



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

AGENDA

9:30 a.m., Tuesday, March 27, 2018
Board Room 652, 625 Fisgard St, Victoria, BC

- | | <u>Att. #</u> |
|---|---------------|
| 1. Approval of Agenda | |
| 2. Approval of the Minutes of March 28, 2017 | 18-04 |
| 3. 2017 Annual Report | 18-05 |
| 4. Presentation of the Audited Financial Statements | 18-06 |
| 5. Appointment of Auditors 2018 / 2019 | |
| 6. Appointment of Solicitors 2018 / 2019 | |
| 7. Adjournment | |



**Minutes of the Annual General Meeting of the Capital Region Housing Corporation
Held March 28, 2017 in Room 488, 625 Fisgard St, Victoria, BC**

PRESENT: **Directors:** B. Desjardins, Chair, Capital Regional District Board; D. Screech; J. Carline; B. Braude; S. Price;
 Staff: R.Lapham; K. Lorette; C. Culham; D. Metcalf; R. Loukes; P. Kitson; N. Chan
 Recorder: K.Kusnyerik

GUESTS: P.Bundon & R.Miller, Jawl Bundon; R. Decksheimer & H.Crowe, KPMG

ABSENT: **Directors:** R.Cooper; W.McIntyre; G.Young

The meeting was called to order at 10:09 a.m.

1. APPROVAL OF AGENDA

It was **MOVED** by Director Price, **SECONDED** by Director Braude
That the agenda be approved as circulated.

CARRIED

2. APPROVAL OF THE MINUTES OF MARCH 22, 2016

It was **MOVED** by Director Price, **SECONDED** by Director Carline
That the minutes of March 22, 2016 be approved as circulated with the following amendments: "Carried" to be added to items 5 & 6.

CARRIED

3. 2016 ANNUAL REPORT

C. Culham presented the 2016 Annual Report. Staff was requested to prepare a press release announcing the release of the 2016 annual report.

MOVED by Director Braude, **SECONDED** by Director Price
That the 2016 Annual Report be received.

CARRIED

4. PRESENTATION OF AUDITED FINANCIAL STATEMENTS

R. Decksheimer of KPMG Chartered Accountants provided an extensive presentation of the Audited Financial Statements for the year ending December 31, 2016 and reported that there were no surprising findings.

It was discussed that KPMG has not had any issues with security breaches as of yet.

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

CARRIED

5. APPOINTMENT OF AUDITORS 2017 / 2018

MOVED by Director Braude, **SECONDED** by Director Price
That KPMG Chartered Accountants be appointed as auditors for the year 2017 – 2018.

CARRIED

6. APPOINTMENT OF SOLICITORS 2017 / 2018

MOVED by Director Price, **SECONDED** by Director Braude
That Paul Bundon, of the law firm of Jawl Bundon Solicitors be appointed as solicitor for
the year 2017 – 2018.

CARRIED

7. ADJOURNMENT

It was **MOVED** by Director Price, **SECONDED** by Director Braude
That the meeting be adjourned.

CARRIED

The meeting was adjourned at 10:31a.m.

David Screech, Chair

Kristine Kusnyerik, Recorder

Capital Region Housing Corporation

Annual Report 2017 »



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Board Chair & CAO Message

It is our pleasure to report that the Capital Region Housing Corporation has made great strides in implementing the 2016-2019 Strategic Priorities set by the CRHC Board of Directors.

This report highlights major initiatives staff undertook in 2017, including successful completion of the Tenant Engagement Pilot Project and progress on the Westview housing development.

Both of these examples demonstrate how the CRHC serves our region through its two key areas of focus: looking inward to be better landlords and looking outward to increase affordable housing across the region.

Now, more than ever, the residents in our region are in need of affordable housing, as vacancy rates in Greater Victoria only slightly increased from 0.5% in 2016 to 0.7% in 2017.¹ With a vacancy rate of 0% for units with three or more bedrooms, families have been hit especially hard by the rental crisis.

With these statistics in mind, housing affordability continues to be an important issue and priority for the Capital Regional District as a whole.

The work performed by the CRHC fits within the framework of the CRD's Regional Housing Affordability Strategy, which guides all of the CRD's work in the areas of housing development and affordability.

We wish to express our deepest appreciation to all CRHC staff, including our property managers, our tenant relations staff and our caretakers, for doing such an amazing job of pulling together to serve our region and each one of our tenants.

Ultimately, our tenants are the experts in our communities, and as we look ahead to increasing our partnerships and housing stability in the year to come, we will also be continuing to engage with them and seek their invaluable input.



David **SCREECH**, Board Chair
Capital Region Housing Corporation



Robert **LAPHAM**, Chief Administrative Officer
Capital Regional District



¹ Canada Mortgage & Housing Corporation 2017 Rental Market Report defines Greater Victoria (the Victoria Census Metropolitan Area) as Victoria, Esquimalt, Oak Bay, Saanich, Central Saanich, North Saanich, Sidney, Esquimalt, Langford, View Royal, Colwood and Sooke.

Board of Directors

The Capital Region Housing Corporation is a non-profit corporation wholly owned by the Capital Regional District. It is governed by a seven-member Board of Directors, four of whom sit on the CRD Board, two of whom are community volunteers and one of whom is a tenant with the CRHC.

The Board is committed to improving and expanding housing opportunities in the years to come.



B. **BRAUDE**
Tenant Representative

Johnny **CARLINE**
Community Member

Rick **COOPER**
Community Member



Wayne **McINTYRE**
CRD Director

Steve **PRICE**
CRD Director

Geoff **YOUNG**
CRD Director

Staff

A general manager and senior manager within the CRD are responsible for managing the operations of the CRHC and ensuring that the Board's directives are carried out.



Kevin **LORETTE**
General Manager, Planning & Protective Services

Christine **CULHAM**
Senior Manager, Capital Region Housing Corporation

CRHC Profile

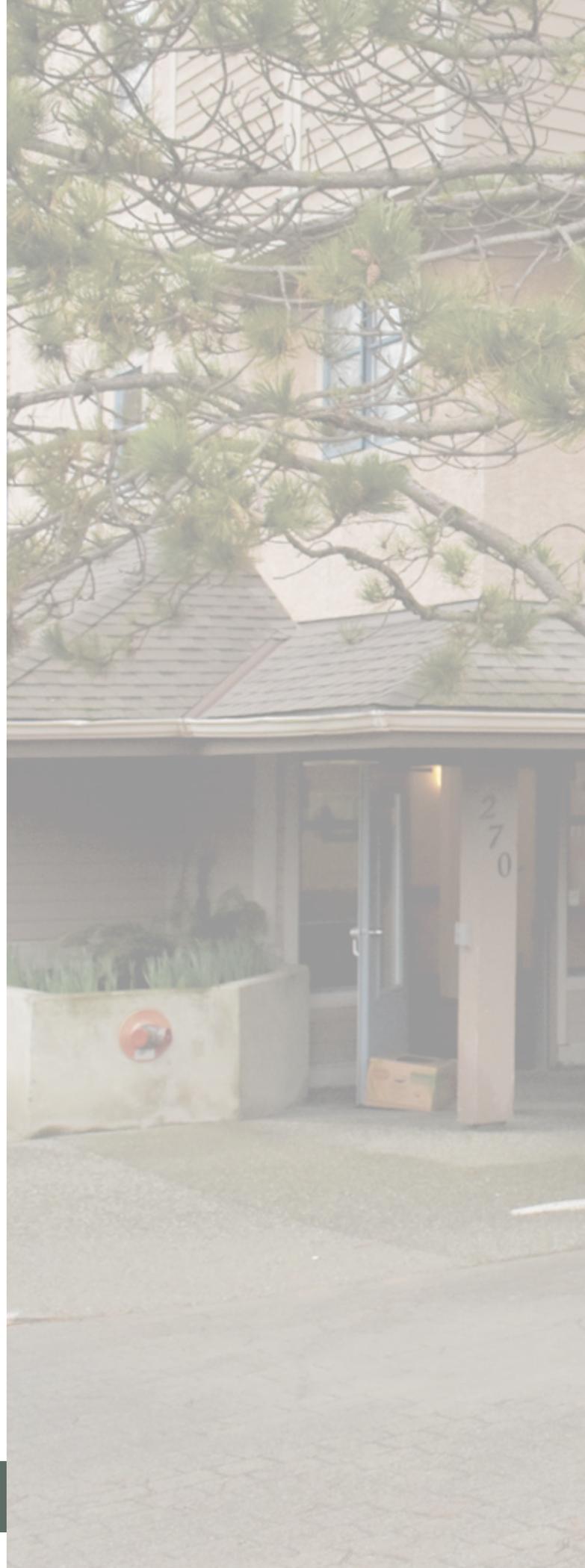
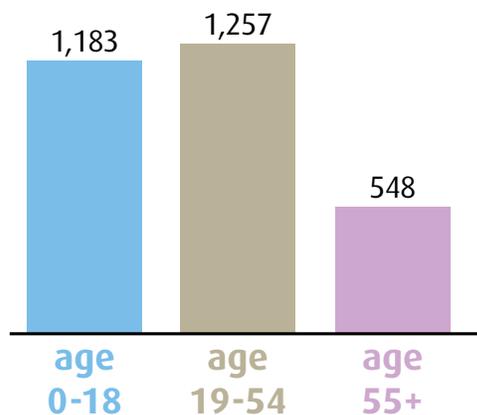
As the largest social housing provider in the capital region, the CRHC delivers affordable, attractive, inclusive, sustainable housing.

The CRHC provides low- and moderate-income families with safe, suitable homes that remain affordable as their lives and families change and grow. The CRHC also provides affordable housing for low-income seniors and people living on government disability pensions.

The primary activities of the CRHC are the day-to-day management of housing buildings, providing property management services, and providing services to tenants who live in 45 housing complexes across seven municipalities.

The CRHC values honesty, integrity, reliability and openness. The CRHC works collaboratively with stakeholders, community partners and tenants to build safe, vibrant and accessible communities where tenants can feel a sense of pride and belonging.

2,988 tenants
in 2017



CRHC housing at a glance

7 municipalities

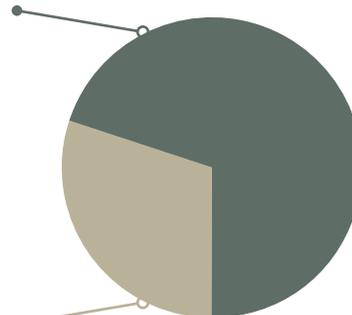
45 housing complexes

1,286 units

10% of the capital region population

CRHC rental rates
rent geared to income

70%



30%

near market rent

2017 market profile

Rental rates are increasing


7.7%
Greater Victoria¹

Availability of units is limited

1,947

on BC Housing
Registry wait list
at December 2017,
an increase of over
170 in 12 months

0.7%

Greater Victoria
vacancy rate for
1- and 2-bedroom
apartments¹

¹ Canada Mortgage & Housing Corporation 2017 Rental Market Report

2016-2019 CRHC Board Strategic Priorities, with 2017 Outcomes

Priorities	Development 		
Goals	» <i>Increase CRHC housing stock to benefit households in core housing need</i>		
Objectives	» Develop strategy to increase development capacity.	Develop priorities to address housing needs.	Implement strategy to increase housing for households in core housing need.
KPIs & 2017 Outcomes	» Adopt strategy by 2016. Adopted in 2016 and updated annually	Develop priorities by 2016. Completed in 2016	Increase housing stock by at least 30 rent geared to income units by 2019. Westview project was approved for funding in 2016; development permit was received in November 2017 Three development/redevelopment projects in feasibility phase  See story pages 8-9

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

Management

» *Be a good and responsible landlord to those who rent accommodation with the CRHC*

» Ensure the CRHC is operating efficiently and effectively.	Maintain financial sustainability of the CRHC.	Ensure the CRHC housing stock is adequately maintained.	Maximize subsidized units.	Ensure tenant satisfaction.
<p>» a) Conduct annual staff performance planning and evaluation.</p> <ul style="list-style-type: none"> ▶ Completed performance appraisals and performance planning with all staff to align with strategic priorities in January 2017 <p>b) Conduct annual Board survey.</p> <ul style="list-style-type: none"> ▶ Presented Board evaluation process for CRHC Board review in December 2017 	<p>Increase (tenant rent) revenue by 1.5% annually.</p> <ul style="list-style-type: none"> ▶ Increased (tenant rent) revenue by 3.0% in 2017 	<p>Strive to complete one additional building envelope remediation (BER) by 2019.</p> <ul style="list-style-type: none"> ▶ Received approval from BC Housing to use CPI financing for BERs ▶ Reviewed portfolio for renewal and redevelopment opportunities 	<p>a) Review tenant eligibility policy in 2016.</p> <ul style="list-style-type: none"> ▶ Completed in 2016 <p>b) Maintain at least 70% rent geared to income in 42 Umbrella Operating agreement properties.</p> <ul style="list-style-type: none"> ▶ Met target <p>c) Average days vacant should be under 30 days.</p> <ul style="list-style-type: none"> ▶ Average days vacant for 2017 is estimated at 27 days 	<p>Implement a tenant satisfaction survey with an annual improvement in tenant satisfaction index.</p> <ul style="list-style-type: none"> ▶ Completed in 2016; will repeat in 2018 using 2016 as the benchmark
	<p> See details pages 14-15</p>			<p> See stories pages 10-13</p>



Building Homes & Partnerships

The CRHC is committed to increasing affordable housing opportunities for individuals and families, especially for those in core housing need. The CRHC has been reviewing its current housing stock to prioritize which properties will be renewed and which ones could be redeveloped and has also been looking for new opportunities.

In 2017, the CRHC worked on four projects: Drake Rd. on Salt Spring Island; Westview in Saanich; and Michigan Square and Caledonia, both located in Victoria.

DRAKE RD., currently in the feasibility stage of development, is an affordable housing project on Salt Spring Island with a potential for 80 new affordable housing units. The CRHC has

been working on developing an alternative water strategy for Drake Rd. as there is currently a moratorium on the delivery of water through the North Salt Spring Water District.

WESTVIEW is a 73-unit, multi-housing community located on the Mount View Heights site. The Westview apartment complex will offer affordable units for seniors, adults with disabilities, working singles and families.

The site is close to local and regional transit, the Galloping Goose Regional Trail, Mount View Heights Neighbourhood Park and Uptown Centre. The development permit was received in November 2017 and groundbreaking is planned for June 2018.



Features of the project include:

- ▶ four-storey building complex
- ▶ underground parking
- ▶ preservation of existing Garry Oak trees and rock outcrop
- ▶ energy conservation incentives through individual water and electricity metering
- ▶ targeting LEED® Canada for Homes Gold certification (or equivalent)
- ▶ internal courtyard and gardening opportunities
- ▶ rain gardens for stormwater control

Westview is a perfect example of what can happen when community organizations work together in partnership: CRHC is partnering with the Independent Living Housing Society (ILHS) to provide five fully accessible, ground floor units for ILHS clients.

In addition to the five dedicated units for their clients, the ILHS will also have an on-site office in the building. ILHS has been partnering with the CRHC through a similar arrangement at The Heathers housing complex for the past 25 years.

During the design phase of the project, CHRC staff and the project architect consulted with ILHS staff and interviewed ILHS clients living in the accessible units at The Heathers. The clients talked about the importance of things like wider doorways and hallways, providing enough room to turn around in a wheelchair rather than have to back out of a space, and an accessible kitchen design.

As part of the building renewal program, staff have been reviewing **MICHIGAN SQUARE** and

CRHC has been fantastic in really wanting to learn what [accessibility] means for people.

Housing is at such a premium, and for someone looking for affordable and accessible housing, it's virtually impossible.

A new partnership where we can offer more safe, affordable and accessible homes — that's why we're here. We are thrilled to be part of this project.

~ Tammy Khanna, Executive Director, ILHS

CALEDONIA to determine if it is more beneficial to renew these properties through extensive building envelope remediation or to redevelop the properties and achieve more density.

The BC Housing Registry had a wait list of 1,947 applicants in the CRD as of January 2018, including almost 700 seniors and 460 persons with disabilities.

The Westview project will help meet the CRHC's strategic priority to increase housing for households in core housing. And with Drake Rd. in the feasibility stage, and Michigan Square and Caledonia under review, the CRHC is on track to meet the performance target of 30 more rent-g geared-to-income units by 2019.



CRHC Embraces Tenant Engagement

As part of its commitment to being a good and responsible landlord, in 2017, the CRHC adopted a tenant-centred approach, the Tenant Engagement Framework, to engaging tenants.

The CRHC carried out a Tenant Engagement Pilot Project to increase:

- ▶ activities that foster a more informed tenant population
- ▶ consultation and collaboration in decision-making
- ▶ support to tenants to maintain their tenancies
- ▶ a sense of belonging and connectedness in CRHC communities

LifeCycles Community Food Education Project

The LifeCycles program increases people's access to fresh, healthy food; provides education on preserving and preparing food; and builds community through the social activities of cooking and eating together. LifeCycles Community Food Educators delivered the program to two CRHC communities, Springtide and The Birches, twice every month from March to December 2017.

The project was very well received by tenants and the goal for 2018 is to support tenants at both locations to create a meal-sharing and cooking program that can eventually be tenant sustained.

Food for the program came from the Food Share Network (through a program called the Food Rescue Project), and LifeCycles Community Food Educators were funded by a community grant administered through the Victoria Native Friendship Centre.

The Tenant Engagement Framework outlined principles and approaches to tenant engagement, and all staff were trained in the framework.

The six principles included: respectful staff-tenant relationships, transparency, consistency, appropriate engagement, inclusivity and responsiveness.

Staff conducted outreach in six communities to learn if and how they would like to be engaged. The framework outlined five different ways to approach engagement, and tenants were not required to engage but instead given the opportunity to attend public meetings, provide written feedback or phone staff directly.

Staff evaluated the program and discovered the following:

- ▶ communities with an emerging issue, such as safety, had the greatest participation
- ▶ family communities faced more barriers to engagement, such as lack of appropriate meeting space
- ▶ tenants prioritized safety, social issues and maintenance issues for ongoing engagement
- ▶ tenants would like ongoing information from CRHC regarding service standards and would like to see consistent and transparent service
- ▶ greater staff support is needed to connect communities and individuals to supports within the region for increasingly complex health and wellness issues

During the course of the pilot project, staff were able to prevent four evictions through intensive intervention with tenants who historically may have lost their housing due to lack of staff resources.



It has been a breath of fresh air to have all of this happen right here where we live. It gives me something to look forward to.

~ Silver Threads program participant

The CRHC is looking forward to building on all the work completed in 2017 and has identified multiple goals in 2018 to ensure ongoing tenant satisfaction, including developing a newsletter, delivering staff training to ensure consistency in service delivery and service standards, and increasing partnerships.

Silver Threads Program

The Silver Threads program focuses on engaging seniors, building community and reducing isolation. It has been so successful at the Viewmont Gardens complex that organizers are applying for additional funding to replicate the program in another CRHC community.

Silver Threads and CRHC connected to provide information to residents in CRHC senior housing complexes. From this, Viewmont Gardens was identified as a site for a weekly program that delivers crafts, facilitates conversations and provides practical and educational information on issues such as fraud prevention.

Through a partnership with the Food Share Network, Silver Threads was also able to bring in weekly deliveries of fruits and vegetables to residents. Between August and December, 106 boxes of groceries were distributed.



Leaders in Our Communities

The approach to tenant engagement can range from informing through to empowering. CRHC wants to meet communities and their members where they are at. Some community members have been leaders in their communities for a long time, providing coffee groups, food programs and other opportunities for tenants to gather and create community.

Founding a Society

“CRHC subsidized housing has totally changed my life. When I was offered a unit 18 years ago, my circumstances were that I was paying market rent and there was next to no money left over.

I was so grateful, and my family was so relieved; it had more impact than just for me. My kids would say, ‘You are so lucky, Mom,’ and I still feel this way.

I served on the CRHC Board for six years and was lucky enough to attend a conference in Calgary. On the whole, people didn’t treat me any differently when they found out I was a tenant representative.

I have always believed community is so important for everyone.”

Donna Annear has been a Springtide resident since 1990. In 1992 she started the Springtide Tenants Association and served as president until 2012. She also served as the tenant representative on the CRHC Board from 1994-2000.





Residents Serving Residents

A group of residents from the Leblond Place Community have collaborated to benefit the residents of their community.

They have initiated a variety of activities, including spearheading their own food distribution program in collaboration with the Food Share Network; hosting Connect & Prepare events, muffin mornings and coffee afternoons; and organizing various celebrations, such as Christmas events and birthday parties.

Their motto is "A hand up, not a hand out."

"We all have joined together to work as an organic group to offer community events instead of waiting for outside programs to be delivered. The future is when the people are empowered to help and meet their own needs in their community.

"Food is one of the biggest needs, but this isn't just about food — this is about empowering tenants with various disabilities. We feel like we are part of a community and still have the ability to serve."

Katya Naraghi, Kathleen Young and Julie Anderson are serving their community.

Maintain financial sustainability of the CRHC.

Ensure the CRHC housing stock is adequately maintained.



2017 Rental Housing Financial Highlights

The CRHC is mid-way through a five-year Umbrella Operating Agreement (UOA) with BC Housing Management Commission (2015-2019).

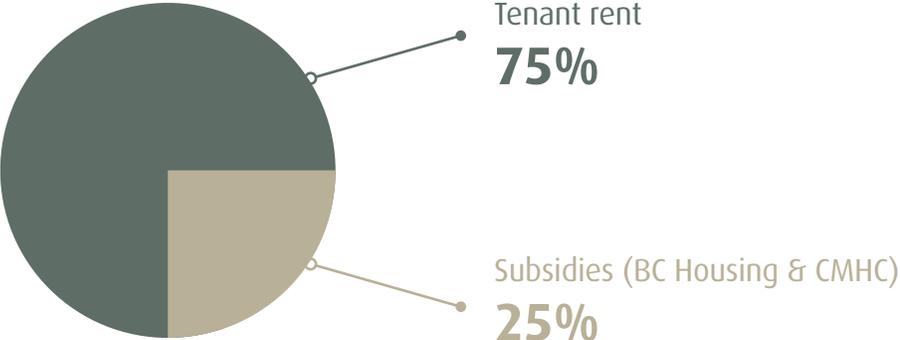
The UOA consolidated 42 of the existing operating agreements for CMHC, BC Housing and Homes BC properties into one portfolio to reduce administrative burden or costs for the parties, allowing the CRHC greater latitude in managing tenants, rents, subsidies and capital funds across the consolidated portfolio. This puts the CRHC in a better position to prepare for the expiration of federal and provincial operating agreements beginning in 2018.

As a provision of the UOA, the CRHC has implemented an \$11 million five-year capital plan that supports routine replacement and common area upgrades in addition to three buildings independent of the UOA. Major work, such as building envelope remediation, is funded through alternative agreements.



CRHC operating activities

Source of operating income

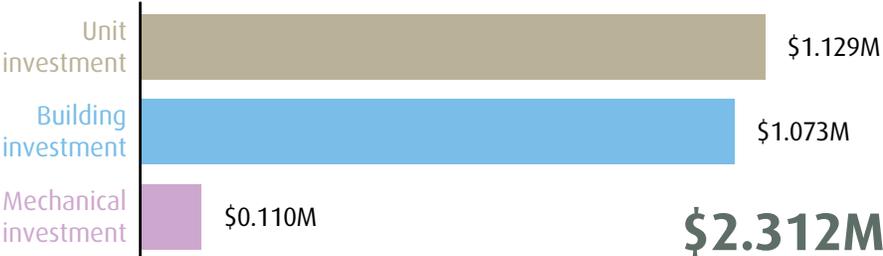


2017 operating results

revenue **\$15.1M**
expenditures **\$13.7M** = **\$1.4M** operating surplus

CRHC capital investments

2017 capital expenditures



Insured value of CRHC properties

 **\$325.3M**

CRHC Partners

- ▶ Capital Regional District
- ▶ BC Non Profit Housing Association
- ▶ BC Housing
- ▶ Beacon Community Services
- ▶ Burnside Gorge Community Association
- ▶ Canadian Mortgage & Housing Corporation
- ▶ Community Living Victoria
- ▶ Community Travel Training – BC Transit
- ▶ Food Share Network
- ▶ Greater Victoria Coalition to End Homelessness
- ▶ Greater Victoria Housing Society
- ▶ Greater Victoria Women’s Shelter Society
- ▶ Integra Services
- ▶ Independent Living Housing Society
- ▶ Intercultural Association of Greater Victoria
- ▶ Island Health
- ▶ James Bay Neighbourhood Association
- ▶ LifeCycles
- ▶ M’akola Housing Society
- ▶ Older Adults Strategy
- ▶ Pacifica Housing
- ▶ Ready to Rent
- ▶ Saanich Parks & Recreation
- ▶ Saanich Police
- ▶ Seniors Serving Seniors
- ▶ Silver Threads
- ▶ The Cridge Centre for the Family
- ▶ The Mustard Seed
- ▶ Threshold Housing Society
- ▶ Vectis Support Services
- ▶ Victoria Immigrant & Refugee Centre Society
- ▶ Victoria Masonic Building Society
- ▶ Victoria Police
- ▶ Victoria Women’s Transition House Society





CRHC
The Capital Region's Housing Corporation

Capital Region Housing Corporation

631 Fisgard Street
Victoria, BC V8W 1R7

250.388.6422
www.crd.bc.ca/crhc

To be Approved at
Annual General Meeting
March 27, 2018

DRAFT at March 13, 2018

CAPITAL REGION HOUSING CORPORATION

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2017

CAPITAL REGION HOUSING CORPORATION

Financial Statements

December 31, 2017

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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, 2017, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants

DATE
Victoria, Canada

DRAFT

Capital Regional District Capital Region Housing Corporation

MANAGEMENT REPORT

The Financial Statements contained in this Statement of Financial Information under the Financial Information Act have been prepared by management in accordance with generally accepted accounting principles or stated accounting principles, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all the statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

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

The Board of Directors is responsible for ensuring that management fulfills its oversight for financial reporting and internal control.

The external auditors, KPMG LLP, conduct an independent examination, in accordance with generally accepted auditing standards, and express their opinion on the financial statements. Their examination does not relate to the other schedules and statements required by the Act. Their examination includes a review and evaluation of the corporation's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly. The external auditors have full and free access to staff and management.

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

Nelson Chan, MBA, CPA, CMA
Chief Financial Officer
March 27, 2018



CAPITAL REGION HOUSING CORPORATION

Statement of Financial Position

December 31, 2017, with comparative information for 2016

	December 31, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents (note 2)	\$ 5,040,888	\$ 4,191,054
Accounts receivable	64,506	47,357
Inventory and prepaid expenses	215,581	236,301
	<u>5,320,975</u>	<u>4,474,712</u>
Cash and cash equivalents restricted for replacement reserve (note 2)	5,386,313	6,541,851
Investments (note 3)	2,000,000	2,000,000
Restricted cash held by BCHMC	315,630	315,630
Capital assets (Schedule 3, note 4)	59,711,039	62,622,841
	<u>\$ 72,733,957</u>	<u>\$ 75,955,034</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 876,914	\$ 730,115
Accrued mortgage interest	177,343	185,822
Due to Capital Regional District	60,401	130,084
Deferred revenue	594,865	591,495
Security deposits	521,605	533,284
Mortgages payable principal current portion (Schedule 4)	5,308,098	4,631,721
Mortgages payable principal renewal portion (Schedule 4)	8,897,030	-
	<u>16,436,256</u>	<u>6,802,521</u>
Mortgages payable (Schedule 4, note 5)	37,890,251	52,170,949
Capital Stock (note 6)	1	1
Net assets:		
Invested in capital assets (note 7)	8,589,234	7,210,549
Externally restricted (note 8)	8,822,802	8,597,776
Internally restricted (note 8)	264,406	242,696
Unrestricted: Corporation stabilization reserve	935,378	992,183
	<u>18,611,820</u>	<u>17,043,204</u>
Accumulated remeasurement gains	(204,371)	(61,641)
	<u>18,407,449</u>	<u>16,981,563</u>
Commitments and contingencies (note 9)		
	<u>\$ 72,733,957</u>	<u>\$ 75,955,034</u>

See accompanying notes to financial statements.

On behalf of the Board:

Director_____
Director

CAPITAL REGION HOUSING CORPORATION

Statement of Operations

Year ended December 31, 2017 with comparative information for 2016

	Operating Funds		Restricted Funds		Total 2017	Total 2016
	Corporation	Rental Housing	Capital Fund	Replacement Reserve Fund		
Revenues:						
Tenant rent contributions	\$ -	\$ 11,297,879	\$ -	\$ -	\$ 11,297,879	\$ 10,966,094
BCHMC rent subsidy assistance	-	307,968	-	-	307,968	307,968
BCHMC umbrella operating agreement funding	-	3,461,185	-	-	3,461,185	3,507,304
BCHMC building envelope remediation subsidy	-	-	-	-	-	1,153,948
Rental management fees	1,061,634	-	-	-	1,061,634	1,004,977
Rental management fees - other	88,303	-	-	-	88,303	87,134
Investment income	93,551	-	-	142,714	236,265	246,995
Guest suites, net	3,160	-	-	-	3,160	4,266
Miscellaneous	31,450	78,712	-	-	110,162	91,032
Project management fees	114,500	-	-	-	114,500	-
	1,392,598	15,145,744	-	142,714	16,681,056	17,369,718
Expenses:						
Administration and property management	1,391,560	-	-	-	1,391,560	1,251,066
Amortization - office equipment and vehicles	-	-	17,520	-	17,520	7,513
Amortization - buildings and equipment	-	-	5,454,546	-	5,454,546	5,389,167
Amortization - land leases	-	-	226,350	-	226,350	226,350
Property taxes	-	681,201	-	-	681,201	715,170
Insurance	-	405,370	-	-	405,370	356,879
Maintenance	-	755,864	-	-	755,864	709,598
Caretakers	-	1,050,483	-	-	1,050,483	1,041,221
Landscape	-	319,380	-	-	319,380	317,067
Electricity	-	276,914	-	-	276,914	255,914
Land and Improvement leases	-	294,000	-	-	294,000	294,000
Water	-	762,659	-	-	762,659	715,726
Oil and gas	-	87,948	-	-	87,948	86,735
Garbage	-	237,319	-	-	237,319	197,418
Rental management fee	-	1,060,926	-	-	1,060,926	1,004,396
Audit and legal	-	20,900	-	-	20,900	30,800
Miscellaneous	-	42,918	-	-	42,918	60,552
Hospitality services (Parry)	-	267,023	-	-	267,023	276,021
Interest on long term debt	-	1,750,755	-	-	1,750,755	1,973,465
	1,391,560	8,013,660	5,698,416	-	15,103,636	14,909,058
Excess (deficiency) of revenues over expenses before:	1,038	7,132,084	(5,698,416)	142,714	1,577,420	2,460,660
Reimburse BCHMC 2016 ILBC2 subsidy overpayment	-	(8,804)	-	-	(8,804)	(18)
Excess (deficiency) of revenues over expenses	\$ 1,038	\$ 7,123,280	\$(5,698,416)	\$ 142,714	\$ 1,568,616	\$ 2,460,642

See accompanying notes to financial statements.

CAPITAL REGION HOUSING CORPORATION

Statement of Changes in Net Assets and Remeasurement Gains/Losses
 Year ended December 31, 2017, with comparative information for 2016

	Operating Funds		Restricted Funds			Total 2017	Total 2016
	Corporation	Rental Housing (Schedule 5)	Capital Fund	Replacement Reserve Fund (Schedule 1)	Remeasurement Gains/Losses		
Net assets, beginning of year	\$ 1,144,855	\$ 2,145,949	\$ 7,210,549	\$ 6,541,851	\$ (61,641)	\$ 16,981,563	\$ 14,584,066
Excess (deficiency) of revenues over expenses	1,038	7,123,280	(5,698,416)	142,714	-	1,568,616	2,460,642
Interfund transfers:							
Mortgage principal repayments	-	(4,707,291)	4,707,291	-	-	-	-
Replacement reserve transfers	-	(1,014,013)	-	1,014,013	-	-	-
Replacement reserve expenditures	-	-	2,312,265	(2,312,265)	-	-	-
Capital assets acquired	(57,545)	-	57,545	-	-	-	-
Family self sufficiency program transfers	3,251	(3,251)	-	-	-	-	-
	(54,294)	(5,724,555)	7,077,101	(1,298,252)	-	-	-
Unrealized losses on investments	-	-	-	-	(142,730)	(142,730)	(61,641)
Realized losses on investments, reported in operations	-	-	-	-	-	-	(1,504)
	-	-	-	-	(142,730)	(142,730)	(63,145)
Net assets, end of year	\$ 1,091,599	\$ 3,544,674	\$ 8,589,234	\$ 5,386,313	\$ (204,371)	\$ 18,407,449	\$ 16,981,563

See accompanying notes to financial statements

CAPITAL REGION HOUSING CORPORATION

Statement of Cash Flows

Years ended December 31, 2017, with comparative information for 2016

	Total 2017	Total 2016
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	\$ 1,568,616	\$ 2,460,642
Items not involving cash:		
Amortization	5,698,416	5,623,030
Changes in non-cash assets and liabilities:		
Decrease (increase) in accounts receivable	(17,149)	445,070
Decrease (increase) in inventory and prepaid expenses	20,720	10,038
Increase (decrease) in accounts payable and accrued liabilities	146,799	(86,364)
Decrease in accrued mortgage interest	(8,479)	(22,890)
Increase (decrease) in deferred revenue	3,370	31,141
Increase (decrease) in security deposits	(11,679)	14,839
Increase (decrease) due to Capital Regional District	(69,683)	105,405
	7,330,931	8,580,911
Investing activities:		
Decrease (increase) in restricted cash and cash equivalents	1,012,808	317,518
Decrease (increase) in investments	-	1,000,000
	1,012,808	1,317,518
Capital activities:		
Acquisition of capital assets	(2,786,614)	(3,097,903)
	(2,786,614)	(3,097,903)
Financing activities:		
Repayment of long-term debt	(4,707,291)	(4,530,172)
	(4,707,291)	(4,530,172)
Net change in cash and cash equivalents	849,834	2,270,354
Cash and cash equivalents, beginning of year	4,191,054	1,920,700
Cash and cash equivalents, end of year	\$ 5,040,888	\$ 4,191,054

See accompanying notes to financial statements.

CAPITAL REGION HOUSING CORPORATION

Notes to Financial Statements

Year ended December 31, 2017

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, 2017

1. Significant accounting policies (continued)

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
Prepaid land leases – BCHMC projects	60 years
Prepaid land lease – CMHC project	41 years
Prepaid 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

CAPITAL REGION HOUSING CORPORATION
Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued)

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.

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

CAPITAL REGION HOUSING CORPORATION
Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued)

f) Allocation of Investment Income

Funds available for investment are pooled and interest revenue is allocated to restricted funds at the rate of average prime minus 0.41% (2016: average prime minus 0.14%).

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.

CAPITAL REGION HOUSING CORPORATION
Notes to Financial Statements (continued)

Year ended December 31, 2017

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.

3. Investments

	Valuation	2017	2016
Chartered banks - Term Deposits	Cost	\$ 2,000,000	\$2,000,000

4. Capital Assets

December 31, 2017	Cost	Accumulated Amortization	Net Book Value
Land	\$ 9,496,053	\$ -	\$ 9,496,053
Prepaid land leases	12,601,318	5,288,574	7,312,744
Buildings	106,342,714	71,866,715	34,475,999
Equipment and other	32,356,323	23,930,080	8,426,243
	\$160,796,408	\$101,085,369	\$59,711,039

December 31, 2016	Cost	Accumulated Amortization	Net Book Value
Land	\$ 9,496,053	\$ -	\$ 9,496,053
Prepaid land leases	12,601,318	5,062,224	7,539,094
Buildings	105,925,910	68,495,653	37,430,257
Equipment and other	29,986,513	21,829,076	8,157,437
	\$158,009,794	\$95,386,953	\$62,622,841

CAPITAL REGION HOUSING CORPORATION
Notes to Financial Statements (continued)

Year ended December 31, 2017

5. Mortgages Payable

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

Principal due within each of the next five years on these mortgages is approximately as follows:		Assuming no mortgage renewal	Assuming mortgage renewal
2018		\$14,205,128	\$4,799,212
2019		4,867,041	4,704,492
2020		11,520,975	4,367,084
2021		4,389,397	3,552,797
2022		4,192,874	3,480,563

6. Capital Stock

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

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

7. Invested in Capital Assets

Investment in capital assets is calculated as follows:

	December 31, 2017	December 31, 2016
Capital assets	\$59,711,039	\$62,622,841
Accounts receivable	420	420
Interfund due (to)/from rental housing operating fund	660,933	1,089,228
Restricted cash	315,630	315,630
Accounts payable and accrued liabilities	(3,409)	(14,900)
Mortgages payable	(52,095,379)	(56,802,670)
	\$ 8,589,234	\$ 7,210,549

CAPITAL REGION HOUSING CORPORATION
Notes to Financial Statements (continued)

Year ended December 31, 2017

8. Restricted Net Assets

Externally restricted net assets:

	December 31, 2017	December 31, 2016
Replacement reserve fund (Schedule 1)	\$5,386,313	\$6,541,851
CMHC/BCHMC/Homes BC operating agreements	(3,948)	(3,948)
Portfolio stabilization reserve – umbrella agreement (Schedule 2)	3,434,824	2,035,388
Portfolio stabilization reserve – ILBC2 agreement (Schedule 2)	(770)	21,353
Family self-sufficiency program	6,383	3,132
	\$8,822,802	\$8,597,776

Internally restricted net assets:

	December 31, 2017	December 31, 2016
Portfolio stabilization reserve – no operating agreement (Schedule 2)	\$ 114,568	\$ 93,156
Guest suite surplus	34,626	31,466
Vehicle replacement reserve	86,179	84,054
Equipment Replacement Reserve	29,033	34,020
	\$264,406	\$242,696

9. Commitments and Contingencies

a) Related Party Transactions

The Corporation is a wholly owned subsidiary of the Capital Regional District (CRD). In 1997, the Corporation committed to a sixty year prepaid land lease at 625 Superior Street from the CRD at the agreed upon price of \$525,000 which was recognized as an acquisition in the Corporation Capital Fund. In 2017, the Corporation committed to a sixty year land lease from the CRD for one dollar, with the land use restricted to affordable housing. The 2017 fair market value of 3816 Carey Road is \$2,700,000.

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.

CAPITAL REGION HOUSING CORPORATION
Notes to Financial Statements (continued)

Year ended December 31, 2017

9. Commitments and Contingencies (continued)

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.

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; final costs at December 31, 2017 are \$1,256,339 (2016: \$1,201,061).

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, 2017 is \$949,933 (2016: \$1,424,899).

e) 3816 Carey Road Apartment Development

As at December 31, 2017 the Corporation was developing the Carey Road rental housing property.

Number of Units	Estimate to Complete	Expended Dec. 31, 2017	Expected Completion
73	\$15,750,240	\$343,539	January, 2020

CAPITAL REGION HOUSING CORPORATION
Notes to Financial Statements (continued)

Year ended December 31, 2017

10. Pension Liability

The Corporation and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trustee pension plan. The Board of Trustees, representing plan members and employers, is responsible for administering the Plan, including investment assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits provided are based on a formula. As at December 31, 2016, the Plan has about 193,000 active members and approximately 90,000 retired members. Active members include approximately 29 contributors from the Corporation.

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

The most recent valuation for the Municipal Pension Plan as at December 31, 2015 indicated a \$2,224 million funding surplus for basic pension benefits on a going concern basis. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$1,927 million was transferred to the rate stabilization account and \$297 million of the surplus ensured the required contribution rates remained unchanged.

The Corporation paid \$146,528 for employer contributions to the Plan in fiscal 2017 (2016: \$137,502). The next valuation will be as at December 31, 2018, with results available in 2019.

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

11. Financial risks and concentration of 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, 2017 is the carrying value of these assets.

CAPITAL REGION HOUSING CORPORATION
Notes to Financial Statements (continued)

Year ended December 31, 2017

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

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, 2017 is \$0. There have been no significant changes to the credit risk exposure from 2016.

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 2016.

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 2016.

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 2016.

CAPITAL REGION HOUSING CORPORATION
 Changes in Replacement Reserve Fund (Unaudited)

SCHEDULE 1

Year ended December 31, 2017

	Balance at December 31 2016	Transfer from Rental Operating Fund	Prior Year Adjustment	Interest	Transfer to Capital Fund	Balance at December 31 2017
<u>Umbrella Agreement</u>						
Portage Place	\$ 250,390	\$ 13,260	\$ -	\$ 6,170	\$ (20,643)	\$ 249,177
Campus View Court	70,373	9,360	-	1,061	(58,136)	22,658
Royal Oak Square	211,398	29,640	-	3,439	(155,109)	89,368
Oakwinds	899,224	39,000	-	20,385	(211,884)	746,725
James Yates Gardens	155,626	6,240	-	3,896	(8,019)	157,743
Pinehurst	406,992	15,600	-	10,142	(24,653)	408,081
The Brambles	147,794	14,040	-	3,523	(21,398)	143,959
The Terraces	525,883	15,600	-	12,625	(69,117)	484,991
Michigan Square	292,388	48,360	-	6,489	(79,757)	267,480
Olympic View	389,635	46,800	-	9,173	(65,357)	380,251
Swanlea	136,300	10,920	-	3,136	(28,502)	121,854
Firgrove	19,450	24,960	-	-	(77,075)	(32,665)
Beechwood Park	32,945	37,440	-	442	(31,506)	39,321
Grey Oak Square	77,348	18,720	-	1,086	(70,136)	27,018
Willowdene	23,567	11,700	-	232	(29,095)	6,404
Rosewood	71,083	34,320	-	980	(65,873)	40,510
Gladstone	53,640	10,920	-	1,096	(21,943)	43,713
Camosun Place	57,861	6,240	-	1,416	(5,549)	59,968
Parkview	149,988	20,280	-	3,061	(61,739)	111,590
Carey Lane	17,500	17,160	-	267	(14,235)	20,692
Colquitz Green	50,514	15,600	-	476	(63,949)	2,641
Springtide	30,924	37,440	-	154	(49,861)	18,657
Greenlea	16,389	16,380	-	120	(23,446)	9,443
Arbutus View	21,028	17,940	-	181	(27,970)	11,179
Amberlea	280,837	34,320	-	6,380	(65,120)	256,417
Cloverhurst	59,508	7,800	-	1,462	(5,207)	63,563
Hamlet	15,711	7,800	-	391	(1,016)	22,886
Viewmont	145,765	28,080	-	3,087	(51,279)	125,653
Creekside	18,720	18,720	-	310	(13,326)	24,424
The Birches	36,636	43,680	-	459	(37,532)	43,243
Caledonia	17,893	14,040	-	25	(33,822)	(1,864)
The Heathers	133,570	20,280	-	2,846	(45,619)	111,077
Heron Cove	172,802	18,720	-	4,203	(18,450)	177,275
Castanea Place	451,311	46,020	-	10,432	(90,694)	417,069
Leblond Place	255,661	33,540	-	6,136	(33,717)	261,620
Rotary House	32,048	31,980	-	326	(38,743)	25,611
Cairns Park	54,233	4,680	-	357	(80,695)	(21,425)
Kings Place	27,391	27,300	-	288	(32,396)	22,583
Carillon Place	26,753	11,700	-	-	(351,782)	(313,329)
Brock Place	23,896	23,400	-	60	(43,137)	4,219
Harbour Lane	145,758	21,840	-	3,604	(11,005)	160,197
Tillicum Station	187,293	31,200	-	4,369	(34,533)	188,329
<u>ILBC2 Agreement</u>						
Parry Place	26,893	16,600	(332)	571	(9,004)	34,728
<u>CRHC No Operating Agreement</u>						
Village on the Green	299,631	47,725	-	7,321	(29,453)	325,224
Vergo	21,301	7,000	-	537	(783)	28,055
	\$ 6,541,851	\$ 1,014,345	\$ (332)	\$ 142,714	\$ (2,312,265)	\$ 5,386,313

CAPITAL REGION HOUSING CORPORATION
 Changes in Portfolio Stabilization Reserves (Unaudited)

SCHEDULE 2

Year ended December 31, 2017

	Balance at December 31 2016 (see note below)	Reimburse BCHMC	Transfer (to) Replacement Reserve Fund	Transfer from/(to) Rental Operating Fund (Schedule 5)	Balance at December 31 2017
<u>Umbrella Agreement</u>					
CMHC	\$ 2,908,138	\$ -	\$ -	\$ 1,067,038	\$ 3,975,176
BCHMC	(1,141,462)	-	-	129,240	(1,012,222)
Homes BC	268,712	-	-	203,158	471,870
	<u>2,035,388</u>	<u>-</u>	<u>-</u>	<u>1,399,436</u>	<u>3,434,824</u>
<u>ILBC2 Agreement</u>					
Parry Place	21,353	(8,804)	332	(13,651)	(770)
	<u>21,353</u>	<u>(8,804)</u>	<u>332</u>	<u>(13,651)</u>	<u>(770)</u>
<u>CRHC No Operating Agreement</u>					
Village on the Green	335,597	-	-	85,789	421,386
Vergo	(242,441)	-	-	(64,377)	(306,818)
	<u>93,156</u>	<u>-</u>	<u>-</u>	<u>21,412</u>	<u>114,568</u>
	<u>\$ 2,149,897</u>	<u>\$ (8,804)</u>	<u>\$ 332</u>	<u>\$ 1,407,197</u>	<u>\$ 3,548,622</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 (Unaudited)

Year ended December 31, 2017

		Cost					Transfer from Replacement Reserve Fund	Total	Accumulated Amortization	2017	2016
		Completed	Land	Prepaid Land Lease	Buildings	Equipment and Other					
In Operation											
<u>Umbrella Agreement</u>											
Portage Place	Aug/83	\$ 328,659	\$ -	\$ 965,774	\$ 511,765	\$ 20,643	\$ 1,826,841	\$ (1,323,579)	\$ 503,262	\$ 553,865	
Campus View Court	Sep/83	341,224	-	688,111	450,184	58,136	1,537,655	(1,065,304)	472,351	466,656	
Royal Oak Square	Mar/84	666,280	-	2,051,834	1,153,111	155,109	4,026,334	(2,849,392)	1,176,942	1,193,469	
Oakwinds	Feb/85	-	830,075	2,835,407	1,101,427	211,884	4,978,793	(4,313,814)	664,979	639,599	
James Yates Gardens	Oct/84	103,200	-	387,934	216,300	8,019	715,453	(545,460)	169,993	186,986	
Pinehurst	Feb/85	277,692	-	1,188,811	571,826	24,653	2,062,982	(1,536,275)	526,707	572,799	
The Brambles	Jun/85	275,975	-	1,048,104	669,511	21,398	2,014,988	(1,524,474)	490,514	537,725	
The Terraces	May/85	356,532	-	1,087,668	736,859	69,117	2,250,176	(1,642,857)	607,319	616,437	
Michigan Square	Sep/85	784,763	-	3,154,222	2,380,171	79,757	6,398,913	(4,953,762)	1,445,151	1,575,551	
Olympic View	Apr/86	900,000	-	3,288,908	1,648,440	65,357	5,902,705	(4,363,223)	1,539,482	1,657,488	
Swanlea	Dec/85	230,215	-	746,556	396,328	28,502	1,401,601	(1,018,351)	383,250	403,672	
Firgrove	Feb/86	480,000	-	1,763,183	1,012,084	77,075	3,332,342	(2,465,604)	866,738	898,942	
Beechwood Park	Feb/86	888,000	-	2,317,623	2,790,925	31,506	6,028,054	(4,153,064)	1,874,990	2,106,786	
Grey Oak Square	Apr/86	409,015	-	1,290,394	728,365	70,136	2,497,910	(1,773,643)	724,267	742,160	
Willowdene	Sep/87	-	-	884,186	594,108	29,095	1,507,389	(1,211,727)	295,662	334,166	
Rosewood	Oct/88	-	255,000	1,864,715	669,306	65,873	2,854,894	(2,251,540)	603,354	647,378	
Gladstone	Jan/89	-	197,000	912,600	421,768	21,943	1,553,311	(1,211,609)	341,702	369,984	
Camosun Place	Mar/89	-	108,000	489,700	186,351	5,549	789,600	(602,268)	187,332	209,470	
Parkview	May/89	-	283,250	1,795,567	755,707	61,739	2,896,263	(2,250,464)	645,799	687,994	
Carey Lane	Aug/89	-	283,250	1,443,751	777,384	14,235	2,518,620	(1,939,855)	578,765	656,730	
Colquitz Green	Nov/89	-	160,250	1,504,000	609,975	63,949	2,338,174	(1,808,800)	529,374	558,256	
Springtide	May/90	-	324,500	2,519,309	724,510	49,861	3,618,180	(2,765,045)	853,135	924,714	
Greenlea	Feb/90	-	305,750	1,560,300	711,899	23,446	2,601,395	(1,943,985)	657,410	729,209	
Arbutus View	Jul/90	-	370,250	1,592,750	678,581	27,970	2,669,551	(1,988,517)	681,034	745,997	
Amberlea	May/90	-	447,501	2,578,479	602,466	65,120	3,693,566	(2,795,000)	898,566	950,624	
Cloverhurst	May/90	-	197,000	651,500	186,459	5,207	1,040,166	(772,862)	267,304	291,978	
Hamlet	Oct/90	-	152,000	803,000	309,653	1,016	1,265,669	(943,595)	322,074	366,636	
Viewmont	Aug/91	-	402,140	2,378,046	616,588	51,279	3,448,053	(2,507,532)	940,521	1,007,835	
Creekside	Apr/92	-	388,250	2,363,830	791,115	13,326	3,556,521	(2,542,135)	1,014,386	1,121,705	
The Birches	Aug/92	-	675,000	3,684,874	703,259	37,532	5,100,665	(3,608,399)	1,492,266	1,611,822	
Caledonia	Apr/93	-	403,473	1,452,777	395,815	33,822	2,285,887	(1,527,608)	758,279	799,650	
The Heathers	Apr/93	-	436,279	1,974,683	319,965	45,619	2,776,546	(1,869,646)	906,900	947,025	
Heron Cove	Oct/93	-	270,000	2,274,691	351,922	18,450	2,915,063	(2,030,406)	884,657	955,005	
Castanea Place	Feb/95	-	1,277,000	4,641,879	728,965	90,694	6,938,538	(4,284,781)	2,653,757	2,774,237	
Leblond Place	Sep/96	-	900,000	4,506,231	440,325	33,717	5,880,273	(3,504,143)	2,376,130	2,519,259	
Rotary House	Nov/06	-	556,600	2,994,000	449,716	38,743	4,039,059	(1,994,621)	2,044,438	2,184,966	
Cairns Park	Dec/96	-	240,000	415,314	75,136	80,695	811,145	(421,329)	389,816	345,876	
Kings Place	N/A	-	-	-	535,001	32,396	567,397	(374,858)	192,539	208,278	
Carillon Place	Jul/98	-	525,000	1,280,389	233,994	351,782	2,391,165	(1,143,072)	1,248,093	1,028,982	
Brock Place	Jan/00	-	840,000	3,465,836	519,195	43,137	4,868,168	(2,412,230)	2,455,938	2,571,956	
Harbour Lane	Oct/01	-	825,000	3,607,266	271,770	11,005	4,715,041	(2,171,954)	2,543,087	2,673,064	
Tillicum Station	Jul/02	-	948,750	4,300,764	422,284	34,533	5,706,331	(2,509,533)	3,196,798	3,342,544	
Building Envelope Remediation											
Amberlea	2008	-	-	2,367,415	-	-	2,367,415	(1,455,404)	912,011	1,042,300	
Cloverhurst	2008	-	-	1,105,204	-	-	1,105,204	(682,079)	423,125	483,572	
Birches	2006	-	-	1,635,610	-	-	1,635,610	(945,347)	690,263	766,959	
Heron Cove	2007	-	-	1,756,374	-	-	1,756,374	(957,562)	798,812	878,696	
Castanea Place	2007	-	-	2,531,350	-	-	2,531,350	(1,225,333)	1,306,017	1,414,850	
Leblond Place	2009	-	-	3,337,941	-	-	3,337,941	(1,436,143)	1,901,798	2,048,092	
Heathers	2016	-	-	1,256,339	-	-	1,256,339	(205,202)	1,051,137	1,100,973	
<u>LBC2 Agreement</u>											
Parry Place	Jun/08	1,400,000	-	4,802,902	193,016	9,004	6,404,922	(1,422,018)	4,982,904	5,136,746	
<u>CRHC No Operating Agreement</u>											
Village on the Green	May/84	910,171	-	2,002,921	744,037	29,453	3,686,582	(2,557,125)	1,129,457	1,197,746	
Vergo	May/12	1,144,327	-	4,218,153	60,079	783	5,423,342	(756,504)	4,666,838	4,793,366	
Building Under Construction											
3816 Carey	-	-	-	343,539	-	-	343,539	-	343,539	12,013	
Redevelopment Sites	-	-	-	30,000	-	-	30,000	-	30,000	30,051	
Office Equipment											
Vehicles	-	-	-	-	535,869	-	535,869	(465,792)	70,077	-	
					60,544		60,544	(60,544)			
		\$ 9,496,053	\$ 12,601,318	\$ 106,342,714	\$ 30,044,058	\$ 2,312,265	\$ 160,796,408	\$ (101,085,369)	\$ 59,711,039	\$ 62,622,841	

CAPITAL REGION HOUSING CORPORATION

SCHEDULE 4

Capital Fund - Mortgages Payable (Unaudited)

Year ended December 31, 2017

Rental Property	Interest Rate	Renewal Date	Maturity Date	2017	2016
<u>Umbrella Agreement</u>					
Portage Place	3.680%	-	August 1,2018	\$ 56,084	\$ 137,693
Campus View Court	2.110%	-	September 1,2018	47,429	109,518
Royal Oak Square	2.710%	-	March 1,2019	203,711	361,816
Oakwinds	1.390%	-	February 1,2020	497,144	721,610
James Yates Gardens	1.120%	-	October 1,2019	55,890	85,896
Pinehurst	1.390%	-	March 1,2020	202,848	290,993
The Brambles	1.040%	-	June 1,2020	199,596	277,996
The Terraces	1.040%	-	May 1,2020	210,927	296,673
Michigan Square	1.020%	-	September 1,2020	657,925	892,644
Olympic View	2.930%	-	April 1,2021	847,634	1,086,308
Swanlea	3.430%	-	December 1,2020	182,476	239,280
Firgrove	3.150%	-	February 1,2021	432,441	560,345
Beechwood Park	3.150%	-	February 1,2021	619,460	802,681
Grey Oak Square	3.150%	-	March 1,2021	335,560	432,137
Willowdene	3.680%	December 1,2018	September 1,2022	234,198	278,543
Rosewood	3.680%	December 1,2018	November 1,2023	664,792	763,653
Gladstone	3.680%	December 1,2018	January 1,2024	357,831	412,423
Camosun Place	2.710%	April 1,2019	March 1,2024	188,086	215,350
Parkview	3.440%	September 1,2019	May 1,2024	716,030	814,170
Carey Lane	3.440%	September 1,2019	August 1,2024	614,011	694,655
Colquitz Green	3.510%	February 1,2020	November 1,2024	614,713	691,970
Springtide	3.130%	October 1,2020	May 1,2025	1,108,556	1,239,426
Greenlea	3.430%	June 1,2020	March 1,2025	725,169	811,884
Arbutus View	3.130%	October 1,2020	July 1,2025	769,053	857,610
Amberlea	3.130%	October 1,2020	May 1,2025	1,184,249	1,324,055
Cloverhurst	3.130%	October 1,2020	May 1,2025	330,833	369,889
Hamlet	3.430%	February 1,2021	October 1,2025	391,446	434,324
Viewmont	2.490%	October 1,2021	August 1,2026	1,185,503	1,306,643
Creekside	3.650%	June 1,2018	April 1,2027	1,221,797	1,329,881
The Birches	3.540%	September 1,2018	August 1,2027	1,959,672	2,127,001
Caledonia	3.650%	June 1,2018	April 1,2028	884,915	954,280
The Heathers	3.650%	June 1,2018	April 1,2028	1,132,823	1,221,621
Heron Cove	3.680%	December 1,2018	October 1,2028	1,232,335	1,323,425
Castanea Place	3.430%	June 1,2020	February 1,2030	3,414,337	3,637,092
Leblond Place - 1st mortgage	2.490%	October 1,2021	September 1,2031	2,598,906	2,755,633
Leblond Place - 2nd mortgage	2.150%	March 1,2025	March 1,2045	2,753,499	2,827,126
Rotary House	4.370%	March 1,2018	March 1,2028	1,806,567	1,943,658
Cairns Park	1.698%	December 1,2021	December 1,2031	394,383	419,141
Carillon Place	3.220%	June 1,2024	July 1,2033	1,145,997	1,201,848
Brock Place	5.260%	January 1,2020	January 1,2035	3,140,593	3,251,891
Harbour Lane	2.200%	October 1,2026	October 1,2036	3,063,199	3,193,202
Tillicum Station	3.270%	July 1,2024	July 1,2037	3,906,910	4,047,258
<u>ILBC2 Agreement</u>					
Parry Place	3.480%	May 1,2024	May 1,2043	3,752,801	3,843,039
<u>CRHC No Operating Agreement</u>					
Village on the Green	3.500%	October 1,2021	October 1,2039	2,056,123	2,118,015
Vergo	3.450%	August 1,2022	August 1,2042	3,996,927	4,098,374
				52,095,379	56,802,670
			Principal Current Portion	(5,308,098)	(4,631,721)
			Principal Renewal Portion	(8,897,030)	-
				<u>\$ 37,890,251</u>	<u>\$ 52,170,949</u>

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

	Assuming no mortgage renewal	Assuming mortgage renewal
2018	\$14,205,128	\$4,799,212
2019	4,867,041	4,704,492
2020	11,520,975	4,367,084
2021	4,389,397	3,552,797
2022	4,192,874	3,480,563

CAPITAL REGION HOUSING CORPORATION
 Operating Fund - Rental Operations (Unaudited)
 Year ended December 31,2017

SCHEDULE 5

	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	Total		
Umbrella Agreement												
CMHC												
Portage Place	17	\$ 210,629	\$ -	\$ 18,658	\$ 466	\$ 229,753	\$ 82,370	\$ 13,260	\$ 85,032	\$ 180,662	\$ 49,091	(49,091)
Campus View Court	12	154,095	-	11,170	600	165,865	66,758	9,360	63,685	139,803	26,062	(26,062)
Royal Oak Square	38	477,902	-	21,496	1,040	500,438	186,080	29,640	165,557	381,277	119,161	(119,161)
Oakwinds	50	591,467	-	57,734	1,218	650,419	255,912	39,000	232,786	527,698	122,721	(122,721)
James Yates Gardens	8	72,563	-	7,011	-	79,574	48,705	6,240	30,785	85,730	(6,156)	6,156
Pinehurst	20	258,639	-	23,191	1,107	282,937	99,919	15,600	91,518	207,037	75,900	(75,900)
N The Brambles	18	217,325	-	18,000	1,041	236,366	101,962	14,040	80,845	196,847	39,519	(39,519)
The Terraces	20	219,031	-	19,880	1,247	240,158	108,646	15,600	88,343	212,589	27,569	(27,569)
Michigan Square	62	473,978	-	52,757	3,826	530,561	254,626	48,360	242,512	545,498	(14,937)	14,937
Olympic View	60	742,451	-	70,610	2,649	815,710	265,693	46,800	266,562	579,055	236,655	(236,655)
Swanlea	14	184,087	-	18,114	887	203,088	69,103	10,920	63,910	143,933	59,155	(59,155)
Firgrove	32	369,424	-	37,102	1,742	408,268	141,709	24,960	143,283	309,952	98,316	(98,316)
Beechwood Park	48	570,193	-	53,052	4,034	627,279	246,189	37,440	205,249	488,878	138,401	(138,401)
Grey Oak Square	24	312,255	-	27,979	1,467	341,701	118,928	18,720	108,472	246,120	95,581	(95,581)
	423	\$ 4,854,039	\$ -	\$ 436,754	\$ 21,324	\$ 5,312,117	\$ 2,046,600	\$ 329,940	\$ 1,868,539	\$ 4,245,079	\$ 1,067,038	(1,067,038)

CAPITAL REGION HOUSING CORPORATION
 Operating Fund - Rental Operations (Unaudited)
 Year ended December 31, 2017

SCHEDULE 5
(continued)

	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	Operating Costs	Transfer to Replacement Reserve	Debt Charges	Total		
Umbrella Agreement												
BCHMC												
Willowdene	15	\$ 100,248	\$ -	\$ 57,504	\$ 320	\$ 158,072	\$ 124,029	\$ 11,700	\$ 53,780	\$ 189,509	\$ (31,437)	\$ 31,437
Rosewood	44	232,139	-	86,904	2,673	321,716	178,757	34,320	125,106	338,183	(16,467)	16,467
Gladstone	14	101,694	-	65,091	-	166,785	62,387	10,920	65,687	138,994	27,791	(27,791)
Camosun Place	8	58,128	-	34,097	-	92,225	33,742	6,240	32,733	72,715	19,510	(19,510)
Parkview	26	210,071	-	119,730	398	330,199	104,687	20,280	124,422	249,389	80,810	(80,810)
Carey Lane	22	168,169	-	87,645	338	256,152	81,689	17,160	103,116	201,965	54,187	(54,187)
Colquitz Green	20	144,673	-	80,355	244	225,272	82,142	15,600	100,143	197,885	27,387	(27,387)
Springtide	48	261,419	-	122,028	2,426	385,873	199,984	37,440	167,560	404,984	(19,111)	19,111
Greenlea	21	136,966	-	49,320	801	187,087	88,098	16,380	113,021	217,499	(30,412)	30,412
Arbutus View	23	150,709	-	55,608	304	206,621	96,225	17,940	113,972	228,137	(21,516)	21,516
Amberlea	44	248,319	-	122,645	2,316	373,280	177,132	34,320	179,001	390,453	(17,173)	17,173
Cloverhurst	10	62,475	-	43,824	240	106,539	38,536	7,800	50,006	96,342	10,197	(10,197)
Hamlet	10	93,680	-	53,091	-	146,771	45,040	7,800	57,004	109,844	36,927	(36,927)
Viewmont	36	163,010	-	166,536	2,053	331,599	148,054	28,080	152,138	328,272	3,327	(3,327)
Creekside	24	181,093	-	118,351	524	299,968	97,200	18,720	154,477	270,397	29,571	(29,571)
The Birches	56	284,677	-	173,400	4,403	462,480	178,580	43,680	239,397	461,657	823	(823)
Caledonia	18	128,359	-	85,332	170	213,861	93,452	14,040	102,790	210,282	3,579	(3,579)
The Heathers	26	140,663	-	114,636	1,210	256,509	101,018	20,280	131,587	252,885	3,624	(3,624)
Heron Cove	24	166,255	-	70,259	583	237,097	85,882	18,720	137,908	242,510	(5,413)	5,413
Castanea Place	59	359,746	-	223,902	1,706	585,354	267,692	46,020	343,168	656,880	(71,526)	71,526
Leblond Place	43	230,849	-	342,600	1,399	574,848	206,225	33,540	356,669	596,434	(21,586)	21,586
Rotary House	41	224,397	-	234,871	2,011	461,279	144,584	31,980	218,567	395,131	66,148	(66,148)
	632	\$ 3,847,739	\$ -	\$ 2,507,729	\$ 24,119	\$ 6,379,587	\$ 2,635,135	\$ 492,960	\$ 3,122,252	\$ 6,250,347	\$ 129,240	\$ (129,240)
Homes BC												
Cairns Park	6	\$ 52,216	\$ -	\$ 22,315	\$ -	\$ 74,531	\$ 26,695	\$ 4,680	\$ 31,658	\$ 63,033	\$ 11,498	\$ (11,498)
Kings Place	35	364,869	-	152,041	1,770	518,680	411,981	27,300	-	439,281	79,399	(79,399)
Carillon Place	15	160,824	-	33,478	227	194,529	58,270	11,700	93,480	163,450	31,079	(31,079)
Brock Place	30	326,497	-	124,236	1,552	452,285	115,788	23,400	277,872	417,060	35,225	(35,225)
Harbour Lane	28	288,370	-	88,748	3,882	381,000	112,854	21,840	198,635	333,329	47,671	(47,671)
Tillicum Station	40	417,503	-	95,884	1,387	514,774	215,565	31,200	269,723	516,488	(1,714)	1,714
	154	\$ 1,610,279	\$ -	\$ 516,702	\$ 8,818	\$ 2,135,799	\$ 941,153	\$ 120,120	\$ 871,368	\$ 1,932,641	\$ 203,158	\$ (203,158)
	1,209	\$ 10,312,057	\$ -	\$ 3,461,185	\$ 54,261	\$ 13,827,503	\$ 5,622,888	\$ 943,020	\$ 5,862,159	\$ 12,428,067	\$ 1,399,436	\$ (1,399,436)

CAPITAL REGION HOUSING CORPORATION
 Operating Fund - Rental Operations (Unaudited)
 Year ended December 31, 2017

SCHEDULE 5
(continued)

	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	Total		
<u>ILBC2 Agreement</u>												
Parry Place	21	\$ 306,155	\$ 307,968	\$ -	\$ 11,203	\$ 625,326	\$ 401,113	\$ 16,268	\$ 221,596	\$ 638,977	\$ (13,651)	13,651
<u>CRHC No Operating Agreement</u>												
Village on the Green	38	\$ 415,703	\$ -	\$ -	\$ 13,248	\$ 428,951	\$ 161,108	\$ 47,725	\$ 134,329	\$ 343,162	\$ 85,789	(85,789)
Vergo	18	263,964	-	-	-	263,964	81,379	7,000	239,962	328,341	(64,377)	64,377
	56	\$ 679,667	\$ -	\$ -	\$ 13,248	\$ 692,915	\$ 242,487	\$ 54,725	\$ 374,291	\$ 671,503	\$ 21,412	(21,412)
TOTALS	1,286	\$ 11,297,879	\$ 307,968	\$ 3,461,185	\$ 78,712	\$ 15,145,744	\$ 6,266,488	\$ 1,014,013	\$ 6,458,046	\$ 13,738,547	\$ 1,407,197	(1,407,197)



Capital Region Housing Corporation

Audit Findings Report

For meeting on March 27, 2018

kpmg.ca/audit



The contacts at KPMG in connection with this report are:

Lenora Lee
Lead Audit Engagement Partner
Tel: 250-480-3588
lenoramlee@kpmg.ca

Heather Crow
Audit Senior Manager
Tel: 250-480-3504
hcrow@kpmg.ca

Taylor Norman
Audit Senior Accountant
Tel: 250-480-3670
tnorman@kpmg.ca

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Executive summary

Purpose of this report

The purpose of this Audit Findings Report is to assist you, as a member of the Board of Directors, in your review of the results of our audit of the financial statements of Capital Region Housing Corporation as at and for the year ended December 31, 2017.

This Audit Findings Report builds on the Audit Plan we presented to the Board of Directors on December 5, 2017.

Changes from the Audit Plan

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

Audit risks and 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.

Adjustments and differences

We did not identify differences that remain uncorrected.

An adjusting journal entry was recommended and accepted by management to remove land under lease and invested in capital assets for \$2.7 million. The adjustment decreases capital assets by \$2.7 million and amortization expense by \$46 thousand for the year.

*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 13, 2018 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 any remaining procedures.

Control and other observations

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

Critical accounting estimates

Overall, we are satisfied with the reasonability of critical accounting estimates. The critical area of estimates relates to capital asset amortization.

Independence

We have included a copy of our independence letter, which notes that we are independent with respect to the Company (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.

Audit results

Significant findings from the audit regarding other areas of focus are as follows:

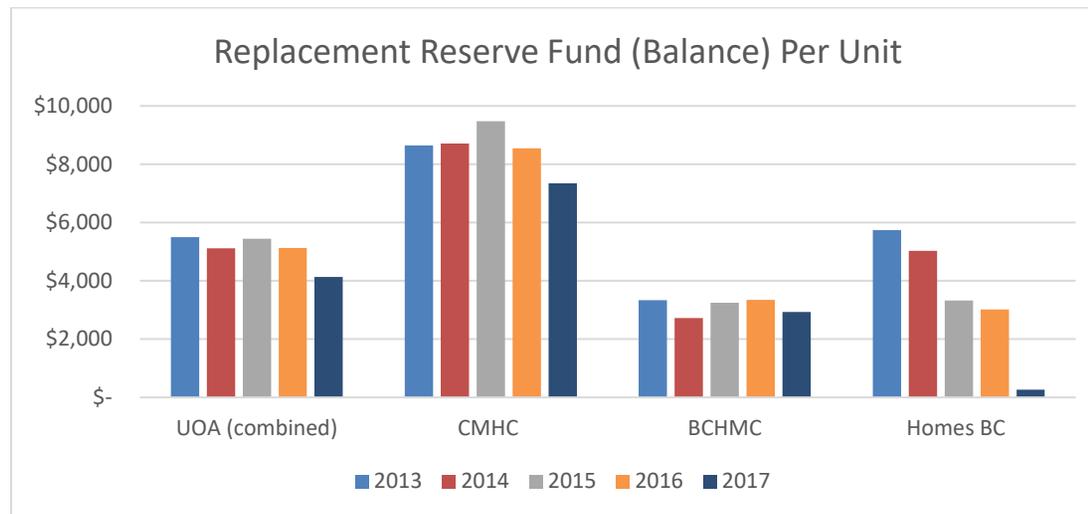
Area of focus	Our response and significant findings
Carey Road Lease from Capital Regional District (CRD)	<p>The Corporation entered into a 60 year land lease agreement with the Capital Regional District for one dollar. The fair value of the land, 3816 Carey Road, is \$2,700,000. Other fees associated with the land lease include property transfer tax, lawyers fee and property assessment. These costs total \$62,773.</p> <p>The Corporation capitalized the costs for both the land and other fees. Amortization expense was recorded on the land lease.</p> <p>KPMG inspected the lease agreement and noted that ownership of the land was retained by CRD. Public Sector Guideline - PDG 2, <i>Leased Tangible Capital Assets</i>, guidance indicates the land lease does not meet the criteria for capitalization because legal title of the building remains with CRD. This lease differs from others as there was no prepayment of lease payments to be amortized over the term of the lease.</p> <p>KPMG proposed, and management accepted, an adjusting journal entry to reverse the capitalized land and amortization related to the transaction of \$2.7 million and \$46,046, respectively.</p> <p>Other fees as described above will remain capitalized as an incremental cost to the building and be amortized over the life of the building.</p>

Data & Analytics in the audit

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

Schedule 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 for 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 (5 buildings, 119 units)), ILBC2 Agreement (1 building, 21 units), and No Operating Agreement (2 buildings, 56 units).



The Replacement Reserve Fund (Balance) Per Unit (“RRFPU”) graph provides a summary of the average funds available per unit during the 2013 to 2017 fiscal years under each of the operating agreements.

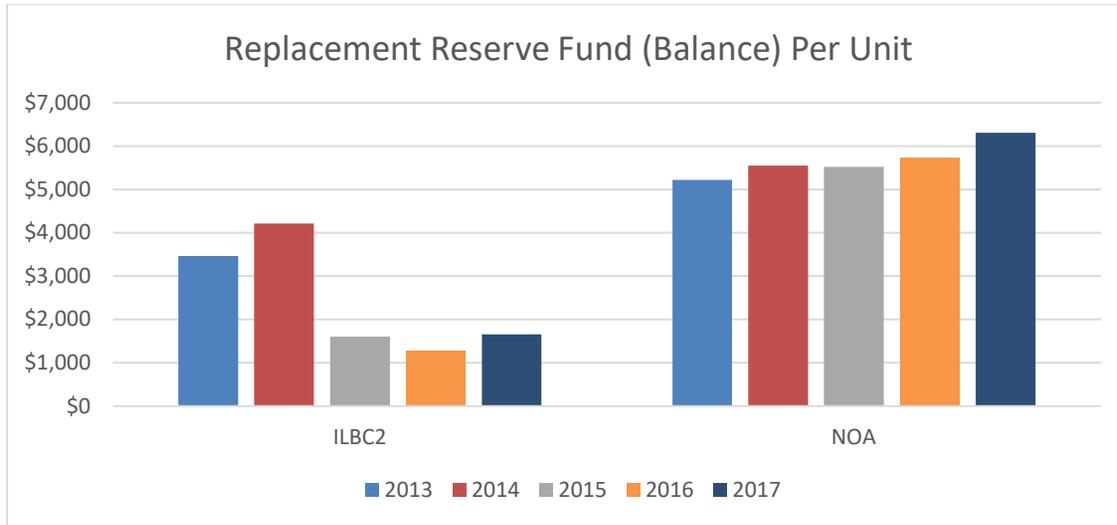
The average RRFPU for all buildings under the Umbrella Agreement ranges from \$4,134 in 2017 to \$5,501 in 2013. The Umbrella Agreement includes CMHC, BCHMC and Homes BC.

The average RRFPU for buildings in the UOA decreased in 2017 as a result of capital expenditures totalling \$2,273,025 being greater than the funds received from operations and interest totalling \$1,077,305.

The average RRFPU for all buildings under the CMHC Agreement ranges from \$9,481 in 2015 to \$7,343 in 2017.

The average RRFPU for all buildings under the BCHMC Agreement ranges from \$2,727 in 2014 to \$2,930 in 2017.

The average RRFPU for all buildings under the Homes BC Agreement ranges from \$5,744 in 2013 to \$263 in 2017. The large decrease in 2017 is due to the roof replacement in Carillon Place.



The Replacement Reserve Fund (Balance) Per Unit (“RRFPU”) graph provides a summary of the average funds available per unit from 2013 to 2017 under each of the operating agreements.

The 2017 year increase in the RRFPU for the building under the ILBC2 Agreement is attributed to capital expenditures being less than the transfer from rental operating and interest.

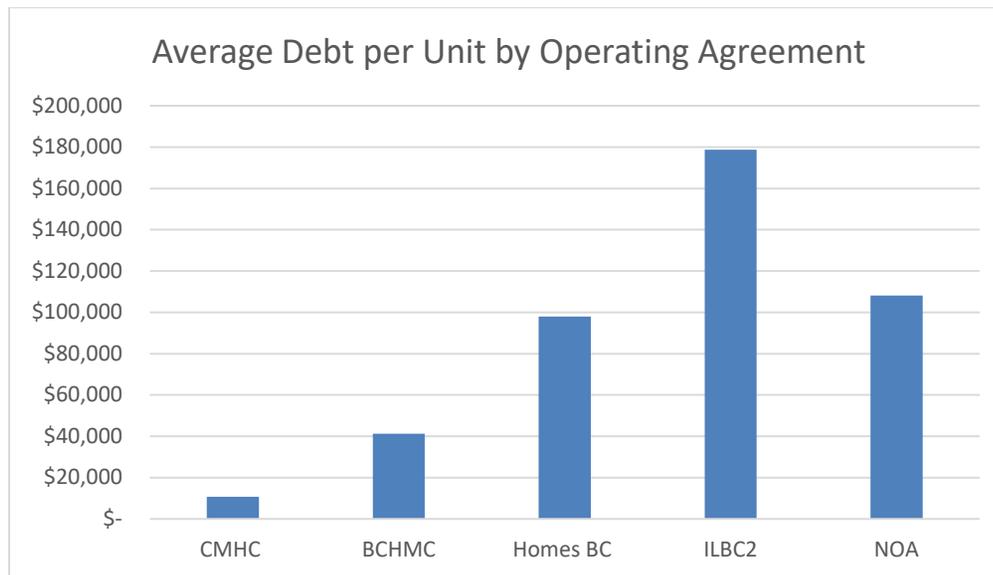
The average RRFPU for the building under the ILBC2 Agreement ranges from \$1,654 in 2017 to \$4,212 in 2014.

The NOA consists of 2 buildings, 1 from 1984 and 1 from 2012.

The average RRFPU for the buildings with no operating agreement ranges from \$5,220 in 2013 to \$6,309 in 2017.

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 2017 and 2016. No buildings were renewed in fiscal 2017. Total principal repayments on mortgages in fiscal 2017 were \$4,712,055. There is no mortgage on Kings Place and therefore it is not included in the listing. The average debt per unit is \$41,643. Interest rates range from 1.020% to 5.260%.

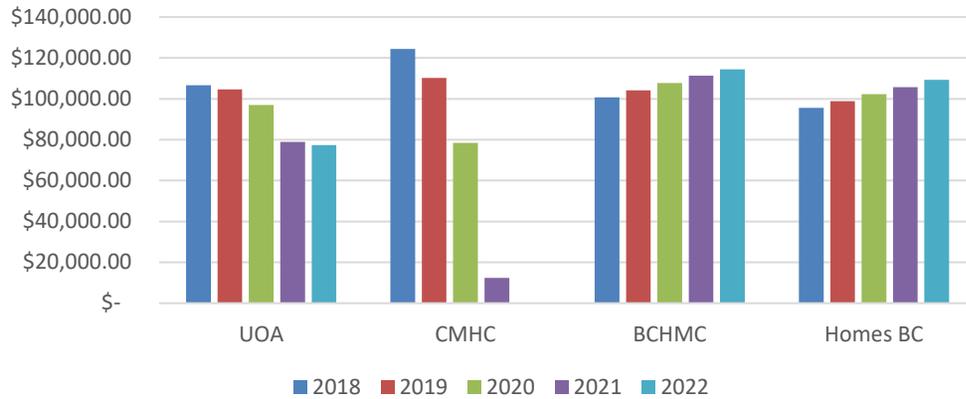


Average Debt per Unit by Operating Agreement is calculated by dividing the sum of the total debt per operating agreement by the total number of units per operating agreement. CMHC, BCHMC and Homes BC are all under the Umbrella Agreement.

CMHC:	\$10,754
BCHMC:	\$41,281
Homes BC:	\$97,908
ILBC2:	\$178,705
NOA:	\$108,090

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



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: \$106,649 (2018), \$77,346 (2022)

CMHC: \$124,383 (2018), \$0 (2022)

BCHMC: \$100,760 (2018), \$114,457 (2022)

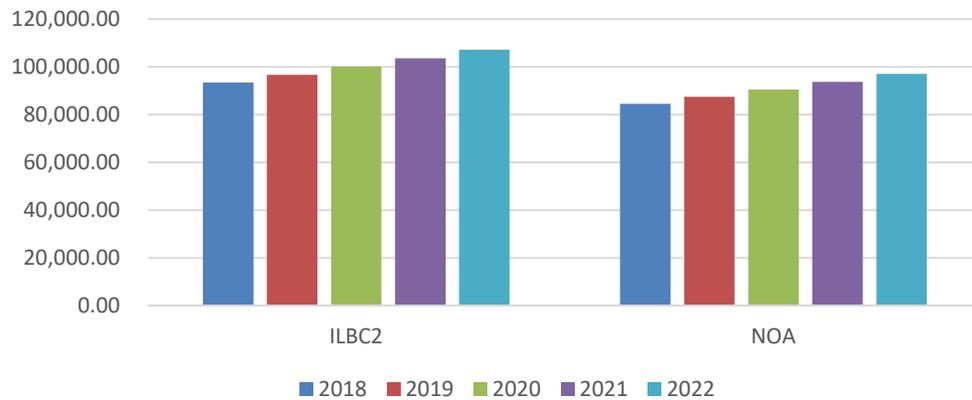
Homes BC: \$95,585 (2018), \$109,369 (2022)

ILBC2: \$93,406 (2018), \$107,228 (2022)

NOA: \$84,528 (2018), \$96,993 (2022)

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 mortgages are expiring in 2020 and 2021, resulting in a decrease in average annual principal repayment.

Average Annual Principal Repayment by Operating Agreement



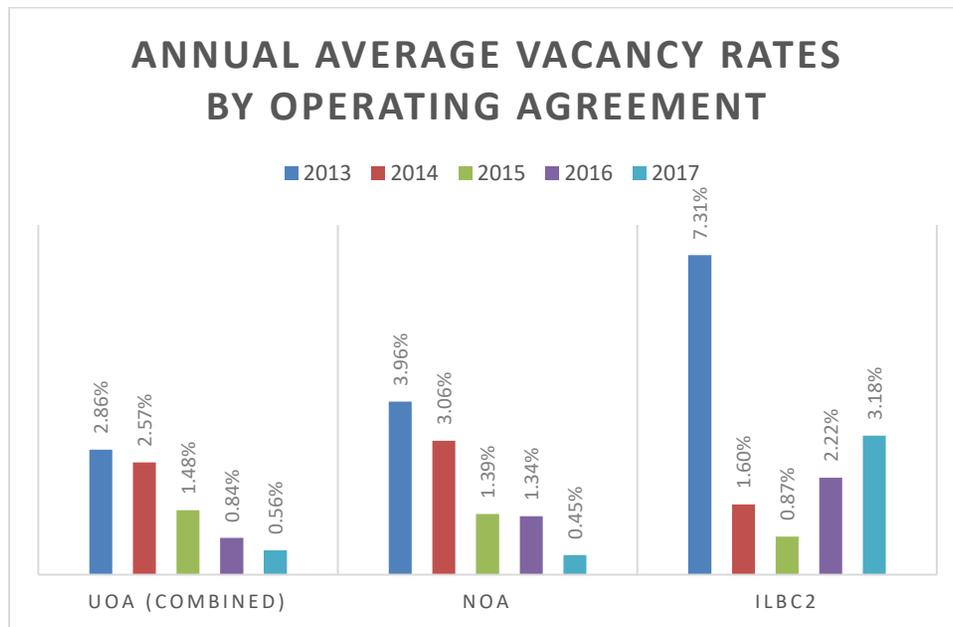
Schedule 5: Operating Fund – Rental Operations

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. In Homes BC, Kings Place mortgage is recorded as a lease repayment which increases the operating costs for the building.

	CMHC	BCHMC	HOMES BC	TOTAL UMBRELLA AGREEMENT	ILBC2 AGREEMENT	CRHC NO OPERATING AGREEMENT
RENT	956	507	871	711	1,215	1,011
SUBSIDY	86	331	280	239	1,222	-
TOTAL	1,042	838	1,151	949	2,437	1,011
OPERATING COSTS	403	347	509	388	1,592	361
TRANSFER TO REPLACEMENT RESERVE	65	65	65	65	65	81
DEBT CHARGES	368	412	472	404	879	557
TOTAL	836	824	1,046	857	2,536	999
SURPLUS/(DEFICIT) average per month	210	17	110	96	(54)	32

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%, 2016 – 0.5%, 2017 – 0.2%. The vacancy rate in the Victoria Census Metropolitan Area is determined by a Rental Market Survey conducted by CMHC every October.



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 0.15% in the CMHC and BCHMC properties in 2017 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 except ILBC2 which increased from 0.87% in 2015 to 3.18% in 2017. This is due to the low number of rental units in the property. Overall, this is consistent with the Rental Market Survey conducted by CMHC.

Adjustments and differences

Adjustments and differences identified during the audit have been categorized as “Corrected adjustments” or “Uncorrected differences”. These include disclosure adjustments and differences. Professional standards require that we request of management and the audit committee that all identified differences be corrected. We have already made this request of management.

Corrected adjustments

The management representation letter includes one adjusting journal entry identified as a result of the audit, communicated to management and subsequently corrected in the financial statements. This adjustment has been previously described on page 5, removal of the land lease for the Carey Rd. property.

Uncorrected differences

We did not identify differences that remain uncorrected.

Appendices

Appendix 1: Required communications

Appendix 2: Management representation letter

Appendix 3: Audit Quality and Risk Management

Appendix 4: Background and professional standards

Appendix 5: Current developments

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: Management representation letter

CAPITAL REGION HOUSING CORPORATION 631 FISGARD STREET
VICTORIA, BC V8W 1R7

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

March 27, 2018

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the financial statements (hereinafter referred to as "financial statements") of Capital Region Housing Corporation ("the Entity") as at and for the period ended December 31, 2017.

GENERAL:

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

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

RESPONSIBILITIES:

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated March 10, 2017 and amended on February 15, 2018, for:
 - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework
 - b) providing you with all relevant information, such as all financial records and related data, including the names of all related parties and information regarding all relationships and transactions with related parties, and complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements, and access to such relevant information

- c) such internal control as management determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Management also acknowledges and understands that they are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
- d) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements

INTERNAL CONTROL OVER FINANCIAL REPORTING:

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

FRAUD & NON-COMPLIANCE WITH LAWS AND REGULATIONS:

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

SUBSEQUENT EVENTS:

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

RELATED PARTIES:

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

ESTIMATES:

- 8) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

MISSTATEMENTS:

- 9) The effects of the uncorrected misstatements described in Attachment II are immaterial, both individually and in the aggregate, to the financial statements as a whole.
- 10) We approve the corrected misstatements identified by you during the audit described in Attachment II.

NON-SEC REGISTRANTS OR NON-REPORTING ISSUERS:

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

Yours very truly,

By: Ms. Christine Culham, Senior Manager

By: Mr. Nelson Chan, Chief Financial Officer

Attachment I – Definitions

MATERIALITY

Certain representations in this letter are described as being limited to matters that are material. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both.

FRAUD & ERROR

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

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

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

RELATED PARTIES

In accordance with Canadian public sector accounting standards *related party* is defined as:

- when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or common significant influence.

In accordance with Canadian public sector accounting standards a *related party transaction* is defined as:

- a transfer of economic resources or obligations between related parties, or the provision of services by one party to a related party, regardless of whether any consideration is exchanged.

Attachment II – Summary of corrected audit misstatements

	Statement of operations effect	Statement of financial position effect	
Description	(Decrease) Increase	Assets (Decrease) Increase	Liabilities (Decrease) Increase
To reverse the capitalization of land under lease	(2,700,000)	(2,700,000)	-
To reverse the amortization of land under lease	46,046	46,046	-
To reclassify other fees related to land lease from land under lease to building additions	-	62,774 (62,774)	-
Total misstatements	(2,653,954)	(2,653,354)	-

There are no uncorrected audit misstatements.

Appendix 3: 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 our [Audit Quality Resources page](#) for more information including access to our audit quality report, [Audit quality: Our hands-on process](#).

- Other controls include:
 - Before the firm issues its audit report, the Engagement Quality Control Reviewer 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 4: Background and professional standards

Internal control over financial reporting

As your auditors, we are required to obtain an understanding of internal control over financial reporting (ICFR) relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on internal control. Accordingly, we do not express an opinion on the effectiveness of internal control.

Our understanding of ICFR was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies and therefore, there can be no assurance that all significant deficiencies and other control deficiencies have been identified. Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors.

The control deficiencies communicated to you are limited to those control deficiencies that we identified during the audit.

Documents containing or referring to the audited financial statements

We are required by our professional standards to read only documents containing or referring to audited financial statements and our related auditors' report that are available through to the date of our auditors' report. The objective of reading these documents through to the date of our auditors' report is to identify material inconsistencies, if any, between the audited financial statements and the other information. We also have certain responsibilities, if on reading the other information for the purpose of identifying material inconsistencies, we become aware of an apparent material misstatement of fact.

Appendix 5: Current developments

Please visit the Audit Committee Institute / [Current Developments](#) page for recent developments in IFRS, Canadian securities matters, Canadian auditing and other professional standards and US accounting, auditing and regulatory matters.

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

Standard	Summary and implications
Related Party Transactions and Inter-entity Transactions	<ul style="list-style-type: none"> — 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: <ul style="list-style-type: none"> • 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.
Assets, Contingent Assets and Contractual Rights	<ul style="list-style-type: none"> — Three new Handbook sections were approved in March 2015, effective for fiscal years beginning on or after April 1, 2017. — The intended outcome of the three new Handbook Sections is improved consistency and comparability.

	<ul style="list-style-type: none"> — The standard includes enhanced guidance on the definition of assets and disclosure of assets to provide users with better information about the types of resources available to the public sector entity. — Disclosure of contingent assets and contractual rights is required to provide users with information about the nature, extent and timing of future assets and potential assets and revenues available to the public sector entity when the terms of those contracts are met.
Revenue	<ul style="list-style-type: none"> — PSAB is proposing a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement. — An Exposure Draft (ED) was issued in May 2017 seeking feedback from stakeholders. Responses are currently under deliberation. — The ED proposes that in the case of revenues arising from an exchange, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations. — The ED proposes that unilateral revenues arise when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue. — The new section would be applied retroactively with restatement for fiscal years beginning on or after April 1, 2021.
Asset Retirement Obligations	<ul style="list-style-type: none"> — A new standard is under development addressing the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets in productive use. Retirement costs would be recognized as an integral cost of owning and operating tangible capital assets. PSAB currently contains no specific guidance in this area. — PSAB recently released an Exposure Draft following the consideration of comments received in response to the previously released Statement of Principles. Responses are currently under deliberation. — The proposed ARO standard would require the public sector entity to record a liability related to future costs of any legal obligations to be incurred upon retirement of any controlled tangible capital assets ("TCA"). The amount of the initial liability would be added to the historical cost of the asset and amortized over its useful life. — As a result of the proposed standard, the public sector entity would have to: <ul style="list-style-type: none"> • consider how the additional liability will impact net debt, as a new liability will be recognized with no corresponding increase in a financial asset; • carefully review legal agreements, senior government directives and legislation in relation to all controlled TCA to determine if any legal obligations exist with respect to asset retirements; • begin considering the potential effects on the organization as soon as possible to coordinate with resources outside the finance department to identify AROs and obtain information to estimate the value of potential AROs to avoid unexpected issues. <p>The Exposure Draft has a proposed effective date of April 1, 2021 for the standard.</p>

Employee Future Benefit Obligations

- PSAB has initiated a review of sections PS3250 Retirement Benefits and PS3255 Post-Employment Benefits. Given the complexity of issues involved and potential implications of any changes that may arise from this review, the project will be undertaken in phases. Phase I will address specific issues related to measurement of employment benefits. Phase II will address accounting for plans with risk sharing features, multi-employer defined benefit plans and sick leave benefits.
 - An Invitation to Comment was issued in November 2016 and closed March 2017, seeking guidance on whether the deferral provisions in existing public sector standards remain appropriate and justified and the appropriateness of accounting for various components of changes in the value of the accrued benefit obligation and plan assets. Responses are currently under deliberation.
 - An Invitation to Comment is expected to be issued in November 2017 seeking guidance on the present value measurement of accrued benefit obligations. Webinars with an overview of the Invitation to Comment are scheduled for January 2018.
 - The ultimate objective of this project is to issue a new employment benefits section to replace existing guidance.
-

Cyber Security, Is your organization at risk?

Cyber-attacks are an inevitable part of life today, and the financial and reputational costs of not being prepared against such attacks are significant. Cyber-attacks are being launched against all forms of valuable information including both financial and non-financial data sources. Estimates suggest the global financial impact of cybercrime is US\$114 billion; companies are thought to bear almost 80% of those costs. The nature of these attacks and the perpetrators behind them are always changing. Hacktivists, organized criminals, competitors, and even rogue governments are mounting attacks with a high level of sophistication and persistence. These perpetrators have different motives, however are common in that they are looking to either disrupt or better themselves by stealing another entities data.

Patching servers and installing intrusion detection systems is no longer enough to protect your critical assets and business processes. Cyber Security has never been solely about IT; it has always been a business issue first. To survive and prosper requires a business-wide understanding of the threats, safeguards, and responses involved. Key elements to consider include:

- Preparing your people, processes, infrastructure and technology to resist an attack
- Detecting the attack and initiating your response
- Containing and investigating the attack
- Recovering from an attack and resuming business operations
- Reporting on and improving security

Organizations should be reviewing their organization and considering Cyber Risks. Key data that may be identified includes student, banking, payroll data etc.

kpmg.ca/audit



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