial, both individually and in the aggregate, to the financial statements as a whole.

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).

Yours very truly,

Mr. Robert Lapham, Chief Administrative Officer

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 – Summary of Audit Misstatement Schedule

Uncorrected adjustments

	Statement of operations effect	Statement of financial position effect		
Description	(Decrease) Increase	Assets (Decrease) Increase	Liabilities (Decrease) Increase	Accumulated Deficit (Decrease) Increase
To recognize debt issuance expense over the term of the debt instead of in the year of issuance	(4,900)	-	(98,000)	93,100

Appendix 3: Current developments

New accounting standards

Standard	Summary and implications
Asset Retirement Obligations	<ul style="list-style-type: none"> – The new standard is effective for fiscal years beginning on or after April 1, 2022. – 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. – 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. – As a result of the new standard, the public sector entity will have to: <ul style="list-style-type: none"> • Consider how the additional liability will impact net debt, as a new liability will be recognized with no corresponding increase in a financial asset; • 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; • 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.
Revenue	<ul style="list-style-type: none"> – 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. – The new standard establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement. – 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. – 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.

Appendix 2: Current developments (continued)

Standard	Summary and implications
Employee Future Benefit Obligations	<ul style="list-style-type: none"> PSAB has initiated a review of sections PS3250 Retirement Benefits and PS3255 Post-Employment Benefits, Compensated Absences and Termination Benefits. In July 2020, PSAB approved a revised project plan. PSAB intends to use principles from International Public Sector Accounting Standard 39 Employee Benefits as a starting point to develop the Canadian standard. Given the complexity of issues involved and potential implications of any changes that may arise from the review of the existing guidance, PSAB will implement a multi-release strategy for the new standards. The first standard will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues. PSAB released an exposure draft on proposed section PS3251, Employee Benefits in July 2021. Comments to PSAB on the proposed section were due by November 25, 2021. Proposed Section PS 3251 would apply to fiscal years beginning on or after April 1, 2026 and should be applied retroactively. Earlier adoption is permitted. The proposed PS3251 would replace existing Section PS 3250 and Section PS 3255. This proposed section would result in organizations recognizing the impact of revaluations of the net defined benefit liability (asset) immediately on the statement of financial position. Organizations would also assess the funding status of their post-employment benefit plans to determine the appropriate rate for discounting post-employment benefit obligations.
Concepts Underlying Financial Performance	<ul style="list-style-type: none"> PSAB is in the process of reviewing the conceptual framework that provides the core concepts and objectives underlying Canadian public sector accounting standards. PSAB released four exposure drafts in early 2021 for the proposed conceptual framework and proposed revised reporting model, and their related consequential amendments. The Board is in the process of considering stakeholder comments received. PSAB is proposing a revised, ten chapter conceptual framework intended to replace PS 1000 Financial Statement Concepts and PS 1100 Financial Statement Objectives. 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. In addition, PSAB is proposing: <ul style="list-style-type: none"> 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. Separating liabilities into financial liabilities and non-financial liabilities. Restructuring the statement of financial position to present non-financial assets before liabilities. Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities). Removal of the statement of rereasurement 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”. A new provision whereby an entity can use an amended budget in certain circumstances. Inclusion of disclosures related to risks and uncertainties that could affect the entity’s financial position.

Appendix 2: Current developments (continued)

Standard	Summary and implications
Purchased Intangibles	<ul style="list-style-type: none"> – 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. – 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. – The effective date is April 1, 2023 with early adoption permitted. Application may be retroactive or prospective.
Public Private Partnerships (“P3”)	<ul style="list-style-type: none"> – PSAB has introduced Section PS3160, which includes new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership. The standard has an effective date of April 1, 2023, and may be applied retroactively or prospectively. – The standard notes 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. – The public sector entity recognizes a liability when it needs to pay cash or non-cash consideration to the private sector partner for the infrastructure. – 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.
2022 – 2027 Strategic Plan	<ul style="list-style-type: none"> – PSAB's Draft 2022 – 2027 Strategic Plan was issued for public comment in May 2021. Comments were requested for October 6, 2021. – The Strategic Plan sets out broad strategic objectives that help guide PSAB in achieving its public interest mandate over a multi-year period, and determining standard-setting priorities – The Strategic Plan emphasizes four key priorities: <ul style="list-style-type: none"> – Develop relevant and high-quality accounting standards - Continue to develop relevant and high-quality accounting standards in line with PSAB's due process, including implementation of the international strategy (focused on adapting International Public Sector Accounting Standards for new standards) and completion of the Conceptual Framework and Reporting Model project. – Enhance and strengthen relationships with stakeholders - Includes increased engagement with Indigenous Governments and exploring the use of customized reporting. – Enhance and strengthen relationships with other standard setters – In addition to continued collaboration with other standard setters, this emphasizes strengthened relationship with the IPSASB. – Support forward-looking accounting and reporting initiatives – Supporting and encouraging ESG reporting, and consideration of the development of ESG reporting guidance for the Canadian public sector.

Appendix 3: Current developments (continued)

New auditing standards

The following changes to auditing standards applicable to our 2022 audit are listed below.

Standard	Key observations
Revised CAS 315, Identifying and Assessing the Risks of Material Misstatement	<p>Revised CAS 315, Identifying and Assessing the Risks of Material Misstatement has been released and is effective for audits of financial statements for periods beginning on or after December 15, 2021.</p> <p>The standard has been significantly revised, reorganized and enhanced to require a more robust risk identification and assessment in order to promote better responses to the identified risks. Key changes include:</p> <ul style="list-style-type: none">- Enhanced requirements relating to exercising professional skepticism- Distinguishing the nature of, and clarifying the extent of, work needed for indirect and direct controls- Clarification of which controls need to be identified for the purpose of evaluating the design and implementation of controls- Introduction of scalability- Incorporation of considerations for using automated tools and techniques- New and revised concepts and definitions related to identification and assessment of risk- Strengthened documentation requirements <p>CPA Canada plans to publish a Client Briefing document in early 2022 to help you better understand the changes you can expect on your 2022 audit.</p>

Appendix 3: Current developments (continued)

Thought leadership – Environmental, social, and governance (ESG)

Thought leadership	Overview	Links
Unleashing the Positive in Net Zero	CoP26 in Glasgow made some progress to tackling climate change but there is much more to do. At KPMG, we're committed to accelerating the changes required to fight climate change. Our Global portal provides links to further thought leadership to help drive real change.	Link to Global portal
KPMG Climate Change Financial Reporting Resource Centre	KPMG's climate change resource centre provides FAQs to help you identify the potential financial statement impacts for your business.	Link to Global portal
You Can't Go Green Without Blue – The Blue Economy is Critical to All Companies' ESG Ambitions	In this report, KPMG considers how leading corporates and investors can take action to capture the value that can be found in a healthy, sustainable ocean economy.	Link to Canadian portal
ESG, Strategy and the Long View	This paper presents a five-part framework to help organizations understand and shape the total impact of their strategy and operations on their performance externally – on the environment, consumers, employees, the communities in which it operates, and other stakeholders – and internally.	Link to Global portal
Inclusion and diversity practices	In 2021 societal changes brought more attention to inclusion and diversity. In this age of transparency, businesses must act proactively to implement strategic inclusion and diversity practices. It has become increasingly important for organizations to adopt I&D initiatives in order to foster an enjoyable work environment for their employees. Learn how to consider your own organizations' unique context, meet with the stakeholders you want to include, understand where they are at, and guide them along their own individual transformation journey.	Link to Canadian portal

Appendix 3: Current developments (continued)

Thought leadership – Digital and technology

Thought leadership	Overview	Link
Going digital, faster in Canada	Pre-COVID-19, private and public organizations were moving towards a digital business model, travelling at varying speeds. But the pandemic forced a dramatic acceleration, both in the speed of change and the required investment to digitally transform. According to Canadian insights from KPMG's recent global survey, organizations are investing heavily in technology to address immediate concerns, ranging from falling revenue and interrupted supply chains to building longer-term competitiveness and operational resilience.	Link to Canadian portal

Thought leadership – Board, Audit Committee and C-Suite

Thought leadership	Overview	Links
Accelerate	Our Accelerate series offer insight into the key issues that will drive the Audit Committee agenda in 2022 in a number of key areas: cyber-related risk, digital transformation in the finance function, the 'Great Resignation' impacting finance, climate-related physical risks, enterprise risk management, and building a climate-conscious organization.	Link to Canadian Accelerate 2022 Insights series
KPMG 2021 CEO Outlook – Canadian Insights	This year we surveyed over 1,300 CEOs globally and the results are pointing to an optimistic outlook amongst Canadian CEOs. Some of the key themes coming out of the survey include expectations for aggressive growth through expansion, investment in both people and technology as well as a focus on delivering on environmental, social and governance (ESG) and sustainability commitments.	Link to Canadian portal
Board Leadership Centre + Audit Committee Guide	<p>KPMG in Canada Board Leadership Centre engages with directors, board members and business leaders to discuss timely and relevant boardroom challenges and deliver practical thought leadership on risk and strategy, talent and technology, globalization and regulatory issues, financial reporting and more.</p> <p>The new Audit Committee Guide – Canadian Edition from our Board Leadership Centre provides timely, relevant and trusted guidance to help both new and seasoned audit committee members stay informed.</p>	<p>Link to Canadian portal</p> <p>Link to 2021 guide</p>

Appendix 3: Current developments (continued)

Thought leadership – Audit quality and insights

Thought leadership	Overview	Links
Audit Quality and Transparency Report	Learn about KPMG's ongoing commitment to continuous audit quality improvement. We are investing in new innovative technologies and building strategic alliances with leading technology companies that will have a transformative impact on the auditing process and profession. How do we seek to make an impact on society through the work that we do?	Link to Canadian portal Link to 2021 Global report
Audit and Assurance Insights	KPMG provides curated research and insights on audit and assurance matters for audit committees and boards.	Link to Canadian portal



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KPMG member firms around the world have 227,000 professionals, in 146 countries.



Capital Regional Hospital District Other Financial Statement Analysis

Appendix C: Other Financial Statement Analysis

The 2021 Audited Financial Statements have been prepared by management in accordance with Canadian Public Sector Accounting Board (PSAB) Standards. Under PSAB regulations, governments are required to present five statements with explanatory notes. The first two statements are summarized in the staff report. This appendix provides a summary of the remaining statements.

3. Statement of Change in Net Debt

The Statement of Change in Net Debt is summarized in Table 7 and is primarily designed to explain the difference between the CRHD's annual surplus reported on the Statement of Operations and the change in net debt.

Table 7 – Change in Net Debt Year over Year

Statement of Change in Net Debt (\$ millions)	2021	2020
Change in net debt	11.3	17.8
Net debt, beginning of year	(117.7)	(135.5)
Net debt, end of year	(\$106.4)	(\$117.7)

In 2021, the CRHD's net debt position of \$106.4 million decreased by (\$11.3) million or (10%) over prior year. The change in net debt in 2021 is a result of the acquisition of tangible capital assets of \$10.2 million relating to Royal Bay Land acquisition, Oak Bay Lodge demolition and Summit capital additions.

4. Statement of Cash Flows

The Statement of Cash Flows reports the sources and uses of cash during the period and Table 8 displays the total cash flow activity by category from the statement:

Table 8 – Change in Cash and Cash Equivalents Year over Year

Statement of Cash Flows (\$ millions)	2021	2020
Operating activities	15.2	11.6
Capital activities	(10.3)	(4.5)
Investing activities	(5.0)	-
Financing activities	(5.9)	(13.8)
Net change in cash & cash equivalents	(6.0)	(6.7)
Cash & cash equivalents, beginning of year	23.7	30.4
Cash and cash equivalents, end of year	\$17.7	\$23.7

The net change in cash and cash equivalents in 2021 was a decrease of (\$6.0) million, a result of cash received from operating activities of \$15.2 million, less investment in tangible capital assets of (\$10.3) million, less cash investments of (\$5) million, less cash used in financing activities (\$5.9) million.

5. Schedule A: Grants to Hospital Districts

Schedule A summarizes the amounts raised for capital grants which are approved in the annual financial plan. These include equipment grants, major capital projects and various minor capital projects which are cash flowed over several years. Capital grant expenses in the year were \$9.5 million and the value of projects completed during the year was \$8.1 million. Major capital contributed to Urgent and Primary Care Clinics in the region, the Beacon Community Services Expansion, and the Lady Minto Emergency Department Redevelopment.

As shown in Note 7 to the financial statements, the CRHD cost shares between 30-40% of approved project costs and the CRHD share of authorized projects at December 31, 2021, is \$34.1 million (2020: \$33.5 million).

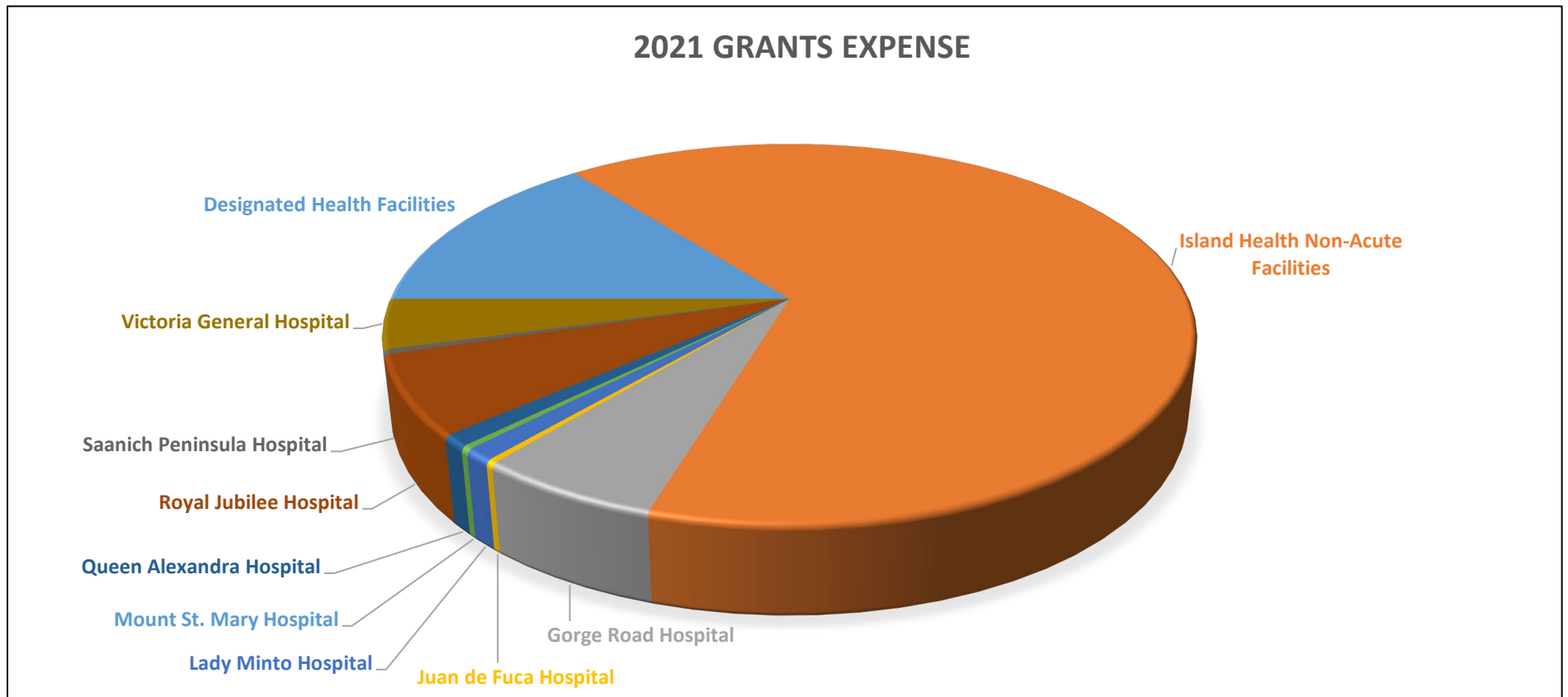
Appendix D provides graphical presentation of the 2021 total grants expense by facility.

Capital Regional Hospital District Financial Performance Indicators

Appendix D: Financial Performance Indicators

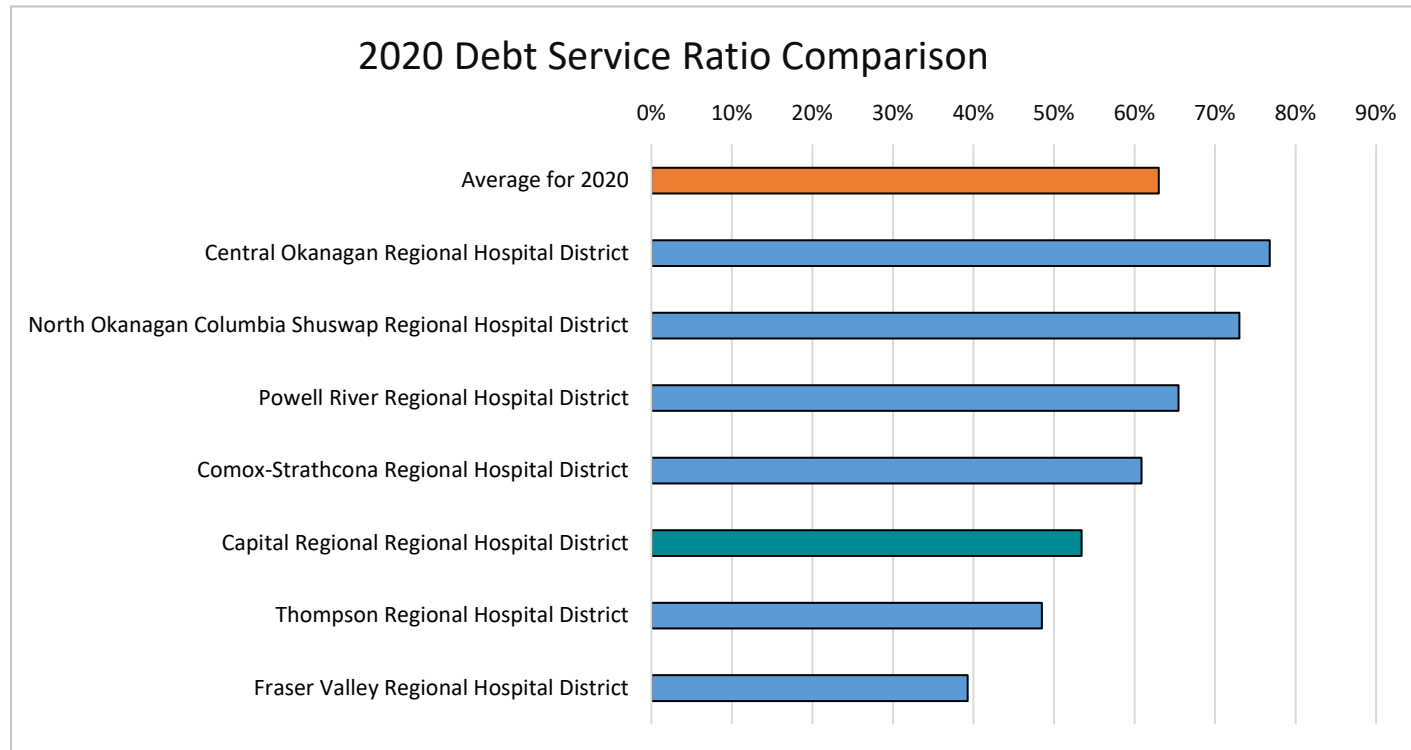
1. 2021 Grants to District Hospitals

In 2021, the CRHD provided capital grants to hospital facilities in the district totaling \$9.5 million. Further to the information provided in the Audited Financial Statements' Note 7 and Schedule A, the distribution of 2021 total grants expense is illustrated below, showing the relative share of total grants received by each facility during the year. Non-Acute Facilities received grants totaling \$3.4 million; \$2.9 million of this is attributed to the annual minor equipment grant, which is prioritized by Island Health and distributed to facilities in the district.



2. Debt Service Ratio Comparison

Based on the 2020 financial results of other Hospital Districts on Vancouver Island and southern British Columbia, the average debt service costs as a percentage of revenue is 61%. At 53% for 2021 and 45% for 2020, the CRHD's debt service cost as a percentage of revenue is below the average for 2020. The CRHD's debt service ratio increased from the prior year as a result of decreased revenue in 2021 due to the acquisition of the Oak Bay Lodge property which resulted in \$9.3 million in revenue in 2020. Current year comparison data is not yet available.



**REPORT TO HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, MAY 04, 2022**

SUBJECT **Capital Region Housing Corporation 2021 Audit Findings Report and Audited Financial Statements**

ISSUE SUMMARY

To receive the Capital Region Housing Corporation (CRHC) 2021 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 Canadian Public Sector Accounting Standards (PSAS), which are governed by the Public Sector Accounting Board (PSAB).

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 2021 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 (by June 30, 2022).

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 Flows

In addition to the required statements listed above, the 2021 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 2021 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 confirms there were no significant changes in the audit approach from the Audit Planning Report previously presented to the Board on January 12, 2022. The audit did not identify any uncorrected differences or significant control

deficiencies and the audit findings confirm the financial statements present fairly, in all material respects, the financial position of the CRHC as at December 31, 2021.

ALTERNATIVES

Alternative 1

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

That the Capital Region Housing Corporation 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 2021 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. The Audit Findings report (Appendix B) provides the results of the KPMG audit, and reports specific results in areas of focus identified in the Audit Planning Report presented to the CRHC Board on January 12, 2022.

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 in private organizations. The CRHC financial statements are prepared and presented in accordance with Canadian PSAS.

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 summarizes total asset values for 2021 and 2020.

Table 1 – Change in Assets Year over Year

Statement of Financial Position (\$ millions)	2021	2020	\$ Change	% Change
Current Assets				
Cash & cash equivalents	7.9	7.0	0.9	13%
Accounts receivable	1.4	0.6	0.8	133%
Prepaid expenses	0.6	0.5	0.1	20%
Total Current Assets	\$9.9	\$8.1	\$1.8	22%
Non-Current Assets				
Cash & cash equivalents (Restricted)	6.9	5.9	1.0	17%
Capital assets	188.3	161.1	27.2	17%
Total Non-Current Assets	\$195.2	\$167.0	\$28.2	17%
Total Assets	\$205.1	\$175.1	\$30.0	17%

The total assets of \$205.1 million consist of current and non-current assets. Current assets of \$9.9 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 \$1.8 million or 22% is due primarily to increases in cash, accounts receivable, and prepaid expenses commensurate with increased revenue activity from new rental units in 2021.

Non-current assets of \$195.2 million consist of \$6.9 million in restricted cash and equivalents in replacement reserves, and \$188.3 million in capital assets. Non-current assets increased by \$28.2 million, primarily due to \$25.4 million for Hockley House which is now under a 60-year prepaid lease from the CRD.

Table 2 details liabilities and provides changes in current and non-current liabilities.

Table 2 – Change in Liabilities Year over Year

Statement of Financial Position (\$ millions)	2021	2020	\$ Change	% Change
Current Liabilities				
Accounts payable	2.0	1.0	1.0	100%
Short-term capital financing	2.2	61.3	(59.1)	(96%)
Mortgage payable – current	9.9	8.0	1.9	24%
Other Liabilities	2.2	1.8	0.4	22%
Total Current Liabilities	16.3	72.1	(55.8)	(77%)
Non-Current Liabilities				
Mortgage payable – non current	150.3	71.8	78.5	109%
Total Liabilities	\$166.6	\$143.9	\$22.7	16%

Total current liabilities of \$16.3 million is a decrease of \$55.8 million or 77% over 2020 and is primarily related to the decrease in short-term capital financing of \$59.1 million related to properties under construction now converted to long term debt. Accounts payable increased by \$1.0 million also due to an increase in construction activity.

The increase of \$1.9 million in current mortgage payable and increase of \$78.5 million in non-current mortgage payable is driven primarily by increases of \$29.9 million for Spencer Close, \$30.2 million for West Park, and \$25.4 million for Hockley House, offset by \$6.5 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 annual financial activities by fund, summarizing revenues less expenses. Table 3 details revenue by source with a year-over-year comparison.

Table 3 – Change in Revenue Year over Year

Statement of Operations (\$ millions)	2021	2020	\$ Change	% Change
Revenue				
Rent and rental management fees	21.3	16.7	4.6	28%
Government capital contributions	5.9	0.7	5.2	743%
Other revenue	3.7	3.8	(0.1)	(3%)
Total Revenue	\$30.9	\$21.2	\$9.7	46%

Revenue from all sources totaled \$30.9 million in 2021, an increase of \$9.7 million or 46%. The increase is driven by rent and rental management fees of \$4.3 million from new units at Westview, West Park, Spencer Close, and Hockley House. Government capital contributions increased by \$5.2 million due to grants for the 2782 Spencer project.

Table 4 – Change in Expenses Year over Year

Statement of Operations (\$ millions)	2021	2020	\$ Change	% Change
Expenses				
Building operating & admin expenses	8.6	7.4	1.2	16%
Insurance	1.1	0.9	0.2	22%
Rental management fees	2.4	1.7	0.7	41%
Amortization	7.1	6.2	0.9	15%
Interest Expense	3.3	2.1	1.2	57%
Other operating expenses	0.8	1.1	(0.3)	(27%)
Total Expenses	\$23.3	\$19.4	\$3.9	20%

Expenses totaled \$23.3 million in 2021, an increase of \$3.9 million or 20%, consistent with the volume of new units at Westview, West Park, Spencer Close, and Hockley House.

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. Other Financial Statement Analysis

Appendix E provides summaries and analysis of the remaining statements and schedules:

3. Statement of Changes in Net Assets & Remeasurement Gains and Losses
4. Statement of Cash Flows
5. Schedules A to E

4. 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:

4.1 Mortgage Debt Servicing Costs as a Percentage of Rental Housing Fund 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 2021, mortgage debt service costs were 42% of Rental Housing Fund revenue (2020: 40%). The increase is due to new mortgages at new buildings. Over time, as revenues increase, the ratio decreases, and service flexibility increases because fewer operating resources are committed to the financial obligation.

4.2 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 2021, of the total mortgage debt servicing costs, 64% were attributed to principal payments (2020: 71%) due to relatively lower interest rates on new mortgages.

4.3 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 2021, contributions to the RRF were based on a calculation of \$173/unit per month and resulted in a contribution level of 13.6% (2020: 12.9%) of rental income. Contribution metrics and funding levels are a requirement of BCHMC operating agreements which informs the contributions across all building portfolios.

Additional data and analytics in the Audit Findings Report (Appendix B, p.25–29):

- Current Ratio
- Capital Investment Funded by Debt
- Debt Service Cost to Total Revenue

- Investment in Capital over Amortization
- Reserve Balances

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 2021 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, 2021, 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 2021 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 2021 Financial Statements
Appendix B: CRHC 2021 Audit Findings Report
Appendix C: CRHC 2021 Detailed Variance analytics (Statement of Financial Position)
Appendix D: CRHC 2021 Detailed Variance analytics (Statement of Operations)
Appendix E: CRHC 2021 Other Financial Statement Analysis

Capital Region Housing Corporation 2021 Financial Statements

British Columbia, Canada
Fiscal year ended December 31, 2021

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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, 2021
- 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, 2021, 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
May 11, 2022

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, 2021.

On behalf of Capital Region Housing Corporation,

Nelson Chan, MBA, FCPA, FCMA
Chief Financial Officer
May 11, 2022

Capital Region Housing Corporation

Statement 1

Statement of Financial Position

As at December 31, 2021

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 7,872,078	\$ 6,961,868
Accounts receivable	1,374,220	642,886
Prepaid expenses	628,182	541,333
	9,874,480	8,146,087
Cash and cash equivalents restricted for replacement reserve (Note 2)	6,900,663	5,934,450
Capital assets (Note 3 and Schedule C)	188,330,922	161,085,348
	\$ 205,106,065	\$ 175,165,885
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	2,062,933	1,014,548
Accrued mortgage interest	326,483	209,964
Due to Capital Regional District	80,748	104,454
Deferred revenue	701,750	704,008
Security deposits	1,034,183	795,281
Short-term capital financing	2,151,025	61,277,457
Mortgages payable principal current portion (Schedule D)	6,151,134	4,828,667
Mortgages payable principal renewal portion (Note 4 and Schedule D)	3,747,610	3,189,847
	16,255,866	72,124,226
Mortgages payable (Note 4 and Schedule D)	150,343,987	71,844,896
Capital stock (Note 5)	1	1
Net assets:		
Invested in capital assets (Note 6)	26,879,486	21,351,990
Externally restricted (Note 7)	10,076,031	8,587,302
Internally restricted (Note 7)	1,003,312	623,382
Unrestricted: Corporation stabilization reserve (Note 8)	664,933	498,122
	38,623,762	31,060,796
Accumulated remeasurement gains (losses)	(117,551)	135,966
	38,506,211	31,196,762
Commitments and contingencies (Note 9)		
	\$ 205,106,065	\$ 175,165,885

See accompanying notes to the financial statements.

On behalf of the Board:

Director

Director

Statement of Operations

For the Year Ended December 31, 2021

	Operating Funds		Restricted Funds			
	Corporation	Rental Housing	Capital Fund	Replacement Reserve Fund	Total 2021	Total 2020
Revenues:						
Tenant rent contributions	\$ -	\$18,482,139	\$ -	\$ -	\$ 18,482,139	\$ 14,483,146
BCHMC rent subsidy assistance	-	330,338	-	-	330,338	359,792
BCHMC umbrella operating agreement funding	-	2,858,390	-	-	2,858,390	3,118,951
Rental management fees	2,426,020	-	-	-	2,426,020	1,736,610
Rental management fees - other	79,548	-	-	-	79,548	80,682
Investment income	81,922	-	-	130,169	212,091	271,933
Guest suites, net	(1,096)	-	-	-	(1,096)	(1,774)
Miscellaneous	25,515	200,222	-	-	225,737	193,516
Project management fees	361,732	-	-	-	361,732	273,690
Government contributions (Note 9)	295,000	-	5,606,805	27,525	5,929,330	660,000
	3,268,641	21,871,089	5,606,805	157,694	30,904,229	21,176,546
Expenses:						
Administration and property management	2,599,269	-	-	-	2,599,269	2,255,667
Amortization	-	-	7,140,382	-	7,140,382	6,228,560
Property taxes	-	28,751	-	-	28,751	295,670
Insurance	-	1,139,572	-	-	1,139,572	845,756
Maintenance	-	1,231,145	-	-	1,231,145	949,823
Caretakers	-	1,789,881	-	-	1,789,881	1,513,770
Landscape	-	409,285	-	-	409,285	378,861
Electricity	-	402,265	-	-	402,265	264,704
Land and improvement leases	-	294,000	-	-	294,000	294,000
Water	-	1,309,824	-	-	1,309,824	1,090,990
Oil and gas	-	174,264	-	-	174,264	96,251
Garbage	-	312,005	-	-	312,005	286,381
Rental management fee	-	2,425,159	-	-	2,425,159	1,735,790
Audit and legal	-	33,642	-	-	33,642	31,381
Miscellaneous	-	33,580	-	-	33,580	35,745
Hospitality services (Parry Place)	-	298,093	-	-	298,093	293,690
Interest on mortgages payable	-	3,282,707	-	-	3,282,707	2,127,930
Repayment of BCHMC capital contribution	-	-	-	-	-	700,000
Loss on disposal of capital assets	-	-	437,439	-	437,439	-
	2,599,269	13,164,173	7,577,821	-	23,341,263	19,424,969
Excess of revenues over expenses	\$ 669,372	\$ 8,706,916	\$ (1,971,016)	\$ 157,694	\$ 7,562,966	\$ 1,751,577

See accompanying notes to the financial statements.

Statement of Changes in Net Assets & Remeasurement Gains & Losses

For the Year Ended December 31, 2021

	Operating Funds		Restricted Funds					
	Corporation	Rental Housing	Capital Fund	Replacement Reserve Fund	Remeasurement Gains / (Losses)	Total 2021	Total 2020	
Net assets, beginning of year	\$ 659,315	\$ 3,115,041	\$ 21,351,990	\$ 5,934,450	\$ 135,966	\$ 31,196,762	\$ 29,093,603	
Excess of revenues over expenses	669,372	8,706,916	(1,971,016)	157,694	-	7,562,966	1,751,577	
Interfund transfers:								
Mortgage principal repayments	-	(5,903,295)	5,903,295	-	-	-	-	
Replacement reserve transfers	-	(2,980,835)	-	2,980,835	-	-	-	
Replacement reserve expenditures	-	-	2,172,322	(2,172,322)	-	-	-	
Fund transfers	(500,000)	1,077,105	(577,105)	-	-	-	-	
	(500,000)	(7,807,025)	7,498,512	808,513	-	-	-	
Unrealized gain (loss) on investments	-	-	-	-	(253,517)	(253,517)	351,582	
Net assets, end of year	\$ 828,687	\$ 4,014,932	\$ 26,879,486	\$ 6,900,657	\$ (117,551)	\$ 38,506,211	\$ 31,196,762	

See accompanying notes to the financial statements.

Statement of Cash Flows

For the Year Ended December 31, 2021

	2021	2020
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	\$ 7,562,966	\$ 1,751,577
Items not involving cash:		
Amortization	7,140,382	6,228,560
Loss on disposal of capital assets	437,439	-
Changes in non-cash assets and liabilities:		
(Increase) in accounts receivable	(731,334)	(159,732)
Decrease in due from Capital Regional Hospital District	-	80,726
(Increase) in inventory and prepaid expenses	(86,849)	(149,502)
Increase (decrease) in accounts payable and accrued liabilities	1,048,385	(1,670,210)
Increase (decrease) in accrued mortgage interest	116,519	(19,860)
Increase (decrease) in deferred revenue	(2,258)	33,193
Increase in security deposits	238,902	158,667
Increase (decrease) due to Capital Regional District	(23,706)	82,915
Net change in cash from operating activities	15,700,446	6,336,334
Investing activities:		
Decrease (increase) in restricted cash and cash equivalents	(1,219,730)	12,424
Capital activities:		
Acquisition of capital assets	(34,823,395)	(67,379,039)
Net change in cash from capital activities	(34,823,395)	(67,379,039)
Financing activities:		
Repayment of mortgages payable	(6,473,745)	(5,092,006)
Proceeds from (repayment of) short term debt	(59,126,432)	61,277,457
Proceeds from long term debt	86,853,066	5,028,128
	21,252,889	61,213,579
Net change in cash and cash equivalents	910,210	183,298
Cash and cash equivalents, beginning of year	6,961,868	6,778,570
Cash and cash equivalents, end of year	\$ 7,872,078	\$ 6,961,868

See accompanying notes to the financial statements.

Capital Region Housing Corporation

Notes to the Financial Statements

For the Year Ended December 31, 2021

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 is charged upon the asset becoming available for productive use in the year of acquisition. 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 taken on the declining balance basis at 20% per annum.

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 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.

1. Significant Accounting Policies (continued)

e. Operating Agreements (continued)

i. Umbrella (continued)

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.

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. No other financial contribution is received to subsidize the ongoing operation of the buildings.

1. Significant Accounting Policies (continued)

e. Operating Agreements (continued)

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 is 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 0.45% (2020: average prime minus 0.11%).

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.

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

December 31, 2021	Cost	Accumulated Amortization	Net Book Value
Land	\$ 9,496,053	\$ -	\$ 9,496,053
Prepaid leases	134,951,377	9,393,601	125,557,776
Buildings	126,839,572	82,189,887	44,649,685
Equipment and other	39,677,202	31,049,794	8,627,408
	\$ 310,964,204	\$ 122,633,282	\$ 188,330,922

December 31, 2020	Cost	Accumulated Amortization	Net Book Value
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
	\$ 280,314,438	\$ 119,229,090	\$ 161,085,348

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 as follows:		Assuming no mortgage renewal	Assuming mortgage renewal
	2022	\$ 9,898,744	\$ 6,164,536
	2023	7,131,300	6,236,514
	2024	13,815,354	6,076,120
	2025	8,181,738	5,635,896
	2026	\$ 5,947,112	\$ 5,418,041

See Schedule D for details of interest rates, renewal dates, and maturity dates of mortgages. Mortgage renewal amounts are calculated based on existing rates and do not consider current prevailing market rates.

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, 2021	December 31, 2020
Capital assets	\$ 188,330,922	\$ 161,085,348
Accounts receivable	1,106,873	454,156
Interfund due (to)/from rental housing operating fund	(164,553)	953,353
Mortgages payable	(160,242,731)	(79,863,410)
Short-term capital financing	(2,151,025)	(61,277,457)
	\$ 26,879,486	\$ 21,351,990

7. Restricted Net Assets

Externally restricted net assets:

	December 31, 2021	December 31, 2020
Replacement reserve fund	\$ 6,900,657	\$ 5,934,450
CMHC/BCHMC/Homes BC operating agreements	(3,949)	(3,949)
Portfolio stabilization reserve - umbrella agreement	2,914,641	2,588,625
Portfolio stabilization reserve - ILBC2 agreement	(62,637)	(38,827)
Portfolio stabilization reserve - RHFP agreement	38,150	(13,589)
Portfolio stabilization reserve - IHI	289,169	120,592
	\$ 10,076,031	\$ 8,587,302

7. Restricted Net Assets (continued)

Internally restricted net assets:

	December 31, 2021	December 31, 2020
Portfolio stabilization reserve - no operating agreement	\$ 839,558	\$ 462,189
Guest suite surplus	35,330	36,425
Vehicle replacement reserve	96,476	94,584
Equipment replacement reserve	31,948	30,184
	\$ 1,003,312	\$ 623,382

Rental housing operating fund balance:

	December 31, 2021	December 31, 2020
Portfolio stabilization reserve - umbrella agreement	\$ 2,914,641	\$ 2,588,625
Portfolio stabilization reserve - ILBC2 agreement	(62,637)	(38,827)
Portfolio stabilization reserve - RHFP agreement	38,150	(13,589)
Portfolio stabilization reserve - IHI	289,169	120,592
Portfolio stabilization reserve - no operating agreement	839,558	462,189
CMHC/BCHMC/Homes BC operating agreements	(3,949)	(3,949)
	\$ 4,014,932	\$ 3,115,041

8. Unrestricted Net Assets

Unrestricted net assets - corporation stabilization reserve:

	December 31, 2021	December 31, 2020
Operating net assets, ending balance	\$ 828,687	\$ 659,315
Less: Internally restricted net assets		
Guest suite surplus	(35,330)	(36,425)
Vehicle replacement reserve	(96,476)	(94,584)
Equipment replacement reserve	(31,948)	(30,184)
	\$ 664,933	\$ 498,122

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 60-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 60-year land lease at 3816 Carey Road from the CRD for one dollar, with the land use restricted to affordable housing. In 2021, the Corporation committed to a 60-year land lease at 2782 Spencer Road from the CRD for ten dollars, 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 \$64,790 (2020: \$63,520) 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 25-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 35-year mortgage financing to fund the prepaid lease.

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 35-year mortgage financing to fund the prepaid lease.

On March 22, 2021, as part of the RHFP, the CRD purchased Hockley House and entered into a 60-year prepaid lease in the amount of \$23,807,370 and a 35-year operator agreement with the Corporation. The Corporation secured 35-year mortgage financing to fund the prepaid lease.

During 2021, the Corporation received \$295,000 of COVID-19 Safe Restart Grants for Local Governments from the CRD to provide for revenue shortfalls.

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.

9. Commitments and Contingencies (continued)

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 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.

d. Mortgage During Construction

During 2021, a mortgage was registered on the Olympic View property by BCHMC as security over short-term construction financing provided for the Caledonia redevelopment project. These funds are required to be repaid and the mortgage discharged in 2022.

e. Forgivable Loans

The Corporation has received funding to develop affordable housing units through forgivable loans. If the developments funded are not used for their approved purpose by the grantor, the loan will become repayable.

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 of 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, 2020, the Plan has about 220,000 active members and approximately 112,000 retired members. Active members include approximately 49 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, 2021 were \$266,976 (2020: \$222,396). The next valuation will be as at December 31, 2021, with results available in 2022.

10. Pension Liability (continued)

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, 2021 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, 2021 is \$0 (2020: \$0). There have been no significant changes to the credit risk exposure from 2020.

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 2020.

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 2020.

11. Financial risks and concentration of risk (continued)

- c. Market risk: (continued)
 - 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.

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, 2021, there are seven properties which do not receive subsidy assistance based on mortgage interest rates: Village on the Green, Vergo, Millstream Ridge, Westview, Spencer Close, West Park, and Hockley House. These properties will be subject to interest rate risk upon renewal.

12. Comparative Information

Certain 2020 comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.

Changes in Replacement Reserve Fund

For the Year Ended December 31, 2021

	Balance at December 31 2020	Transfer from Rental Operating Fund	Transfer from Portfolio Stabilization Reserve	Contribution from BCHMC	Interest	Transfer to Capital Fund	2021
<u>Umbrella Agreement</u>							
Oakwinds	\$ 782,059	\$ 103,800	\$ -	\$ -	\$ 16,206	\$ (47,021)	\$ 855,044
James Yates Gardens	136,722	16,608	-	-	2,726	(17,467)	138,589
Pinehurst	441,878	41,520	-	-	8,783	(46,984)	445,197
The Brambles	165,179	37,368	-	-	3,460	(21,690)	184,317
The Terraces	542,834	41,520	-	-	11,184	(8,758)	586,780
Michigan Square	361,024	-	-	-	7,068	(15,298)	352,794
Olympic View	75,750	124,560	-	-	2,196	(56,459)	146,047
Swanlea	153,230	29,064	-	-	2,894	(44,407)	140,781
Firgrove	55,112	66,432	-	-	1,537	(22,974)	100,107
Beechwood Park	(6,313)	99,648	-	-	425	(44,516)	49,244
Grey Oak Square	15,169	49,824	-	-	511	(29,096)	36,408
Willowdene	27,922	31,140	-	-	689	(18,056)	41,695
Rosewood	110,950	91,344	-	-	2,590	(54,290)	150,594
Gladstone	42,820	29,064	-	-	1,025	(12,194)	60,715
Camosun Place	61,368	16,608	-	-	1,296	(9,708)	69,564
Parkview	112,085	53,976	-	-	2,333	(44,835)	123,559
Carey Lane	92	45,672	-	-	-	(47,796)	(2,032)
Colquitz Green	(30,355)	41,520	-	-	-	(40,352)	(29,187)
Springtide	98,747	99,648	-	-	2,635	(34,224)	166,806
Greenlea	7,585	43,596	-	-	365	(22,224)	29,322
Arbutus View	(3,893)	47,748	-	-	-	(91,257)	(47,402)
Amberlea	230,610	91,344	-	-	4,945	(58,112)	268,787
Cloverhurst	55,420	20,760	-	-	1,054	(26,202)	51,032
Hamlet	(21,476)	20,760	-	-	-	(5,640)	(6,356)
Viewmont	112,914	74,736	-	-	2,744	(26,192)	164,202
Creekside	(13,520)	49,824	-	-	159	(6,902)	29,561
The Birches	83,577	116,256	-	-	2,197	(63,725)	138,305
Caledonia	17,247	-	-	-	345	-	17,592
The Heathers	145,268	53,976	-	-	3,341	(10,411)	192,174
Heron Cove	107,631	49,824	-	-	2,248	(40,281)	119,422
Castanea Place	350,846	122,484	-	-	7,706	(79,900)	401,136
Leblond Place	(78,484)	89,268	-	-	-	(37,990)	(27,206)
Rotary House	58,545	85,116	-	-	1,056	(96,564)	48,153
Cairns Park	(8,117)	12,456	-	-	-	(35,526)	(31,187)
Kings Place	55,435	72,660	-	-	1,500	(33,563)	96,032
Carillon Place	23,267	31,140	-	-	652	(12,510)	42,549
Brock Place	(98)	62,280	-	-	528	(9,250)	53,460
Harbour Lane	221,888	58,128	-	-	4,787	(23,170)	261,633
Tillicum Station	236,532	83,037	-	-	5,294	(26,738)	298,125
<u>ILBC2 Agreement</u>							
Parry Place	117,525	16,600	6,196	27,525	2,552	(31,370)	139,028
<u>No Operating Agreement</u>							
Village on the Green	335,035	78,719	-	-	647	(684,135)	(269,734)
Vergo	67,905	37,288	-	-	1,603	(12,825)	93,971
Portage Place	157,657	35,217	-	-	3,368	(13,761)	182,481
Campus View Court	138,860	24,859	-	-	2,822	(20,415)	146,126
Royal Oak Square	175,704	78,719	-	-	3,932	(36,904)	221,451
<u>RHFP Agreement</u>							
Millstream Ridge	175,649	114,048	-	-	4,333	(32,065)	261,965
Spencer Close	-	112,320	-	-	1,055	(6,819)	106,556
West Park	-	131,328	-	-	1,248	(6,503)	126,073
Hockley House	-	77,760	-	-	768	(1,008)	77,520
<u>IHI Agreement</u>							
Westview	38,665	63,072	-	-	1,362	(4,235)	98,864
	\$ 5,934,450	\$ 2,974,639	\$ 6,196	\$ 27,525	\$ 130,169	\$ (2,172,322)	\$ 6,900,657

Changes in Portfolio Stabilization Reserves

For the Year Ended December 31, 2021

	Balance at December 31, 2020	Reimburse BCHMC	Transfer (to) Replacement Reserve Fund	Transfer from/(to) Rental Operating Fund	Transfer (to) Capital Fund	Balance at December 31, 2021
			(Schedule A)	(Schedule E)		
<u>Umbrella</u>						
<u>Agreement</u>						
CMHC	\$ 5,100,249	\$ -	\$ -	\$ 1,498,251	\$ -	\$ 6,598,500
BCHMC	(2,388,800)	-	-	(1,115,610)	-	(3,504,410)
Homes BC	(122,824)	-	-	(56,625)	-	(179,449)
	2,588,625	-	-	326,016	-	2,914,641
<u>ILBC2</u>						
<u>Agreement</u>						
Parry Place	(38,827)	-	(6,196)	(17,614)	-	(62,637)
<u>RHFP</u>						
<u>Agreement</u>						
Millstream Ridge	(24,380)	-	-	(82,445)	-	(106,825)
Spencer Close	10,791	-	-	250,759	-	261,550
West Park	-	-	-	(89,507)	-	(89,507)
Hockley House	-	-	-	(27,068)	-	(27,068)
	(13,589)	-	-	51,739	-	38,150
<u>IHI Agreement</u>						
Westview	120,592	-	-	168,577	-	289,169
<u>No Operating</u>						
<u>Agreement</u>						
Portage Place	86,140	-	-	95,904	-	182,044
Campus View Court	58,149	-	-	74,656	-	132,805
Royal Oak Square	227,697	-	-	223,445	-	451,142
Village on the Green	630,014	-	-	66,261	-	696,275
Vergo	(539,811)	-	-	(82,897)	-	(622,708)
	462,189	-	-	377,369	-	839,558
	\$ 3,118,990	\$ -	\$ (6,196)	\$ 906,087	\$ -	\$ 4,018,881

Capital Region Housing Corporation

Schedule C

Capital Assets

For the Year Ended December 31, 2021

	Completed	Land	Prepaid Lease	Buildings	Equipment and Other	Transfer from Replacement Reserve Fund	Total	Accumulated Amortization	2021	2020
In Operation										
Umbrella Agreement										
Oakwinds	Feb/85	\$ -	\$ 830,075	\$ 2,835,407	\$ 1,519,093	\$ 47,021	\$ 5,231,596	\$ (4,862,608)	\$ 368,988	\$ 408,337
James Yates Gardens	Oct/84	103,200	-	387,934	286,319	17,467	794,920	(622,475)	172,445	170,106
Pinehurst	Feb/85	277,692	-	1,188,811	670,513	46,984	2,184,000	(1,767,967)	416,033	397,761
The Brambles	Jun/85	275,975	-	1,048,104	744,164	21,690	2,089,933	(1,704,434)	385,499	388,479
The Terraces	May/85	356,532	-	1,087,668	864,637	8,758	2,317,595	(1,848,848)	468,747	486,947
Michigan Square	Sep/85	784,763	-	1,874,991	1,481,326	15,298	4,156,378	(3,234,924)	921,454	1,051,213
Olympic View	Apr/86	900,000	-	3,288,908	2,245,343	56,459	6,490,710	(5,100,117)	1,390,593	1,449,725
Swanlea	Dec/85	230,215	-	746,556	452,891	44,407	1,474,069	(1,145,386)	328,683	303,343
Firgrove	Feb/86	480,000	-	1,763,183	1,154,554	22,974	3,420,711	(2,791,089)	629,622	641,182
Beechwood Park	Feb/86	888,000	-	2,317,623	3,029,062	44,516	6,279,201	(4,923,842)	1,355,359	1,422,119
Grey Oak Square	Apr/86	409,015	-	1,290,394	951,131	29,096	2,679,636	(2,087,267)	592,369	605,474
Willowdene	Sep/87	-	-	884,186	652,389	18,056	1,554,631	(1,429,470)	125,161	155,083
Rosewood	Oct/88	-	255,000	1,864,715	817,036	54,290	2,991,041	(2,648,943)	342,098	383,132
Gladstone	Jan/89	-	197,000	912,600	494,958	12,194	1,616,752	(1,404,256)	212,496	246,059
Camosun Place	Mar/89	-	108,000	489,700	223,759	9,708	831,167	(706,815)	124,352	141,164
Parkview	May/89	-	283,250	1,795,567	913,963	44,835	3,037,615	(2,637,504)	400,111	448,206
Carey Lane	Aug/89	-	283,250	1,443,751	916,990	47,796	2,691,787	(2,293,346)	398,441	437,762
Colquitz Green	Nov/89	-	160,250	1,504,000	783,508	40,352	2,488,110	(2,156,552)	331,558	375,179
Springtide	May/90	-	324,500	2,519,309	877,081	34,224	3,755,114	(3,233,551)	521,563	598,994
Greenlea	Feb/90	-	305,750	1,560,300	838,241	22,224	2,726,515	(2,300,218)	426,297	488,439
Arbutus View	Jul/90	-	370,250	1,592,750	963,790	91,257	3,018,047	(2,430,484)	587,563	606,136
Amberlea	May/90	-	447,501	2,578,479	864,233	58,112	3,948,325	(3,299,880)	648,445	718,850
Cloverhurst	May/90	-	197,000	651,500	237,925	26,202	1,112,627	(906,739)	205,888	212,837
Hamlet	Oct/90	-	152,000	803,000	399,693	5,640	1,360,333	(1,134,574)	225,759	266,390
Viewmont	Aug/91	-	402,140	2,378,046	811,342	26,192	3,617,720	(2,979,053)	638,667	726,975
Creekside	Apr/92	-	388,250	2,363,830	940,199	6,902	3,699,181	(3,010,092)	689,089	794,652
The Birches	Aug/92	-	675,000	3,684,874	889,860	63,725	5,313,459	(4,250,650)	1,062,809	1,157,375
The Heathers	Apr/93	-	436,279	1,974,683	430,694	10,411	2,852,067	(2,205,164)	646,903	719,625
Heron Cove	Oct/93	-	270,000	2,274,691	531,498	40,281	3,116,470	(2,441,742)	674,728	735,227
Castanea Place	Feb/95	-	1,277,000	4,841,879	1,121,397	79,900	7,320,176	(5,189,299)	2,130,877	2,281,064
Leblond Place	Sep/96	-	900,000	4,506,231	1,215,108	37,990	6,659,329	(4,539,407)	2,119,922	2,357,742
Rotary House	Nov/06	-	556,600	2,994,000	604,091	96,564	4,251,255	(2,711,982)	1,539,273	1,622,572
Cairns Park	Dec/96	-	240,000	415,314	192,157	35,526	882,997	(552,021)	330,976	328,921
Kings Place	N/A	-	-	-	679,627	33,563	713,190	(547,457)	165,733	169,410
Carillon Place	Jul/98	-	525,000	1,280,389	713,323	12,510	2,531,222	(1,598,485)	932,737	1,017,827

Capital Assets

For the Year Ended December 31, 2021

	Completed	Land	Prepaid Lease	Buildings	Equipment and Other	Transfer from Replacement Reserve Fund	Total	Accumulated Amortization	2021	2020
Brock Place	Jan/00	-	840,000	3,465,836	1,094,896	9,250	5,409,982	(3,272,856)	2,137,126	2,319,197
Harbour Lane	Oct/01	-	825,000	3,607,266	332,360	23,170	4,787,796	(2,721,660)	2,066,136	2,178,632
Tillicum Station	Jul/02	-	948,750	4,300,764	563,198	26,738	5,839,450	(3,210,180)	2,629,270	2,776,280
Building Envelope Remediation										
Amberlea	2008	-	-	2,367,415	-	-	2,367,415	(1,976,551)	390,864	521,151
The Birches	2008	-	-	1,105,204	-	-	1,105,204	(923,863)	181,341	241,787
Heron Cove	2006	-	-	1,635,610	-	-	1,635,610	(1,252,131)	383,479	460,175
Heron Cove	2007	-	-	1,756,374	-	-	1,756,374	(1,277,084)	479,290	559,171
Castanea Place	2007	-	-	2,531,350	-	-	2,531,350	(1,660,674)	870,676	979,511
Leblond Place	2009	-	-	3,337,941	-	-	3,337,941	(2,021,309)	1,316,632	1,462,924
The Heathers	2016	-	-	1,258,358	-	-	1,258,358	(626,465)	631,893	737,209
<u>ILBC2 Agreement</u>										
Parry Place	Jun/08	1,400,000	-	4,794,268	230,080	31,370	6,455,718	(2,058,595)	4,397,123	4,523,797
Millstream Ridge	Feb/19	-	35,428,849	-	36,155	32,065	35,497,069	(1,789,299)	33,707,770	34,274,767
Spencer Close	Nov/20	-	30,257,330	-	-	6,819	30,264,149	(546,942)	29,717,207	30,176,997
West Park	Nov/20	-	31,253,897	-	-	6,503	31,260,400	(564,951)	30,695,449	31,206,514
Hockley House	Apr/21	-	25,409,983	-	-	1,008	25,410,991	(316,952)	25,094,039	-
<u>IHI Agreement</u>										
Westview	May/20	-	-	14,937,177	3,889	4,235	14,945,301	(680,498)	14,264,803	14,600,521
<u>No Operating Agreement</u>										
Village on the Green	May/84	910,171	-	2,002,921	968,209	684,135	4,565,436	(2,868,465)	1,696,971	1,124,019
Vergo	May/12	1,144,327	-	4,226,787	82,754	12,825	5,466,693	(1,274,019)	4,192,674	4,310,085
Portage Place	Aug/83	328,659	-	965,774	702,272	13,761	2,010,466	(1,519,775)	490,691	515,716
Campus View Court	Sep/83	341,224	-	688,111	592,590	20,415	1,642,340	(1,184,939)	457,401	463,478
Royal Oak Square	Mar/84	666,280	-	2,051,834	1,790,173	36,904	4,545,191	(3,426,708)	1,118,483	1,190,017
Buildings Under Construction										
Redevelopment Sites		-	403,473	8,663,209	-	-	9,066,682	(195,014)	8,871,668	2,113,215
Office Equipment		-	-	-	535,865	-	535,865	(507,167)	28,698	35,878
Vehicles		-	-	-	60,544	-	60,544	(60,544)	-	-
		\$ 9,496,053	\$ 134,951,377	\$ 126,839,572	\$ 37,504,880	\$ 2,172,322	\$ 310,964,204	\$ (122,633,282)	\$ 188,330,922	\$ 161,085,348

Capital Region Housing Corporation

Schedule D

Capital Fund - Mortgages Payable

For the Year Ended December 31, 2021

Rental Property	Interest Rate	Renewal Date	Maturity Date	2021	2020
<u>Umbrella Agreement</u>					
Olympic View	-		Matured in 2021	\$ -	\$ 88,571
Firgrove	-		Matured in 2021	-	23,899
Beechwood Park	-		Matured in 2021	-	34,235
Grey Oak Square	-		Matured in 2021	-	27,083
Willowdene	2.580%		September 1, 2022	39,098	90,076
Rosewood	2.610%		November 1, 2023	227,731	342,135
Gladstone	2.610%		January 1, 2024	129,581	189,340
Camosun Place	1.860%		March 1, 2024	70,620	101,074
Parkview	1.690%		May 1, 2024	282,800	396,503
Carey Lane	1.690%		August 1, 2024	257,546	351,189
Colquitz Green	1.730%		November 1, 2024	272,943	363,422
Springtide	0.680%		May 1, 2025	535,048	689,317
Greenlea	0.690%		March 1, 2025	340,501	443,747
Arbutus View	0.680%		July 1, 2025	380,722	485,329
Amberlea	0.680%		May 1, 2025	571,582	736,384
Cloverhurst	0.680%		May 1, 2025	159,677	205,717
Hamlet	0.740%		October 1, 2025	202,318	253,602
Viewmont	1.120%		August 1, 2026	669,099	803,591
Creekside	2.600%		April 1, 2027	735,688	862,697
The Birches	2.550%	August 1, 2027	August 1, 2032	1,210,311	1,406,451
Caledonia	-		Discharged in 2021	-	652,595
The Heathers	2.600%	April 1, 2028	April 1, 2033	731,439	836,379
Heron Cove	2.610%	October 1, 2028	October 1, 2033	820,894	929,292
Castanea Place	0.690%		February 1, 2030	2,397,554	2,681,978
Leblond Place - 1st mortgage	1.280%		September 1, 2031	1,929,944	2,104,815
Leblond Place - 2nd mortgage	2.150%	March 1, 2025	March 1, 2045	2,442,600	2,522,835
Rotary House	2.510%	March 1, 2028	March 1, 2033	1,158,386	1,327,521
Cairns Park	2.589%		December 1, 2031	291,059	317,549
Carillon Place	3.220%	June 1, 2024	July 1, 2033	903,863	967,327
Brock Place	2.840%		January 1, 2035	2,488,455	2,643,524
Harbour Lane	2.200%	October 1, 2026	October 1, 2036	2,513,781	2,655,676
Tillicum Station	3.270%	July 1, 2024	July 1, 2037	3,296,450	3,456,281
<u>ILBC2 Agreement</u>					
Parry Place	3.480%	May 1, 2024	May 1, 2043	3,359,042	3,462,633
<u>RHFP Agreement</u>					
Millstream Ridge	2.860%	February 1, 2029	March 1, 2054	33,809,779	34,441,936
Spencer Close	1.519%	January 1, 2031	February 1, 2056	29,854,616	-
West Park	1.519%	January 1, 2031	February 1, 2056	30,197,138	-
Hockley House	2.459%	June 1, 2031	July 1, 2056	25,343,415	-
<u>IHI Agreement</u>					
Westview	1.631%	September 1, 2030	September 1, 2055	7,280,114	7,440,758
<u>No Operating Agreement</u>					
Village on the Green	2.250%		October 1, 2039	1,784,422	1,857,077
Vergo	3.450%	August 1, 2022	August 1, 2042	3,554,515	3,670,872
				160,242,731	79,863,410
Principal Current Portion				(6,151,134)	(4,828,667)
Principal Renewal Portion				(3,747,610)	(3,189,847)
				\$ 150,343,987	\$ 71,844,896

Capital Region Housing Corporation

Schedule E

Operating Fund: Rental Operations

For the Year Ended December 31, 2021

	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	\$ 654,520	\$ -	\$ -	\$ 1,626	\$ 656,146	\$ 274,029	\$ 103,800	\$ -	\$ -	\$ 377,829	\$ 278,317	\$ (278,317)	
James Yates Gardens	8	72,796	-	-	-	72,796	42,909	16,608	-	-	59,517	13,279	(13,279)	
Pinehurst	20	275,216	-	-	1,378	276,594	115,536	41,520	-	-	157,056	119,538	(119,538)	
The Brambles	18	246,266	-	-	1,481	247,747	104,121	37,368	-	-	141,489	106,258	(106,258)	
The Terraces	20	259,862	-	-	1,292	261,154	102,339	41,520	-	-	143,859	117,295	(117,295)	
Michigan Square	62	243,289	-	-	1,730	245,019	265,340	-	-	-	265,340	(20,321)	20,321	
Olympic View	60	795,368	-	17,653	3,718	816,739	322,352	124,560	88,990	-	535,902	280,837	(280,837)	
Swanlea	14	194,081	-	-	1,209	195,290	99,365	29,064	-	-	128,429	66,861	(66,861)	
Firgrove	32	401,771	-	3,092	1,782	406,645	151,187	66,432	24,031	-	241,650	164,995	(164,995)	
Beechwood Park	48	624,171	-	4,421	7,077	635,669	244,298	99,648	34,381	-	378,327	257,342	(257,342)	
Grey Oak Square	24	319,617	-	4,663	2,342	326,622	135,695	49,824	27,253	-	212,772	113,850	(113,850)	
	356	4,086,957	-	29,829	23,635	4,140,421	1,857,171	610,344	174,655	-	2,642,170	1,498,251	(1,498,251)	
BCHMC														
Willowdene	15	121,451	-	56,415	330	178,196	147,442	31,140	52,691	-	231,273	(53,077)	53,077	
Rosewood	44	242,927	-	83,724	1,728	328,379	233,255	91,344	121,926	-	446,525	(118,146)	118,146	
Gladstone	14	143,882	-	63,368	-	207,250	82,596	29,064	63,964	-	175,624	31,626	(31,626)	
Camosun Place	8	85,882	-	33,432	-	119,314	46,374	16,608	32,068	-	95,050	24,264	(24,264)	
Parkview	26	202,191	-	114,811	576	317,578	159,998	53,976	119,503	-	333,477	(15,899)	15,899	
Carey Lane	22	188,450	-	83,364	1,082	272,896	118,918	45,672	98,835	-	263,425	9,471	(9,471)	
Colquitz Green	20	181,650	-	76,584	1,120	259,354	122,555	41,520	96,028	-	260,103	(749)	749	
Springtide	48	263,246	-	113,694	1,728	378,668	247,629	99,648	158,468	-	505,745	(127,077)	127,077	

Capital Region Housing Corporation

Schedule E

Operating Fund: Rental Operations

For the Year Ended December 31, 2021

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		
Greenlea	21	171,961	-	42,863	661	215,485	124,927	43,596	105,977	-	274,500	(59,015)	59,015
Arbutus View	23	196,995	-	49,745	176	246,916	120,642	47,748	107,576	-	275,966	(29,050)	29,050
Amberlea	44	294,651	-	113,742	1,509	409,902	241,197	91,344	169,288	-	501,829	(91,927)	91,927
Cloverhurst	10	65,007	-	41,337	-	106,344	54,400	20,760	47,292	-	122,452	(16,108)	16,108
Hamlet	10	112,917	-	49,922	-	162,839	63,338	20,760	53,836	-	137,934	24,905	(24,905)
Viewmont	36	187,173	-	165,305	1,546	354,024	170,979	74,736	150,907	-	396,622	(42,598)	42,598
Creekside	24	224,803	-	111,686	470	336,959	138,165	49,824	147,813	-	335,802	1,157	(1,157)
The Birches	56	297,710	-	163,537	2,060	463,307	231,459	116,256	229,534	-	577,249	(113,942)	113,942
Caledonia	18	944	-	79,981	26	80,951	52,948	-	97,439	-	150,387	(69,436)	69,436
The Heathers	26	156,241	-	108,372	1,271	265,884	138,661	53,976	125,324	-	317,961	(52,077)	52,077
Heron Cove	24	184,406	-	63,582	726	248,714	107,966	49,824	131,230	-	289,020	(40,306)	40,306
Castanea Place	59	381,334	-	186,164	1,442	568,940	312,509	122,484	302,000	-	736,993	(168,053)	168,053
Leblond Place	43	258,866	-	339,450	1,246	599,562	267,272	89,268	353,519	-	710,059	(110,497)	110,497
Rotary House	41	235,104	-	216,649	40	451,793	265,408	85,116	200,345	-	550,869	(99,076)	99,076
	632	4,197,791	-	2,357,727	17,737	6,573,255	3,448,638	1,274,664	2,965,563	-	7,688,865	(1,115,610)	1,115,610
Homes BC													
Cairns Park	6	50,611	-	22,430	-	73,041	36,308	12,456	31,658	-	80,422	(7,381)	7,381
Kings Place	35	377,219	-	152,041	1,137	530,397	450,323	72,660	-	-	522,983	7,414	(7,414)
Carillon Place	15	188,595	-	33,478	150	222,223	87,921	31,140	93,480	-	212,541	9,682	(9,682)
Brock Place	30	350,480	-	78,252	2,863	431,595	163,659	62,280	227,708	-	453,647	(22,052)	22,052
Harbour Lane	28	289,941	-	88,749	3,111	381,801	169,599	58,128	198,635	-	426,362	(44,561)	44,561
Tillicum Station	40	475,931	-	95,884	765	572,580	219,547	83,037	269,723	-	572,307	273	(273)
	154	1,732,777	-	470,834	8,026	2,211,637	1,127,357	319,701	821,204	-	2,268,262	(56,625)	56,625
	1,142	10,017,525	-	2,858,390	49,398	12,925,313	6,433,166	2,204,709	3,961,422	-	12,599,297	326,016	(326,016)

Capital Region Housing Corporation

Schedule E

Operating Fund: Rental Operations

For the Year Ended December 31, 2021

	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	313,233	330,338	-	10,057	653,628	433,046	16,600	221,596	-	671,242	(17,614)	17,614
RHFP Agreement													
Millstream Ridge	132	2,116,189	-	-	40,440	2,156,629	595,356	114,048	1,599,670	(70,000)	2,239,074	(82,445)	82,445
Spencer Close	130	1,727,959	-	-	35,705	1,763,664	540,462	112,320	1,066,766	(206,643)	1,512,905	250,759	(250,759)
West Park	152	1,188,346	-	-	25,965	1,214,311	568,320	131,328	1,079,004	(474,834)	1,303,818	(89,507)	89,507
Hockley House	120	686,428	-	-	12,601	699,029	377,106	77,760	596,859	(325,628)	726,097	(27,068)	27,068
	534	5,718,922	-	-	114,711	5,833,633	2,081,244	435,456	4,342,299	(1,077,105)	5,781,894	51,739	(51,739)
IHI Agreement													
Westview	73	815,063	-	-	19,680	834,743	322,910	63,072	280,184	-	666,166	168,577	(168,577)
No Operating Agreement													
Portage Place	17	216,401	-	-	360	216,761	85,640	35,217	-	-	120,857	95,904	(95,904)
Campus View Court	12	164,263	-	-	1,440	165,703	66,188	24,859	-	-	91,047	74,656	(74,656)
Royal Oak Square	38	510,465	-	-	1,423	511,888	199,428	78,719	10,296	-	288,443	223,445	(223,445)
Village on the Green	38	447,806	-	-	3,153	450,959	175,717	78,719	130,262	-	384,698	66,261	(66,261)
Vergo	18	278,461	-	-	-	278,461	84,127	37,288	239,943	-	361,358	(82,897)	82,897
	123	1,617,396	-	-	6,376	1,623,772	611,100	254,802	380,501	-	1,246,403	377,369	(377,369)
	1,893	\$18,482,139	\$ 330,338	\$ 2,858,390	\$ 200,222	\$ 21,871,089	\$ 9,881,466	\$ 2,974,639	\$ 9,186,002	\$ (1,077,105)	\$ 20,965,002	\$ 906,087	\$ (906,087)

Capital Region Housing Corporation Audits Findings Report

British Columbia, Canada
Fiscal year ended December 31, 2021



Capital Region Housing Corporation

Audit Findings Report for the year ended
December 31, 2021

KPMG LLP

Prepared for the meeting on May 4, 2022

kpmg.ca/audit

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Our refreshed Values

What we believe



Integrity

We do what is right.



Excellence

We never stop learning
and improving.



Courage

We think and act boldly.



Together

We respect each other
and draw strength from
our differences.



For Better

We do what matters.

Audit highlights

Purpose of this report

The purpose of this report is to assist you, as a member of the Hospitals and Housing Committee (the “Committee”), in your review of the results of our audit of the financial statements of Capital Region Housing Corporation (the “Entity”) as at and for the year ended December 31, 2021. This Audit Findings Report builds on the Audit Plan we presented to the Board of Directors on January 12, 2022.

Status of 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 Committee;
- 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 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 financial statements, will be dated upon the completion of any remaining procedures.

Significant changes from the audit plan

There were no significant changes to our audit plan which was originally communicated to you in the audit planning report.

Areas of audit focus

Our audit is risk-focused. We have not identified any significant risks other than those required by audit standards. However, as part of our audit, we identified areas of audit focus which include:

- Regional Housing First Program
- Caledonia, Michigan and 2782 Spencer developments

See pages 5 to 8 for the audit findings related to these areas of audit focus.

Audit misstatements

Differences and adjustments include presentation differences and adjustments. Professional standards require that we request of management and the Committee that all identified audit misstatements be corrected.

Uncorrected audit misstatements

We did not identify misstatements that remain uncorrected.

Corrected audit misstatements

We did not identify any misstatements that were communicated to management and subsequently corrected in the financial statements.

This report to the Committee is intended solely for the information and use of management, the Committee and the Board of Directors and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this report to the Committee has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Audit highlights (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.

The Capital Regional District (“CRD”) chose not to early adopt Section PS3160, *Public Private Partnerships* and therefore there is no impact on the Entity’s financial statements in fiscal 2021.

PS 3280 Asset Retirement Obligations will be effective from April 1, 2022 and will require additional assets and liabilities to be recognized to reflect the integral cost of owning and operating tangible capital assets. This will be a significant project for management to identify and measure all obligations.

See page 9 and Appendix 3 for further details.

Control deficiencies 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 Entity 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, 2021 up to the date of this report.

Current developments

Please refer to Appendix 3 for the current developments updates.

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>Hockley House</p>	<p>On March 22, 2021, the Corporation entered into 60-year prepaid lease and 35-year operator agreements with Capital Regional District for Hockley House. The prepaid lease was funded through a 35-year mortgage.</p>
Our response	
<ul style="list-style-type: none">- In March 2021, the CRD purchased Hockley House under the RHFP. The property was purchased by CRD which entered into a prepaid land lease for \$23.8 million with CRHC, 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.- The prepaid lease for the property is funded by a 35-year mortgage between CRHC and MCAP. The mortgage principal was \$25.6 million to cover the prepaid lease, property taxes and other fees.- KPMG inspected related information including the RHFP project details, purchase contract, lease agreement with CRD and the BC Housing mortgage.- KPMG concurs with management's accounting treatment of the transactions in the financial statements.	
Significant findings	
<p>There were no issues noted in our testing.</p>	

Areas of audit focus (continued)

Other area of focus	Why is this significant?
Michigan Square redevelopment	Significant capital redevelopments which includes demolition of existing properties and various forms of financial support and financing.
Our response	
The Michigan Square development was chosen for partial redevelopment whereby three buildings will be demolished and replaced and the heritage house and parkade will be retained. The last tenant vacated the property on October 31, 2021 and demolition work began in December 2021.	
Removing assets no longer in service	
<ul style="list-style-type: none">- Management obtained external appraisals of the value of the buildings, heritage house and parkade in February 2021 and used the proportionate appraisal value to determine proportionate cost of each component asset. The disposal value for the assets no longer in service was calculated based on this split; disposals of \$2.3 million of building and equipment cost and \$2.2 million of accumulated amortization were recorded. A net loss on disposal of \$0.1 million was recognized in the statement of operations which represents the unamortized net book value of the assets no longer in service.- KPMG obtained management's calculation of the disposal and concurred with the methodology and accuracy of the calculations. The presentation of the disposal was reviewed and has been appropriately recognized in the financial statements.	
Construction costs incurred	
<ul style="list-style-type: none">- During the year, costs of \$0.8 million were incurred and capitalized as part of the redevelopment project. Total work in progress is \$1.2 million at December 31, 2021.- We selected a sample of additions and compared the amounts capitalized to source documentation.	
Project grants	
<ul style="list-style-type: none">- During the year, BC Housing made available a forgivable mortgage loan and demand interim construction loan to support the Michigan development. The forgivable loan is conditional on funds being used to develop this specific project. During the year, grant revenue of \$0.2 million was recognized related to this project.- We inspected the funding agreements to understand the nature, terms and conditions and to assess recognition, presentation and disclosures in the financial statements during the year.	
Significant findings	
There were no issues noted in our testing.	

Areas of audit focus (continued)

Other area of focus	Why is this significant?
Caledonia redevelopment	Significant capital redevelopments which includes demolition of existing properties and various forms of financial support and financing.
Our response	
<p>Removing assets no longer in service</p> <ul style="list-style-type: none">- The last tenant moved out of the Caledonia development on December 31, 2020.- CRHC determined January 1, 2021 was the date the building was no longer in service. The building and equipment cost (\$1.9 million) and accumulated amortization (\$1.5 million) related to the Caledonia building were disposed. A net loss on disposal of \$0.4 million was included in the statement of operations which represents the unamortized net book value of the assets no longer in service. The presentation of the disposal was reviewed and has been appropriately recognized in the financial statements.- A prepaid lease asset of \$0.4 million with School District No. 61 (Greater Victoria) remains as the lease remained in place at December 31, 2021. <p>Construction costs incurred</p> <ul style="list-style-type: none">- During the year, costs of \$0.8 million were incurred and capitalized as part of the redevelopment project. Total work in progress is \$1.8 million at December 31, 2021.- We selected a sample of additions and compared the amounts capitalized to source documentation. <p>Project grants</p> <ul style="list-style-type: none">- CRHC obtained provisional project approval and project development funding from BC Housing for up to \$3.0 million, of which \$2.2 million has been claimed by December 31, 2021. As the project development funding is repayable and final project commitment from BC Housing is still outstanding, the amounts claimed to December 31, 2021 were recognized as short term capital financing debt on the statement of financial position.- Upon Final Project Commitment and Capital Budget approval by BC Housing, the project will be eligible for a capital grant, interim construction financing and commercial financing.- KPMG reviewed the commitment letters and project development agreements and collaborated with management to determine the appropriate recognition, presentation and disclosures in the financial statements.	
Significant findings	
There were no issues noted in our testing.	

Areas of audit focus (continued)

Other area of focus	Why is this significant?
2782 Spencer Development	Significant capital development which includes various forms of financial support and financing.
Our response	
<p>Construction costs incurred</p> <ul style="list-style-type: none">- During the year, costs of \$5.4 million were incurred and capitalized as part of the redevelopment project, which represents total work in progress costs at December 31, 2021.- We selected a sample of additions and compared the amounts capitalized to source documentation. <p>Project grants</p> <ul style="list-style-type: none">- During the year, BC Housing made available a forgivable mortgage loan of \$5.9 million to support the 2782 Spencer development. The forgivable loan is conditional on funds being used to develop this specific project. During the year, grant revenue of \$5.4 million was recognized related to this project.- We inspected the funding agreements to understand the nature, terms and conditions and to assess recognition, presentation and disclosures in the financial statements during the year.	
Significant findings	
There were no issues noted in our testing.	

Significant accounting policies and practices



Significant accounting policies

- 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 Entity'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

- 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 Entity's asset and liability carrying values.
-



Financial statement presentation and disclosure

- 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.

Corrected adjustments

There were no corrected adjustments noted.

Appendices

Appendix 1: Required communications

Appendix 2: Management representation letter

Appendix 3: Current developments

Appendix 4: Selected financial information



Appendix 1: 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 2.

Independence

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

Appendix 2: Management representation letter

Date of approval of financial statements

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, 2021.

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:
 - the names of all related parties and information regarding all relationships and transactions with related parties; and
 - 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.

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.

Non-SEC registrants or non-reporting issuers:

- 11) 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,

Mr. Robert Lapham, Chief Administrative Officer

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.

Appendix 3: Current developments

New accounting standards

Public Sector Accounting Standards

Standard	Summary and implications
Asset Retirement Obligations	<ul style="list-style-type: none"> – The new standard is effective for fiscal years beginning on or after April 1, 2022. – 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. – 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. – As a result of the new standard, the public sector entity will have to: <ul style="list-style-type: none"> • Consider how the additional liability will impact net debt, as a new liability will be recognized with no corresponding increase in a financial asset; • 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; • 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.
Revenue	<ul style="list-style-type: none"> – 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. – The new standard establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement. – 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. – 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.

Standard	Summary and implications
Purchased Intangibles	<ul style="list-style-type: none"> – 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. – 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. – The effective date is April 1, 2023 with early adoption permitted. Application may be retroactive or prospective.
Public Private Partnerships (“P3”)	<ul style="list-style-type: none"> – PSAB has introduced Section PS3160, which includes new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership. The standard has an effective date of April 1, 2023, and may be applied retroactively or prospectively. – The standard notes 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. – The public sector entity recognizes a liability when it needs to pay cash or non-cash consideration to the private sector partner for the infrastructure. – 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.
Government Not-for-Profit Strategy	<ul style="list-style-type: none"> – PSAB is in the process of reviewing its strategy for government not-for-profit (“GNFP”) organizations. PSAB intends to understand GNFPs’ fiscal and regulatory environment, and stakeholders’ financial reporting needs. – PSAB released a second consultation paper in January 2021 which summarizes the feedback received to the first consultation paper. It also describes options for the GNFP strategy and the decision-making criteria used to evaluate the options. PSAB recommends incorporating the PS4200 series with potential customizations into PSAS. This means reviewing the existing PS4200 series to determine if they should be retained and added to PSAS. Incorporating the updated or amended PS4200 series standards in PSAS would make the guidance available to any public sector entity. Accounting and/or reporting customizations may be permitted if PSAB determines there are substantive and distinct accountabilities that warrant modification from PSAS. – PSAB is in the process of considering stakeholder comments.

Standard	Summary and implications
2022 – 2027 Strategic Plan	<ul style="list-style-type: none"> – PSAB’s Draft 2022 – 2027 Strategic Plan was issued for public comment in May 2021. Comments were requested for October 6, 2021. – The Strategic Plan sets out broad strategic objectives that help guide PSAB in achieving its public interest mandate over a multi-year period, and determining standard-setting priorities – The Strategic Plan emphasizes four key priorities: – Develop relevant and high-quality accounting standards - Continue to develop relevant and high-quality accounting standards in line with PSAB’s due process, including implementation of the international strategy (focused on adapting International Public Sector Accounting Standards for new standards) and completion of the Conceptual Framework and Reporting Model project. – Enhance and strengthen relationships with stakeholders - Includes increased engagement with Indigenous Governments and exploring the use of customized reporting. – Enhance and strengthen relationships with other standard setters – In addition to continued collaboration with other standard setters, this emphasizes strengthened relationship with the IPSASB. – Support forward-looking accounting and reporting initiatives – Supporting and encouraging ESG reporting, and consideration of the development of ESG reporting guidance for the Canadian public sector.

Standard	Summary and implications
Concepts Underlying Financial Performance	<ul style="list-style-type: none"> – PSAB is in the process of reviewing the conceptual framework that provides the core concepts and objectives underlying Canadian public sector accounting standards. – PSAB released four exposure drafts in early 2021 for the proposed conceptual framework and proposed revised reporting model, and their related consequential amendments. The Board is in the process of considering stakeholder comments received. – 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. – In addition, PSAB is proposing: <ul style="list-style-type: none"> • 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. • Separating liabilities into financial liabilities and non-financial liabilities. • Restructuring the statement of financial position to present non-financial assets before liabilities. • Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities). • 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”. • A new provision whereby an entity can use an amended budget in certain circumstances. • Inclusion of disclosures related to risks and uncertainties that could affect the entity’s financial position.

Appendix 3: Current developments (continued)

New auditing standards

The following changes to auditing standards applicable to our 2022 audit are listed below.

Standard	Key observations
Revised CAS 315, Identifying and Assessing the Risks of Material Misstatement	<p>Revised CAS 315, Identifying and Assessing the Risks of Material Misstatement has been released and is effective for audits of financial statements for periods beginning on or after December 15, 2021.</p> <p>The standard has been significantly revised, reorganized and enhanced to require a more robust risk identification and assessment in order to promote better responses to the identified risks. Key changes include:</p> <ul style="list-style-type: none">- Enhanced requirements relating to exercising professional skepticism- Distinguishing the nature of, and clarifying the extent of, work needed for indirect and direct controls- Clarification of which controls need to be identified for the purpose of evaluating the design and implementation of controls- Introduction of scalability- Incorporation of considerations for using automated tools and techniques- New and revised concepts and definitions related to identification and assessment of risk- Strengthened documentation requirements <p>CPA Canada plans to publish a Client Briefing document in early 2022 to help you better understand the changes you can expect on your 2022 audit.</p>

Appendix 3: Current developments (continued)

Thought leadership – Environmental, social, and governance (ESG)

Thought leadership	Overview	Links
Unleashing the Positive in Net Zero	CoP26 in Glasgow made some progress to tackling climate change but there is much more to do. At KPMG, we're committed to accelerating the changes required to fight climate change. Our Global portal provides links to further thought leadership to help drive real change.	Link to Global portal
KPMG Climate Change Financial Reporting Resource Centre	KPMG's climate change resource centre provides FAQs to help you identify the potential financial statement impacts for your business.	Link to Global portal
You Can't Go Green Without Blue – The Blue Economy is Critical to All Companies' ESG Ambitions	In this report, KPMG considers how leading corporates and investors can take action to capture the value that can be found in a healthy, sustainable ocean economy.	Link to Canadian portal
ESG, Strategy and the Long View	This paper presents a five-part framework to help organizations understand and shape the total impact of their strategy and operations on their performance externally – on the environment, consumers, employees, the communities in which it operates, and other stakeholders – and internally.	Link to Global portal
Inclusion and diversity practices	In 2021 societal changes brought more attention to inclusion and diversity. In this age of transparency, businesses must act proactively to implement strategic inclusion and diversity practices. It has become increasingly important for organizations to adopt I&D initiatives in order to foster an enjoyable work environment for their employees. Learn how to consider your own organizations' unique context, meet with the stakeholders you want to include, understand where they are at, and guide them along their own individual transformation journey.	Link to Canadian portal

Appendix 3: Current developments (continued)

Thought leadership – Digital and technology

Thought leadership	Overview	Link
Going digital, faster in Canada	Pre-COVID-19, private and public organizations were moving towards a digital business model, travelling at varying speeds. But the pandemic forced a dramatic acceleration, both in the speed of change and the required investment to digitally transform. According to Canadian insights from KPMG's recent global survey, organizations are investing heavily in technology to address immediate concerns, ranging from falling revenue and interrupted supply chains to building longer-term competitiveness and operational resilience.	Link to Canadian portal

Thought leadership – Board, Audit Committee and C-Suite

Thought leadership	Overview	Links
Accelerate	Our Accelerate series offer insight into the key issues that will drive the Audit Committee agenda in 2022 in a number of key areas: cyber-related risk, digital transformation in the finance function, the 'Great Resignation' impacting finance, climate-related physical risks, enterprise risk management, and building a climate-conscious organization.	Link to Canadian Accelerate 2022 Insights series
KPMG 2021 CEO Outlook – Canadian Insights	This year we surveyed over 1,300 CEOs globally and the results are pointing to an optimistic outlook amongst Canadian CEOs. Some of the key themes coming out of the survey include expectations for aggressive growth through expansion, investment in both people and technology as well as a focus on delivering on environmental, social and governance (ESG) and sustainability commitments.	Link to Canadian portal
Board Leadership Centre + Audit Committee Guide	<p>KPMG in Canada Board Leadership Centre engages with directors, board members and business leaders to discuss timely and relevant boardroom challenges and deliver practical thought leadership on risk and strategy, talent and technology, globalization and regulatory issues, financial reporting and more.</p> <p>The new Audit Committee Guide – Canadian Edition from our Board Leadership Centre provides timely, relevant and trusted guidance to help both new and seasoned audit committee members stay informed.</p>	<p>Link to Canadian portal</p> <p>Link to 2021 guide</p>

Appendix 3: Current developments (continued)

Thought leadership – Audit quality and insights

Thought leadership	Overview	Links
Audit Quality and Transparency Report	Learn about KPMG's ongoing commitment to continuous audit quality improvement. We are investing in new innovative technologies and building strategic alliances with leading technology companies that will have a transformative impact on the auditing process and profession. How do we seek to make an impact on society through the work that we do?	Link to Canadian portal Link to 2021 Global report
Audit and Assurance Insights	KPMG provides curated research and insights on audit and assurance matters for audit committees and boards.	Link to Canadian portal

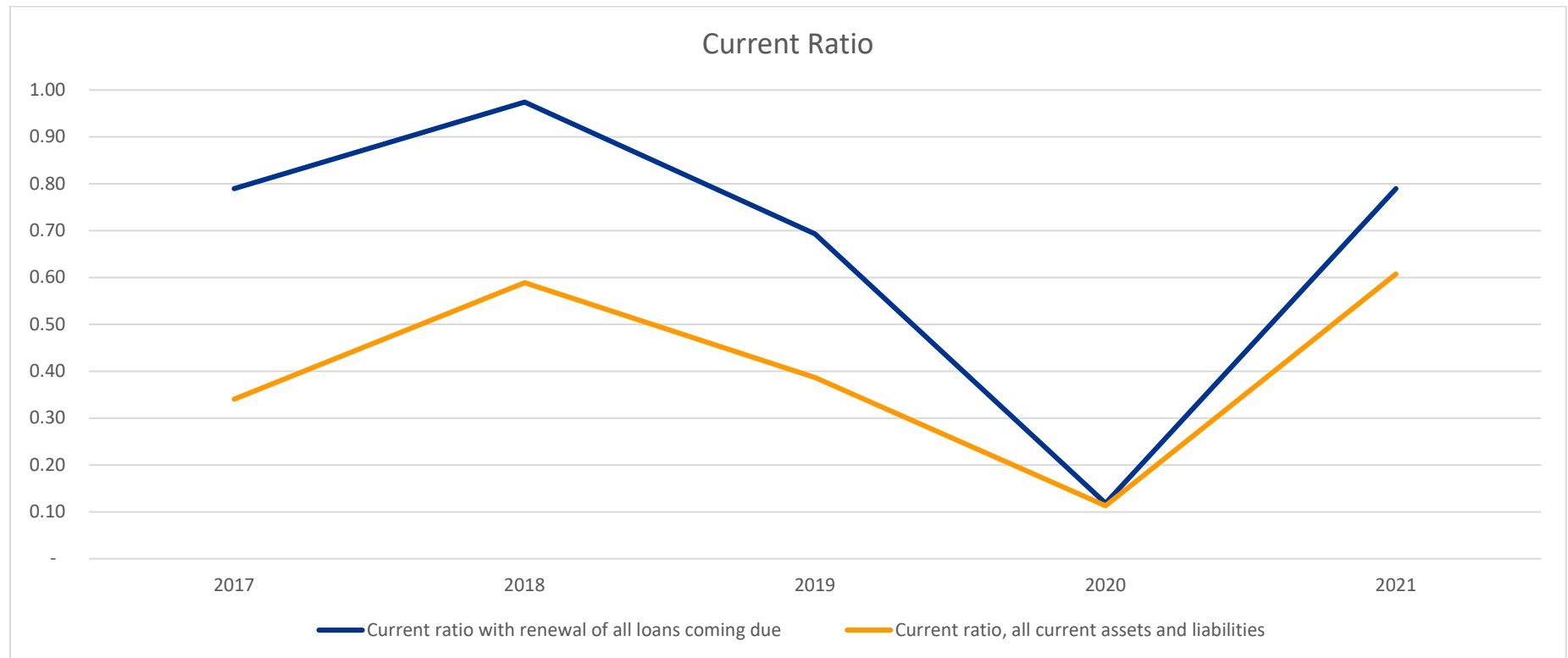
Appendix 4: Selected financial information

As part of the audit, there are certain key ratios and trends that we review. We share these ratios with the Board and Management and welcome any questions related to our interpretation of trends. The following financial information is taken from the annual audited financial statements prepared in accordance with Public Sector Accounting Standards. The accounting framework used in these financial statements differs from the framework used in the financial plan in that the rate-setting formula is based on a cash-basis and includes transfers from reserves and other unspent funds and planned capital acquisitions rather than amortization of capital assets.

Appendix 4: Selected financial information (continued)

Current Ratio

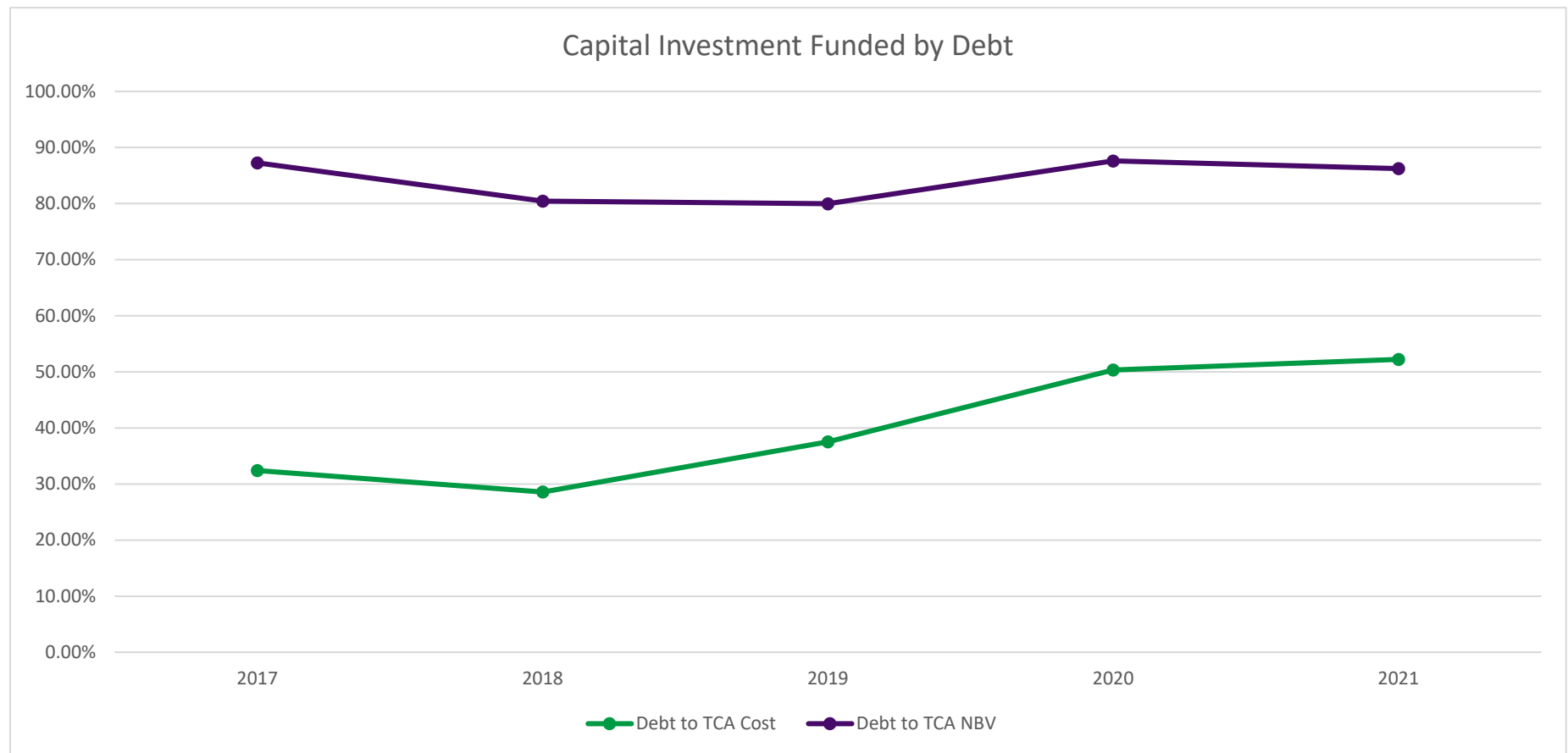
The current ratio provides a measure of the liquidity of the Entity, its ability to pay short-term obligations through current assets (those due within one year). The higher the ratio, the greater the ability to meet budgeted and unexpected expenditures. The current ratio in 2020 was lower than other years due to \$61.3 million of short-term capital financing taken out to fund the prepaid lease for West Park and Spencer Close; the short-term capital financing was converted into a 35 year mortgage in 2021. Mortgages with a due date in the next fiscal year are classified in the financial statements as current assets, while CRHC's practice has been to renew loans as they come due rather than paying out the full balance of the mortgage. Two trend lines are noted below, one assuming no mortgage renewal and one assuming all mortgages due within the next fiscal year will be renewed and will not require repayment of the entire principal outstanding within the next fiscal year, resulting in a higher current ratio.



Appendix 4: Selected financial information (continued)

Capital Investment Funded by Debt

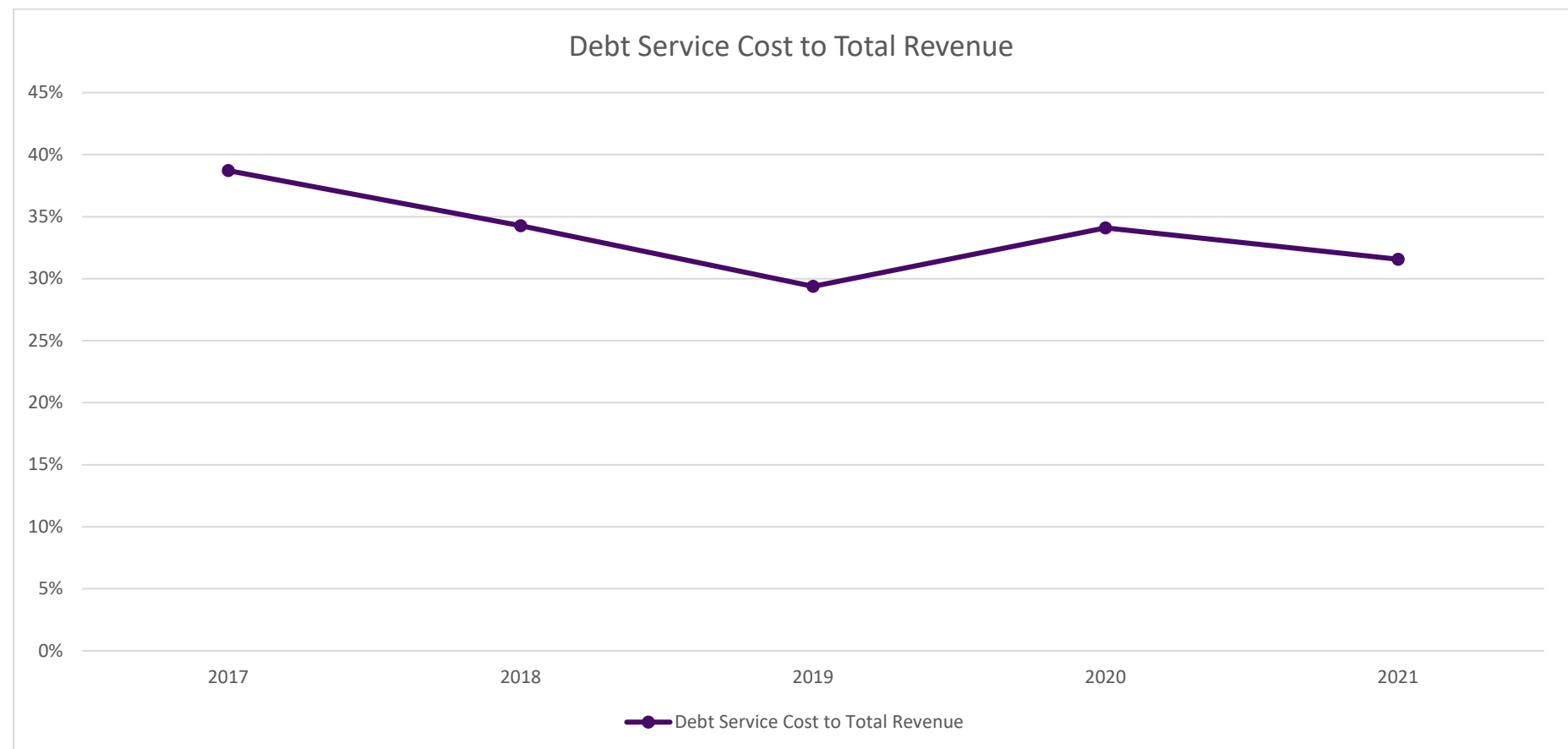
The capital investment that has been funded by debt illustrates how much of the Entity's tangible capital assets (TCA) have been purchased using debt. The Debt to TCA NBV has consistently been in the range of 80 – 87% over the past five years indicating that the majority of the Entity's capital investment is funded through debt and older assets with lower net book value. The Debt to TCA Cost has been increasing since 2018 which reflects the additional debt that the Entity has secured to purchase new properties. This ratio does not capture the Capital Regional District's equity in the new leased buildings under the Regional Housing First Program (grants received that have reduced the amount of debt required to fund prepaid leases).



Appendix 4: Selected financial information (continued)

Debt Service Costs to Total Revenue

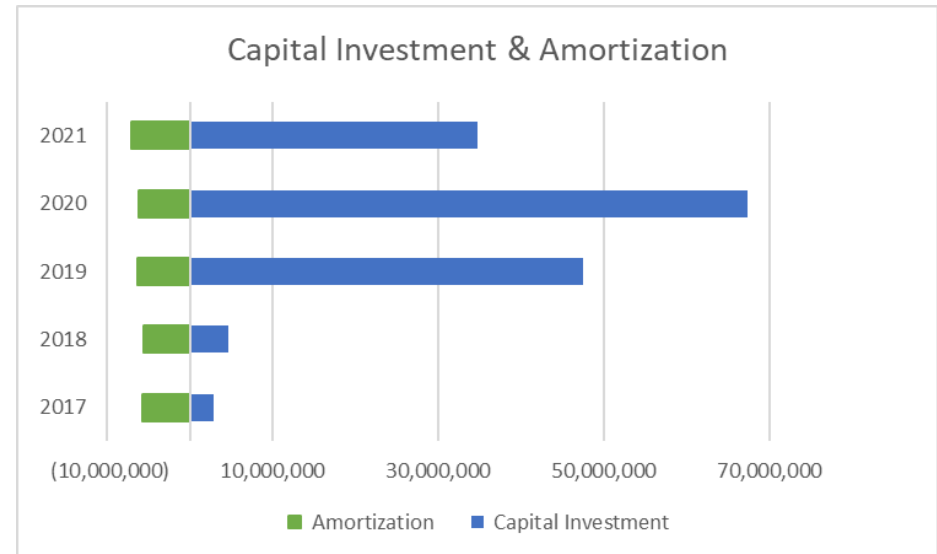
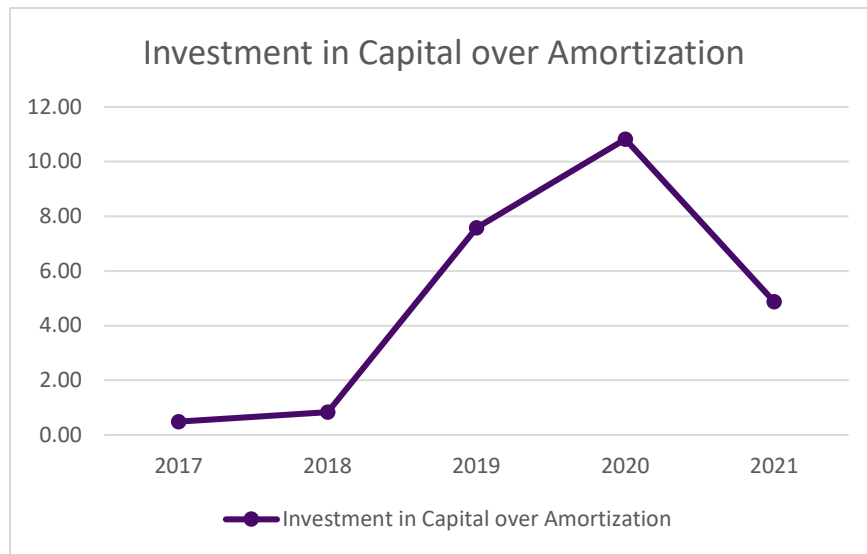
The debt service costs to total revenue ratio is the percentage of revenue committed to the payment of interest and principal on temporary and long-term debt. A high percentage indicates greater use of revenue for repayment of debt and less ability to adjust to unplanned events and changing circumstances. As different forms of funding have been secured, including forgivable loans, alongside increased tenant rent contributions from new properties, revenue has increased at a faster rate than the additional interest and principal repayments have increased on the new debt for the new properties, resulting in a downward trend in this ratio. The overall ratio is higher than seen in the Capital Regional District due to the capital intensive nature of affordable housing which is primarily funded through debt.



Appendix 4: Selected financial information (continued)

Investment in Capital over Amortization

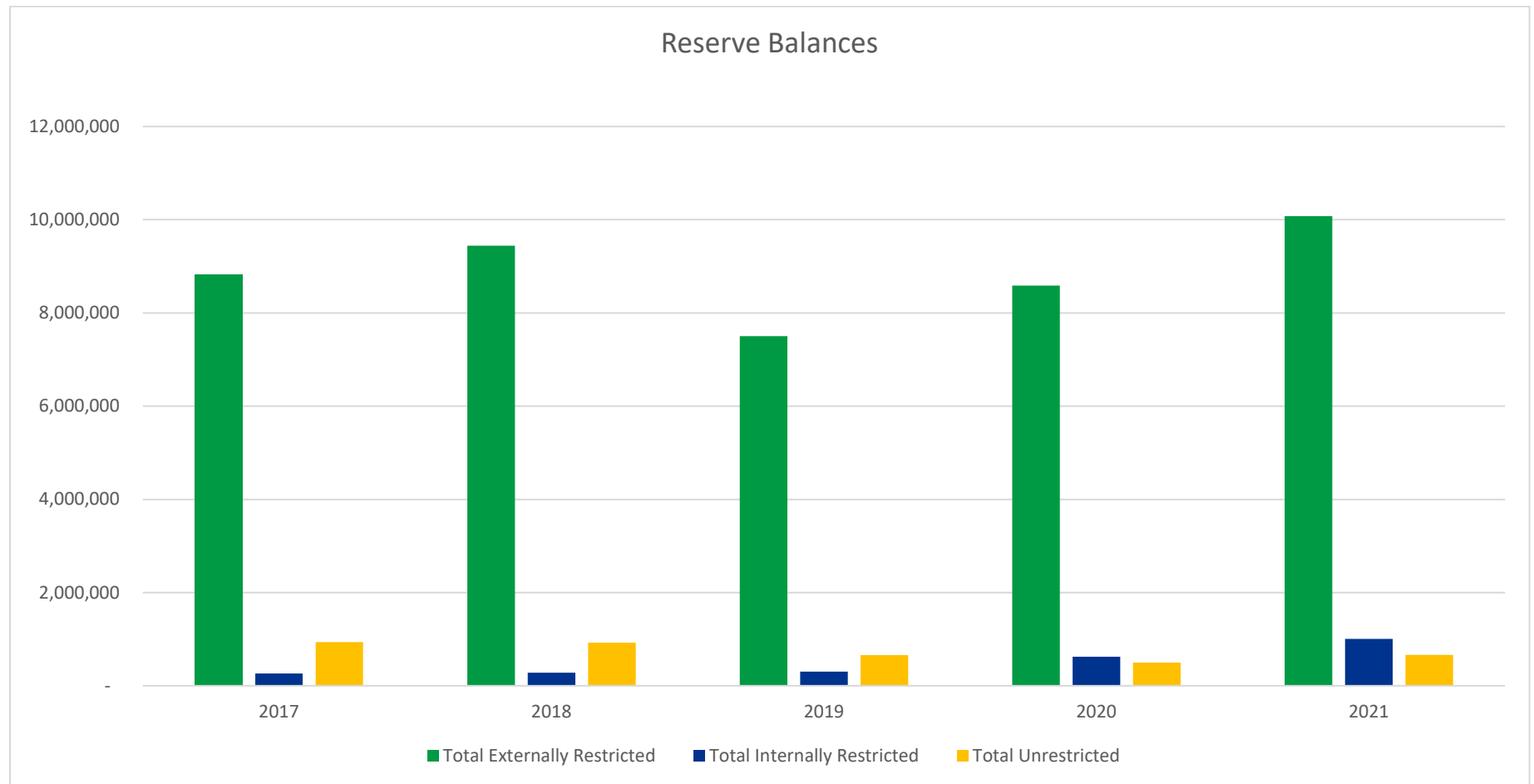
The following chart illustrates the amount of investment in capital as a multiple of amortization; this reflects the amount of capital invested for every dollar that assets depreciate each year; a higher ratio indicates that the Entity is investing in capital at a faster rate than it is incurring amortization on older properties.



Appendix 4: Selected financial information (continued)

Reserve Balance

The net assets of the Entity is made up of amounts invested in tangible capital assets, externally restricted reserves, internally restricted reserves and unrestricted reserves. The following illustrates the amount of each category of reserve held by the Entity over the past five years. Reserves are savings to support service delivery that can reduce costs of borrowing for asset renewal and replacement.





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Capital Region Housing Corporation Detailed Variance Analytics

(Statement of Financial Position)

British Columbia, Canada

Fiscal year ended December 31, 2021

Statement of Financial Position As at December 31, 2021
Variance Analytics - year over year

	2021	2020	Variance \$	Variance %	Explanation (greater than 150k and 10%)
Financial Assets					
Cash and cash equivalents	7,872,078	6,961,868	910,210	13%	Cash increase primarily related to increases in grant funding.
Accounts receivable	1,374,220	642,886	731,334	114%	Accounts receivable increased primarily due to capital project funds receivable at year end.
Prepaid	628,182	541,333	86,849	16%	
Cash and cash equivalents restricted for RR	6,900,663	5,934,450	966,213	16%	Balance increase due to new buildings now contributing.
Capital Assets	188,330,922	161,085,348	27,245,574	17%	Increase primarily due to prepaid lease of Hockley House.
Total Financial Assets	205,106,065	175,165,885	29,940,180	17%	
Financial Liabilities & Net Assets					
Current Liabilities					
Accounts payable and other liabilities	2,062,933	1,014,548	1,048,385	103%	Increase primarily due to the construction draw at 2782 Spencer payable at year end.
Accrual mortgage interest	326,483	209,964	116,519	55%	Mortgage accrual increase due to new mortgages at new buildings.
Due to CRD	80,748	104,454	(23,706)	-23%	
Deferred Revenue	701,750	704,008	(2,258)	0%	
Security Deposits	1,034,183	795,281	238,902	30%	Security deposit increase due to new tenants at new buildings.
Short-term capital financing	2,151,025	61,277,457	(59,126,432)	100%	Previous year short-term financing was converted to long-term mortgage debt during the year.
Mortgage payable - current	6,151,134	4,828,667	1,322,467	27%	Current portion increase due to new mortgages.
Mortgage payable - renewal	3,747,610	3,189,847	557,763	17%	Increase as a result of more mortgages renewing in 2022 than 2021.
Total Current Liabilities	16,255,866	72,124,226	(55,868,360)	-77%	
Mortgages Payable	150,343,987	71,844,896	78,499,091	109%	Mortgages increased due to new mortgages at Spencer, West Park, and Hockley.
Capital Stock	1	1	-	0%	
Net Assets					
Invested in capital assets	26,879,480	21,351,990	5,527,490	26%	Increase driven by addition of Hockley House, net of amortization and disposals.
Externally restricted	10,076,037	8,587,302	1,488,735	17%	Increase in income from portfolio operations and an increase in the replacement reserve balance.
Internally restricted	1,003,312	623,382	379,930	61%	Increase in NOA portfolio stabilization reserve.
Unrestricted	664,933	498,122	166,811	33%	Increase due to corporate fund net income offset by transfers to RHFP operations.
Accumulated remeasurement gains (losses)	(117,551)	135,966	(253,517)	186%	Due to unrealized gains on investments.
Total Financial Liabilities & Net Assets	205,106,065	175,165,885	29,940,180	17%	

Capital Region Housing Corporation Detailed Variance Analytics

(Statement of Operations)

British Columbia, Canada
Fiscal year ended December 31, 2021

Capital Region Housing Corporation
Statement of Operations
Year ended December 31, 2021
Variance: year-over-year

	2021	2020	Variance \$	Variance %	Explanation (greater than 150k and 10%)
Revenue					
Tenant rent contributions	18,482,139	14,483,146	3,998,993	27.6%	Increase relates to 3 new buildings: Spencer, West Park, and Hockley House.
BCHMC rent subsidy assistance	330,338	359,792	(29,454)	-8.2%	
BCHMC umbrella operating agreement funding	2,858,390	3,118,951	(260,561)	-8.4%	
Rental management fees	2,426,020	1,736,610	689,410	39.7%	Increase related to contract rates and additional staff to support the new buildings.
Rental management fees - other	79,548	80,682	(1,134)	-1.4%	
Investment income	212,091	271,933	(59,842)	-22.0%	
Guest suites, net	(1,096)	(1,774)	678	-38.2%	
Miscellaneous	225,737	193,516	32,221	16.7%	
Project management fees	361,732	273,690	88,042	32.2%	
Government contributions	5,929,330	660,000	5,269,330	798.4%	Increase primarily due to capital grant funding for new projects.
Total Revenues	30,904,229	21,176,546	9,727,683	45.9%	
Expenses					
Administration and property management	2,599,269	2,255,667	343,602	15.2%	Increase related to contract rates and additional staff to support the new buildings.
Amortization - office equipment and vehicles	7,176	8,970	(1,794)	-20.0%	
Amortization - buildings and equipment	4,973,564	5,317,385	(343,821)	-6.5%	
Amortization - land leases	2,159,642	902,205	1,257,437	139.4%	Increase related to new leases from CRD at Spencer, West Park, and Hockley.
Property taxes	28,751	295,670	(266,919)	-90.3%	CRHC-owned properties were reclassified as tax exempt for 2021 year.
Insurance	1,139,572	845,756	293,816	34.7%	Increase primarily related to new buildings.
Maintenance	1,231,145	949,823	281,322	29.6%	Increase primarily related to new buildings.
Caretakers	1,789,881	1,513,770	276,111	18.2%	Increase primarily related to new buildings.
Landscape	409,285	378,861	30,424	8.0%	
Electricity	402,265	264,704	137,561	52.0%	Increase primarily related to new buildings.
Land and Improvement leases	294,000	294,000	-	0.0%	
Water	1,309,824	1,090,990	218,834	20.1%	Increase primarily related to new buildings.
Oil and gas	174,264	96,251	78,013	81.1%	
Garbage	312,005	286,381	25,624	8.9%	
Rental management fee	2,425,159	1,735,790	689,369	39.7%	Increase related to contract rates and additional staff to support the new buildings.
Audit and legal	33,642	31,381	2,261	7.2%	
Miscellaneous	33,580	35,746	(2,166)	-6.1%	
Hospitality services (Parry Place)	298,093	293,690	4,403	1.5%	
Interest on mortgages payable	3,282,707	2,127,930	1,154,777	54.3%	Increase due to new mortgages for new buildings.
Repayment of BCHMC capital contribution	-	700,000	(700,000)	100.0%	Represents reduction in IHI grant recognized as revenue in prior year.
Loss on disposal of capital assets	437,439	-	437,439	100.0%	Write-down on disposal of Caledonia and Michigan assets being redeveloped.
Total Expenses	23,341,263	19,424,970	3,916,293	20.2%	
Excess (deficiency) of revenues over expenses	7,562,966	1,751,576	5,811,390	332%	

Capital Region Housing Corporation Other Financial Statement Analysis

British Columbia, Canada

Fiscal year ended December 31, 2021

Appendix E: Other Financial Statement Analysis

The audit has now been completed. The 2021 Audited Financial Statements have been prepared by management in accordance with Canadian Public Sector Accounting Board (PSAB) Standards. Under PSAB regulations, governments are required to present five statements with explanatory notes. The first two statements are summarized in the staff report. This appendix provides a summary of the remaining statements.

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 summarizes the change in net assets and remeasurement gains and losses in 2021 compared to 2020.

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

Statement of Net Assets & Remeasurement Gains (\$ millions)	2021	2020
Net Assets, Beginning of Year	31.2	29.0
Annual Surplus	7.5	1.8
Subtotal	38.7	30.8
Unrealized gains on investments	(0.2)	0.4
Net Assets, End of Year	\$38.5	\$31.2

Total net assets increased from 2020 by \$7.3 million or 23%. \$7.1 of the \$7.5 million annual surplus is a result of increased government grant contributions for various housing projects. Through PSAB accounting treatment this is recognized as revenue generating an asset surplus. Net assets are offset by (\$0.2) million due to a remeasurement loss on investments.

4. Statement of Cash Flows

The Statement of Cash Flows 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 summarizes the change in cash by activity comparing 2021 to 2020.

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

Statement of Cash Flows (\$ millions)	2021	2020
Operating activities	15.7	6.3
Capital activities	(34.9)	(67.4)
Investing activities	(1.2)	0.0
Financing activities	21.3	61.3
Net change in cash & cash equivalents	0.9	0.2
Cash & cash equivalents, beginning of year	7.0	6.8
Cash and cash equivalents, end of year	\$7.9	\$7.0

In 2021, the cash position increased by \$0.9 million. The change in cash was due to \$15.7 million from operating activities for net revenue after expenses, \$21.3 million from financing activities for debt proceeds received, and \$34.9 million paid as prepaid lease on Hockley House and construction costs at 2782 Spencer.

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.

**REPORT TO HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, MAY 04, 2022**

SUBJECT Oak Bay Lodge Demolition Update and Approval of Amended Capital Bylaw

ISSUE SUMMARY

To approve the revised Oak Bay Lodge Demolition Budget and Amended Capital Bylaw.

BACKGROUND

The Capital Regional Hospital District (CRHD) took over ownership of Oak Bay Lodge (2251 Cadboro Bay Road) from Vancouver Island Health Authority (Island Health) effective August 14, 2020. On February 10, 2021 the CRHD Board approved Unitech Construction Management Ltd. as Construction Manager on the Oak Bay Lodge project. Under Unitech's management, tender for HAZMAT abatement and building demolition was issued on March 25, 2021. The tender closed on April 1, 2021 and at the April 14, 2021 meeting of the CRHD Board a contract was awarded to QM Environmental for HAZMAT Abatement and Building Demolition for the Oak Bay Lodge property in the amount of \$3,543,090 plus GST, and a 6% contingency. The overall project budget of \$4,266,501 and the Capital Expenditure and Borrowing Bylaw was approved at that time.

As a result of change orders on the project, an increase in budget and an extension to the project timeline is requested.

ALTERNATIVES

Alternative 1

The Hospitals and Housing Committee recommends to the Capital Regional Hospital District Board:

- 1) That the revised project budget be approved;
- 2) That the Capital Regional Hospital District 2022-2031 Ten year Capital Plan be amended and approved as submitted;
- 3) That Bylaw No. 411, "Capital Regional Hospital District Capital Bylaw No. 178, 2021, Amendment No. 1, 2022" be read a first, second and third time; and
- 4) That Bylaw No. 411 be adopted.

Alternative 2

That the Oak Bay Lodge Demolition Update and Approval of Amended Capital Bylaw report be referred back to staff for additional information based on .

IMPLICATIONS

Service Delivery Implications

Since the beginning of the project Unitech and CRHD have received seven contemplated change notices. One a credit and six based on the unexpected discovery of additional hazardous materials within the building. See Appendix B contract listing change orders for a full list of costs and additional hazardous containing materials. The original tendered schedule completion was

December 31, 2021 however, unforeseen extra work was discovered in June per change order two; in October per change order three; in November per change order four; in December per change order five; and in February 2022 per change order six and seven.

In partnership with Unitech, CRHD reviewed all additional work outlined in Appendix B in detail with a third party Environmental Engineer, MBC Group. After reviewing the tender specifications and scope of work, we were able to determine that the additional work was deemed reasonable, and in fact unforeseeable. We also reviewed setup and takedown costs, applicable unit and labour rates. These were also confirmed to be reasonable for market industry standards. Staff were also able to negotiate change order five down from \$597,858 to \$460,000, for a reduction of \$137,858.

The additional items of work were discovered during demolition progress on site. After substantial progress on site, it became apparent that the only way that we could have tested and identified these additional items of work, would have been to complete additional 'destructive' testing, but that was not completed prior to tendering this contract scope of work. The original tender documentation findings were provided via 'non-destructive' testing, which in turn created risk on the extent of unknown or unforeseen work, yet to be discovered.

CRHD and Unitech have also negotiated a final agreement with QM Environmental to maintain the revised schedule, and they have agreed in writing, with the understanding that they will be responsible for Unitech's general condition costs if they do not achieve their committed goals and schedule.

Including allocation of contingency and additional related costs of construction management and general conditions, the impact to the project is a revised completion date to July 19, 2022 and an increase in the total project budget of \$842,735.

Financial Implications

Table 1 shows the change in budget as a result of the amended project scope and timing. It compares the revised budget to the existing budget.

Table 1: Change in Project Budget

	April 14 Approved Project Budget	Amended Project Budget	Change
C-001 Hazmat Abatement and Demolition (Note 1)	\$ 3,543,090	\$ 4,223,827	\$ 680,737
CM Services, Site Supervisor and Disbursements	\$ 210,250	\$ 358,249	\$ 147,999
General Conditions and Other Project Costs	\$ 271,661	\$ 377,160	\$ 105,499
Overall Project Contingency	\$ 241,500	\$ 150,000	\$ (91,500)
Total	\$ 4,266,501	\$ 5,109,236	\$ 842,735

Note 1:

C-001 Original Contract Value	\$ 3,543,090
Change Orders (<i>appendix b</i>)	680,737
C-001 Revised Contract Value	\$ 4,223,827

In order to complete the project, the original Capital Bylaw and 2022-2031 Ten Year Capital Plan must be amended and approved by the Board. On October 27, 2021 the Board approved the CRHD 2022-2031 Ten Year Capital Plan which included \$505,233 in 2022 for completion of the Oak Bay Lodge demolition project. This forecast was based on the original project schedule and expected completion of December 31, 2021. To accommodate the proposed amendments, the 2022-2031 Ten Year Capital Plan will need to be amended to include total cash flows of \$3,123,546 for completion of the demolition of Oak Bay Lodge by July 19, 2022. The proposed 2022-2031 Ten Year Capital Plan amendment, incorporates these changes, and is attached as Appendix C.

The Oak Bay Lodge demolition project is financed through the Municipal Finance Authority of BC. The 2022 CRHD Financial Plan, approved by the Board on March 16, 2022 incorporated debt servicing costs for the Oak Bay Lodge Demolition project, the impact of this change affects future years only and does not require an amendment to Bylaw No. 410, Annual Budget. 2022. The additional project costs will be debt serviced through the Municipal Finance Authority as part of the capital plan.

The revised project budget if approved will require amendment of the Bylaw No. 404, Capital Regional Hospital District Capital Bylaw No. 178, 2021 to increase authorization from \$4.3 million to a maximum of \$5.2 million. The appropriate Capital Bylaw for Alternative 1 is represented in Appendix A.

CONCLUSION

The Oak Bay Lodge property is a high priority project identified in the CRHD's 10 Year Capital Plan and the revised demolition budget and timeline of the existing facility is necessary to realize the future value of the site for the capital region.

RECOMMENDATION

The Hospitals and Housing Committee recommends to the Capital Regional Hospital District Board:

- 1) That the revised project budget be approved;
- 2) That the Capital Regional Hospital District 2022-2031 Ten year Capital Plan be amended and approved as submitted;
- 3) That Bylaw No. 411, "Capital Regional Hospital District Capital Bylaw No. 178, 2021, Amendment No. 1, 2022" be read a first, second and third time; and
- 4) That Bylaw No. 411 be adopted.

Submitted by:	Michael Barnes, MPP, Senior Manager, Health & Capital Planning Strategies
Concurrence:	Kevin Lorette, P. Eng., MBA, General Manager, Planning & Protective Services
Concurrence:	Kristen Morley, J.D., General Manager, Corporate Services & Corporate Officer
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

ATTACHMENTS

Appendix A: Bylaw No. 411, "CRHD Capital Bylaw No. 178, 2021, Amendment No. 1, 2022.

Appendix B: Contract Listing Change Orders

Appendix C: Amended 2022-2031 CRHD Capital Plan

CAPITAL REGIONAL HOSPITAL DISTRICT BYLAW NO. 411

**A BYLAW TO AMEND BYLAW NO. 404, "CAPITAL REGIONAL HOSPITAL DISTRICT
CAPITAL BYLAW NO. 178, 2021"**

The Board of the Capital Regional Hospital District in open meeting assembled enacts as follows;

1. Bylaw No. 404, "Capital Regional Hospital District Capital Bylaw No. 178, 2021" is hereby amended by:
 - a) Deleting Schedule "A" in its entirety and replacing it with the attached Schedule "A";
 - b) Deleting Section 2 in its entirety and replacing it with the following:

"2. The Board authorizes and approves the borrowing of a net sum not exceeding \$5,200,000 upon the credit of the District by issuance and sale of securities in a form and manner agreed to by the Municipal Finance Authority of British Columbia. The term of the securities and the repayment of the principal and interest shall be over a term not to exceed five years".
2. This Bylaw may be cited for all intents and purposes as the "Capital Regional Hospital District Capital Bylaw No. 178, 2021, Amendment Bylaw No.1, 2022".

READ A FIRST TIME THIS	DAY OF	, 2022
READ A SECOND TIME THIS	DAY OF	, 2022
READ A THIRD TIME THIS	DAY OF	, 2022
ADOPTED THIS	DAY OF	, 2022

Chair

Corporate Officer

SCHEDULE “A”

Bylaw No. 411

CAPITAL REGIONAL HOSPITAL DISTRICT

CAPITAL BYLAW NO. 178, 2021, AMENDMENT BYLAW NO. 1, 2022

NAME OF PROJECT	PROJECT DESCRIPTION	PROJECT NUMBER	TERM OF ISSUE	CRHD BYLAW AMOUNT
Oak Bay Lodge	Hazmat Abatement and Building Demolition	C178–22–01	Five Years	\$5,200,000.00

Appendix B

Contract Listing Change Orders			
	Detail of Unforeseen HazMat Remediation	Budget Impact	Schedule Extension
		<i>excl. gst</i>	
C-001	Credit to remove 50% Performance Bonding	\$ (23,099.93)	None
C-002	Concealed Drywall - Maple Wing; Fibreglass Insulation - Basement Tanks	\$ 103,894.97	10 day
C-003	Levelling Compound and Parging on Concrete Ceiling - Location 1	\$ 70,109.46	22 day
C-004	Parging on Concrete Ceiling - Location 2	\$ 29,695.54	8 day
C-005	Caulking / Sealant - Steel Stud Wall Assemblies & Window Flashings	\$ 460,000.00	5 months
C-006	Coating and Grout - Centre Wing Showers	\$ 13,832.50	None
C-007	Drywall Pucks and Roof Flashing Caulking	\$ 26,303.85	None
		\$ 680,736.39	

CAPITAL REGIONAL HOSPITAL DISTRICT CAPITAL PLAN For Years 2022 to 2031 at May 4, 2022										APPENDIX C											Page 1 of 1
Project Type / Status	Project Description	Year	Facility / Site	CBL Bylaw #	CRHD Share (%)	CRHD Share Total Project (\$)	Total Project Budget (\$)	Estimated Completed at Year-End (\$)	Total Project Remaining Balance (\$)		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	10-Year Total
Major Project - Approved	James Bay Urgent and Primary Care Centre	2020	547 Michigan St.	174	30%	1,500,000	5,000,000	2,300,000	100,000		100,000	-	-	-	-	-	-	-	-	-	100,000
Major Project - Approved	Beacon Community Services Expansion	2020	Victoria - Various	175	30%	1,350,000	4,500,000	4,231,000	269,000		269,000	-	-	-	-	-	-	-	-	-	269,000
Major Project - Approved	Victoria Urgent and Primary Care Centre	2020	Victoria - Pandora Avenue	177	30%	1,500,000	5,000,000	4,650,000	100,000		100,000	-	-	-	-	-	-	-	-	-	100,000
Major Project - Approved	Greater Victoria Urgent and Primary Care	2021	Victoria	182	30%	1,499,592	4,998,639	3,800,000	1,198,639		1,198,639	-	-	-	-	-	-	-	-	-	1,198,639
Major Project - Approved	Greater Victoria Urgent and Primary Care	2021	Esquimalt	181	30%	886,414	2,954,713	2,654,713	300,000		300,000	-	-	-	-	-	-	-	-	-	300,000
Major Project - Approved	Emergency Department ¹	2021	Lady Minto Hospital	183	29%	3,000,000	10,340,000	560,000	9,780,000		2,500,000	7,280,000	-	-	-	-	-	-	-	-	9,780,000
Major Project - Planned	Medical Device Reprocessing Department Expansion	2022	Victoria General Hospital		30%	1,272,000	4,240,000	-	4,240,000		1,212,000	3,000,000	28,000	-	-	-	-	-	-	-	4,240,000
Major Project - Planned	High Acuity Unit	2022	Victoria General Hospital		30%	975,000	3,250,000	-	3,250,000		3,225,000	25,000	-	-	-	-	-	-	-	-	3,250,000
Major Project - Planned	High Acuity Unit	2022	Royal Jubilee Hospital		30%	4,695,000	15,650,000	-	15,650,000		600,000	6,000,000	9,050,000	-	-	-	-	-	-	-	15,650,000
Major Project - Planned	Pneumatic to Electric Controls Conversion	2022	Gorge Road Hospital		30%	883,800	2,946,000	-	2,946,000		147,300	2,356,800	441,900	-	-	-	-	-	-	-	2,946,000
Major Project - Possible	New Long Term Care (306 beds)	2022	South Island - Royal Bay		30%	61,500,000	205,000,000	-	205,000,000		600,000	14,000,000	60,000,000	60,000,000	40,000,000	30,400,000	-	-	-	-	205,000,000
Major Project - Possible	Energy Centre Replacement	2022	Victoria General Hospital		30%	5,505,000	18,350,000	-	18,350,000		1,017,500	7,340,000	7,340,000	1,835,000	817,500	-	-	-	-	-	18,350,000
Major Project - Possible	Routine Capital Investment Project(s)	2023	Royal Jubilee Hospital		30%	9,066,000	30,220,000	-	30,220,000		-	1,000,000	100,000	3,120,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	1,000,000	30,220,000
Major Project - Possible	Routine Capital Investment Project(s)	2023	Victoria General Hospital		30%	11,736,000	39,120,000	-	39,120,000		-	5,000,000	5,000,000	3,120,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	1,000,000	39,120,000
Major Project - Possible	Outpatient Rehabilitation Program	2022	Gorge Road Hospital		30%	900,000	3,000,000	-	3,000,000		600,000	2,400,000	-	-	-	-	-	-	-	-	3,000,000
Major Project - Possible	Mental Health & Substance Use Residential Program	2022	To be determined		30%	600,000	2,000,000	-	2,000,000		900,000	1,100,000	-	-	-	-	-	-	-	-	2,000,000
Major Project - Possible	Pembroke Mental Health Substance Use Center	2022	Victoria Health Unit-Cook Street		30%	6,600,000	22,000,000	-	22,000,000		100,000	400,000	1,500,000	7,000,000	12,000,000	1,000,000	-	-	-	-	22,000,000
Major Project - Possible	Child Youth Mental Health Stabilization Unit	2023	Victoria General Hospital		30%	2,250,000	7,500,000	-	7,500,000		-	250,000	2,750,000	4,000,000	500,000	-	-	-	-	-	7,500,000
Major Project - Possible	Energy Centre Replacement	2023	Saanich Peninsula Hospital		30%	2,400,000	8,000,000	-	8,000,000		-	200,000	1,500,000	4,000,000	2,300,000	-	-	-	-	-	8,000,000
Major Project - Possible	New Long Term Care (50 beds)	2023	Greater Victoria - TBD		30%	9,900,000	33,000,000	-	33,000,000		-	300,000	4,000,000	12,000,000	12,000,000	4,700,000	-	-	-	-	33,000,000
Major Project - Possible	Oak Bay Lodge Redevelopment	2023	Former Oak Bay Lodge Site		30%	90,000,000	300,000,000	-	300,000,000		-	100,000	1,000,000	5,000,000	35,000,000	60,000,000	70,000,000	70,000,000	58,900,000	-	300,000,000
Major Project - Possible	Relocate SSI MHSU Integrated Team	2023	Salt Spring Island		30%	600,000	2,000,000	-	2,000,000		-	300,000	1,700,000	-	-	-	-	-	-	-	2,000,000
Major Project - Possible	Pre-admission Clinic Consolidation (RJH & VGH)	2024	To be determined		30%	600,000	2,000,000	-	2,000,000		-	300,000	1,700,000	-	-	-	-	-	-	-	2,000,000
Major Project - Possible	Electronic Health Record	2024	South Island - TBD		30%	900,000	3,000,000	-	3,000,000		-	-	3,000,000	-	-	-	-	-	-	-	3,000,000
Major Project - Possible	Peninsula Primary Care Centre ¹	2024	Saanich Peninsula Hospital		30%	900,000	3,000,000	-	3,000,000		-	-	1,500,000	1,500,000	-	-	-	-	-	-	3,000,000
Major Project - Possible	SPH Acute Core Renovation ¹	2024	Saanich Peninsula Hospital		30%	1,500,000	5,000,000	-	5,000,000		-	-	2,500,000	2,500,000	-	-	-	-	-	-	5,000,000
Major Project - Possible	Elevator Refurbishment	2024	Victoria General Hospital		30%	630,000	2,100,000	-	2,100,000		-	-	1,050,000	1,050,000	-	-	-	-	-	-	2,100,000
Major Project - Possible	Convert obsolete 480 distribution system with 600V	2024	Royal Jubilee Hospital		30%	600,000	2,000,000	-	2,000,000		-	-	1,000,000	1,000,000	-	-	-	-	-	-	2,000,000
Major Project - Possible	VGH Pediatric Intensive Care Unit	2025	Victoria General Hospital		30%	1,500,000	5,000,000	-	5,000,000		-	-	-	250,000	2,250,000	2,250,000	250,000	-	-	-	5,000,000
Major Project - Possible	10G Fibre Expansion (IMIT)	2025	Royal Jubilee Hospital		30%	900,000	3,000,000	-	3,000,000		-	-	-	1,500,000	1,500,000	-	-	-	-	-	3,000,000
Major Project - Possible	RJH DT Cooling System Replacement	2025	Royal Jubilee Hospital		30%	600,000	2,000,000	-	2,000,000		-	-	-	250,000	1,250,000	500,000	-	-	-	-	2,000,000
Major Project - Possible	QAC Electrical Distribution \$2m	2025	Queen Alexandra		30%	600,000	2,000,000	-	2,000,000		-	-	-	200,000	1,200,000	600,000	-	-	-	-	2,000,000
Major Project - Possible	Endoscopy - create 4th Procedure Room	2025	Royal Jubilee Hospital		30%	600,000	2,000,000	-	2,000,000		-	-	-	200,000	1,200,000	600,000	-	-	-	-	2,000,000
Major Project - Possible	Surgical Day Care Unit Renovation	2026	Victoria General Hospital		30%	3,180,000	10,600,000	-	10,600,000		-	-	-	-	100,000	500,000	5,000,000	5,000,000	-	-	10,600,000
Major Project - Possible	Intensive Care & High Acuity Unit Redevelopment ³	2026	Victoria General Hospital		30%	11,700,000	39,000,000	-	39,000,000		-	-	-	-	250,000	2,500,000	15,000,000	15,000,000	6,000,000	250,000	39,000,000
Major Project - Possible	Restorative Health Center	2026	To be determined		30%	60,000,000	200,000,000	-	200,000,000		-	-	-	-	250,000	2,500,000	25,000,000	50,000,000	50,000,000	50,000,000	177,750,000
Major Project - Possible	Morgue Expansion	2026	Victoria General Hospital		30%	600,000	2,000,000	-	2,000,000		-	-	-	-	150,000	1,500,000	350,000	-	-	-	2,000,000
Major Project - Possible	Memorial Pavilion Mechanical System Upgrade	2026	Royal Jubilee Hospital		30%	3,000,000	10,000,000	-	10,000,000		-	-	-	-	150,000	3,000,000	3,000,000	3,000,000	850,000	-	10,000,000
Major Project - Possible	Electrical Infrastructure Upgrade	2026	Lady Minto Hospital		30%	3,000,000	10,000,000	-	10,000,000		-	-	-	-	150,000	3,000,000	3,000,000	3,000,000	850,000	-	10,000,000
Major Project - Possible	Westshore Mental Health Team	2027	Westshore		30%	974,700	3,249,000	-	3,249,000		-	-	-	-	-	100,000	1,800,000	1,349,000	-	-	3,249,000
Major Project - Possible	Phase 2 of ED Redevelopment: Imaging Suite	2028	Lady Minto Hospital		30%	1,500,000	5,000,000	-	5,000,000		-	-	-	-	-	-	150,000	2,000,000	2,000,000	850,000	5,000,000
Major Project - Possible	Endoscopy - create 4th Procedure Room	2028	Victoria General Hospital		30%	600,000	2,000,000	-	2,000,000		-	-	-	-	-	-	150,000	1,500,000	350,000	-	2,000,000
Major Project - Possible	Child Youth and Family Services Redevelopment	2028	To be determined		30%	30,000,000	100,000,000	-	100,000,000		-	-	-	-	-	-	250,000	12,500,000	25,000,000	25,000,000	62,750,000
Major Project - Possible	Administrative Building Decant/Eric Martin Pavilion Asbestos Abatement	2028	Royal Jubilee Hospital		30%	1,470,000	4,900,000	-	4,900,000		-	-	-	-	-	-	150,000	1,500,000	1,750,000	1,500,000	4,900,000
Major Project - Possible	Long Term Care (50 beds)	2																			

Project Type / Status	Project Description	Year	Facility / Site	CBL Bylaw #	CRHD Share (%)	CRHD Share Total Project (\$)	Total Project Budget (\$)	Estimated Completed at Year-End (\$)	Total Project Remaining Balance (\$)	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	10-Year Total
Minor Project - Requested	Minor Capital Projects Current Budget Year	2022	Various		40%	3,750,000	9,375,000	-	9,375,000	9,375,000	-	-	-	-	-	-	-	-	-	9,375,000
Minor Project - Anticipated	Minor Capital Projects Future Budget Years	2023-2031	Various		40%	33,750,000	84,375,000	-	84,375,000	-	9,375,000	9,375,000	9,375,000	9,375,000	9,375,000	9,375,000	9,375,000	9,375,000	9,375,000	84,375,000
Minor Equipment Grants	CRHD Section 20 Equipment Grants	2022-2031	Various		100%	29,550,000	29,550,000	-	29,550,000	2,955,000	2,955,000	2,955,000	2,955,000	2,955,000	2,955,000	2,955,000	2,955,000	2,955,000	2,955,000	29,550,000
Non-Traditional Project	Non-Traditional Projects Grants (Suspended 2015-2024) - expensed annually	2025-2031	Various		100%	7,000,000	7,000,000	-	7,000,000	-	-	-	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	7,000,000
CRHD Project	Hillside/Kings Licensed Residential Care Facility	2022	950 Kings Rd.		100%	15,000,000	15,000,000	-	15,000,000	-	500,000	2,500,000	6,000,000	6,000,000	-	-	-	-	-	15,000,000
CRHD Project	Regional Housing First Program (RHFP) Contribution - \$10M contribution from reserve	2021	TBD		100%	10,000,000	10,000,000	-	10,000,000	10,000,000	-	-	-	-	-	-	-	-	-	10,000,000
CRHD Project	Oak Bay Lodge - Demolition	2021	2251 Cadboro Bay Rd.	178	100%	5,109,237	5,109,237	1,985,691	3,123,546	3,123,546	-	-	-	-	-	-	-	-	-	3,123,546
CRHD Project	Summit Scheduled Capital Replacements	2022	955 Hillside Ave.	160	100%	1,200,000	1,200,000	-	1,200,000	400,000	200,000	200,000	200,000	200,000	-	-	-	-	-	1,200,000
CRHD TOTAL						105,359,237	161,609,237	1,985,691	159,623,546	25,853,546	13,030,000	15,030,000	19,530,000	19,530,000	13,330,000	13,330,000	13,330,000	13,330,000	13,330,000	159,623,546
PROJECT TOTAL - before inflation						468,352,743	1,371,927,589	20,181,404	1,348,896,185	38,722,985	64,381,800	120,189,900	128,055,000	140,597,500	136,480,000	147,430,000	188,629,000	172,080,000	102,430,000	1,238,996,185
Inflation ² 2.00%						- excluding approved/pending Capital Bylaws			16,634,980	-	29,000	434,000	669,000	1,165,000	1,635,000	2,482,000	3,305,980	2,975,000	1,742,000	14,436,980
PROJECT TOTAL - including inflation									1,365,531,165	38,722,985	64,410,800	120,623,900	128,724,000	141,762,500	138,115,000	149,912,000	191,934,980	175,055,000	104,172,000	1,253,433,165
CRHD SHARE TOTAL ESTIMATED ANNUAL CAPITAL CASH FLOW									431,219,610	24,064,628	22,547,168	41,083,170	46,663,200	50,574,750	45,140,500	48,679,600	61,286,494	56,222,500	34,957,600	431,219,610

General Notes

*Rules for debt borrowing period (amortization) are based on total project cost: \$2-5M 5yrs; \$5-12.5M 10yrs; >\$12.5M 15yrs

**Potential start dates depend on annual prioritization process and funding availability from Ministry of Health, CRHD and other funding sources. As a result, start dates are preliminary and may change.

¹Project will be primarily funded by the Hospital Foundation

²Inflation is calculated at a rate of 2% for years 2022-2031 and applied to forecasted projects if applicable (approved bylaws, current year projects and land acquisitions are not subject to inflation)

³If this project does not proceed, a renovation to the Intensive Care Unit will be required

VIHA Project Type / Status Legend:	
Major Project - Approved	Capital Borrowing Bylaw has been approved; project values greater than \$2 million
Major Project - Planned	Island Health has received approval from Ministry of Health; project values greater than \$2 million
Major Project - Possible	Island Health is planning to proceed subject to necessary approvals; project values greater than \$2 million
Major Project - Other	Projects not yet identified; to recognize health care needs and technology are continuously changing
Minor Project - Requested/Anticipated	Current and future year minor projects with values in the range of \$100,000 to \$2 million, up to maximum of \$9.375 million
Non-Traditional Projects	Non-traditional project funding
Minor Equipment Grants	HD Act Section 20 minor equipment grants
CRHD Project	CRHD capital initiatives

REPORT TO HOSPITALS AND HOUSING COMMITTEE MEETING OF WEDNESDAY, MAY 04, 2022

SUBJECT **Mortgage Renewal – Kings Place**

ISSUE SUMMARY

BC Housing Management Commission (BCHMC) requires a resolution from the Capital Region Housing Corporation (CRHC) Board of Directors to renew the mortgage for Kings Place.

BACKGROUND

Kings Place is a 35-unit family complex owned by the Cridge Housing Society (Cridge Centre for the Family) through the federal provincial housing program in 1996. Prior to the completion of the project, the Cridge determined they did not want to operate Kings Place.

CRHC entered into an 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 30 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. The assignment of the Operating Agreement to the CRHC is valid until August 1, 2027 with the Operating Agreement itself expiring August 1, 2032.

BCHMC requires the approval of both Cridge and CRHC to renew the mortgage because the ownership of the project remains with the Cridge Housing Society.

Six weeks prior to the renewal date, BCHMC will publish tender calls to interested CMHC approved lenders. On tender closing date, BCHMC will then select the mortgage renewal terms that are acceptable to BCHMC and award the tender to the successful take-out lender (the “Take-out Lender”). BC Housing requires a Resolution of the Board, attached as Appendix A, to authorize any two officers or directors of the CRHC to execute all documents related to the mortgage renewal.

Renewal details are shown in Table 1.

Table 1 – Mortgage Details

Building	Existing mortgage interest rate	Principal at renewal	Annual Subsidy	Remaining Term	Operating Agreement & Mortgage Maturity Date
Kings Place	2.740%	\$2,039,276.88	\$152,041	10 years	August 1, 2032

ALTERNATIVES

Alternative 1

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

- 1) That the resolution required by BC Housing Management Commission to renew the mortgage for Kings Place for a term not to exceed the expiry of the existing Operating Agreement be approved; and
- 2) That Robert Lapham, Chief Administrative Officer and Nelson Chan, Chief Financial Officer, or their duly authorized delegates be authorized to sign any documents related to the mortgage renewal.

Alternative 2

That staff be directed to review other financing options based on Hospitals and Housing Committee direction.

IMPLICATIONS

Financial Implications

Kings Place is included in the Umbrella Operating Agreement between BCHMC and CRHC. As part of that operating agreement, BCHMC will provide a subsidy to pay the mortgage payment during the term of the Umbrella Agreement or, should that Agreement be dissolved, through the current Operating Agreement in place for Kings Place.

Recent tender rates BCHMC has obtained for 10-year mortgage terms are shown in Table 2:

Table 2 – BCHMC 10-year Tender Rates

Date	Rate
February 2022	2.679%
March 2022	2.815%
April 2022	2.700%

If the Board approves the BCHMC tendered mortgage renewal process, CRHC will continue to benefit from the preferential interest rates available through the BCHMC tender process and continue to receive the annual rent subsidy assistance for Kings Place until the expiry of the Operating Agreement.

A Board decision to not renew the mortgage under the BCHMC tender process would necessitate acquiring BCHMC's and the Cridge's permission and securing a commitment for alternate financing through private sector lenders. Commercial lenders typically charge rates based on the current bond yield cost of funds plus 20 basis points. For comparison, rates in recent months have been in the 3.25%-3.75% range.

The Municipal Finance Authority (MFA) is a lending option that would require the Capital Regional District (CRD) to borrow on behalf of the CRHC and the Cridge. Under this option, CRD's Land Banking and Housing Service borrowing capacity would be reduced by the required \$2 million and any increase to the maximum borrowing capacity (Bylaw No. 3715) would require an alternative approval process.

An evaluation of borrowing rates and subsidy levels shows the BCHMC tendered mortgage renewals interest rate is the most cost-effective option.

Should the Board direct staff to borrow outside the BCHMC tendered mortgage renewal process, the annual rent subsidy assistance will be revised based on the lesser of the BCHMC tendered interest rate or the CRHC acquired interest rate for the remaining 10-year term.

CONCLUSION

As per the Kings Place Operating Agreement, BCHMC is required to secure the loan on behalf of CRHC and the Cridge at expiry of the loan term. BCHMC will tender the mortgage renewal to CMHC approved lenders to secure the best interest rate and terms available in the market.

RECOMMENDATION

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

- 1) That the resolution required by BC Housing Management Commission to renew the mortgage for Kings Place for a term not to exceed the expiry of the existing Operating Agreement be approved; and
- 2) That Robert Lapham, Chief Administrative Officer and Nelson Chan, Chief Financial Officer, or their duly authorized delegates be authorized to sign any documents related to the mortgage renewal.

Submitted by:	Don Elliott, BA, MUP, Senior Manager, Regional Housing
Concurrence:	Kevin Lorette, P. Eng., MBA, General Manager, Planning & Protective Services
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

ATTACHMENT

Appendix A – Resolution of Directors

Capital Region Housing Corporation
(the "Borrower")

CERTIFIED COPY OF RESOLUTION OF DIRECTORS

BE IT RESOLVED:

That the Borrower hereby irrevocably authorize and direct British Columbia Housing Management Commission ("BCHMC") to act on its behalf to renew the existing mortgage presently held by First National Financial LP (the "Mortgage") for the project located at 1070 Kings Rd, Victoria, BC (BCHMC file no. 50602 / 1003), including but not limited to selecting, at BCHMC's sole discretion, the mortgage renewal terms and arranging mortgage renewal with the take-out lender (the "Take-out Lender") on terms and conditions that are acceptable to BCHMC.

BE IT FURTHER RESOLVED:

That Robert Kenneth Lapham, Chief Administrative Officer and Nelson Chan, Chief Financial Officer, or their duly authorized delegates, for and on behalf of the Borrower be and are hereby authorized to execute and deliver under the seal of the Borrower or otherwise, all such deeds, documents and other writings and to do such acts and things in connection with the Mortgage assignment, renewal and amendment as they, in their discretion, may consider to be necessary or desirable for giving effect to this resolution and for the purpose of fulfilling the requirements of the lender of the monies.

We, Robert Kenneth Lapham and Nelson Chan, THE UNDERSIGNED, Chief Administrative Officer and Chief Financial Officer of Capital Region Housing Corporation hereby certify the above to be a true copy of a resolution duly passed by the Directors of the Borrower at a meeting held on the 11th day of May 2022 and that such resolution has not been rescinded, amended or modified and is now in full force and effect.

WITNESS my hand this _____ day May 2022.

Witness

Name:
Title:

WITNESS my hand this _____ day May 2022.

Witness

Name:
Title:



Making a difference...together

Minutes of a Meeting of the Regional Housing Advisory Committee

December 16, 2021 2:00 - 4:00 pm, Microsoft Teams

PRESENT: Danella Parks, Nadine Kawata, Don McTavish, Bill Brown, Lindsay Chase, Kirsten Baillie, Kerriann Coady, Ross Soward, Kathy Whitcher;

GUESTS: Eric Nicholls, James Proctor and Liberty Brears, Province of British Columbia, Steven Hurst, Cool Aid Society

STAFF: Melanie Hope, Sandra Allen (recorder)

REGRETS: Luke Mari, Andrea Hudson, Alita Tocher, David Corey, Brian Green, Danielle Deni, Don Elliott

Meeting called to order at 2:03 pm.

1. Territorial Acknowledgement

Chair Nadine Kawata offered a territorial acknowledgment of the Indigenous communities in the Capital Region.

2. Welcome and approval of agenda

Chair Nadine Kawata welcomed all RHAC members and facilitated a round of introductions.

No agenda items were added.

MOVED by Danella Parks, **SECONDED** by Bill Brown.

That the agenda be approved as circulated.

CARRIED

3. Adoption of September 23, 2021 Minutes

MOVED by Don McTavish, **SECONDED** by Bill Brown.

That the minutes from the September 23, 2021 Regional Housing Advisory Committee meeting be approved as circulated.

CARRIED

4. Business arising from the minutes

No business arising from previous meeting.

5. Terms of Reference Amendments

A copy of the recently amended Terms of Reference was circulated in advance of the meeting.

Three main changes:

1. Membership to be recommended by the Capital Regional District Board, rather than the Hospitals and Housing Committee (HHC). This is because membership discussions must take place during closed meetings, and HHC meetings are no longer closed.
2. Two-year terms for all stakeholder groups to support consistency within the membership.
3. Meeting frequency change from bi-monthly to quarterly, better reflecting the historical and current meeting schedule.

Follow-up actions:

- Staff will follow-up with members whose appointments were due to expire at the end of the year with regards to a term extension to December 31, 2023.
- Staff to look into “letter of signature for 2021” and report back to the Committee by email.
- Staff to review CRD policy related to remuneration for First Nations partners and report back to Committee by email.

6. Presentations

Housing Needs Assessments and LGA Amendments:

Guest presenters Eric Nicholls, James Proctor and Liberty Brears from the Ministry of Municipal Affairs presented to the Committee. Discussion ensued regarding the following:

- Development Approvals Process Review (DAPR).
- Municipalities required to conduct Housing Needs Reports by April 2022 and every five years thereafter, but not required to meet housing need identified in the Housing Needs Reports.
- Make it mandatory that public meetings and hearings are offered in hybrid format.
- Ability to achieve multiple objectives: additional density to offer affordable supply to market whilst also considering climate action and resilience.

Challenges and opportunities for change in development of affordable housing

Guest presenters Don McTavish and Steven Hurst from Cool Aid Society addressed the Committee. Discussion ensued regarding project risks and opportunities for change in development of affordable housing.

7. Review of Future Agenda

The Committee will meet next in March 2022. Proposed agenda topics were discussed and recorded by staff.

8. Roundtable

9. Adjournment

The meeting ended at 3:35 pm.



Making a difference...together



Capital Region Housing Corporation

Tenant Advisory Committee

Minutes of Meeting of March 21, 2022 (3:30 – 5:00pm)

Room 652, CRD Boardroom

625 Fisgard Street, Victoria, BC, and remotely via Webex

Present: D. Wallace, E. Syring

Staff: D. Elliott, K. Lambert, S. Grigg, K. Rushton

Webex: Director Jeremy Loveday, C. Novak, C. Coughlin, N. Thompson

Regrets: K. Naraghi, C. Fischer, R. Loewen

The meeting was called to order at 3:33pm

1. Territorial Acknowledgement

- Director Loveday provided a Territorial Acknowledgement.

2. Approval of Agenda

- It was moved by N. Thompson, seconded by C. Novak, that the Agenda for the March 21, 2022 meeting be approved.

CARRIED

3. Member Introductions

- Roundtable member introductions were done.

4. Adoption of Minutes of October 25, 2021 Meeting

- It was moved by D. Wallace, and seconded by N. Thompson, that the October 25, 2021 meeting minutes be adopted and circulated.

CARRIED

5. Co-Chair Election

- D. Elliott provided a brief overview of nomination/election process
- D. Wallace was nominated as Co-Chair with no other nominations being made
- D. Wallace was declared Co-Chair of the Tenant Advisory Committee through acclamation

6. Business Arising from the Minutes

- 2021 Annual Work Plan Carry Over Items:
 - a. Accessibility in All its Forms:
 - K. Lambert gave an overview of the information shared at the December meeting. She referenced a handout that responded to the items that may be of interest to explore in the coming year.
 - N. Thompson asked CRHC staff what they are doing in preparation for the BC Accessibility Act. S. Grigg responded that we need to learn more about the CRHC requirements/responsibilities. N. Thompson provided [link](#) to webpage via Webex chat.
 - This topic will be carried over to 2022 Work Plan.

b. Place-Making Activities:

- K. Lambert mentioned the newsletter that has been going out to tenants
- Waste removal was discussed. D. Wallace noted it comes down to common sense – tenants should know when garbage pick-up is. K. Lambert asked if it would be beneficial to create a presentation on waste removal.
- This topic will be carried over to 2022 Work Plan.

c. Safety:

- K. Lambert noted this item is all about ensuring tenants know the CRHC's safety protocol and what to expect in various circumstances.
- This topic will be carried over to 2022 Work Plan.

d. Tenant Engagement Overview:

- CRHC staff is looking for input from TAC members on how to engage within communities now that COVID restrictions have eased.
- This topic will be carried over to 2022 Work Plan.

7. What is Working Well

- Tenant application process has improved significantly.
- Signage to communicate what is happening in/around the buildings is appreciated.
- CRHC has been very responsive to vandalism/mischief.
- Appreciation for newsletter.

8. TAC 2022 Membership Package

- D. Elliott completed a high-level overview of the 2022 Membership Package and explained the role of TAC and how it connects to HHC (Hospitals and Housing Committee).
- NDA's need to be signed by all members.

9. 2021 Year End Reporting

- Staff report was completed and presented to HHC in March 2022. Provides new members with an overview of what we as a group accomplished (85% of 2021 Work Plan was completed) and what we continue to work on.
- D. Elliott encouraged members to watch the four videos that were created through the Tenant Orientation Pilot Project which were designed to help tenants get to know the CRHC and provide support while settling into their homes.

10. Roundtable

- Visitor parking passes at Westpark have not yet been issued.
- Guests seem to cause a lot of issues. K. Lambert informed that we have exceptionally limited control over guests and can be included within the safety topic in the 2022 Work Plan.
- C. Novak recommended a video around the move-in process/tenancy transition.
- Unit inspections/renovations:
 - N. Thompson wondered if COVID is still impacting work in units and inspections and noted prior to COVID there was discussion around

replacement of aged cabinets. S. Grigg informed that although COVID restrictions have eased, the new PHO's do not affect WorkSafe. Complying with COVID restrictions means there has been a back-log of tenant requested unit upgrades due to less scheduled visits and only allowing one trade/contractor in a unit at a time. S. Grigg ensured that if a request for upgrades has been submitted, it is on record, if unsure tenants can check in with their caretaker or their property manager.

- D. Elliott thanked CRHC staff and TAC members for the important work they are doing around the provision of affordable housing.

11. Action Summary

- CRHC's requirements/responsibilities around the BC Accessibility Act to be determined
- Include guest and guest issues under Safety in forthcoming work plan
- NDA's to be signed either in person or emailed to Kyla
- Visitor parking pass stickers to be issued at Westpark
- Move-out/tenant transition process video to be looked into

12. Concluding Remarks

- Co-chair Director Loveday thanked members.

13. Adjournment

- It was moved by D. Wallace, seconded by C. Novak, that the meeting be adjourned.
CARRIED

The meeting was adjourned at 4:44pm