



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

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Wednesday, May 11, 2022

1:00 PM

6th Floor Boardroom  
625 Fisgard Street  
Victoria, BC

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

### 1. TERRITORIAL ACKNOWLEDGEMENT

### 2. APPROVAL OF THE AGENDA

### 3. ADOPTION OF MINUTES

#### 3.1. [22-315](#) Minutes of the April 13, 2022 Capital Region Housing Corporation Board

**Recommendation:** That the minutes of the Capital Region Housing Corporation Board meeting of April 13, 2022 be adopted as circulated.

**Attachments:** [Minutes - April 13, 2022](#)

### 4. REPORT OF THE CHAIR

### 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](mailto:crdboard@crd.bc.ca).*

### 6. CONSENT AGENDA

#### 6.1. [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](#)

**6.2.      [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](#)

**7. ADMINISTRATION REPORTS**

**8. REPORTS OF COMMITTEES**

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

**10. NEW BUSINESS**

**11. ADJOURNMENT**

## Meeting Minutes

### Capital Region Housing Corporation Board

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Wednesday, April 13, 2022

1:00 PM

6th Floor Boardroom  
625 Fisgard Street  
Victoria, BC

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#### PRESENT:

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

Staff: R. Lapham, Chief Administrative Officer; N. Chan, Chief Financial Officer; L. Hutcheson, General Manager, Parks and Environmental Services; K. Lorette, General Manager, Planning and Protective Services; K. Morley, General Manager, Corporate Services; T. Robbins, General Manager, Integrated Water Services; C. Nielsen, Senior Manager, Human Resources; M. Lagoa, Deputy Corporate Officer; S. Orr, Senior Committee Clerk (Recorder)

EP - Electronic Participation

Regrets: S. Brice, F. Haynes, D. Howe, J. Ranns, G. Young

The meeting was called to order at 1:01 pm.

#### 1. TERRITORIAL ACKNOWLEDGEMENT

Alternate Director Alto provided a Territorial Acknowledgement.

#### 2. APPROVAL OF THE AGENDA

**MOVED** by Director Mersereau, **SECONDED** by Director Tait,  
That the agenda for the April 13, 2022 Session of the Capital Region Housing Corporation Board be approved.  
**CARRIED**

#### 3. ADOPTION OF MINUTES

3.1. [22-246](#) Minutes of the March 9, 2022 Capital Region Housing Corporation Board

**MOVED** by Director Mersereau, **SECONDED** by Director Screech,  
That the minutes of the Capital Region Housing Corporation Board meeting of March 9, 2022 be adopted as circulated.  
**CARRIED**

#### 4. REPORT OF THE CHAIR

Chair Loveday thanked staff for their work.

## 5. PRESENTATIONS/DELEGATIONS

There were no presentations or delegations.

## 6. CONSENT AGENDA

**MOVED by Director Plant, SECONDED by Director Tait,  
That consent agenda items 6.1. and 6.2. be approved.  
CARRIED**

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

**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

**That the Capital Region Housing Corporation Major Capital Plan Status Report - First Quarter 2022 be received for information.  
CARRIED**

## 7. ADMINISTRATION REPORTS

There were no Administration Reports.

## 8. REPORTS OF COMMITTEES

There were no Reports of Committees.

## 9. NOTICE(S) OF MOTION

There were no Notice(s) of Motion.

## 10. NEW BUSINESS

There was no new business.

## 11. ADJOURNMENT

**MOVED by Director Plant, SECONDED by Director Tait,  
That the April 13, 2022 Capital Region Housing Corporation Board meeting be adjourned at 1:05 pm.  
CARRIED**

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CHAIR

CERTIFIED CORRECT:

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CORPORATE OFFICER

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

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**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
<b>Current Assets</b>				
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%
<b>Total Current Assets</b>	<b>\$9.9</b>	<b>\$8.1</b>	<b>\$1.8</b>	<b>22%</b>
<b>Non-Current Assets</b>				
Cash & cash equivalents (Restricted)	6.9	5.9	1.0	17%
Capital assets	188.3	161.1	27.2	17%
<b>Total Non-Current Assets</b>	<b>\$195.2</b>	<b>\$167.0</b>	<b>\$28.2</b>	<b>17%</b>
<b>Total Assets</b>	<b>\$205.1</b>	<b>\$175.1</b>	<b>\$30.0</b>	<b>17%</b>

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
<b>Current Liabilities</b>				
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%
<b>Total Current Liabilities</b>	<b>16.3</b>	<b>72.1</b>	<b>(55.8)</b>	<b>(77%)</b>
<b>Non-Current Liabilities</b>				
Mortgage payable – non current	150.3	71.8	78.5	109%
<b>Total Liabilities</b>	<b>\$166.6</b>	<b>\$143.9</b>	<b>\$22.7</b>	<b>16%</b>



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
<b>Revenue</b>				
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%)
<b>Total Revenue</b>	<b>\$30.9</b>	<b>\$21.2</b>	<b>\$9.7</b>	<b>46%</b>

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
<b>Expenses</b>				
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%)
<b>Total Expenses</b>	<b>\$23.3</b>	<b>\$19.4</b>	<b>\$3.9</b>	<b>20%</b>

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



APPENDIX A

# Capital Region Housing Corporation 2021 Financial Statements

British Columbia, Canada  
Fiscal year ended December 31, 2021

**CRHC**  
Capital Region Housing Corporation



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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,

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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
<b>Assets</b>		
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
<b>Liabilities and Net Assets</b>		
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
<b>Revenues:</b>						
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
<b>Expenses:</b>						
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
<b>Excess of revenues over expenses</b>	<b>\$ 669,372</b>	<b>\$ 8,706,916</b>	<b>\$ (1,971,016)</b>	<b>\$ 157,694</b>	<b>\$ 7,562,966</b>	<b>\$ 1,751,577</b>

See accompanying notes to the financial statements.

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

For the Year Ended December 31, 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
<b>Cash provided by (used in):</b>		
<b>Operating activities:</b>		
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
<b>Net change in cash from operating activities</b>	<b>15,700,446</b>	<b>6,336,334</b>
<b>Investing activities:</b>		
Decrease (increase) in restricted cash and cash equivalents	(1,219,730)	12,424
<b>Capital activities:</b>		
Acquisition of capital assets	(34,823,395)	(67,379,039)
<b>Net change in cash from capital activities</b>	<b>(34,823,395)</b>	<b>(67,379,039)</b>
<b>Financing activities:</b>		
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
	<b>21,252,889</b>	<b>61,213,579</b>
<b>Net change in cash and cash equivalents</b>	<b>910,210</b>	<b>183,298</b>
Cash and cash equivalents, beginning of year	6,961,868	6,778,570
<b>Cash and cash equivalents, end of year</b>	<b>\$ 7,872,078</b>	<b>\$ 6,961,868</b>

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:

<b>Asset</b>	<b>Rate</b>
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
	<b>\$ 310,964,204</b>	<b>\$ 122,633,282</b>	<b>\$ 188,330,922</b>

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
	<b>\$ 280,314,438</b>	<b>\$ 119,229,090</b>	<b>\$ 161,085,348</b>

## 4. Mortgages Payable

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

Principal due within each of the next five years on these mortgages is 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)
	<b>\$ 26,879,486</b>	<b>\$ 21,351,990</b>

## 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
	<b>\$ 10,076,031</b>	<b>\$ 8,587,302</b>

## 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
	<b>\$ 1,003,312</b>	<b>\$ 623,382</b>

### 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)
	<b>\$ 4,014,932</b>	<b>\$ 3,115,041</b>

## 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)
	<b>\$ 664,933</b>	<b>\$ 498,122</b>

## **9. Commitments and Contingencies**

### **a. Related Party Transactions**

The Corporation is a wholly owned subsidiary of the Capital Regional District (CRD). In 1997, the Corporation committed to a 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
<b><u>Umbrella Agreement</u></b>							
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
<b><u>ILBC2 Agreement</u></b>							
Parry Place	117,525	16,600	6,196	27,525	2,552	(31,370)	139,028
<b><u>No Operating Agreement</u></b>							
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
<b><u>RHFP Agreement</u></b>							
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
<b><u>IHI Agreement</u></b>							
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 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 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
Brock Place	Jan/00	-	840,000	3,465,836	1,094,896	9,250	5,409,982	(3,272,856)	<b>2,137,126</b>	2,319,197
Harbour Lane	Oct/01	-	825,000	3,607,266	332,360	23,170	4,787,796	(2,721,660)	<b>2,066,136</b>	2,178,632
Tillicum Station	Jul/02	-	948,750	4,300,764	563,198	26,738	5,839,450	(3,210,180)	<b>2,629,270</b>	2,776,280
Building Envelope Remediation										
Amberlea	2008	-	-	2,367,415	-	-	2,367,415	(1,976,551)	<b>390,864</b>	521,151
The Birches	2008	-	-	1,105,204	-	-	1,105,204	(923,863)	<b>181,341</b>	241,787
Heron Cove	2006	-	-	1,635,610	-	-	1,635,610	(1,252,131)	<b>383,479</b>	460,175
Heron Cove	2007	-	-	1,756,374	-	-	1,756,374	(1,277,084)	<b>479,290</b>	559,171
Castanea Place	2007	-	-	2,531,350	-	-	2,531,350	(1,660,674)	<b>870,676</b>	979,511
Leblond Place	2009	-	-	3,337,941	-	-	3,337,941	(2,021,309)	<b>1,316,632</b>	1,462,924
The Heathers	2016	-	-	1,258,358	-	-	1,258,358	(626,465)	<b>631,893</b>	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)	<b>4,397,123</b>	4,523,797
Millstream Ridge	Feb/19	-	35,428,849	-	36,155	32,065	35,497,069	(1,789,299)	<b>33,707,770</b>	34,274,767
Spencer Close	Nov/20	-	30,257,330	-	-	6,819	30,264,149	(546,942)	<b>29,717,207</b>	30,176,997
West Park	Nov/20	-	31,253,897	-	-	6,503	31,260,400	(564,951)	<b>30,695,449</b>	31,206,514
Hockley House	Apr/21	-	25,409,983	-	-	1,008	25,410,991	(316,952)	<b>25,094,039</b>	-
<u>IHI Agreement</u>										
Westview	May/20	-	-	14,937,177	3,889	4,235	14,945,301	(680,498)	<b>14,264,803</b>	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)	<b>1,696,971</b>	1,124,019
Vergo	May/12	1,144,327	-	4,226,787	82,754	12,825	5,466,693	(1,274,019)	<b>4,192,674</b>	4,310,085
Portage Place	Aug/83	328,659	-	965,774	702,272	13,761	2,010,466	(1,519,775)	<b>490,691</b>	515,716
Campus View Court	Sep/83	341,224	-	688,111	592,590	20,415	1,642,340	(1,184,939)	<b>457,401</b>	463,478
Royal Oak Square	Mar/84	666,280	-	2,051,834	1,790,173	36,904	4,545,191	(3,426,708)	<b>1,118,483</b>	1,190,017
<b>Buildings Under Construction</b>										
Redevelopment Sites		-	403,473	8,663,209	-	-	9,066,682	(195,014)	<b>8,871,668</b>	2,113,215
<b>Office Equipment</b>		-	-	-	535,865	-	535,865	(507,167)	<b>28,698</b>	35,878
<b>Vehicles</b>		-	-	-	60,544	-	60,544	(60,544)	<b>-</b>	-
		\$ 9,496,053	\$ 134,951,377	\$ 126,839,572	\$ 37,504,880	\$ 2,172,322	\$ 310,964,204	\$ (122,633,282)	<b>\$ 188,330,922</b>	\$ 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)
				<b>\$ 150,343,987</b>	<b>\$ 71,844,896</b>

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
<b>Homes BC</b>													
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](https://kpmg.ca/audit)

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## KPMG contacts

The contacts at KPMG in connection with this report are:

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## Our refreshed Values

### What we believe



We do what is right.



We never stop learning  
and improving.



We think and act boldly.



We respect each other  
and draw strength from  
our differences.



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?
Regional Housing First Program (RHFP) Hockley House	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.
Our response	
<ul style="list-style-type: none"><li>- 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.</li><li>- 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.</li><li>- KPMG inspected related information including the RHFP project details, purchase contract, lease agreement with CRD and the BC Housing mortgage.</li><li>- KPMG concurs with management's accounting treatment of the transactions in the financial statements.</li></ul>	
Significant findings	
There were no issues noted in our testing.	

# 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"><li>- 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.</li><li>- 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.</li></ul>	
Construction costs incurred	
<ul style="list-style-type: none"><li>- 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.</li><li>- We selected a sample of additions and compared the amounts capitalized to source documentation.</li></ul>	
Project grants	
<ul style="list-style-type: none"><li>- 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.</li><li>- 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.</li></ul>	
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"><li>- The last tenant moved out of the Caledonia development on December 31, 2020.</li><li>- 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.</li><li>- 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.</li></ul> <p>Construction costs incurred</p> <ul style="list-style-type: none"><li>- 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.</li><li>- We selected a sample of additions and compared the amounts capitalized to source documentation.</li></ul> <p>Project grants</p> <ul style="list-style-type: none"><li>- 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.</li><li>- 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.</li><li>- 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.</li></ul>	
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"><li>- 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.</li><li>- We selected a sample of additions and compared the amounts capitalized to source documentation.</li></ul> <p>Project grants</p> <ul style="list-style-type: none"><li>- 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.</li><li>- 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.</li></ul>	
Significant findings	
There were no issues noted in our testing.	

# Significant accounting policies and practices

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## Significant accounting policies

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- There were no initial selections of or changes to the significant accounting policies and practices.
  - There were no significant accounting policies in controversial or emerging areas.
  - There were no issues noted with the timing of the 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

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



## Financial statement presentation and disclosure

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

# Uncorrected differences and corrected adjustments

Differences and adjustments include disclosure differences and adjustments.

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

## Uncorrected differences

We did not identify differences that remain uncorrected.

## 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,

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Mr. Robert Lapham, Chief Administrative Officer

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Mr. Nelson Chan, Chief Financial Officer

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

## **Attachment I – Definitions**

### **Materiality**

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

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

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

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

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

### **Fraud & error**

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

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

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

# Appendix 3: Current developments

## New accounting standards

### Public Sector Accounting Standards

Standard	Summary and implications
Asset Retirement Obligations	<ul style="list-style-type: none"><li>– The new standard is effective for fiscal years beginning on or after April 1, 2022.</li><li>– The new standard addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets in productive use. Retirement costs will be recognized as an integral cost of owning and operating tangible capital assets. PSAB currently contains no specific guidance in this area.</li><li>– The ARO standard will require the public sector entity to record a liability related to future costs of any legal obligations to be incurred upon retirement of any controlled tangible capital assets (“TCA”). The amount of the initial liability will be added to the historical cost of the asset and amortized over its useful life.</li><li>– As a result of the new standard, the public sector entity will have to:<ul style="list-style-type: none"><li>• Consider how the additional liability will impact net debt, as a new liability will be recognized with no corresponding increase in a financial asset;</li><li>• Carefully review legal agreements, senior government directives and legislation in relation to all controlled TCA to determine if any legal obligations exist with respect to asset retirements;</li><li>• Begin considering the potential effects on the organization as soon as possible to coordinate with resources outside the finance department to identify AROs and obtain information to estimate the value of potential AROs to avoid unexpected issues.</li></ul></li></ul>
Revenue	<ul style="list-style-type: none"><li>– The new standard is effective for fiscal years beginning on or after April 1, 2023. The effective date was deferred by one year due to COVID-19.</li><li>– The new standard establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement.</li><li>– The standard notes that in the case of revenues arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations.</li><li>– The standard notes that unilateral revenues arise when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.</li></ul>

Standard	Summary and implications
Purchased Intangibles	<ul style="list-style-type: none"> <li>– In October 2019, PSAB approved a proposal to allow public sector entities to recognize intangibles purchased through an exchange transaction. Practitioners are expected to use the definition of an asset, the general recognition criteria and the GAAP hierarchy to account for purchased intangibles.</li> <li>– PSAB has approved Public Sector Guideline 8 which allows recognition of intangibles purchased through an exchange transaction. Narrow-scope amendments were made to Section PS 1000 Financial statement concepts to remove prohibition on recognition of intangibles purchased through exchange transactions and PS 1201 Financial statement presentation to remove the requirement to disclose that purchased intangibles are not recognized.</li> <li>– The effective date is April 1, 2023 with early adoption permitted. Application may be retroactive or prospective.</li> </ul>
<b>Public Private Partnerships (“P3”)</b>	<ul style="list-style-type: none"> <li>– 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.</li> <li>– 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.</li> <li>– 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.</li> <li>– The infrastructure would be valued at cost, which represents fair value at the date of recognition with a liability of the same amount if one exists. Cost would be measured in reference to the public private partnership process and agreement, or by discounting the expected cash flows by a discount rate that reflects the time value of money and risks specific to the project.</li> </ul>
Government Not-for-Profit Strategy	<ul style="list-style-type: none"> <li>– 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.</li> <li>– 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.</li> <li>– PSAB is in the process of considering stakeholder comments.</li> </ul>

Standard	Summary and implications
2022 – 2027 Strategic Plan	<ul style="list-style-type: none"> <li>– PSAB’s Draft 2022 – 2027 Strategic Plan was issued for public comment in May 2021. Comments were requested for October 6, 2021.</li> <li>– 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</li> <li>– The Strategic Plan emphasizes four key priorities:</li> <li>– 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.</li> <li>– Enhance and strengthen relationships with stakeholders - Includes increased engagement with Indigenous Governments and exploring the use of customized reporting.</li> <li>– Enhance and strengthen relationships with other standard setters – In addition to continued collaboration with other standard setters, this emphasizes strengthened relationship with the IPSASB.</li> <li>– 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.</li> </ul>

Standard	Summary and implications
Concepts Underlying Financial Performance	<ul style="list-style-type: none"> <li>– PSAB is in the process of reviewing the conceptual framework that provides the core concepts and objectives underlying Canadian public sector accounting standards.</li> <li>– PSAB 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.</li> <li>– PSAB is proposing a revised, ten chapter conceptual framework intended to replace PS 1000 <i>Financial Statement Concepts</i> and PS 1100 <i>Financial Statement Objectives</i>. The revised conceptual framework would be defined and elaborate on the characteristics of public sector entities and their financial reporting objectives. Additional information would be provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts would be introduced.</li> <li>– In addition, PSAB is proposing: <ul style="list-style-type: none"> <li>• Relocation of the net debt indicator to its own statement and the statement of net financial assets/liabilities, with the calculation of net debt refined to ensure its original meaning is retained.</li> <li>• Separating liabilities into financial liabilities and non-financial liabilities.</li> <li>• Restructuring the statement of financial position to present non-financial assets before liabilities.</li> <li>• Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities).</li> <li>• Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities), including a new component called “accumulated other”.</li> <li>• A new provision whereby an entity can use an amended budget in certain circumstances.</li> <li>• Inclusion of disclosures related to risks and uncertainties that could affect the entity’s financial position.</li> </ul> </li> </ul>

# Appendix 3: Current developments (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"><li>- Enhanced requirements relating to exercising professional skepticism</li><li>- Distinguishing the nature of, and clarifying the extent of, work needed for indirect and direct controls</li><li>- Clarification of which controls need to be identified for the purpose of evaluating the design and implementation of controls</li><li>- Introduction of scalability</li><li>- Incorporation of considerations for using automated tools and techniques</li><li>- New and revised concepts and definitions related to identification and assessment of risk</li><li>- Strengthened documentation requirements</li></ul> <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
<b>Unleashing the Positive in Net Zero</b>	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.	<a href="#">Link to Global portal</a>
<b>KPMG Climate Change Financial Reporting Resource Centre</b>	KPMG's climate change resource centre provides FAQs to help you identify the potential financial statement impacts for your business.	<a href="#">Link to Global portal</a>
<b>You Can't Go Green Without Blue – The Blue Economy is Critical to All Companies' ESG Ambitions</b>	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.	<a href="#">Link to Canadian portal</a>
<b>ESG, Strategy and the Long View</b>	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.	<a href="#">Link to Global portal</a>
<b>Inclusion and diversity practices</b>	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.	<a href="#">Link to Canadian portal</a>



# Appendix 3: Current developments (continued)

## Thought leadership – Digital and technology

Thought leadership	Overview	Link
<b>Going digital, faster in Canada</b>	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.	<a href="#">Link to Canadian portal</a>

## Thought leadership – Board, Audit Committee and C-Suite

Thought leadership	Overview	Links
<b>Accelerate</b>	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.	<a href="#">Link to Canadian Accelerate 2022 Insights series</a>
<b>KPMG 2021 CEO Outlook – Canadian Insights</b>	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.	<a href="#">Link to Canadian portal</a>
<b>Board Leadership Centre + Audit Committee Guide</b>	<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><a href="#">Link to Canadian portal</a></p> <p><a href="#">Link to 2021 guide</a></p>

# Appendix 3: Current developments (continued)

## Thought leadership – Audit quality and insights

Thought leadership	Overview	Links
<b>Audit Quality and Transparency Report</b>	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?	<a href="#">Link to Canadian portal</a> <a href="#">Link to 2021 Global report</a>
<b>Audit and Assurance Insights</b>	KPMG provides curated research and insights on audit and assurance matters for audit committees and boards.	<a href="#">Link to Canadian portal</a>

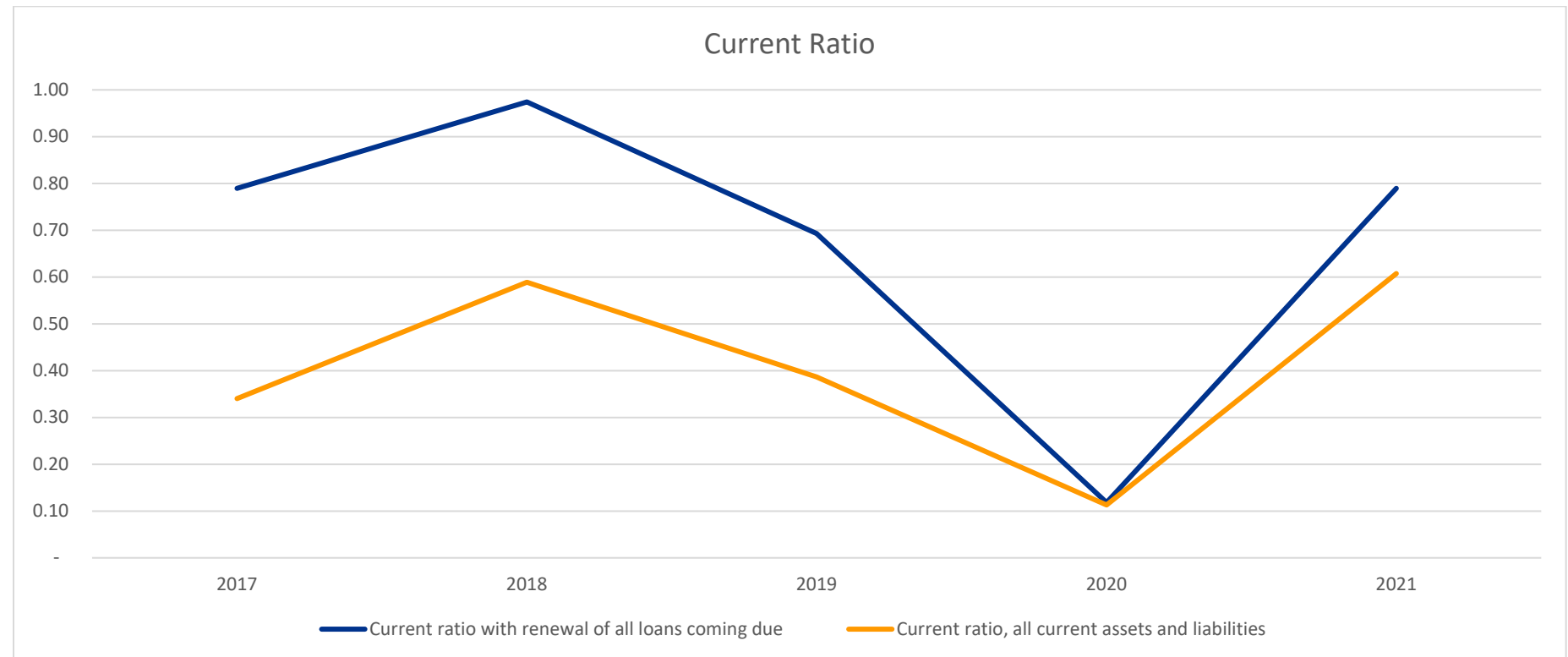
# Appendix 4: Selected financial information

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

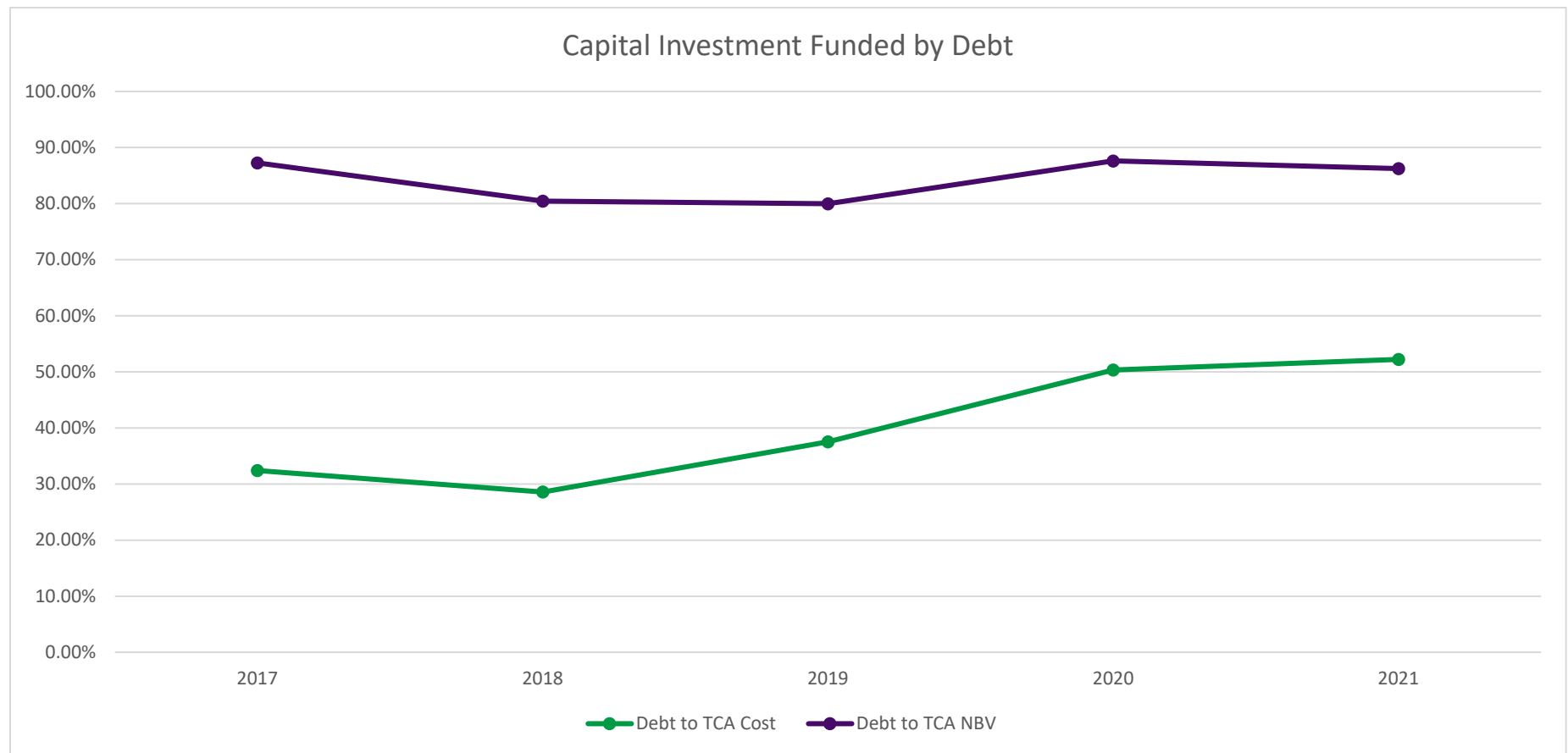
The current ratio provides a measure of the liquidity of the Entity, its ability to pay short-term obligations through current assets (those due within one year). The higher the ratio, the greater the ability to meet budgeted and unexpected expenditures. The current ratio in 2020 was lower than other 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

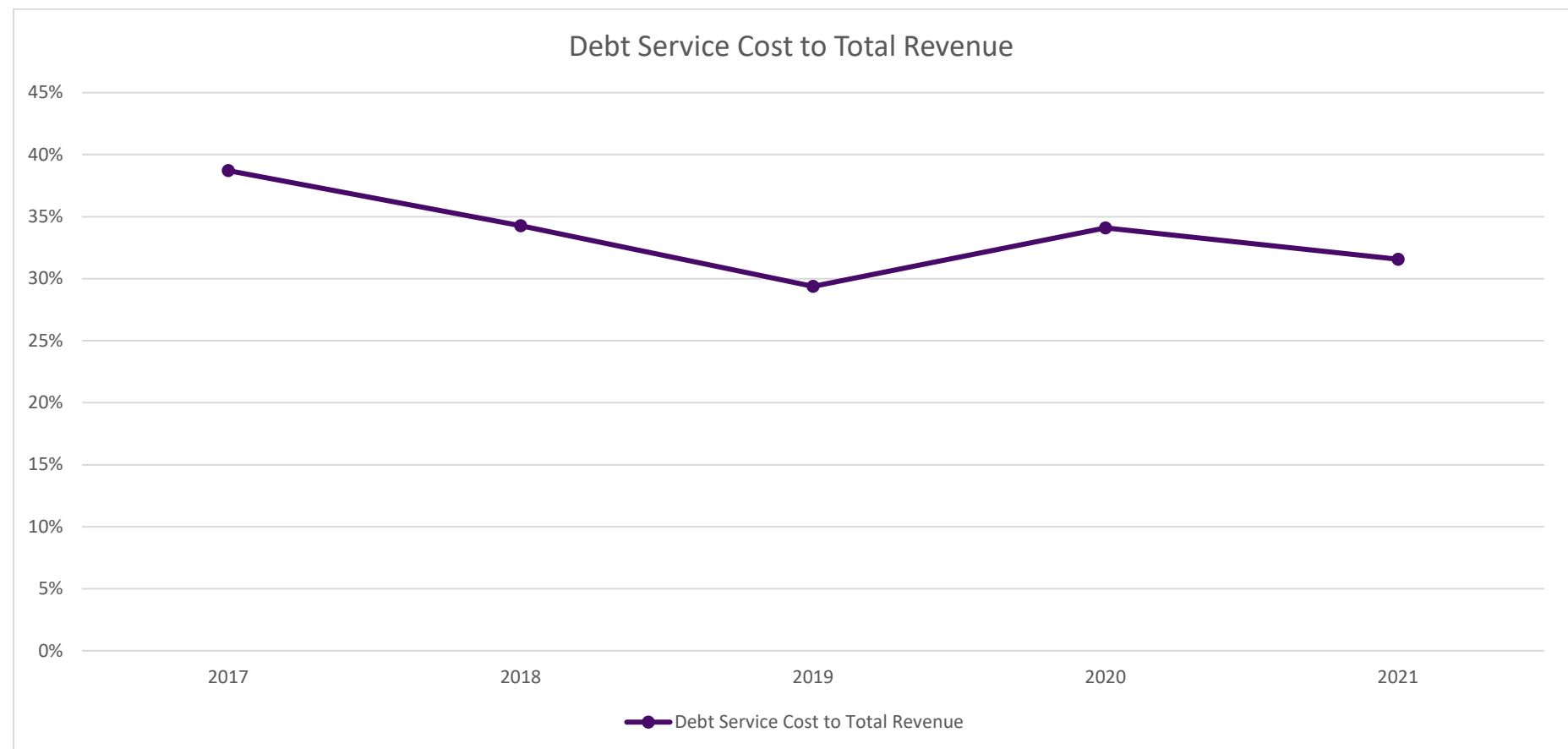
The capital investment that has been funded by debt illustrates how much of the Entity's tangible capital assets (TCA) have been purchased using debt. The Debt to TCA NBV has consistently been in the range of 80 – 87% over the past five years indicating that the majority of the Entity's capital investment 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

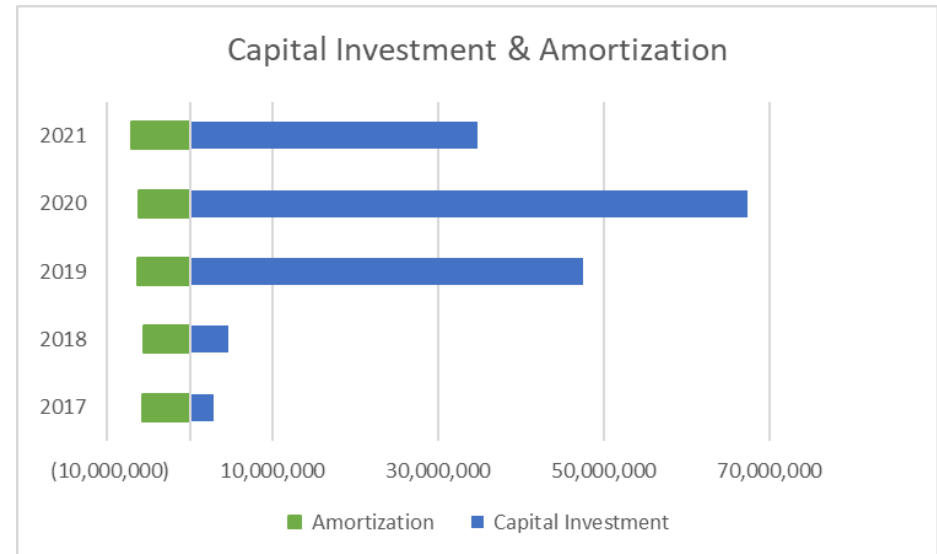
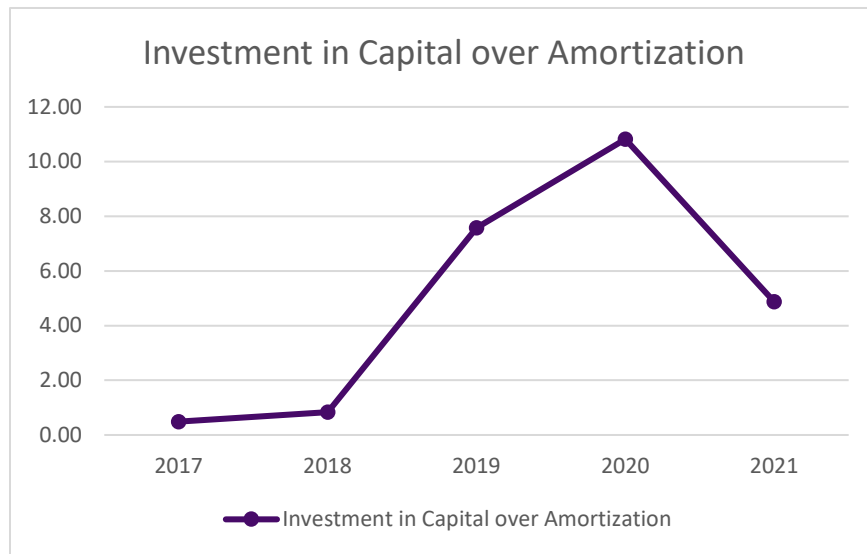
The debt service costs to total revenue ratio is the percentage of revenue committed to the payment of interest and principal on temporary and long-term debt. A high percentage indicates greater use of revenue for repayment of debt and less ability to adjust to unplanned events and changing circumstances. 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

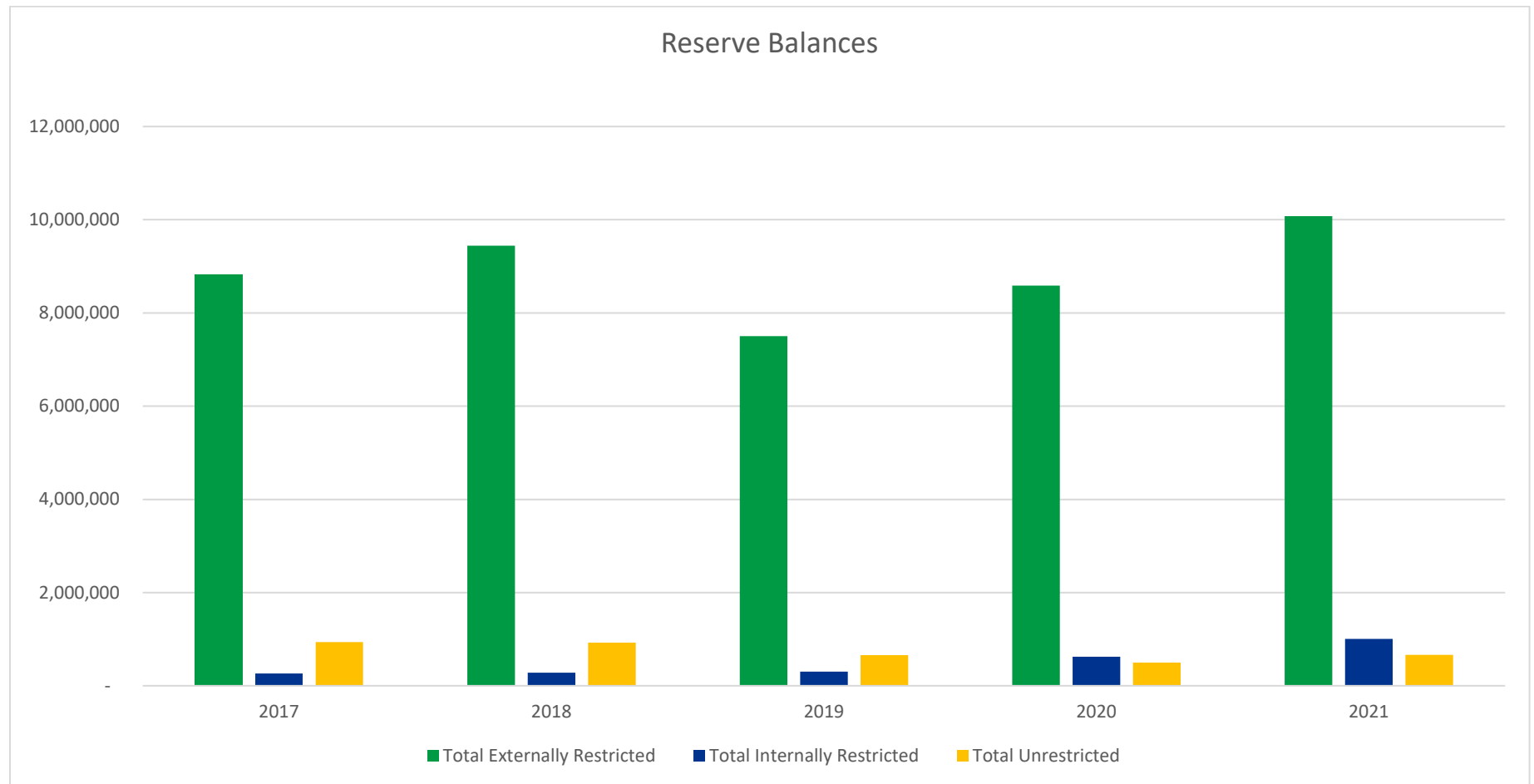
The following chart illustrates the amount of investment in capital as a multiple of amortization; this reflects the amount of capital invested for every dollar that assets depreciate each year; a higher ratio indicates that the Entity is investing in capital at a faster rate than it is incurring amortization 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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KPMG member firms around the world have 227,000 professionals, in 146 countries.





# 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%)
<b>Financial Assets</b>					
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.
<b>Total Financial Assets</b>	<b>205,106,065</b>	<b>175,165,885</b>	<b>29,940,180</b>	<b>17%</b>	
<b>Financial Liabilities &amp; Net Assets</b>					
<b>Current Liabilities</b>					
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.
<b>Total Current Liabilities</b>	<b>16,255,866</b>	<b>72,124,226</b>	<b>(55,868,360)</b>	<b>-77%</b>	
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%	
<b>Net Assets</b>					
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.
<b>Total Financial Liabilities &amp; Net Assets</b>	<b>205,106,065</b>	<b>175,165,885</b>	<b>29,940,180</b>	<b>17%</b>	



# 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%)
<b>Revenue</b>					
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.
<b>Total Revenues</b>	<b>30,904,229</b>	<b>21,176,546</b>	<b>9,727,683</b>	<b>45.9%</b>	
<b>Expenses</b>					
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.
<b>Total Expenses</b>	<b>23,341,263</b>	<b>19,424,970</b>	<b>3,916,293</b>	<b>20.2%</b>	
<b>Excess (deficiency) of revenues over expenses</b>	<b>7,562,966</b>	<b>1,751,576</b>	<b>5,811,390</b>	<b>332%</b>	



# 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
<b>Subtotal</b>	<b>38.7</b>	<b>30.8</b>
Unrealized gains on investments	(0.2)	0.4
<b>Net Assets, End of Year</b>	<b>\$38.5</b>	<b>\$31.2</b>

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
<b>Net change in cash &amp; cash equivalents</b>	<b>0.9</b>	<b>0.2</b>
Cash & cash equivalents, beginning of year	7.0	6.8
<b>Cash and cash equivalents, end of year</b>	<b>\$7.9</b>	<b>\$7.0</b>

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**     **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
<b>Kings Place</b>	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 11<sup>th</sup> 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: