



**CRHC**  
The Capital Region's Housing Corporation

**CAPITAL REGION HOUSING CORPORATION  
BOARD OF DIRECTORS  
ANNUAL GENERAL MEETING**

**AGENDA**

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9:30 a.m., Tuesday, March 22, 2016  
Room 488, 625 Fisgard St, Victoria, BC

- |   | <u>Att. #</u> |
|---|---------------|
| 1. Approval of Agenda   |               |
| 2. Approval of the Minutes of March 24, 2015  | 16-01         |
| 3. 2015 Annual Report   | 16-02         |
| 4. Presentation of the Audited Financial Statements<br>Appendix A – Auditors Presentation | 16-03         |
| 5. Appointment of Auditors 2016/2017  |               |
| 6. Appointment of Solicitors 2016 / 2017  |               |
| 7. Adjournment  |               |



# CRHC

The Capital Region's Housing Corporation

## Minutes of the Annual General Meeting of the Capital Region Housing Corporation Held March 24, 2015 in Room 488, 625 Fisgard St, Victoria, BC

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**PRESENT: Directors:** R. Cooper (Chair), J. Carline, D. Howe, D. Screech, S. Law, C. Plant, C. Stock (Alternate for A. Finall)

**Staff:** Nils Jensen, CRD Board Chair; R. Lapham, Chief Administrative Officer; C. Culham, Senior Manager; Don Metcalf, Manager of Operations; R. Loukes, Accountant; D. Milonas (Recorder)

**Guests:** P. Bundon, Jawl and Bundon; R. Decksheimer and A. Quesnel, KPMG, Kristin Kemle

**ABSENT: Director:**

The meeting was called to order at 9:34 am

Rick Cooper, (CRHC) Chair provided opening remarks and introduced the Capital Regional District (CRD) Board Chair, Nils Jensen, and CRD Chief Executive Officer Robert Lapham including the guests from KPMG and Jawl & Bundon Solicitors. The CRHC Board of Directors was also introduced.

### 1. APPROVAL OF AGENDA

**MOVED** by Director Howe, **SECONDED** by Director Law  
That the agenda be approved.

**CARRIED**

### 2. 2014 ANNUAL REPORT

Christine Culham presented the 2014 Annual Report and reported on the accomplishments of the CRHC for the past year. .

Christine acknowledged the CRHC staff for their hard work and thanked the CRHC and CRD Board for their commitment to housing in the capital region.

**MOVED** by Director Plant, **SECONDED** by Director Howe  
That the 2014 Annual Report be received.

**CARRIED**

### 3. APPOINTMENT OF SOLICITORS 2015 / 2016

Paul Bundon expressed his pleasure at being associated with the Housing Corporation and noted the strength of the Corporation's management throughout the years. The Housing Corporation continues to provide a very effective leadership role in the community.

**MOVED** by Director Howe, **SECONDED** by Director Screech  
That Paul Bundon, of the law firm of Jawl and Bundon Solicitors be appointed as solicitor for  
the year 2015 – 2016.

**CARRIED**

Director Howe left the meeting at 10:55 am

#### **4. PRESENTATION OF AUDITED FINANCIAL STATEMENTS**

Adam Quesnel of KPMG Chartered Accountants provided an extensive presentation of the  
Audited Financial Statements for the year ending December 31, 2014.

**MOVED** by Director Howe, **SECONDED** by Director Shaw  
That the Audited Financial Statements be approved as presented.

**CARRIED**

#### **5. APPOINTMENT OF AUDITORS 2015 / 2016**

**MOVED** by Director Howe, **SECONDED** by Director Plant  
That KPMG Chartered Accountants be appointed as auditors for the year 2015 – 2016.

**CARRIED**

Robert Lapham, Chief Administrative Officer, commented that we are currently in an exciting  
time right now as we address affordable and accessible rental housing in our communities.  
He thanked Nils Jensen for his dedication to housing over the past months.

Capital Regional District Board Chair, Nils Jensen acknowledged the efficient work of the  
Capital Region Housing Corporation staff and Senior Manager, Christine Culham on caring  
about the needs of our tenants in our community. Providing affordable housing units give  
people pride and confidence that people around the community care about them. The  
Board's service is very much appreciated by the Capital Regional District.

#### **6. ADJOURNMENT**

The meeting was adjourned at 11:19 am

\_\_\_\_\_  
Rick Cooper, Chair

  
\_\_\_\_\_  
Donna Milonas, Recorder

# CAPITAL REGION HOUSING CORPORATION Annual Report 2015



# ANNUAL REPORT 2015

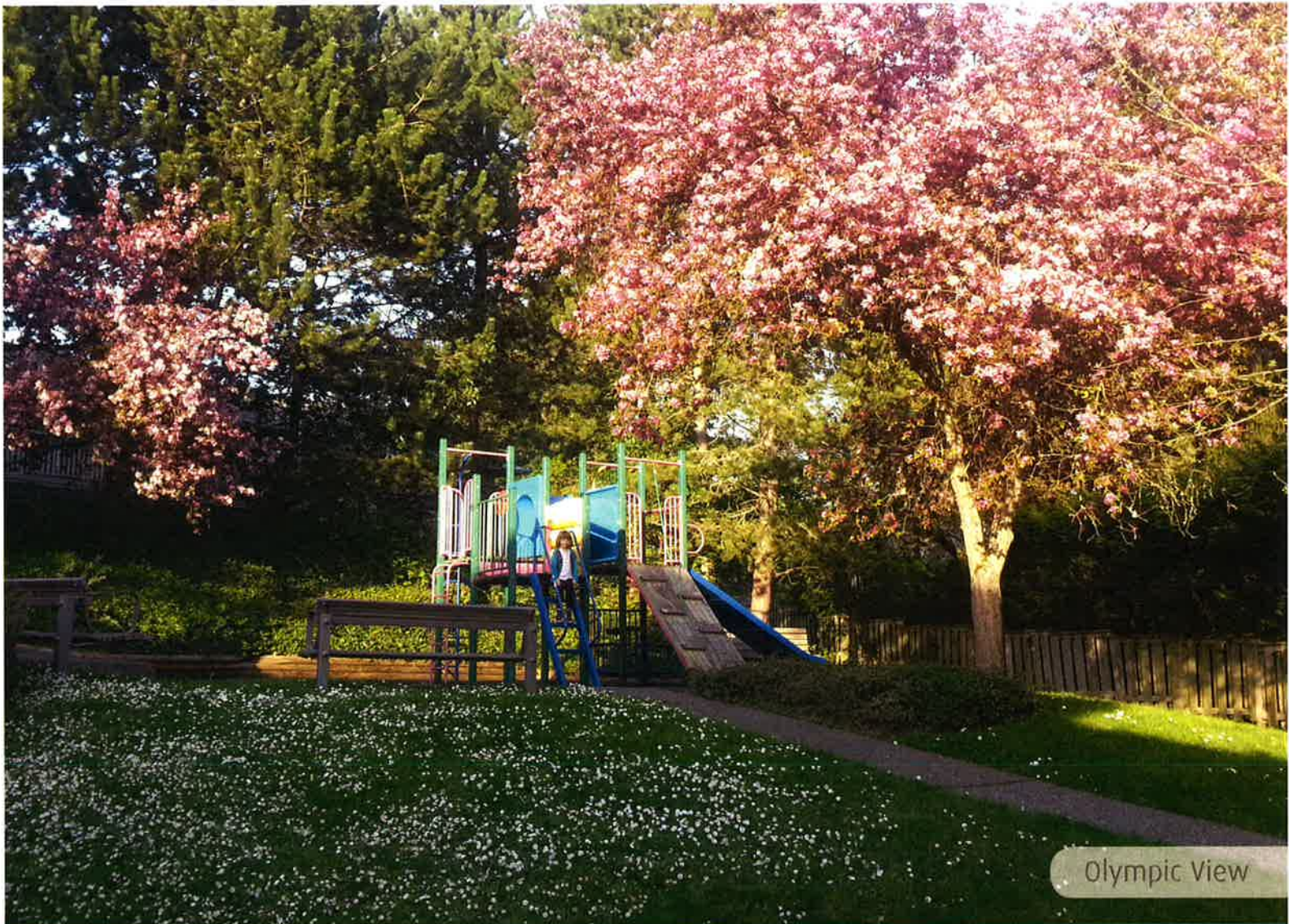


**CRHC**  
The Capital Region's Housing Corporation

Cover photo: Harbour Lane

# MISSION STATEMENT

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



Olympic View

# CRHC BOARD

## Message from the Board Chair



**RICK COOPER**  
BOARD CHAIR  
CAPITAL REGION HOUSING CORPORATION

The Capital Region Housing Corporation is a wholly-owned subsidiary of the Capital Regional District. Our mandate is to develop and manage affordable housing to meet the needs of people living within the capital region.

During the year we received a report prepared by the Community Social Planning Council of Greater Victoria on behalf of the Capital Regional District. The report analyzes both the need for and the supply of affordable housing in the capital region and has some concerning findings.

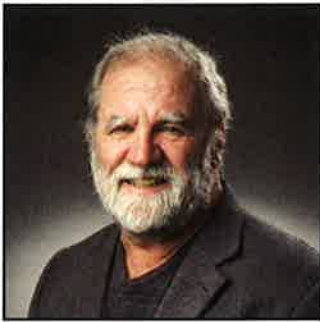
Almost half of people renting (47%) are spending over 30% of their income on housing and more than half of those are spending over 50% of their income.

Affordable housing means that no more than 30% of the tenant's income goes toward shelter costs – rent and utilities. So many residents in the capital region work in part-time or minimum-wage positions that do not provide them with sufficient income to afford market rents in our community. In fact, 39% of all renter households in our community have a gross income of less than \$30,000 per year.

While the CRHC cannot directly alleviate the poverty that is so prevalent in our community, we can help indirectly by building more housing units that are made affordable through the provision of housing subsidies. Currently, 70% of our units are subsidized and we are determined to maintain that proportion. In addition, we must manage our financial resources effectively, particularly by controlling our existing costs so that savings can be used to develop more housing for people in need.

Additional public funds will be necessary if more affordable housing is to be built. Recently, there have been encouraging developments. As I write, all levels of government (federal, provincial and regional) are working on initiatives to develop more affordable housing and the CRHC is anxious to help in bringing these plans to fruition. Our ultimate goal is to see every resident of the capital region living in homes that are adequate, suitable and within their financial means.

## Board of Directors



**Johnny Carline,**  
Secretary-Treasurer, Community  
Member



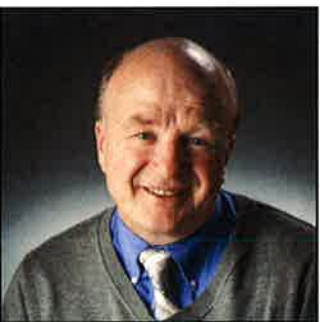
**David Howe,**  
Vice-President, CRD Director,  
Southern Gulf Islands



**Celia Stock,**  
Alternate CRD Director, North  
Saanich



**Sharlene Law,**  
Tenant Representative,  
Community Member



**David Screech,**  
CRD Director, View Royal



**Colin Plant,**  
CRD Director, District of Saanich



## OUR STAFF

2015 was a transformative year for the Capital Region Housing Corporation. The Capital Regional District integrated existing housing functions to create a more effective corporate alignment, evolving the Housing Secretariat into Regional Housing so that the CRHC together with the Housing Planning and Programs, Regional Housing Trust Fund, the Homelessness Partnering Strategy and through

participation in the Greater Victoria Coalition to End Homelessness, the CRD and the CRHC are positioned to be a leader in ensuring housing is accessible and attainable across the diverse spectrum of housing needs in our region.

In 2015 The CRHC Board of Directors were committed to creating an achievable Strategic Plan (2016-2019) focused on the core functions of the Corporation – the management and development of affordable housing, maintaining a focus on those in core housing need. As they move the plan forward with the support of CRHC staff, I want to thank the Board for their continued dedication and service to the Corporation.



A handwritten signature in black ink, appearing to read 'R. Lapham'.

**ROBERT LAPHAM**  
CHIEF ADMINISTRATIVE OFFICER  
CAPITAL REGIONAL DISTRICT



A handwritten signature in black ink, appearing to read 'K. Lorette'.

**KEVIN LORETTE**  
GENERAL MANAGER  
PLANNING & PROTECTIVE SERVICES



A handwritten signature in black ink, appearing to read 'Christine Culham'.

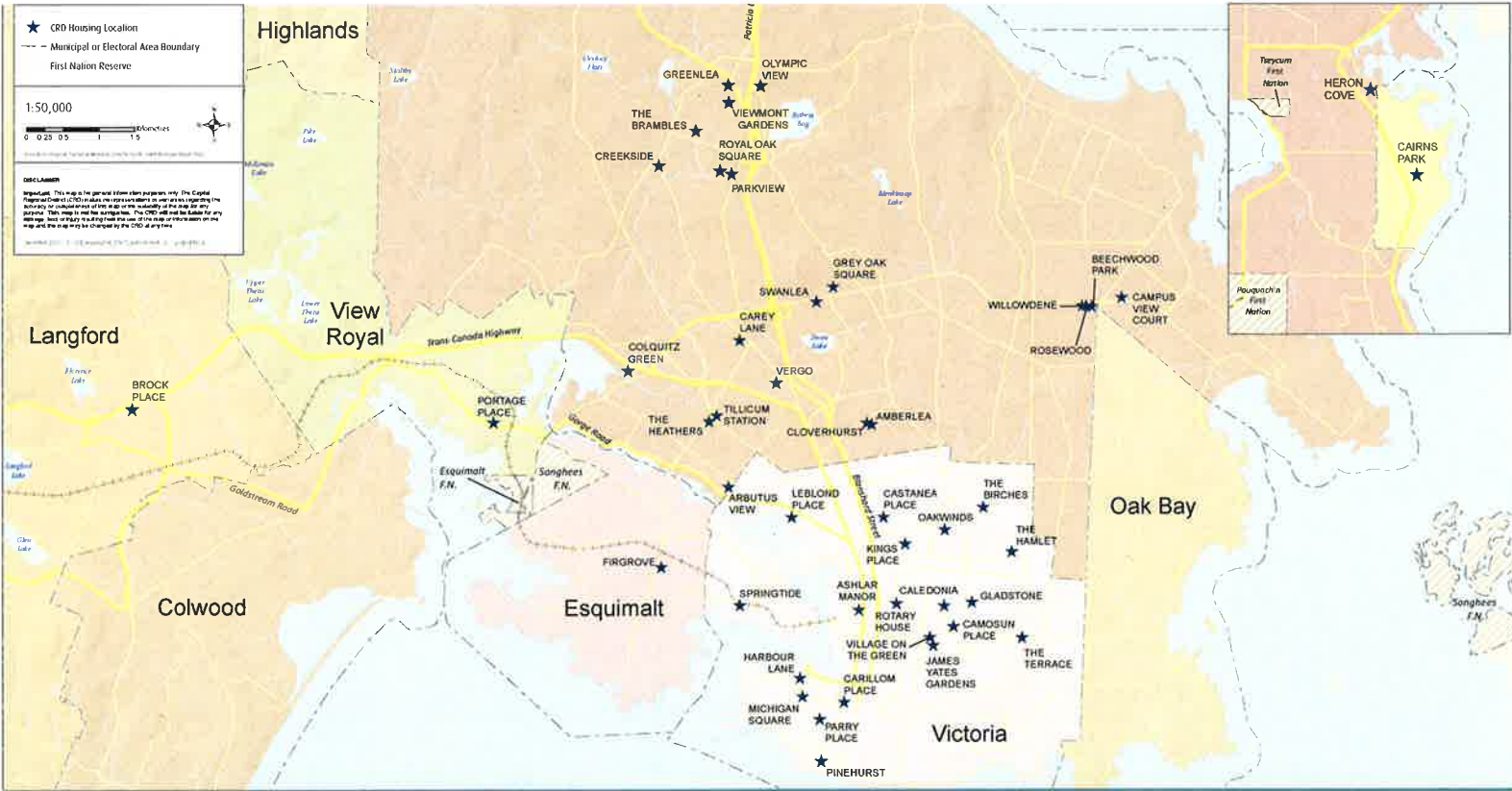
**CHRISTINE CULHAM**  
SENIOR MANAGER  
CAPITAL REGION HOUSING CORPORATION

# OUR ORGANIZATION

The primary activity of the Corporation is the day-to-day management of our buildings, property management services and providing ongoing services to residents.

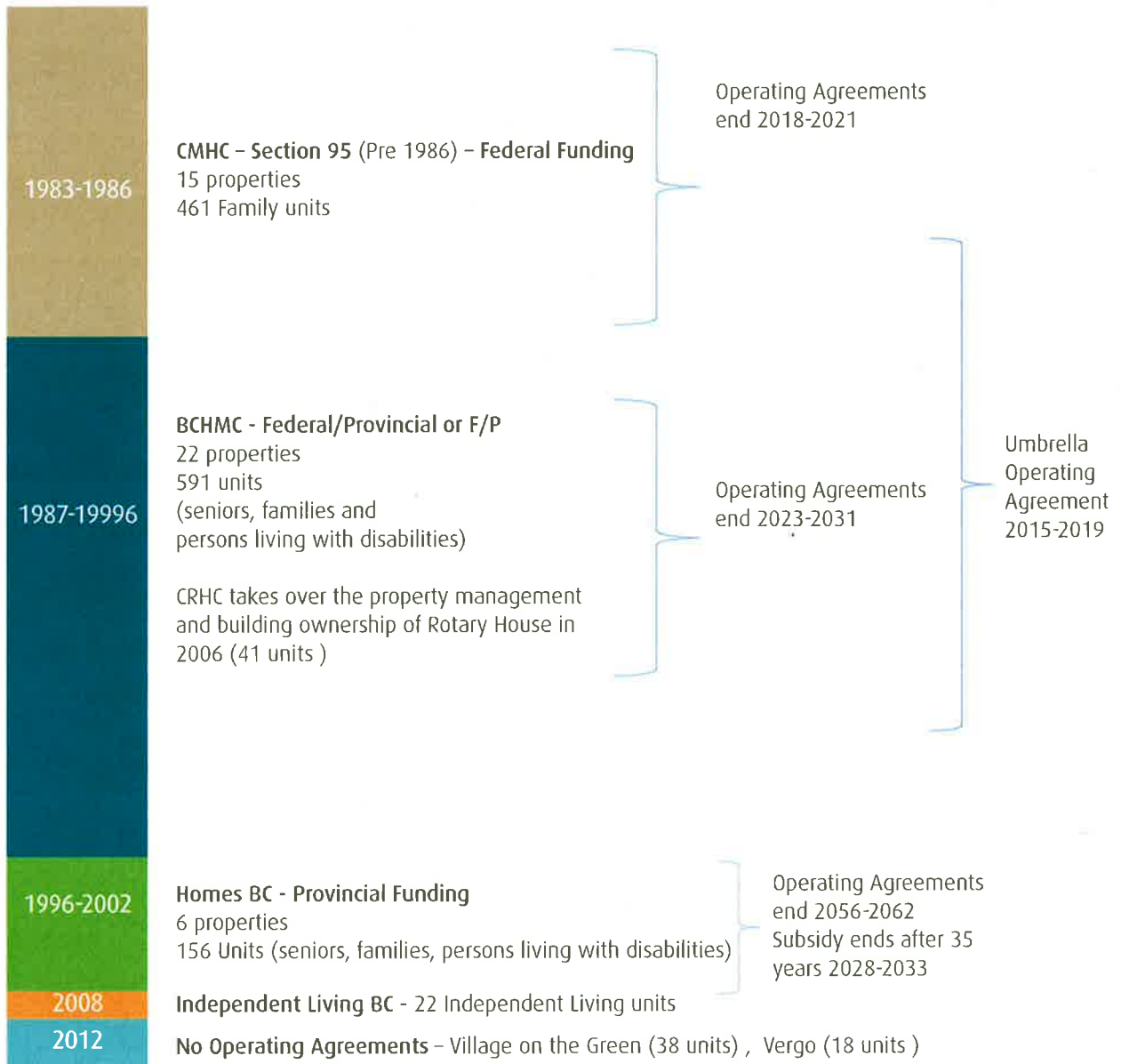
The CRHC also works in partnership with non-profit organizations in delivering rent geared to income housing. These relationships are mutually beneficial in that the non-profits provide their expertise in providing social supports and the CRHC is able to share its expertise in providing the property management services.

**The Capital Region Housing Corporation is a wholly owned subsidiary of the Capital Regional District. It owns and manages 1,286 units in 45 buildings across seven municipalities.**



# HOUSING SUPPLY PROGRAMS

## History of Development



## Housing Demographics

CRHC has 1286 units: 923 family units and 363 single units.

70% of CRHC units are subsidized,  
30% are unsubsidized.



Portage Place

## OUR COMMUNITIES

### Smoke Free Initiative

**Aside from protecting residents from the exposure to second hand smoke, smoke-free policies protect the property from damage and fire.**



In 2015, the CRHC decided to expand smoke free communities to 28 of our 45 properties.

This decision to expand our smoke-free communities was done in consultation with our residents. Staff completed surveys in 38 communities with a 33% return rate. 77% of respondents were supportive or strongly supportive of their communities becoming smoke-free.

Aside from protecting residents from the exposure to second hand smoke, smoke-free policies protect the property from damage and fire. According to Health Canada: Cigarettes are the number one known cause of fire-related fatalities, are the leading cause of residential fires in Canada and fires started by cigarettes tend to result in more deaths and more property damage than fires started by other sources.

Smoking causes damage to units and that results in increased cleaning and painting expenses at unit turnover.

Staff have been directed to review the remaining 18 communities in 2017.

## Crime Free Initiative

CRHC continues to provide support to the Crime Free Multi-Housing Project in both Saanich and Victoria. The Corporation currently maintains 20 buildings designated crime-free; 14 in Victoria and six in Saanich. We held safety socials at two of our Victoria buildings in 2015 as a refresher for residents due to safety concerns.

Working together with the Police, we are helping to empower residents to be a part of the solution in keeping their communities safe. The program increases quality of life and residents' sense of security.



Residents play a huge part in the success of this program as they are the eyes and ears on site.



Rotary House

# OUR NEW INITIATIVES

## Website

**CRHC's new website launched in May 2015. Since then, 33,665 people have visited our site.**

[www.crd.bc.ca/crhc](http://www.crd.bc.ca/crhc)



In 2015, the CRHC team collaborated with the Capital Regional District's Communications and IT departments to develop the new CRHC website.

The CRHC wants to ensure that our residents and the community can easily access important and up to date information about our services 24 hours a day. We wanted to provide residents with another platform for two way communication. It is also an excellent marketing tool where we can provide detailed information for potential residents to make informed choices about living with us at the CRHC.



[About Us](#) | [Tenant Information](#) | [Applying for Housing](#) | [Working With Us](#) | [Contact Staff](#)

### Springtide

[CRD Home](#) > [CRHC](#) > [Applying for Housing](#) > [Information About Properties](#) > [Springtide](#)

#### Applying for Housing

[Applying for Subsidized Housing](#)

[Applying for Non-Subsidized \(Market\) Housing](#)

[Information About Properties](#)

#### Springtide

Located on a good bus route, close shopping and West Song Walkway, Springtide has 1 bedroom subsidized apartments for seniors and people with disabilities.

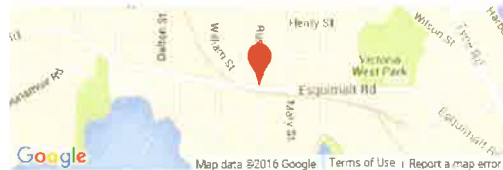
#### Market Housing

If you are interested in finding out more information about our market vacancies, please call 250.388.6422.

#### Subsidized Housing

If you are interested in applying for the CRHC subsidized housing, please go to the [Housing Registry](#).

#### Images



## Occupational Health and Safety

The CRHC Occupational Health and Safety Committee developed and implemented an Occupational Health and Safety Site Inspection process.

Through this process, the OHS committee visited every site within the portfolio and working with the property management and caretaker teams followed up on identified safety risks within our communities.

This important initiative will make our communities safer for our staff and our residents. These inspections will be completed on an annual basis.



**The implementation of Site Safety Inspections helps ensure the safety of our residents, their guests, our staff and our partners.**





## OUR GREEN INITIATIVES

### Community Energy Leadership Program



Kings Place is a 43 unit apartment/townhouse building built in 1997. In 2015, the four boilers providing heating for domestic water needed replacement.

Through the assistance of Fortis BC and The Province of BC Community Energy Leadership Program, CRHC purchased high-efficiency condensing gas boilers rather than replacing with the original technology.

It is estimated that replacing the existing unit with a high-efficiency boiler will reduce Natural Gas consumption by approximately 20%.



Kings Place

## Energy Conservation Assistance Program

The Energy Conservation Assistance Program (ECAP) provides BC Hydro residential account holders on limited budgets with a home energy evaluation, the installation of energy saving products, and personalized energy efficiency advice. All of this is free of charge to the participant.

**ECAP was a great success over the past year and continues to be promoted to our residents with enthusiasm.**

We have been working closely with BC Hydro through Carillion Canada to ensure our residents have a clear understanding of how this program works and how it can save residents money on their BC Hydro bills.

After the resident submits an application to Carillion Canada, a technician assesses the resident's home for upgrades needed to increase energy efficiency. These upgrades include weather stripping, faucet and shower head replacements, and lighting changes.



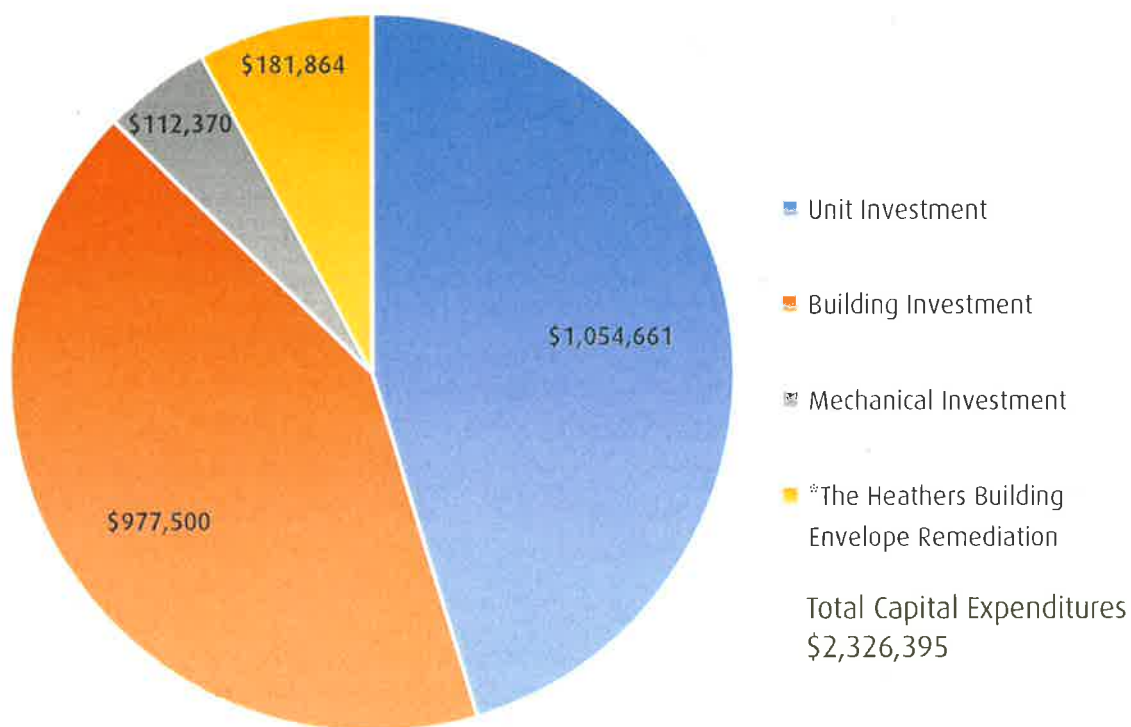
# OUR CAPITAL INVESTMENT

## 5-Year Capital Plan



The CRHC implemented a 5-year Capital Plan in 2015. The 5-year Capital Plan was approved by BC Housing and Management Commission (BCHMC) as a provision of the Umbrella Operating Agreement (UOA) 2015-2019. The 5-year \$11 million plan will support routine replacement and common area upgrades.

A Building Envelope Remediation (BER) started at the Heathers in 2015. Building envelopes are not included as part of the routine replacement. Funding for the BER was provided by BCHMC.





The Heathers was built in 1992. In 2003 it was found to require a Building Envelope Remediation (BER). In 2014 the BCHMC approved the CRHC for a \$2,000,000 forgivable grant to complete the BER at the Heathers. The project is scheduled for completion by Fall 2016.

The Heathers

# OUR FUTURE

## CRHC Board Strategic Priorities 2016-2019



The 2016-2019 Strategic Priorities is an important direction-setting document for the CRHC, providing a mandate to advance action in priority areas that will flow into the operating, business and financial plans, ensuring accountability for successful plan implementation.



The strategic plan is aligned with the Umbrella Operating Agreement 2015-2019, that has allowed the CRHC to increase administrative efficiencies; and has allowed the CRHC greater latitude in managing tenants, rents, subsidies and capital funds across the portfolio.

**The CRHC is proactive and responsive to current and future regional needs and expectations.**

PRIORITY AREA	Goals	Objectives	Key Performance Indicators
<b>Management</b>	Be a good and responsible landlord to those who rent accommodation with the CRHC	<ol style="list-style-type: none"> <li>1. Ensure the CRHC is operating efficiently and effectively</li> <li>2. Maintain Financial Sustainability of the CRHC</li> <li>3. Ensure the CRHC Housing stock is adequately maintained</li> <li>4. Maximize subsidized units</li> <li>5. Ensure Tenant satisfaction</li> </ol>	<ol style="list-style-type: none"> <li>1. a) Annual staff performance planning and evaluation b) Annual Board survey</li> <li>2. Increase net revenue by 1.5 % annually</li> <li>3. Strive to complete one additional building envelope remediation by 2019</li> <li>4. a) Review tenant eligibility policy in 2016 b) Maintain at least 70% rent geared to income in 42 Umbrella Operating agreement properties</li> <li>5. Implement a tenant satisfaction survey with an annual improvement in tenant satisfaction index</li> </ol>
<b>Development</b>	Increase CRHC housing stock to benefit households in core housing need	<ol style="list-style-type: none"> <li>1. Develop strategy to increase development capacity</li> <li>2. Develop priorities to address housing needs</li> <li>3. Implement strategy to increase housing for households in core housing need</li> </ol>	<ol style="list-style-type: none"> <li>1. Adopt strategy by 2016</li> <li>2. Develop priorities by 2016</li> <li>3. Increase housing stock by at least 30 rent geared to income units by 2019</li> </ol>

# FINANCIAL

The CRHC entered into an Umbrella Operating Agreement (UOA) with BC Housing Management Commission (BCHMC) for a five-year term (2015-2019).

The UOA consolidated 42 of the existing operating agreements for our CMHC, BC Housing and Homes BC properties into one agreement.

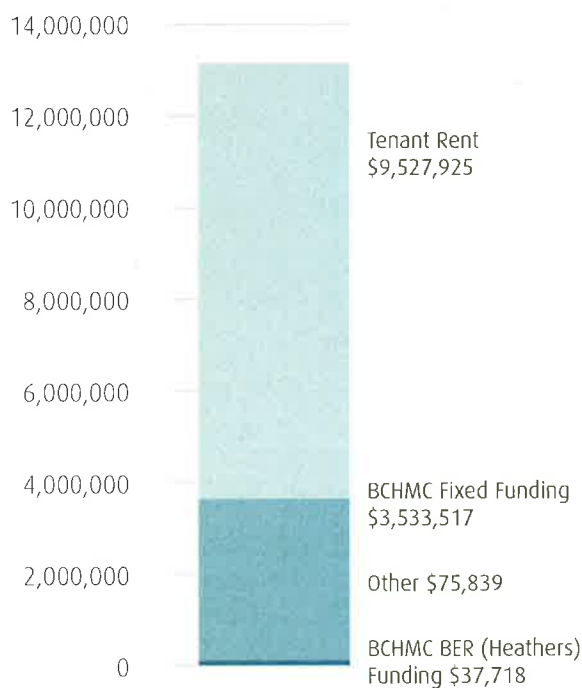
The primary reasons for this agreement were:

- a) To reduce administrative burden or costs for the parties
- b) To allow the CRHC greater latitude in managing the tenants, rents, subsidies and capital funds across the portfolio.

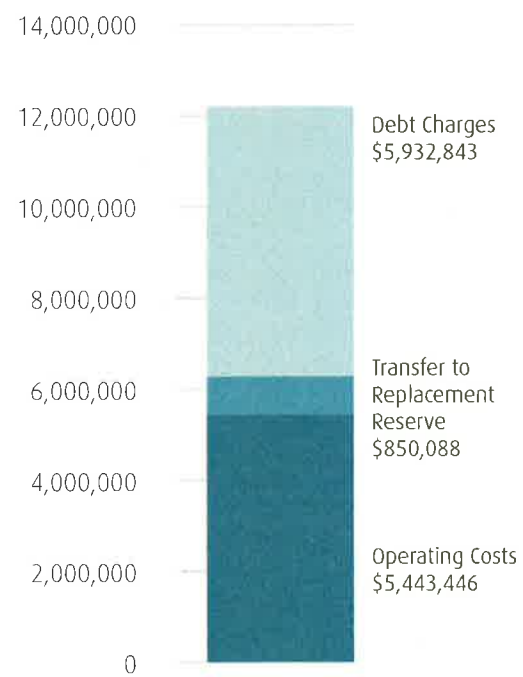
This decision will better position the CRHC to prepare for the expiring of Federal and Provincial operating agreements.

## Umbrella Operating Agreement Portfolio

### Total Revenue By Source



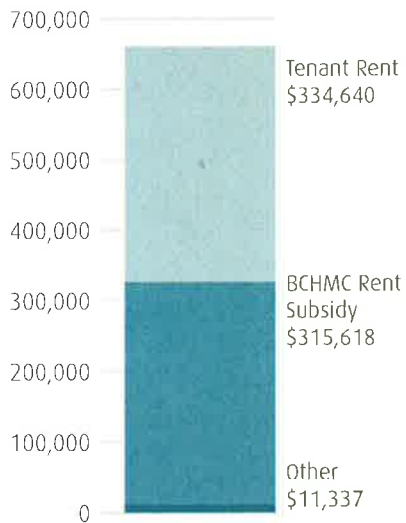
### Expenses by Type



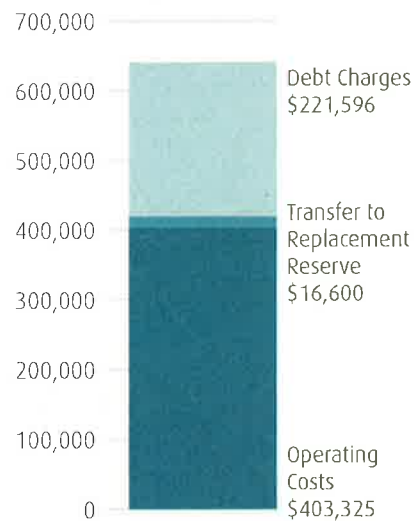
2015 Actual Revenue	\$13,174,999
2015 Actual Expenses	\$12,226,377
<b>Total Operating Surplus</b>	<b>\$948,622</b>

## Independent Living BC - Parry Place

### Total Revenue By Source



### Expenses by Type



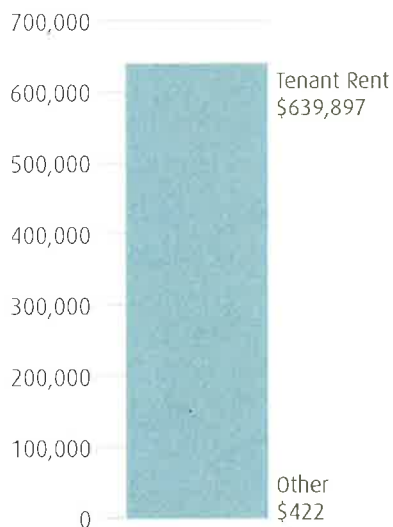
2015  
Actual Revenue  
\$661,595

2015  
Actual Expenses  
\$641,521

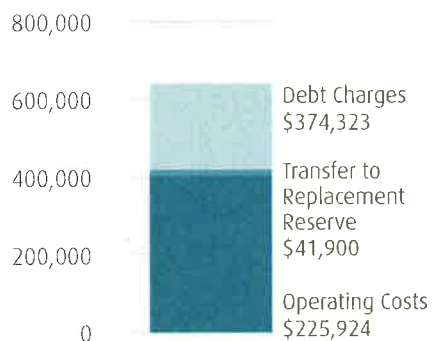
**Total Operating  
Surplus  
\$20,074**

## CRHC - No Operating Agreement

### Total Revenue By Source



### Expenses by Type



2015  
Actual Revenue  
\$640,319

2015  
Actual Expenses  
\$642,147

**Total Operating  
Surplus  
(\$1,828)**



# SCHEDULE OF PROPERTIES

Rental Projects	Operating Agreement Expiry Date	Mortgage Interest Rates	Mortgage Renewal Date (M) matures		2015 Outstanding Mortgage	2015 Insured Asset Value
<b>Umbrella Agreement</b>						
Portage Place	2018	3.680%	August 2018	(M)	\$ 216,380	\$ 3,287,300
Campus View Court	2018	2.110%	September 2018	(M)	170,317	2,430,000
Royal Oak Square	2019	2.710%	March 2019	(M)	515,722	7,285,434
Oakwinds	2020	1.390%	February 2020	(M)	942,989	9,383,000
James Yates Gardens	2019	1.120%	October 2019	(M)	115,570	1,610,460
Pinehurst	2020	1.390%	March 2020	(M)	377,925	4,400,000
The Brambles	2020	1.040%	June 2020	(M)	355,587	3,969,000
The Terraces	2020	1.040%	October 2020	(M)	381,533	4,200,000
Michigan Square	2020	2.260%	August 2016		1,120,441	13,770,000
Olympic View	2021	2.930%	April 2021		1,318,139	11,000,000
Swanlea	2020	3.430%	December 2020		294,185	2,895,000
Firgrove	2021	3.150%	February 2021		684,314	6,000,000
Beechwood Park	2021	3.150%	February 2021		980,263	11,075,850
Grey Oak Square	2021	3.150%	March 2021		525,742	4,590,000
Willowdene	2022	3.680%	December 2018		321,300	2,875,920
Rosewood	2023	3.680%	December 2018		858,973	5,178,000
Gladstone	2023	3.680%	December 2018		459,167	2,738,600
Camosun Place	2024	2.710%	April 2019		241,892	1,589,100
Parkview	2024	3.440%	September 2019		909,019	4,984,836
Carey Lane	2024	3.440%	September 2019		772,595	4,633,500
Colquitz Green	2024	3.510%	February 2020		766,584	4,281,000
Springtide	2025	3.130%	October 2020		1,366,297	7,692,000
Greenlea	2025	3.430%	June 2020		895,700	3,811,950
Arbutus View	2025	3.130%	October 2020		943,459	3,950,700
Amberlea	2025	3.130%	October 2020		1,459,587	6,979,050
Cloverhurst	2025	3.130%	October 2020		407,751	1,950,000
Hamlet	2025	3.430%	February 2021		475,767	1,860,378
Viewmont	2026	2.490%	October 2021		1,424,821	4,800,000
Creekside	2027	3.650%	June 2018		1,434,126	4,183,500
The Birches	2027	3.540%	September 2018		2,288,560	5,991,000
Caledonia	2028	3.650%	June 2018		1,021,181	3,063,900
The Heathers	2028	3.650%	June 2018		1,307,264	3,352,000
Heron Cove	2028	3.680%	December 2018		1,411,252	4,601,334
Castanea Place	2030	3.430%	June 2020		3,852,398	9,803,500
Leblond Place	2031	2.490%	October 2021		2,908,530	10,648,000
Leblond Place -2nd mortgage	N/A	2.150%	March 2025		2,899,254	-
Rotary House	2028	4.370%	March 2018		2,074,950	7,870,000
Cairns Park	2056	4.759%	December 2016		438,001	954,000
Kings Place (subleased)	2027	N/A	N/A		-	7,500,000
Carillon Place	2033	3.220%	June 2024		1,255,944	3,020,000
Brock Place	2059	5.260%	January 2020		3,357,555	5,460,000
Harbour Lane	2061	4.653%	October 2016		3,294,261	6,135,000
Tillicum Station	2062	3.265%	July 2024		4,183,126	7,000,000
<b>ILBC2 Agreement</b>						
Parry Place	2043	3.480%	May 2024		3,930,216	5,000,000
<b>CRHC No Operating Agreement</b>						
Village on the Green	N/A	3.500%	October 2021		2,177,796	6,588,000
Vergo	N/A	3.450%	August 2022		4,196,409	4,545,500
					<u>\$ 61,332,842</u>	<u>\$ 238,936,812</u>

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**CRHC**

The Capital Region's Housing Corporation

Capital Region Housing Corporation

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[www.crd.bc.ca/crhc](http://www.crd.bc.ca/crhc)

**CRD**

Making a difference...together

To Be Approved at  
Annual General Meeting  
March 22, 2016

DRAFT  
@ March 14, 2016

**CAPITAL REGION HOUSING CORPORATION**  
**AUDITED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

# CAPITAL REGION HOUSING CORPORATION

## Financial Statements

December 31, 2015

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

Telephone (250) 480-3500  
Telefax (250) 480-3539  
Internet www.kpmg.ca

## **INDEPENDENT AUDITORS' REPORT**

*To the Shareholder of the Capital Region Housing Corporation*

We have audited the accompanying financial statements of the Capital Region Housing Corporation, which comprise the statement of financial position as at December 31, 2015, the statements of operations, changes in net assets and remeasurement gains and losses and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Capital Region Housing Corporation as at December 31, 2015, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### *Other Matter*

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in the Schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Chartered Accountants  
**March 22, 2016**  
Victoria, Canada

**CAPITAL REGION HOUSING CORPORATION**  
Statement of Financial Position  
December 31, 2015, with comparative information for 2014

	December 31, 2015	December 31, 2014
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (note 2)	\$ 1,920,700	\$ 2,640,264
Accounts receivable	492,427	71,280
Inventory and prepaid expenses	246,339	296,275
	2,659,466	3,007,819
Cash and cash equivalents restricted for replacement reserve (note 2)	6,921,010	6,582,679
Investments (note 3)	3,001,504	3,020,587
Restricted cash held by BCHMC	315,630	315,630
Capital assets (Schedule 3, note 4)	65,147,968	68,328,496
	\$ 78,045,578	\$ 81,255,211
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 816,479	\$ 495,511
Accrued mortgage interest	208,712	224,915
Due to Capital Regional District	24,679	1,998
Deferred revenue	560,354	553,410
Security deposits	518,445	502,204
Mortgages payable principal current portion (Schedule 4)	4,434,447	4,121,551
Mortgages payable principal renewal portion (Schedule 4)	4,603,684	5,329,845
	11,166,800	11,229,434
Mortgages payable (Schedule 4, note 5)	52,294,711	56,259,984
Capital Stock (note 6)	1	1
Net assets:		
Invested in capital assets (note 7)	5,269,028	4,252,877
Externally restricted (note 8)	8,011,938	8,104,698
Internally restricted (note 8)	254,909	252,003
Unrestricted: Corporation stabilization reserve	1,046,687	1,132,644
	14,582,562	13,742,222
Accumulated remeasurement gains	1,504	23,570
	14,584,066	13,765,792
Commitments and contingencies (note 9)		
	\$ 78,045,578	\$ 81,255,211

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

**CAPITAL REGION HOUSING CORPORATION**

Statement of Operations

Year ended December 31, 2015 with comparative information for 2014

	Operating Funds		Restricted Funds		Total 2015	Total 2014
	Corporation	Rental Housing	Capital Fund	Replacement Reserve Fund		
<b>Revenues:</b>						
Tenant rent contributions	\$ -	\$ 10,502,462	\$ -	\$ -	\$ 10,502,462	\$ 10,169,969
BCHMC rent subsidy assistance	-	315,618	-	-	315,618	297,174
BCHMC umbrella operating agreement funding	-	3,533,517	-	-	3,533,517	3,459,528
BCHMC building envelope remediation subsidy	-	37,718	-	-	37,718	-
Rental management fees	931,960	-	-	-	931,960	911,617
Rental management fees - other	87,134	-	-	-	87,134	85,718
Investment income	90,539	-	-	174,273	264,812	387,862
Guest suites, net	3,112	-	-	-	3,112	950
Miscellaneous	43,260	87,598	-	-	130,858	62,121
	1,156,005	14,476,913	-	174,273	15,807,191	15,374,939
<b>Expenses:</b>						
Administration and property management	1,237,228	-	-	-	1,237,228	1,100,764
Amortization - office equipment and vehicles	-	-	2,394	-	2,394	9,640
Amortization - buildings and equipment	-	-	5,315,892	-	5,315,892	5,292,267
Amortization - land leases	-	-	226,350	-	226,350	226,350
Property taxes	-	1,076,737	-	-	1,076,737	1,263,280
Insurance	-	305,857	-	-	305,857	280,250
Maintenance	-	633,660	-	-	633,660	581,339
Caretakers	-	1,014,473	-	-	1,014,473	1,007,650
Landscape	-	313,536	-	-	313,536	286,992
Electricity	-	243,144	-	-	243,144	238,596
Land and Improvement leases	-	241,500	-	-	241,500	294,000
Water	-	641,481	-	-	641,481	632,898
Oil and gas	-	101,618	-	-	101,618	123,461
Garbage	-	200,938	-	-	200,938	187,978
Rental management fee	-	931,444	-	-	931,444	911,142
Audit and legal	-	30,700	-	-	30,700	31,272
Miscellaneous	-	14,413	-	-	14,413	13,324
Hospitality services (Parry)	-	285,262	-	-	285,262	285,107
Interest on long term debt	-	2,150,224	-	-	2,150,224	2,383,354
	1,237,228	8,184,987	5,544,636	-	14,966,851	15,149,664
Excess (deficiency) of revenues over expenses before:	(81,223)	6,291,926	(5,544,636)	174,273	840,340	225,275
Recovery BCHMC/Homes BC 2011/2012 deficit	-	-	-	-	-	23,970
Recovery BCHMC 2012/2013 ILBC2 subsidy underpayment	-	-	-	-	-	23,444
<b>Excess (deficiency) of revenues over expenses</b>	<b>\$ (81,223)</b>	<b>\$ 6,291,926</b>	<b>\$(5,544,636)</b>	<b>\$ 174,273</b>	<b>\$ 840,340</b>	<b>\$ 272,689</b>

See accompanying notes to financial statements.



**CAPITAL REGION HOUSING CORPORATION**

Statement of Changes in Net Assets and Remeasurement Gains/Losses

Year ended December 31, 2015, with comparative information for 2014

	Operating Funds		Restricted Funds			Total 2015	Total 2014
	Corporation	Rental Housing (Schedule 5)	Capital Fund	Replacement Reserve Fund (Schedule 1)	Remeasurement Gains/Losses		
Net assets, beginning of year	\$ 1,303,694	\$ 1,602,972	\$ 4,252,877	\$ 6,582,679	\$ 23,570	\$ 13,765,792	\$ 13,541,912
Excess (deficiency) of revenues over expenses	(81,223)	6,291,926	(5,544,636)	174,273	-	840,340	272,689
Interfund transfers:							
Mortgage principal repayments	-	(4,378,538)	4,378,538	-	-	-	-
Replacement reserve transfers	-	(2,308,588)	-	2,308,588	-	-	-
Replacement reserve expenditures	-	-	2,144,531	(2,144,531)	-	-	-
Capital assets acquired - Heathers BER	-	(37,718)	37,718	-	-	-	-
Family self sufficiency program transfers	214	(214)	-	-	-	-	-
	214	(6,725,058)	6,560,787	164,057	-	-	-
Unrealized losses on investments	-	-	-	-	(22,066)	(22,066)	(48,809)
Realized losses on investments, reported in operations	-	-	-	-	-	-	-
	-	-	-	-	(22,066)	(22,066)	(48,809)
<b>Net assets, end of year</b>	<b>\$ 1,222,685</b>	<b>\$ 1,169,840</b>	<b>\$ 5,269,028</b>	<b>\$ 6,921,009</b>	<b>\$ 1,504</b>	<b>\$ 14,584,066</b>	<b>\$ 13,765,792</b>

See accompanying notes to financial statements

**CAPITAL REGION HOUSING CORPORATION**

## Statement of Cash Flows

Years ended December 31, 2015, with comparative information for 2014

	Total 2015	Total 2014
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	\$ 840,340	\$ 272,689
Items not involving cash:		
Amortization	5,544,636	5,528,257
Changes in non-cash assets and liabilities:		
Increase in accounts receivable	(421,147)	(5,155)
Decrease (increase) in inventory and prepaid expenses	49,936	(61,056)
Increase (decrease) in accounts payable and accrued liabilities	320,968	(36,810)
Decrease in accrued mortgage interest	(16,203)	(19,199)
Increase (decrease) in deferred revenue	6,944	(11,031)
Increase (decrease) in security deposits	16,241	(5,706)
Increase due from Capital Regional District	22,681	2,839
	6,364,396	5,664,828
Investing activities:		
Decrease (increase) in restricted cash and cash equivalents	(338,331)	494,287
Increase in investments	(2,983)	(2,446)
	(341,314)	491,841
Capital activities:		
Acquisition of capital assets	(2,364,108)	(1,581,041)
	(2,364,108)	(1,581,041)
Financing activities:		
Repayment of long-term debt	(4,378,538)	(4,295,671)
	(4,378,538)	(4,295,671)
Net change in cash and cash equivalents	(719,564)	279,957
Cash and cash equivalents, beginning of year	2,640,264	2,360,307
Cash and cash equivalents, end of year	\$ 1,920,700	\$ 2,640,264

See accompanying notes to financial statements.

**CAPITAL REGION HOUSING CORPORATION**  
**Notes to Financial Statements**

**Year ended December 31, 2015**

**General**

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

**1. Significant accounting policies**

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

a) Revenue Recognition

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

b) Fund Accounting

i. Operating Funds

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

ii. Capital Fund

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

**CAPITAL REGION HOUSING CORPORATION**  
**Notes to Financial Statements (continued)**

**Year ended December 31, 2015**

iii. Replacement Reserve Fund

In accordance with the agreements with BCHMC, a Replacement Reserve Fund has been established for each building to pay for the replacement of worn-out capital equipment and other approved items. The Replacement Reserves are funded by an annual transfer from the Rental 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 over their estimated useful lives is provided on the straight-line basis at the following rates:

Asset	Rate
Land leases – BCHMC projects	60 years
Land lease – CMHC project	41 years
Land lease – Rotary House	29 years
Buildings	35 years
Equipment	10 years
Vehicles	5 years

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

d) Debt Retirement

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

e) Operating Agreements

i. Umbrella

Effective April 1, 2012, the Corporation signed a thirty-three month Interim Umbrella Operating Agreement (the "Umbrella Agreement") with BCHMC to consolidate three operating agreements, with a total of 42 buildings (1,209 units), into one agreement with the intent 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 ending 2019.

**CAPITAL REGION HOUSING CORPORATION**  
**Notes to Financial Statements (continued)**

**Year ended December 31, 2015**

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

a). CMHC

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

b). BCHMC

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

c). Homes BC Program

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

ii. Independent Living BC II Program

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

iii. CRHC No Operating Agreement

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

f) Allocation of Investment Income

Funds available for investment are pooled and interest revenue is allocated to restricted funds at the rate of average prime minus .4% (2014: average prime plus 1%).

**CAPITAL REGION HOUSING CORPORATION**  
**Notes to Financial Statements (continued)**

**Year ended December 31, 2015**

g) **Financial Instruments**

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

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

Long-term debt is recorded at cost.

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 items subject to such estimates and assumptions include amortization of capital assets. Actual results could differ from those estimates.

**2. Cash and Cash Equivalents**

Cash and cash equivalents have a maturity of three months or less at acquisition and are held for the purpose of meeting short-term cash commitments. Included in cash and cash equivalents are investments in the Municipal Finance Authority of British Columbia (MFA) Bond, Intermediate and Money Market Funds.

**CAPITAL REGION HOUSING CORPORATION**  
**Notes to Financial Statements (continued)**

Year ended December 31, 2015

**3. Investments**

	Valuation	2015	2014
Chartered banks - Bonds	Fair Value	\$ -	\$ 2,020,587
Chartered banks - Term Deposits	Cost	3,001,504	1,000,000
		\$ 3,001,504	\$ 3,020,587

**4. Capital Assets**

December 31, 2015	Cost	Accumulated Amortization	Net Book Value
Land	\$ 9,496,053	\$ -	\$ 9,496,053
Land under lease	12,601,318	4,835,875	7,765,443
Buildings	104,778,872	65,129,617	39,649,255
Equipment and other	28,035,648	19,798,431	8,237,217
	\$154,911,891	\$89,763,923	\$65,147,968

December 31, 2014	Cost	Accumulated Amortization	Net Book Value
Land	\$ 9,496,053	\$ -	\$ 9,496,053
Land under lease	12,601,318	4,609,525	7,991,793
Buildings	104,559,295	61,869,344	42,689,951
Equipment and other	25,891,117	17,740,418	8,150,699
	\$152,547,783	\$84,219,287	\$68,328,496

**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.

**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.

**CAPITAL REGION HOUSING CORPORATION**  
**Notes to Financial Statements (continued)**

**Year ended December 31, 2015**

**7. Invested in Capital Assets**

Investment in capital assets is calculated as follows:

	December 31, 2015	December 31, 2014
Capital assets	\$65,147,968	\$68,328,496
Accounts receivable	420	420
Interfund due (to)/from	1,290,815	1,322,433
Restricted cash	315,630	315,630
Accounts payable and accrued liabilities	(152,963)	(2,722)
Mortgages payable	(61,332,842)	(65,711,380)
	<b>\$ 5,269,028</b>	<b>\$ 4,252,877</b>

**8. Restricted Net Assets**

Externally restricted net assets:

	December 31, 2015	December 31, 2014
Replacement reserve fund (Schedule 1)	\$6,921,009	\$6,582,679
CMHC/BCHMC/Homes BC operating agreements	(3,948)	(3,948)
Portfolio stabilization reserve – umbrella agreement (Schedule 2)	1,080,220	1,531,598
Portfolio stabilization reserve – ILBC2 agreement (Schedule 2)	14,443	(5,631)
Family self sufficiency program	214	-
	<b>\$8,011,938</b>	<b>\$8,104,698</b>

Internally restricted net assets:

	December 31, 2015	December 31, 2014
Portfolio stabilization reserve – no operating agreement (Schedule 2)	\$ 79,125	\$ 80,953
Guest suite surplus	27,200	24,089
Vehicle replacement reserve	82,679	80,731
Equipment Replacement Reserve	65,905	66,230
	<b>\$254,909</b>	<b>\$252,003</b>



**CAPITAL REGION HOUSING CORPORATION**  
**Notes to Financial Statements (continued)**

**Year ended December 31, 2015**

**9. Commitments and Contingencies**

a) Related Party Transactions

The Corporation is a wholly owned subsidiary of the Capital Regional District (CRD). The Corporation committed to a sixty year lease for certain land from the CRD at the agreed upon price of \$525,000 which was recognized as a 1997 acquisition in the Capital Fund. In 2011, the CRD contributed the Mt. View Heights affordable family housing parcel at a fair market value of \$1,123,850 to the Corporation for the Vergo townhouse development.

On February 27, 2015 the CRD purchased 22 properties from the Provincial Rental Housing Corporation (PRHC) for \$9,301,740. These lands were originally leased to the Corporation for sixty year periods. The terms of the prepaid capital leases will continue to be in effect. This acquisition will enable the CRD to effectively own the majority of its assets and gain more control over the management, operation and long-term sustainability of its social housing properties.

During 2015, the Corporation purchased, at cost, \$135,560 (2014: \$130,340) of administrative support services and \$48,350 (2014: \$45,022) of computer support services from the CRD.

b) Sublease of Kings Place Housing Development

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

c) Building Envelope Remediation (BER)

Prior to the signing of the Umbrella Agreement in 2012, BCHMC provided funding for building envelope failure remediation for BCHMC and Homes BC buildings. BCHMC may require repayment of certain BER subsidies. Repayment would be funded by second mortgages.

Funding for future BER for all buildings except No Operating Agreement buildings, Village on the Green and Vergo, is subject to future negotiations with BCHMC. In 2014, BCHMC entered into an agreement with the Corporation to fund the Heathers BER with a 35 year forgivable mortgage up to a maximum of \$2M. Heathers BER capital budget \$1,287,120; costs of \$181,864 at December 31, 2015. Anticipated completion date Fall, 2016.

d) Homes BC Program Repayable Assistance

Under the final Umbrella Agreement the Homes BC program repayable assistance no longer applies as of April 1, 2012. Any outstanding repayable assistance balances owed by the Corporation to BCHMC will be forgiven at a rate of 1/5 each year commencing January 1, 2015. Total repayable assistance at December 31, 2015 is \$1,899,866 (2014: \$2,374,832).

**CAPITAL REGION HOUSING CORPORATION**  
**Notes to Financial Statements (continued)**

**Year ended December 31, 2015**

**10. Pension Liability**

The Corporation and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trustee pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. As at December 31, 2014, the Plan has about 185,000 active members and approximately 80,000 retired members. Active members include approximately 28 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 method. This method produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the Plan. This rate is then adjusted for the amortization of any funding surplus or deficit.

The latest actuarial valuation as at December 31, 2012 indicated a \$1,370 million deficit for basic pension benefits on a going concern basis.

The Corporation paid \$146,209 for employer contributions to the Plan in fiscal 2015 (2014: \$136,696). The next valuation will be as at December 31, 2015, with results available in 2016.

If an employer withdraws from the Plan, the Plan's administrative agent may request an actuarial valuation of the Plan to be performed, as of the withdrawal date. If a valuation is performed and the actuary determines that contribution rates to the Plan would have to increase for the remaining employers as a result of the entity's termination, the employer must pay to the Plan the amount necessary for the contribution rates to stay the same. 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, with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the Plan.

**11. Financial risks and concentration of credit 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, 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, 2015 is the carrying value of these assets.

**CAPITAL REGION HOUSING CORPORATION**  
**Notes to Financial Statements (continued)**

**Year ended December 31, 2015**

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 income statement. Subsequent recoveries of impairment losses related to accounts receivable are credited to the income statement. The balance of the allowance for doubtful accounts at December 31, 2015 is \$0.

The maximum exposure to investment credit risk is the carrying value of the assets. There have been no significant changes to the credit risk exposure from 2014.

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 schedule 4. There have been no significant changes to the liquidity risk exposure from 2014.

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 2014.

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's investments, including bonds and term deposits, are disclosed in note 3 and changes in market interest rates directly impact the fair value of the investments.

The Corporation's mortgage interest rates are fixed rate mortgages and are subject to interest rate risk upon renewal. The interest rate risk is mitigated by the subsidy assistance received from BCHMC and CMHC which is based on mortgage principal and interest payments. There has been no change to the interest rate risk exposure from 2014.

**CAPITAL REGION HOUSING CORPORATION**  
Changes in Replacement Reserve Fund

SCHEDULE 1

Year ended December 31, 2015

	Balance at December 31 2014	Transfer from Rental Operating Fund	Transfer from UOA Stabilization Reserve	Interest	Transfer to Capital Fund	Balance at December 31 2015
<b>Umbrella Agreement</b>						
Portage Place	\$ 374,907	\$ 28,000	\$ -	\$ 9,325	\$ (13,383)	\$ 398,849
Campus View Court	125,239	20,400	-	2,537	(50,144)	98,032
Royal Oak Square	560,054	47,000	-	10,292	(307,244)	310,102
Oakwinds	816,973	68,000	-	20,085	(47,514)	857,544
James Yates Gardens	170,903	13,400	-	3,864	(36,593)	151,574
Pinehurst	406,365	37,800	-	9,862	(33,822)	420,205
The Brambles	189,612	26,300	-	4,100	(55,369)	164,643
The Terraces	561,934	25,000	-	13,198	(81,403)	518,729
Michigan Square	274,486	51,000	-	6,391	(44,178)	287,699
Olympic View	498,994	71,000	-	11,485	(90,837)	490,642
Swanlea	152,470	16,000	-	3,726	(10,678)	161,518
Firgrove	31,574	37,300	-	-	(37,991)	30,883
Beechwood Park	(671,388)	38,000	736,914	978	(53,803)	50,701
Grey Oak Square	192,554	27,000	-	2,936	(153,207)	69,283
Willowdene	(230,479)	-	258,950	360	(28,470)	361
Rosewood	128,440	-	-	2,736	(40,750)	90,426
Gladstone	30,383	27,720	-	647	(9,682)	49,068
Camosun Place	68,378	13,978	-	1,709	(1,769)	82,296
Parkview	143,320	46,936	-	3,150	(37,832)	155,574
Carey Lane	55,166	44,592	-	-	(75,180)	24,578
Colquitz Green	79,858	36,033	-	1,871	(11,898)	105,864
Springtide	97,449	-	-	1,584	(69,799)	29,234
Greenlea	(187,603)	-	209,255	274	(21,652)	274
Arbutus View	(23,524)	-	72,584	621	(49,057)	624
Amberlea	269,588	-	-	6,574	(19,937)	256,225
Cloverhurst	55,962	-	-	1,338	(6,253)	51,047
Hamlet	(36,818)	-	55,562	237	(18,746)	235
Viewmont	113,944	39,539	-	2,603	(22,308)	133,778
Creekside	(81,923)	44,574	66,735	-	(29,386)	-
The Birches	82,419	-	-	1,654	(34,207)	49,866
Caledonia	32,695	-	-	660	(13,293)	20,062
The Heathers	134,166	-	-	3,293	(8,253)	129,206
Heron Cove	180,832	-	-	4,254	(25,664)	159,422
Castenea Place	475,687	-	-	11,641	(31,887)	455,441
Leblond Place	287,717	-	-	6,807	(37,806)	256,718
Rotary House	48,017	35,077	-	-	(78,167)	4,927
Cairns Park	68,831	4,970	-	1,428	(24,839)	50,390
Kings Place	79,971	50,469	-	-	(122,360)	8,080
Carillon Place	101,864	-	-	1,520	(83,686)	19,698
Brock Place	74,083	-	-	1,374	(39,635)	35,822
Harbour Lane	193,081	-	-	4,430	(36,245)	161,266
Tillicum Station	257,071	-	-	6,184	(25,716)	237,539
<b>ILBC2 Agreement</b>						
Parry Place	88,454	16,600	-	1,319	(72,727)	33,646
<b>CRHC No Operating Agreement</b>						
Village on the Green	287,070	34,900	-	6,793	(37,592)	291,171
Vergo	23,903	7,000	-	433	(13,569)	17,767
	<b>\$ 6,582,679</b>	<b>\$ 908,588</b>	<b>\$ 1,400,000</b>	<b>\$ 174,273</b>	<b>\$ (2,144,531)</b>	<b>\$ 6,921,009</b>

**CAPITAL REGION HOUSING CORPORATION**

**SCHEDULE 2**

Changes in Portfolio Stabilization Reserves

Year ended December 31, 2015

	Balance at December 31 2014 (see note below)	Transfer (to) Replacement Reserve Fund	Transfer from/(to) Rental Operating Fund (Schedule 5)	Balance at December 31 2015
<b><u>Umbrella Agreement</u></b>				
CMHC	\$ 1,942,191	\$ (736,914)	\$ 705,517	\$ 1,910,794
BCHMC	(451,880)	(663,086)	90,823	(1,024,143)
Homes BC	41,287	-	152,282	193,569
	<u>1,531,598</u>	<u>(1,400,000)</u>	<u>948,622</u>	<u>1,080,220</u>
<b><u>ILBC2 Agreement</u></b>				
Parry Place	(5,631)	-	20,074	14,443
	<u>(5,631)</u>	<u>-</u>	<u>20,074</u>	<u>14,443</u>
<b><u>CRHC No Operating Agreement</u></b>				
Village on the Green	187,629	-	67,631	255,260
Vergo	(106,676)	-	(69,459)	(176,135)
	<u>80,953</u>	<u>-</u>	<u>(1,828)</u>	<u>79,125</u>
	<u>\$ 1,606,920</u>	<u>\$ (1,400,000)</u>	<u>\$ 966,868</u>	<u>\$ 1,173,788</u>

Note: effective April 1, 2012 the Interim Umbrella Operating Agreement required -

- 1) the external restricted balances for Homes BC and ILBC2 be restated as Portfolio Stabilization Reserves.
- 2) the Subsidy Surplus Reserve Fund be closed and the balances be transferred to the respective Portfolio Stabilization Reserves.

**CAPITAL REGION HOUSING CORPORATION**

**SCHEDULE 3**

Capital Assets

Year ended December 31, 2015

		Cost								
		Land Under	Equipment	Transfer from			Accumulated			
Completed	Land	Lease	Buildings	and Other	Replacement Reserve Fund	Total	Amortization	2015	2014	
<b>In Operation</b>										
<u><b>Umbrella Agreement</b></u>										
Portage Place	Aug/83	\$ 328,659	\$ -	\$ 965,774	\$ 327,983	\$ 13,383	\$ 1,635,799	\$ (1,175,336)	\$ 460,463	\$ 493,828
Campus View Court	Sep/83	341,224	-	688,111	360,850	50,144	1,440,329	(966,761)	473,568	466,340
Royal Oak Square	Mar/84	666,280	-	2,051,834	710,810	307,244	3,736,168	(2,516,647)	1,219,521	1,065,243
Oakwinds	Feb/85	-	830,075	2,835,407	1,033,147	47,514	4,746,143	(3,972,463)	773,680	889,218
James Yates Gardens	Oct/84	103,200	-	387,934	173,411	36,593	701,138	(493,959)	207,179	199,352
Pinehurst	Feb/85	277,692	-	1,188,811	498,359	33,822	1,998,684	(1,391,753)	606,931	646,927
The Brambles	Jun/85	275,975	-	1,048,104	579,181	55,369	1,958,629	(1,382,941)	575,688	595,247
The Terraces	May/85	356,532	-	1,087,668	632,966	81,403	2,158,569	(1,491,877)	666,692	662,829
Michigan Square	Sep/85	784,763	-	3,154,222	2,285,065	44,178	6,268,228	(4,523,377)	1,744,851	1,940,696
Olympic View	Apr/86	900,000	-	3,288,908	1,398,421	90,837	5,678,166	(3,990,488)	1,687,678	1,770,269
Swanlea	Dec/85	230,215	-	746,556	345,597	10,678	1,333,046	(920,731)	412,315	447,161
Firgrove	Feb/86	480,000	-	1,763,183	937,353	37,991	3,218,527	(2,251,589)	966,938	1,038,087
Beechwood Park	Feb/86	888,000	-	2,317,623	2,681,295	53,803	5,940,721	(3,585,065)	2,355,656	2,652,213
Grey Oak Square	Apr/86	409,015	-	1,290,394	562,757	153,207	2,415,373	(1,602,328)	813,045	751,628
Willowdene	Sep/87	-	-	884,186	534,661	28,470	1,447,317	(923,219)	374,098	420,205
Rosewood	Oct/88	-	255,000	1,864,715	573,157	40,750	2,733,622	(2,035,124)	698,498	762,665
Gladstone	Jan/89	-	197,000	912,600	404,485	9,682	1,523,767	(1,111,428)	412,339	455,863
Camosun Place	Mar/89	-	108,000	489,700	152,079	1,769	751,548	(545,309)	206,239	228,988
Parkview	May/89	-	283,250	1,795,567	688,116	37,832	2,804,765	(2,046,053)	758,712	825,030
Carey Lane	Aug/89	-	283,250	1,443,751	611,231	75,180	2,413,412	(1,747,456)	665,956	681,789
Colquitz Green	Nov/89	-	160,250	1,504,000	525,206	11,898	2,201,354	(1,627,330)	574,024	643,297
Springtide	May/90	-	324,500	2,519,309	618,650	69,799	3,532,258	(2,523,619)	1,008,639	1,060,461
Greenlea	Feb/90	-	305,750	1,560,300	665,514	21,652	2,553,216	(1,747,962)	805,254	890,972
Arbutus View	Jul/90	-	370,250	1,592,750	616,666	49,057	2,628,723	(1,799,330)	829,393	884,519
Amberlea	May/90	-	447,501	2,578,479	565,959	19,937	3,611,876	(2,567,910)	1,043,966	1,136,995
Cloverhurst	May/90	-	197,000	651,500	179,465	6,253	1,034,218	(712,405)	321,813	348,120
Hamlet	Oct/90	-	152,000	803,000	268,669	18,746	1,242,415	(847,668)	394,747	427,009
Viewmont	Aug/91	-	402,140	2,378,046	574,755	22,308	3,377,249	(2,272,178)	1,105,071	1,205,171
Creekside	Apr/92	-	388,250	2,363,830	754,828	29,386	3,536,294	(2,292,520)	1,243,774	1,355,373
The Birches	Aug/92	-	675,000	3,684,874	611,558	34,207	5,005,639	(3,293,467)	1,712,172	1,831,764
Caledonia	Apr/93	-	403,473	1,452,777	365,987	13,293	2,235,530	(1,378,937)	856,593	918,956
The Heathers	Apr/93	-	436,279	1,974,683	292,487	8,253	2,711,702	(1,704,049)	1,007,653	1,078,487
Heron Cove	Oct/93	-	270,000	2,274,691	316,639	25,664	2,886,994	(1,852,590)	1,034,404	1,100,234
Castanea Place	Feb/95	-	1,277,000	4,841,879	635,181	31,887	6,785,947	(3,872,221)	2,913,726	3,078,192
Leblond Place	Sep/96	-	900,000	4,506,231	361,387	37,806	5,805,424	(3,150,605)	2,654,819	2,791,657
Rotary House	Nov/06	-	556,600	2,994,000	344,399	78,167	3,973,166	(1,635,684)	2,337,482	2,442,372
Cairns Park	Dec/96	-	240,000	415,314	48,096	24,839	728,249	(362,770)	365,479	363,378
Kings Place	N/A	-	-	-	367,290	122,360	489,650	(274,653)	214,997	146,386
Carillon Place	Jul/98	-	525,000	1,280,389	145,189	83,686	2,034,264	(943,840)	1,090,424	1,077,326
Brock Place	Jan/00	-	840,000	3,465,836	386,818	39,635	4,732,289	(2,093,170)	2,639,119	2,747,924
Harbour Lane	Oct/01	-	825,000	3,607,266	194,285	36,245	4,662,796	(1,886,698)	2,776,098	2,880,682
Tillicum Station	Jul/02	-	948,750	4,300,764	309,750	25,716	5,584,980	(2,147,211)	3,437,769	3,583,229
<u><b>Building Envelope Remediation</b></u>										
Amberlea	-	-	-	2,367,415	-	-	2,367,415	(1,194,828)	1,172,587	1,302,874
Cloverhurst	-	-	-	1,105,204	-	-	1,105,204	(561,186)	544,018	604,464
Birches	-	-	-	1,635,610	-	-	1,635,610	(791,955)	843,655	920,351
Heron Cove	-	-	-	1,756,374	-	-	1,756,374	(797,797)	958,577	1,038,458
Castanea Place	-	-	-	2,531,350	-	-	2,531,350	(1,007,665)	1,523,685	1,632,520
Leblond Place	-	-	-	3,337,941	-	-	3,337,941	(1,143,557)	2,194,384	2,340,676
Heathers	-	-	-	181,864	-	-	181,864	-	181,864	-
<u><b>ILBC2 Agreement</b></u>										
Panry Place	Jun/08	1,400,000	-	4,687,074	25,575	72,727	6,185,376	(1,094,629)	5,090,747	5,132,822
<u><b>CRHC No Operating Agreement</b></u>										
Village on the Green	May/84	910,171	-	2,002,921	672,418	37,592	3,623,102	(2,358,877)	1,264,225	1,329,453
Vergo	May/12	1,144,327	-	4,218,153	42,606	13,569	5,418,655	(501,404)	4,917,251	5,028,890
<u><b>Office Equipment</b></u>										
Vehicles	-	-	-	-	60,544	-	60,544	(60,544)	9,512	11,906
		\$ 9,496,053	\$ 12,601,318	\$ 104,778,872	\$ 25,891,117	\$ 2,144,531	\$ 154,911,891	\$ (89,763,923)	\$ 65,147,968	\$ 68,328,496

**CAPITAL REGION HOUSING CORPORATION**  
 Capital Fund - Mortgages Payable

SCHEDULE 4

Year ended December 31, 2015

Rental Property	Interest Rate	Renewal Date	Maturity Date	2015	2014
<b>Umbrella Agreement</b>					
Portage Place	3.680%	-	August 1,2018	\$ 216,380	\$ 292,249
Campus View Court	2.110%	-	September 1,2018	170,317	229,853
Royal Oak Square	2.710%	-	March 1,2019	515,722	665,541
Oakwinds	1.390%	-	February 1,2020	942,989	1,157,486
James Yates Gardens	1.120%	-	October 1,2019	115,570	144,753
Pinehurst	1.390%	-	March 1,2020	377,925	462,131
The Brambles	1.040%	-	June 1,2020	355,587	430,024
The Terraces	1.040%	-	May 1,2020	381,533	462,983
Michigan Square	2.260%	August 1,2016	September 1,2020	1,120,441	1,341,464
Olympic View	2.930%	-	April 1,2021	1,318,139	1,543,324
Swanlea	3.430%	-	December 1,2020	294,185	347,253
Firgrove	3.150%	-	February 1,2021	684,314	804,469
Beechwood Park	3.150%	-	February 1,2021	980,263	1,152,381
Grey Oak Square	3.150%	-	March 1,2021	525,742	616,467
Willowdene	3.680%	December 1,2018	September 1,2022	321,300	362,525
Rosewood	3.680%	December 1,2018	November 1,2023	858,973	950,881
Gladstone	3.680%	December 1,2018	January 1,2024	459,167	507,131
Camosun Place	2.710%	April 1,2019	March 1,2024	241,892	267,727
Parkview	3.440%	September 1,2019	May 1,2024	909,019	1,000,687
Carey Lane	3.440%	September 1,2019	August 1,2024	772,595	847,921
Colquitz Green	3.510%	February 1,2020	November 1,2024	766,584	838,647
Springtide	3.130%	October 1,2020	May 1,2025	1,366,297	1,489,286
Greenlea	3.430%	June 1,2020	March 1,2025	895,700	976,713
Arbutus View	3.130%	October 1,2020	July 1,2025	943,459	1,026,683
Amberlea	3.130%	October 1,2020	May 1,2025	1,459,587	1,590,974
Cloverhurst	3.130%	October 1,2020	May 1,2025	407,751	444,455
Hamlet	3.430%	February 1,2021	October 1,2025	475,767	515,825
Viewmont	2.490%	October 1,2021	August 1,2026	1,424,821	1,540,111
Creekside	3.650%	June 1,2018	April 1,2027	1,434,126	1,534,668
The Birches	3.540%	September 1,2018	August 1,2027	2,288,560	2,444,549
Caledonia	3.650%	June 1,2018	April 1,2028	1,021,181	1,085,705
The Heathers	3.650%	June 1,2018	April 1,2028	1,307,264	1,389,865
Heron Cove	3.680%	December 1,2018	October 1,2028	1,411,252	1,495,935
Castanea Place	3.430%	June 1,2020	February 1,2030	3,852,398	4,060,504
Leblond Place - 1st mortgage	2.490%	October 1,2021	September 1,2031	2,908,530	3,057,689
Leblond Place - 2nd mortgage	2.150%	March 1,2025	September 1,2031	2,899,254	2,967,501
Rotary House	4.370%	March 1,2018	March 1,2028	2,074,950	2,200,687
Caims Park	4.759%	December 1,2016	December 1,2031	438,001	455,930
Carillon Place	3.220%	June 1,2024	July 1,2033	1,255,944	1,308,340
Brock Place	5.260%	January 1,2020	January 1,2035	3,357,555	3,457,875
Harbour Lane	4.653%	October 1,2016	October 1,2036	3,294,261	3,386,406
Tillicum Station	3.270%	July 1,2024	July 1,2037	4,183,126	4,314,658
<b>ILBC2 Agreement</b>					
Parry Place	3.480%	May 1,2024	May 1,2043	3,930,216	4,014,438
<b>CRHC No Operating Agreement</b>					
Village on the Green	3.500%	October 1,2021	October 1,2039	2,177,796	2,235,538
Vergo	3.450%	August 1,2022	August 1,2042	4,196,409	4,291,148
				<b>\$ 61,332,842</b>	<b>\$ 65,711,380</b>

Principal due within each of the next five years on these mortgages is approximately as follows:

	Assuming no mortgage renewal	Assuming mortgage renewal
2016	\$9,038,131	\$4,526,751
2017	4,242,241	4,666,748
2018	13,809,950	4,766,899
2019	4,466,069	4,677,732
2020	11,237,842	4,344,565

SCHEDULE 5

CAPITAL REGION HOUSING CORPORATION  
 Operating Fund - Rental Operations  
 Year ended December 31, 2015

	Number of units	Revenues			Expenditures and Interfund Transfers				Surplus/(Deficit) from Operations after Interfund Transfers	Allocation from/to Portfolio Stabilization Reserves		
		Tenant rent contributions	CMHC mortgage assistance	BCHMC fixed funding	Other	Total	Operating Costs	Transfer to Replacement Reserve			Debt Charges	
<b>Umbrella Agreement</b>												
<b>CMHC</b>												
Portage Place	17	\$ 194,272	\$ -	\$ 18,658	\$ 332	\$ 213,262	\$ 84,481	\$ 28,000	\$ 85,050	\$ 197,531	\$ 15,731	\$ (15,731)
Campus View Court	12	151,248	-	11,170	412	162,830	66,272	20,400	63,690	150,362	12,468	(12,468)
Royal Oak Square	38	435,127	-	21,496	1,159	457,782	181,499	47,000	165,576	394,075	63,707	(63,707)
Oakwinds	50	555,082	-	60,858	1,103	617,043	230,921	68,000	235,236	534,157	82,886	(82,886)
James Yates Gardens	8	69,634	-	7,104	-	76,738	49,779	13,400	30,789	93,968	(17,230)	17,230
Pinehurst	20	240,729	-	24,441	1,476	266,646	105,525	37,800	92,499	235,824	30,822	(30,822)
The Brambles	18	196,336	-	19,948	747	217,031	98,636	26,300	82,530	207,466	9,565	(9,565)
The Terraces	20	226,680	-	21,972	942	249,594	100,691	25,000	90,150	215,841	33,753	(33,753)
Michigan Square	62	453,288	-	58,975	4,107	516,370	230,575	51,000	248,515	530,090	(13,720)	13,720
Olympic View	60	688,708	-	70,610	2,267	761,585	236,418	71,000	266,594	574,012	187,573	(187,573)
Swanlea	14	164,096	-	18,114	879	183,089	72,436	16,000	63,921	152,357	30,732	(30,732)
Firgrove	32	348,540	-	37,102	937	386,579	143,703	37,300	143,303	324,306	62,273	(62,273)
Beechwood Park	48	539,013	-	53,052	3,475	595,540	221,940	38,000	205,278	465,218	130,322	(130,322)
Grey Oak Square	24	299,750	-	27,979	973	328,702	116,580	27,000	108,487	252,067	76,635	(76,635)
	423	\$ 4,562,503	\$ -	\$ 451,479	\$ 18,809	\$ 5,032,791	\$ 1,939,456	\$ 506,200	\$ 1,881,618	\$ 4,327,274	\$ 705,517	\$ (705,517)



**SCHEDULE 5**  
**(continued)**

**CAPITAL REGION HOUSING CORPORATION**  
Operating Fund - Rental Operations  
Year ended December 31, 2014

Umbrella Agreement	Number of units	Revenues		Expenditures and Interfund Transfers			Surplus/(Deficit) from Operations after Interfund Transfers	Allocation from/to Portfolio Stabilization Reserve				
		Tenant rent contributions	BCHMC BER subsidy	BCHMC fixed funding	Other	Total			Transfer to Replacement Reserve	Debt Charges		
<b>BCHMC</b>												
Willowdene	15	\$ 100,191	\$ -	\$ 57,504	\$ 64	\$ 157,759	\$ 73,501	\$ -	\$ 53,780	\$ 127,281	\$ 30,478	\$ (30,478)
Rosewood	44	216,795	-	86,904	2,274	305,973	181,361	-	125,106	306,467	(494)	494
Gladstone	14	96,349	-	65,091	-	161,440	65,203	27,720	65,687	158,610	2,830	(2,830)
Camosun Place	8	53,437	-	34,097	-	87,534	40,089	13,978	32,733	86,800	734	(734)
Parkview	26	170,145	-	119,730	429	290,304	98,040	46,936	124,422	269,398	20,906	(20,906)
Carey Lane	22	149,493	-	87,645	833	237,971	89,707	44,592	103,116	237,415	556	(556)
Colquitz Green	20	155,712	-	80,355	708	236,775	89,384	36,033	100,143	225,560	11,215	(11,215)
Springtide	48	234,591	-	122,028	2,118	358,737	180,870	-	187,560	348,430	10,307	(10,307)
Greenlea	21	114,751	-	49,320	753	164,824	92,714	-	113,021	205,735	(40,911)	40,911
Arbutus View	23	127,152	-	55,608	224	182,984	96,812	-	113,972	210,784	(27,800)	27,800
Amberlea	44	230,519	-	122,645	2,216	355,380	178,590	-	179,001	357,591	(2,211)	2,211
Cloverhurst	10	50,742	-	43,824	234	94,800	42,393	-	50,006	92,399	2,401	(2,401)
Hamlet	10	81,202	-	53,091	-	134,293	49,503	-	57,004	106,507	27,786	(27,786)
Viewmont	36	152,703	-	166,536	2,118	321,357	149,129	39,539	152,138	340,806	(19,449)	19,449
Creekside	24	157,887	-	118,351	466	276,704	96,154	44,574	154,477	295,205	(18,501)	18,501
The Birches	56	269,413	-	173,400	2,992	445,805	181,500	-	239,397	420,897	24,908	(24,908)
Caledonia	18	110,051	-	85,332	65	195,448	77,819	-	102,790	180,609	14,839	(14,839)
The Heathers	26	120,151	37,718	114,636	1,209	273,714	123,411	-	131,587	254,998	18,716	(18,716)
Heron Cove	24	156,524	-	70,259	258	227,041	86,593	-	137,908	224,501	2,540	(2,540)
Castanea Place	59	351,873	-	223,902	1,939	577,714	218,312	-	343,168	561,480	16,234	(16,234)
Leblond Place	43	225,410	-	345,190	1,336	571,936	201,651	-	359,259	560,910	11,026	(11,026)
Rotary House	41	193,286	-	234,871	1,545	429,702	171,346	35,077	218,566	424,989	4,713	(4,713)
<b>Homes BC</b>	<b>632</b>	<b>\$ 3,518,377</b>	<b>\$ 37,718</b>	<b>\$ 2,510,319</b>	<b>\$ 21,781</b>	<b>\$ 6,088,195</b>	<b>\$ 2,584,082</b>	<b>\$ 288,449</b>	<b>\$ 3,124,841</b>	<b>\$ 5,997,372</b>	<b>\$ 90,823</b>	<b>\$ (90,823)</b>
Calms Park	6	46,062	-	29,688	-	75,750	30,598	4,970	39,031	74,599	1,151	(1,151)
Kings Place	35	331,792	-	152,041	31,277	515,110	406,259	50,469	-	456,728	56,382	(56,382)
Carlton Place	15	149,488	-	33,478	81	183,047	63,768	-	93,480	157,248	25,799	(25,799)
Brock Place	30	283,296	-	124,236	1,181	408,713	121,163	-	277,872	399,055	9,658	(9,658)
Harbour Lane	28	270,453	-	136,392	1,823	408,668	118,078	-	246,278	364,356	44,312	(44,312)
Tillicum Station	40	365,954	-	95,864	887	462,725	180,022	-	269,723	449,745	12,980	(12,980)
	154	\$ 1,447,045	\$ -	\$ 571,719	\$ 35,249	\$ 2,054,013	\$ 919,908	\$ 55,439	\$ 926,384	\$ 1,901,731	\$ 152,282	\$ (152,282)
	1,209	\$ 9,527,925	\$ -	\$ 3,533,517	\$ 75,839	\$ 13,174,999	\$ 5,443,446	\$ 850,088	\$ 5,932,843	\$ 12,226,377	\$ 948,622	\$ (948,622)

**SCHEDULE 5**  
**(continued)**

**CAPITAL REGION HOUSING CORPORATION**  
Operating Fund - Rental Operations  
Year ended December 31, 2015

Number of units	Revenues			Expenditures and Interfund Transfers				Surplus/(Deficit) from Operations after Interfund Transfers	Allocation from (to) Portfolio Stabilization Reserve	
	Tenant rent contributions	BCHMC rent subsidy	BCHMC fixed funding	Other	Total	Operating Costs	Transfer to Replacement Reserve			Debt Charges
21	\$ 334,640	\$ 315,618	\$ -	\$ 11,337	\$ 661,595	\$ 403,325	\$ 16,600	\$ 221,596	\$ 20,074	\$ (20,074)
<b>ILBC2 Agreement</b>										
Parry Place										
38	\$ 388,643	\$ -	\$ -	\$ 422	\$ 389,065	\$ 152,193	\$ 34,900	\$ 134,341	\$ 67,631	\$ (67,631)
18	251,254	-	-	-	251,254	73,731	7,000	239,982	(69,459)	69,459
56	\$ 639,897	\$ -	\$ -	\$ 422	\$ 640,319	\$ 225,924	\$ 41,900	\$ 374,323	\$ (1,828)	\$ 1,828
<b>TOTALS</b>	<b>1,286</b>	<b>\$ 10,502,462</b>	<b>\$ 3,533,517</b>	<b>\$ 87,598</b>	<b>\$ 14,476,913</b>	<b>\$ 6,072,695</b>	<b>\$ 908,588</b>	<b>\$ 6,528,762</b>	<b>\$ 966,868</b>	<b>\$ (966,868)</b>



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AUDIT

# Capital Region Housing Corporation

Audit Findings Report  
For the year ended December 31, 2015

*KPMG LLP*

March 22, 2015

kpmg.ca



The contacts at KPMG in connection with this report are:

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At KPMG, we are **passionate** about earning your **trust**. We take deep **personal accountability**, individually and as a team, to deliver **exceptional service and value** in all our dealings with you.

At the end of the day, we measure our success from the **only perspective that matters – yours.**

# Executive summary

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## Purpose of this report\*

The purpose of this Audit Findings Report is to assist you, as a member of the Board of Directors, in your review of the results of our audit of the financial statements of Capital Region Housing Corporation as at and for the year ended December 31, 2015.

This Audit Findings Report builds on the Audit Plan we presented to the Board of Directors on December 1, 2015.

## Changes from the Audit Plan

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

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## Audit results

At the planning stage of the audit we discussed with you **areas of audit focus**.

We are satisfied that our audit work has appropriately dealt with the focus areas identified.

We report on financial statement reporting matters on the following pages.

See *pages 7*

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## Basis of Presentation

The Capital Region Housing Corporation is a wholly owned subsidiary of the Capital Regional District. It is exempt from taxation under the Income Tax Act and is regarded as a municipality for GST purposes.

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

\* This Audit Findings Report should not be used for any other purpose or by anyone other than the Board of Directors. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings 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.

# Executive summary (continued)

## Finalizing the audit

As of March 22, 2016, 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 Board of Directors;
- obtaining evidence of the Board's approval of the financial statements;
- obtaining a signed management representation letter.

We will update the Board of Directors, on significant matters, *if any*, arising from the completion of the audit, including the completion of the above procedures. Our auditors' report will be dated upon the completion of the remaining procedures.

## Control and other observations

We did not identify any control deficiencies.

See page 5

## Accounting estimates

Overall, we are satisfied with the reasonability of accounting estimates.

The areas of estimates relate to: capital asset amortization.

## Independence

We have included a copy of our independence letter, which notes that we are independent with respect to the Capital Region Housing Corporation (and its related entities), 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.

## Significant accounting policies and practices

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

## Other matters

Included in this report are matters we have highlighted for discussion at the upcoming Board of Directors meeting. We look forward to discussing these matters and our findings with you.

### Replacement Reserve Fund:

Schedule 1 in the Financial Statements includes a summary of the replacement reserve fund balances available for each building. Historically, these funds have been established in accordance with the BCHMC agreements. During the 2015 fiscal year, in addition to the contribution from the rental operating fund, an additional transfer from the Umbrella Agreement Stabilization Reserve for all buildings of \$1.4M was completed. Beginning in the 2016 fiscal year, all buildings under the Umbrella Operating Agreement will be required to transfer a reserve amount of \$65 per unit.

#### **KPMG Comments:**

We selected a sample of Replacement Reserve Capital additions and agreed the samples to supporting documentation to ensure funds were appropriately spent.

We agreed the contribution from the operating fund to the replacement reserve fund to the Board approved budget.

We agreed the Board of Directors motion to transfer \$1,400,000 from the Umbrella Operating Agreement Portfolio Stabilization Reserve to the Capital Replacement Reserve Fund.

No adjustments were found.

## Adjustments and differences

Adjustments and difference identified during the audit are categorized as Corrected “adjustments” or Uncorrected “differences.” These include disclosure adjustments and differences. Professional standards require that we request of management and the Board of Directors that all identified adjustments or difference be corrected.

### Corrected adjustments

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

### Uncorrected differences

We did not identify differences that remain uncorrected.

# Control observations

In accordance with professional standards, we are required to communicate to the Audit Committee any control deficiencies that we identified during the audit and have determined to be significant deficiencies in Internal Control over Financial Reporting.

Other control deficiencies may be identified during the audit that do not rise to the level of significant deficiency.

We did not identify any significant deficiencies in internal controls.

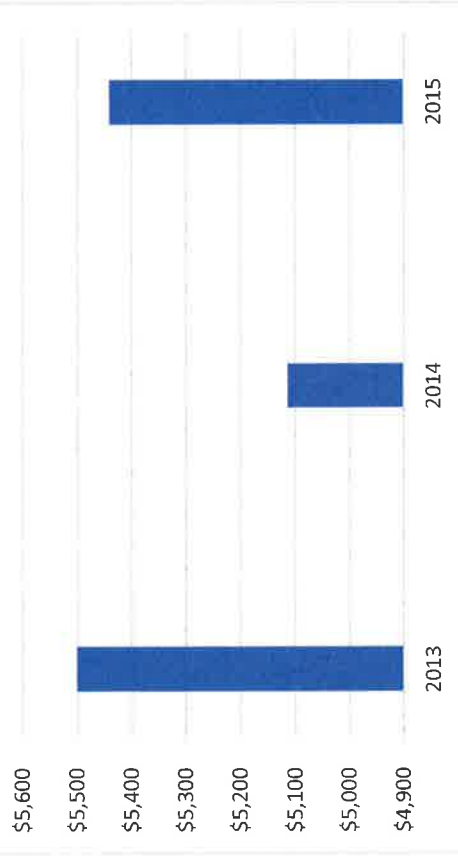


# Data and Analytics

## Schedule 1: Replacement Reserve Fund (Balances)

Schedule 1 in the financial statements details the annual Changes in the Replacement Reserve Fund by property including contributions, interest, and transfers to the Capital Fund. The Replacement Reserve Funds have been established in accordance with the agreements with the purpose of each building being able to pay for the replacement of capital equipment and other approved items. The schedules below summarize the properties in three categories: Umbrella Agreement (CMHC (14 buildings, 423 units), BCHMC (22 buildings, 632 units), and Homes BC (6 buildings, 154 units)), ILBC2 Agreement (1 building, 21 units), and No Operating Agreement (2 buildings, 56 units).

Replacement Reserve Fund (Balance) Per Unit UOA (combined)



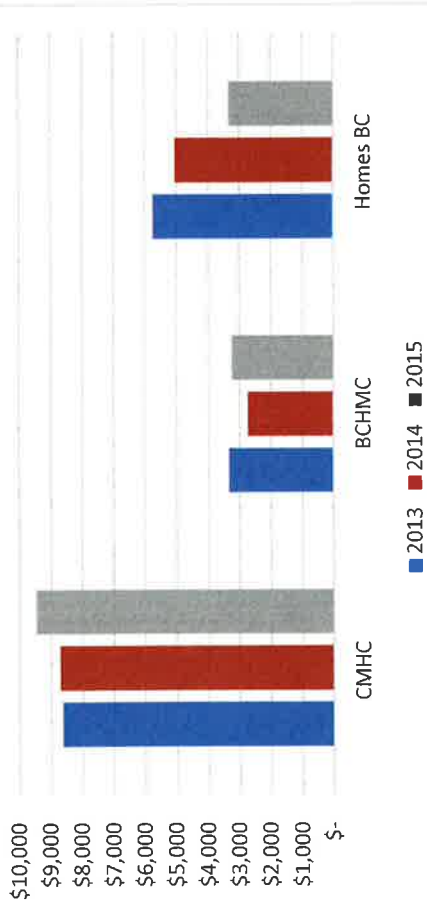
The Replacement Reserve Fund (Balance) Per Unit ("RRFPU") graph provides a summary of the average funds available per unit during the 2013, 2014 and 2015 fiscal years under each of the operating agreements.

The average RRFPU for all buildings under the Umbrella Agreement ranges from \$5,114 in 2014 to \$5,501 in 2013. The Umbrella Agreement includes CMHC, BCHMC and Homes BC.

The average RRFPU for buildings in the UOA decreased in 2014 as a result of capital expenditures totalling \$1,538,416 being greater than the funds received from operations and interest totalling \$1,040,593.

The average RRFPU for buildings in the UOA increased in 2015 as a result of the \$1,400,000 transfer from the Stabilization Reserve in addition to the regular operations and interest totalling \$1,082,861.

### Replacement Reserve Fund (Balance) Per Unit

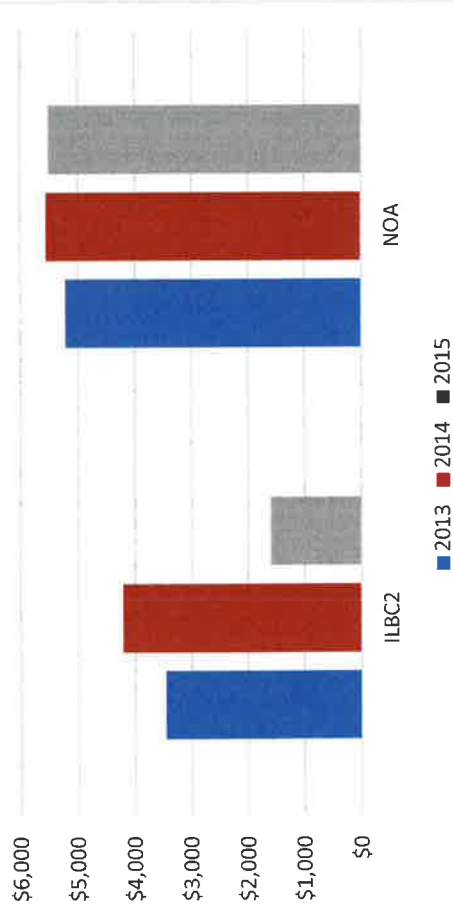


The average RRFPU for all buildings under the CMHC Agreement ranges from \$8,642 in 2013 to \$9,481 in 2015.

The average RRFPU for all buildings under the BCHMC Agreement ranges from \$2,727 in 2014 to \$3,341 in 2013.

The average RRFPU for all buildings under the Homes BC Agreement ranges from \$3,330 in 2015 to \$5,744 in 2013.

### Replacement Reserve Fund (Balance) Per Unit



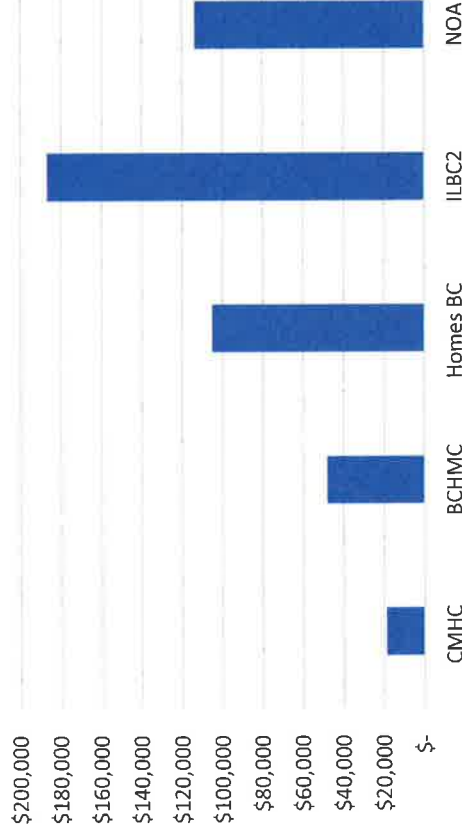
The RRFPU for the building under the ILBC2 Agreement ranges from \$1,602 in 2015 to \$4,212 in 2014.

The average RRFPU for all buildings with no operating agreement ranges from \$5,220 in 2013 to \$5,553 in 2014.

## Schedule 4: Capital Fund – Mortgages Payable

Schedule 4 details the Mortgages Payable. The schedule includes the interest rate, renew date, maturity date and the outstanding balance in fiscal 2015 and 2014. The following buildings were renewed in fiscal 2015: Oakwinds, Pinehurst, Terraces, and Leblond Place 2. The following buildings are up for renewal in fiscal 2016: Michigan Square, Cairns Park, and Harbour Lane. Total principal repayments on mortgages in fiscal 2015 were \$4,378,538. There is no mortgage on Kings Place and therefore it is not included in the listing. The average debt per unit is \$49,027. Interest rates range from 1.040% to 5.260%.

Average Debt per Unit by Operating Agreement

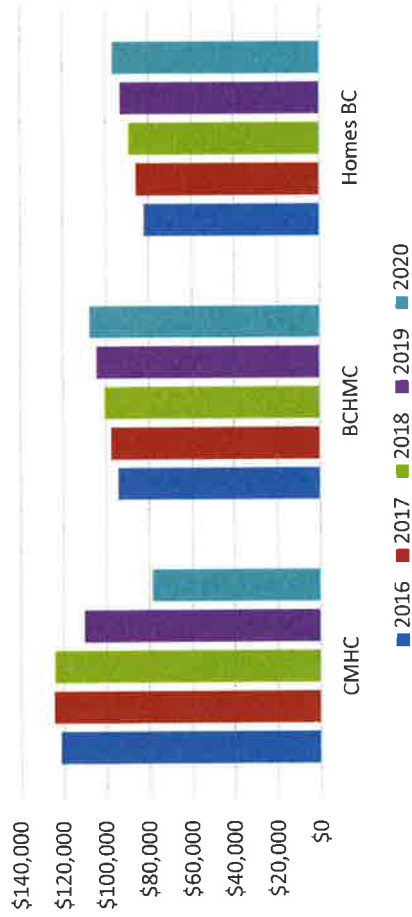


Average Debt per Unit by Operating Agreement is calculated by dividing the sum of the total debt per operating agreement by the total number of units per operating agreement. CMHC, BCHMC and Homes BC are all under the Umbrella Agreement.

CMHC: \$18,910  
 BCHMC: \$48,260  
 Homes BC: \$105,285  
 ILBC2: \$187,153  
 NOA: \$113,825

CMHC buildings have a lower average debt due to the agreements expiring. Homes BC are included in the Umbrella Agreement, however, the mortgages are held with private lenders and have higher costs. Buildings included in ILBC2 and NOA are newer buildings that were more costly to build and therefore have higher average debt.

**Average Annual Principal Repayment by Operating Agreement**



**Average Annual Principal Repayment by Operating Agreement**



The following graphs depict the average annual principal repayments per building by operating agreement over the next 5 years.

Average Annual Principal Repayments over the next five years have the following ranges:

- UOA: \$96,747 (2020), \$107,248 (2018)
- CMHC: \$78,743 (2020), \$124,495 (2017)
- BCHMC: \$94,308 (2016), \$107,657 (2020)
- Homes BC: \$82,181 (2016), \$96,974 (2020)
- ILBC2: \$87,177 (2016), \$100,078 (2020)
- NOA: \$78,908 (2016), \$90,545 (2020)

It is expected that average annual principal repayments increase over the term of the mortgage as more principal and less interest is paid each month over the term of the mortgage. BCHMC, Homes BC, ILBC2 and NOA are all consistent with this expectation. CMHC, however, shows a trend in the opposite direction. This is a result of the mortgages expiring in 2019 and 2020.

## Schedule 5: Operating Fund – Rental Operations

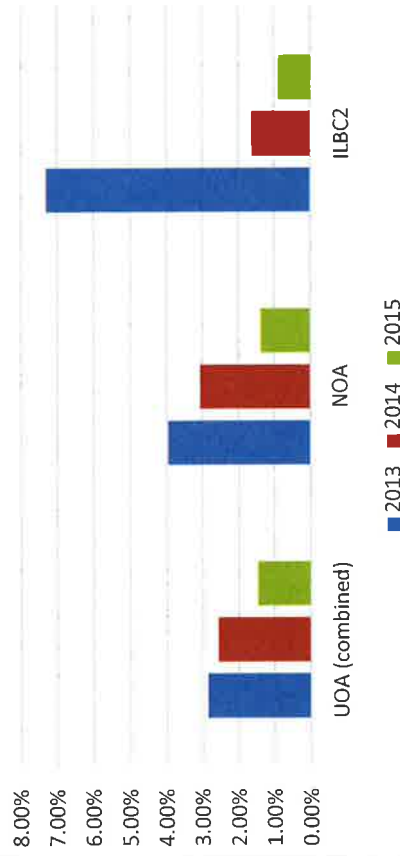
Schedule 5 details the revenues, expenditures, and interfund transfers related to each building. Also detailed is the Surplus or Deficit from Operations after Interfund Transfers which provides the users with a summary of the annual surplus or deficit for the year by building. The following table calculates the average per unit per month amount for rent, subsidy, operating costs, transfer to replacement reserve, debt charges and surplus/deficit by operating agreement.

	CMHC	BCHMC	HOMES BC	TOTAL UMBRELLA AGREEMENT	ILBC2 AGREEMENT	CRHC NO OPERATING AGREEMENT
RENT	899	464	783	657	1,328	952
SUBSIDY	89	331	309	244	1,252	-
<b>TOTAL</b>	<b>988</b>	<b>795</b>	<b>1,092</b>	<b>900</b>	<b>2,580</b>	<b>952</b>
OPERATING COSTS	382	341	498	375	1,600	336
TRANSFER TO REPLACEMENT RESERVE	100	38	30	59	66	62
DEBT CHARGES	371	412	501	409	879	557
<b>TOTAL</b>	<b>852</b>	<b>791</b>	<b>1,029</b>	<b>843</b>	<b>2,546</b>	<b>956</b>
SURPLUS/(DEFICIT)	139	12	82	65	80	(3)

## Vacancy Rates

The vacancy rate is the numerical calculation of all the available units in a property that are vacant or unoccupied at a particular time. High vacancy rates indicate that the property is not renting well, while low vacancy rates indicate strong rentals. CMHC's fall reports indicate the following vacancy rates in Victoria: 2013 – 2.8%, 2014 – 1.5%, 2015 – 0.6%. The vacancy rate in the Victoria Census Metropolitan Area is determined by a Rental Market Survey conducted by CMHC every October.

**Annual Average Vacancy Rates by Operating Agreement**



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

The vacancy rates ranged from a low of 0.6% in the CMHC properties in 2015 to a high of 7.31% in the ILBC2 property in 2013.

There has been a steady decline in the vacancy rates for all operating agreements over the past three years, consistent with the Rental Market Survey conducted by CMHC.

# Appendices

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**Appendix 1: Required communications**

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**Appendix 2: Audit Quality and Risk Management**

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**Appendix 3: Current developments**

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# Appendix 1: Required communications

In accordance with professional standards, there are a number of communications that are required during the course of and upon completion of our audit. These include:

- **Auditors' report** – the conclusion of our audit is set out in our draft auditors' report
- **Management representation letter** – In accordance with professional standards, copies of the management representation letter are provided to the Board of Directors
- **Audit planning report** – provided to the Board of Directors in December
- **Fraud related inquiries** – professional standards required that during the planning of our audit we obtain your views on risk of fraud. We make similar inquiries to management as part of our planning process; responses to these will assist us in planning our overall audit strategy and audit approach accordingly.
- **Audit findings report** – as attached.

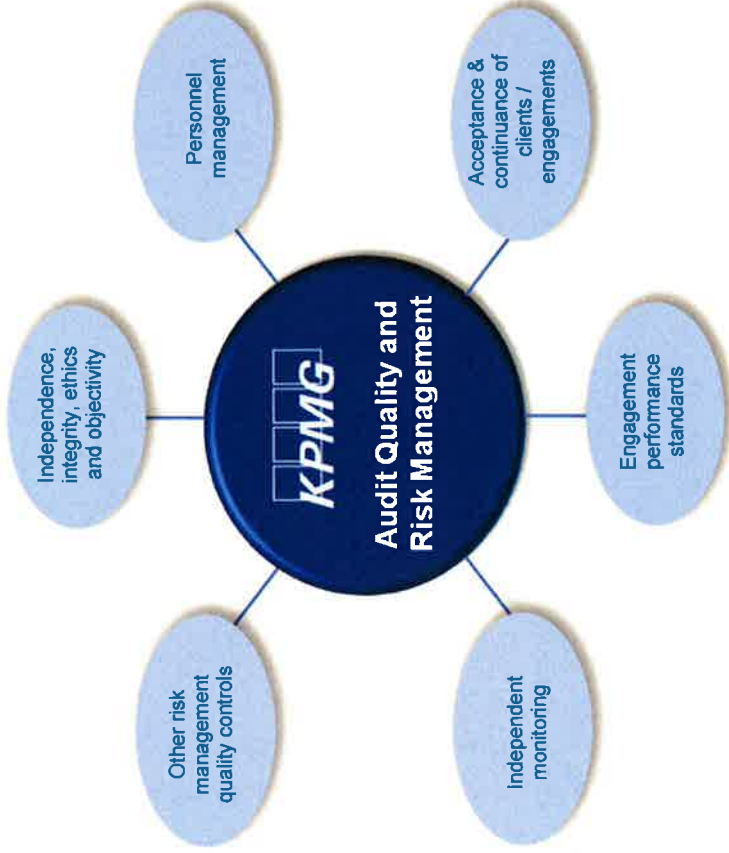


# Appendix 2: Audit Quality and Risk Management

KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards.

Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarises the six key elements of our quality control systems.

Visit <http://www.kpmg.com/Can/en/services/Audit/Pages/Audit-Quality-Resources.aspx> for more information.



- Other controls include:
  - Before the firm issues its audit report, the Engagement Quality Control Review reviews the appropriateness of key elements of publicly listed client audits.
  - Technical department and specialist resources provide real-time support to audit teams in the field.
- We conduct regular reviews of engagements and partners. Review teams are independent and the work of every audit partner is reviewed at least once every three years.
- We have policies and guidance to ensure that work performed by engagement personnel meets applicable professional standards, regulatory requirements and the firm's standards of quality.
- All KPMG partners and staff are required to act with integrity and objectivity and comply with applicable laws, regulations and professional standards at all times.
- We do not offer services that would impair our independence.
- The processes we employ to help retain and develop people include:
  - Assignment based on skills and experience;
  - Rotation of partners;
  - Performance evaluation;
  - Development and training; and
  - Appropriate supervision and coaching.
- We have policies and procedures for deciding whether to accept or continue a client relationship or to perform a specific engagement for that client.
- Existing audit relationships are reviewed annually and evaluated to identify instances where we should discontinue our professional association with the client.

# Appendix 3: Current developments

The following is a summary of the current developments that are relevant to the Corporation:

## Standard Summary and implications

### Related Party Transactions and Inter-entity Transactions

- Two new Handbook sections were approved in December 2014, effective for fiscal years beginning on or after April 1, 2017.
  - Related parties include entities that control or are controlled by a reporting entity, entities that are under common control and entities that have shared control over or that are subject to shared control of a reporting entity.
  - Individuals that are members of key management personnel and close members of their family are related parties. Disclosure of key management personnel compensation arrangements, expense allowances and other similar payments routinely paid in exchange for services rendered is not required.
  - Determining which related party transactions to disclose is a matter of judgment based on assessment of:
    - the terms and conditions underlying the transactions;
    - the financial significance of the transactions;
    - the relevance of the information; and
    - the need for the information to enable users' understanding of the financial statements and for making comparisons.
  - A related party transaction, with the exception of contributed goods and services, should normally be recognized by both a provider organization and a recipient organization on a gross basis.
- Related party transactions, if recognized, should be recorded at the exchange amount. A public sector entity's policy, budget practices or accountability structures may dictate that the exchange amount is the carrying amount, consideration paid or received or fair value.

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