

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

---

Wednesday, May 10, 2023

1:00 PM

6th Floor Boardroom  
625 Fisgard Street  
Victoria, BC

---

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. [23-346](#) Minutes of the April 12, 2023 Capital Region Housing Corporation Board

**Recommendation:** That the minutes of the Capital Region Housing Corporation Board meeting of April 12, 2023 be adopted as circulated.

**Attachments:** [Minutes - April 12, 2023](#)

### 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 at [www.crd.bc.ca/address](http://www.crd.bc.ca/address) no later than 4:30 pm two days before the meeting 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

### 7. ADMINISTRATION REPORTS

#### 7.1. [23-339](#) Capital Region Housing Corporation 2022 Annual Report

**Recommendation:** There is no recommendation. This report is for information only.

**Attachments:** [Staff Report: CRHC 2022 Annual Report](#)  
[Appendix A: CRHC 2022 Annual Report](#)

## 8. REPORTS OF COMMITTEES

8.1. [23-231](#) Capital Region Housing Corporation 2022 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 2022 Audited Financial Statements be approved.

**Attachments:** [Staff Report: CRHC 2022 Audit Findings Financial Stmtns](#)  
[Appendix A: CRHC 2022 Financial Statements](#)  
[Appendix B: CRHC 2022 Audit Findings Report](#)  
[Appendix C: CRHC 2022 Detailed Variance Analytics \(Stmnt of Fin. Position\)](#)  
[Appendix D: CRHC 2022 Detailed Variance Analytics \(Stmnt of Operations\)](#)  
[Appendix E: CRHC 2022 Other Financial Statement Analysis](#)

## 9. NOTICE(S) OF MOTION

## 10. NEW BUSINESS

## 11. ADJOURNMENT

## Meeting Minutes

### Capital Region Housing Corporation Board

---

Wednesday, April 12, 2023

1:00 PM

6th Floor Boardroom  
625 Fisgard Street  
Victoria, BC

---

#### PRESENT

DIRECTORS: Z. de Vries (Chair), M. Tait (Vice Chair), M. Alto, P. Brent, S. Brice, J. Brownoff, J. Caradonna, C. Coleman, B. Desjardins, C. Harder (for S. Goodmanson), G. Holman, P. Jones, D. Kobayashi, M. Little, C. McNeil-Smith, K. Murdoch, D. Murdock, C. Plant, J. Rogers (for S. Tobias), L. Szpak, D. Thompson, A. Wickheim, K. Williams, R. Windsor

STAFF: T. Robbins, 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; I. Jesney, Acting General Manager, Integrated Water Services; M. Barnes, Senior Manager, Health and Capital Planning Strategies; D. Elliott, Senior Manager, Regional Housing; C. Nielsen, Senior Manager, Human Resources; M. Lagoa, Deputy Corporate Officer; T. Pillipow, Committee Clerk (Recorder)

Regrets: Directors S. Goodmanson, S. Tobias

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

#### 1. TERRITORIAL ACKNOWLEDGEMENT

Chair de Vries provided a Territorial Acknowledgement.

#### 2. APPROVAL OF THE AGENDA

**MOVED** by Director Plant, **SECONDED** by Director Thompson,  
That the agenda for the April 12, 2023 Session of the Capital Region Housing Corporation Board be approved.

**CARRIED**

#### 3. ADOPTION OF MINUTES

3.1. [23-292](#) Minutes of the March 8, 2023 Capital Region Housing Corporation Board

**MOVED** by Director Plant, **SECONDED** by Director Tait,  
That the minutes of the Capital Region Housing Corporation Board meeting of March 8, 2023 be adopted as circulated.

**CARRIED**

#### 4. REPORT OF THE CHAIR

There were no Chair's remarks.

#### 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. through 6.2. be approved.  
**CARRIED**

- 6.1. [23-250](#) Capital Region Housing Corporation Operational Update - First Quarter 2023

This report was received for information.

- 6.2. [23-251](#) Major Capital Plan Status Report - First Quarter 2023

This report was received for information.

#### 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 Thompson, **SECONDED** by Director Coleman,  
That the April 12, 2023 Capital Region Housing Corporation Board meeting be  
adjourned at 1:02 pm.  
**CARRIED**

\_\_\_\_\_  
CHAIR

CERTIFIED CORRECT:

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

**REPORT TO CAPITAL REGION HOUSING CORPORATION BOARD  
MEETING OF WEDNESDAY, MAY 10, 2023**

---

**SUBJECT**     **Capital Region Housing Corporation 2022 Annual Report**

**ISSUE SUMMARY**

To present the Capital Region Housing Corporation 2022 Annual Report.

**BACKGROUND**

The Capital Region Housing Corporation (CRHC) 2022 Annual Report, attached as Appendix A, provides a profile of CRHC services, progress and accomplishments in advancing corporate priorities, together with service delivery results and financial highlights. The report also features key activities of the CRHC.

The report is prepared to give stakeholders information about the CRHC's activities and performance and together with the approval of the 2022 financial statements, will close-out the prior year.

The CRHC is the largest non-profit housing provider on Vancouver Island and currently provides homes to almost 4,000 tenants with 1,877 units in 51 buildings across the capital region. The CRHC's 2022 Annual Report outlines the work done in the last year to achieve the commitment to improve and expand housing opportunities.

A major accomplishment in 2022 was the completion of Twenty-Seven Eighty-Two in Langford, validating the CRHC's vision and mission and continuing to advance its long-term strategic direction to respond to community needs. In 2022, the CRHC also undertook two new projects in Victoria: Michigan Square which will bring 97 new homes to James Bay, and Caledonia which will see the addition of 158 homes in Fernwood.

The results outlined in the report show the breadth and scope of the work CRHC conducts daily and demonstrates how the corporation contributes to an improved quality of life for its residents through the efficient and effective delivery of housing services across the region.

**RECOMMENDATION**

There is no recommendation. This report is for information only.

Submitted by:	Don Elliott, MUP, BA, Senior Manager, Regional Housing
Concurrence:	Kevin Lorette, P. Eng., MBA, General Manager, Planning & Protective Services
Concurrence:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer

**ATTACHMENT(S)**

Appendix A: Capital Region Housing Corporation 2022 Annual Report

# CAPITAL REGION HOUSING CORPORATION 2022 ANNUAL REPORT



Greater Victoria,  
British Columbia, Canada  
Year ended December 31, 2022

## TERRITORIAL ACKNOWLEDGEMENT

The CRHC conducts its business within the traditional territories of many First Nations, including but not limited to BOKÉĆEN (Pauquachin), MÁLEXEŁ (Malahat), P'a:chi:da?aht (Pacheedaht), Pune'laxutth' (Penelekut), Sc'ianew (Beecher Bay), Songhees, STÁUTW (Tsawout), T'Sou-ke, WJOLÉLP (Tsartlip), WSIKEM (Tseycum), and x<sup>w</sup>sepsəm (Esquimalt), all of whom have a long-standing relationship with the land and waters from time immemorial that continues to this day.



Cover image: Twenty-Seven Eighty-Two, Spencer Road, *Langford*

Back cover image: Catherine Street *Vic West*

# Table of Contents

Message from the Board Chair . . . . .	2
Message from the Chief Administrative Officer . . . . .	2

## Profile

CRHC . . . . .	3
Vision and Mission . . . . .	3
Staff Profile . . . . .	8

## 2022 Progress

Completed . . . . .	4
Under Development . . . . .	4
New Development . . . . .	5
CRHC Overview . . . . .	5

## Community Need

Average Rental Cost . . . . .	6
Number of Rental Units. . . . .	6
Vacancy Rate . . . . .	6
Retail Stock . . . . .	7
Average Rent for Two Bedroom Apartments . . . . .	7

## 2022 Financial Highlights

Operating Income . . . . .	9
Operating Expenses. . . . .	9
Capital Projects . . . . .	9
Routine Capital Improvements . . . . .	9





**Zac de Vries**

**Board Chair**

Capital Region Housing Corporation

## Message from the Board Chair

I am pleased to provide this message for the Capital Region Housing Corporation (CRHC) Annual Report in my first year as Board Chair.

Housing is the foundation of a happy and healthy life, and the CRHC takes pride in continuing to expand and provide affordable, sustainable, quality housing.

A Major Capital Plan was approved in December 2022 and will increase the CRHC housing stock from about 1,877 units now to potentially more than 2,600 by 2027. The CRD and CRHC will continue to build on our momentum and act aggressively to bring more affordable housing to market.

I am incredibly inspired by the remarkable achievements of the CRHC, made possible through the unwavering support of our community, provincial, and federal partners. Together, we have positively impacted the lives of thousands of residents and brought about a positive change in the communities we serve.



**Ted Robbins**

**Chief Administrative Officer**

Capital Regional District

Capital Region Housing Corporation

Capital Regional Hospital District

## Message from the Chief Administrative Officer

I welcome this opportunity to recognize and express my appreciation for the tremendous effort from the Capital Region Housing Corporation's leadership and staff in expanding our housing portfolio, while ensuring the needs of tenants remains a key focus.

Building on an unprecedented expansion over 2020 and 2021, in 2022, the CRHC opened a new building at 2782 Spencer Road, adding 58 units of housing in Langford bringing the total number of homes the CRHC has brought to market to 665 since 2019. The need for affordable housing is significant and continues to grow in the capital region, and I am grateful for the ongoing support of the many partners that work with us to live up to the CRHC mandate. I am confident that with a focus on collaboration and innovation, and the continued investment from municipal, provincial, and federal government partners, we will develop new and creative housing solutions.



Michigan Redevelopment

**We envision residents having access to affordable housing that enhances wellbeing and reduces homelessness in the community.**

## Profile - Capital Region Housing Corporation

Affordable housing is key to a strong economy and healthy region, and the Capital Region Housing Corporation provides 1,877 homes in 51 buildings across seven municipalities.

The CRHC is a wholly owned subsidiary of the Capital Regional District (CRD) and is the largest non-profit housing provider on Vancouver Island, providing homes for almost 4,000 tenants. The CRHC will continue to develop more units to meet our community's current and future housing needs.

The projects recently completed, under development and planned for the future are highlighted on the following pages, in 2022 Progress.

### CRHC Vision

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

### CRHC Mission

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

# 2022 Progress

COMPLETED



## TWENTY-SEVEN EIGHTY-TWO

Located in Langford, Twenty-Seven Eighty-Two is an affordable housing development in Langford. Its 58 units include studio, one-bedroom, one-bedroom and den, and two-bedroom units for low to moderate income seniors, individuals and families, including those with disabilities.

The property includes 12 accessible units and is managed by the CRHC.

UNDER DEVELOPMENT



## PROSSER PLACE

Located in Central Saanich, Prosser Place is being constructed under the Regional Housing First Program (RHFP). The 51-unit affordable housing building will be operated by the CRHC. It includes 41 low to moderate income units, and 10 units to be rented at provincial income assistance rates.



## MICHIGAN SQUARE

Located in Victoria's James Bay neighbourhood, Michigan Square is a redevelopment project which will replace the three existing apartment buildings on Michigan Street with two, four-storey apartment buildings to provide 97 affordable rental units.



## CALEDONIA

Located in Victoria's Fernwood neighbourhood, Caledonia is a redevelopment project which will feature 158 affordable rental housing units within two apartment and three townhouse buildings. It will continue to be managed by the CRHC.



## PANDORA

Pandora is a unique collaboration between the City of Victoria, the Province through BC Housing, and the CRHC to build 205 new, non-market rental homes, with 158 operated by the CRHC, and new community programming space, including child care spaces, on city-owned land in the 900 block of Pandora Avenue.

## CAMPUS VIEW

Located in Saanich near the University of Victoria, Campus View is a redevelopment project which will replace the existing 12 units of townhomes with 119 units in two apartment style buildings. It will continue to be managed by the CRHC.



## VILLAGE ON THE GREEN

Located in Victoria's Fernwood neighbourhood, Village on the Green is a redevelopment project which will feature 151 affordable rental housing units within two apartment style buildings. It will continue to be managed by the CRHC.

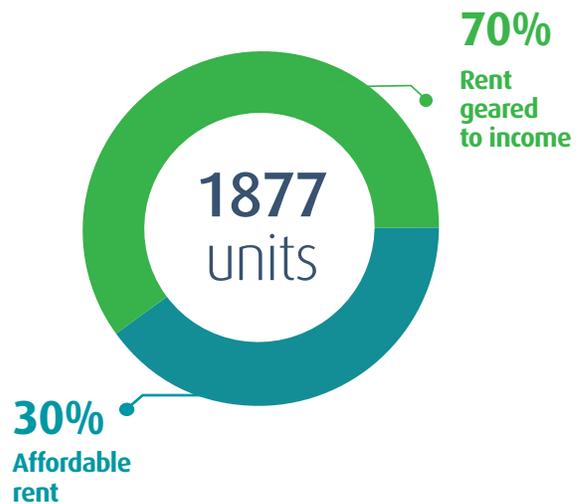


NEW DEVELOPMENT

## CRHC Overview



## CRHC Rental Rates



## Community Need

### Average Rental Cost



The average rent for purpose-built rental apartments increased by more than 8% in 2022, the fastest growth since 1991. Condo units in the rental market increased by almost 10% from 2021 to 2022.

### Number of Rental Units



From 2021 to 2022, a total of 1,411 units of purpose-built rental units were added to bring the total to more than 29,500. Condo units in the rental market increased by 229 units to a total of more than 6,580. These increases represent a total of 5% and 3.6% respectively.

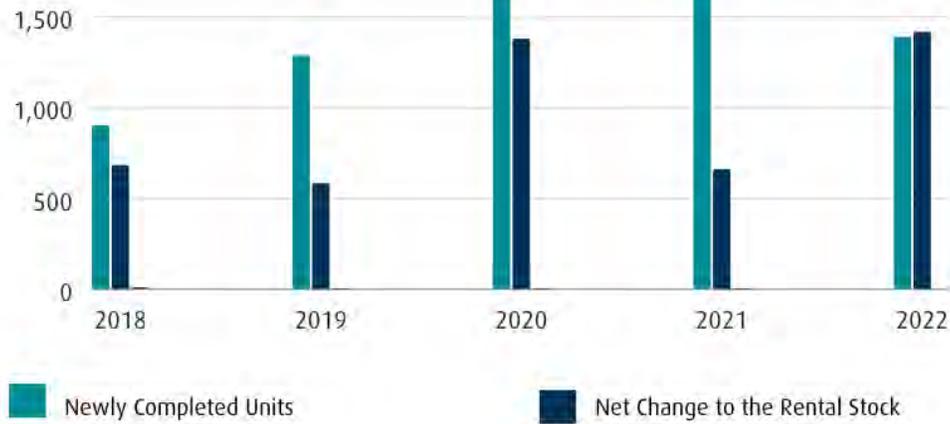
### Vacancy Rate



Vacancy rates increased slightly from 2021 to 2022, but remained one of the lowest in Canada. This slight increase in vacancy rates is attributed to the expansion in stock in both purpose-built rental and condo units on the rental market.

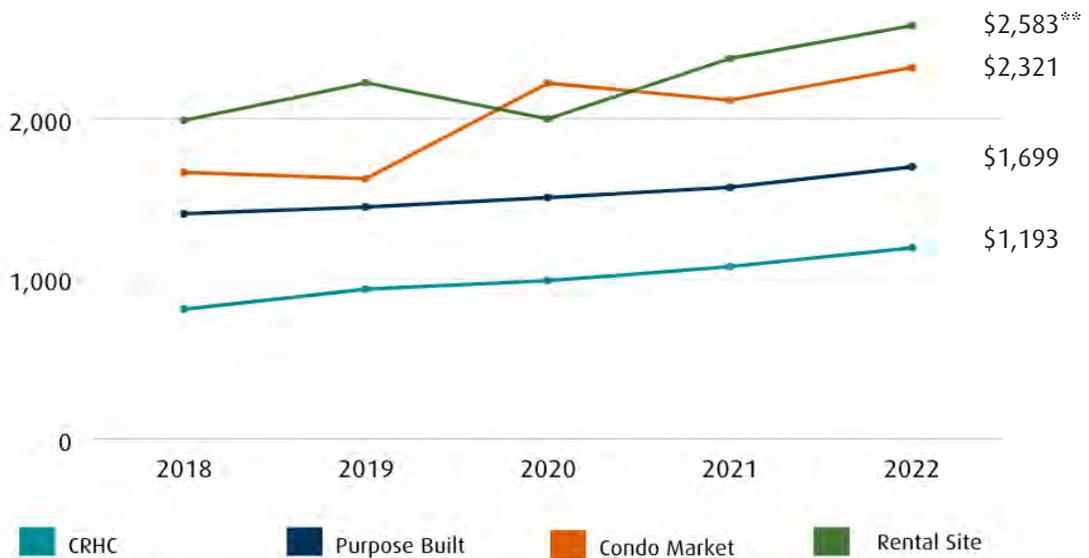
\*CMHC Rental Market Report, 2023

## Rental Stock



Unlike in 2021, there were fewer purpose-built rental units removed from the housing stock due to demolition, conversions or renovations. In fact, many units that had previously been taken down for renovations returned to the market in 2022. However, as these units are typically priced at higher levels, they contributed to the rapid growth in the cost of rent from 2021 to 2022.

## Average Rent for Two Bedroom Apartments



In 2022, the average cost of a CRHC 2-bedroom unit was \$1,193/month, which is \$506/month less than an existing purpose-built rental unit. When compared to a condo units in the rental market, CRHC 2-bedroom units are \$1,128/month less. CRHC units are \$1,390/month less than those posted on a rental site.

\*\*Zumper, December 2022



## CRHC Staff Profile - Cale McLellan

Operations of the CRHC assures nearly 2,000 units of quality housing are properly maintained and its nearly 4,000 inhabitants' needs are met in a professional and timely manner. Central to these interactions are the Corporation's Caretakers. Caretakers are the central point of contact for tenants and are charged with everything from routine maintenance including emergency and non-emergency work, move-ins and move-outs, and ensuring all Corporation policies and procedures are followed in accordance with the provincial *Residential Tenancy Act*. Caretaker Cale McLellan says the most crucial, interesting and valued part of his day-to-day work is in direct communication with tenants.

"There are many ways to get in touch with us – through e-mails, voicemail – but nothing beats face-to-face contact with the tenant," says Cale. "And that's what we are – we are the personal and public face of the CRHC. That tenant happiness we're trying to achieve is really based on that first point of contact with the caretaker, and that really is a major part of the job, and something I know we all take great pride in." Cale joined the CRHC two years ago after working in private sector housing for five years in Winnipeg, Manitoba. He and his family decided to make the move to not only enjoy the magnificent climate on the west coast, but also to work in social housing.

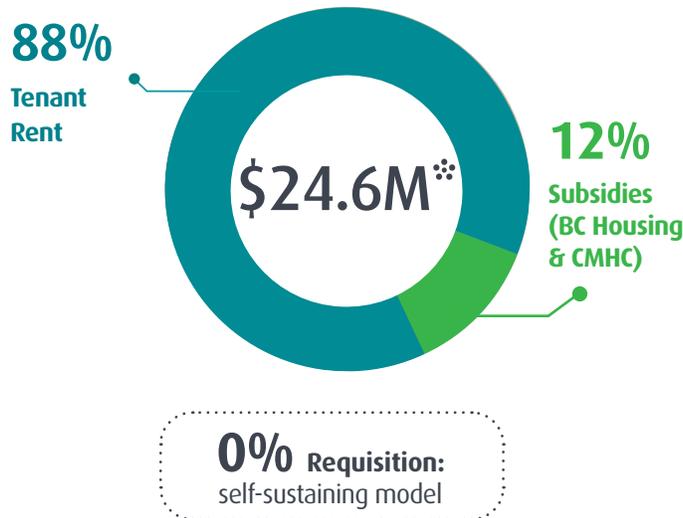
"I'm a great believer in social housing, so that was a big part of wanting to move to the Island and be part of the CRHC," he says. "We try to be as proactive as possible and replace items before they fail – you're not necessarily going to see that in the private sector," he says. "These are not just assets making someone profits, these are people's homes, and we try to instill a sense of pride and maintain high standards that people expect and appreciate."

## Tenant Advisory Committee

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

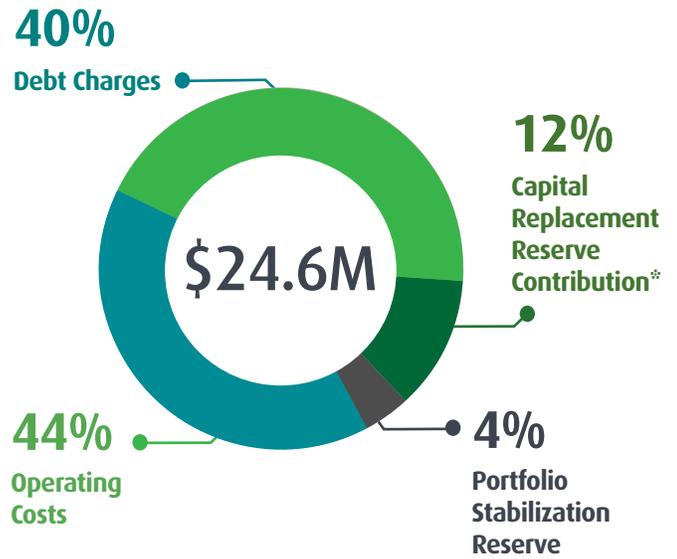
# Financial Highlights

## Operating Income

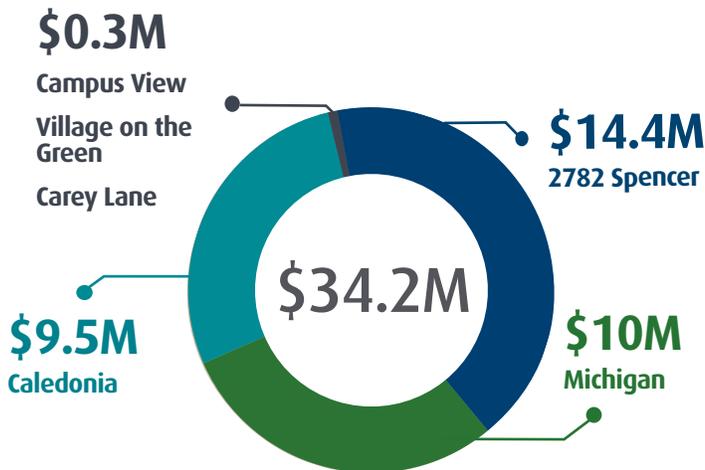


\*Based on 2022 Audited Financial Statements. Includes transfers from Corporate Stabilization Reserve and capital project surpluses.

## Operating Expenses



## Capital Projects



\*Includes pre-development and post-construction costs

## Routine Capital Improvements



**\$2.1M**

\*Routine capital improvements are investments made to replace building components and appliances and may include such items as roof repair, siding replacement, access and egress improvements, paint, windows and specific unit(s) appliance repair/replacement.



**CRHC**  
Capital Region Housing Corporation

631 Fisgard Street  
Victoria, BC V8W 1R7  
250.388.6422

[www.crd.bc.ca/housing](http://www.crd.bc.ca/housing)  
Twitter: @crd\_bc  
Facebook: Capital Regional District

**REPORT TO HOSPITALS AND HOUSING COMMITTEE  
MEETING OF WEDNESDAY, MAY 03, 2023**

---

**SUBJECT**     **Capital Region Housing Corporation 2022 Audit Findings Report and Audited Financial Statements**

**ISSUE SUMMARY**

To receive the Capital Region Housing Corporation (CRHC) 2022 Audit Findings Report and approve the Audited Financial Statements.

**BACKGROUND**

The CRHC is incorporated under the laws of British Columbia (BC), 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 2022 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, 2023).

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 and Remeasurement Gains and Losses
4. Statement of Cash Flows

In addition to the required statements listed above, the 2022 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 2022 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 11, 2023. 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, 2022.

## **ALTERNATIVES**

### *Alternative 1*

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

That the Capital Region Housing Corporation 2022 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 2022 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 11, 2023.

## **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 on the following page summarizes total asset values for 2022 and 2021.

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

Statement of Financial Position (\$ millions)	2022	2021	\$ Change	% Change
<b>Current Assets</b>				
Cash & cash equivalents	10.3	7.9	2.4	30%
Accounts receivable	2.9	1.4	1.5	107%
Prepaid expenses	0.7	0.6	0.1	17%
Investments	6.5	0	6.5	100%
<b>Total Current Assets</b>	<b>\$20.4</b>	<b>\$9.9</b>	<b>\$10.5</b>	<b>106%</b>
<b>Non-Current Assets</b>				
Cash & cash equivalents (Restricted)	8.2	6.9	1.3	19%
Capital assets	217.3	188.3	29.0	15%
<b>Total Non-Current Assets</b>	<b>\$225.5</b>	<b>\$195.2</b>	<b>\$30.3</b>	<b>16%</b>
<b>Total Assets</b>	<b>\$245.9</b>	<b>\$205.1</b>	<b>\$40.8</b>	<b>20%</b>

The total assets of \$245.9 million consist of current and non-current assets. Current assets of \$20.4 million in the year represent cash and cash equivalents, accounts receivable, prepaid expenses and investments; in total, they reflect an organization’s ability to meet short-term payment requirements. The increase in current assets of \$10.5 million or 106% is due primarily to increases in cash, accounts receivable and investments commensurate with increased grant revenue activity from capital construction in 2022.

Non-current assets of \$225.5 million consist of \$8.2 million in restricted cash and cash equivalents in replacement reserves, and \$217.3 million in capital assets. These assets increased by \$30.3 million, primarily due to construction at Caledonia, Michigan Square and Twenty-Seven Eighty-Two properties.

Table 2 summarizes total liabilities and the change year over year.

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

Statement of Financial Position (\$ millions)	2022	2021	\$ Change	% Change
<b>Current Liabilities</b>				
Accounts payable	4.0	2.0	2.0	100%
Short-term capital financing	21.2	2.2	19.0	864%
Mortgage payable – current	6.8	9.9	(3.1)	(31%)
Other Liabilities	2.5	2.2	0.3	14%
<b>Total Current Liabilities</b>	<b>34.5</b>	<b>16.3</b>	<b>18.2</b>	<b>112%</b>
<b>Non-Current Liabilities</b>				
Mortgage payable – non-current	151.8	150.3	1.5	1%
<b>Total Liabilities</b>	<b>\$186.3</b>	<b>\$166.6</b>	<b>\$19.7</b>	<b>12%</b>

Total current liabilities of \$34.5 million is an increase of \$18.2 million or 112% over 2021 and is primarily related to the increase in short-term capital financing of \$19.0 million related to the construction of the Twenty-Seven Eighty-Two property that was converted to a mortgage in January 2023. Accounts payable increased by \$2.0 million due to the increase in construction activity.

The decrease of \$3.1 million in current mortgage payable and increase of \$1.5 million in non-current mortgage payable (net decrease of \$1.6 million) is primarily driven by \$4.5 million of new debt at Royal Oak Square. This refinancing was used to contribute equity towards the Michigan Square redevelopment. The refinancing was offset by \$6.1 million in repayments in all other mortgages.

Appendix C provides a detailed summary of 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)	2022	2021	\$ Change	% Change
<b>Revenue</b>				
Tenant rent contributions	21.2	18.5	2.7	15%
Government capital contributions	18.3	5.9	12.4	210%
Other revenue	4.4	4.1	0.3	7%
<b>Total Revenue</b>	<b>\$43.9</b>	<b>\$28.5</b>	<b>\$15.4</b>	<b>54%</b>

Revenue from all sources totaled \$43.9 million in 2022, an increase of \$15.4 million or 54%. The increase is driven by increased rent of \$2.7 million due to full-year annualized rents at new properties and increased government capital contributions of \$12.4 million due to grants for the Caledonia, Michigan square, and Twenty-Seven Eighty-Two projects.

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

Statement of Operations (\$ millions)	2022	2021	\$ Change	% Change
<b>Expenses</b>				
Building operating & admin expenses	10.0	9.4	0.6	6%
Insurance	1.3	1.1	0.2	18%
Amortization	7.4	7.1	0.3	4%
Interest Expense	3.6	3.3	0.3	9%
<b>Total Expenses</b>	<b>\$22.3</b>	<b>\$20.9</b>	<b>\$1.4</b>	<b>7%</b>

Expenses totaled \$22.3 million in 2022, an increase of \$1.4 million or 7%, consistent with the volume of new units at Twenty-Seven Eighty-Two and rent up of Hockley House (completed in 2021).

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:

- Statement of Changes in Net Assets and Remeasurement Gains and Losses
- Statement of Cash Flows
- Schedules A to E

### **4. Financial Indicators**

Financial indicators are metrics used to quantify current conditions in addition to forecasting trends. They can be used to evaluate the overall financial health 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 annual debt servicing and the remaining amount available for discretionary operational expenditures and rent adjustments. In 2022, mortgage debt service costs were 40% of Rental Housing Fund revenue (2021: 42%). The decrease is due to one mortgage maturing during the year. Over time, as revenues increase, the ratio decreases, and service flexibility increases because fewer operating resources are committed to the financial obligations.

#### **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 2022, of the total mortgage debt servicing costs, 63% were attributed to principal payments (2021: 64%) due to higher interest rates on renewed 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 2022, contributions to the RRF were based on a calculation of \$173/unit per month and resulted in a contribution level of 12.2% (2021: 13.6%) 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, pages 19–23):**

- 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 CRD financial statements and filed with BCHMC.

**CONCLUSION**

Board approval of the CRHC 2022 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, 2022, and the results of financial activities for the year then ended in accordance with Canadian PSAS.

**RECOMMENDATION**

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

That the Capital Region Housing Corporation 2022 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:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer

**ATTACHMENTS:**

- Appendix A: CRHC 2022 Financial Statements
- Appendix B: CRHC 2022 Audit Findings Report
- Appendix C: CRHC 2022 Detailed Variance Analytics (Statement of Financial Position)
- Appendix D: CRHC 2022 Detailed Variance Analytics (Statement of Operations)
- Appendix E: CRHC 2022 Other Financial Statement Analysis

# Capital Region Housing Corporation 2022 Financial Statements

British Columbia, Canada  
Fiscal year ended December 31, 2022

**CRHC**  
Capital Region Housing Corporation

# **Capital Region Housing Corporation**

## **Financial Statements**

**December 31, 2022**

*This page intentionally left blank*

December 31, 2022

**CONTENTS**

**PAGE**

**Reports**

Independent Auditor's Report.....	2
Management Report.....	5

**Financial Statements**

Statement of Financial Position.....	6
Statement of Operations.....	7
Statement of Changes in Net Assets & Remeasurement Gains & Losses.....	8
Statement of Cash Flows.....	9
Notes to the Financial Statements.....	10

**Schedules**

Changes in Replacement Reserve Fund.....	22
Changes in Portfolio Stabilization Reserves.....	23
Capital Assets.....	24
Capital Fund - Mortgages Payable.....	26
Operating Fund - Rental Operations.....	27



KPMG LLP  
St. Andrew's Square II  
800-730 View Street  
Victoria BC V8W 3Y7  
Canada  
Telephone 250-480-3500  
Fax 250-480-3539

## INDEPENDENT AUDITOR'S 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, 2022
- 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, 2022, 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 "Auditor's Responsibilities for the Audit of the Financial Statements" section of our auditor's 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.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.



### **Other Information**

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

- the information, other than the financial statements and the auditor's 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 auditor's report thereon, included in the Annual Report as at the date of this auditor's 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 auditor's 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.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.



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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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  
\_\_\_\_\_ 2023

## **Capital Regional District Capital Region Housing Corporation**

### **MANAGEMENT REPORT**

The Financial Statements contained in this Statement of Financial Information under the Financial Information Act 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 Board of Directors are responsible for approving the financial statements and for ensuring that management fulfills its responsibilities for financial reporting and internal control.

The external auditor, 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 auditor had full and free access to staff and management. The Independent Auditor's Report outlines the scope of the audit for the year ended December 31, 2022.

On behalf of Capital Regional District and Capital Region Housing Corporation,

---

Nelson Chan, MBA, FCPA, FCMA  
Chief Financial Officer  
May 10, 2023

## Statement of Financial Position

As at December 31, 2022

	2022	2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 10,350,289	\$ 7,872,078
Accounts receivable	2,887,911	1,374,220
Prepaid expenses	697,314	628,182
Investments	6,500,000	-
	<b>20,435,514</b>	9,874,480
Cash and cash equivalents restricted for replacement reserve (Note 2)	8,168,045	6,900,663
Capital assets (Note 3 and Schedule C)	217,260,292	188,330,922
	<b>\$ 245,863,851</b>	<b>\$ 205,106,065</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities	4,014,200	2,062,933
Accrued mortgage interest	336,975	326,483
Due to Capital Regional District	425,418	80,748
Deferred revenue	591,704	701,750
Security deposits	1,141,108	1,034,183
Short-term capital financing (Note 4)	21,157,445	2,151,025
Mortgages payable principal current portion (Schedule D)	6,213,290	6,151,134
Mortgages payable principal renewal portion (Note 5 and Schedule D)	595,492	3,747,610
	<b>34,475,632</b>	16,255,866
Mortgages payable (Note 5 and Schedule D)	151,795,738	150,343,987
Capital stock (Note 6)	1	1
Net assets:		
Invested in capital assets (Note 7)	46,108,390	26,879,486
Externally restricted (Note 8)	12,127,169	10,076,031
Internally restricted (Note 8)	1,126,460	1,003,312
Unrestricted: Corporation stabilization reserve (Note 9)	865,527	664,933
	<b>60,227,546</b>	38,623,762
Accumulated remeasurement losses	<b>(635,066)</b>	(117,551)
	<b>59,592,480</b>	38,506,211
Commitments and contingencies (Note 10)		
Subsequent event (Note 13)		
	<b>\$ 245,863,851</b>	<b>\$ 205,106,065</b>

See accompanying notes to the financial statements.

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

## Statement of Operations

For the Year Ended December 31, 2022

	Operating Funds		Restricted Funds		Total 2022	Total Recast 2021 (Note 14)
	Corporation	Rental Housing	Capital Fund	Replacement Reserve Fund		
<b>Revenues:</b>						
Tenant rent contributions	\$ -	\$21,246,546	\$ -	\$ -	\$ 21,246,546	\$ 18,482,139
BCHMC rent subsidy assistance	-	302,636	-	-	302,636	330,338
BCHMC umbrella operating agreement funding	-	2,760,874	-	-	2,760,874	2,858,390
Rental management fees - third parties	81,139	-	-	-	81,139	79,548
Investment income	151,529	-	-	378,407	529,936	212,091
Guest suites, net	4,371	-	-	-	4,371	(1,096)
Miscellaneous	27,895	247,652	-	-	275,547	226,598
Project management fees	411,000	-	-	-	411,000	361,732
Government contributions (Note 10d)	-	-	18,336,829	-	18,336,829	5,929,330
	675,934	24,557,708	18,336,829	378,407	43,948,878	28,479,070
<b>Expenses:</b>						
Administration and property management	3,280,235	-	-	-	3,280,235	2,599,269
Amortization	-	-	7,359,920	-	7,359,920	7,140,382
Property taxes	-	4,500	-	-	4,500	28,751
Insurance	-	1,267,119	-	-	1,267,119	1,139,572
Maintenance	-	1,625,882	-	-	1,625,882	1,231,145
Caretakers	-	1,797,648	-	-	1,797,648	1,789,881
Landscape	-	402,165	-	-	402,165	409,285
Electricity	-	342,902	-	-	342,902	402,265
Land and improvement leases	-	299,474	-	-	299,474	294,000
Water	-	1,415,924	-	-	1,415,924	1,309,824
Oil and gas	-	246,876	-	-	246,876	174,264
Garbage	-	338,958	-	-	338,958	312,005
Rental management fee	(2,807,698)	2,807,698	-	-	-	-
Audit and legal	-	33,600	-	-	33,600	33,642
Miscellaneous	-	34,425	-	-	34,425	33,580
Hospitality services (Parry Place)	-	321,584	-	-	321,584	298,093
Interest on mortgages payable	-	3,573,882	-	-	3,573,882	3,282,707
Loss on disposal of capital assets	-	-	-	-	-	437,439
	472,537	14,512,637	7,359,920	-	22,345,094	20,916,104
<b>Excess of revenues over expenses</b>	<b>\$ 203,397</b>	<b>\$10,045,071</b>	<b>\$ 10,976,909</b>	<b>\$ 378,407</b>	<b>\$ 21,603,784</b>	<b>\$ 7,562,966</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, 2022

	Operating Funds		Restricted Funds		Remeasurement Gains / (Losses)	Total 2022	Total 2021
	Corporation	Rental Housing	Capital Fund	Replacement Reserve Fund			
Net assets, beginning of year	\$ 828,687	\$ 4,014,932	\$ 26,879,486	\$ 6,900,657	\$ (117,551)	\$ 38,506,211	\$ 31,196,762
Excess of revenues over expenses	203,397	10,045,071	10,976,909	378,407	-	21,603,784	7,562,966
Interfund transfers:							
Mortgage principal repayments	-	(6,145,126)	6,145,126	-	-	-	-
Replacement reserve transfers	-	(2,995,850)	-	2,995,850	-	-	-
Replacement reserve expenditures	-	-	2,106,869	(2,106,869)	-	-	-
	-	(9,140,976)	8,251,995	888,981	-	-	-
Unrealized loss on investments	-	-	-	-	(517,515)	(517,515)	(253,517)
Net assets, end of year	\$ 1,032,084	\$ 4,919,027	\$ 46,108,390	\$ 8,168,045	\$ (635,066)	\$ 59,592,480	\$ 38,506,211

See accompanying notes to the financial statements.

## Statement of Cash Flows

For the Year Ended December 31, 2022

	2022	2021
<b>Cash provided by (used in):</b>		
<b>Operating activities:</b>		
Excess of revenues over expenses	\$ 21,603,784	\$ 7,562,966
Items not involving cash:		
Amortization	7,359,920	7,140,382
Loss on disposal of capital assets	-	437,439
Changes in non-cash assets and liabilities:		
(Increase) in accounts receivable	(1,513,691)	(731,334)
(Increase) in inventory and prepaid expenses	(69,132)	(86,849)
Increase in accounts payable and accrued liabilities	1,951,267	1,048,385
Increase in accrued mortgage interest	10,492	116,519
(Decrease) in deferred revenue	(110,046)	(2,258)
Increase in security deposits	106,925	238,902
Increase (decrease) due to Capital Regional District	344,670	(23,706)
<b>Net change in cash from operating activities</b>	<b>29,684,189</b>	<b>15,700,446</b>
<b>Investing activities:</b>		
(Increase) in restricted cash and cash equivalents	(1,784,897)	(1,219,730)
(Increase) in investments	(6,500,000)	-
<b>Net change in cash from investing activities</b>	<b>(8,284,897)</b>	<b>(1,219,730)</b>
<b>Capital activities:</b>		
Acquisition of capital assets	(36,289,290)	(34,823,395)
<b>Net change in cash from capital activities</b>	<b>(36,289,290)</b>	<b>(34,823,395)</b>
<b>Financing activities:</b>		
Repayment of mortgages payable	(6,138,211)	(6,473,745)
Proceeds from long term debt	4,500,000	86,853,066
Repayment of short term debt	(2,151,025)	(61,277,457)
Proceeds from short term debt	21,157,445	2,151,025
	<b>17,368,209</b>	<b>21,252,889</b>
<b>Net change in cash and cash equivalents</b>	<b>2,478,211</b>	<b>910,210</b>
Cash and cash equivalents, beginning of year	7,872,078	6,961,868
<b>Cash and cash equivalents, end of year</b>	<b>\$ 10,350,289</b>	<b>\$ 7,872,078</b>

See accompanying notes to the financial statements.

# Capital Region Housing Corporation

## Notes to the Financial Statements

For the Year Ended December 31, 2022

### **General**

The Capital Region Housing Corporation (the "Corporation") is incorporated under the laws of British Columbia and its principal activities include the acquisition, construction, and 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. The Corporation allocates administration and property management costs incurred in the Corporation Operating Fund to the Rental Housing Operating Fund through Rental management fees.

##### **ii. Capital Fund**

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

**1. Significant Accounting Policies (continued)**

**b. Fund Accounting (continued)**

**iii. Replacement Reserve Fund**

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.

**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.

**1. Significant Accounting Policies (continued)**

**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.

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.

**1. Significant Accounting Policies (continued)**

**e. Operating Agreements (continued)**

**i. Umbrella (continued)**

**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 one-time 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.

**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. Community Housing Fund**

The Corporation has entered into a 60-year agreement with BCHMC under the Community Housing Fund (CHF) program. Capital funding was provided in the form of a forgivable loan to facilitate the construction of the Twenty-Seven Eighty-Two building. An operating subsidy is provided as approved in the annual building operating budget.

**vi. 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.

**1. Significant Accounting Policies (continued)**

**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 plus 0.78% (2021: average prime minus 0.45%).

**g. Financial Instruments**

Financial instruments are recorded at fair value on initial recognition. Derivative instruments, bonds, bond funds, 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 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 Funds. See Schedule A for details of cash and cash equivalents restricted for replacement reserve.

At December 31, 2022, there is \$4,430,279 (2021: \$0) of cash and cash equivalents from mortgage proceeds restricted in use to finance capital improvements or construction of new properties.

**3. Capital Assets**

December 31, 2022	Cost	Accumulated Amortization	Net Book Value
Land	\$ 9,496,053	\$ -	\$ 9,496,053
Prepaid leases	134,951,377	11,658,345	123,293,032
Buildings	161,021,997	85,336,007	75,685,990
Equipment and other	41,784,069	32,998,852	8,785,217
	<b>\$ 347,253,496</b>	<b>\$ 129,993,204</b>	<b>\$ 217,260,292</b>

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>

**4. Short-term capital financing**

Short term capital financing of \$21,157,445 (2021: \$2,151,025) is provided by BCHMC at a variable rate based on that charged to them by the Ministry of Finance plus an administrative spread. The short term debt is converted to a long term mortgage at the completion of each construction project. In 2022, \$2,151,025 short term capital financing was forgiven and recorded in Government contributions on the Statement of Operations.

**5. 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
	2023	\$ 6,808,782	\$ 6,189,329
	2024	13,986,779	6,030,185
	2025	8,361,554	5,591,576
	2026	6,135,450	5,375,345
	2027	\$ 4,053,990	\$ 5,220,773

**5. Mortgages Payable (continued)**

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.

**6. 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.

**7. Invested in Capital Assets**

Investment in capital assets is calculated as follows:

	<b>December 31, 2022</b>	December 31, 2021
Capital assets	\$ 217,260,292	\$ 188,330,922
Accounts receivable	2,347,762	1,106,873
Interfund due (to)/from rental housing operating fund	1,832,022	(164,553)
Restricted cash	4,430,279	-
Mortgages payable	(158,604,520)	(160,242,731)
Short-term capital financing	(21,157,445)	(2,151,025)
	<b>\$ 46,108,390</b>	<b>\$ 26,879,486</b>

**8. Restricted Net Assets**

Externally restricted net assets:

	<b>December 31, 2022</b>	December 31, 2021
Replacement reserve fund	\$ 8,168,045	\$ 6,900,657
CMHC/BCHMC/Homes BC operating agreements	(3,949)	(3,949)
Portfolio stabilization reserve - umbrella agreement	3,410,606	2,914,641
Portfolio stabilization reserve - ILBC2 agreement	(107,961)	(62,637)
Portfolio stabilization reserve - RHFP agreement	265,650	38,150
Portfolio stabilization reserve - IHI	389,301	289,169
Portfolio stabilization reserve - CHF	5,477	-
	<b>\$ 12,127,169</b>	<b>\$ 10,076,031</b>

**8. Restricted Net Assets (continued)**

Internally restricted net assets:

	<b>December 31, 2022</b>	December 31, 2021
Portfolio stabilization reserve - no operating agreement	\$ 959,903	\$ 839,558
Guest suite surplus	39,701	35,330
Vehicle replacement reserve	101,204	96,476
Equipment replacement reserve	25,652	31,948
	<b>\$ 1,126,460</b>	<b>\$ 1,003,312</b>

Rental housing operating fund balance:

	<b>December 31, 2022</b>	December 31, 2021
Portfolio stabilization reserve - umbrella agreement	\$ 3,410,606	\$ 2,914,641
Portfolio stabilization reserve - ILBC2 agreement	(107,961)	(62,637)
Portfolio stabilization reserve - RHFP agreement	265,650	38,150
Portfolio stabilization reserve - IHI agreement	389,301	289,169
Portfolio stabilization reserve - CHF agreement	5,477	-
Portfolio stabilization reserve - no operating agreement	959,903	839,558
CMHC/BCHMC/Homes BC operating agreements	(3,949)	(3,949)
	<b>\$ 4,919,027</b>	<b>\$ 4,014,932</b>

The Portfolio stabilization reserves are detailed in Schedule B.

**9. Unrestricted Net Assets**

Unrestricted net assets - corporation stabilization reserve:

	<b>December 31, 2022</b>	December 31, 2021
Operating net assets, ending balance	\$ 1,032,084	\$ 828,687
Less: Internally restricted net assets		
Guest suite surplus	(39,701)	(35,330)
Vehicle replacement reserve	(101,204)	(96,476)
Equipment replacement reserve	(25,652)	(31,948)
	<b>\$ 865,527</b>	<b>\$ 664,933</b>

## **10. 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 \$27,538 (2021: \$64,790) 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.

### **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 \$244,137 and are based on the annual mortgage payments.

### **c. Building Envelope Remediation (BER)**

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

**10. Commitments and Contingencies (continued)**

d. Government Contributions

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.

**11. Pension Liability**

The Corporation and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trusted 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, 2021, the Plan has about 227,000 active members and approximately 118,000 retired members. Active members include approximately 58 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, 2021 indicated a \$3,761 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, 2022 were \$258,786 (2021: \$266,976). The next valuation will be as at December 31, 2024, with results available in 2025.

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.

## **12. 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, and investments. 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, 2022 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, 2022 is \$0 (2021: \$0). There have been no significant changes to the credit risk exposure from 2021.

### **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 5. There have been no significant changes to the liquidity risk exposure from 2021.

### **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 2021.

## **12. 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 Fund 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, 2022, there are eight properties which do not receive subsidy assistance based on mortgage interest rates: Village on the Green, Vergo, Royal Oak Square, Millstream Ridge, Westview, Spencer Close, West Park, and Hockley House. These properties will be subject to interest rate risk upon renewal.

## **13. Subsequent Events**

Subsequent to December 31, 2022, the short-term capital financing provided by BCHMC to construct the building at Twenty-Seven Eighty-Two was converted to 35-year mortgage financing at a fixed interest rate of 3.71% for a 10-year term with an initial principal balance of \$13,933,727.

On April 17, 2023, the Corporation entered into a 60-year, \$12,289,721 lease agreement and a 35-year operating agreement with the CRD for the Prosser Place property. The Corporation obtained short-term financing from BCHMC to fund the prepaid lease and the financing will be converted to a 35-year mortgage when it is placed with a lender.

## **14. Comparative Information**

2021 comparative information on the statement of operations has been recast to reflect a change in the presentation of rental management fees adopted for the current year. Rental management fees, which reflect the allocation of administration and property management costs between the Corporate Operating Fund and the Rental Housing Fund, are presented in the same caption on the statement of operations. Total revenue and total expenses decreased by \$2,426,020 as a result of presenting internally generated rental management fees on a net rather than gross basis. There was no change to prior year annual surplus as a result of the new presentation.

## Changes in Replacement Reserve Fund

For the Year Ended December 31, 2022

	Balance at December 31 2021	Transfer from Rental Operating Fund	Transfer from Portfolio Stabilization Reserve	Contribution from BCHMC	Interest	Transfer to Capital Fund	2022
<b><u>Umbrella Agreement</u></b>							
Oakwinds	\$ 855,044	\$ 103,578	\$ -	\$ -	\$ 41,606	\$ (115,100)	\$ 885,128
James Yates Gardens	138,589	16,573	-	-	6,941	(10,464)	151,639
Pinehurst	445,197	41,431	-	-	21,832	(40,705)	467,755
The Brambles	184,317	37,288	-	-	9,146	(32,623)	198,128
The Terraces	586,780	41,431	-	-	29,747	(825)	657,133
Michigan Square	352,794	-	-	-	16,567	(29,405)	339,956
Olympic View	146,047	124,294	-	-	5,143	(206,484)	69,000
Swanlea	140,781	29,002	-	-	7,046	(22,953)	153,876
Firgrove	100,107	66,290	-	-	4,926	(65,465)	105,858
Beechwood Park	49,244	99,435	-	-	3,521	(54,211)	97,989
Grey Oak Square	36,408	49,718	-	-	2,114	(36,249)	51,991
Willowdene	41,695	31,073	-	-	1,618	(48,430)	25,956
Rosewood	150,594	91,149	-	-	8,391	(49,866)	200,268
Gladstone	60,715	29,002	-	-	2,955	(29,832)	62,840
Camosun Place	69,564	16,573	-	-	3,477	(13,770)	75,844
Parkview	123,559	53,861	-	-	5,199	(88,786)	93,833
Carey Lane	(2,032)	45,574	-	-	37	(39,989)	3,590
Colquitz Green	(29,187)	41,431	-	-	-	(24,249)	(12,005)
Springtide	166,806	99,435	-	-	9,859	(30,648)	245,452
Greenlea	29,322	43,503	-	-	1,184	(53,830)	20,179
Arbutus View	(47,402)	47,646	-	-	-	(56,127)	(55,883)
Amberlea	268,787	91,149	-	-	13,295	(86,065)	287,166
Cloverhurst	51,032	20,716	-	-	2,714	(12,007)	62,455
Hamlet	(6,356)	20,716	-	-	-	(11,887)	2,473
Viewmont	164,202	74,576	-	-	8,829	(42,868)	204,739
Creekside	29,561	49,718	-	-	2,197	(19,154)	62,322
The Birches	138,305	116,008	-	-	8,007	(65,784)	196,536
Caledonia	17,592	-	-	-	862	-	18,454
The Heathers	192,174	53,861	-	-	9,074	(67,837)	187,272
Heron Cove	119,422	49,718	-	-	6,629	(17,996)	157,773
Castanea Place	401,136	122,222	-	-	20,425	(90,813)	452,970
Leblond Place	(27,206)	89,077	-	-	-	(69,898)	(8,027)
Rotary House	48,153	84,934	-	-	2,779	(67,791)	68,075
Cairns Park	(31,187)	12,429	-	-	-	(4,323)	(23,081)
Kings Place	96,032	72,505	-	-	5,262	(49,808)	123,991
Carillon Place	42,549	31,073	-	-	2,498	(14,207)	61,913
Brock Place	53,460	62,147	-	-	3,721	(17,169)	102,159
Harbour Lane	261,633	58,004	-	-	13,686	(22,670)	310,653
Tillicum Station	298,125	82,860	-	-	15,146	(60,927)	335,204
<b><u>ILBC2 Agreement</u></b>							
Parry Place	139,028	16,600	-	-	6,976	(9,928)	152,676
<b><u>No Operating Agreement</u></b>							
Village on the Green	(269,734)	78,719	-	-	-	(56,333)	(247,348)
Vergo	93,971	37,288	-	-	4,857	(26,991)	109,125
Portage Place	182,481	35,217	-	-	9,306	(20,312)	206,692
Campus View Court	146,126	24,859	-	-	7,684	(3,472)	175,197
Royal Oak Square	221,451	78,719	-	-	10,722	(83,989)	226,903
<b><u>RHFP Agreement</u></b>							
Millstream Ridge	261,965	114,048	-	-	14,980	(26,562)	364,431
Spencer Close	106,556	112,320	-	-	7,502	(19,221)	207,157
West Park	126,073	131,328	-	-	8,848	(22,352)	243,897
Hockley House	77,520	103,680	-	-	6,137	(8,216)	179,121
<b><u>IHI Agreement</u></b>							
Westview	98,864	63,072	-	-	4,962	(58,278)	108,620
	\$ 6,900,657	\$ 2,995,850	\$ -	\$ -	\$ 378,407	\$ (2,106,869)	\$ 8,168,045

## Changes in Portfolio Stabilization Reserves

For the Year Ended December 31, 2022

	Balance at December 31, 2021	Reimburse BCHMC	Transfer (to) Replacement Reserve Fund (Schedule A)	Transfer from/(to) Rental Operating Fund (Schedule E)	Transfer (to) Capital Fund	Balance at December 31, 2022
<u>UOA</u>						
CMHC	\$ 6,598,500	\$ -	\$ -	\$ 1,726,780	\$ -	\$ 8,325,280
BCHMC	(3,504,410)	-	-	(1,108,126)	-	(4,612,536)
Homes BC	(179,449)	-	-	(122,689)	-	(302,138)
	2,914,641	-	-	495,965	-	3,410,606
<u>ILBC2</u>						
Parry Place	(62,637)	-	-	(45,324)	-	(107,961)
<u>RHFP</u>						
Millstream Ridge	(106,825)	-	-	(136,300)	-	(243,125)
Spencer Close	261,550	-	-	200,147	-	461,697
West Park	(89,507)	-	-	156,540	-	67,033
Hockley House	(27,068)	-	-	7,113	-	(19,955)
	38,150	-	-	227,500	-	265,650
<u>IHI</u>						
Westview	289,169	-	-	100,132	-	389,301
<u>CHF</u>						
Twenty-Seven Eighty-Two	-	-	-	5,477	-	5,477
<u>NOA</u>						
Portage Place	182,044	-	-	89,728	-	271,772
Campus View Court	132,805	-	-	79,012	-	211,817
Royal Oak Square	451,142	-	-	(30,103)	-	421,039
Village on the Green	696,275	-	-	95,812	-	792,087
Vergo	(622,708)	-	-	(114,104)	-	(736,812)
	839,558	-	-	120,345	-	959,903
	\$ 4,018,881	\$ -	\$ -	\$ 904,095	\$ -	\$ 4,922,976

Capital Assets

For the Year Ended December 31, 2022

	Completed	Land	Prepaid Lease	Buildings	Equipment and Other	Transfer from Replacement Reserve Fund	Total	Accumulated Amortization	2022	2021
<b>In Operation</b>										
<u>Umbrella Agreement</u>										
Oakwinds	Feb/85	\$ -	\$ 830,075	\$ 2,835,407	\$ 1,566,114	\$ 115,100	\$ 5,346,696	\$ (4,951,965)	\$ 394,731	\$ 368,988
James Yates Gardens	Oct/84	103,200	-	387,934	303,786	10,464	805,384	(637,371)	168,013	172,445
Pinehurst	Feb/85	277,692	-	1,188,811	717,497	40,705	2,224,705	(1,799,706)	424,999	416,033
The Brambles	Jun/85	275,975	-	1,048,104	765,854	32,623	2,122,556	(1,729,601)	392,955	385,499
The Terraces	May/85	356,532	-	1,087,668	873,395	825	2,318,420	(1,871,374)	447,046	468,747
Michigan Square	Sep/85	784,763	-	1,874,991	1,496,625	29,405	4,185,784	(3,265,203)	920,581	921,454
Olympic View	Apr/86	900,000	-	3,288,908	2,301,802	206,484	6,697,194	(5,218,885)	1,478,309	1,390,593
Swanlea	Dec/85	230,215	-	746,556	497,299	22,953	1,497,023	(1,167,374)	329,649	328,683
Firgrove	Feb/86	480,000	-	1,763,183	1,177,528	65,465	3,486,176	(2,827,560)	658,616	629,622
Beechwood Park	Feb/86	888,000	-	2,317,623	3,073,578	54,211	6,333,412	(5,022,735)	1,310,677	1,355,359
Grey Oak Square	Apr/86	409,015	-	1,290,394	980,228	36,249	2,715,886	(2,127,561)	588,325	592,369
Willowdene	Sep/87	-	-	884,186	670,444	48,430	1,603,060	(1,479,555)	123,505	125,161
Rosewood	Oct/88	-	255,000	1,864,715	871,326	49,866	3,040,907	(2,747,123)	293,784	342,098
Gladstone	Jan/89	-	197,000	912,600	507,151	29,832	1,646,583	(1,450,936)	195,647	212,496
Camosun Place	Mar/89	-	108,000	489,700	233,467	13,770	844,937	(733,537)	111,400	124,352
Parkview	May/89	-	283,250	1,795,567	958,798	88,786	3,126,401	(2,736,415)	389,986	400,111
Carey Lane	Aug/89	-	283,250	1,443,751	964,786	39,989	2,731,776	(2,381,011)	350,765	398,441
Colquitz Green	Nov/89	-	160,250	1,504,000	823,860	24,249	2,512,359	(2,239,318)	273,041	331,558
Springtide	May/90	-	324,500	2,519,309	911,305	30,648	3,785,762	(3,344,841)	440,921	521,563
Greenlea	Feb/90	-	305,750	1,560,300	860,465	53,830	2,780,345	(2,385,252)	395,093	426,297
Arbutus View	Jul/90	-	370,250	1,592,750	1,055,047	56,127	3,074,174	(2,543,421)	530,753	587,563
Amberlea	May/90	-	447,501	2,578,479	922,345	86,065	4,034,390	(3,433,335)	601,055	648,445
Cloverhurst	May/90	-	197,000	651,500	264,126	12,007	1,124,633	(941,459)	183,174	205,888
Hamlet	Oct/90	-	152,000	803,000	405,333	11,887	1,372,220	(1,178,438)	193,782	225,759
Viewmont	Aug/91	-	402,140	2,378,046	837,534	42,868	3,660,588	(3,092,491)	568,097	638,667
Creekside	Apr/92	-	388,250	2,363,830	947,101	19,154	3,718,335	(3,117,472)	600,863	689,089
The Birches	Aug/92	-	675,000	3,684,874	953,586	65,784	5,379,244	(4,413,540)	965,704	1,062,809
The Heathers	Apr/93	-	436,279	1,974,683	441,105	67,837	2,919,904	(2,292,234)	627,670	646,903
Heron Cove	Oct/93	-	270,000	2,274,691	571,780	17,996	3,134,467	(2,542,090)	592,377	674,728
Castanea Place	Feb/95	-	1,277,000	4,841,879	1,201,297	90,813	7,410,989	(5,422,364)	1,988,625	2,130,877
Leblond Place	Sep/96	-	900,000	4,506,231	1,253,098	69,898	6,729,227	(4,790,626)	1,938,601	2,119,922
Rotary House	Nov/06	-	556,600	2,994,000	700,656	67,791	4,319,047	(2,900,099)	1,418,948	1,539,273
Cairns Park	Dec/96	-	240,000	415,314	227,683	4,323	887,320	(585,955)	301,365	330,976
Kings Place	N/A	-	-	-	713,190	49,808	762,998	(585,585)	177,413	165,733
Carillon Place	Jul/98	-	525,000	1,280,389	725,832	14,207	2,545,428	(1,688,304)	857,124	932,737

Capital Assets

For the Year Ended December 31, 2022

	Completed	Land	Prepaid Lease	Buildings	Equipment and Other	Transfer from Replacement Reserve Fund	Total	Accumulated Amortization	2022	2021
Brock Place	Jan/00	-	840,000	3,465,836	1,104,145	17,169	5,427,150	(3,451,159)	<b>1,975,991</b>	2,137,126
Harbour Lane	Oct/01	-	825,000	3,607,266	355,529	22,670	4,810,465	(2,858,138)	<b>1,952,327</b>	2,066,136
Tillicum Station	Jul/02	-	948,750	4,300,764	589,935	60,927	5,900,376	(3,385,681)	<b>2,514,695</b>	2,629,270
<b>Building Envelope Remediation</b>										
Amberlea	2008	-	-	2,367,415	-	-	2,367,415	(2,106,838)	<b>260,577</b>	390,864
Cloverhurst	2008	-	-	1,105,204	-	-	1,105,204	(984,309)	<b>120,895</b>	181,341
The Birches	2006	-	-	1,635,610	-	-	1,635,610	(1,328,827)	<b>306,783</b>	383,479
Heron Cove	2007	-	-	1,756,374	-	-	1,756,374	(1,356,965)	<b>399,409</b>	479,290
Castanea Place	2007	-	-	2,531,350	-	-	2,531,350	(1,769,509)	<b>761,841</b>	870,676
Leblond Place	2009	-	-	3,337,941	-	-	3,337,941	(2,167,602)	<b>1,170,339</b>	1,316,632
The Heathers	2016	-	-	1,258,358	-	-	1,258,358	(731,780)	<b>526,578</b>	631,893
<b>ILBC2 Agreement</b>										
Parry Place	Jun/08	1,400,000	-	4,794,268	261,450	9,928	6,465,646	(2,218,206)	<b>4,247,440</b>	4,397,123
Millstream Ridge	Feb/19	-	35,428,849	-	68,219	26,562	35,523,630	(2,392,509)	<b>33,131,121</b>	33,707,770
Spencer Close	Nov/20	-	30,257,330	-	6,819	19,221	30,283,370	(1,054,694)	<b>29,228,676</b>	29,717,207
West Park	Nov/20	-	31,253,897	-	6,503	22,352	31,282,752	(1,088,942)	<b>30,193,810</b>	30,695,449
Hockley House	Apr/21	-	25,409,983	-	1,008	8,216	25,419,207	(741,456)	<b>24,677,751</b>	25,094,039
<b>IHI Agreement</b>										
Westview	May/20	-	-	14,937,177	8,125	58,278	15,003,580	(1,119,661)	<b>13,883,919</b>	14,264,803
<b>CHF Agreement</b>										
Twenty-Seven Eighty-Two	Nov/22	-	-	19,813,593	-	-	19,813,593	(94,184)	<b>19,719,409</b>	-
<b>No Operating Agreement</b>										
Village on the Green	May/84	910,171	-	2,002,921	1,652,345	56,333	4,621,770	(3,031,458)	<b>1,590,312</b>	1,696,971
Vergo	May/12	1,144,327	-	4,226,787	95,579	26,991	5,493,684	(1,403,073)	<b>4,090,611</b>	4,192,674
Portage Place	Aug/83	328,659	-	965,774	716,033	20,312	2,030,778	(1,554,213)	<b>476,565</b>	490,691
Campus View Court	Sep/83	341,224	-	688,113	613,004	3,472	1,645,813	(1,208,520)	<b>437,293</b>	457,401
Royal Oak Square	Mar/84	666,280	-	2,051,834	1,827,072	83,989	4,629,175	(3,525,554)	<b>1,103,621</b>	1,118,483
<b>Buildings Under Construction</b>		-	403,473	23,032,039	-	-	23,435,512	(201,738)	<b>23,233,774</b>	8,871,668
<b>Office Equipment</b>		-	-	-	535,869	-	535,869	(512,908)	<b>22,961</b>	28,698
<b>Vehicles</b>		-	-	-	60,544	-	60,544	(60,544)	<b>-</b>	-
		\$ 9,496,053	\$ 134,951,377	\$ 161,021,997	\$ 39,677,200	\$ 2,106,869	\$ 347,253,496	\$ (129,993,204)	<b>\$ 217,260,292</b>	\$ 188,330,922

## Capital Fund - Mortgages Payable

For the Year Ended December 31, 2022

Rental Property	Interest Rate	Renewal Date	Maturity Date	2022	2021
<u>Umbrella Agreement</u>					
Willowdene	2.580%		Matured in 2022	\$ -	\$ 39,098
Rosewood	2.610%		November 1, 2023	110,325	227,731
Gladstone	2.610%		January 1, 2024	68,254	129,581
Camosun Place	1.860%		March 1, 2024	39,598	70,620
Parkview	1.690%		May 1, 2024	167,168	282,800
Carey Lane	1.690%		August 1, 2024	162,315	257,546
Colquitz Green	1.730%		November 1, 2024	180,894	272,943
Springtide	0.680%		May 1, 2025	379,730	535,048
Greenlea	0.690%		March 1, 2025	236,541	340,501
Arbutus View	0.680%		July 1, 2025	275,403	380,722
Amberlea	0.680%		May 1, 2025	405,659	571,582
Cloverhurst	0.680%		May 1, 2025	113,325	159,677
Hamlet	0.740%		October 1, 2025	150,088	202,318
Viewmont	1.120%		August 1, 2026	528,642	669,099
Creekside	2.600%		April 1, 2027	605,360	735,688
The Birches	2.550%	August 1, 2027	August 1, 2032	1,009,145	1,210,311
The Heathers	2.600%	April 1, 2028	April 1, 2033	623,759	731,439
Heron Cove	2.610%	October 1, 2028	October 1, 2033	709,654	820,894
Castanea Place	0.690%		February 1, 2030	2,111,169	2,397,554
Leblond Place - 1st mortgage	1.280%		September 1, 2031	1,742,867	1,929,944
Leblond Place - 2nd mortgage	2.150%	March 1, 2025	March 1, 2045	2,360,631	2,442,600
Rotary House	2.510%	March 1, 2028	March 1, 2033	984,988	1,158,386
Cairns Park	2.589%		December 1, 2031	265,205	291,059
Carillon Place	3.220%	June 1, 2024	July 1, 2033	838,339	903,863
Brock Place	2.840%	January 1, 2030	January 1, 2035	2,328,951	2,488,455
Harbour Lane	2.200%	October 1, 2026	October 1, 2036	2,368,747	2,513,781
Tillicum Station	3.265%	July 1, 2024	July 1, 2037	3,130,825	3,296,450
<u>ILBC2 Agreement</u>					
Parry Place	3.480%	May 1, 2024	May 1, 2043	3,251,814	3,359,042
<u>RHFP Agreement</u>					
Millstream Ridge	2.860%	February 1, 2029	March 1, 2054	33,159,724	33,809,779
Spencer Close	1.519%	January 1, 2031	February 1, 2056	29,180,152	29,854,616
West Park	1.519%	January 1, 2031	February 1, 2056	29,514,936	30,197,138
Hockley House	2.459%	June 1, 2031	July 1, 2056	24,865,357	25,343,415
<u>IHI Agreement</u>					
Westview	1.631%	September 1, 2030	September 1, 2055	7,116,837	7,280,114
<u>No Operating Agreement</u>					
Royal Oak Square	4.320%	July 1, 2027	July 1, 2057	4,477,146	-
Village on the Green	2.250%		October 1, 2039	1,702,077	1,784,422
Vergo	4.950%	September 1, 2027	September 1, 2042	3,438,895	3,554,515
				<b>158,604,520</b>	160,242,731
Principal Current Portion				<b>(6,213,290)</b>	(6,151,134)
Principal Renewal Portion				<b>(595,492)</b>	(3,747,610)
				<b>\$ 151,795,738</b>	<b>\$ 150,343,987</b>

Capital Region Housing Corporation

Schedule E

Operating Fund - Rental Operations

For the Year Ended December 31, 2022

	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
<b>Umbrella Agreement</b>													
<b>CMHC</b>													
Oakwinds	50	\$ 670,682	\$ -	\$ -	\$ 1,608	\$ 672,290	\$ 266,562	\$ 103,578	\$ -	\$ -	\$ 370,140	\$ 302,150	\$ (302,150)
James Yates Gardens	8	77,762	-	-	-	77,762	47,753	16,573	-	-	64,326	13,436	(13,436)
Pinehurst	20	287,572	-	-	1,537	289,109	127,305	41,431	-	-	168,736	120,373	(120,373)
The Brambles	18	266,972	-	-	1,551	268,523	113,705	37,288	-	-	150,993	117,530	(117,530)
The Terraces	20	273,056	-	-	1,639	274,695	109,402	41,431	-	-	150,833	123,862	(123,862)
Michigan Square	6	78,486	-	-	-	78,486	78,879	-	-	-	78,879	(393)	393
Olympic View	60	824,092	-	-	2,878	826,970	381,125	124,294	-	-	505,419	321,551	(321,551)
Swanlea	14	207,323	-	-	897	208,220	100,930	29,002	-	-	129,932	78,288	(78,288)
Firgrove	32	422,093	-	-	1,660	423,753	129,787	66,290	-	-	196,077	227,676	(227,676)
Beechwood Park	48	627,392	-	-	6,842	634,234	264,422	99,435	-	-	363,857	270,377	(270,377)
Grey Oak Square	24	330,747	-	-	2,422	333,169	131,521	49,718	-	-	181,239	151,930	(151,930)
	300	4,066,177	-	-	21,034	4,087,211	1,751,391	609,040	-	-	2,360,431	1,726,780	(1,726,780)
<b>BCHMC</b>													
Willowdene	15	121,101	-	38,406	289	159,796	161,464	31,073	35,127	-	227,664	(67,868)	67,868
Rosewood	44	248,165	-	83,724	1,739	333,628	253,907	91,149	121,926	-	466,982	(133,354)	133,354
Gladstone	14	140,175	-	63,368	-	203,543	82,682	29,002	63,964	-	175,648	27,895	(27,895)
Camosun Place	8	94,600	-	33,432	-	128,032	46,497	16,573	32,068	-	95,138	32,894	(32,894)
Parkview	26	229,235	-	114,811	484	344,530	163,948	53,861	119,503	-	337,312	7,218	(7,218)
Carey Lane	22	197,551	-	83,364	1,402	282,317	126,843	45,574	98,835	-	271,252	11,065	(11,065)
Colquitz Green	20	211,794	-	76,241	1,307	289,342	129,062	41,431	96,028	-	266,521	22,821	(22,821)
Springtide	48	273,675	-	112,936	2,000	388,611	312,245	99,435	158,468	-	570,148	(181,537)	181,537
Greenlea	21	214,433	-	42,276	520	257,229	135,322	43,503	105,977	-	284,802	(27,573)	27,573

Capital Region Housing Corporation

Schedule E

Operating Fund - Rental Operations

For the Year Ended December 31, 2022

	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
Arbutus View	23	214,049	-	49,212	134	263,395	115,228	47,646	107,576	-	270,450	(7,055)	7,055
Amberlea	44	310,897	-	112,933	1,638	425,468	296,305	91,149	169,288	-	556,742	(131,274)	131,274
Cloverhurst	10	70,628	-	41,111	-	111,739	57,092	20,716	47,292	-	125,100	(13,361)	13,361
Hamlet	10	122,822	-	49,634	-	172,456	76,219	20,716	53,547	-	150,482	21,974	(21,974)
Viewmont	36	201,922	-	161,613	1,530	365,065	228,456	74,576	147,215	-	450,247	(85,182)	85,182
Creekside	24	233,635	-	111,686	482	345,803	153,023	49,718	147,813	-	350,554	(4,751)	4,751
The Birches	56	308,148	-	163,537	2,166	473,851	263,319	116,008	229,534	-	608,861	(135,010)	135,010
Caledonia	-	-	-	47,850	-	47,850	9,924	-	(8,120)	-	1,804	46,046	(46,046)
The Heathers	26	149,403	-	108,372	1,472	259,247	160,131	53,861	125,324	-	339,316	(80,069)	80,069
Heron Cove	24	205,411	-	63,582	750	269,743	122,015	49,718	131,230	-	302,963	(33,220)	33,220
Castanea Place	59	386,068	-	182,734	1,245	570,047	330,070	122,222	302,000	-	754,292	(184,245)	184,245
Leblond Place	43	260,178	-	330,003	1,467	591,648	319,403	89,077	344,072	-	752,552	(160,904)	160,904
Rotary House	41	264,510	-	216,649	40	481,199	228,556	84,934	200,345	-	513,835	(32,636)	32,636
	614	4,458,400	-	2,287,474	18,665	6,764,539	3,771,711	1,271,942	2,829,012	-	7,872,665	(1,108,126)	1,108,126
<b>Homes BC</b>													
Cairns Park	6	53,245	-	23,702	-	76,947	45,240	12,429	33,161	-	90,830	(13,883)	13,883
Kings Place	35	383,539	-	157,515	1,350	542,404	490,147	72,505	-	-	562,652	(20,248)	20,248
Carillon Place	15	189,710	-	33,478	438	223,626	87,280	31,073	93,480	-	211,833	11,793	(11,793)
Brock Place	30	341,029	-	74,072	2,950	418,051	172,748	62,147	227,708	-	462,603	(44,552)	44,552
Harbour Lane	28	303,533	-	88,749	2,325	394,607	184,512	58,004	198,635	-	441,151	(46,544)	46,544
Tillicum Station	40	489,422	-	95,884	579	585,885	242,557	82,860	269,723	-	595,140	(9,255)	9,255
	154	1,760,478	-	473,400	7,642	2,241,520	1,222,484	319,018	822,707	-	2,364,209	(122,689)	122,689
	1,068	10,285,055	-	2,760,874	47,341	13,093,270	6,745,586	2,200,000	3,651,719	-	12,597,305	495,965	(495,965)

Capital Region Housing Corporation

Schedule E

Operating Fund - Rental Operations

For the Year Ended December 31, 2022

	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
<b>ILBC2 Agreement</b>													
Parry Place	21	343,502	302,636	-	10,580	656,718	463,846	16,600	221,596	-	702,042	(45,324)	45,324
<b>RHFP Agreement</b>													
Millstream Ridge	132	2,245,129	-	-	43,130	2,288,259	710,885	114,048	1,599,626	-	2,424,559	(136,300)	136,300
Spencer Close	130	2,028,688	-	-	40,040	2,068,728	635,270	112,320	1,120,991	-	1,868,581	200,147	(200,147)
West Park	152	2,070,095	-	-	46,794	2,116,889	695,169	131,328	1,133,852	-	1,960,349	156,540	(156,540)
Hockley House	120	1,740,440	-	-	31,816	1,772,256	574,050	103,680	1,087,413	-	1,765,143	7,113	(7,113)
	534	8,084,352	-	-	161,780	8,246,132	2,615,374	461,376	4,941,882	-	8,018,632	227,500	(227,500)
<b>IHI Agreement</b>													
Westview	73	831,096	-	-	19,779	850,875	407,491	63,072	280,180	-	750,743	100,132	(100,132)
<b>CHF Agreement</b>													
Twenty-Seven Eighty-Two	58	34,687	-	-	810	35,497	30,020	-	-	-	30,020	5,477	(5,477)
<b>No Operating Agreement</b>													
Portage Place	17	221,796	-	-	366	222,162	97,217	35,217	-	-	132,434	89,728	(89,728)
Campus View Court	12	171,272	-	-	1,440	172,712	68,841	24,859	-	-	93,700	79,012	(79,012)
Royal Oak Square	38	505,673	-	-	1,455	507,128	210,869	78,719	247,643	-	537,231	(30,103)	30,103
Village on the Green	38	482,404	-	-	4,101	486,505	190,667	78,719	121,307	-	390,693	95,812	(95,812)
Vergo	18	286,709	-	-	-	286,709	108,844	37,288	254,681	-	400,813	(114,104)	114,104
	123	1,667,854	-	-	7,362	1,675,216	676,438	254,802	623,631	-	1,554,871	120,345	(120,345)
	1,877	\$21,246,546	\$ 302,636	\$ 2,760,874	\$ 247,652	\$24,557,708	\$10,938,755	\$ 2,995,850	\$ 9,719,008	\$ -	\$ 23,653,613	\$ 904,095	\$ (904,095)

# Capital Region Housing Corporation Audit Findings Report



# Capital Region Housing Corporation

**Audit Findings Report  
year ended December 31, 2022**



For the meeting on May 3, 2023

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



# KPMG contacts

## Key contacts in connection with this engagement

### **Lenora Lee**

Lead Audit Engagement Partner

250-480-3588

lenoramlee@kpmg.ca

### **Sarah Burden**

Senior Manager

250-480-3562

sburden1@kpmg.ca

### **Cameron Rice-Gural**

Manager

250-480-3677

cricegural@kpmg.ca



# Table of contents

## Digital use information

This Audit Findings Report is also available as a “hyper-linked” PDF document.

If you are reading in electronic form (e.g. In “Adobe Reader” or “Board Books”), clicking on the home symbol on the top right corner will bring you back to this slide.



Click on any item in the table of contents to navigate to that section.



**Audit highlights**



**Status of the audit**



**Audit risks and results**



**Control deficiencies and improvement observations**



**Additional matters**



**Appendices**

The purpose of this report is to assist you, as a member of the Hospitals and Housing Committee, in your review of the results of our audit of the financial statements as at and for the period ended December 31, 2022. This report builds on the Audit Plan we presented to the Hospitals and Housing Committee. This report is intended solely for the information and use of Management, the Hospitals and Housing 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 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

## 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 ("CRHC" or "Entity") as at and for the year ended December 31, 2022.

## Status of the audit

We have completed the audit of the financial statements, with the exception of certain remaining outstanding procedures, which are highlighted on slide 5 of this report.

## Significant changes to our audit plan

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

## Audit risks and results

Findings related to significant risks are discussed on slide 6.

## Audit risks and results – other focus areas

Findings related to other focus areas are discussed on slide 7.

## Uncorrected audit misstatements

There are no matters to report

## Corrected audit misstatements

There were no corrected audit misstatements that impact total assets, liabilities or annual surplus of CRHC.

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

## Control deficiencies and improvement observations

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

## Significant accounting policies and practices

Findings related to significant accounting policies and practices are discussed on slide 9.

## Independence

As required by professional standards, we have considered all relationships between KPMG and CRHC that may have a bearing on independence. We confirm that we are independent with respect to CRHC within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any other standards or applicable legislation or regulation from January 1, 2022 up until the date of this report.



# Status of the audit

As of May 3, 2023, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

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

We will update the Committee and Board of Directors, and not solely the Chair, on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures.

Our auditor's report, a draft of which is included in the draft financial statements, will be dated upon the completion of any remaining procedures.





# Significant risks and results

We highlight our significant findings in respect of **significant risks** as identified in our discussion with you in the Audit Plan, as well as any additional significant risks identified.



## Fraud risk from management override of controls

This is a presumed fraud risk. Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities. We have not identified any specific additional risks of management override relating to this audit.

### Our response

Our procedures included:

- testing of journal entries and other adjustments
- performing a retrospective review of estimates
- evaluating the business rationale of significant unusual transactions.

### Significant findings

We noted no issues as a result of our testing.



# Audit focus areas

We highlight findings in other areas of focus as identified in the Audit Plan as follows:



## New building developments and redevelopments

CRHC is undertaking a significant capital program of purchasing or building new developments and redeveloping existing buildings.

The capital program involves significant capital asset expenditure and significant non-recurring funding. Funding agreements can have unique conditions which can impact timing and value of revenue recognition in the financial statements.

### Our response

There were six building developments or redevelopments underway during 2022, including Twenty-Seven Eighty-Two which was completed and Michigan, Carey Lane, Caledonia, Drake and Campus View which are ongoing. A total of \$34.2M of capital expense was incurred on these projects in 2022. \$18.3M of government contributions related to these projects were recognized, of which \$16.2M related to forgivable loans. A further \$21.2M of short term capital financing is held as a liability as at December 31, 2022, of which \$13.9M relates to Twenty-Seven Eighty-Two and was converted in to a mortgage on January 1, 2023.

We reviewed Board meeting minutes and performed inquiries with management to obtain an understanding of the status of all new developments and redevelopments, including any remaining commitments under the Regional Housing First Program.

We selected a sample of capital expenses recognized in 2022 and verified these had been accurately recorded by agreeing spend to bank statements, contractual agreements and 3<sup>rd</sup> party invoices.

Management provided analysis of the funding sources for each capital project, including assessment of whether the funding should be recognized as short term capital financing, a forgivable loan (revenue) or mortgage financing. We reviewed management's analysis and tested all significant capital projects funding by reviewing the funding agreements and analysis against public sector accounting standards. We concurred with the conclusions management reached and the accounting treatment.

### Significant findings

We noted no issues as a result of our testing.

During the year, Finance staff implemented an improved tracking and analysis process to report on the status of each project's funding sources, amounts drawn to date and funding remaining to compliment operational reports for enhanced consistency and support for transactions reported in the financial statements.



# Control deficiencies and improvement observations

## Consideration of internal control over financial reporting (ICFR)

In planning and performing our audit, we considered ICFR relevant to CRHC's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on ICFR.

Our understanding of internal control over financial reporting was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies. The matters being reported are limited to those deficiencies that we have identified during the audit that we have concluded are of sufficient importance to merit being reported to those charged with governance.

Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors. Had we performed more extensive procedures on internal control over financial reporting, we might have identified more significant deficiencies to be reported or concluded that some of the reported significant deficiencies need not, in fact, have been reported.



## A deficiency in internal control over financial reporting

A deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.



## Significant deficiencies in internal control over financial reporting

A significant deficiency in internal control over financial reporting is a deficiency, or combination of deficiencies, in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

We did not identify any significant deficiencies in internal control over financial reporting.





# Significant accounting policies and practices



## Significant accounting policies



- There were no initial selections of or changes to 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 CRHC'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 qualitative aspects of financial statement presentation and disclosure



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



## Significant accounting estimates



- There were no issues noted with management's identification of accounting estimates.
- There were no issues noted with management's process for making accounting estimates.
- There were no indicators of possible management bias.



# Other audit matters

We highlight below examples of audit procedures performed including those that do not relate specifically to a transaction reported in the financial statements, but rather procedures performed to obtain an understanding of the organization and its internal controls to inform our risk assessment and design procedures to address where material errors could occur.



## Risk Assessment

- Update our understanding of the Entity and its environment (industry, economic environment, regulatory and legislative requirements).
- Identify key business processes (Treasury and Debt, Revenue, Purchases and Payments, Payroll) and where material errors in the financial statements could arise, including from error and fraud.
- Validate our understanding of key business processes by performing a walkthrough of each significant process to determine if the process operates as described.
- Update our understanding of the Entity's internal controls and risk assessment processes and evaluate their suitability based on the nature and complexity of the organization.
- Evaluate if a culture of honesty and ethical behaviour has been created and maintained.
- Evaluate if appropriate policies and procedures for communications and information systems are in place to support accurate and timely preparation of the financial statements.
- Documents inspected include Code of Conduct, Reporting of Serious Misconduct Policy and Procedure, Quarterly financial reporting and management updates.

## Substantive audit procedures

- Cash, investments and debt balances were confirmed with the respective financial institutions.
- A sample of capital asset additions were compared to underlying source documents. An estimate of amortization expense was compared to actual.
- A sample of payments made after year end were tested to determine if they were recorded in the appropriate fiscal year.
- Revenues and expenses were tested by way of analytical procedures, developing an expectation based on prior year and budget, and comparing to actual.
- Government transfer revenues and deferred revenues were tested by obtaining grant terms and determining if accounting as revenue or deferred revenue is appropriate.
- Salaries and wage expense included testing internal controls over management review of payroll expense as well as comparing actual to prior year.
- A sample of new subsidized tenants was tested to determine if the Subsidized Tenant Selection Process was followed to verify qualification and ordering of tenant selection.

## Concluding and reporting

- Evaluate management bias in the preparation of financial statements, based on patterns in the selection and application of accounting policies and principles.
- Financial statement presentation and disclosure were evaluated for compliance with accounting standards and comparability to industry leading practice, for example financial reporting award requirements of Government Finance Officers Association International.
- Legal exposure and estimates of contingency provisions were evaluated against supporting documentation including direct confirmation with external legal counsel.
- Disclosures in the financial statement notes were evaluated for completeness based on our knowledge of the Entity's ability to continue as a going concern, related party transactions, future contractual commitments and events occurring after year end.
- Deficiencies in internal control and other control observations were discussed with management, and if significant, communicated to the Board through a separate communication entitled Management Letter.

# Appendices

1

Other required communications

2

Management representation letter

3

Selected financial information

4

Changes in accounting standards

5

Insights to enhance your business

6

Upcoming changes to auditing standards

7

Audit and assurance insights

8

Environmental, social and governance (ESG)



# Appendix 1: Other required communications



## Auditors' report

Refer to the draft report attached to the financial statements.

## Engagement letter

A copy of the engagement letter and any subsequent amendments has been provided to management.



## Reports to the Board of Directors

At the completion of the audit, we will provide our findings report to the Board of Directors.

## Management representation letter

A copy of the management representation letter is attached.



# Appendix 2: Management representation letter

KPMG LLP  
Chartered Professional Accountants  
St. Andrew's Square II  
800-730 View Street  
Victoria, BC V8W 3Y7

May 10, 2023

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, 2022.

*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 September 9, 2022, including for:
  - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.
  - b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements (“relevant information”), such as financial records, documentation and other matters, including:
    - the names of all related parties and information regarding all relationships and transactions with related parties;
    - the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of board of directors and committees of the board of directors that may affect the financial statements. All significant actions are included in such summaries.



# Appendix 2: Management representation letter (continued)

- 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
    - others



# Appendix 2: Management representation letter (continued)

where 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 or illegal acts, whose effects should be considered when preparing financial statements.
- e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

## *Subsequent events:*

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

## *Related parties:*

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

## *Estimates:*

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

## *Going concern:*

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



# Appendix 2: Management representation letter (continued)

## *Misstatements:*

- 11) We approve the presentation of internal management fees charged between the Corporation and Rental Housing Operating Funds of \$2,807,698 (2021 – 2,425,159) to be shown on a net rather than gross basis.

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

- 12) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission (“SEC”) Issuer (as defined by the Sarbanes-Oxley Act of 2002).
- 13) We also confirm that the financial statements of the Entity will not be included in the group 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,

---

Ted Robbins, Chief Administrative Officer

---

Nelson Chan, Chief Financial Officer

---

Kevin Lorette, General Manager, Planning and Protective Services



# Appendix 2: Management representation letter (continued)

## **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: 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, includes transfers from reserves and other unspent funds and planned capital acquisitions rather than amortization of capital assets.



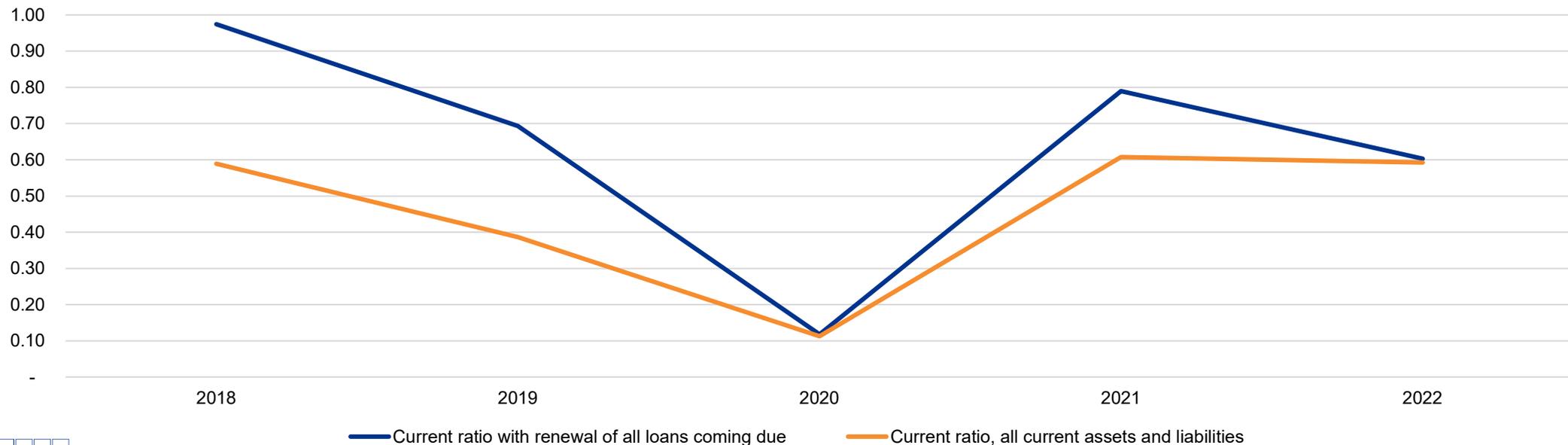
# Appendix 3: Selected Financial Information (Continued)

## 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 new debt to acquire West Park and Spencer Close. The current ratio in 2022 has declined from 2021 as new debt to construct Twenty-Seven Eight-Two has been obtained.

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 that agrees to the financial statement presentation, 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 that reflects the more likely outcome in the upcoming year. In 2022, the two ratios are almost the same because only one mortgage for \$595k is due in 2023.

### Current Ratio



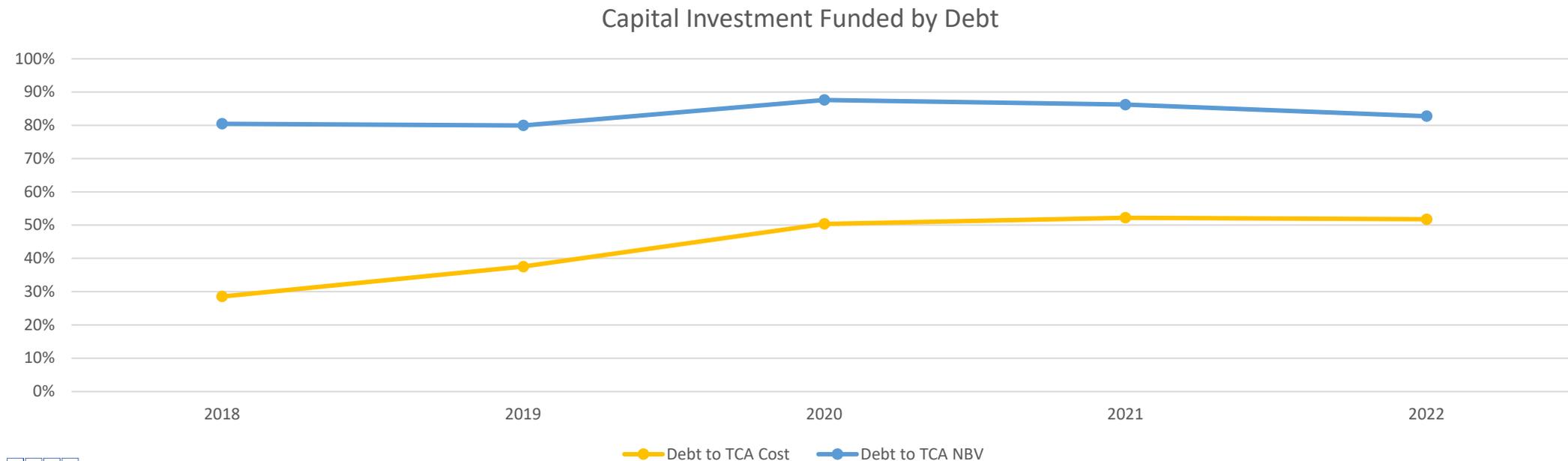


# Appendix 3: Selected Financial Information (Continued)

## Capital Investment Funded by Debt

Capital investment 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 ranged from 80 – 87% over the past five years indicating that the majority of the Entity's capital investment is funded through debt and capital assets are amortized at a similar pace as repayment of debt. As more assets become fully depreciated, the ratio will decline at a faster pace because debt repayment will exceed amortization.

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). A flat trend line since 2020 indicates a similar percentage of new property cost has been financed through debt.





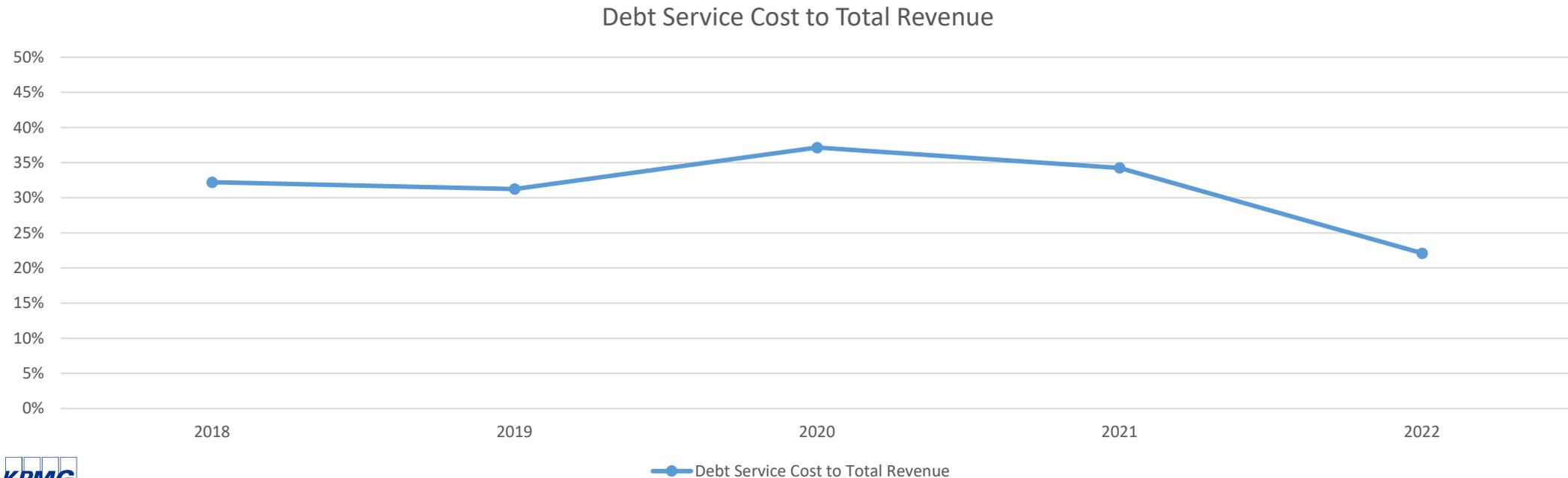
# Appendix 3: Selected Financial Information (Continued)

## 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 and grants, alongside increased tenant rent contributions from new properties, revenue has increased at a faster rate than the additional interest and principal repayments on the new debt, resulting in a downward trend in this ratio. The significant decrease in 2022 is a result of \$18M non-recurring grants and forgivable loans for redevelopment of the Caledonia property.

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.

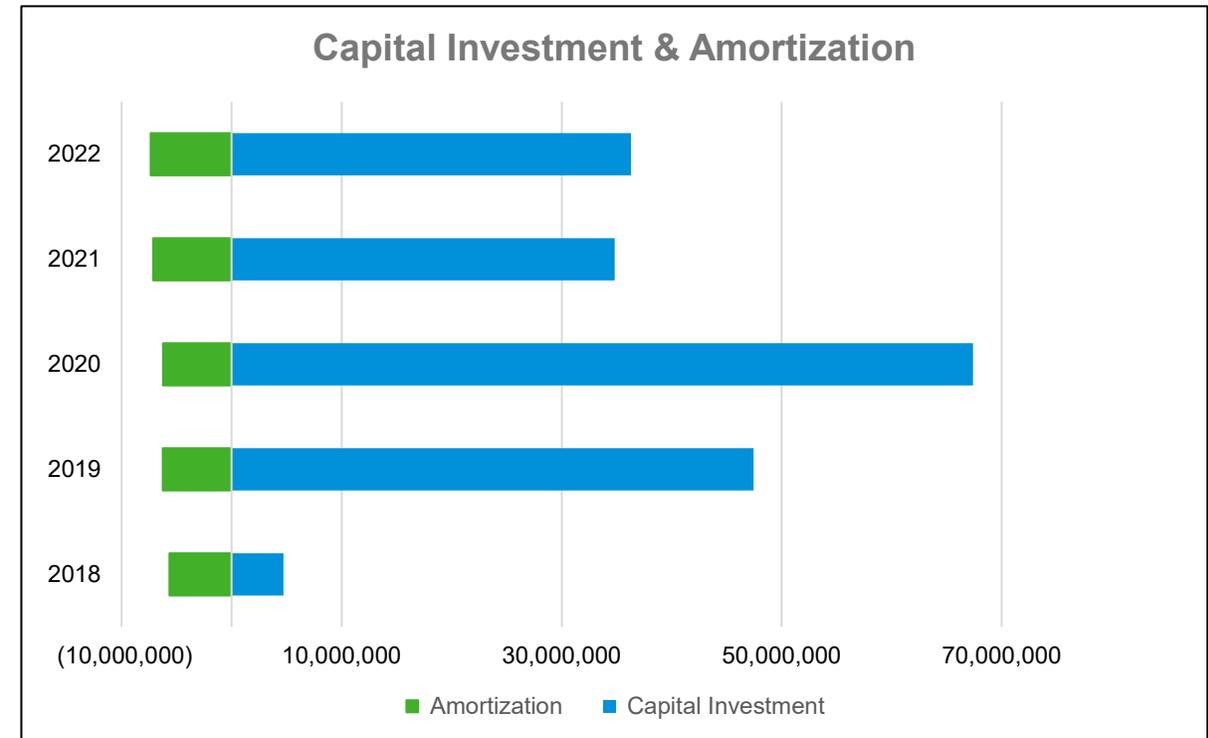
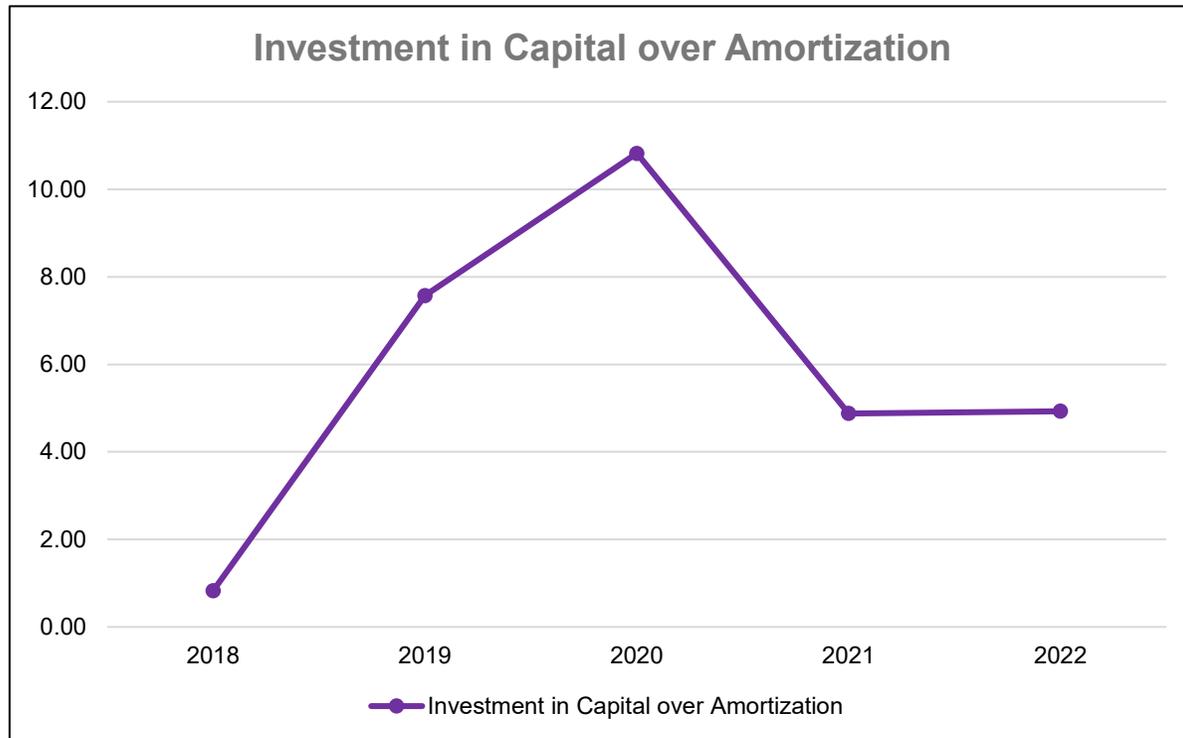




# Appendix 3: Selected Financial Information (Continued)

## 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. In 2022, capital investment outpaced amortization by 4.9 times.



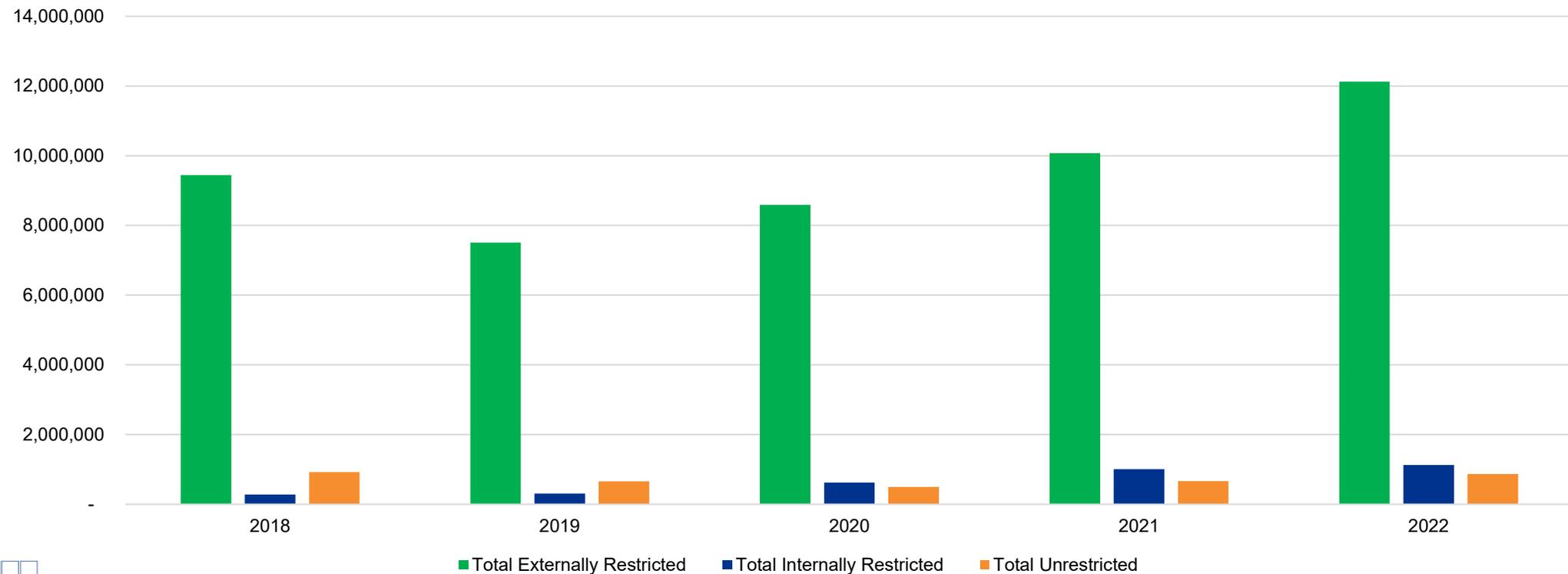


# Appendix 3: Selected Financial Information (Continued)

## 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. The increase in the externally restricted reserve balance represents additions to replacement reserves exceeding amounts spent from reserve.

Reserve Balances





# Appendix 4: Changes in accounting standards

Standard	Summary and implications
<b>Asset retirement obligations</b>	<ul style="list-style-type: none"><li>• The new standard PS 3280 <i>Asset retirement obligations</i> 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. Retirement costs will be recognized as an integral cost of owning and operating tangible capital assets.</li><li>• The asset retirement obligations (“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 if the asset is in productive use.</li><li>• As a result of the new standard, the public sector entity will:<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 ARO and obtain information to estimate the value of potential ARO to avoid unexpected issues.</li></ul></li></ul>



# Appendix 4: Changes in accounting standards (continued)

Standard	Summary and implications
<b>Revenue</b>	<ul style="list-style-type: none"> <li>• The new standard PS 3400 <i>Revenue</i> is effective for fiscal years beginning on or after April 1, 2023.</li> <li>• The new standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement.</li> <li>• The standard notes that in the case of revenue 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 revenue arises 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>
<b>Government not-for-profit strategy</b>	<ul style="list-style-type: none"> <li>• The Public Sector Accounting Board has approved its government not-for-profit (“GNFP”) strategy implementation plan.</li> <li>• The approved strategy option is to incorporate the PS 4200 series of standards with potential customizations into public sector accounting standards. This means reviewing the existing PS 4200 series of standards to determine if they should be retained and added to public sector accounting standards. Incorporating the updated or amended PS 4200 series standards in public sector accounting standards would make the guidance available to any public sector entity. Accounting and/or reporting customizations may be permitted if there are substantive and distinct accountabilities that warrant modification from public sector accounting standards.</li> </ul>



# Appendix 4: Changes in accounting standards (continued)

Standard	Summary and implications
<b>Purchased Intangibles</b>	<ul style="list-style-type: none"><li>• The new Public Sector Guideline 8 <i>Purchased intangibles</i> is effective for fiscal years beginning on or after April 1, 2023 with earlier adoption permitted.</li><li>• The guideline allows public sector entities to recognize intangibles purchased through an exchange transaction. The definition of an asset, the general recognition criteria and GAAP hierarchy are used to account for purchased intangibles.</li><li>• Narrow scope amendments were made to PS 1000 <i>Financial statement concepts</i> to remove the prohibition to recognize purchased intangibles and to PS 1201 <i>Financial statement presentation</i> to remove the requirement to disclose purchased intangibles not recognized.</li><li>• The guideline can be applied retroactively or prospectively.</li></ul>



# Appendix 4: Changes in accounting standards (continued)

Standard	Summary and implications
<b>Concepts Underlying Financial Performance</b>	<ul style="list-style-type: none"> <li>The revised conceptual framework is effective for fiscal years beginning on or after April 1, 2026 with earlier adoption permitted.</li> <li>The framework provides the core concepts and objectives underlying Canadian public sector accounting standards.</li> <li>The ten chapter conceptual framework defines and elaborates on the characteristics of public sector entities and their financial reporting objectives. Additional information is provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts are introduced.</li> </ul>
<b>Financial Statement Presentation</b>	<ul style="list-style-type: none"> <li>The proposed section PS 1202 <i>Financial statement presentation</i> will replace the current section PS 1201 <i>Financial statement presentation</i>. PS 1202 <i>Financial statement presentation</i> will apply to fiscal years beginning on or after April 1, 2026 to coincide with the adoption of the revised conceptual framework. Early adoption will be permitted.</li> <li>The proposed section includes the following: <ul style="list-style-type: none"> <li>Relocation of the net debt indicator to its own statement called 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 total assets followed by total 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> <li>The Public Sector Accounting Board is currently deliberating on feedback received on exposure drafts related to the reporting model.</li> </ul>



# Appendix 5: Insights to enhance your business

We have the unique opportunity as your auditors to perform a deeper dive to better understand your business processes that are relevant to financial reporting.

[Learn more](#)

## Lean in Audit

Lean in Audit™ is KPMG’s award-winning methodology that offers a new way of looking at processes and engaging people within your finance function and organization through the audit.

By incorporating Lean process analysis techniques into our audit procedures, we can enhance our understanding of your business processes that are relevant to financial reporting and provide you with new and pragmatic insights to improve your processes and controls.

Clients like you have seen immediate benefits such as improved quality, reduced rework, shorter processing times and increased employee engagement.

We look forward to discussing how we can use this approach for your audit going forward.

## How it works

<p><b>Standard Audit</b></p>	<p>Typical process and how it's audited</p>	
<p><b>Lean in Audit™</b></p>	<p>Applying a Lean lens to perform walkthroughs and improve Audit quality and minimize risks and redundant steps</p>	
<p><b>How Lean in Audit helps businesses improve processes</b></p>	<p>Make the process more streamlined and efficient for all</p>	

● **Value:** what customers want (**maximize**)     
 ● **Necessary:** required activities (**minimize**)     
 ● **Redundant:** non-essential activities (**remove**)

🔒 Process controls     
 ✔ Key controls tested



# Appendix 6: Upcoming changes to auditing standards

The International Auditing and Assurance Standards Board (IAASB) has issued three new and revised standards to strengthen and modernize the approach to quality management.

These standards address an evolving and increasingly complex environment, including a need for quality management systems that are proactive and adaptable.

	ISQM 1	ISQM 2	ISA 220 (Revised)
<b>Scope</b>	<ul style="list-style-type: none"> <li>Focuses on quality management <b>at the firm</b> level</li> <li>Requires the firm to design, implement and operate a system of quality management (SoQM) to manage the quality of engagements performed by the firm</li> <li>Applies to all firms that perform audits or reviews of financial statements, or other assurance or related services engagements</li> </ul>	<ul style="list-style-type: none"> <li>Focuses on the appointment of the engagement quality (EQ) reviewer and the EQ reviewer's responsibilities relating to the performance and documentation of an EQ review</li> <li>Applies to audits and reviews of financial statements; and other assurance and related services engagements</li> </ul>	<ul style="list-style-type: none"> <li>Focuses on quality management <b>at the engagement</b> level</li> <li>Clarifies and strengthens the key elements of quality management at the engagement level, focusing on the critically important role of the engagement partner and reinforcing the importance of quality to all members of the engagement team</li> <li>Applies to audits of financial statements</li> </ul>
<b>Effective date</b>	Firms are required to: <ul style="list-style-type: none"> <li>have their SoQM designed and implemented by 15 December 2022</li> <li>evaluate the SoQM at least annually, and no later than 15 December 2023 for the first evaluation</li> </ul>	Periods beginning on or after 15 December 2022	Periods beginning on or after 15 December 2022



# Appendix 6: Upcoming changes to auditing standards

## KPMG Global Quality Framework – in practice

Our Global Quality Framework outlines how we deliver quality at KPMG and how every partner and staff member contributes to its delivery. Quality **value drivers** are the cornerstones of our approach underpinned by the **supporting drivers**. **Performing quality engagements** sits at the core with our commitment to continually **monitor and remediate** to fulfil these drivers.

### Live our culture and values

- Foster the right culture, starting with the tone at the top
- Clearly articulate strategy focused on quality, consistency, trust and growth
- Define accountabilities, roles and responsibilities, including for leadership
- Oversee using robust governance structures

### Embrace digital technology

- KPMG Clara
- Intelligent, standards-driven audit workflow
- Digital data and emerging technologies

### Apply expertise and knowledge

- Methodology aligned with professional standards, laws and regulations
- Deep technical expertise and knowledge
- Quality and risk management manual
- Standardized workpapers and guidance

### Nurture diverse skilled teams

- Recruit appropriately qualified and skilled people, including specialists, with diversity of perspective and experience
- Invest in data centric skills – including data mining, analysis and visualization
- Focus on learning and development on technical expertise, professional acumen and leadership skills
- Assign appropriately qualified team
- Recognize quality



### Perform quality engagements

- Critically assess audit evidence, using professional judgement and skepticism
- Direct, coach, supervise and review, including second line of defense and engagement quality review
- Appropriately support and document conclusions
- Monitor engagement milestones
- Consult where necessary

### Associate with the right clients and engagements

- Follow the client acceptance and continuance policies
- Accept appropriate engagements
- Manage portfolio of clients

### Be independent, objective and ethical

- Act with integrity and live our values
- Maintain an objective, independent and ethical mindset, in line with our code of conduct and policies
- Have zero tolerance of bribery and corruption

### Assess risks to quality

- Identify and understand risks to delivering quality engagements and implement effective mitigating controls

### Communicate effectively

- Provide insight, and maintain open and honest two-way communication
- Actively manage information flows within firms and between firms, regions and global
- Conduct and follow-up on the Global people survey
- Issue external communications, including transparency reports

### Monitor and remediate

- Rigorously monitor and measure quality at the local and global level – e.g. Quality performance review
- Obtain, evaluate and act on stakeholder feedback
- Anticipate opportunities to improve quality
- Perform root cause analysis

See [KPMG International's Transparency Report](#) for more information on our approach to audit quality.



# Appendix 7: Audit and assurance insights

Our latest thinking on the issues that matter most to Audit Committees, board of directors and management.

## KPMG Audit & Assurance Insights

Curated research and insights for audit committees and boards.

## Board Leadership Centre

Leading insights to help board members maximize boardroom opportunities

## Current Developments

Series of quarterly publications for Canadian businesses including Spotlight on IFRS, Canadian Securities & Auditing Matters and US Outlook reports.

## Audit Committee Guide – Canadian Edition

A practical guide providing insight into current challenges and leading practices shaping audit committee effectiveness in Canada.

## Accelerate 2023

The key issues driving the audit committee agenda in 2023.

## Momentum

A quarterly newsletter with the latest thought-leadership from KPMG's subject matter leaders across Canada and valuable audit resources for clients.

## KPMG Climate Change Financial Reporting Resource Centre

Our climate change resource centre provides insights to help you identify the potential financial statement impacts to your business.

## IFRS Breaking News

A monthly Canadian newsletter that provides the latest insights on international financial reporting standards and IASB activities.





# Appendix 8: Environmental, Social and Governance (ESG)

## The Importance of Sustainability Reporting



### Sustainability Reporting – Who is impacted?

- **Lenders and underwriters** – increased focus on ESG considerations when making access to capital decisions
- **Investors** – ESG integration has become an investment norm
- **Employees** – ESG has become a key factor in attracting and retaining top talent
- **Consumers** – stakeholders increasingly scrutinize companies' ESG performance and transparency affecting brand acceptance and consumer demand



### Importance to the Audit Committee

- **Regulatory developments** – ESG-related compliance costs and disclosure requirements continue to evolve as rules are finalized
- **Material ESG issues** – Audit Committees should understand stakeholder priorities and the company's material ESG risks and opportunities
- **Value creation** – developing a clear ESG strategy, along with a standardized reporting process can set a company apart from its competitors



### Governance on ESG Data and Sustainability Reporting

- **Data collecting and reporting** – understand the ESG frameworks and reporting standards most commonly adopted in the industry and jurisdiction (benchmark to others in the industry)
- **ESG assurance** – Audit Committees are best positioned to understand which ESG metrics merit assurance. An assurance readiness assessment on Carbon is a common and often recommended first place to start



# Appendix 8: Environmental, Social and Governance (ESG)

All companies are facing climate-related risks and opportunities – and are making strategic decisions in response. The impacts of climate-related risks in the financial statements are broad, potentially complex and will depend on the industry-specific risks.

## How might climate-related risks impact the financial statements?



### 01

#### Assets

Consider the useful lives and residual values of PP&E and intangible assets, cash flow projections used for impairment testing of non-financial assets, and the potential impacts on inventories.

### 02

#### Liabilities

Consider the recognition of environmental and decommissioning obligations, accounting for emissions or 'green' schemes, impact on employee-benefit arrangements, and restructuring provisions.

### 03

#### Borrowers

Consider the accounting for different forms of government assistance, potential for embedded derivatives in green bonds, lease of green technology, impacts of leasing polluting assets.

### 04

#### Lenders

Consider how climate-related risks impact operating and financing leases, the potential impact on expected credit losses, and whether green loans meet the SPPI criterion.

### 05

#### Disclosures

Consider the impact on the going concern assessment and related disclosures and whether the impacts of climate-related matters have been disclosed clearly.

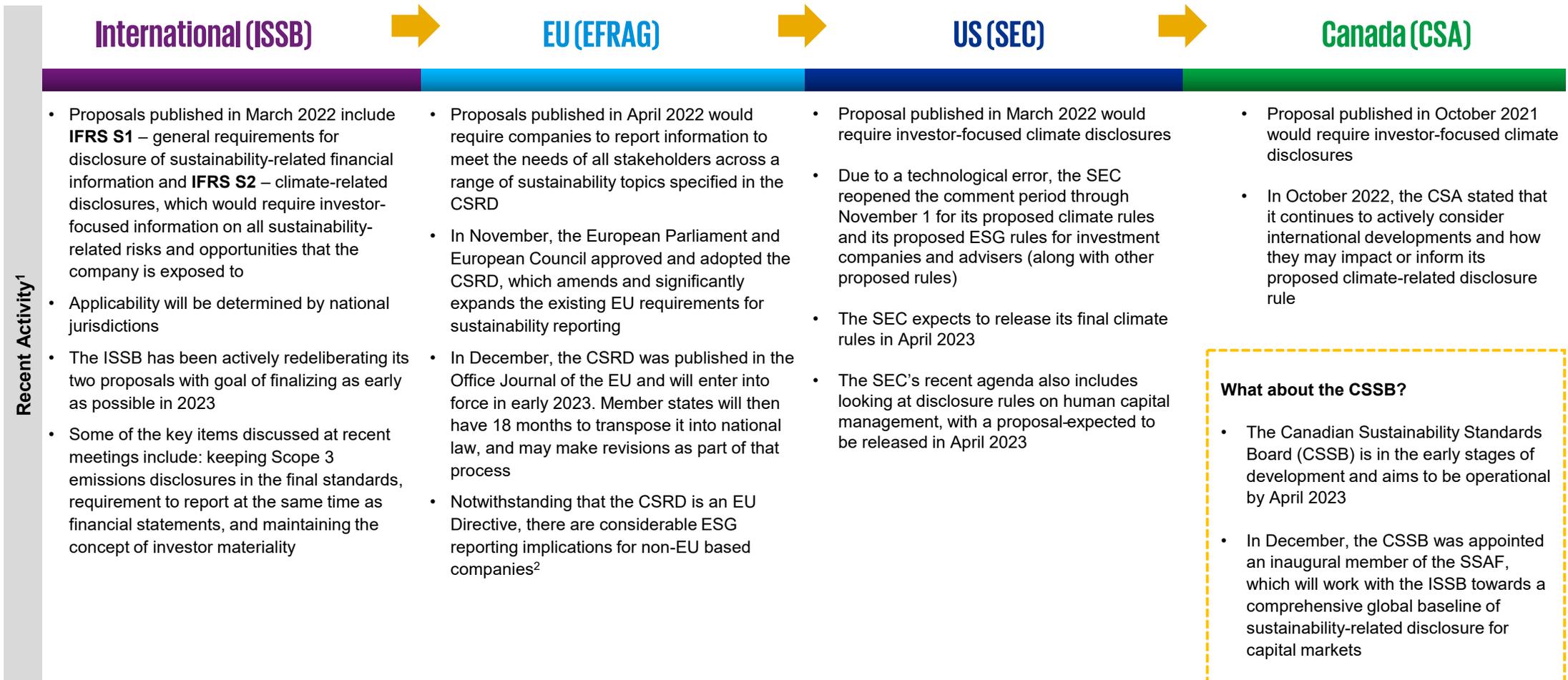


[See here for more information](#)



# Appendix 8: Environmental, Social and Governance (ESG)

## The Sustainability reporting journey: Regulatory update



1. Refer to our [Q4 2022 Current Developments – Spotlight on IFRS](#), [Q4 2022 Current Developments – Canadian Securities](#) and [Q4 2022 US Quarterly Outlook](#) publications for more details

2. Refer to our publication [ESG in Europe – Requirements covering non-EU companies formally adopted](#)



# Appendix 8: Insights to enhance your business

## ESG Discovery | Client journey



### What is ESG Discovery?

ESG Discovery through KPMG Ignition is a 3-hour session held virtually or in-person, bringing you relevant insights to inspire thinking and inspire change.



### Why book an ESG Discovery session?

The consideration of ESG (Environmental, Social and Governance) factors has become critical to the success of organizations across all sectors including yours.



### Time commitment for you and selected individuals

- Sponsor attends 30-min kick-off call
- Provided ESG 101 material and a 15-minute ESG self-assessment questionnaire
- All participate in a 3-hour ESG Discovery session
- Sponsor attends a 30-minute debrief following session with KPMG



### What we'll cover

- Overview of ESG and how it applies to your organization and industry
- Results and analysis of self-assessment
- Identification of ESG stakeholders and their interests
- Scenario planning exercises
- Prioritization of key actions



### Exceptional experience

Explore and better understand your organization's ESG challenges and opportunities through a highly interactive ideation session that will help you prioritize next steps on your ESG journey.



### What you'll get

- An understanding of current and future state impacts of ESG to your organization
- Clarity of the ESG priority areas for your organization going forward – and how KPMG can help



### Next steps

Connect with your KPMG Partner to explore booking an ESG Discovery session for your organization



**kpmg.ca**

© 2023 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

KPMG member firms around the world have 227,000 professionals, in 145 countries.



# Capital Region Housing Corporation

# Detailed Variance Analytics

(Statement of Financial Position)

**Statement of Financial Position**  
**As at December 31, 2022**  
**Variance Analytics - year over year**

	2022	2021	Variance \$	Variance %	Explanation (greater than 150k and 10%)
--	------	------	-------------	------------	-----------------------------------------

**Financial Assets**

Cash and cash equivalents	10,350,289	7,872,078	2,478,211	31%	Cash increase primarily related to increases in capital project activity: increases in AP and capital financing at year end.
Accounts receivable	2,887,911	1,374,220	1,513,691	110%	Accounts receivable increased primarily due to capital project funds receivable at year end.
Prepaid	697,314	628,182	69,132	11%	
Investments	6,500,000	-	6,500,000	100%	New GICs in 2022.
Cash and cash equivalents restricted for RR	8,168,045	6,900,663	1,267,382	18%	RR balance increase due to contributions exceeding spending from RR.
Capital Assets	217,260,292	188,330,922	28,929,370	15%	Increase primarily due to Twenty-Seven Eighty-Two project completion and significant WIP at Caledonia and Michigan redevelopments.
<b>Total Financial Assets</b>	<b>245,863,851</b>	<b>205,106,065</b>	<b>40,757,786</b>	<b>20%</b>	

**Financial Liabilities & Net Assets**

**Current Liabilities**

Accounts payable and other liabilities	4,014,199	2,062,933	1,951,266	95%	AP increase primarily due to the construction draws at Caledonia and Michigan redevelopments payable at year end.
Accrual mortgage interest	336,975	326,483	10,492	3%	
Due to CRD	425,418	80,748	344,670	427%	Due to timing of settling intercompany accounts.
Deferred Revenue	591,704	701,750	(110,046)	-16%	
Security Deposits	1,141,108	1,034,183	106,925	10%	
Short-term capital financing	21,157,445	2,151,025	19,006,420	884%	Primarily due to Twenty-Seven Eighty-Two construction financing converted to mortgage on Jan 1, 2023.
Mortgage payable - current	6,213,290	6,151,134	62,156	1%	
Mortgage payable - renewal	595,492	3,747,610	(3,152,118)	-84%	Mortgages payable renewal portion decreased as a result of fewer mortgages renewing in 2023 than 2022.
Total Current Liabilities	34,475,631	16,255,866	18,219,765	112%	

Mortgages Payable	151,795,738	150,343,987	1,451,751	1%	
-------------------	-------------	-------------	-----------	----	--

Capital Stock	1	1	-	0%	
---------------	---	---	---	----	--

**Net Assets**

Invested in capital assets	46,108,390	26,879,486	19,228,904	72%	Increase driven by increase in capital assets.
Externally restricted	12,127,169	10,076,031	2,051,138	20%	Increase due to net income from portfolio operations and an increase in the replacement reserve balance.
Internally restricted	1,126,460	1,003,312	123,148	12%	
Unrestricted	865,527	664,933	200,594	30%	Increase due to corporate fund net income.
Accumulated rereasurement gains ( losses)	(635,065)	(117,551)	(517,514)	-440%	Due to unrealized losses on investments.
<b>Total Financial Liabilities &amp; Net Assets</b>	<b>245,863,851</b>	<b>205,106,065</b>	<b>40,757,786</b>	<b>20%</b>	

# Capital Region Housing Corporation

# Detailed Variance Analytics

(Statement of Operations)

Capital Region Housing Corporation  
Statement of Operations  
Year ended December 31, 2022  
Variance: year-over-year

	2022	2021	Variance \$	Variance %	Explanation (greater than 150k and 10%)
<b>Revenue</b>					
Tenant rent contributions	21,246,546	18,482,139	2,764,407	15.0%	Increase relates to full occupancy at 3 new buildings: Spencer, West Park, and Hockley House.
BCHMC rent subsidy assistance	302,636	330,338	(27,702)	-8.4%	
BCHMC umbrella operating agreement funding	2,760,874	2,858,390	(97,516)	-3.4%	
Rental management fees - third parties	81,139	79,548	1,591	2.0%	
Investment income	529,936	212,091	317,845	149.9%	Increase relates to increased interest rates at financial institutions.
Guest suites, net	4,371	(1,096)	5,467	-498.8%	
Miscellaneous	275,547	226,598	48,949	21.6%	
Project management fees	411,000	361,732	49,268	13.6%	
Government contributions	18,336,829	5,929,330	12,407,499	209.3%	Increase due to capital grant funding for ongoing construction projects.
<b>Total Revenues</b>	<b>43,948,878</b>	<b>28,479,070</b>	<b>15,469,808</b>	<b>54.3%</b>	
<b>Expenses</b>					
Administration and property management	3,280,235	2,599,269	680,966	26.2%	Increase relates to CUPE and exempt salaries, increases in CRD overhead allocations, and the cost of additional FTEs to support the new buildings.
Amortization	7,359,920	7,140,382	219,538	3.1%	
Property taxes	4,500	28,751	(24,251)	-84.3%	
Insurance	1,267,119	1,139,572	127,547	11.2%	
Maintenance	1,625,882	1,231,145	394,737	32.1%	Increase primarily related to increased ability to access to suites after Covid restrictions were lifted.
Caretakers	1,797,648	1,789,881	7,767	0.4%	
Landscape	402,165	409,285	(7,120)	-1.7%	
Electricity	342,902	402,265	(59,363)	-14.8%	
Land and Improvement leases	299,474	294,000	5,474	1.9%	
Water	1,415,924	1,309,824	106,100	8.1%	
Oil and gas	246,876	174,264	72,612	41.7%	
Garbage	338,958	312,005	26,953	8.6%	
Audit and legal	33,600	33,642	(42)	-0.1%	
Miscellaneous	34,425	33,580	845	2.5%	
Hospitality services ( Parry Place)	321,584	298,093	23,491	7.9%	
Interest on mortgages payable	3,573,882	3,282,707	291,175	8.9%	
Repayment of BCHMC capital contribution	-	-	-	0.0%	
Loss on disposal of capital assets	-	437,439	(437,439)	-100.0%	No disposals this year.
<b>Total Expenses</b>	<b>22,345,094</b>	<b>20,916,104</b>	<b>1,428,990</b>	<b>6.8%</b>	
<b>Excess (deficiency) of revenues over expenses</b>	<b>21,603,784</b>	<b>7,562,966</b>	<b>14,040,818</b>	<b>186%</b>	

# Capital Region Housing Corporation Other Financial Statement Analysis

## Appendix E: Other Financial Statement Analysis

The audit has now been completed. The 2022 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 2022 compared to 2021.

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

Statement of Net Assets & Remeasurement Gains (\$ millions)	2022	2021
Net Assets, Beginning of Year	38.5	31.2
Annual Surplus	21.6	7.5
<b>Subtotal</b>	<b>60.1</b>	<b>38.7</b>
Unrealized loss on investments	(0.5)	(0.2)
<b>Net Assets, End of Year</b>	<b>\$59.6</b>	<b>\$38.5</b>

Total net assets increased from 2021 by \$21.6 million or 56%. \$18.3 of the \$21.6 million annual surplus is a result of increased government grant contributions for various housing construction projects. These grants are recognized as revenue in the year they are spent resulting an annual surplus in 2022. Net assets are offset by (\$0.5) million due to an unrealized 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 2022 to 2021.

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

Statement of Cash Flows (\$ millions)	2022	2021
Operating activities	29.6	15.7
Capital activities	(36.3)	(34.9)
Investing activities	(8.3)	(1.2)
Financing activities	17.4	21.3
<b>Net change in cash &amp; cash equivalents</b>	<b>2.4</b>	<b>0.9</b>
Cash & cash equivalents, beginning of year	7.9	7.0
<b>Cash and cash equivalents, end of year</b>	<b>\$10.3</b>	<b>\$7.9</b>

In 2022, the cash position increased by \$2.4 million. The change in cash was due to \$29.6 million from operating activities for net revenue after expenses, \$17.4 million from financing activities for debt proceeds received, and \$36.3 million paid as construction costs at Twenty-Seven Eighty-Two, Caledonia, and Michigan Square.

## 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.