Capital Regional District

625 Fisgard St.,
Victoria, BC V8W 1R7

Notice of Meeting and Meeting Agenda
Hospitals and Housing Committee

Wednesday, May 1, 2024	**1:30 PM**	**6th Floor Boardroom 625 Fisgard St. Victoria, BC V8W 1R7**

K. Murdoch (Chair), J. Caradonna (Vice Chair), M. Alto, P. Brent, S. Brice, Z. de Vries, G. Holman, P. Jones, D. Kobayashi, C. McNeil-Smith, L. Szpak, C. Plant (Board Chair, ex officio)

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

1. Territorial Acknowledgement

2. Approval of Agenda

3. Adoption of Minutes

3.1. 24-435 Minutes of the April 3, 2024 Hospitals and Housing Committee Meeting

Recommendation: That the minutes of the Hospitals and Housing Committee meeting of April 3, 2024 be adopted as circulated.

Attachments: Minutes - April 3, 2024

4. Chair's Remarks

5. Presentations/Delegations

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

Delegations will have the option to participate electronically. Please complete the online application at www.crd.bc.ca/address no later than 4:30 pm two days before the meeting and staff will respond with details.

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

5.1. Presentations

5.1.1. 24-281 Verbal Presentation: Lenora Lee, KPMG, Re: Capital Regional Hospital District and Capital Region Housing Corporation 2023 Audit Findings Report

6. Committee Business

6.1. 24-279 Capital Regional Hospital District 2023 Audit Findings Report and Audited Financial Statements

Recommendation: The Hospitals and Housing Committee recommends to the Capital Regional Hospital District Board:
That the Capital Regional Hospital District 2023 Audited Financial Statements be approved.

Attachments: Staff Report: CRHD 2023 Audit Findings Report and Financial Statements

Appendix A: Financial Statements

Appendix B: Audit Findings Report

Appendix C: Other Financial Statement Analysis

Appendix D: Financial Performance Indicators

6.2. 24-280 Capital Region Housing Corporation 2023 Audit Findings Report and Audited Financial Statements

Recommendation: The Hospitals and Housing Committee recommends to the Capital Region Housing Corporation Board:
That the Capital Region Housing Corporation 2023 Audited Financial Statements be approved.

Attachments: Staff Report: CRHC 2023 Audit Findings Report and Financial Statements

Appendix A: Financial Statements

Appendix B: Audit Findings Report

Appendix C: Detailed Variance Analytics Fin Position

Appendix D: Detailed Variance Analytics Operations

Appendix E: Other Financial Statement Analysis

Appendix F: Financial Performance Measures

7. Notice(s) of Motion

8. New Business

9. Adjournment

The next meeting is June 5, 2024.

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

Capital Regional District

625 Fisgard St.,
Victoria, BC V8W 1R7

Meeting Minutes

Hospitals and Housing Committee

Wednesday, April 3, 2024 | **1:30 PM** | **6th Floor Boardroom, 625 Fisgard St., Victoria, BC V8W 1R7**

PRESENT
Directors: K. Murdoch (Chair), J. Caradonna (Vice Chair), M. Alto, P. Brent, S. Brice, Z. de Vries, P. Jones, D. Kobayashi, C. McNeil-Smith, L. Szpak

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

EP - Electronic Participation

Guest: Diane MacKay, Island Health (EP)

Regrets: Directors G. Holman, C. Plant

The meeting was called to order at 1:31 pm.

1. Territorial Acknowledgement

Chair Murdoch provided a Territorial Acknowledgement.

2. Approval of Agenda

MOVED by Director Brent, SECONDED by Director Alto,
That the agenda for the April 3, 2024 Hospitals and Housing Committee meeting be approved.
CARRIED

3. Adoption of Minutes

3.1. 24-348 Minutes of the March 6, 2024 Hospitals and Housing Committee Meeting

MOVED by Director Brent, SECONDED by Director Alto,
That the minutes of the Hospitals and Housing Committee meeting of March 6, 2024 be adopted as circulated.
CARRIED

4. Chair’s Remarks

There were no Chair's remarks.

5. Presentations/Delegations

There were no presentations or delegations.

6. Committee Business

6.1. [24-336] 2024 Minor Capital Projects and Equipment - Approval of Capital Bylaw

K. Lorette spoke to Item 6.1.

Discussion ensued regarding:
- the background and restrictions of the CRHD's contribution towards major capital projects
- staff to provide those interested committee members with a list of sites that are designated by the Ministry under the Hospitals Act

MOVED by Director McNeil-Smith, SECONDED by Director Brent,
The Hospitals and Housing Committee recommends to the Capital Regional Hospital District Board:
1) That the recommended 2024 Minor Capital Projects totalling $3,750,000 be approved and expensed from the 2024 requisition;
2) That the recommended 2024 equipment grants of $30,000 to Mount St. Mary Hospital and $2,925,000 to Island Health be approved and expensed from the 2024 requisition;
3) That Bylaw No. 426, "Capital Regional Hospital District Bylaw No. 195, 2024", be introduced and read a first, second and third time; and
4) That Bylaw No. 426 be adopted.
CARRIED

6.2. [24-337] Tillicum Station Mortgage Renewal

K. Lorette spoke to Item 6.2.

MOVED by Director Kobayashi, SECONDED by Director Alto,
The Hospitals and Housing Committee recommends to the Capital Region Housing Corporation Board:
1. That the resolution required by BC Housing Management Commission to renew the mortgage for Tillicum Station through the Canada Mortgage and Housing Corporation Tendered Lending Program for a term not to exceed 10 years as required be approved; and
2. That Edward Robbins, Chief Administrative Officer or Nelson Chan, Chief Financial Officer, or their duly authorized delegates together or with any one officer or director of the Borrower for and on behalf of the Borrower be authorized to sign any documents related to the mortgage renewal.
CARRIED

6.3. 24-338 Capital Region Housing Corporation Operational Update, First Quarter 2024

K. Lorette presented Item 6.3. for information.

Discussion ensued regarding:
- the contributing factors resulting in a drop to average days vacant and faster turnover of units
- the policy for surplus funds at year-end
- clarification of the term "market affordable"

6.4. 24-339 Capital Plan Status Report, First Quarter 2024

K. Lorette presented Item 6.4. for information.

Discussion ensued regarding the rising building costs and interest rates.

7. Notice(s) of Motion

7.1. 24-266 Motion with Notice: Supportive Housing in the Capital Region (Director Caradonna)

MOVED by Director Caradonna, SECONDED by Director Alto,
The Hospitals and Housing Committee recommends to the CRD Board:
1. That the Board direct staff to work with the Reaching Home Program's Community Advisory Board and/or the Alliance to End Homelessness in Greater Victoria to undertake studies, reports, or analyses on the following topics related to supportive housing across the Capital Region:
a) A high-level regional resource inventory on services and supports within each jurisdiction that aid unhoused people (e.g. food banks, support services, indoor shelters, and so on.)
b) An analysis of the parks, public spaces, or campgrounds available for overnight sheltering for unhoused people across the region;
c) In light of the Province handing down supportive housing targets for all jurisdictions over a certain population, an assessment of the potential role for the CRD to play, in collaboration with local governments and BC Housing, in advancing regional supportive housing and sheltering objectives.

Discussion ensued regarding clarification of the intent of this motion.

Referral Motion
MOVED by Director McNeil-Smith, SECONDED by Director Brice,
The Hospitals and Housing Committee recommends to the CRD Board:
To refer the following motion to staff to report back on the approach that would be taken and that a report come back to the Hospitals and Housing Committee:
1. That the Board direct staff to work with the Reaching Home Program's Community Advisory Board and/or the Alliance to End Homelessness in Greater Victoria to undertake studies, reports, or analyses on the following topics related to supportive housing across the Capital Region:
a) A high-level regional resource inventory on services and supports within each jurisdiction that aid unhoused people (e.g. food banks, support services, indoor shelters, and so on.)
b) An analysis of the parks, public spaces, or campgrounds available for overnight sheltering for unhoused people across the region;
c) In light of the Province handing down supportive housing targets for all jurisdictions over a certain population, an assessment of the potential role for the CRD to play, in collaboration with local governments and BC Housing, in advancing regional supportive housing and sheltering objectives.
CARRIED
OPPOSED: Alto, Brent, Caradonna

8. New Business

There was no new business.

9. Adjournment

MOVED by Director Brice, SECONDED by Director Brent,
That the April 3, 2024 Hospitals and Housing Committee meeting be adjourned at 2:51 pm.
CARRIED

CHAIR

RECORDER

Capital Regional Hospital District

REPORT TO THE HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, MAY 01, 2024

SUBJECT **Capital Regional Hospital District 2023 Audit Findings Report and Audited Financial Statements**

ISSUE SUMMARY

This report summarizes the Capital Regional Hospital District (CRHD) 2023 Audit Findings Report and requests approval of the Audited Financial Statements.

BACKGROUND

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

Section 17 of the *Hospital District Act* and Section 814 of the *Local Government Act* require that audited financial statements be prepared each year. The 2023 Financial Statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards (PSAS), as required by the Public Sector Accounting Board (PSAB).

Partnering with Island Health and community stakeholder agencies, the CRHD supports a healthy region by investing in strategic priorities in healthcare. These include new construction, upgrades, renewals and expansion of health facilities and medical equipment. More recently, CRHD also contributes by developing land and health facilities for Island Health to occupy for health authority purposes. Financial activities include strategies and actions to raise the local cost share of funding for capital projects directed by Island Health and 100% for CRHD directed development and construction initiatives.

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

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

The CRHD 2023 Audited Financial Statements are attached as Appendix A and include Schedule A which provides a listing of contributions paid to district hospitals.

The Audit Findings Report from KPMG (Appendix B) summarizes the responsibilities of the audit firm, scope of investigations and audit results. The report confirms there have been no significant changes in the audit approach from the Audit Planning Report previously presented to the Board on January 10, 2024. The audit findings confirm the financial statements present fairly, in all material respects, the financial position of CRHD as of December 31, 2023.

ALTERNATIVES

Alternative 1
That the Hospitals and Housing Committee recommends to the Capital Regional Hospital District Board:
That the Capital Regional Hospital District 2023 Audited Financial Statements be approved.

Alternative 2
That the Capital Regional Hospital District 2023 Audited Financial Statements be referred back to staff for additional information.

IMPLICATIONS

Financial Implications

NEW ACCOUNTING STANDARDS

Asset Retirement Obligations

As identified on page 7 of the Audit Findings Report (Appendix B), new accounting standard PS 3280 Asset Retirement Obligations (AROs) came into effect for the year ended December 31, 2023. This standard requires the recognition, measurement, presentation and disclosure of any legal obligations associated with the retirement of tangible capital assets in a future period. PS 3280 was implemented in 2023 through the recognition of an ARO on December 31, 2023, and retroactive application through the restatement of the 2022 comparative figures.

HIGHLIGHTS

1. Statement of Financial Position

The Statement of Financial Position presents the financial position of an entity at a given date. It is comprised of three main components: financial assets, financial liabilities and non-financial assets. As of December 31, 2023, the CRHD is in a net debt financial position of $(64.9) million with an accumulated surplus of $39.6 million.

Financial Assets

Financial assets as of December 31, 2023, totalled $38.4 million, an increase of $7.1 million from 2022. Table 1 summarizes financial assets as of December 31, 2023 and provides the change year over year.

Table 1 – Change in Financial Assets Year over Year

Statement of Financial Position ($ millions)	2023	2022	$ Change	% Change
Financial Assets				
Cash and Cash Equivalents	10.2	18.6	(8.4)	(45%)
Investments	24.0	9.0	15.0	167%
Due from CRD	0.1	0.1	-	-
Other Receivables	1.3	0.3	1.0	333%
Restricted Cash – MFA DRF*	2.8	3.3	(0.5)	(15%)
Total Financial Assets	**$38.4**	**$31.3**	**$7.1**	**23%**

**Municipal Finance Authority (MFA) Debt Reserve Fund (DRF)*

Cash and cash equivalents include cash on hand, bank deposits and short-term highly liquid investments. Cash and cash equivalents decreased by $(8.4) million primarily due to the transfer of cash to investments in the year. Investments increased by $15.0 million due to an investment strategy which moved funds on hand into longer-term holdings. Further details on changes are included in Section 4 (Statement of Cash Flows) of Appendix C.

Other receivables increased by $1.0 million due to accrued interest receivable on investment holdings and the recovery of insurance costs from Island Health for The Summit long-term care home. Restricted cash decreased by $(0.5) million due to debt maturities exceeding new debt issuances in the year, therefore reducing the MFA DRF.

Financial Liabilities

Financial liabilities as of December 31, 2023, totalled $103.3 million, a decrease of $(14.8) million from 2022. Table 2 summarizes financial liabilities as of December 31, 2023, and provides the change year over year.

Table 2 – Change in Financial Liabilities Year over Year

Statement of Financial Position ($ millions)	2023	2022 Restated	$ Change	% Change
Financial Liabilities				
Accounts Payable and other	3.8	3.2	0.6	19%
Deferred Revenue	0.4	0.4	-	-
Long-Term Debt	98.5	114.0	(15.5)	(14%)
Asset Retirement Obligation	0.6	0.5	0.1	20%
Total Financial Liabilities	**$103.3**	**$118.1**	**($14.8)**	**(13%)**

Accounts payable increased by $0.6 million primarily due to the timing of claims made by Island Health on active major capital projects. Long-term debt decreased by $(15.5) million due to debt maturities exceeding new debt borrowings in 2023.

Non-Financial Assets

Non-financial assets as of December 31, 2023, totalled $104.5 million, a decrease of $(2.9) million from 2022. As shown in Table 3, non-financial assets consist solely of tangible capital assets.

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

Statement of Financial Position ($ millions)	2023	2022 Restated	$ Change	% Change
Non-Financial Assets				
Tangible Capital Assets	$104.5	$107.4	($2.9)	(3%)

Tangible capital assets decreased $(2.9) million due to $(3.2) million in amortization expense partially offset by $0.3 million in renovations and structural modifications at The Summit.

Additional detail is presented in Note 6 of the 2023 Financial Statements.

2. Statement of Operations

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

Revenue

Revenue as of December 31, 2023, totalled $38.6 million, an increase of $0.3 million from 2022. Table 4 summarizes revenue as of December 31, 2023, and provides the change year over year.

Table 4 – Change in Revenue Year over Year

Statement of Operations ($ millions)	2023	2022	$ Change	% Change
Requisition	26.5	26.5	-	-
Payments in Lieu of Taxes	0.7	0.8	(0.1)	(13%)
Lease and other Property Revenue	4.9	4.4	0.5	11%
Interest Income	1.8	0.8	1.0	125%
DRF	0.2	0.3	(0.1)	(33%)
Actuarial Adjustment of Long-Term Debt	4.5	5.5	(1.0)	(18%)
Total Revenue	**$38.6**	**$38.3**	**$0.3**	**1%**

Interest income increased by $1.0 million. This was due to the CRHD carrying larger reserve balances throughout the year, combined with favourable interest rates earned on reserve funds plus working capital held in guaranteed investment certificates (GICs) and high interest savings accounts. Lease and other property revenue increased by $0.5 million due to the recovery of insurance costs at The Summit from Island Health.

These increases were partially offset by a decrease in the actuarial adjustment of long-term debt of $(1.0) million and a decrease in surplus earned on DRF of $(0.1) million. Both decreases were due to a decrease in the debt portfolio held by the CRHD as debt maturities exceeded new debt borrowings in 2023. Payments in lieu of taxes also decreased by $(0.1) million in 2023.

Expenses

Expenses as of December 31, 2023, totalled $19.6 million, an increase of $1.6 million from 2022. Table 5 summarizes revenue as of December 31, 2023, and provides the change year over year.

Table 5 – Change in Expenses Year over Year

Statement of Operations ($ millions)	2023	2022 Restated	$ Change	% Change
Contributions to Island Health	8.8	6.6	2.2	33%
Interest on Debt	6.3	6.9	(0.6)	(9%)
Amortization and Accretion	3.1	3.1	-	-
Operating Expenses	1.4	1.4	-	-
Total Expenses	**$19.6**	**$18.0**	**$1.6**	**9%**

Contributions to Island Health increased by $2.2 million. These contributions vary year over year depending on the timing of claims submitted by Island Health for capital initiatives. Of the $8.8 million paid in 2023, $6.5 million was contributed to minor capital projects and capital equipment grants in the region and $2.3 million to major capital projects. Notable projects in 2023 include the redevelopment of Lady Minto Hospital Emergency Department, Victoria General Hospital's High Acuity Unit, and the new long-term care facility at Royal Bay.

The decrease in interest on debt of $(0.6) million is due to lower balances payable because of debt maturities outpacing new debt issuances in 2023.

2023 Annual Surplus

The accumulated surplus represents the sum of annual surpluses and deficits to date for the CRHD. The accumulated surplus or net book value of equity for the CRHD is $39.6 million, indicating the organization has assets (financial and non-financial) of greater value than what it owes (financial liabilities).

The annual surplus is the excess of revenues over expenses for the current year. In 2023, operations resulted in an annual surplus of $19.1 million, a decrease of $(1.2) million over the prior year. The decrease in surplus is due to an increase in contributions paid to Island Health for capital initiatives.

Surplus funds are used to pay for capital and other commitments through reserve funds for future use and for repayment of current outstanding debt principal.

3. Other Financial Statement Analysis

Appendix C contains an analysis of the remaining two statements (Change in Net Debt and Cash Flow) and Schedule A (Grants to District Hospitals).

4. Financial Indicators

Financial indicators are metrics used to quantify current conditions in addition to forecasting trends. They can be used as a tool to evaluate overall financial condition of the entity. The following indicators and indicators included in Appendix D, measure CRHD's performance and financial sustainability.

4.1 Debt Service Ratio – Debt Service Costs as a Percentage of Revenue

The debt service ratio is an indicator of the percentage of revenue committed to the payment of interest and principal on temporary and long-term debt. A high percentage indicates greater use of revenue for the repayment of debt. As the CRHD's primary mandate is to secure borrowing and provide capital contributions for health facility infrastructure, a high debt servicing ratio is expected. CRHD's debt servicing costs as percentage of revenue as of December 31, 2023, is 52% (2022: 54%).

A comparison of the CRHD and hospital districts on Vancouver Island and the southern mainland of British Columbia is outlined in Appendix C.

4.2 Current Ratio – Current Assets Versus Current Liabilities

The current ratio is a measure of the liquidity of an organization, meaning the CRHD's ability to meet current obligations using current assets (cash, accounts receivable, short-term investments). A high ratio indicates a greater ability to meet both planned and unexpected expenditures. The CRHD's current ratio as of December 31, 2023, is 5.7 to 1 (2022: 7.3 to 1), indicating CRHD's current assets are sufficient to pay current liabilities 5.7 times.

4.3 Interest Coverage Ratio – Interest Costs as a Percentage of Total Revenues

This ratio is an indicator of the percentage of revenue committed to the payment of interest on temporary and long-term debt. A high percentage indicates greater use of revenues for servicing interest on outstanding debt. The CRHD's interest coverage ratio on December 31, 2023, is 6.1 (2022: 5.6), indicating the CRHD's revenue is sufficient to repay interest expense 6.1 times.

CONCLUSION

Board approval of the CRHD 2023 Audited Financial Statements is required by the *Hospital District Act* and the *Local Government Act*. Audited financial statements must be available for the Ministry of Health and Municipal Finance Authority. KPMG has completed the annual audit and as noted in the Auditor's Report, it is the auditor's opinion these Financial Statements present fairly the financial position of CRHD at December 31, 2023 and the results of the financial activities for the year then ended are in accordance with Canadian PSAS.

RECOMMENDATION

The Hospitals and Housing Committee recommends to the Capital Regional Hospital District Board:
That the Capital Regional Hospital District 2023 Audited Financial Statements be approved.

Submitted by:	Rianna Lachance, BCom, CPA, CA, Sr. Mgr., Financial Services / Deputy CFO
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer, GM Finance & IT
Concurrence:	Kevin Lorette, P. Eng., MBA, General Manager, Planning & Protective Services
Concurrence:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer

ATTACHMENTS

Appendix A: CRHD 2023 Financial Statements
Appendix B: CRHD Audit Findings Report [for the year ended December 31, 2023 (KPMG)]
Appendix C: CRHD Other Financial Statement Analysis
Appendix D: CRHD Financial Performance Indicators

Capital Regional Hospital District

2023 Financial Statements

British Columbia, Canada
Fiscal year ended December 31, 2023

Capital Regional Hospital District

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INDEPENDENT AUDITOR'S REPORT

To the Chair and Directors of the Capital Regional Hospital District

Opinion

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

- the statement of financial position as at December 31, 2023
- the statement of operations for the year then ended
- the statement of change in net debt for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the District as at December 31, 2023, and its results of operations, its change in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the District in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Emphasis of Matter - Comparative Information

We draw attention to Note 2 to the financial statements which explains that certain comparative information presented for the year ended December 31, 2022 has been restated. Note 2 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information. Our opinion is not modified in respect of this matter.

Other Matter - Comparative Information

As part of our audit of the financial statements for the year ended December 31, 2023, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended December 31, 2022. In our opinion, such adjustments are appropriate and have been properly applied.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the District's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the District's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the District's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the District to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants

Victoria, Canada
__________________, 2024

Capital Regional Hospital District

Capital Regional Hospital District

MANAGEMENT REPORT

The Financial Statements contained in this report have been prepared by management in accordance with Canadian public sector accounting standards. The integrity and objectivity of these statements are management's responsibility. Management is also responsible for all the statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

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

The Capital Regional Hospital District Board of Directors are responsible for approving the financial statements and for ensuring that management fulfills its responsibilities for financial reporting and internal control, and exercises this responsibility through the Hospitals and Housing Committee of the Board.

The external auditor, KPMG LLP, conduct an independent examination, in accordance with Canadian public sector accounting standards, and express their opinion on the financial statements. Their examination includes a review and evaluation of the District's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly. The external auditor had full and free access to staff and management. The Independent Auditor's Report outlines the scope of the audit for the year ended December 31, 2023.

On behalf of Capital Regional Hospital District,

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Nelson Chan, MBA, FCPA, FCMA
Chief Financial Officer
May 8, 2024

Statement of Financial Position

As at December 31, 2023

		2023		2022 Restated (Note 2)
Financial assets				
Cash and cash equivalents	$	10,175,942	$	18,607,086
Investments		24,000,000		9,000,000
Accounts receivable				
Due from Capital Regional District		147,180		107,379
Other		1,307,725		281,085
Restricted cash - MFA Debt Reserve Fund (Note 3)		2,788,315		3,288,444
		38,419,162		31,283,994
Financial liabilities				
Accounts payable and other liabilities		3,875,792		3,265,947
Deferred revenue		366,515		366,515
Long-term debt (Note 4)		98,467,559		113,972,340
Asset retirement obligation (Note 5)		566,344		472,839
		103,276,210		118,077,641
Net debt		(64,857,048)		(86,793,647)
Non-financial assets				
Tangible capital assets (Note 6)		104,465,568		107,353,519
Contingent liability (Note 4c & 13)				
Commitments (Note 7)				
Contractual Obligations (Note 8)				
Accumulated Surplus/(Deficit) (Note 11)	$ $	39,608,520	$	20,559,872

The accompanying notes are an integral part of these financial statements

Nelson Chan, MBA, FCPA, FCMA
Chief Financial Officer

Statement of Operations

For the year ended December 31, 2023

		Budget (Note 12)		2023		2022 Restated (Note 2)
Revenue						
Taxation - Municipalities	$	24,297,119	$	24,297,119	$	24,291,188
Taxation - Electoral Areas		2,060,817		2,060,817		2,068,029
Taxation - First Nations		104,616		104,616		101,619
Payments in lieu of taxes		699,157		699,157		834,368
Lease and other property revenue		4,419,813		4,936,720		4,421,133
Interest income		100,000		1,782,102		808,282
Debenture maturity refund		603,000		172,114		258,253
Actuarial adjustment on long-term debt		-		4,561,920		5,506,241
		32,284,522		38,614,565		38,289,113
Expenses						
Grants to district hospitals (Schedule A)		10,573,603		8,787,670		6,565,342
Interest on long-term debt		6,161,585		6,138,095		6,856,743
Interest on short-term debt		51,000		46,498		8,438
Amortization		-		3,142,214		3,123,841
Accretion		-		21,561		20,621
Operating expenses		2,058,039		1,429,879		1,419,454
		18,844,227		19,565,917		17,994,439
Annual surplus		13,440,295		19,048,648		20,294,674
Accumulated surplus, beginning of year		20,559,872		20,559,872		265,198
Accumulated surplus, end of year	$	34,000,167	$	39,608,520	$	20,559,872

The accompanying notes are an integral part of these financial statements

Statement of Change in Net Debt

For the year ended December 31, 2023

		Budget (Note 12)		2023		2022 Restated (Note 2)
Annual surplus	$	13,440,295	$	19,048,648	$	20,294,674
Acquisition of tangible capital assets		(10,560,000)		(182,319)		(3,303,702)
Revaluation of asset retirement obligation		-		(71,944)		-
Amortization of tangible capital assets		-		3,142,214		3,123,841
Change in net debt		2,880,295		21,936,599		20,114,813
Net debt, beginning of year		(86,793,647)		(86,793,647)		(106,908,460)
Net debt, end of year	$	(83,913,352)	$	(64,857,048)	$	(86,793,647)

The accompanying notes are an integral part of these financial statements

Statement of Cash Flows

For the year ended December 31, 2023

		2023		2022 Restated (Note 2)
Cash provided by (used in):				
Operating activities:				
Annual surplus	$	19,048,648	$	20,294,674
Items not involving cash:				
Actuarial adjustment on long-term debt		(4,561,920)		(5,506,241)
Amortization		3,142,214		3,123,841
Accretion		21,561		20,621
Increase (decrease) in non-cash assets and liabilities:				
Accounts receivable		(1,026,640)		(193,662)
Accounts payable and accrued liabilities		609,844		817,982
Deferred revenue		-		(486)
Due to/(from) Capital Regional District		(39,801)		23,422
Restricted cash		500,129		318,701
Net change in cash from operating activities		17,694,035		18,898,852
Capital activities:				
Cash used to acquire tangible capital assets		(182,319)		(3,303,702)
Net change in cash from capital activities		(182,319)		(3,303,702)
Investing activities:				
Acquisition of investments		(24,000,000)		(9,000,000)
Proceeds from investments		9,000,000		5,000,000
Net change in cash from investing activities		(15,000,000)		(4,000,000)
Financing activities:				
Temporary borrowings repaid		-		(1,819,000)
Additions to long-term debt		2,919,437		5,060,362
Repayment of long-term debt		(13,862,297)		(13,900,587)
Net change in cash from financing activities		(10,942,860)		(10,659,225)
Net change in cash and cash equivalents		(8,431,144)		935,925
Cash and cash equivalents, beginning of year		18,607,086		17,671,161
Cash and cash equivalents, end of year	$	10,175,942	$	18,607,086
Cash paid for interest	$	6,184,593	$	6,832,708
Cash received for interest		1,782,102		808,282

The accompanying notes are an integral part of these financial statements

GENERAL

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

1. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

d) Asset Retirement Obligations
An asset retirement obligation (ARO) is a legal obligation to incur costs to retire a tangible capital asset in a future period. AROs are measured at the present value of expected future cash flows including an estimate for inflation. Future cash flows are based on the best information available at the financial reporting date. Accretion expense is recorded annually to reflect the cost associated with an increase in the present value of the ARO over time. The carrying amount of the liability is reassessed annually and updated as new information becomes available. Changes in estimates are recorded prospectively and the liability is derecognized when retirement activities are completed.

The asset retirement cost at initial recognition is capitalized along with the related tangible capital asset and amortized in accordance with the Hospital District's tangible capital asset policy Note 1 e).

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

Asset	Useful Life
Building and building fixtures	10 to 50 Years

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

iv. Impairment
Tangible capital assets are written down when conditions indicate that they no longer contribute to the Hospital District's ability to produce goods and services or when the value of the future economic benefits associated with the asset is less than the book value of the asset.

f) Long-Term Debt
Long-term debt is recorded net of repayments and actuarial adjustments.

g) Debenture Issue Cost
Debenture issue costs are recorded as an expense in operations as incurred.

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

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

j) Financial Instruments
Financial instruments are classified into two categories; fair value or cost.

i. Fair value category: portfolio investments quoted in an active market are reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are recorded as an expense.

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

Financial assets are assessed for impairment on an annual basis.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Use Of Estimates

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

2. ADOPTION OF NEW ACCOUNTING STANDARD

On January 1, 2023, the Hospital District adopted Public Sector Accounting Standard PS 3280 *Asset Retirement Obligations*. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets. The standard was adopted on a modified retroactive basis and prior year balances have been restated to conform to new reporting requirements. The accounting policy is disclosed in Note 1 d) and ARO balances disclosed in Note 5.

In accordance with the provisions of the new standard, the Corporation reflected the following adjustments for the year ended December 31, 2022:

	2022 Previously Stated	Adjustment	2022 Restated
Statement of Financial Position			
Financial liabilities			
Asset retirement obligations	$ -	$ 472,839	$ 472,839
Non-financial assets			
Tangible capital assets	107,097,097	256,422	107,353,519
Accumulated Surplus	20,776,289	(216,417)	20,559,872
Statement of Operations			
Expenses			
Amortization	3,110,364	13,477	3,123,841
Accretion	-	20,621	20,621
Annual Surplus			
Annual surplus	20,328,772	(34,098)	20,294,674
Accumulated surplus, beginning of year	447,517	(182,319)	265,198
Accumulated surplus, end of year	20,776,289	(216,417)	20,559,872
Statement of Change in Net Debt			
Annual surplus	20,328,772	(34,098)	20,294,674
Amortization of tangible capital assets	3,110,364	13,477	3,123,841
Net debt, beginning of year	(106,456,242)	(452,218)	(106,908,460)
Net debt, end of year	(86,320,808)	(472,839)	(86,793,647)
Statement of Cash Flows			
Annual surplus	20,328,772	(34,098)	20,294,674
Amortization	3,110,364	13,477	3,123,841
Accretion	-	20,621	20,621
Tangible Capital Assets (Note 6)			
Cost – Buildings	79,818,906	348,741	80,167,647
Accumulated amortization – Buildings	9,271,950	92,319	9,364,269
Net book value – Buildings	70,546,956	256,422	70,803,378
Accumulated Surplus (Note 11)			
Other	(4,773,808)	(216,417)	(4,990,225)
Accumulated Surplus	20,776,289	(216,417)	20,559,872

3. RESTRICTED CASH – MFA DEBT RESERVE FUND

The Municipal Finance Authority of British Columbia (MFA) is required to establish a Debt Reserve Fund into which each borrower who shares in the proceeds of a debt issue is required to pay certain amounts set out in the debt agreements. Interest earned on these funds (less administrative expenses) becomes an obligation of the MFA to the borrower. If at any time insufficient funds are provided by the borrowers, the MFA will then use these funds to meet payments on its obligations. Should this occur, the borrowers may be called upon to restore the fund. The balance of the Debt Reserve Fund cash deposits at December 31, 2023 is $2,788,315 (2022: $3,288,444)

4. LONG-TERM DEBT

a) Debt

Long-term debt represents gross debt borrowings of $214,472,641 (2022: $251,214,060) net of repayments and actuarial adjustments of $116,005,082 (2022: $137,241,720).

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

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

2024	2025	2026	2027	2028	Thereafter
$ 12,233,749	$ 9,201,093	$ 7,577,569	$ 6,393,081	$ 4,790,815	$52,326,103

b) Interest Rates of Long-Term Debt Borrowings Issued in the Year

2023	2022
3.90% to 4.97%	3.07% to 3.82%

The long-term debt bears interest at rates ranging from 0.91% to 4.97%. The weighted average interest rate at December 31, 2023 is 2.73% (2022: 2.69%).

c) Demand Notes – Contingent Liability

The MFA holds demand notes related to the Hospital District's debenture debt in the amount of $6,912,749 (2022: $8,311,279). The demand notes are not recorded as they only become payable should debt be in default or if the MFA requires the funds to meet debt obligations.

5. ASSET RETIRMENT OBLIGATION

The Hospital District owns a building that contains hazardous materials including asbestos and lead. The Hospital District is legally obligated to remove these materials in a prescribed manner when they are disturbed. These costs are expected to be incurred in 18 years as the building is demolished or renovated. The retirement costs are estimated to include all costs directly attributable to the abatement of the hazardous materials, including overhead costs.

The Hospital District uses the Municipal Finance Authority (MFA) long-term borrowing rate as the discount rate. The 10-year average B.C. consumer price index is used to estimate inflation and aligns with the Bank of Canada's target inflation range of 1.00% to 3.00%.

	2022 Restated (Note 2)	ARO Additions	ARO Settlements	Revisions to Estimate	Accretion Expense	2023
Hazardous materials	$ 472,839	-	-	71,944	21,561	566,344

All estimated cash flows have been discounted to present value. Discount and inflation rates in the future are estimates and subject to change. These changes can impact ARO values significantly when being applied over an extended duration.

	2023	2022
Discount rate	4.17%	4.56%
Inflation rate	2.54%	2.15%
Settlement timing	18 years	19 years

6. TANGIBLE CAPITAL ASSETS – Restated (Note 2)

	Cost				Accumulated Amortization			
	Balance at December 31, 2022 (Restated)	Additions	Transfers	Balance at December 31, 2023	Balance at December 31, 2022 (Restated)	Amortization Expense	Balance at December 31, 2023	Net Book Value at December 31, 2023
Work in Progress	$ -	-	-	**$ -**	-	-	-	**$ -**
Land	36,550,141	-	-	**36,550,141**	-	-	-	**36,550,141**
Buildings	80,167,647	254,263	-	**80,421,910**	9,364,269	3,142,214	12,506,483	**67,915,427**
	$ 116,717,788	254,263	-	**$ 116,972,051**	9,364,269	3,142,214	12,506,483	**$ 104,465,568**

	Cost				Accumulated Amortization			
	Balance at December 31, 2021 (Restated)	Additions	Transfers	Balance at December 31, 2022 (Restated)	Balance at December 31, 2021 (Restated)	Amortization Expense	Balance at December 31, 2022 (Restated)	Net Book Value at December 31, 2022 (Restated)
Work in Progress	$ 1,985,691	-	(1,985,691)	**$ -**	-	-	-	**$ -**
Land	31,642,375	2,922,075	1,985,691	**36,550,141**	-	-	-	**36,550,141**
Buildings	79,786,020	381,627	-	**80,167,647**	6,240,428	3,123,841	9,364,269	**70,803,378**
	$ 113,414,086	3,303,702	-	**$ 116,717,788**	6,240,428	3,123,841	9,364,269	**$ 107,353,519**

a) The Heights Long-Term Care Facility Site

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

7. COMMITMENTS

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

Bylaw	Description	Approved Project Cost (Island Health)	Hospital District Share	Funded to December 31, 2022	Funded in Current Year (Schedule A)	Funded to December 31, 2023	Remaining Commitment	Planned Approved Funding 2024 - 2028
Sec 20(3)	Equipment and Non-Traditional Projects	$ 2,955,000	$ 2,955,000	$ -	$ 2,955,000	$ 2,955,000	$ -	$ -
CBL 173	MCP 2019	19,030,688	3,750,000	3,670,423	79,577	3,750,000	-	-
CBL 176	MCP 2020	17,556,299	3,750,000	3,362,700	382,164	3,744,864	5,136	5,136
CBL 180	MCP 2021	16,172,312	3,750,000	1,190,278	813,603	2,003,881	1,746,119	1,746,119
CBL 182	Victoria UPCC #2	4,998,639	1,499,592	1,246,340	7,851	1,254,191	-	-
CBL 183	Emergency Dept. Redevelopment - LMH	12,800,000	3,738,000	1,137,307	1,860,746	2,998,053	739,947	739,947
CBL 184	MCP 2022	17,784,582	3,750,000	5,006	710,362	715,368	3,034,632	3,034,632
CBL 185	High Acuity Unit – VGH	3,397,183	1,019,155	790,941	228,214	1,019,155	-	-
CBL 187	MCP 2023	31,574,761	3,750,000	-	1,542,942	1,542,942	2,207,058	2,207,058
CBL 188	Relocate MHSU ACT Teams	2,000,000	600,000	-	60,000	60,000	-	-
CBL 189	Medical Device Reprocessing Dept. Expansion	4,240,000	1,272,000	-	17,552	17,552	1,254,448	1,254,448
CBL 191	New Long-Term Care-Royal Bay	223,694,000	67,108,200	-	129,659	129,659	66,978,541	66,978,541
Total Commitments		**$ 356,203,464**	**$ 96,941,947**	**$ 11,402,995**	**$ 8,787,670**	**$ 20,190,665**	**$ 75,965,881**	**$ 75,965,881**

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

7. **COMMITMENTS (continued)**

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

Bylaw	Year Approved	Description	Approved Project Cost (Island Health)	Hospital District Share	Funded to December 31, 2022	Funded in Current Year (Schedule A)	Funded to December 31, 2023	Remaining Commitment	Planned Approved Funding 2024 - 2028
APPROVED AND ACTIVE CAPITAL PROJECTS									
Designated Health Care Facilities									
191	2023	New Long-Term Care – Royal Bay	$ 223,694,000	$ 67,108,200	$ -	$ 129,659	$ 129,659	$ 66,978,541	$ 66,978,541
Vancouver Island Health Authority									
Multiple	2019-2023	Minor Capital	11,008,759	2,780,029	1,069,701	679,230	1,748,931	1,031,098	1,031,098
Sec 20(3)	2023	Equipment Grant	2,925,000	2,925,000	-	2,925,000	2,925,000	-	-
182	2021	Victoria UPCC #2	4,998,639	1,499,592	1,246,340	7,851	1,254,191	-	-
Mount St. Mary Hospital									
Sec 20(3)	2023	Movable Equipment Grant	30,000	30,000	-	30,000	30,000	-	-
Gorge Road Hospital									
Multiple	2019-2023	Minor Capital	6,389,362	1,032,167	676,788	28,954	705,742	326,425	326,425
Juan de Fuca Hospital									
Multiple	2019-2023	Minor Capital	6,805,964	1,693,549	1,382,614	186,883	1,569,497	124,052	124,052
Lady Minto Hospital									
Multiple	2019-2023	Minor Capital	213,036	47,314	44,950	-	44,950	2,364	2,364
183	2021	Emergency Dept. Redevelopment	12,800,000	3,738,000	1,137,307	1,860,746	2,998,053	739,947	739,947
Queen Alexandra Hospital									
Multiple	2019-2023	Minor Capital	2,897,750	766,562	216,788	166,157	382,945	383,617	383,617
Royal Jubilee Hospital									
Multiple	2019-2023	Minor Capital	32,248,948	5,814,170	2,360,765	1,324,570	3,685,335	2,128,835	2,128,835
188	2023	Relocation MHSU ACT Teams	2,000,000	600,000	-	60,000	60,000	-	-
Saanich Peninsula Hospital									
Multiple	2019-2023	Minor Capital	2,952,763	762,596	334,556	42,928	377,484	385,112	385,112
Victoria General Hospital									
Multiple	2019-2023	Minor Capital	39,602,060	5,853,613	2,142,245	1,099,926	3,242,171	2,611,442	2,611,442
185	2022	High Acuity Unit	3,397,183	1,019,155	790,941	228,214	1,019,155	-	-
189	2023	MDRD Expansion	4,240,000	1,272,000	-	17,552	17,552	1,254,448	1,254,448
Total Commitments			**$ 356,203,464**	**$ 96,941,947**	**$ 11,402,995**	**$ 8,787,670**	**$ 20,190,665**	**$ 75,965,881**	**$ 75,965,881**

8. CONTRACTUAL OBLIGATIONS

The Hospital District has $89,343 in outstanding contractual obligations as at December 31, 2023 (2022: $nil).

9. CONTRACTUAL RIGHTS

a. The Hospital District financed the capital cost of the Summit at Quadra Village, a complex care facility. The facility was substantially completed by December 31, 2019 and residents moved in July 2020. Under the agreement, Island Health contributes through annual lease payments over a 25-year period. Lease payments commenced February 1, 2020 and are $4,338,178 annually.

b. The Hospital District has an agreement with Fido Solutions to operate a temporary cellular site on the lands at 2251 Cadboro Bay Rd. for a term of five years until March 31, 2026. The annual rent is $20,000.

10. RELATED PARTY TRANSACTIONS

The Hospital District is a related party to the Capital Regional District (CRD). The Board of Directors for each entity is comprised of the same individuals. As legislated by the Hospital District Act, the officers and employees of the CRD are the corresponding officers and employees of the Hospital District. The CRD and the Hospital District are separate legal entities as defined by separate Letters Patent and authorized by separate legislation. During the year the Hospital District purchased, at cost, $947,496 (2022: $883,575) of administrative support and project management services from the CRD, of which $nil (2022: $nil) was capitalized.

The Regional Housing First Program (RHFP) is a partnership between the CRD, the Provincial and Federal governments to provide capital funding to affordable housing projects in the region. The CRD, Capital Region Housing Corporation and the Hospital District will invest a combined $40 million towards projects. In 2018, a RHFP project management office was created to support the delivery of the program. During the year the Hospital District contributed, $120,653 (2022: $118,287) to the CRD, to cost share in administrative support and project management services.

11. ACCUMULATED SURPLUS

	2023	2022 Restated (Note 2)
Surplus/(Deficit):		
Accumulated Surplus/(Deficit)	$ 8,061,145	$ (4,990,225)
Reserve funds set aside for specific purposes:		
Debt Management Reserve	7,193,643	3,359,413
Regional Housing First Program Reserve	11,327,857	10,383,057
Summit Management Reserve	1,332,941	891,288
Land Holdings Management Reserve	1,662,088	1,405,013
Minor Capital Projects Reserve	6,992,945	6,771,594
Hospital District Act Section 20(3) Reserve	3,037,901	2,739,732
Accumulated Surplus	$ 39,608,520	$ 20,559,872

12. BUDGET DATA

The budget data presented in these financial statements is based upon the 2023 operating and capital budgets approved by the Board on March 15, 2023. The chart below reconciles the approved budget to the budget figures reported in these financial statements.

		Budget Amount
Revenue budget	$	32,678,573
Less:		
Transfers from reserve		(394,051)
Revenue per Financial Statements		32,284,522
Expense budget		32,678,573
Add:		
Grants to district hospitals		3,868,603
Less:		
Transfers to reserve		(3,783,952)
Debt principal payments		(13,918,997)
Expense per Financial Statements		18,844,227
Annual Surplus	**$**	**13,440,295**

13. CONTINGENT LIABILITY

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

14. FINANCIAL RISKS AND CONCENTRATION OF RISK

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

a) Credit risk:

Credit risk refers to the risk that a counter party may default on its contractual obligations resulting in a financial loss. The Hospital District is subject to credit risk with respect to the accounts receivable, investments, and cash and cash equivalents. Credit risk arises from the possibility that taxpayers and entities to which the Hospital District provides services may experience financial difficulty and be unable to fulfill their obligations. This risk is mitigated as most accounts receivable are due from government agencies and are collectible.

There have been no significant changes to credit risk exposure from 2022.

14. FINANCIAL RISKS AND CONCENTRATION OF RISK (continued)

b) Liquidity risk:

Liquidity risk is the risk that the Hospital District will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Hospital District manages its liquidity risk by monitoring its operating requirements; preparing budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

There have been no significant changes to liquidity risk exposure from 2022.

c) Market Risk:

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

i. Foreign exchange risk:

The Hospital District does not enter into foreign exchange transactions and therefore is not exposed to foreign exchange risk.

There have been no significant changes to foreign exchange risk exposure from 2022.

ii. Interest rate risk:

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

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

There has been no change to the risk exposure from 2022.

Grants to District Hospitals

For the year ended December 31, 2023

	Total grants December 31 2022	Expense 2023	Transfers to completed projects	Total grants December 31 2023
PROJECTS IN PROGRESS				
Designated Health Care facilities	$ 1,770,686	$ 129,659	$ -	$ 1,900,345
Vancouver Island Health Authority	8,652,998	3,612,081	(4,136,661)	8,128,418
Gorge Road Hospital	749,927	28,954	(89,668)	689,213
Juan de Fuca Hospital	1,856,202	186,883	(1,122,548)	920,537
Lady Minto Hospital	1,532,246	1,860,746	(39,735)	3,353,257
Mount St. Mary Hospital	30,000	30,000	(30,000)	30,000
Queen Alexandra Hospital	216,787	166,157	(49,489)	333,455
Royal Jubilee Hospital	9,376,617	1,384,570	(1,199,133)	9,562,054
Saanich Peninsula Hospital	1,261,454	42,928	(273,189)	1,031,193
Victoria General Hospital	4,280,683	1,345,692	(2,097,923)	3,528,452
	29,727,600	8,787,670	(9,038,346)	29,476,924
COMPLETED PROJECTS				
Designated Health Care facilities	22,394,214	-	-	22,394,214
Vancouver Island Health Authority	86,471,323	-	4,136,661	90,607,984
Gorge Road Hospital	8,172,791	-	89,668	8,262,459
Juan de Fuca Hospital	37,810,609	-	1,122,548	38,933,157
Lady Minto Hospital	5,821,332	-	39,735	5,861,067
Mount St. Mary Hospital - Fairfield	15,509,545	-	30,000	15,539,545
Queen Alexandra Hospital	9,469,944	-	49,489	9,519,433
Royal Jubilee Hospital	261,230,991	-	1,199,133	262,430,124
Saanich Peninsula Hospital	20,502,548	-	273,189	20,775,737
Victoria General Hospital	100,464,882	-	2,097,923	102,562,805
	567,848,179	-	9,038,346	576,886,525
	597,575,779	8,787,670	-	606,363,449
LESS:				
Province of British Columbia share of grants to hospitals recorded before change in capital payment process in 2000	(126,010,301)	-	-	(126,010,301)
	$ 471,565,478	$ 8,787,670	$ -	$ 480,353,148

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

CRHD | **Capital Regional Hospital District**

625 Fisgard Street
Victoria, BC V8W 2S6
250.360.3000

www.crd.bc.ca
X: @crd_bc
Facebook: Capital Regional District

APPENDIX B

Capital Regional Hospital District

Audit Findings Report

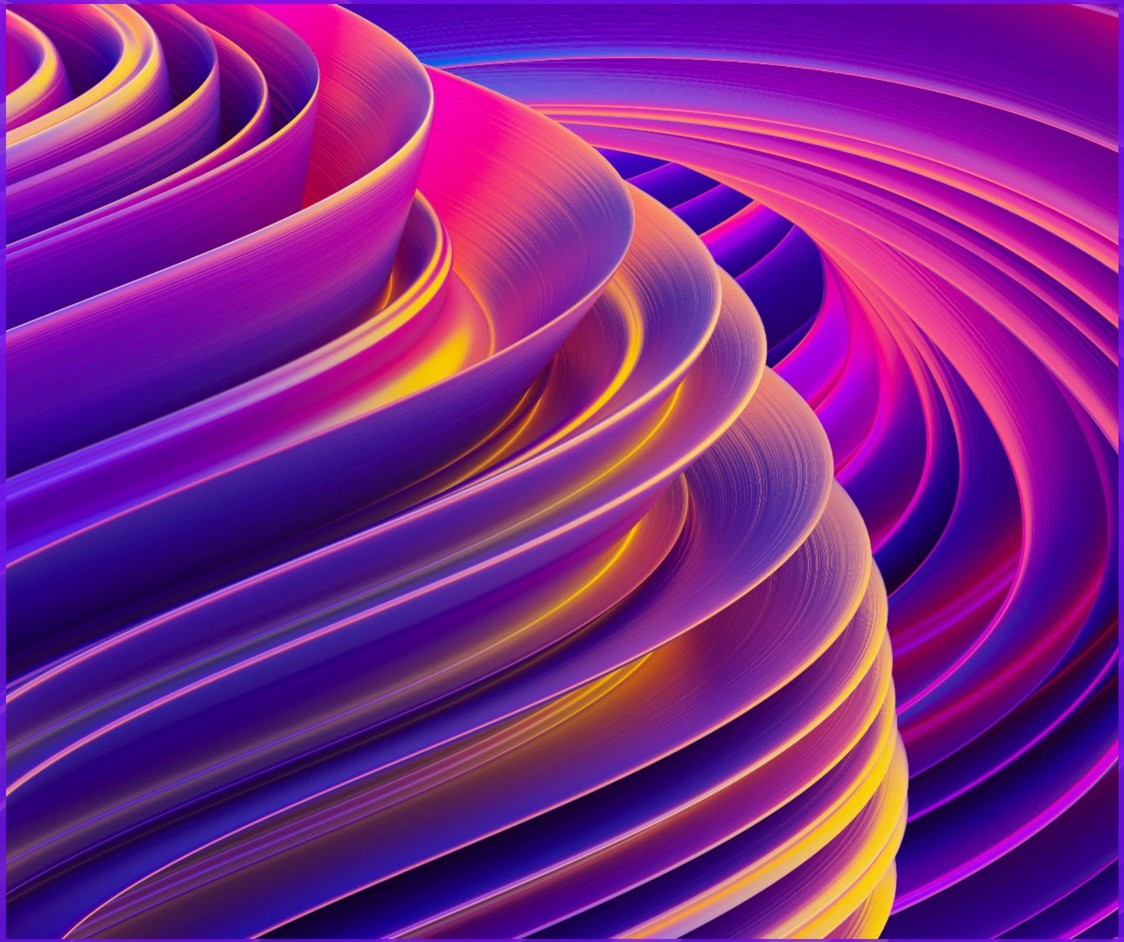
British Columbia, Canada
Fiscal year ended December 31, 2023

CRHD
Capital Regional Hospital District

KPMG

Capital Regional Hospital District

Audit Findings Report for the year ended December 31, 2023



KPMG LLP

Prepared for the Hospitals and Housing Committee meeting on May 1, 2024

kpmg.ca/audit

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Table of contents

The purpose of this report is to assist you, as a member of the Hospitals and Housing Committee, in your review of the results of our audit of the financial statements. This report is intended solely for the information and use of Management, the Hospitals and Housing Committee, and the Board of Directors and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Digital use information

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

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

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

Audit highlights

No matters to report

Matters to report – see link for details

Scope

Our audit of the financial statements ("financial statements") of Capital Regional Hospital District ("the Entity" or "CRHD") as of and for the year ended December 31, 2023, was performed in accordance with Canadian generally accepted auditing standards.

Status

We have completed the audit of the financial statements ("financial statements"), with the exception of certain remaining outstanding procedures, which are highlighted on the 'Status' slide of this report.

Risks assessment and results

Significant risks

No significant risks to report beyond those required by professional standards

Other risks of material misstatement

Other procedures

Going concern matters

Uncorrected misstatements

Uncorrected misstatements

One historical difference from 2017 remains uncorrected related to debt issuance costs recognized in 2017 as an expense rather than over the 25 year term of the debt. We concur with management's representation that the difference is not material to the financial statements.

Corrected misstatements

Corrected misstatements

There are no matters to report.

Control observations

Control observations

We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting. We have provided an update on prior year control observations.

Policies and practices

Accounting policies and practices

Other financial reporting matters

Status

As of the date of this report, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

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

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

A draft of our auditor’s report is included in the draft financial statements.

Significant risks and results

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

Fraud risk from management override of controls

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

Our response

Our procedures included:

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

Significant findings

- There were no issues noted in our testing.

Other risks of material misstatement and results

Asset Retirement Obligation

The Entity adopted PS 3280 *Asset Retirement Obligations* (“ARO”) for the fiscal year ended December 31, 2023. This accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets. Under the new standard, an entity is required to review its tangible capital assets and identify any legal obligations associated with the retirement of those tangible capital assets (ex: removal of asbestos), estimate the future remediation cost, and record that future obligation as a corresponding depreciable asset and liability in the statement of financial position today. This significant new accounting standard has implications that have the potential to go beyond financial reporting, and will require organizations to think about how these future obligations will be funded.

Management implemented the new standard on a modified retroactive basis which resulted in a liability of $472,839 being recognized on adoption at January 1, 2023. The liability relates to asbestos containing materials in one building. The change in value between the adoption date and year end was $93,505, with a liability of $566,344 at December 31, 2023.

Our response

- We obtained an understanding of management’s process for adopting the standard through discussion with management and review of their scoping and measurement analysis.
- We tested completeness of in-scope identified assets, through discussions with internal experts, review of external hazardous materials reports (where applicable), and review of other external source documents to validate whether any AROs existed at the financial reporting date.
- We tested the accuracy of the calculations made by management to arrive at the estimated remediation cost, including sampling a number of buildings and validating the appropriateness of inputs and assumptions that feed into the calculations.
- We reviewed the related financial statement disclosures and accounting policies.

Findings

There were no issues noted in our testing. Because the prior year comparative balances were restated, our auditor’s report includes emphasis of matter and other matter paragraphs noting the change in the comparative balances and our audit of the restatement.

Other risks of material misstatement and results

Tangible Capital Assets

Our response

- We obtained an updated understanding of the capital asset process.
- We obtained the continuity schedule of opening balances, additions, disposals, amortization and closing balances and validated the mathematical accuracy of the schedule.
- We assessed management's accounting and disclosures for capital commitments.
- We verified the accuracy of amortization expense and inquired about any changes to the amortization policy or processes.

Findings

- There were no issues noted in our testing.

Other procedures performed

Cash, investments and debt

Response and findings

- We confirmed the balances with the respective financial institutions.
- We tested subsequent payments to determine if they were recorded in the correct accounting period.
- No issues were noted in our testing.

Revenue and expenses

Response and findings

- We completed a test of details over lease revenue and taxation revenue, agreement amounts to budget, contracts and cash receipt.
- Grants to Island Health were tested by comparing actual expenses to approved bylaws, cash payments and classification by nature and facility. A sample of expenses were tested to underlying vendor invoice noting the applicable facility and project being funded.
- No issues were noted in our testing.

Other procedures performed

Concluding and reporting

Response and findings

We performed the following procedures as part of the overall conclusion and reporting phases of the audit:

- Evaluated management bias in the preparation of financial statements, based on patterns in the selection and application of accounting policies and principles.
- Financial statement presentation and disclosure was evaluated for compliance with accounting standards and comparability to industry leading practice, for example financial reporting award requirements of Government Finance Officers Association International.
- Legal exposure and estimates of contingency provisions were evaluated against supporting documentation including direct confirmation with external legal counsel.
- Disclosures in the financial statement notes were evaluated for completeness based on our knowledge of the Entity’s ability to continue as a going concern, related party transactions, future contractual commitments and events occurring after year end.

Uncorrected misstatements

Uncorrected misstatements include financial presentation and disclosure misstatements.

Impact of uncorrected misstatements

The management representation letter includes the Summary of Uncorrected Audit Misstatements, which discloses the impact of all uncorrected misstatements considered to be other than clearly trivial, including the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.

One historical difference from 2017 remains uncorrected related to debt issuance costs recognized in 2017 as an expense rather than over the 25 year term of the debt.

This results in a timing difference that will decline in value over the term of the debt. The uncorrected difference results in an overstatement of debt and understatement of accumulated surplus of $88,200.

Based on both qualitative and quantitative considerations, management have decided not to correct certain misstatements and represented to us that the misstatements —individually and in the aggregate—are, in their judgment, not material to the financial statements. This management representation is included in the management representation letter.

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

Control deficiencies

Consideration of internal control over financial reporting (ICFR)

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

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

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

A deficiency in internal control over financial reporting

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

Significant deficiencies in internal control over financial reporting

A deficiency, or a combination of deficiencies, in internal control over financial reporting that, in our judgment, is important enough to merit the attention of those charged with governance.

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

Accounting policies and practices

We also highlight the following:

Significant accounting policies

- Management adopted PS 3280 Asset Retirement Obligations during the year using the modified retroactive method. There were no issues noted as a result of adoption.
- There were no significant accounting policies in controversial or emerging areas.
- There were no issues noted with the timing of CRHD's transactions in relation to the period in which they were recorded.
- There were no issues noted with the extent to which the financial statements are affected by a significant unusual transactions and extent of disclosure of such transactions.
- There were no issues noted with the extent to which the financial statements are affected by non-recurring amounts recognized during the period and extent of disclosure of such transactions.

Significant accounting estimates

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

Significant qualitative aspects of financial statement presentation and disclosure

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

Appendices

1. Required communicated
2. Management representation letter
3. Audit quality
4. Changes in accounting standards
5. Audit and Assurance Insights
6. Environmental, social and governance (ESG)

Appendix 1: Required communications

Auditor's report	Engagement letter
Refer to the draft report attached to the financial statements.	The objectives of the audit, our responsibilities in carrying out our audit, as well as management's responsibilities, are set out in the engagement letter.

Independence	Management representation letter
As required by professional standards, we have considered all relationships between KPMG and the Entity that may have a bearing on independence. We confirm that we are independent with respect to the Entity within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any other standards or applicable legislation or regulation from January 1, 2023 up until the date of this report.	We will obtain from management certain representations at the completion of the audit. In accordance with professional standards, a copy of the representation letter is attached.

Appendix 2: Management representation letter

(Letterhead of Client)

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

May X, 2024

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the financial statements (hereinafter referred to as "financial statements") of Capital Regional Hospital District ("the Entity") as at and for the period ended December 31, 2023.

General:

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

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

Responsibilities:

1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated September 9, 2022, including for:

   a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.

   b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements ("relevant information"), such as financial records, documentation and other matters, including:

      — the names of all related parties and information regarding all relationships and transactions with related parties;

      — the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, board of directors and committees of the board of directors that may affect the financial statements. All significant actions are included in such summaries.

c) providing you with unrestricted access to such relevant information.

d) providing you with complete responses to all enquiries made by you during the engagement.

e) providing you with additional information that you may request from us for the purpose of the engagement.

f) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.

g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation, and maintenance of internal control to prevent and detect fraud.

h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

Internal control over financial reporting:

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

Fraud & non-compliance with laws and regulations:

3) We have disclosed to you:

a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

b) all information in relation to fraud or suspected fraud that we are aware of that involves:

— management;

— employees who have significant roles in internal control over financial reporting; or

— others

where such fraud or suspected fraud could have a material effect on the financial statements.

c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, or others.

d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements or illegal acts, whose effects should be considered when preparing financial statements.

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

Subsequent events:

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

Related parties:

5) We have disclosed to you the identity of the Entity's related parties.

6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.

7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

Estimates:

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

Going concern:

9) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.

10) We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the Entity's ability to continue as a going concern.

Misstatements:

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

Non-SEC registrants or non-reporting issuers:

12) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002).

13) We also confirm that the financial statements of the Entity will not be included in the group financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Yours very truly,

Ted Robbins, Chief Administrative Officer

Nelson Chan, Chief Financial Officer

Kevin Lorette, General Manager, Planning and Protective Services

Attachment I – Definitions

Materiality

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

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

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

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

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

Fraud & error

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

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have

Attachment II – Summary of Audit Misstatements Schedule(s)

Uncorrected Misstatement

Presented in dollars	Statement of operations effect	Statement of financial position effect		
Description of individually significant misstatements	**(Decrease) Increase**	**Assets (Decrease) Increase**	**Liabilities (Decrease) Increase**	**Accumulated surplus (Decrease) Increase**
To recognize debt issuance expense over the term of the debt instead of in the year of issuance	($88,200)	-	($88,200)	-
Total misstatements	**($88,200)**	**-**	**($88,200)**	**-**

Appendix 3: Audit quality - How do we deliver audit quality?

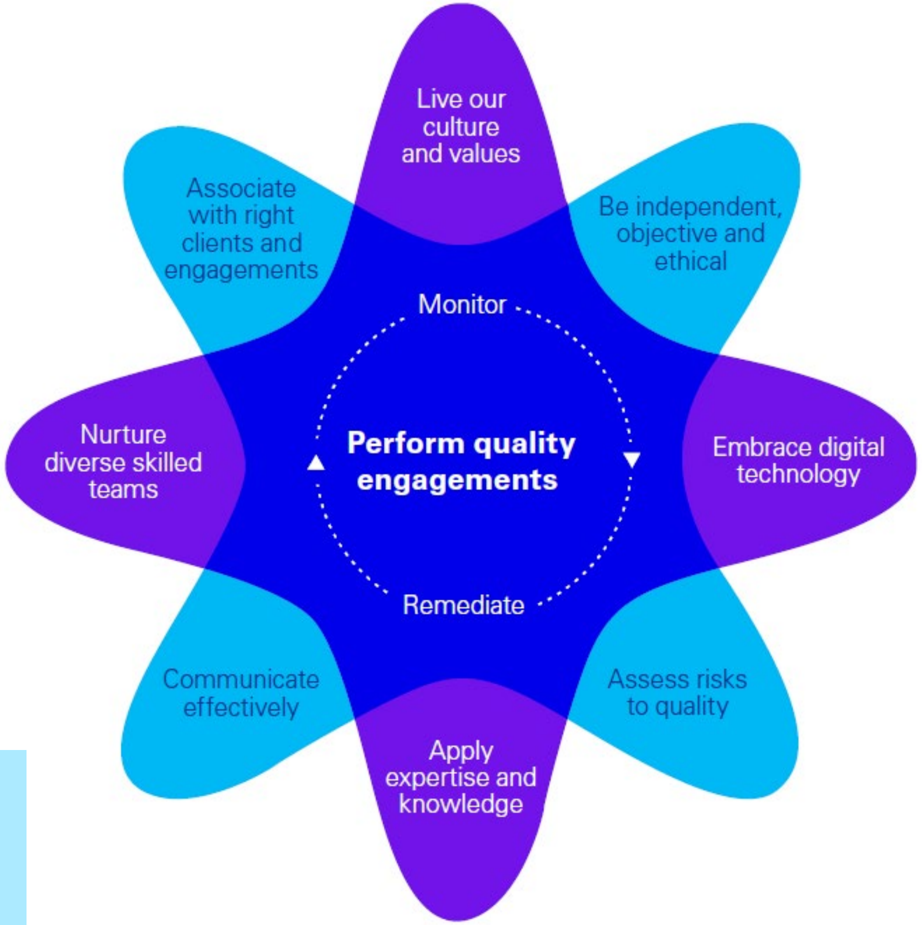
Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.

The drivers outlined in the framework are the ten components of the KPMG System of Quality Management (SoQM). Aligned with ISQM 1/CSQM 1, our SoQM components also meet the requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA) and the relevant rules of professional conduct / code of ethics applicable to the practice of public accounting in Canada, which apply to professional services firms that perform audits of financial statements. Our Transparency Report includes our firm's Statement on the Effectiveness of our SoQM.

KPMG 2023 Audit Quality and Transparency Report

We define 'audit quality' as being the outcome when:

- audits are **executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality management;** and
- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics** and **integrity.**



Doing the right thing. Always.

Appendix 4: Changes in accounting standards

Standard	Summary and implications
Revenue Effective FY2024	• The new standard PS 3400 *Revenue* is effective for fiscal years beginning on or after April 1, 2023. • The new standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement. • The standard notes that in the case of revenue arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations. • The standard notes that unilateral revenue arises when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.
Purchased Intangibles Effective FY2024	• The new Public Sector Guideline 8 *Purchased intangibles* is effective for fiscal years beginning on or after April 1, 2023 with earlier adoption permitted. • The guideline allows public sector entities to recognize intangibles purchased through an exchange transaction. The definition of an asset, the general recognition criteria and GAAP hierarchy are used to account for purchased intangibles. • Narrow scope amendments were made to PS 1000 *Financial statement concepts* to remove the prohibition to recognize purchased intangibles and to PS 1201 *Financial statement presentation* to remove the requirement to disclose purchased intangibles not recognized. • The guideline can be applied retroactively or prospectively.

Appendix 4: Changes in accounting standards (continued)

Standard	Summary and implications
Employee benefits	• The Public Sector Accounting Board has initiated a review of sections PS 3250 *Retirement benefits* and PS 3255 *Post-employment benefits, compensated absences and termination benefits*. • The intention is to use principles from International Public Sector Accounting Standard 39 *Employee benefits* as a starting point to develop the Canadian standard. • Given the complexity of issues involved and potential implications of any changes that may arise from the review of the existing guidance, the new standards will be implemented in a multi-release strategy. The first standard will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues. • The proposed section PS 3251 *Employee benefits* will replace the current sections PS 3250 *Retirement benefits* and PS 3255 *Post-employment benefits, compensated absences and termination benefits*. It will apply to fiscal years beginning on or after April 1, 2026. Early adoption will be permitted and guidance applied retroactively. • This proposed section would result in public sector entities recognizing the impact of revaluations of the net defined benefit liability (asset) immediately on the statement of financial position. Organizations would also assess the funding status of their post-employment benefit plans to determine the appropriate rate for discounting post-employment benefit obligations. • The Public Sector Accounting Board is in the process of evaluating comments received from stakeholders on the exposure draft.

Appendix 4: Changes in accounting standards (continued)

Standard	Summary and implications
Concepts Underlying Financial Performance	• The revised conceptual framework is effective for fiscal years beginning on or after April 1, 2026 with earlier adoption permitted. • The framework provides the core concepts and objectives underlying Canadian public sector accounting standards. • The ten chapter conceptual framework defines and elaborates on the characteristics of public sector entities and their financial reporting objectives. Additional information is provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts are introduced.

Financial Statement Presentation	• The proposed section PS 1202 *Financial statement presentation* will replace the current section PS 1201 *Financial statement presentation*. PS 1202 *Financial statement presentation* will apply to fiscal years beginning on or after April 1, 2026 to coincide with the adoption of the revised conceptual framework. Early adoption will be permitted.
	• The proposed section includes the following:
	  • Relocation of the net debt indicator to its own statement called the statement of net financial assets/liabilities, with the calculation of net debt refined to ensure its original meaning is retained.
	  • Separating liabilities into financial liabilities and non-financial liabilities.
	  • Restructuring the statement of financial position to present total assets followed by total liabilities.
	  • Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities).
	  • Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities), including a new component called “accumulated other”.
	  • A new provision whereby an entity can use an amended budget in certain circumstances.
	  • Inclusion of disclosures related to risks and uncertainties that could affect the entity’s financial position.
	• The Public Sector Accounting Board is currently deliberating on feedback received on exposure drafts related to the reporting model.

Appendix 5: Audit and assurance insights

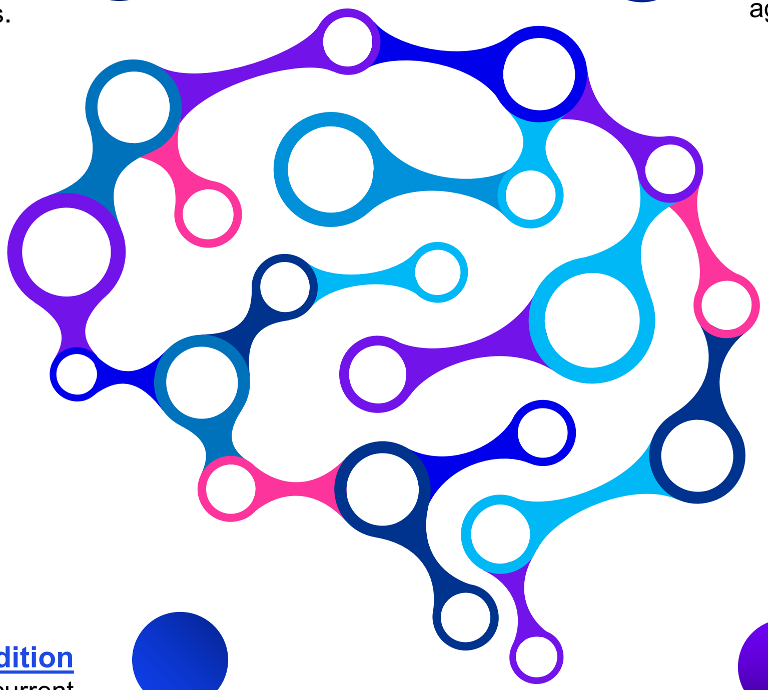
Our latest thinking on the issues that matter most to the Finance and Audit Committee, board of directors and management.

KPMG Audit & Assurance Insights
Curated research and insights for audit committees and boards.

Board Leadership Centre
Leading insights to help board members maximize boardroom opportunities

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

Audit Committee Guide – Canadian Edition
A practical guide providing insight into current challenges and leading practices shaping audit committee effectiveness in Canada.



Accelerate 2023
The key issues driving the audit committee agenda in 2023.

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

KPMG Climate Change Financial Reporting Resource Centre
Our climate change resource center provides insights to help you identify the potential financial statement impacts to your business.

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

Appendix 6: How we can help along your ESG reporting journey

Preparing for ESG reporting in accordance with regulatory standards will take substantial time and resources – it is a journey. The end goal is implementing and sustaining ESG external reporting in compliance with the applicable reporting frameworks in such a way that the ESG information and metrics reported can be verified and assured.

As your financial statement auditor, we are able to support you across a number of activities throughout your ESG reporting journey, prior to undertaking assurance readiness or formal assurance on your reported ESG information and metrics.

Establish

- Findings and observations with respect to **materiality assessment**, governance structure, reporting strategy
- **Gap assessment** to global reporting standards (e.g., IFRS S1 and S2)
- **Peer benchmarking and insights** on industry best practices

Assess

- Feedback on **current state operating model**, including processes, people, technology, service delivery model and data
- Review existing **data and estimation methodologies**

Implement / Report

- ESG reporting **training** to Board and Management

Design

- Provide management with feedback on the **reporting roadmap**
- Findings and observations on draft **external disclosures** based on leading practice

Appendix 6: Why your auditors should be engaged in the reporting journey

We are one-team at KPMG.

With KPMG's one-team approach, you will benefit from the efficiencies gained by having members of your financial statement audit team engaged in your ESG reporting journey along with our ESG subject matter experts.

We know you

It is important to have a general understanding of the entity and its control environment (e.g., IT systems and underlying processes) to best support you in your ESG reporting journey

Coordinated approach

Management meetings are carried out once and leveraged across your financial statement and ESG journey process, wherever possible

Synergies gained

Key messages and reports to management and the audit committee will be consistent and include both financial and ESG information

Connected to financial statements

Increased demand for consistency between ESG reporting and financial reporting puts us in the best position to support you

Single point of contact

Having KPMG as your ESG service provider – your key audit points of contacts will enable you to get clear perspectives on all your reporting needs when you need them

Future efficiencies

Engaging us in the reporting process today will be an investment that will lead to efficiencies when undergoing limited assurance in the future

Appendix 6: IFRS Sustainability disclosure standards

Environmental, social and governance (“ESG”)

First IFRS Sustainability Disclosure Standards

The arrival of the first two IFRS Sustainability Disclosure Standards marks a key milestone in sustainability reporting and is a significant step towards creation of a global baseline for stakeholder-focused sustainability reporting that local jurisdictions can build on. **Although the standards are not required to be adopted by CRHD, the new IFRS sustainability standards provide key insights into what the future of sustainability reporting may look like for CRHD. The Canadian Sustainability Standards Board released the first proposed Canadian standards for public comments due by June 10, 2024.**

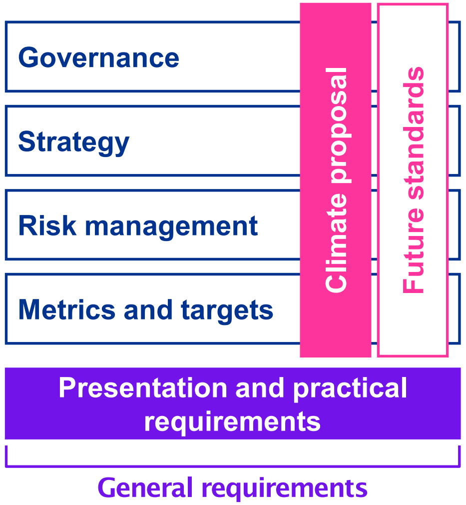
Summary of the recently released standards

The standards build on the four-pillar structure of the **Task Force on Climate-related Financial Disclosures**.

The **general requirements standard** **(IFRS S1)** defines the scope and objectives of reporting and provides core content, presentation and practical requirements.

It requires disclosure of material information on all sustainability-related risks and opportunities – not just on climate.

The **climate standard** **(IFRS S2)** replicates the core content requirements and supplements them with climate-specific reporting requirements.



Visit KPMG’s Sustainability Reporting website for more information, including a comprehensive summary of the new requirements and KPMG’s insights and illustrative examples for the new standards.

Click here to access KPMG’s portal

Appendix 6: ESG: Thought leadership and insights (continued)

Thought leadership – Environmental, social and governance (“ESG”) (continued)

Note: Click on images to visit document link.

The "S" in ESG is becoming critical as people and organizations become more conscious about how the social aspect of business will impact their future.

This article touches on the social movements driving business change.

As the severity of climate impacts increase, so do the socio-economic disruptions due to the risk and fall of climate impacted sectors and projects.

This article breaks down the impact on institutional investors.

This article outlines how ESG is impacting valuation and performance of the underlying companies institutional investors have a stake in.

Market statistics highlight the issues surrounding responsible investment.

Appendix 6: Thought leadership and insights (continued)

Thought leadership – Environmental, social and governance (“ESG”) (continued)

Note: Click on images to visit document link.

Intentional adoption of smart, digital, experience-centric solutions have become indispensable in overcoming today’s challenges and aligning city services to the future needs and well-being of the public. We invite you to explore this report on KPMG’s global research and insights on The future of local government.

The Green City outlines the need of the cities and the buildings in them to reflect climate consciousness.

The link provides guidance on what that looks like and the first steps to meeting those objectives.

KPMG’s Climate Change Financial Reporting Resource Centre

KPMG’s climate change resource centre provides FAQs to help you identify the potential financial statement impacts for your business.

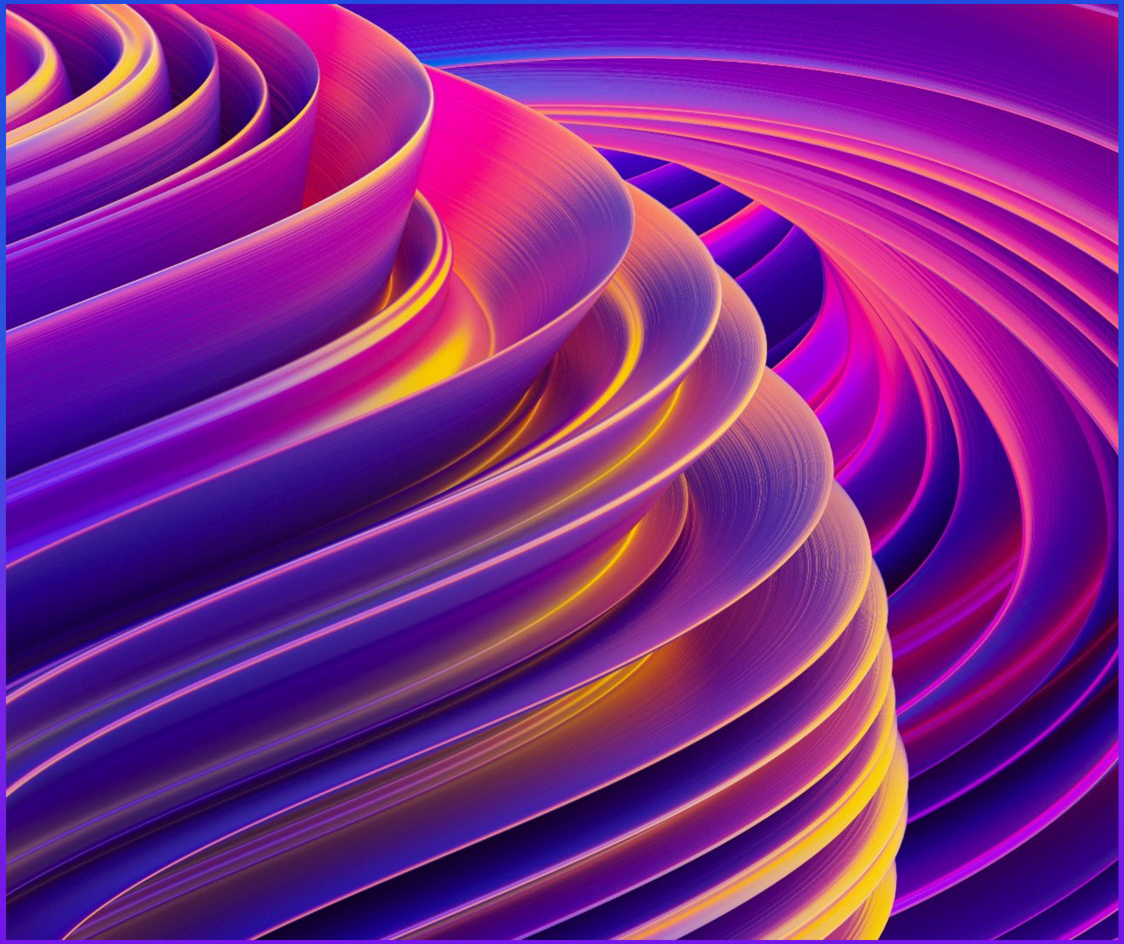
Click here to access KPMG’s portal.

A closer look at the GHG Protocol

Chartered Professional Accountants of Canada (CPA Canada) and the Institute for Sustainable Finance (ISF) produced a 23-page report (click here) on the GHG Protocol. The report looks to inform potential preparers and users of emissions disclosure; policy makers; standard setters; regulators; and others, and to spur important additional research into key aspects of emissions disclosure and standards that require closer attention.

KPMG

https://kpmg.com/ca/en/home.html



APPENDIX C

Capital Regional Hospital District

Other Financial Statement Analysis

British Columbia, Canada
Fiscal year ended December 31, 2023

Capital Regional Hospital District

CRHD Other Financial Statement Analysis

The 2023 Audited Financial Statements have been prepared by management in accordance with Canadian Public Sector Accounting Board (PSAB) Standards. Under PSAB regulations, governments are required to present five statements with explanatory notes. The first two statements are summarized in the staff report. This appendix provides a summary of the remaining statements.

3. Statement of Change in Net Debt

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

Table 7 – Change in Net Debt Year over Year

Statement of Change in Net Debt ($ millions)	2023	2022 Restated
Annual Surplus	19.1	20.3
Acquisition of Tangible Capital Assets	(0.2)	(3.3)
Revaluation of Asset Retirement Obligation	(0.1)	-
Amortization of Tangible Capital Assets	3.1	3.1
Change in Net Debt	**21.9**	**20.1**
Net Debt, Beginning of Year	(86.8)	(106.9)
Net Debt, End of Year	**$(64.9)**	**$(86.8)**

In 2023, the CRHD's net debt position of $(86.8) million decreased by $21.9 million over prior year. The change in net debt in 2023 is due to an annual surplus of $19.1 million and the amortization of capital assets of $3.1 million. These were partially offset by the acquisition of tangible capital assets of $(0.2) million related to capital additions at The Summit, and the annual revaluation of the asset retirement obligation of $(0.1) million related to the future retirement of the property at 950 Kings Road.

The annual surplus of $19.1 million resulted in a net increase in cash, investments, and receivables, and the repayment of long-term debt undertaken to finance CRHD and Island Health capital initiatives.

4. Statement of Cash Flows

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

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

Statement of Cash Flows ($ millions)	2023	2022 Restated
Operating Activities	17.7	18.9
Capital Activities	(0.2)	(3.3)
Investing Activities	(15.0)	(4.0)
Financing Activities	(10.9)	(10.7)
Net Change in Cash and Cash Equivalents	**(8.4)**	**0.9**
Cash and Cash Equivalents, Beginning of Year	18.6	17.7
Cash and Cash Equivalents, End of Year	**$10.2**	**$18.6**

Cash and cash equivalents decreased by $(8.4) million due to cash from operating activities of $17.7 million, offset by the acquisition of tangible capital assets of $(0.2) million, a net increase in the holdings of guaranteed investment certificates of $(15.0) million and the repayment of long-term debt of $(10.9) million.

5. Schedule A: Grants to District Hospitals

Schedule A summarizes the amounts raised for capital grants which are approved in the annual financial plan. These include equipment grants, both major and minor capital projects which are cash flowed over 10 years. Capital grant expenses in 2023 was $8.8 million and the value of projects completed during the year was $9.0 million.

As shown in Note 7 to the financial statements, the CRHD cost shares between 30-40% of approved project costs on major capital projects, and the CRHD share of authorized projects at December 31, 2023, is $96.9 million (2022: $31.8 million).

Appendix D provides graphical presentation of the 2023 total grants expense by facility.

Capital Regional Hospital District

Financial Performance Indicators

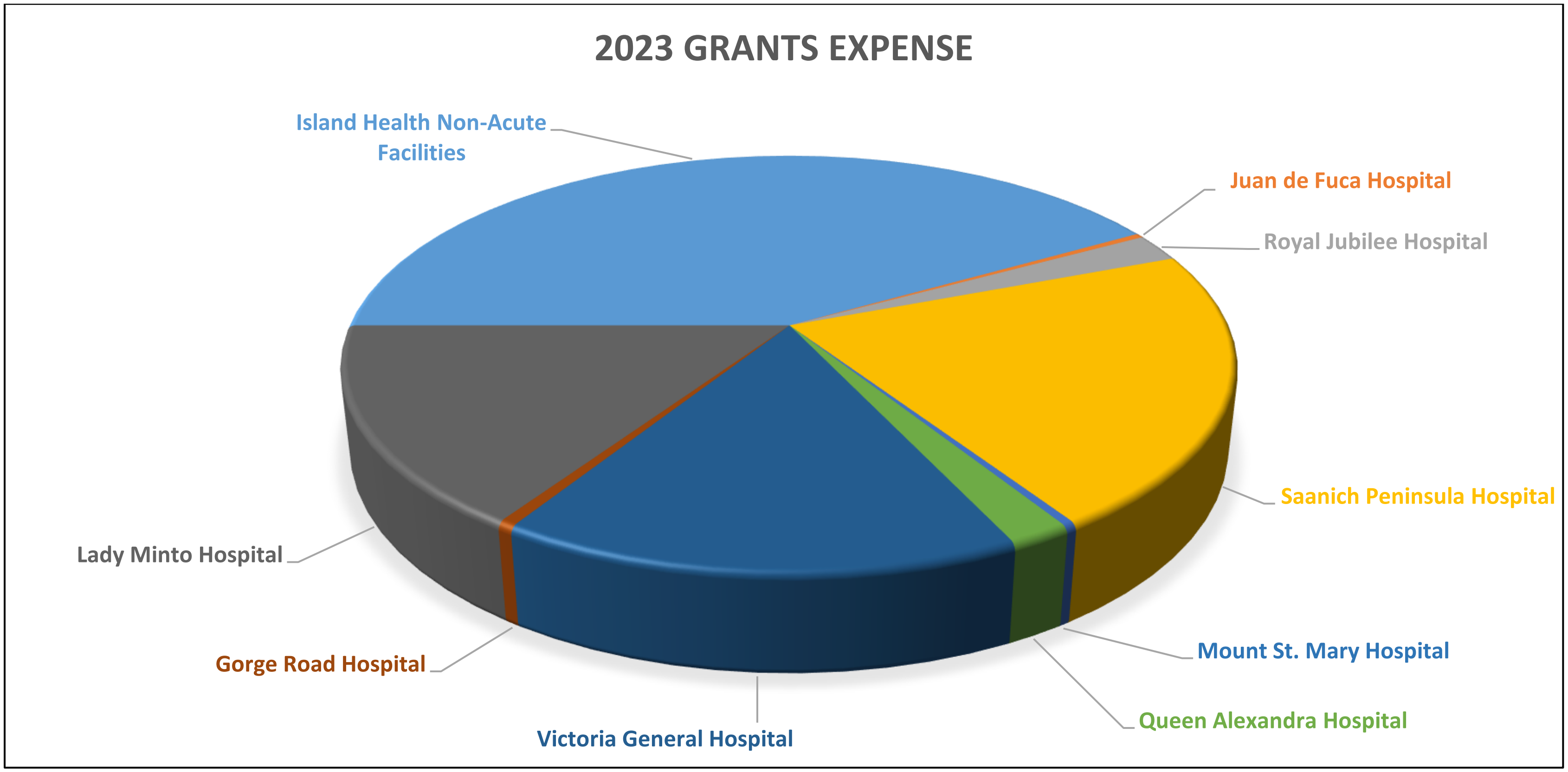
British Columbia, Canada
Fiscal year ended December 31, 2023

Capital Regional Hospital District

CRHD Financial Performance Indicators

1. 2023 Grants to District Hospitals

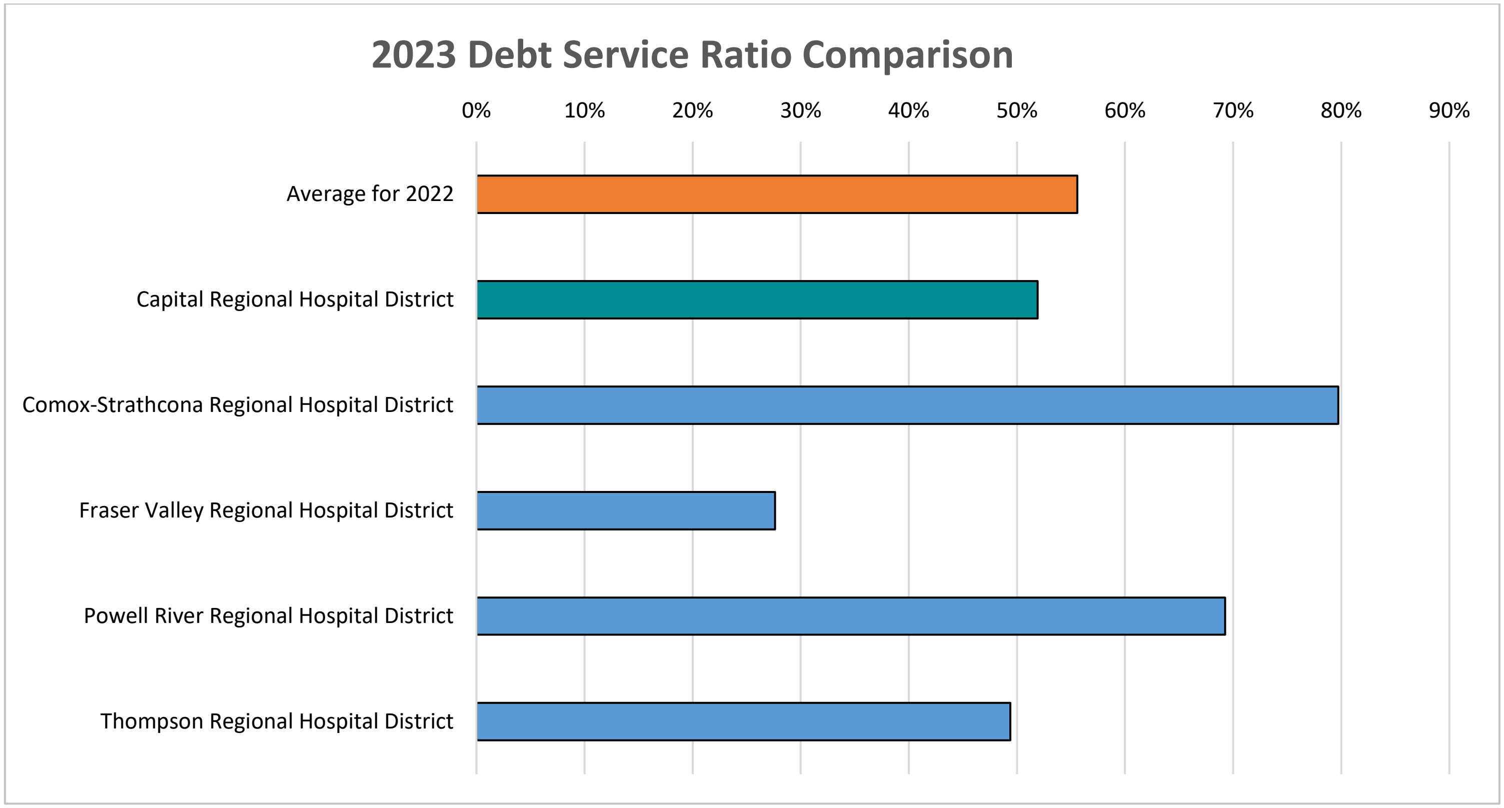
In 2023, the CRHD provided $8.8 million in capital grants to hospital facilities in the district. Further to the information provided in the Audited Financial Statements (Note 7, Schedule A) the distribution of 2023 total grants expense is illustrated below, showing the relative share of total grants received by each facility during the year. Island Health non-acute facilities received $3.6 million in grants; $2.9 million of this is attributed to the annual minor equipment grant, which is prioritized by Island Health and distributed to facilities in the district.



2. Debt Service Ratio Comparison

Based on the 2022 financial results of other hospital districts on Vancouver Island and southern British Columbia displayed in the graph, the average debt service costs as a percentage of revenue is 56%. At 52% for 2023 and 54% for 2022, the CRHD's debt service cost as a percentage of revenue is slightly below the average. The CRHD's debt service ratio increased from the prior year as a result of net decreased revenue in 2022 primarily due to lower tax requisition.

Current year comparison data is not yet available.



Capital Region Housing Corporation

REPORT TO HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, MAY 01, 2024

SUBJECT **Capital Region Housing Corporation 2023 Audit Findings Report and Audited Financial Statements**

ISSUE SUMMARY

This report summarizes the Capital Region Housing Corporation (CRHC) 2023 Audit Findings Report and requests approval of the Audited Financial Statements.

BACKGROUND

The CRHC is incorporated under the laws of British Columbia (BC), its principal activity is the provision of rental accommodation. As a wholly owned subsidiary of the Capital Regional District (CRD), the CRHC financials are consolidated in the CRD financial statements. This consolidation is a requirement by Canadian Public Sector Accounting Standards (PSAS), which are governed by the Public Sector Accounting Board (PSAB).

Section 376 of the *Local Government Act* requires that annual audited financial statements be prepared for the CRHC and presented at a public Board meeting. The 2023 Financial Statements have been prepared by management in accordance with PSAB standards, including the 4200 series standards for government not-for-profit organizations. As per BC Housing Management Commission (BCHMC) operating agreements, the Board-approved financial statements must be submitted within six months of the fiscal year end (by June 30, 2024).

Under PSAB regulations, the CRHC is required to present four statements with explanatory notes:

1. Statement of Financial Position
2. Statement of Operations
3. Statement of Changes in Net Assets and Remeasurement Gains and Losses
4. Statement of Cash Flows

In addition to the required statements listed above, the 2023 Financial Statements include the following Schedules:

A. Schedule of Changes in Replacement Reserve Fund
B. Schedule of Changes in Portfolio Stabilization Reserves
C. Schedule of Capital Assets
D. Schedule of Capital Fund – Mortgages Payable
E. Schedule of Operating Fund – Rental Operations

The CRHC 2023 Audited Financial Statements and schedules are attached as Appendix A.

The Audit Findings Report from KPMG (Appendix B) summarizes the responsibilities of the audit firm, scope of investigations and the audit results. The report confirms there were no significant changes in the audit approach previously presented to the Board on January 10, 2024 and that the audit did not identify any uncorrected differences or significant control deficiencies. The audit findings confirm the financial statements present fairly, in all material respects, the financial position of the CRHC as at December 31, 2023.

ALTERNATIVES

Alternative 1
The Hospitals and Housing Committee recommends to the Capital Region Housing Corporation Board:
That the Capital Region Housing Corporation 2023 Audited Financial Statements be approved.

Alternative 2
The Hospitals and Housing Committee recommends to the Capital Region Housing Corporation Board:
That the Capital Region Housing Corporation 2023 Audited Financial Statements be referred back to staff for additional information.

IMPLICATIONS

Financial Implications

NEW ACCOUNTING STANDARDS

Asset Retirement Obligations

As identified on page 7 of the Audit Findings Report (Appendix B) a new accounting standard, PS 3280 Asset Retirement Obligations (AROs), came into effect December 31, 2023. This standard required the recognition, measurement, presentation, and disclosure of any legal obligations associated with the retirement of tangible capital assets in a future period. PS 3280 was implemented in 2023 through the recognition of ARO's on December 31, 2023, and retroactive application through the restatement of the 2022 Audited Financial Statements.

HIGHLIGHTS

1. Statement of Financial Position

The Statement of Financial Position presents the financial position of an entity at a given date. It is comprised of three main components: assets, liabilities and equity (net assets). Table 1 summarizes total asset values for 2023 and 2022.

Table 1 – Change in Assets Year over Year

Statement of Financial Position ($ millions)	2023	2022 Restated	$ Change	% Change
Current Assets				
Cash & Cash Equivalents	14.9	10.3	4.6	44.5%
Accounts Receivable	6.0	2.9	3.1	106.9%
Prepaid Expenses	0.9	0.7	0.2	28.6%
Investments	-	6.5	(6.5)	(100.0%)
Total Current Assets	**$21.8**	**$20.4**	**$1.4**	**6.9%**

Non-Current Assets				
Cash & Cash Equivalents (Restricted)	8.5	8.2	0.3	3.7%
Capital Assets	262.4	217.8	44.6	20.5%
Total Non-Current Assets	**$270.9**	**$226.0**	**$44.9**	**19.8%**
Total Assets	**$292.7**	**$246.4**	**$46.3**	**18.8%**

The total assets of $292.7 million consist of current and non-current assets. Current assets of $21.8 million reflect the organization's ability to meet short-term payment obligations.

The increase in current assets of $1.4 million or 6.9% is due to a combined increase of $7.9 million in cash, accounts receivable and prepaid expenses, offset by investment maturities amounting to $6.5 million. These fluctuations are in line with increased capital construction activity in 2023.

Non-current assets of $270.9 million consist of $8.5 million in restricted cash and cash equivalents and $262.4 million in capital assets. These assets increased by $44.9 million, primarily due to the acquisition of Prosser Place, the construction at Caledonia, Michigan Square and the Carey Lane Building Envelope Remediation.

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

Table 2 – Change in Liabilities Year over Year

Statement of Financial Position ($ millions)	2023	2022 Restated	$ Change	% Change
Current Liabilities				
Accounts Payable	7.2	4.0	3.2	80.0%
Short-Term Capital Financing	27.5	21.2	6.3	29.7%
Mortgage Payable – Current	14.3	6.8	7.5	110.3%
Other Liabilities	2.7	2.5	0.2	8.0%
Total Current Liabilities	**51.7**	**34.5**	**17.2**	**49.9%**
Non-Current Liabilities				
Mortgage Payable – Non-Current	161.1	151.8	9.3	6.1%
Asset Retirement Obligation	9.5	8.3	1.2	14.5%
Total Liabilities	**$222.3**	**$194.6**	**$27.7**	**14.2%**

Total current liabilities of $51.7 million is an increase of $17.2 million or 49.9% over 2022. Notable changes over 2022 are:

- Accounts payable increased by $3.2 million due to the increase in construction activity.
- Short-term capital financing increased by $6.3 million related to new financing of $20.2 million for the Michigan and Caledonia properties. This is offset by the conversion of $13.9 million interim borrowing to a mortgage for the Twenty-Seven Eighty-Two property in January 2023.
- The increase of $7.5 million in current mortgage payable and $9.3 million in non-current mortgage payable is primarily driven by $23.4 million in new mortgages for Twenty-Seven

Eighty-Two and Prosser Place properties. The new debt was offset by $6.5 million in repayments in all other mortgages.

Appendix C provides a detailed summary of variances year-over-year greater than $0.15 million and 10% on the Statement of Financial Position. The threshold is relative to the size and operations of the entity.

2. Statement of Operations

The Statement of Operations reports annual financial activities by fund, summarizing revenues less expenses. Table 3 details revenue by source with a year-over-year comparison.

Table 3 – Change in Revenue Year over Year

Statement of Operations ($ millions)	2023	2022 Restated	$ Change	% Change
Revenue				
Tenant Rent Contributions	23.0	21.2	1.8	8.5%
Government Capital Contributions	16.1	18.3	(2.2)	(12.0%)
Other Revenue	5.0	4.0	1.0	25.0%
Total Revenue	**$44.1**	**$43.5**	**$0.6**	**1.4%**

Revenue from all sources totaled $44.1 million in 2023, an increase of $0.6 million or 1.4%. The increase is driven by increased rent contributions of $1.8 million to new properties.

Government capital contributions decreased by $2.2 million due to construction progress at Caledonia and Michigan Square and forgivable loans have been exhausted for these projects.

Other revenue increased by $1.0 million primarily due to increased government subsidy received of $0.5 million, related to the new property (Twenty-Seven Eighty-Two), and increased interest earnings of $0.6 million resulting from higher interest rates.

Table 4 – Change in Expenses Year over Year

Statement of Operations ($ millions)	2023	2022 Restated	$ Change	% Change
Expenses				
Building Operating & Administrative Expenses	11.2	9.6	1.6	16.7%
Insurance	1.5	1.3	0.2	15.4%
Amortization & Accretion	8.6	7.8	0.8	10.3%
Interest Expense	4.2	3.6	0.6	16.7%
Total Expenses	**$25.5**	**$22.3**	**$3.2**	**14.3%**

Expenses totaled $25.5 million in 2023, an increase of $3.2 million or 14.3%. Expense changes were driven by:

- $1.6 million increase in building operating and administrative expenses consistent with the volume of new units at Prosser Place and annualization of costs related to Twenty-Seven Eighty-Two, which was completed at the end of 2022.
- $0.2 million increase in insurance costs due to higher policy premiums.
- $0.8 million increase in amortization due to newly acquired assets.
- $0.6 million increase in interest expense primarily due to mortgages for new properties.

Appendix D provides a detailed summary of the variances year-over-year greater than $0.15 million and 10% on the Statement of Operations.

3. Other Financial Statement Analysis

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

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

Appendix F contains the financial indicators relevant to CRHC performance and financial sustainability.

Board-approved financial statements are required to be consolidated with the CRD financial statements and filed with BCHMC.

CONCLUSION

Board approval of the CRHC 2023 Audited Financial Statements is required under the *Local Government Act*, *BC Business Corporations Act*, BCHMC operating agreements and mortgage agreements. As noted in the Auditors' Report, it is the Auditors' opinion that these Financial Statements present fairly the consolidated financial position of the CRHC as of December 31, 2023, and the results of financial activities for the year then ended in accordance with Canadian PSAS.

RECOMMENDATION

The Hospitals and Housing Committee recommends to the Capital Region Housing Corporation Board:
That the Capital Region Housing Corporation 2023 Audited Financial Statements be approved.

Submitted by:	Rianna Lachance, BCom, CPA, CA, Sr. Mgr., Financial Services / Deputy CFO
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer
Concurrence:	Kevin Lorette, P. Eng., MBA, General Manager, Planning & Protective Services
Concurrence:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer

ATTACHMENTS:

Appendix A: CRHC 2023 Financial Statements
Appendix B: CRHC Audit Findings Report [for the year ended December 31, 2023 (KPMG)]
Appendix C: CRHC Detailed Variance Analytics (Statement of Financial Position)
Appendix D: CRHC Detailed Variance Analytics (Statement of Operations)
Appendix E: CRHC Other Financial Statement Analysis
Appendix F: CRHC Financial Performance Measures

APPENDIX A

Capital Region Housing Corporation

2023 Financial Statements

British Columbia, Canada
Fiscal year ended December 31, 2023

Capital Region Housing Corporation

Capital Region Housing Corporation

Financial Statements

December 31, 2023

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December 31, 2023

CONTENTS

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of the Capital Region Housing Corporation

Opinion

We have audited the financial statements of the Capital Region Housing Corporation (the Corporation), which comprise:

- the statement of financial position as at December 31, 2023
- the statement of operations for the year then ended
- the statement of changes in net assets and remeasurement gains and losses for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2023, and its results of operations, its changes in net assets and remeasurement gains and losses, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Emphasis of Matter – Comparative Information

We draw attention to Note 2 to the financial statements which explains that certain comparative information presented for the year ended December 31, 2022 has been restated. Note 2 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information. Our opinion is not modified in respect of this matter.

Other Matter - Comparative Information

As part of our audit of the financial statements for the year ended December 31, 2023, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended December 31, 2022. In our opinion, such adjustments are appropriate and have been properly applied.

Other Information

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

- the information, other than the financial statements and the auditor's report thereon, included in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

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

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants

Victoria, Canada
__________________, 2024

Making a difference...together

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Capital Regional District
Capital Region Housing Corporation

MANAGEMENT REPORT

The Financial Statements contained in this report have been prepared by management in accordance with Canadian public sector accounting standards. The integrity and objectivity of these statements are management's responsibility. Management is also responsible for all the statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

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

The Board of Directors are responsible for approving the financial statements and for ensuring that management fulfills its responsibilities for financial reporting and internal control.

The external auditors, KPMG LLP, conduct an independent examination, in accordance with Canadian public sector accounting standards, and express their opinion on the financial statements. Their examination includes a review and evaluation of the corporation's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly. The external auditors have full and free access to staff and management. The Independent Auditors' Report outlines the scope of the audit for the year ended December 31, 2023.

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

____
Nelson Chan, MBA, CPA, CMA
Chief Financial Officer
May 8, 2024

Statement of Financial Position

As at December 31, 2023

		2023		2022 Restated (Note 2)
Assets				
Current assets:				
Cash and cash equivalents (Note 3)	**$**	**14,903,603**	$	10,350,289
Accounts receivable		**6,031,343**		2,887,911
Prepaid expenses		**890,568**		697,314
Investments		**-**		6,500,000
		21,825,514		20,435,514
Cash and cash equivalents restricted for replacement reserve (Note 3)		**8,543,170**		8,168,045
Capital assets (Note 4 and Schedule C)		**262,404,263**		217,766,993
	$	**292,772,947**	$	246,370,552
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities		**7,154,414**		4,014,200
Accrued mortgage interest		**381,220**		336,975
Due to Capital Regional District		**284,633**		425,418
Deferred revenue		**743,487**		591,704
Security deposits		**1,214,931**		1,141,108
Short-term capital financing (Note 5)		**27,454,719**		21,157,445
Mortgages payable principal current portion (Schedule D)		**6,193,511**		6,213,290
Mortgages payable principal renewal portion (Note 6 and Schedule D)		**8,233,676**		595,492
		51,660,591		34,475,632
Mortgages payable (Note 6 and Schedule D)		**161,065,397**		151,795,738
Asset retirement obligations (Note 7)		**9,521,426**		8,279,238
Capital stock (Note 8)		**1**		1
Net assets:				
Invested in capital assets (Note 9)		**56,115,448**		38,335,853
Externally restricted (Note 10)		**11,921,941**		12,127,169
Internally restricted (Note 10)		**1,106,227**		1,126,460
Unrestricted: Corporation stabilization reserve (Note 11)		**1,855,850**		865,527
		70,999,466		52,455,009
Accumulated remeasurement losses		**(473,934)**		(635,066)
		70,525,532		51,819,943
Commitments and contingencies (Note 12)				
	$	**292,772,947**	$	246,370,552

See accompanying notes to the financial statements.

On behalf of the Board:

____________________ Director ____________________ Director

Statement of Operations

For the Year Ended December 31, 2023

	Operating Funds		Restricted Funds			
	Corporation	**Rental Housing**	**Capital Fund**	**Replacement Reserve Fund**	**Total 2023**	Total 2022 Restated (Note 15 and Note 2)
Revenues:						
Tenant rent contributions	$ -	$23,002,135	$ -	$ -	**$ 23,002,135**	$ 21,246,546
BCHMC rent subsidy assistance	-	710,400	-	-	**710,400**	302,636
BCHMC umbrella operating agreement funding	-	2,674,751	-	-	**2,674,751**	2,760,874
Rental management fees - third parties	63,342	-	-	-	**63,342**	81,139
Investment income	536,151	-	166,247	479,433	**1,181,831**	529,936
Guest suites, net	1,801	-	-	-	**1,801**	4,371
Miscellaneous	36,887	278,078	-	-	**314,965**	275,547
Government contributions (Note 12d)	-	-	16,135,301	-	**16,135,301**	18,336,829
	638,181	26,665,364	16,301,548	479,433	**44,084,526**	43,537,878
Expenses:						
Administration and property management	3,275,841	-	-	-	**3,275,841**	2,869,235
Amortization	-	-	8,181,223	-	**8,181,223**	7,397,134
Accretion	-	-	377,533	-	**377,533**	361,069
Property taxes	-	33,806	-	-	**33,806**	4,500
Insurance	-	1,464,647	-	-	**1,464,647**	1,267,119
Maintenance	-	2,099,650	-	-	**2,099,650**	1,625,882
Caretakers	-	2,009,149	-	-	**2,009,149**	1,797,648
Landscape	-	422,936	-	-	**422,936**	402,165
Electricity	-	368,374	-	-	**368,374**	342,902
Land and improvement leases	-	307,137	-	-	**307,137**	299,474
Water	-	1,403,759	-	-	**1,403,759**	1,415,924
Oil and gas	-	240,871	-	-	**240,871**	246,876
Garbage	-	466,901	-	-	**466,901**	338,958
Rental management fee	(3,510,088)	3,510,088	-	-	**-**	-
Audit and legal	-	41,438	-	-	**41,438**	33,600
Miscellaneous	-	190,446	-	-	**190,446**	34,425
Hospitality services (Parry Place)	-	492,595	-	-	**492,595**	321,584
Interest on mortgages payable	-	4,163,763	-	-	**4,163,763**	3,573,882
	(234,247)	17,215,560	8,558,756	-	**25,540,069**	22,332,377
Excess of revenues over expenses	**$ 872,428**	**$ 9,449,804**	**$ 7,742,792**	**$ 479,433**	**$ 18,544,457**	$ 21,205,501

See accompanying notes to the financial statements.

Statement of Changes in Net Assets & Remeasurement Gains & Losses

For the Year Ended December 31, 2023

	Operating Funds		Restricted Funds				
	Corporation	**Rental Housing**	**Capital Fund**	**Replacement Reserve Fund**	**Remeasurement Gains / (Losses)**	**Total 2023**	Total 2022 Restated (Note 2)
Net assets, beginning of year	$ 1,032,084	$ 4,919,027	$ 38,335,853	$ 8,168,045	$ (635,066)	$ 51,819,943	$ 31,131,957
Excess of revenues over expenses	872,428	9,449,804	7,742,792	479,433	-	18,544,457	21,205,501
Interfund transfers:							
Mortgage principal repayments	-	(6,482,151)	6,482,151	-	-	-	-
Replacement reserve transfers	-	(3,083,416)	-	3,083,416	-	-	-
Replacement reserve expenditures	-	-	3,187,724	(3,187,724)	-	-	-
Capital assets acquired	(152,439)	(600,000)	752,439	-	-	-	-
Fund transfers	183,199	202,312	(385,511)	-	-	-	-
	30,760	(9,963,255)	10,036,803	(104,308)	-	-	-
Unrealized gain (loss) on investments	-	-	-	-	161,132	161,132	(517,515)
Net assets, end of year	$ 1,935,272	$ 4,405,576	$ 56,115,448	$ 8,543,170	$ (473,934)	$ 70,525,532	$ 51,819,943

See accompanying notes to the financial statements.

Statement of Cash Flows

For the Year Ended December 31, 2023

	2023	2022 Restated (Note 2)
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	**$ 18,544,457**	$ 21,205,501
Items not involving cash:		
Amortization	**8,181,223**	7,397,134
Accretion	**377,533**	361,069
Changes in non-cash assets and liabilities:		
(Increase) in accounts receivable	**(3,143,432)**	(1,513,691)
(Increase) in inventory and prepaid expenses	**(193,254)**	(69,132)
Increase in accounts payable and accrued liabilities	**3,140,214**	1,951,267
Increase in accrued mortgage interest	**44,245**	10,492
Increase (decrease) in deferred revenue	**151,783**	(110,046)
Increase in security deposits	**73,823**	106,925
(Decrease) increase due to Capital Regional District	**(140,785)**	344,670
Net change in cash from operating activities	**27,035,807**	29,684,189
Investing activities:		
(Increase) in restricted cash and cash equivalents	**(213,994)**	(1,784,897)
Increase (decrease) in investments	**6,500,000**	(6,500,000)
Net change in cash from investing activities	**6,286,006**	(8,284,897)
Capital activities:		
Acquisition of capital assets	**(51,953,838)**	(36,289,290)
Net change in cash from capital activities	**(51,953,838)**	(36,289,290)
Financing activities:		
Repayment of mortgages payable	**(6,472,741)**	(6,138,211)
Proceeds from long term debt	**23,360,805**	4,500,000
Repayment of short term debt	**(13,933,727)**	(2,151,025)
Proceeds from short term debt	**20,231,002**	21,157,445
	23,185,339	17,368,209
Net change in cash and cash equivalents	**4,553,314**	2,478,211
Cash and cash equivalents, beginning of year	**10,350,289**	7,872,078
Cash and cash equivalents, end of year	**$ 14,903,603**	$ 10,350,289

See accompanying notes to the financial statements.

General

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

1. Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations.

a. Revenue Recognition

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

b. Fund Accounting

i. Operating Funds

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

ii. Capital Fund

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

1. Significant Accounting Policies (continued)

b. Fund Accounting (continued)

iii. Replacement Reserve Fund

A Replacement Reserve Fund has been established for each building to pay for the replacement of worn-out capital equipment and other approved items. The Replacement Reserves are funded by an annual transfer from the Rental Housing Operating Fund. Capital expenditures made from the reserve are transferred to the Capital Fund.

c. Asset Retirement Obligations

An asset retirement obligation (ARO) is a legal obligation to incur costs to retire a tangible capital asset in a future period. AROs are measured at the present value of expected future cash flows including an estimate for inflation. Future cash flows are based on the best information available at the financial reporting date. Accretion expense is recorded annually to reflect the cost associated with an increase in the present value of the ARO over time. The carrying amount of the liability is reassessed annually and updated as new information becomes available. Changes in estimates are recorded prospectively and the liability is derecognized when retirement activities are completed.

The asset retirement cost at initial recognition is capitalized along with the related tangible capital asset and amortized in accordance with the Corporation's tangible capital asset policy Note 1 d).

d. Capital Assets

Land, buildings, equipment and vehicles are stated at cost. Amortization is charged upon the asset becoming available for productive use in the year of acquisition. Amortization over their estimated useful lives is provided on the straight-line basis at the following rates:

Asset	Rate
Prepaid leases	29-60 Years
Buildings	35 Years
Equipment	10 Years
Vehicles	5 Years

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

Capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to provide goods and services or when the value of the future economic benefits associated with the asset is less than the book value of the asset.

1. Significant Accounting Policies (continued)

e. Debt Retirement

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

f. Operating Agreements

i. Umbrella

Effective April 1, 2012, the Corporation signed a thirty-three month Interim Umbrella Operating Agreement (the "Umbrella Agreement") with BCHMC to consolidate three operating agreements to reduce administrative duplication, allow the Corporation more flexibility to determine priorities for the portfolio maintenance and management and create a stable and predictable funding stream for the Corporation. In addition, the parties agreed to work together to develop a long-range capital planning tool to enable the Corporation and BCHMC to determine the capital replacement needs of the portfolio for the next thirty years and to negotiate on the transfer of the land ownership of the BCHMC projects from the Provincial Rental Housing Corporation to the Corporation. The final agreement was signed on December 2, 2014 with an effective date of January 1, 2015, for a five year term, and was renewed in December 2019 for an additional five year term ending 2024.

Effective August 17, 2020, the Umbrella Agreement was modified to remove three properties, Portage Place, Campus View Court, and Royal Oak Square, whose mortgages had matured and which were originally part of the CMHC Agreement described below. The properties were moved to the CRHC No Operating Agreement portfolio and their corresponding Replacement Reserve balances were moved to the CRHC No Operating Agreement Replacement Reserve. No transfers were made between Portfolio Stabilization Reserves. As a result of this change, the Umbrella Agreement now contains 38 buildings and 1,071 units.

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

a) CMHC

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

b) BCHMC

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

1. Significant Accounting Policies (continued)

f. Operating Agreements (continued)

i. Umbrella (continued)

c) Homes BC Program

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

ii. Independent Living BC II Program

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

iii. Regional Housing First Program

The Regional Housing First Program (RHFP) is a partnership between the Provincial and Federal governments and the CRD to provide one-time capital funding to affordable housing projects in the region. The Corporation has entered into a 40-year agreement with BCHMC on behalf of the RHFP whereby the Corporation provides shelter-rate and affordable rents to low and moderate income tenants. No other financial contribution is received to subsidize the ongoing operation of the buildings.

iv. Investment in Housing Innovation Program

The Corporation has entered into a 40-year agreement with BCHMC under the Investment in Housing Innovation (IHI) program. Capital funding was provided in the form of a forgivable loan to facilitate the construction of the Westview building. No other financial contribution is received to subsidize the ongoing operation of the building.

v. Community Housing Fund

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

vi. CRHC No Operating Agreement

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

1. Significant Accounting Policies (continued)

g. 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 1.31% (2022: average prime plus 0.78%).

h. Financial Instruments

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

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

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

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

i. Use of Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant estimates and assumptions include amortization of capital assets and discount and inflationary rates used to determine ARO balances. Actual results could differ from those estimates.

2. Adoption of New Accounting Standard

On January 1, 2023, the Corporation adopted Public Sector Accounting Standard PS 3280 *Asset Retirement Obligations*. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets. The standard was adopted on a modified retroactive basis and prior year balances have been restated to conform to new reporting requirements. The accounting policy is disclosed in Note 1 c) and ARO balances disclosed in Note 7.

2. Adoption of New Accounting Standard (continued)

In accordance with the provisions of the new standard, the Corporation reflected the following adjustments for the year ended December 31, 2022:

	Previously Stated	Adjustment	2022 Restated
Statement of Financial Position			
Assets			
Capital assets	$ 217,260,292	$ 506,701	$ 217,766,993
Liabilities and Net Assets			
Asset retirement obligations	-	8,279,238	8,279,238
Net assets: Invested in capital assets	46,108,390	(7,772,537)	38,335,853
Statement of Operations			
Amortization	7,359,920	37,214	7,397,134
Accretion	-	361,069	361,069
Excess of revenues over expenses	21,603,784	(398,283)	21,205,501
Statement of Changes in Net Assets & Remeasurement Gains & Losses			
Net assets, beginning of year	38,506,211	(7,374,254)	31,131,957
Excess of revenues over expenses	21,603,784	(398,283)	21,205,501
Net assets, end of year	59,592,480	(7,772,537)	51,819,943
Statement of Cash Flows			
Excess of revenues over expenses	21,603,784	(398,283)	21,205,501
Items not involving cash: Amortization	7,359,920	37,214	7,397,134
Items not involving cash: Accretion	-	361,069	361,069
Tangible Capital Assets (Note 4)			
Cost - Buildings	161,021,997	1,787,351	162,809,348
Accumulated amortization - Buildings	85,336,007	1,280,650	86,616,657
Net book value - Buildings	75,685,990	506,701	76,192,691
Investment in Capital Assets (Note 9)			
Capital assets	217,260,292	506,701	217,766,993
Asset retirment obligation adoption adjustment	-	(8,279,238)	(8,279,238)

3. Cash and Cash Equivalents

Cash equivalents have a maturity of three months or less at acquisition and are held for the purpose of meeting short-term cash commitments. Included in cash and cash equivalents are investments in the Municipal Finance Authority of British Columbia (MFA) Short Term Bond Funds. See Schedule A for details of cash and cash equivalents restricted for replacement reserve.

At December 31, 2023, there is $nil (2022: $4,430,279) of cash and cash equivalents from mortgage proceeds restricted in use to finance capital improvements or construction of new properties.

4. Capital Assets

December 31, 2023	**Cost**	**Accumulated Amortization**	**Net Book Value**
Land	$ 9,496,053	$ -	$ 9,496,053
Prepaid leases	148,181,402	14,089,236	134,092,166
Buildings	199,057,658	90,278,565	108,779,093
Equipment and other	45,124,225	35,087,274	10,036,951
	$ 401,859,338	$ 139,455,075	$ 262,404,263

December 31, 2022 - Restated (Note 2)	**Cost**	**Accumulated Amortization**	**Net Book Value**
Land	$ 9,496,053	$ -	$ 9,496,053
Prepaid leases	134,951,377	11,658,345	123,293,032
Buildings	162,809,348	86,616,657	76,192,691
Equipment and other	41,784,069	32,998,852	8,785,217
	$ 349,040,847	$ 131,273,854	$ 217,766,993

5. Short-term capital financing

Short term capital financing of $27,454,719 (2022: $21,157,445) is provided by BCHMC at a variable rate based on that charged to them by the Ministry of Finance plus an administrative spread. The short term debt is converted to a long term mortgage at the completion of each construction project. In 2023, $13,933,727 of short term capital financing was converted to long term mortgage at the completion of the Twenty-Seven Eighty-Two construction project. In 2022, $2,151,025 short term capital financing was forgiven and recorded in Government contributions on the Statement of Operations.

6. Mortgages Payable

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

Principal due within each of the next five years on these mortgages is as follows:		**Assuming no mortgage renewal**	**Assuming mortgage renewal**
	2024	$ 14,427,188	$ 6,173,316
	2025	8,837,329	5,958,720
	2026	6,644,553	5,748,113
	2027	11,452,520	5,607,311
	2028	$ 4,006,294	$ 5,276,183

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

7. Asset Retirement Obligations

The Corporation owns buildings that contain hazardous materials including asbestos and lead. There is a legal obligation to remove these materials in a prescribed manner when they are disturbed. These costs are expected to be incurred over the next 17 years as buildings are demolished or renovated. The retirement costs are estimated to include all costs directly attributable to the abatement of the hazardous materials, including overhead costs.

The Corporation uses the Municipal Finance Authority (MFA) long-term borrowing rate as the discount rate. The 10-year average B.C. consumer price index rate is used to estimate inflation and aligns with the Bank of Canada's target inflation range of 1.00% to 3.00%.

	2022 Restated (Note 2)	**ARO Additions**	**ARO Settlements**	**Revisions to Estimate**	**Accretion Expense**	**2023**
Hazardous Materials	$ 8,279,238	$ -	$ -	$ 864,654	$ 377,533	**$ 9,521,426**

Estimated cash flows have been discounted to present value. Discount and inflation rates in the future are estimates and subject to change. These changes can impact ARO values significantly when being applied over an extended duration.

	2023	**2022 Restated (Note 2)**
Discount Rate	4.17%	4.56%
Inflation rate	2.54%	2.15%
Settlement Timing	10 to 17 years	11 to 18 years

8. 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.

9. Invested in Capital Assets

Investment in capital assets is calculated as follows:

	December 31, 2023	December 31, 2022 Restated (Note 2)
Capital assets	$ 262,404,263	$ 217,766,993
Accounts Receivable	5,516,825	2,347,762
Interfund due from rental housing operating fund	553,905	1,832,022
Restricted cash	-	4,430,279
Prepaid expense	109,184	-
Mortgages payable	(175,492,584)	(158,604,520)
Short-term capital financing	(27,454,719)	(21,157,445)
Asset retirement obligations	(9,521,426)	(8,279,238)
	$ 56,115,448	$ 38,335,853

10. Restricted Net Assets

Externally restricted net assets:

	December 31, 2023	December 31, 2022
Replacement reserve fund	$ 8,543,170	$ 8,168,045
CMHC/BCHMC/Homes BC operating agreements	(3,949)	(3,949)
Portfolio stabilization reserve - umbrella agreement	2,903,312	3,410,606
Portfolio stabilization reserve - ILBC2 agreement	(333,578)	(107,961)
Portfolio stabilization reserve - RHFP agreement	369,478	265,650
Portfolio stabilization reserve - IHI	479,065	389,301
Portfolio stabilization reserve - CHF	(35,557)	5,477
	$ 11,921,941	$ 12,127,169

10. Restricted Net Assets (continued)

Internally restricted net assets:

	December 31, 2023	December 31, 2022
Portfolio stabilization reserve - no operating agreement	$ 1,026,805	$ 959,903
Guest suite surplus	41,502	39,701
Vehicle replacement reserve	17,863	101,204
Equipment replacement reserve	20,057	25,652
	$ 1,106,227	$ 1,126,460

Rental housing operating fund balance:

	December 31, 2023	December 31, 2022
Portfolio stabilization reserve - umbrella agreement	$ 2,903,312	$ 3,410,606
Portfolio stabilization reserve - ILBC2 agreement	(333,578)	(107,961)
Portfolio stabilization reserve - RHFP agreement	369,478	265,650
Portfolio stabilization reserve - IHI agreement	479,065	389,301
Portfolio stabilization reserve - CHF agreement	(35,557)	5,477
Portfolio stabilization reserve - no operating agreement	1,026,805	959,903
CMHC/BCHMC/Homes BC operating agreements	(3,949)	(3,949)
	$ 4,405,576	$ 4,919,027

The Portfolio stabilization reserves are detailed in Schedule B.

11. Unrestricted Net Assets

Unrestricted net assets - corporation stabilization reserve:

	December 31, 2023	December 31, 2022
Operating net assets, ending balance	$ 1,935,272	$ 1,032,084
Less: Internally restricted net assets		
Guest suite surplus	(41,502)	(39,701)
Vehicle replacement reserve	(17,863)	(101,204)
Equipment replacement reserve	(20,057)	(25,652)
	$ 1,855,850	$ 865,527

12. Commitments and Contingencies

a. Related Party Transactions

The Corporation is a wholly owned subsidiary of the Capital Regional District (CRD). In 1997, the Corporation committed to a 60-year prepaid land lease at 625 Superior Street from the CRD at the agreed upon price of $525,000 which was recognized as an acquisition in the Corporation Capital Fund. In 2017, the Corporation committed to a 60-year land lease at 3816 Carey Road from the CRD for one dollar, with the land use restricted to affordable housing. In 2021, the Corporation committed to a 60-year land lease at 2782 Spencer Road from the CRD for ten dollars, with the land use restricted to affordable housing.

In 2018, a RHFP project management office was created to support the delivery of the Program. During the year the Corporation contributed $205,842 (2022: $27,538) to the CRD, to cost share in administrative support and project management services.

On January 25, 2019, as part of the RHFP, the CRD purchased Millstream Ridge and entered into a 60-year prepaid lease in the amount of $33,250,194 and a 35-year operator agreement with the Corporation. The Corporation secured 35-year mortgage financing to fund the prepaid lease.

On November 2, 2020, as part of the RHFP, the CRD purchased West Park and entered into a 60-year prepaid lease in the amount of $29,430,822 and a 25-year operator agreement with the Corporation. The CRD's Regional Housing Trust Fund provided a capital grant to the Corporation in the amount of $660,000 for this project. The Corporation secured 35-year mortgage financing to fund the prepaid lease.

On November 20, 2020, as part of the RHFP, the CRD purchased Spencer Close and entered into a 60-year prepaid lease in the amount of $28,419,513 and a 35-year operator agreement with the Corporation. The Corporation secured 35-year mortgage financing to fund the prepaid lease

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

On April 17, 2023, as part of the RHFP, the CRD purchased Prosser Place and entered into a 60-year prepaid lease in the amount of $12,289,721 and a 35-year operator agreement with the Corporation. The Corporation secured 35-year mortgage financing to fund the prepaid lease.

b. Sublease of Kings Place Housing Development

The Corporation entered into agreement with the Cridge Housing Society and the Provincial Rental Housing Corporation to sublease the land and improvements at 1070 Kings Road, Victoria for a term of thirty years commencing August 1, 1997. The Homes BC Program Operating Agreement was assigned to the Corporation from the Cridge Housing Society with the approval of the BCHMC. Current annual lease payments amount to $244,137 and are based on the annual mortgage payments.

12. Commitments and Contingencies (continued)

c. Building Envelope Remediation (BER)

Prior to the signing of the Umbrella Agreement in 2012, BCHMC provided funding for building envelope failure remediation for BCHMC and Homes BC buildings. BCHMC may require repayment of certain BER subsidies. Repayment would be funded by second mortgages. Funding for future BER for all buildings except No Operating Agreement buildings is subject to future negotiations with BCHMC. In 2014, BCHMC entered into an agreement with the Corporation to fund the Heathers BER with a 35-year forgivable mortgage of $1,258,358. In 2023, BCHMC entered into an agreement with the Corporation to fund the Carey Lane BER with a 35-year forgivable mortgage of $5,450,000.

d. Government Contributions

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

13. Pension Liability

The Corporation and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trusteed pension plan. The Board of Trustees, representing plan members and employers, is responsible for administering the Plan, including investment of assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits provided are based on a formula.

As at December 31, 2022, the Plan has about 240,000 active members and approximately 124,000 retired members. Active members include approximately 61 contributors from the Corporation.

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

The most recent valuation for the Municipal Pension Plan as at December 31, 2021 indicated a $3,761 million funding surplus for basic pension benefits on a going concern basis.

13. Pension Liability (continued)

The Corporation's employer contributions to the Plan for the fiscal year ended December 31, 2023 were $291,414 (2022: $258,786). The next valuation will be as at December 31, 2024, with results available in 2025.

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

14. Financial Risks and Concentration of Risk

a. Credit risk

Credit risk refers to the risk that a counter party may default on its contractual obligations resulting in a financial loss. The Corporation is exposed to credit risk with respect to the accounts receivable, cash, and cash equivalents, and investments. The Corporation assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Corporation at December 31, 2023 is the carrying value of these assets. The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the statement of operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the statement of operations. The balance of the allowance for doubtful accounts at December 31, 2023 is $0 (2022: $0). There have been no significant changes to the credit risk exposure from 2022.

b. Liquidity risk

Liquidity risk is the risk that the Corporation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Corporation manages its liquidity risk by monitoring its operating requirements. The Corporation prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice. The contractual maturities of mortgages payable are disclosed in Note 6. There have been no significant changes to the liquidity risk exposure from 2022.

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 2022.

14. Financial Risks and Concentration of Risk (continued)

c. Market risk: (continued)

ii. Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

The Corporation holds cash equivalents in MFA Short Term Bond Fund where changes in fair value have parallel changes in unrealized gains or losses until realized on disposal.

The Corporation's mortgage interest rates are fixed and are subject to interest rate risk upon renewal. The interest rate risk is mitigated by the subsidy assistance received for most properties from BCHMC and CMHC, which is based on mortgage principal and interest payments. At December 31, 2023, there are nine properties which do not receive subsidy assistance based on mortgage interest rates: Village on the Green, Vergo, Royal Oak Square, Millstream Ridge, Westview, Spencer Close, West Park, Hockley House, and Prosser Place. These properties will be subject to interest rate risk upon renewal.

15. Comparative Information

2022 comparative information on the statement of operations has been recast to reflect a change in the presentation of project management fees adopted for the current year. Project management fees, which reflect the allocation of project management costs between the Corporate Operating Fund and the Capital Fund, are no longer presented as a caption on the statement of operations. Total revenue and expenses decreased by $411,000 as a result of presenting internally generated project management fees on a net rather than gross basis. There was no change to prior year annual surplus as a result of the new presentation.

Changes in Replacement Reserve Fund

For the Year Ended December 31, 2023

	Balance at December 31 2022	Transfer from Rental Operating Fund	Transfer from Portfolio Stabilization Reserve	Contribution from BCHMC	Interest	Transfer to Capital Fund	2023
Umbrella Agreement							
Oakwinds	$ 885,128	$ 103,578	$ -	$ -	$ 51,955	$ (50,769)	$ 989,892
James Yates Gardens	151,639	16,572	-	-	8,383	(25,719)	150,875
Pinehurst	467,755	41,431	-	-	2,047	(905,100)	(393,867)
The Brambles	198,128	37,288	-	-	11,309	(36,724)	210,001
The Terraces	657,133	41,431	-	-	38,470	(5,866)	731,168
Michigan Square	339,956	-	-	-	19,254	(4,344)	354,866
Olympic View	69,000	124,294	-	-	5,177	(80,641)	117,830
Swanlea	153,876	29,002	-	-	9,597	-	192,475
Firgrove	105,858	66,290	-	-	5,371	(89,567)	87,952
Beechwood Park	97,989	99,435	-	-	7,221	(42,064)	162,581
Grey Oak Square	51,991	49,718	-	-	3,315	(37,379)	67,645
Willowdene	25,956	31,074	-	-	2,041	(11,371)	47,700
Rosewood	200,268	91,149	-	-	12,267	(61,256)	242,428
Gladstone	62,840	29,002	-	-	3,992	(14,603)	81,231
Camosun Place	75,844	16,572	-	-	4,387	(14,347)	82,456
Parkview	93,833	53,861	-	-	5,440	(50,655)	102,479
Carey Lane	3,590	45,574	-	-	-	(85,020)	(35,856)
Colquitz Green	(12,005)	41,431	-	-	-	(28,051)	1,375
Springtide	245,452	99,435	-	-	10,633	(217,252)	138,268
Greenlea	20,179	43,503	-	-	1,794	(20,925)	44,551
Arbutus View	(55,883)	47,646	-	-	-	(26,418)	(34,655)
Amberlea	287,166	91,149	-	-	17,582	(48,563)	347,334
Cloverhurst	62,455	20,716	-	-	3,958	(6,733)	80,396
Hamlet	2,473	20,716	-	-	-	(39,722)	(16,533)
Viewmont	204,739	74,576	-	-	13,033	(26,764)	265,584
Creekside	62,322	49,718	-	-	1,575	(119,104)	(5,489)
The Birches	196,536	116,008	-	-	10,769	(131,212)	192,101
Caledonia	18,454	-	-	-	1,052	-	19,506
The Heathers	187,272	53,861	-	-	10,791	(49,761)	202,163
Heron Cove	157,773	49,718	-	-	9,197	(42,563)	174,125
Castanea Place	452,970	122,222	-	-	25,182	(144,569)	455,805
Leblond Place	(8,027)	89,077	-	-	210	(65,662)	15,598
Rotary House	68,075	84,934	-	-	3,658	(92,735)	63,932
Cairns Park	(23,081)	12,429	-	-	-	(3,365)	(14,017)
Kings Place	123,991	72,505	-	-	4,446	(131,989)	68,953
Carillon Place	61,913	31,074	-	-	3,564	(29,860)	66,691
Brock Place	102,159	62,147	-	-	6,000	(55,925)	114,381
Harbour Lane	310,653	58,004	-	-	19,213	(5,204)	382,666
Tillicum Station	335,204	82,860	-	-	20,411	(37,148)	401,327
ILBC2 Agreement							
Parry Place	152,676	16,600	-	-	9,028	(5,185)	173,119
No Operating Agreement							
Village on the Green	(247,348)	78,719	-	-	-	(14,975)	(183,604)
Vergo	109,125	37,288	-	-	6,678	(21,225)	131,866
Portage Place	206,692	35,217	-	-	12,516	(9,422)	245,003
Campus View Court	175,197	24,859	-	-	10,406	(10,143)	200,319
Royal Oak Square	226,903	78,719	-	-	11,924	(114,140)	203,406
RHFP Agreement							
Millstream Ridge	364,431	114,048	-	-	22,545	(51,866)	449,158
Spencer Close	207,157	112,320	-	-	14,149	(30,190)	303,436
West Park	243,897	131,328	-	-	16,755	(31,224)	360,756
Hockley House	179,121	103,680	-	-	12,440	(25,442)	269,799
Prosser Place	-	37,454	-	-	960	(3,761)	34,653
IHI Agreement							
Westview	108,620	63,072	-	-	7,402	(27,952)	151,142

Changes in Replacement Reserve Fund

For the Year Ended December 31, 2023

	Balance at December 31 2022	Transfer from Rental Operating Fund	Transfer from Portfolio Stabilization Reserve	Contribution from BCHMC	Interest	Transfer to Capital Fund	2023
CHF Agreement							
Twenty-Seven Eighty-Two	-	50,112	-	-	1,336	(3,249)	48,199
	$ 8,168,045	$ 3,083,416	$ -	$ -	$ 479,433	$ (3,187,724)	$ 8,543,170

Changes in Portfolio Stabilization Reserves

For the Year Ended December 31, 2023

	Balance at December 31, 2022	Reimburse BCHMC	Transfer (to) Replacement Reserve Fund	Transfer from/(to) Rental Operating Fund	Transfer (to) Capital Fund	Balance at December 31, 2023
			(Schedule A)	(Schedule E)		
UOA						
CMHC	$ 8,325,280	$ -	$ -	$ 1,610,188	$ -	$ 9,935,468
BCHMC	(4,612,536)	-	-	(1,384,268)	(600,000)	(6,596,804)
Homes BC	(302,138)	-	-	(133,214)	-	(435,352)
	3,410,606	-	-	92,706	(600,000)	2,903,312
ILBC2						
Parry Place	(107,961)	-	-	(225,617)	-	(333,578)
RHFP						
Millstream Ridge	(243,125)	-	-	(265,260)	-	(508,385)
Spencer Close	461,697	-	-	213,300	-	674,997
West Park	67,033	-	-	83,984	-	151,017
Hockley House	(19,955)	-	-	34,908	-	14,953
Prosser Place	-	-	-	36,896	-	36,896
	265,650	-	-	103,828	-	369,478
IHI						
Westview	389,301	-	-	89,764	-	479,065
CHF						
Twenty-Seven Eighty-Two	5,477	-	-	(41,034)	-	(35,557)
NOA						
Portage Place	271,772	-	-	93,296	-	365,068
Campus View Court	211,817	-	-	82,290	-	294,107
Royal Oak Square	421,039	-	-	(79,392)	-	341,647
Village on the Green	792,087	-	-	95,550	-	887,637
Vergo	(736,812)	-	-	(124,842)	-	(861,654)
	959,903	-	-	66,902	-	1,026,805
	$ 4,922,976	$ -	$ -	$ 86,549	$ (600,000)	$ 4,409,525

Capital Assets

For the Year Ended December 31, 2023

	Completed	Land	Prepaid Lease	Buildings	Equipment and Other	Transfer from Replacement Reserve Fund	Total	Accumulated Amortization	2023	2022 Restated (Note 2)
In Operation										
Umbrella Agreement										
Oakwinds	Feb/85	$ -	$ 830,075	$ 3,150,168	$ 1,681,213	$ 50,769	$ 5,712,225	$ (5,212,455)	**$ 499,770**	$ 453,153
James Yates Gardens	Oct/84	103,200	-	430,232	314,251	25,719	873,402	(676,638)	**196,764**	175,625
Pinehurst	Feb/85	277,692	-	1,320,004	758,201	905,100	3,260,997	(1,989,853)	**1,271,144**	449,350
The Brambles	Jun/85	275,975	-	1,175,645	798,477	36,724	2,286,821	(1,824,892)	**461,929**	416,629
The Terraces	May/85	356,532	-	1,245,544	874,220	5,866	2,482,162	(1,974,512)	**507,650**	476,350
Michigan Square	Sep/85	784,763	-	1,912,803	1,526,030	4,344	4,227,940	(3,313,027)	**914,913**	927,599
Olympic View	Apr/86	900,000	-	3,720,552	2,508,287	80,641	7,209,480	(5,562,950)	**1,646,530**	1,560,531
Swanlea	Dec/85	230,215	-	849,385	520,253	-	1,599,853	(1,242,265)	**357,588**	348,735
Firgrove	Feb/86	480,000	-	1,975,200	1,242,994	89,567	3,787,761	(2,980,468)	**807,293**	699,002
Beechwood Park	Feb/86	888,000	-	2,317,623	3,127,791	42,064	6,375,478	(5,111,477)	**1,264,001**	1,310,677
Grey Oak Square	Apr/86	409,015	-	1,290,394	1,016,477	37,379	2,753,265	(2,167,160)	**586,105**	588,324
Willowdene	Sep/87	-	-	884,186	718,873	11,371	1,614,430	(1,505,392)	**109,038**	123,505
Rosewood	Oct/88	-	255,000	1,864,715	921,193	61,256	3,102,164	(2,795,007)	**307,157**	293,784
Gladstone	Jan/89	-	197,000	912,600	536,984	14,603	1,661,187	(1,498,594)	**162,593**	195,647
Camosun Place	Mar/89	-	108,000	489,700	247,237	14,347	859,284	(760,884)	**98,400**	111,400
Parkview	May/89	-	283,250	1,994,937	1,047,585	50,655	3,376,427	(2,930,807)	**445,620**	432,556
Carey Lane	Aug/89	-	283,250	1,443,751	1,004,774	85,020	2,816,795	(2,472,839)	**343,956**	350,765
Colquitz Green	Nov/89	-	160,250	1,504,000	848,107	28,051	2,540,408	(2,319,890)	**220,518**	273,041
Springtide	May/90	-	324,500	2,793,667	941,952	217,252	4,277,371	(3,593,581)	**683,790**	502,507
Greenlea	Feb/90	-	305,750	1,560,300	914,296	20,925	2,801,271	(2,470,689)	**330,582**	395,093
Arbutus View	Jul/90	-	370,250	1,592,750	1,111,150	26,418	3,100,568	(2,652,362)	**448,206**	530,753
Amberlea	May/90	-	447,501	2,578,479	1,008,409	48,563	4,082,952	(3,569,788)	**513,164**	601,054
Cloverhurst	May/90	-	197,000	651,500	276,134	6,733	1,131,367	(975,489)	**155,878**	183,174
Hamlet	Oct/90	-	152,000	803,000	417,221	39,722	1,411,943	(1,223,786)	**188,157**	193,782
Viewmont	Aug/91	-	402,140	2,378,046	880,400	26,764	3,687,350	(3,205,132)	**482,218**	568,097
Creekside	Apr/92	-	388,250	2,363,830	966,257	119,104	3,837,441	(3,232,003)	**605,438**	600,863
The Birches	Aug/92	-	675,000	3,684,874	1,019,369	131,212	5,510,455	(4,586,858)	**923,597**	965,703
The Heathers	Apr/93	-	436,279	1,974,683	508,942	49,761	2,969,665	(2,386,388)	**583,277**	627,670
Heron Cove	Oct/93	-	270,000	2,274,691	589,778	42,563	3,177,032	(2,642,322)	**534,710**	592,378
Castanea Place	Feb/95	-	1,277,000	4,841,879	1,292,107	144,569	7,555,555	(5,664,279)	**1,891,276**	1,988,625
Leblond Place	Sep/96	-	900,000	4,506,231	1,322,997	65,662	6,794,890	(5,033,908)	**1,760,982**	1,938,601
Rotary House	Nov/06	-	556,600	2,994,000	768,446	92,735	4,411,781	(3,094,436)	**1,317,345**	1,418,947
Cairns Park	Dec/96	-	240,000	415,314	232,004	3,365	890,683	(617,045)	**273,638**	301,365
Kings Place	N/A	-	-	-	763,001	131,989	894,990	(634,267)	**260,723**	177,413

Capital Assets

For the Year Ended December 31, 2023

	Completed	Land	Prepaid Lease	Buildings	Equipment and Other	Transfer from Replacement Reserve Fund	Total	Accumulated Amortization	2023	2022 Restated (Note 2)
Carillon Place	Jul/98	-	525,000	1,280,389	740,037	29,860	2,575,286	(1,773,632)	**801,654**	857,124
Brock Place	Jan/00	-	840,000	3,465,836	1,121,311	55,925	5,483,072	(3,623,714)	**1,859,358**	1,975,991
Harbour Lane	Oct/01	-	825,000	3,607,266	378,201	5,204	4,815,671	(2,993,471)	**1,822,200**	1,952,328
Tillicum Station	Jul/02	-	948,750	4,300,764	650,864	37,148	5,937,526	(3,563,628)	**2,373,898**	2,514,694
Building Envelope Remediation										
Amberlea	2008	-	-	2,367,415	-	-	2,367,415	(2,237,128)	**130,287**	260,577
Cloverhurst	2008	-	-	1,105,204	-	-	1,105,204	(1,044,758)	**60,446**	120,895
The Birches	2006			1,635,610			1,635,610	(1,405,522)	**230,088**	306,783
Heron Cove	2007	-	-	1,756,374	-	-	1,756,374	(1,436,849)	**319,525**	399,409
Castanea Place	2007	-	-	2,531,350	-	-	2,531,350	(1,878,342)	**653,008**	761,841
Leblond Place	2009	-	-	3,337,941	-	-	3,337,941	(2,313,896)	**1,024,045**	1,170,339
The Heathers	2016	-	-	1,258,358	-	-	1,258,358	(837,096)	**421,262**	526,578
ILBC2 Agreement										
Parry Place	Jun/08	1,400,000	-	4,794,269	271,379	5,185	6,470,833	(2,376,454)	**4,094,379**	4,247,440
RHFP Agreement										
Millstream Ridge	Feb/19	-	35,428,849	-	94,782	51,866	35,575,497	(3,001,015)	**32,574,482**	33,131,122
Spencer Close	Nov/20	-	30,257,329	-	26,039	30,190	30,313,558	(1,567,006)	**28,746,552**	29,228,675
West Park	Nov/20	-	31,253,897	-	28,855	31,224	31,313,976	(1,617,359)	**29,696,617**	30,193,810
Hockley House	Apr/21	-	25,409,982	-	9,224	25,442	25,444,648	(1,169,123)	**24,275,525**	24,677,751
Prosser Place	Apr/23	-	13,230,027	-	-	3,761	13,233,788	(165,751)	**13,068,037**	-
IHI Agreement										
Westview	May/20	-	-	14,937,177	66,403	27,952	15,031,532	(1,566,032)	**13,465,500**	13,883,917
CHF Agreement										
Twenty-Seven Eighty-Two	Nov/22	-	-	19,818,317	-	3,249	19,821,566	(674,491)	**19,147,075**	19,719,409
No Operating Agreement										
Village on the Green	May/84	910,171	-	2,186,695	1,708,677	14,975	4,820,518	(3,272,094)	**1,548,424**	1,623,385
Vergo	May/12	1,144,327	-	4,226,787	122,570	21,225	5,514,909	(1,535,305)	**3,979,604**	4,090,609
Portage Place	Aug/83	328,659	-	1,068,173	736,342	9,422	2,142,596	(1,645,060)	**497,536**	494,327
Campus View Court	Sep/83	341,224	-	764,934	616,476	10,143	1,732,777	(1,274,004)	**458,773**	450,617
Royal Oak Square	Mar/84	666,280	-	2,309,146	1,911,064	114,140	5,000,630	(3,768,802)	**1,231,828**	1,149,940
Buildings Under Construction		-	403,473	58,410,970	-	-	58,814,443	(208,463)	**58,605,980**	23,233,773
Office Equipment		-	-	-	601,815	-	601,815	(524,093)	**77,722**	22,961
Vehicles		-	-	-	147,052	-	147,052	(60,544)	**86,508**	-
		$ 9,496,053	$ 148,181,402	$ 199,057,658	$ 41,936,501	$ 3,187,724	$ 401,859,338	$ (139,455,075)	**$ 262,404,263**	$ 217,766,993

Capital Fund - Mortgages Payable

For the Year Ended December 31, 2023

Rental Property	Interest Rate	Renewal Date	Maturity Date	2023	2022
Umbrella Agreement					
Rosewood	2.610%		November 1, 2023	$ -	$ 110,325
Gladstone	2.610%		January 1, 2024	5,316	68,254
Camosun Place	1.860%		March 1, 2024	7,996	39,598
Parkview	1.690%		May 1, 2024	49,575	167,168
Carey Lane	1.690%		August 1, 2024	65,468	162,315
Colquitz Green	1.730%		November 1, 2024	87,245	180,894
Springtide	0.680%		May 1, 2025	223,354	379,730
Greenlea	0.690%		March 1, 2025	131,863	236,541
Arbutus View	0.680%		July 1, 2025	169,367	275,403
Amberlea	0.680%		May 1, 2025	238,605	405,659
Cloverhurst	0.680%		May 1, 2025	66,657	113,325
Hamlet	0.740%		October 1, 2025	97,472	150,088
Viewmont	1.120%		August 1, 2026	386,607	528,642
Creekside	2.600%		April 1, 2027	471,622	605,360
The Birches	2.550%		August 1, 2027	802,817	1,009,145
The Heathers	2.600%		April 1, 2028	513,260	623,759
Heron Cove	4.180%		October 1, 2028	595,491	709,654
Castanea Place	0.690%	June 1, 2025	February 1, 2030	1,822,804	2,111,169
Leblond Place - 1st mortgage	1.280%		September 1, 2031	1,553,387	1,742,867
Leblond Place - 2nd mortgage	2.150%	March 1, 2025	March 1, 2045	2,276,890	2,360,631
Rotary House	2.510%		March 1, 2028	807,209	984,988
Cairns Park	2.589%		December 1, 2031	238,678	265,205
Carillon Place	3.220%	June 1, 2024	July 1, 2033	770,688	838,339
Brock Place	2.840%	January 1, 2030	January 1, 2035	2,164,885	2,328,951
Harbour Lane	2.200%	October 1, 2026	October 1, 2036	2,220,506	2,368,747
Tillicum Station	3.265%	July 1, 2024	July 1, 2037	2,960,113	3,130,825
ILBC2 Agreement					
Parry Place	3.480%	May 1, 2024	May 1, 2043	3,140,823	3,251,814
RHFP Agreement					
Millstream Ridge	2.860%	February 1, 2029	March 1, 2054	32,490,978	33,159,724
Spencer Close	1.519%	January 1, 2031	February 1, 2056	28,495,405	29,180,152
West Park	1.519%	January 1, 2031	February 1, 2056	28,822,333	29,514,936
Hockley House	2.459%	June 1, 2031	July 1, 2056	24,384,028	24,865,357
Prosser Place	3.580%	July 1, 2033	June 1, 2058	9,358,545	-
IHI Agreement					
Westview	1.631%	September 1, 2030	September 1, 2055	6,950,886	7,116,837
No Operating Agreement					
Royal Oak Square	4.320%	July 1, 2027	July 1, 2057	4,419,405	4,477,146
Village on the Green	2.250%	October 1, 2024	October 1, 2039	1,617,869	1,702,077
Vergo	4.950%	September 1, 2027	September 1, 2042	3,332,937	3,438,895
CHF Agreement					
Twenty-Seven Eighty-Two	3.710%	January 1, 2033	January 1, 2058	13,751,500	-
				175,492,584	158,604,520
Principal Current Portion				(6,193,511)	(6,213,290)
Principal Renewal Portion				(8,233,676)	(595,492)
				$ 161,065,397	$ 151,795,738

Operating Fund - Rental Operations

For the Year Ended December 31, 2023

		Revenues					Expenditures and Interfund Transfers						
	Number of units	Tenant rent contributions	BCHMC Rental Subsidy	BCHMC fixed funding	Other	Total	Operating costs	Transfer to Replacement Reserve	Debt charges	Other Interfund Transfers	Total	Surplus (Deficit) from operations after interfund transfers	Allocation from/(to) Portfolio Stabilization Reserves
Umbrella Agreement													
CMHC													
Oakwinds	50	$ 701,853	$ -	$ -	$ 1,684	$ 703,537	$ 322,677	$ 103,578	$ -	$ -	$ 426,255	$ 277,282	$ (277,282)
James Yates Gardens	8	85,946	-	-	-	85,946	54,767	16,572	-	-	71,339	14,607	(14,607)
Pinehurst	20	311,677	-	-	1,521	313,198	128,610	41,431	-	-	170,041	143,157	(143,157)
The Brambles	18	274,116	-	-	1,467	275,583	135,526	37,288	-	-	172,814	102,769	(102,769)
The Terraces	20	277,881	-	-	1,162	279,043	130,707	41,431	-	-	172,138	106,905	(106,905)
Michigan Square	9	91,167	-	-	20	91,187	87,887	-	-	-	87,887	3,300	(3,300)
Olympic View	60	847,746	-	-	2,965	850,711	423,242	124,294	-	-	547,536	303,175	(303,175)
Swanlea	14	205,491	-	-	861	206,352	105,307	29,002	-	-	134,309	72,043	(72,043)
Firgrove	32	414,843	-	-	1,361	416,204	165,622	66,290	-	-	231,912	184,292	(184,292)
Beechwood Park	48	655,301	-	-	5,954	661,255	296,886	99,435	-	-	396,321	264,934	(264,934)
Grey Oak Square	24	343,947	-	-	2,509	346,456	159,014	49,718	-	-	208,732	137,724	(137,724)
	303	4,209,968	-	-	19,504	4,229,472	2,010,245	609,039	-	-	2,619,284	1,610,188	(1,610,188)
BCHMC													
Willowdene	15	135,328	-	-	371	135,699	172,372	31,074	158	-	203,604	(67,905)	67,905
Rosewood	44	258,934	-	71,247	1,588	331,769	276,205	91,149	101,605	-	468,959	(137,190)	137,190
Gladstone	14	141,299	-	63,462	25	204,786	105,718	29,002	63,964	-	198,684	6,102	(6,102)
Camosun Place	8	102,453	-	33,482	-	135,935	66,600	16,572	32,068	-	115,240	20,695	(20,695)
Parkview	26	246,930	-	114,992	549	362,471	185,087	53,861	119,503	-	358,451	4,020	(4,020)
Carey Lane	22	215,674	-	83,519	1,430	300,623	154,958	45,574	98,835	-	299,367	1,256	(1,256)
Colquitz Green	20	243,276	-	76,378	1,300	320,954	144,069	41,431	96,028	-	281,528	39,426	(39,426)
Springtide	48	265,469	-	113,296	1,996	380,761	357,437	99,435	158,468	-	615,340	(234,579)	234,579
Greenlea	21	225,738	-	42,429	1,229	269,396	148,033	43,503	105,977	-	297,513	(28,117)	28,117

Capital Region Housing Corporation

Operating Fund - Rental Operations

For the Year Ended December 31, 2023

		Revenues					Expenditures and Interfund Transfers						
	Number of units	Tenant rent contributions	BCHMC Rental Subsidy	BCHMC fixed funding	Other	Total	Operating costs	Transfer to Replacement Reserve	Debt charges	Other Interfund Transfers	Total	Surplus (Deficit) from operations after interfund transfers	Allocation from/(to) Portfolio Stabilization Reserves
Arbutus View	23	230,760	-	49,371	181	280,312	134,510	47,646	107,576	-	289,732	(9,420)	9,420
Amberlea	44	314,903	-	113,244	1,563	429,710	333,002	91,149	169,288	-	593,439	(163,729)	163,729
Cloverhurst	10	70,026	-	41,179	95	111,300	76,388	20,716	47,292	-	144,396	(33,096)	33,096
Hamlet	10	144,395	-	49,703	-	194,098	94,458	20,716	53,547	-	168,721	25,377	(25,377)
Viewmont	36	212,831	-	161,862	1,393	376,086	263,517	74,576	147,215	-	485,308	(109,222)	109,222
Creekside	24	233,857	-	111,848	689	346,394	191,896	49,718	147,813	-	389,427	(43,033)	43,033
The Birches	56	329,367	-	163,923	2,344	495,634	303,781	116,008	229,534	-	649,323	(153,689)	153,689
The Heathers	26	157,795	-	108,553	1,996	268,344	174,314	53,861	125,324	-	353,499	(85,155)	85,155
Heron Cove	24	234,451	-	63,744	922	299,117	161,963	49,718	131,642	-	343,323	(44,206)	44,206
Castanea Place	59	428,305	-	183,142	1,295	612,742	361,868	122,222	302,000	-	786,090	(173,348)	173,348
Leblond Place	43	270,530	-	330,298	1,333	602,161	322,652	89,077	344,072	-	755,801	(153,640)	153,640
Rotary House	41	274,785	-	216,939	224	491,948	251,484	84,934	200,345	-	536,763	(44,815)	44,815
	614	4,737,106	-	2,192,611	20,523	6,950,240	4,280,312	1,271,942	2,782,254	-	8,334,508	(1,384,268)	1,384,268
Homes BC													
Cairns Park	6	52,577	-	23,745	-	76,322	49,138	12,429	33,045	-	94,612	(18,290)	18,290
Kings Place	35	406,973	-	165,424	2,516	574,913	507,826	72,505	-	-	580,331	(5,418)	5,418
Carillon Place	15	189,587	-	33,587	485	223,659	106,865	31,074	93,480	-	231,419	(7,760)	7,760
Brock Place	30	359,763	-	74,278	3,146	437,187	201,942	62,147	227,708	-	491,797	(54,610)	54,610
Harbour Lane	28	335,260	-	88,948	3,573	427,781	205,801	58,004	198,635	-	462,440	(34,659)	34,659
Tillicum Station	40	516,799	-	96,158	1,165	614,122	274,016	82,860	269,723	-	626,599	(12,477)	12,477
	154	1,860,959	-	482,140	10,885	2,353,984	1,345,588	319,019	822,591	-	2,487,198	(133,214)	133,214
	1,071	10,808,033	-	2,674,751	50,912	13,533,696	7,636,145	2,200,000	3,604,845	-	13,440,990	92,706	(92,706)

ILBC2 Agreement

Operating Fund - Rental Operations

For the Year Ended December 31, 2023

		Revenues					Expenditures and Interfund Transfers						
	Number of units	Tenant rent contributions	BCHMC Rental Subsidy	BCHMC fixed funding	Other	Total	Operating costs	Transfer to Replacement Reserve	Debt charges	Other Interfund Transfers	Total	Surplus (Deficit) from operations after interfund transfers	Allocation from/(to) Portfolio Stabilization Reserves
Parry Place	21	357,343	298,464	-	13,503	669,310	656,731	16,600	221,596	-	894,927	(225,617)	225,617
RHFP Agreement													
Millstream Ridge	132	2,259,614	-	-	43,915	2,303,529	855,160	114,048	1,599,581	-	2,568,789	(265,260)	265,260
Spencer Close	130	2,167,087	-	-	42,700	2,209,787	763,189	112,320	1,120,978	-	1,996,487	213,300	(213,300)
West Park	152	2,070,532	-	-	46,679	2,117,211	768,060	131,328	1,133,839	-	2,033,227	83,984	(83,984)
Hockley House	120	1,817,843	-	-	31,965	1,849,808	623,831	103,680	1,087,389	-	1,814,900	34,908	(34,908)
Prosser Place	51	381,156	-	-	22,285	403,441	267,629	37,454	263,774	(202,312)	366,545	36,896	(36,896)
	585	8,696,232	-	-	187,544	8,883,776	3,277,869	498,830	5,205,561	(202,312)	8,779,948	103,828	(103,828)
IHI Agreement													
Westview	73	821,530	-	-	19,348	840,878	407,866	63,072	280,176	-	751,114	89,764	(89,764)
CHF Agreement													
Twenty-Seven Eighty-Two	58	596,378	411,936	-	(705)	1,007,609	305,843	50,112	692,688	-	1,048,643	(41,034)	41,034
No Operating Agreement													
Portage Place	17	238,684	-	-	360	239,044	110,531	35,217	-	-	145,748	93,296	(93,296)
Campus View Court	12	184,023	-	-	1,230	185,253	78,104	24,859	-	-	102,963	82,290	(82,290)
Royal Oak Square	38	505,215	-	-	1,621	506,836	259,414	78,719	248,095	-	586,228	(79,392)	79,392
Village on the Green	38	502,770	-	-	4,265	507,035	211,462	78,719	121,304	-	411,485	95,550	(95,550)
Vergo	18	291,927	-	-	-	291,927	107,834	37,288	271,647	-	416,769	(124,842)	124,842
	123	1,722,619	-	-	7,476	1,730,095	767,345	254,802	641,046	-	1,663,193	66,902	(66,902)
	1,931	$23,002,135	$ 710,400	$ 2,674,751	$ 278,078	$26,665,364	$13,051,799	$ 3,083,416	$10,645,912	$ (202,312)	$ 26,578,815	$ 86,549	$ (86,549)

APPENDIX B

Capital Region Housing Corporation

Audit Findings Report

British Columbia, Canada
Fiscal year ended December 31, 2023

CRHC
Capital Region Housing Corporation

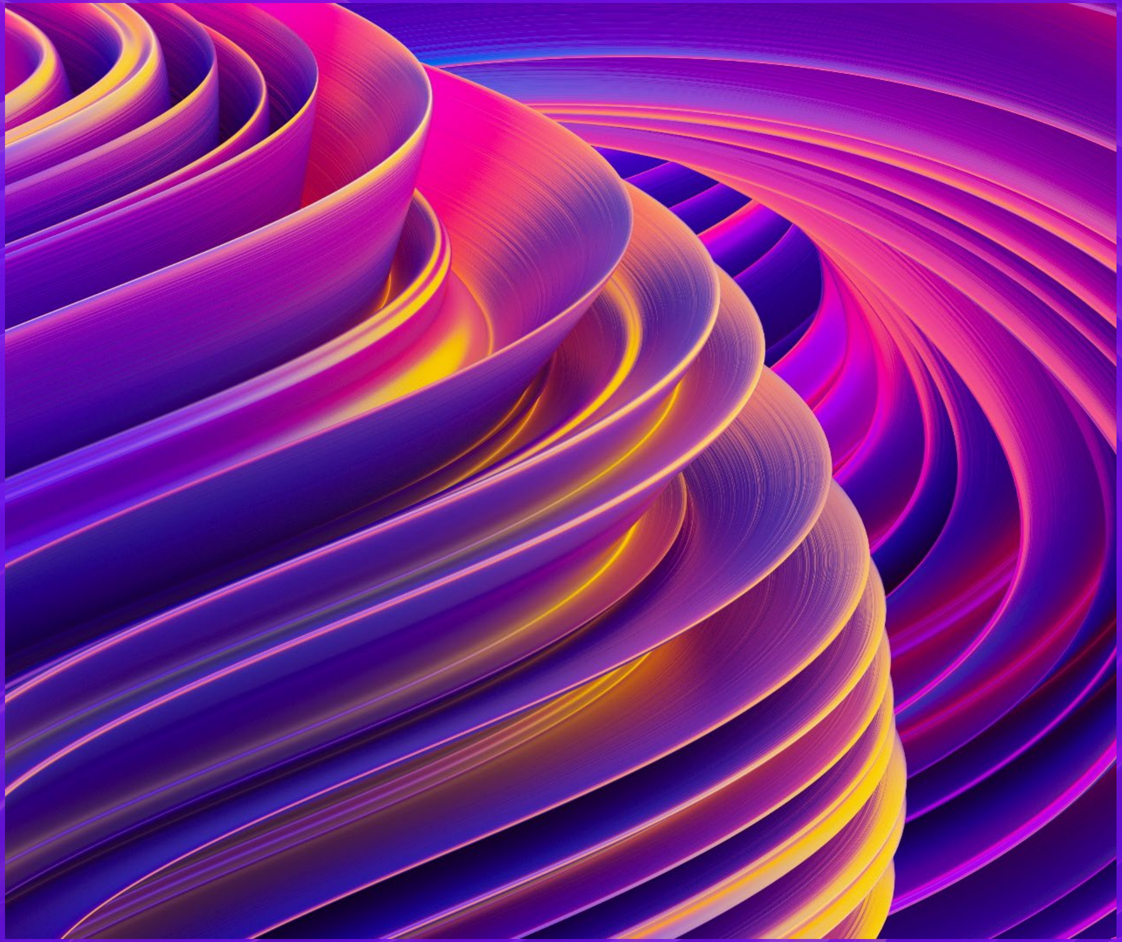
Capital Region Housing Corporation

Audit Findings Report for the year ended December 31, 2023

KPMG LLP

Prepared for the Hospitals and Housing Committee meeting on May 1, 2024

kpmg.ca/audit



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KPMG

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The purpose of this report is to assist you, as a member of the Hospitals and Housing Committee, in your review of the results of our audit of the financial statements. This report is intended solely for the information and use of Management, the Hospitals and Housing Committee, and the Board of Directors and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Digital use information

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

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

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

Audit highlights

No matters to report

Matters to report – see link for details

Scope

Our audit of the financial statements ("financial statements") of Capital Region Housing Corporation ("the entity" or "CRHC") as of and for the year ended December 31, 2023, was performed in accordance with Canadian generally accepted auditing standards.

Status

We have completed the audit of the financial statements ("financial statements"), with the exception of certain remaining outstanding procedures, which are highlighted on the 'Status' slide of this report.

Risks assessment and results

Significant risks

No significant risks to report beyond those required by professional standards

Other risks of material misstatement

Other procedures

Going concern matters

Uncorrected misstatements

Uncorrected misstatements

There are no matters to report.

Corrected misstatements

Corrected misstatements

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

Control observations

Control observations

We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting. We have provided an update on prior year control observations.

Policies and practices

Accounting policies and practices

Other financial reporting matters

Status

As of the date of this report, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

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

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

A draft of our auditor’s report is included in the draft financial statements.

Significant risks and results

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

Fraud risk from management override of controls

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

Our response

Our procedures included:

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

Significant findings

- There were no issues noted in our testing.

Other risks of material misstatement and results

Asset Retirement Obligation

The Entity adopted PS 3280 *Asset Retirement Obligations* ("ARO") for the fiscal year ended December 31, 2023. This accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets. Under the new standard, an entity is required to review its tangible capital assets and identify any legal obligations associated with the retirement of those tangible capital assets (ex: removal of asbestos), estimate the future remediation cost, and record that future obligation as a corresponding depreciable asset and liability in the statement of financial position today. This significant new accounting standard has implications that have the potential to go beyond financial reporting, and will require organizations to think about how these future obligations will be funded.

Management implemented the new standard on a modified retroactive basis which resulted in a liability of $8,279,238 being recognized on adoption at January 1, 2023. The liability relates to asbestos containing materials in a number of buildings. The change in value between the adoption date and year end was $1,242,188, with a liability of $9,521,426 at December 31, 2023.

Our response

- We obtained an understanding of management's process for adopting the standard through discussion with management and review of their scoping and measurement analysis.
- We tested completeness of in-scope identified assets, through discussions with internal experts, review of external hazardous materials reports (where applicable), and review of other external source documents to validate whether any AROs existed at the financial reporting date.
- We tested the accuracy of the calculations made by management to arrive at the estimated remediation cost, including sampling a number of buildings and validating the appropriateness of inputs and assumptions that feed into the calculations.
- We reviewed the related financial statement disclosures and accounting policies.

Findings

There were no issues noted in our testing. Because the prior year comparative balances were restated, our auditor's report includes emphasis of matter and other matter paragraphs noting the change in the comparative balances and our audit of the restatement.

Other risks of material misstatement and results

Government Contributions

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

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

There were 8 building developments or redevelopments underway during 2023, including Michigan, Carey Lane (building envelope remediation), Caledonia, Drake, Campus View, Village on the Green, Pandora, Brentwood/Verdier. Government contributions revenue of $16.1M was recognized, comprised of grants and forgivable loans to fund development projects that will result in affordable housing units. During the year the entity received $11.9M in forgivable loans and $20.2M in short-term financing.

Our response

- We updated our understanding of the process activities and controls over government contributions.
- We obtained and reviewed material funding agreements and assessed management’s accounting analysis for recognition of such funding, including assessing funding as forgivable loans, mortgages or government grants.
- We agreed the balance outstanding for all significant short-term and long-term financing to third party statements.
- We assessed revenue recognition in accordance with the requirements of public sector accounting standards including government transfers.

Findings

- There were no issues noted in our testing.

Other risks of material misstatement and results

Capital Assets (new building developments and redevelopments)

During the year, CRHC invested approximately $52.8M in the acquisition of capital assets, including one turn-key acquisition, Prosser Place.

Our response

- We updated our understanding of the process activities and controls over new building developments and redevelopments.
- We reviewed the Board meeting minutes and performed inquiries with management to obtain an understanding of the status of all new developments and redevelopments, including any remaining commitments under the Regional Housing First Program.
- We obtained and reviewed the contracts and agreements for each new material building and assess the appropriateness of capital additions, including testing a sample of capital additions incurred during 2023 to bank statements, contractual agreements and 3rd party invoices.
- We assessed management's accounting and disclosures for the developments including activities related to new buildings as they become available for occupancy and commitments related to future capital construction.

Findings

- We identified an understatement of depreciation expense and overstatement of tangible capital assets of $66K.
- No other issues were noted in our testing.

Other procedures performed

Cash, investments and debt

Response and findings

- We confirmed the balances with the respective financial institutions.
- We tested subsequent payments to determine if they were recorded in the correct accounting period.
- No issues were noted in our testing.

Revenue and expenses

Response and findings

- We completed a test of details over tenant revenue, comparing a sample of revenue recognized for new buildings to cash receipt and supporting agreements. We performed analytical procedures over other tenant revenue, comparing revenue recognized to prior year and budget.
- We completed analytical procedures over expenses by developing an expectation based on prior year and budget and comparing to our expectation to actual.
- Salaries and wage expense included testing internal controls over management review of payroll expense as well as comparing actual to prior year.
- A sample of new subsidized tenants was tested to determine if the subsidized tenant selection process was followed to verify qualification and ordering of tenant selection.
- No issues were noted in our testing.

Other procedures performed

Concluding and reporting

Response and findings

We performed the following procedures as part of the overall conclusion and reporting phases of the audit:

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

Corrected misstatements

Corrected misstatements include financial presentation and disclosure misstatements.

Impact of corrected misstatements

A difference was noted in the depreciation of the Rotary House Building. The building has a useful life of 25-years. However, the building was being amortized on a straight-line basis over 35-years. This resulted in an understatement of amortization expense and accumulated amortization in the year and an overstatement of the asset by $66,000.

Below is a summary of the impact of the corrected misstatements:

	Statement of operations	Financial position		
Description	**Annual Surplus (Decrease) Increase**	**Assets (Decrease) Increase**	**Liabilities (Decrease) Increase**	**Opening accumulated surplus (Decrease) Increase**
Understatement of depreciation – Rotary House Building	(66,000)	(66,000)	-	-
Total misstatements	**(66,000)**	**(66,000)**	**-**	**-**

Control deficiencies

Consideration of internal control over financial reporting (ICFR)

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

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

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

A deficiency in internal control over financial reporting

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

Significant deficiencies in internal control over financial reporting

A deficiency, or a combination of deficiencies, in internal control over financial reporting that, in our judgment, is important enough to merit the attention of those charged with governance.

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

Accounting policies and practices

We also highlight the following:

Significant accounting policies

- Management adopted PS 3280 Asset Retirement Obligations during the year using the modified retroactive method. There were no issues noted as a result of adoption.
- There were no significant accounting policies in controversial or emerging areas.
- There were no issues noted with the timing of CRHC's transactions in relation to the period in which they were recorded.
- There were no issues noted with the extent to which the financial statements are affected by a significant unusual transactions and extent of disclosure of such transactions.
- There were no issues noted with the extent to which the financial statements are affected by non-recurring amounts recognized during the period and extent of disclosure of such transactions.

Significant accounting estimates

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

Significant qualitative aspects of financial statement presentation and disclosure

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

Appendices

1. Required communicated
2. Management representation letter
3. Audit quality
4. Changes in accounting standards
5. Audit and Assurance Insights
6. Environmental, social and governance (ESG)

Appendix 1: Required communications

Auditor's report	Engagement letter
Refer to the draft report attached to the financial statements	The objectives of the audit, our responsibilities in carrying out our audit, as well as management's responsibilities, are set out in the engagement letter.

Independence	Management representation letter
As required by professional standards, we have considered all relationships between KPMG and the Entity that may have a bearing on independence. We confirm that we are independent with respect to the Entity within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any other standards or applicable legislation or regulation from January 1, 2023 up until the date of this report.	We will obtain from management certain representations at the completion of the audit. In accordance with professional standards, a copy of the representation letter is attached.

Appendix 2: Management representation letter

(Letterhead of Client)

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

May X, 2024

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, 2023.

General:

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

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

Responsibilities:

1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated September 9, 2022, including for:

   a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.

   b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements ("relevant information"), such as financial records, documentation and other matters, including:

      — the names of all related parties and information regarding all relationships and transactions with related parties;

      — the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, board of directors and committees of the board of directors that may affect the financial statements. All significant actions are included in such summaries.

c) providing you with unrestricted access to such relevant information.

d) providing you with complete responses to all enquiries made by you during the engagement.

e) providing you with additional information that you may request from us for the purpose of the engagement.

f) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.

g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation, and maintenance of internal control to prevent and detect fraud.

h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

Internal control over financial reporting:

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

Fraud & non-compliance with laws and regulations:

3) We have disclosed to you:

a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

b) all information in relation to fraud or suspected fraud that we are aware of that involves:

— management;

— employees who have significant roles in internal control over financial reporting; or

— others

where such fraud or suspected fraud could have a material effect on the financial statements.

c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, or others.

d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements or illegal acts, whose effects should be considered when preparing financial statements.

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

Subsequent events:

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

Related parties:

5) We have disclosed to you the identity of the Entity's related parties.

6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.

7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

Estimates:

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

Going concern:

9) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.

10) We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the Entity's ability to continue as a going concern.

Misstatements:

11) We approve the corrected misstatements identified by you during the audit described in **Attachment II**.

Non-SEC registrants or non-reporting issuers:

12) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002).

13) We also confirm that the financial statements of the Entity will not be included in the group financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Yours very truly,

____
Ted Robbins, Chief Administrative Officer

____
Nelson Chan, Chief Financial Officer

____
Kevin Lorette, General Manager, Planning and Protective Services

Attachment I – Definitions

Materiality

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

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

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

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

a) information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;

b) information regarding a material item, transaction or other event is scattered throughout the financial statements;

c) dissimilar items, transactions or other events are inappropriately aggregated;

d) similar items, transactions or other events are inappropriately disaggregated; and

e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

Fraud & error

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

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have

Attachment II – Summary of Audit Misstatements Schedule

Corrected Misstatements

Presented in dollars	Statement of operations effect	Statement of financial position effect		
Description of individually significant misstatements	**(Decrease) Increase**	**Assets (Decrease) Increase**	**Liabilities (Decrease) Increase**	**Accumulated surplus (Decrease) Increase**
Understatement of amortization expense for Rotary House	(66,000)	(66,000)		
Total misstatements	**(66,000)**	**(66,000)**	**-**	**-**

Appendix 3: Audit quality - How do we deliver audit quality?

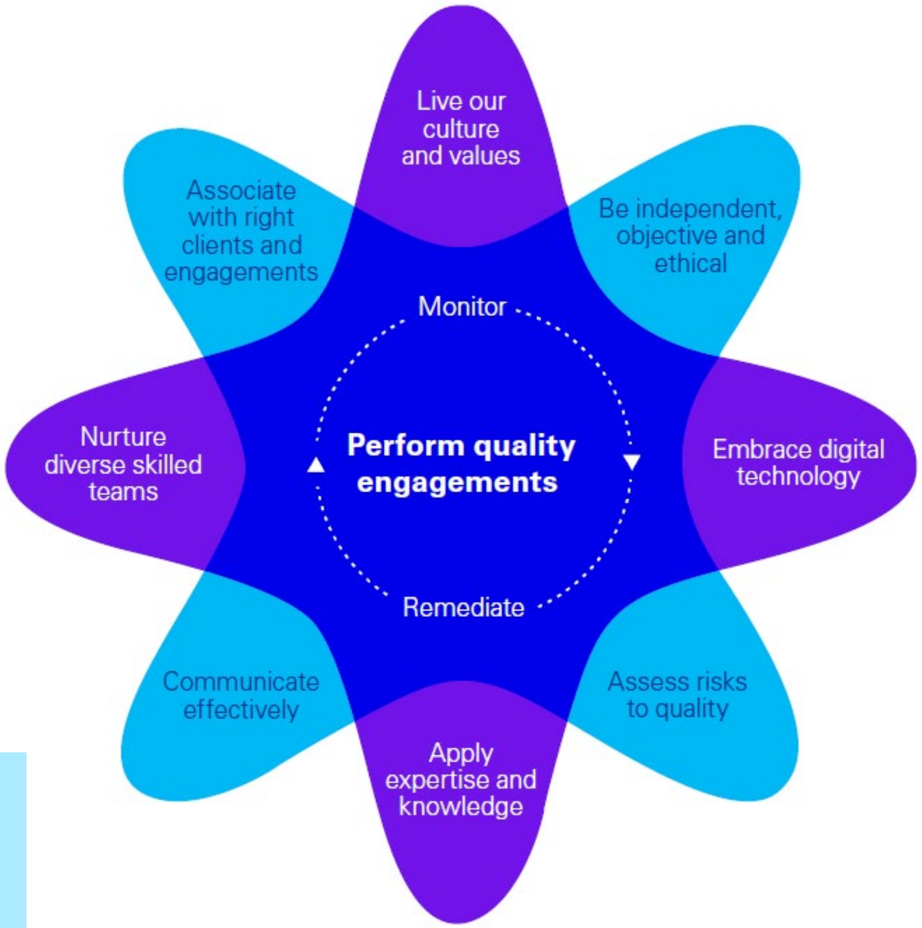
Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.

The drivers outlined in the framework are the ten components of the KPMG System of Quality Management (SoQM). Aligned with ISQM 1/CSQM 1, our SoQM components also meet the requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA) and the relevant rules of professional conduct / code of ethics applicable to the practice of public accounting in Canada, which apply to professional services firms that perform audits of financial statements. Our Transparency Report includes our firm's Statement on the Effectiveness of our SoQM.

KPMG 2023 Audit Quality and Transparency Report

We define 'audit quality' as being the outcome when:

- audits are **executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality management;** and
- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics** and **integrity.**



Doing the right thing. Always.

Appendix 4: Changes in accounting standards

Standard	Summary and implications
Revenue Effective FY2024	• The new standard PS 3400 *Revenue* is effective for fiscal years beginning on or after April 1, 2023. • The new standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement. • The standard notes that in the case of revenue arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations. • The standard notes that unilateral revenue arises when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.
Purchased Intangibles Effective FY2024	• The new Public Sector Guideline 8 *Purchased intangibles* is effective for fiscal years beginning on or after April 1, 2023 with earlier adoption permitted. • The guideline allows public sector entities to recognize intangibles purchased through an exchange transaction. The definition of an asset, the general recognition criteria and GAAP hierarchy are used to account for purchased intangibles. • Narrow scope amendments were made to PS 1000 *Financial statement concepts* to remove the prohibition to recognize purchased intangibles and to PS 1201 *Financial statement presentation* to remove the requirement to disclose purchased intangibles not recognized. • The guideline can be applied retroactively or prospectively.

Appendix 4: Changes in accounting standards (continued)

Standard	Summary and implications
Employee benefits	• The Public Sector Accounting Board has initiated a review of sections PS 3250 *Retirement benefits* and PS 3255 *Post-employment benefits, compensated absences and termination benefits*. • The intention is to use principles from International Public Sector Accounting Standard 39 *Employee benefits* as a starting point to develop the Canadian standard. • Given the complexity of issues involved and potential implications of any changes that may arise from the review of the existing guidance, the new standards will be implemented in a multi-release strategy. The first standard will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues. • The proposed section PS 3251 *Employee benefits* will replace the current sections PS 3250 *Retirement benefits* and PS 3255 *Post-employment benefits, compensated absences and termination benefits*. It will apply to fiscal years beginning on or after April 1, 2026. Early adoption will be permitted and guidance applied retroactively. • This proposed section would result in public sector entities recognizing the impact of revaluations of the net defined benefit liability (asset) immediately on the statement of financial position. Organizations would also assess the funding status of their post-employment benefit plans to determine the appropriate rate for discounting post-employment benefit obligations. • The Public Sector Accounting Board is in the process of evaluating comments received from stakeholders on the exposure draft.

Appendix 4: Changes in accounting standards (continued)

Standard	Summary and implications
Concepts Underlying Financial Performance	• The revised conceptual framework is effective for fiscal years beginning on or after April 1, 2026 with earlier adoption permitted. • The framework provides the core concepts and objectives underlying Canadian public sector accounting standards. • The ten chapter conceptual framework defines and elaborates on the characteristics of public sector entities and their financial reporting objectives. Additional information is provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts are introduced.

Financial Statement Presentation	• The proposed section PS 1202 *Financial statement presentation* will replace the current section PS 1201 *Financial statement presentation*. PS 1202 *Financial statement presentation* will apply to fiscal years beginning on or after April 1, 2026 to coincide with the adoption of the revised conceptual framework. Early adoption will be permitted.
	• The proposed section includes the following:
	  • Relocation of the net debt indicator to its own statement called the statement of net financial assets/liabilities, with the calculation of net debt refined to ensure its original meaning is retained.
	  • Separating liabilities into financial liabilities and non-financial liabilities.
	  • Restructuring the statement of financial position to present total assets followed by total liabilities.
	  • Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities).
	  • Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities), including a new component called “accumulated other”.
	  • A new provision whereby an entity can use an amended budget in certain circumstances.
	  • Inclusion of disclosures related to risks and uncertainties that could affect the entity’s financial position.
	• The Public Sector Accounting Board is currently deliberating on feedback received on exposure drafts related to the reporting model.

Appendix 5: Audit and assurance insights

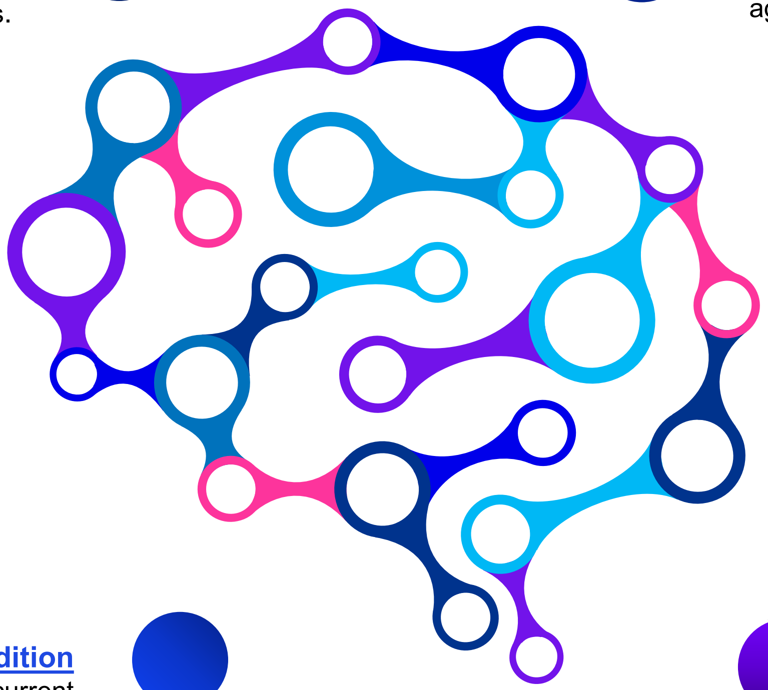
Our latest thinking on the issues that matter most to the Finance and Audit Committee, board of directors and management.

KPMG Audit & Assurance Insights
Curated research and insights for audit committees and boards.

Board Leadership Centre
Leading insights to help board members maximize boardroom opportunities

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

Audit Committee Guide – Canadian Edition
A practical guide providing insight into current challenges and leading practices shaping audit committee effectiveness in Canada.



Accelerate 2023
The key issues driving the audit committee agenda in 2023.

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

KPMG Climate Change Financial Reporting Resource Centre
Our climate change resource center provides insights to help you identify the potential financial statement impacts to your business.

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

Appendix 6: How we can help along your ESG reporting journey

Preparing for ESG reporting in accordance with regulatory standards will take substantial time and resources – it is a journey. The end goal is implementing and sustaining ESG external reporting in compliance with the applicable reporting frameworks in such a way that the ESG information and metrics reported can be verified and assured.

As your financial statement auditor, we are able to support you across a number of activities throughout your ESG reporting journey, prior to undertaking assurance readiness or formal assurance on your reported ESG information and metrics.

Establish

- Findings and observations with respect to **materiality assessment**, governance structure, reporting strategy
- **Gap assessment** to global reporting standards (e.g., IFRS S1 and S2)
- **Peer benchmarking and insights** on industry best practices

Assess

- Feedback on **current state operating model**, including processes, people, technology, service delivery model and data
- Review existing **data and estimation methodologies**

Design

- Provide management with feedback on the **reporting roadmap**
- Findings and observations on draft **external disclosures** based on leading practice

Implement / Report

- ESG reporting **training** to Board and Management

Appendix 6: Why your auditors should be engaged in the reporting journey

We are one-team at KPMG.

With KPMG's one-team approach, you will benefit from the efficiencies gained by having members of your financial statement audit team engaged in your ESG reporting journey along with our ESG subject matter experts.

We know you

It is important to have a general understanding of the entity and its control environment (e.g., IT systems and underlying processes) to best support you in your ESG reporting journey

Coordinated approach

Management meetings are carried out once and leveraged across your financial statement and ESG journey process, wherever possible

Synergies gained

Key messages and reports to management and the audit committee will be consistent and include both financial and ESG information

Connected to financial statements

Increased demand for consistency between ESG reporting and financial reporting puts us in the best position to support you

Single point of contact

Having KPMG as your ESG service provider – your key audit points of contacts will enable you to get clear perspectives on all your reporting needs when you need them

Future efficiencies

Engaging us in the reporting process today will be an investment that will lead to efficiencies when undergoing limited assurance in the future

Appendix 6: IFRS Sustainability disclosure standards

Environmental, social and governance (“ESG”)

First IFRS Sustainability Disclosure Standards

The arrival of the first two IFRS Sustainability Disclosure Standards marks a key milestone in sustainability reporting and is a significant step towards creation of a global baseline for stakeholder-focused sustainability reporting that local jurisdictions can build on. **Although the standards are not required to be adopted by CRHC, the new IFRS sustainability standards provide key insights into what the future of sustainability reporting may look like for CRHC. The Canadian Sustainability Standards Board released the first proposed Canadian standards for public comments due by June 10, 2024.**

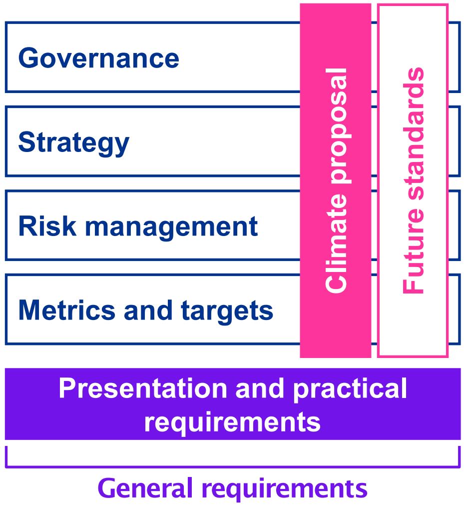
Summary of the recently released standards

The standards build on the four-pillar structure of the **Task Force on Climate-related Financial Disclosures**.

The **general requirements standard** **(IFRS S1)** defines the scope and objectives of reporting and provides core content, presentation and practical requirements.

It requires disclosure of material information on all sustainability-related risks and opportunities – not just on climate.

The **climate standard** **(IFRS S2)** replicates the core content requirements and supplements them with climate-specific reporting requirements.



Visit KPMG’s Sustainability Reporting website for more information, including a comprehensive summary of the new requirements and KPMG’s insights and illustrative examples for the new standards.

Click here to access KPMG’s portal

Appendix 6: ESG: Thought leadership and insights (continued)

Thought leadership – Environmental, social and governance (“ESG”) (continued)

Note: Click on images to visit document link.

The "S" in ESG is becoming critical as people and organizations become more conscious about how the social aspect of business will impact their future.

This article touches on the social movements driving business change.

As the severity of climate impacts increase, so do the socio-economic disruptions due to the risk and fall of climate impacted sectors and projects.

This article breaks down the impact on institutional investors.

This article outlines how ESG is impacting valuation and performance of the underlying companies institutional investors have a stake in.

Market statistics highlight the issues surrounding responsible investment.

Appendix 6: Thought leadership and insights (continued)

Thought leadership – Environmental, social and governance (“ESG”) (continued)

Note: Click on images to visit document link.

Intentional adoption of smart, digital, experience-centric solutions have become indispensable in overcoming today’s challenges and aligning city services to the future needs and well-being of the public. We invite you to explore this report on KPMG’s global research and insights on The future of local government.

The Green City outlines the need of the cities and the buildings in them to reflect climate consciousness.

The link provides guidance on what that looks like and the first steps to meeting those objectives.

KPMG’s Climate Change Financial Reporting Resource Centre

KPMG’s climate change resource centre provides FAQs to help you identify the potential financial statement impacts for your business.

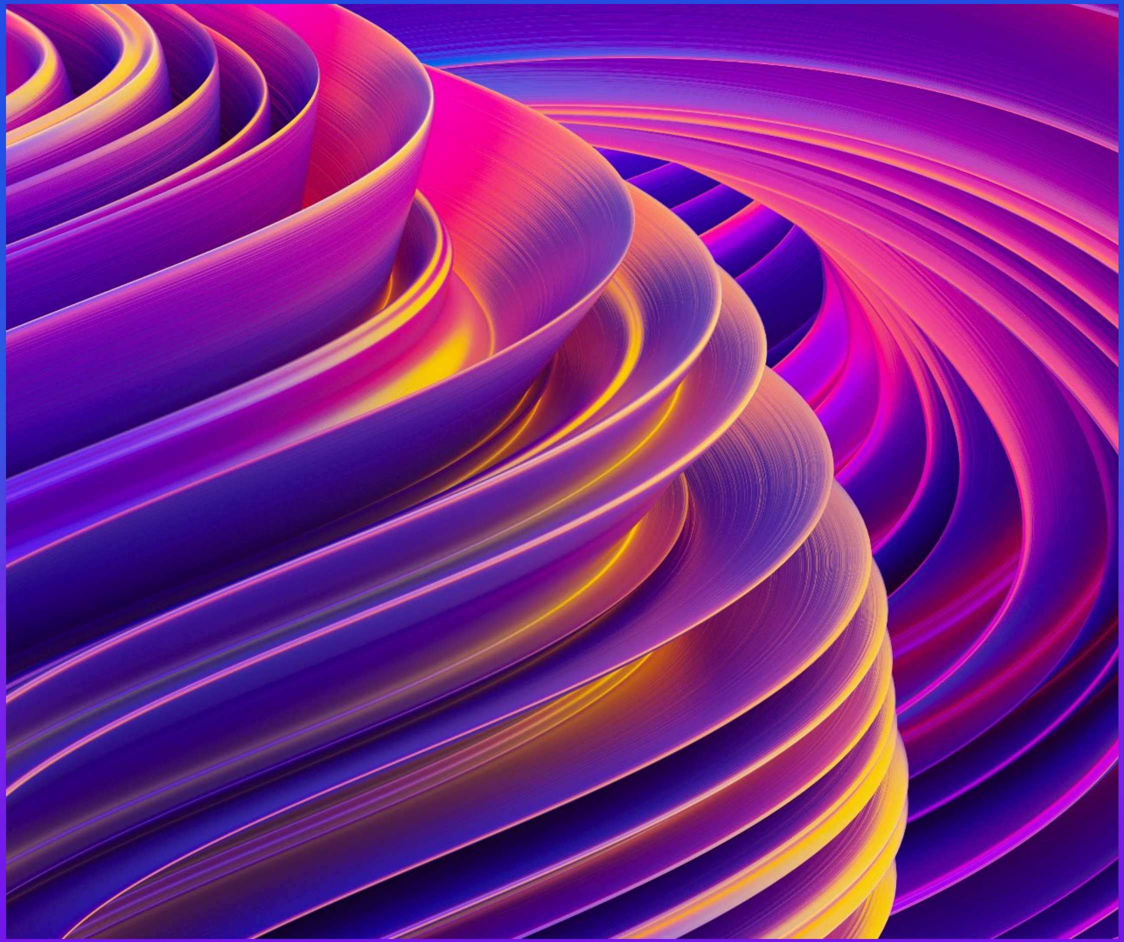
Click here to access KPMG’s portal.

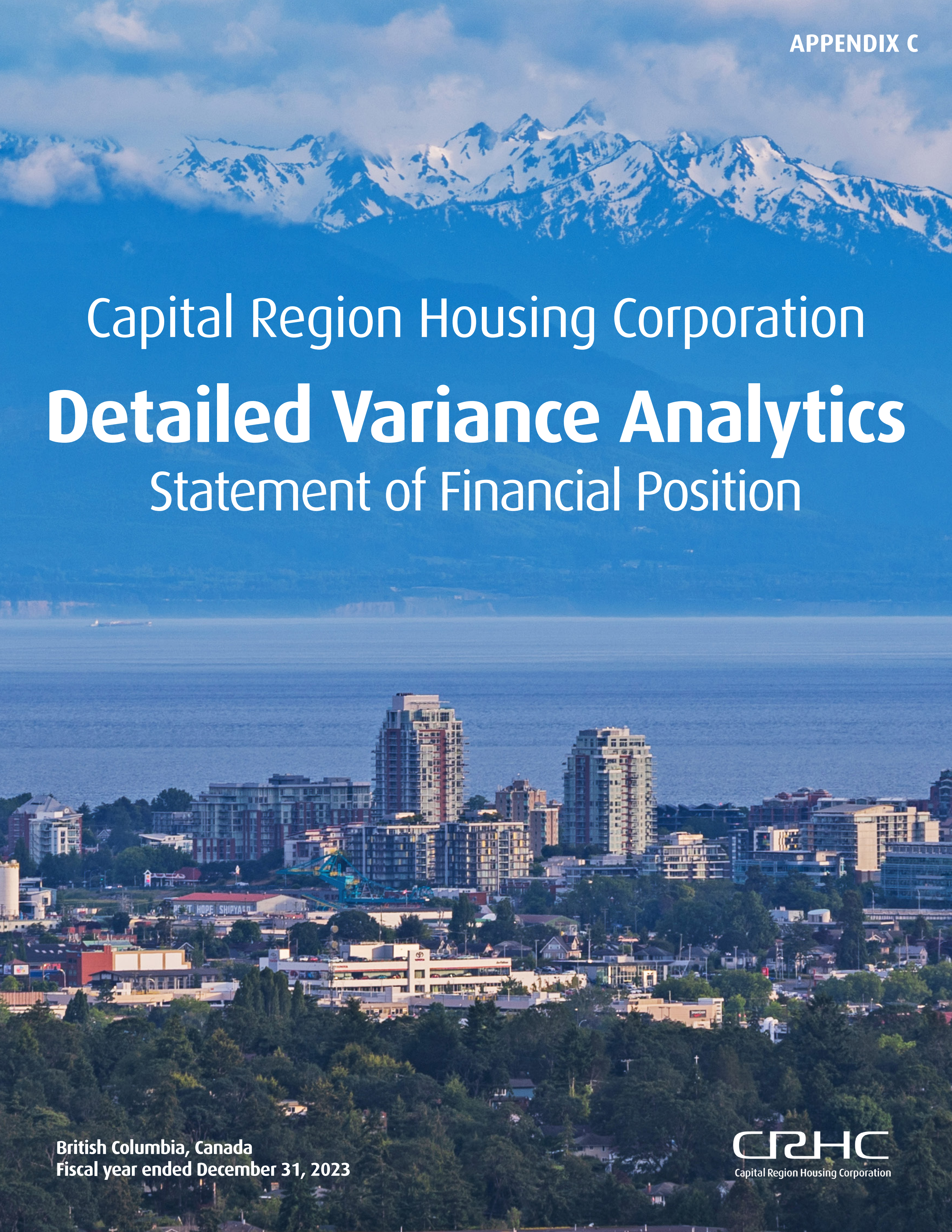
A closer look at the GHG Protocol

Chartered Professional Accountants of Canada (CPA Canada) and the Institute for Sustainable Finance (ISF) produced a 23-page report (click here) on the GHG Protocol. The report looks to inform potential preparers and users of emissions disclosure; policy makers; standard setters; regulators; and others, and to spur important additional research into key aspects of emissions disclosure and standards that require closer attention.

KPMG

https://kpmg.com/ca/en/home.html





APPENDIX C

Capital Region Housing Corporation

Detailed Variance Analytics

Statement of Financial Position

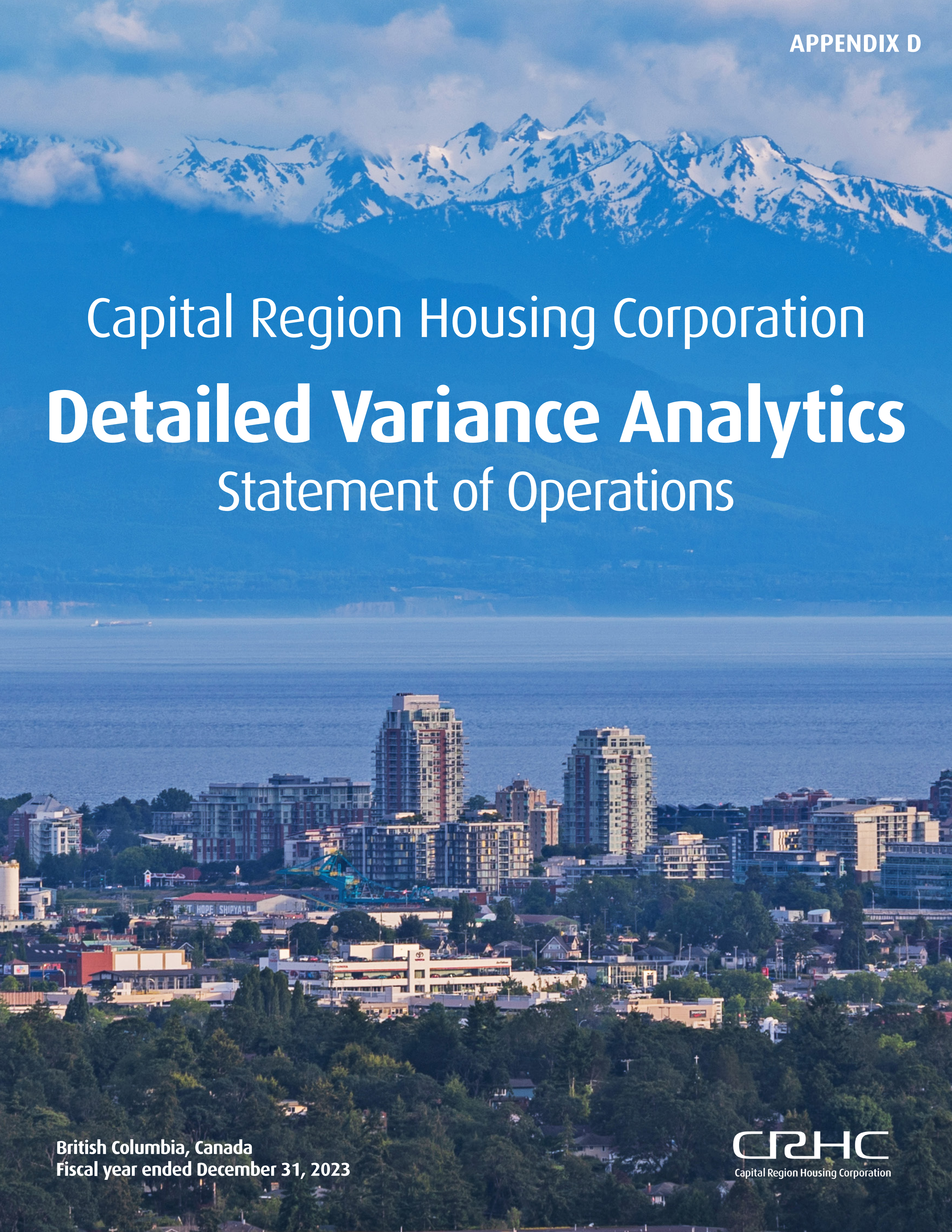
British Columbia, Canada
Fiscal year ended December 31, 2023

Capital Region Housing Corporation
Statement of Financial Position
As at December 31, 2023
Variance Analytics - year over year

APPENDIX C

	2023	2022 Restated	Variance $	Variance %	Explanation (variance greater than $150k and 10%)
Financial Assets					
Cash and cash equivalents	14,903,603	10,350,289	4,553,314	44%	Cash increase primarily related to increases in capital project activity: increases in AP, cash from matured GICs, and capital financing. Refer to Statement of Cash Flows for more detail.
Accounts receivable	6,031,343	2,887,911	3,143,432	109%	Accounts receivable increased primarily due to capital project funds receivable at year end.
Prepaid expenses	890,568	697,314	193,254	28%	Prepaid increase due to construction liability insurance for Carey Lane and extension for Michigan properties.
Investments	-	6,500,000	(6,500,000)	100%	GICs matured in 2023.
Cash and cash equivalents restricted for RR	8,543,170	8,168,045	375,125	5%	
Capital Assets	262,404,263	217,766,993	44,637,270	20%	Increase primarily due to Prosser Place prepaid lease and significant WIP at Caledonia and Michigan redevelopments.
Total Financial Assets	**292,772,947**	**246,370,552**	**46,402,395**	**19%**	
Financial Liabilities & Net Assets					
Current Liabilities					
Accounts payable and other liabilities	7,154,414	4,014,200	3,140,214	78%	AP increase primarily due to the construction draws at Caledonia and Michigan redevelopments payable at year end.
Accrual mortgage interest	381,220	336,975	44,245	13%	
Due to CRD	284,633	425,418	(140,785)	-33%	Due to timing of clearing accounts and funds transfer.
Deferred Revenue	743,487	591,704	151,783	26%	Increase due to timing of tenant rent payments received for January 2024.
Security Deposits	1,214,931	1,141,108	73,823	6%	
Short-term capital financing	27,454,719	21,157,445	6,297,274	30%	Primarily due to significant progress on Caledonia and Michigan redevelopments.
Mortgage payable - current	6,193,511	6,213,290	(19,779)	0%	
Mortgage payable - renewal	8,233,676	595,492	7,638,184	1283%	Mortgages payable renewal portion increased as a result of more mortgages renewing in 2024 than 2023.
Total Current Liabilities	51,660,591	34,475,632	17,184,959	50%	
Mortgages Payable	161,065,397	151,795,738	9,269,659	6%	
Asset retirement obligations	9,521,426	8,279,238	1,242,188	15%	Increase in ARO a result of increased rate of inflation and fewer years for potential settlement of liability.
Capital Stock	1	1	-	0%	
Net Assets					
Invested in capital assets	56,115,448	38,335,853	17,779,595	46%	Increase driven by increased capital assets.
Externally restricted	11,921,941	12,127,169	(205,228)	-2%	Increase due to net income from portfolio operations and an increase in the replacement reserve balance.
Internally restricted	1,106,227	1,126,460	(20,233)	-2%	
Unrestricted	1,855,850	865,527	990,323	114%	Increase due to corporate fund net income.
Accumulated remeasurement gains (losses)	(473,934)	(635,066)	161,132	25%	Due to unrealized losses on investments.
Total Financial Liabilities & Net Assets	**292,772,947**	**246,370,552**	**46,402,395**	**19%**	

APPENDIX D



Capital Region Housing Corporation

Detailed Variance Analytics

Statement of Operations

British Columbia, Canada
Fiscal year ended December 31, 2023

CRHC
Capital Region Housing Corporation

Capital Region Housing Corporation
Statement of Operations
Year ended December 31, 2023
Variance: year-over-year

APPENDIX D

	2023	2022 Restated	Variance $	Variance %	Explanation (variance greater than $150k and 10%)
Revenue					
Tenant rent contributions	23,002,135	21,246,546	1,755,589	8.3%	
BCHMC rent subsidy assistance	710,400	302,636	407,764	134.7%	Increase due to new CHF building: Twenty-Seven Eighty-Two.
BCHMC umbrella operating agreement funding	2,674,751	2,760,874	(86,123)	-3.1%	
Rental management fees - third parties	63,342	81,139	(17,797)	-21.9%	
Investment income	1,181,831	529,936	651,895	123.0%	Increase relates to increased interest rates at financial institutions.
Guest suites, net	1,801	4,371	(2,570)	-58.8%	
Miscellaneous	314,965	275,547	39,418	14.3%	
Government contributions	16,135,301	18,336,829	(2,201,528)	-12.0%	Decreased due to construction progress at Michigan and Caledonia exceeding approved forgivable loans.
Total Revenues	**44,084,526**	**43,537,878**	**546,648**	**1.3%**	
Expenses					
Administration and property management	3,275,841	2,869,235	406,606	14.2%	Increase relates to CUPE and exempt salaries, increases in CRD overhead allocations, and the cost of additional FTEs to support the new buildings.
Amortization	8,181,223	7,397,134	784,089	10.6%	Increase due to new assets: Twenty-Seven Eighty-Two and Prosser Place prepaid lease.
Accretion	377,533	361,069	16,464	4.6%	
Property taxes	33,806	4,500	29,306	651.2%	
Insurance	1,464,647	1,267,119	197,528	15.6%	Increased as a result of new properties and higher insurance premiums.
Maintenance	2,099,650	1,625,882	473,768	29.1%	Increase primarily related to ongoing increased ability to access to suites after Covid restrictions were lifted.
Caretakers	2,009,149	1,797,648	211,501	11.8%	Increased due to the cost of additional FTEs to support the new buildings.
Landscape	422,936	402,165	20,771	5.2%	
Electricity	368,374	342,902	25,472	7.4%	
Land and Improvement leases	307,137	299,474	7,663	2.6%	
Water	1,403,759	1,415,924	(12,165)	-0.9%	
Oil and gas	240,871	246,876	(6,005)	-2.4%	
Garbage	466,901	338,958	127,943	37.7%	
Audit and legal	41,438	33,600	7,838	23.3%	
Miscellaneous	190,446	34,425	156,021	453.2%	Increase is related to operating supplies and advertising.
Hospitality services (Parry Place)	492,595	321,584	171,011	53.2%	Higher cost due to contracted first aid services.
Interest on mortgages payable	4,163,763	3,573,882	589,881	16.5%	Increase due to mortgages for new properties.
Total Expenses	**25,540,069**	**22,332,377**	**3,207,692**	**14.4%**	
Excess (deficiency) of revenues over expenses	**18,544,457**	**21,205,501**	**(2,661,044)**	**-12.5%**	

APPENDIX E

Capital Region Housing Corporation

Other Financial Statement Analysis

British Columbia, Canada
Fiscal year ended December 31, 2023

CRHC
Capital Region Housing Corporation

CRHC Other Financial Statement Analysis

The 2023 Audited Financial Statements have been prepared by management in accordance with Canadian Public Sector Accounting Board (PSAB) Standards. Under PSAB regulations, governments are required to present five statements with explanatory notes. Statements 1-2 are summarized in the staff report. This appendix provides a summary of Statements 3-5.

3. Statement of Change in Net Assets and Remeasurement Gains and Losses

The Statement of Change in Net Assets reports the annual surplus and changes in the following funds:

- Operating Fund (Corporate Fund and Rental Housing Fund)
- Restricted Fund (Capital Fund and Replacement Reserve Fund)
- Remeasurement Gains/(Losses)

Table 5 summarizes the change in net assets and remeasurement gains and losses in 2023 compared to 2022.

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

Statement of Net Assets and Remeasurement Gains ($ millions)	2023	2022 Restated
Net Assets, Beginning of Year	51.8	31.1
Annual Surplus	18.5	21.2
Subtotal	**70.3**	**52.3**
Unrealized Gain (Loss) on Investments	0.2	(0.5)
Net Assets, End of Year	**$70.5**	**$51.8**

Total net assets increased from 2022 by $18.7 million or 36.1%. $16.1 of the $18.5 million annual surplus is a result of government grant contributions for various housing construction projects. These grants are recognized as revenue in the year they are spent resulting an annual surplus in 2023. Net assets are increased by another $0.2 million due to an unrealized gain on investments.

4. Statement of Cash Flows

The Statement of Cash Flows reports the sources and uses of cash during the period. It breaks down these cash flows into three distinct categories: operating activities, investing activities and financing activities. The positive cash flow from operating activities means that core operations is generating enough cash to maintain operations, buy new assets and cover future-related mortgage payments. Table 6 summarizes the change in cash by activity comparing 2023 to 2022.

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

Statement of Cash Flows ($ millions)	2023	2022 Restated
Operating Activities	27.0	29.7
Capital Activities	(52.0)	(36.3)
Investing Activities	6.3	(8.3)
Financing Activities	23.2	17.4
Net Change in Cash and Cash Equivalents	**4.5**	**2.5**
Cash and Cash Equivalents, Beginning of Year	10.4	7.9
Cash and Eash equivalents, End of Year	**$14.9**	**$10.4**

In 2023, the cash position increased by $4.5 million. The change in cash was due to $27.0 million generated from operating activities reflecting net revenue after expenses, $23.2 million from financing activities for debt proceeds received and $52.0 million paid towards construction costs, primarily directed at Caledonia and Michigan Square redevelopments, and for the prepaid lease at Prosser Place.

5. <u>Schedules</u>

A. Schedule of Changes in Replacement Reserve Fund

Replacement reserve is a method of setting aside funds to cover a rental property's anticipated future capital improvement expenses (i.e., replacement of a roof, carpets, or appliances). Schedule A of the financial statements details the annual Changes in the Replacement Reserve Fund by property, including contributions, interest and transfers to the Capital Fund.

B. Schedule of Changes in Portfolio Stabilization Reserves

In accordance with operating agreements, a Portfolio Stabilization Reserve (PSR) has been established for each rental portfolio's accumulated operating surplus. The annual operating surplus/(deficit) is transferred to the PSR, and the Capital Region Housing Corporation Board has control over specified fund use as per operating agreements. Schedule B is a summary of PSR reserve activity per portfolio.

C. Schedule of Capital Assets

Schedule C is a listing of tangible capital assets at book value per building, classified by land, prepaid lease, buildings, equipment and transfers from replacement reserve fund. Accumulated amortization is based on the limited useful life of an asset, excluding land, regardless of how the asset acquisition was funded.

D. Schedule of Capital Fund – Mortgages Payable

Schedule D provides a summary of mortgage details by property and the cumulative principal which relates to current mortgage renewal in the following year, and the long-term mortgage payable.

E. Schedule of Operating Fund – Rental Operations

Schedule E provides a summary of each property's annual rental operations, with a focus on revenues and expenditures during the fiscal year. It determines how a surplus or deficit was generated per property and the related transfer to the portfolio stabilization reserve.

Capital Region Housing Corporation

Financial Performance Measures

British Columbia, Canada
Fiscal year ended December 31, 2023

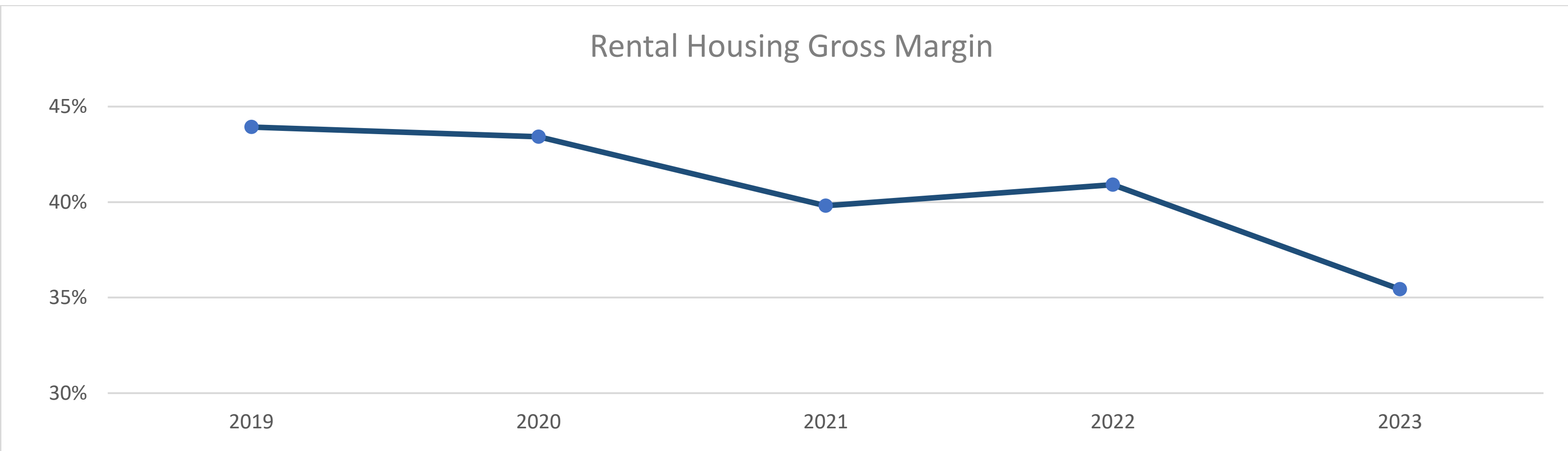
CRHC
Capital Region Housing Corporation

Capital Region Housing Corporation (CRHC) 2023 Financial Performance Measures

Financial indicators are metrics used to quantify current conditions and forecast trends. They can be used to evaluate the overall financial health of an entity. The following information is taken from the annual audited financial statements prepared in accordance with Public Sector Accounting Standards.

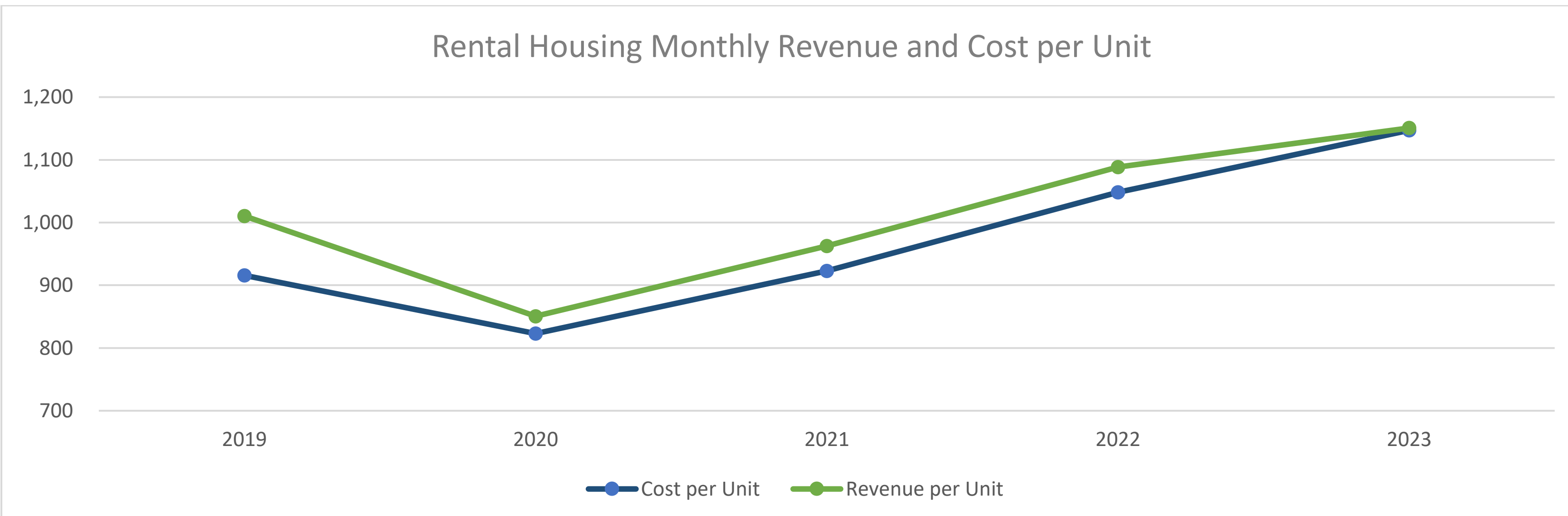
1. Gross Margin

Gross margin is a critical measure that evaluates an organization's retained revenue after direct expenses, such as labor and materials, have been subtracted. The higher the gross margin, the more revenue a company retains, which it can then use to pay other costs or satisfy debt obligations. From 2019 to 2023, rental housing revenue has consistently increased, indicating growth in the business. Despite revenue growth, gross margin has shown a decreasing trend over the same period, declining from 44% in 2019 to 35% in 2023.



2. Rental Housing Monthly Revenue and Cost Per Unit

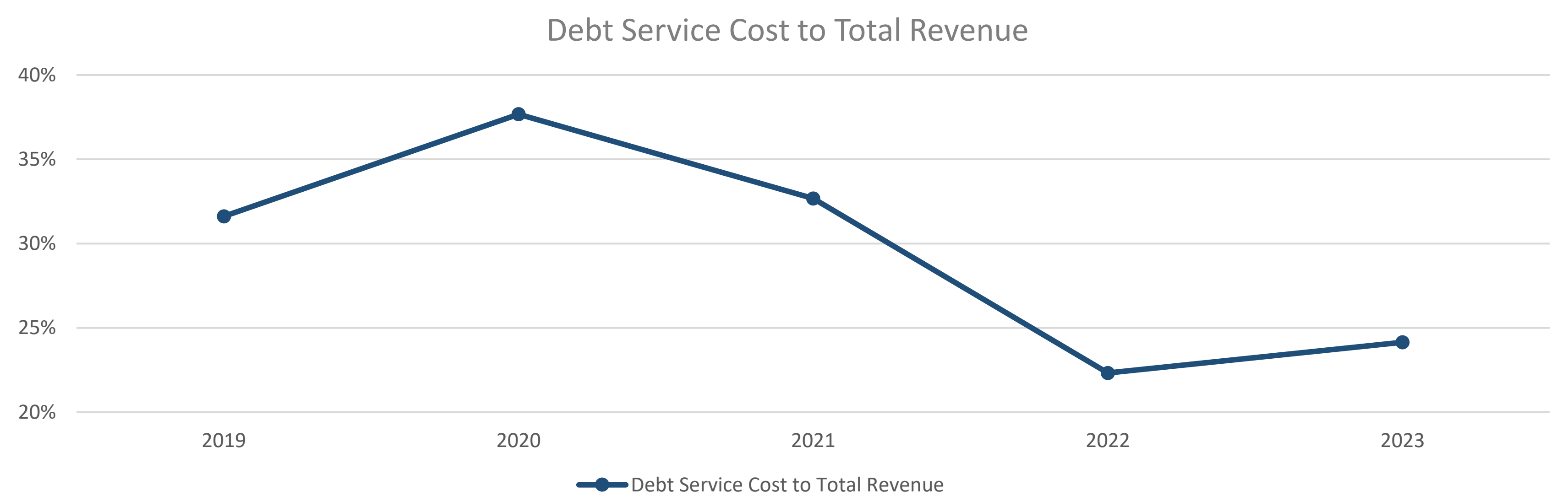
The revenue and cost per rental unit serves as a financial metric for evaluating the cost effectiveness of managing an entity's rental properties. Data extracted from Schedule E Rental Operations was utilized to analyze this trend, encompassing total expenditures including principal and interest payments on mortgages throughout the year. In 2020, the cost per unit experienced a notable decrease, attributed to the addition of 355 new units. The increase in the number of units outpaced the rise in costs, primarily due to part-year operations for the newly acquired properties (Spencer Close and West Park). From 2021 to 2023, the monthly cost per unit presented an upward trend, reaching $1,147 in 2023 (2022: $1,048). This escalation can be attributed to various factors, including inflationary pressures and the continuous rise in expenses such as labour, maintenance, insurance and debt servicing costs. Excluding debt servicing costs, the 2023 monthly cost per unit is $688 (2022: $618). Despite increasing cost pressures, revenue per rental unit has kept pace with costs.



3. Debt Service Cost to Total Revenue

The debt service costs to total revenue ratio signifies the portion of revenue allocated towards servicing interest and principal payments on both short-term and long-term debts. A higher ratio suggests a larger proportion of revenue dedicated to debt repayment, limiting flexibility in responding to unexpected situations and adapting to changing conditions.

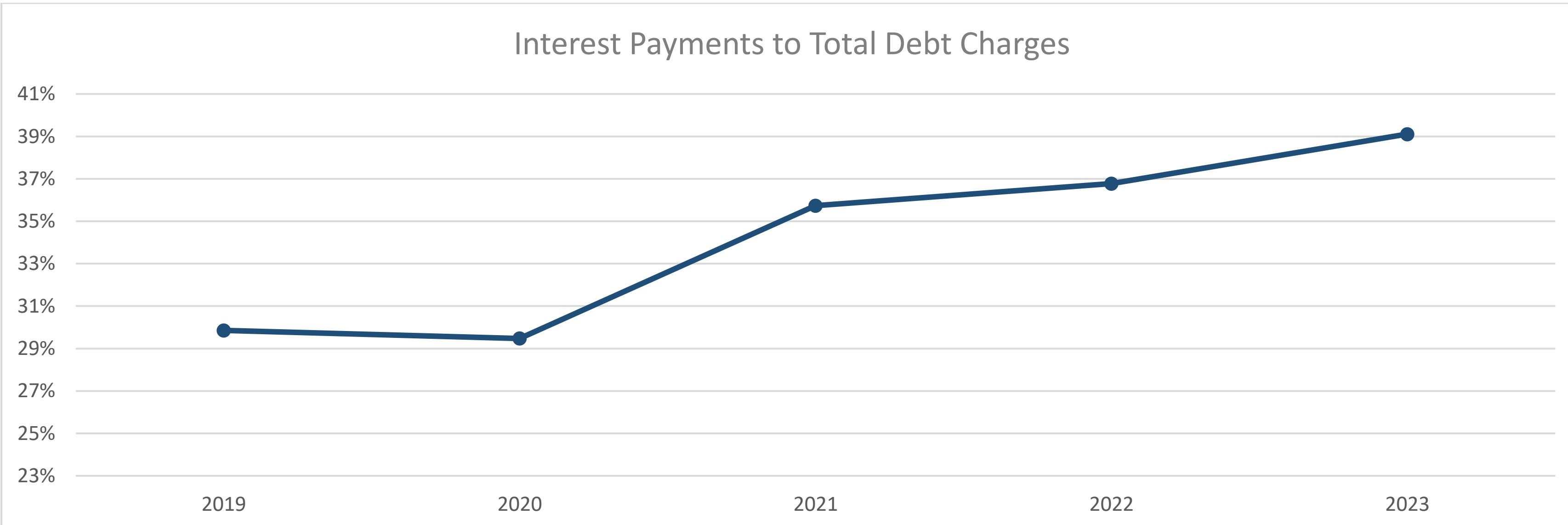
With various funding sources secured, such as forgivable loans and grants, coupled with enhanced tenant rent contributions from new properties, revenue has experienced a notable upsurge compared to the incremental interest and principal repayments on new debt. Consequently, this trend has led to a decline in the ratio. In 2023, the debt service cost to total revenue is 24% (2022: 22%). The same indicator calculated as a percentage of rental revenue only is 40% in 2023 (2022: 40%), indicating the increase in operating revenue was sufficient to cover the increase in debt charges and the ratio remained unchanged year over year.



Trend line for 2019-2022 has been adjusted to reflect consistent presentation of rental management fees adopted in 2022 and project mangement fees adopted in 2023

4. Principal and Interest as a Proportion of Debt Servicing Costs

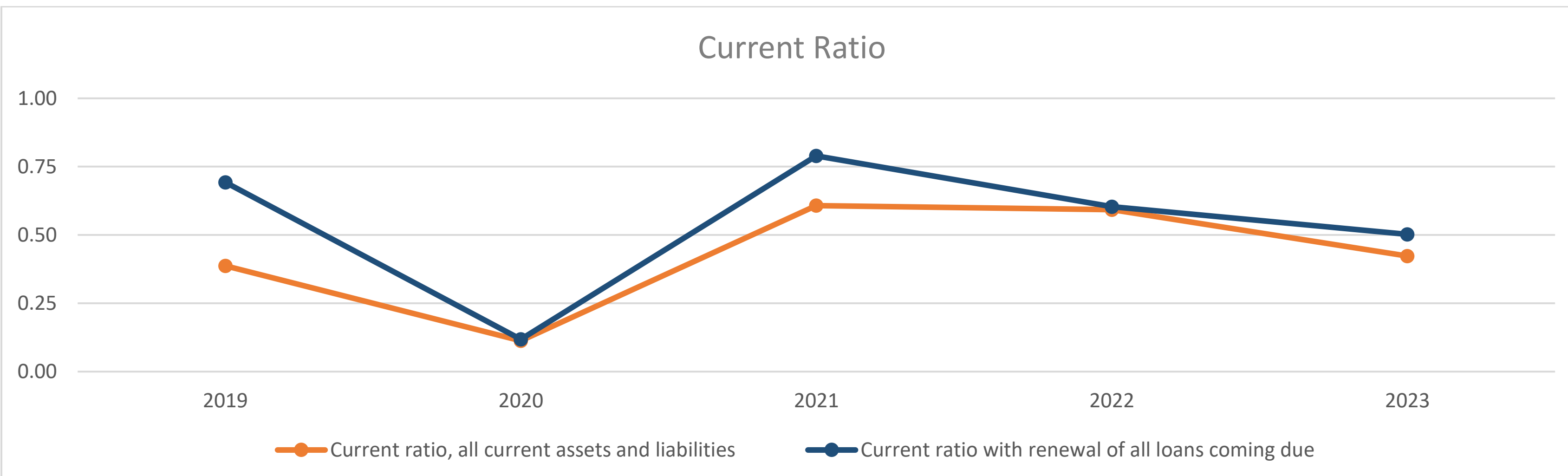
Principal and interest are the main components of a mortgage. Principal refers to the amount of money borrowed from the lender, while interest refers to the cost of borrowing. At the beginning of the mortgage term, more interest than principal is paid. In 2023, of the total mortgage debt servicing costs, 39% were attributed to interest payments (2022: 37%), an increase due to interest on new mortgages for Twenty-Seven Eighty-Two and Prosser Place properties.



5. Current Ratio

The current ratio serves as a measure of an entity's liquidity, indicating its ability to settle short-term debts using current assets. A higher ratio suggests a stronger ability to cover planned and unforeseen expenses. The 2020 current ratio was lower compared to other years due to acquiring West Park and Spencer Close, which added $61.3 million in new debt. Since 2021, the current ratio has declined due to new debt obtained in 2022 and 2023 and an increase of $6.3 million in construction financing from 2022 to 2023.

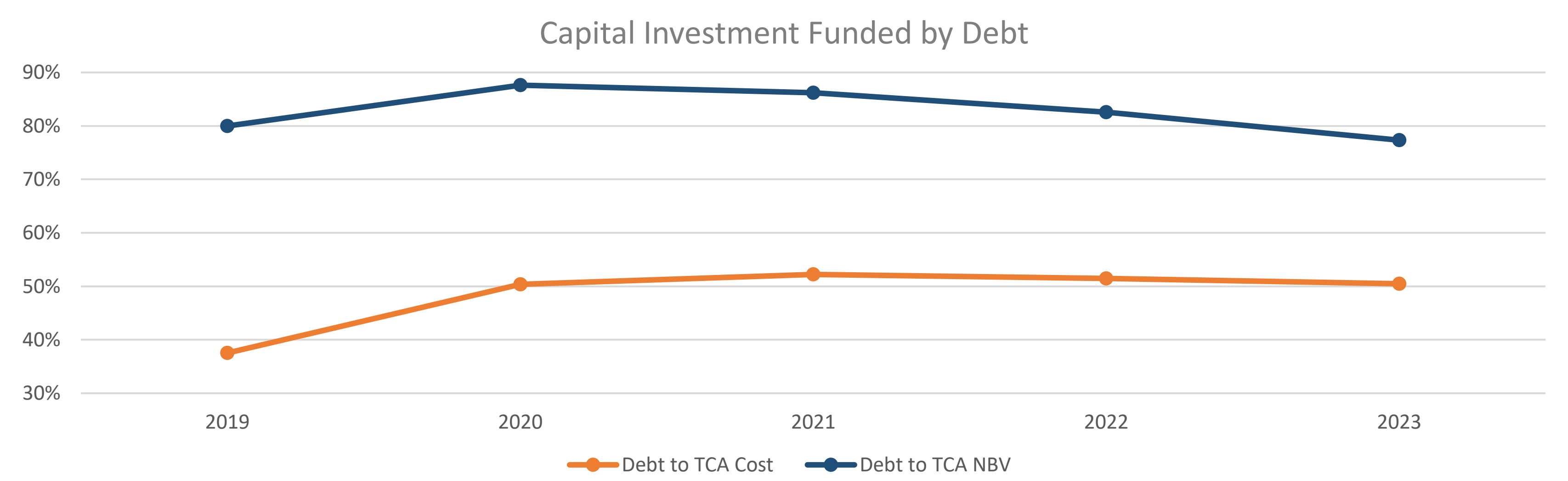
Mortgages with due dates in the upcoming fiscal year are categorized as current assets in financial statements. CRHC usually renews loans rather than paying off the full mortgage balance. Two trend lines are observed: one assuming no mortgage renewals (aligning with financial statement presentation) and the other assuming all due mortgages will be renewed without requiring full repayment within the next fiscal year. This results in a higher current ratio, reflecting the more probable scenario for the upcoming year. In 2022, the two ratios nearly aligned because only one mortgage of $595k was due in 2023. In 2023, there is a spread between the ratios due to $8.2 million in mortgages coming due in 2024 that would, upon renewal, no longer be classified as a current liability.



6. Capital Investment Funded by Debt

Capital investment funded by debt illustrates how much of an entity's tangible capital assets (TCA) have been purchased using debt. Over the past five years, the debt to total capital assets net book value (TCA NBV) ratio has consistently ranged between 77% and 88%. This signifies that a significant portion of the entity's capital investment is financed through debt, with capital assets being amortized at a similar pace to debt repayment. As more assets reach full depreciation, this ratio is expected to decline more rapidly as debt repayment surpasses amortization.

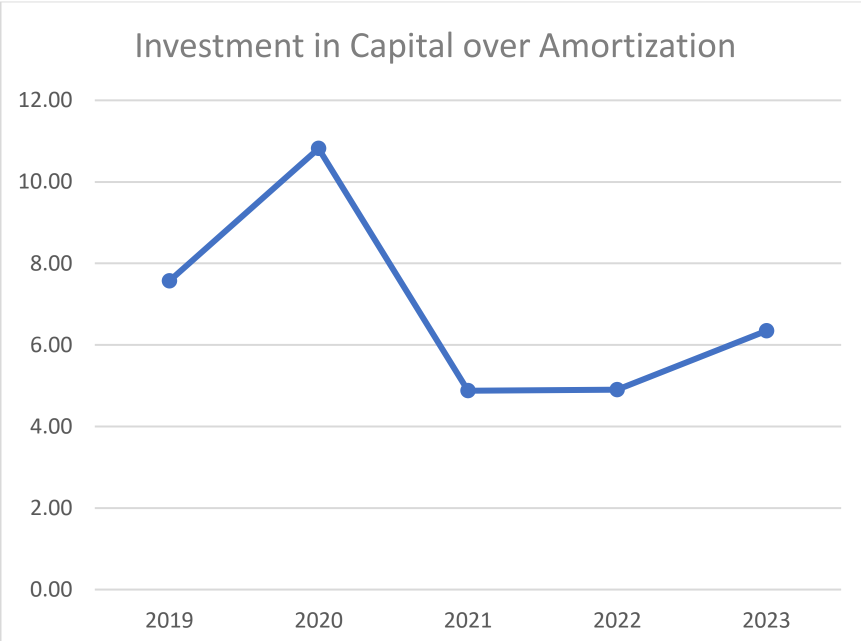
In contrast, the debt to total capital assets cost ratio has been increasing since 2019. This uptrend reflects the additional debt acquired by the Entity to procure new properties. Notably, this ratio does not encompass the Capital Regional District's equity in the new leased buildings under the Regional Housing First Program, as grants received have mitigated the need for debt to fund prepaid leases. A consistent trend line since 2020 indicates a steady percentage of new property costs financed through debt.

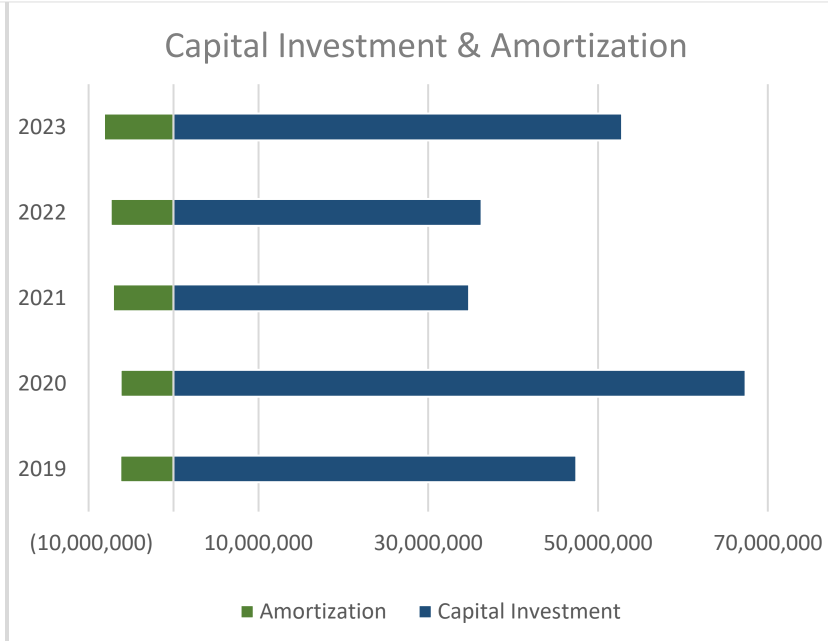


Trend line 2019-2021 was not adjusted for ARO, standard was adopted in 2023

7. Investment in Capital Over Amortization

The charts below demonstrate the capital investment-to-amortization ratio which indicates the level of capital expenditure relative to the annual depreciation of assets. A higher ratio suggests that the entity is allocating more capital towards investments compared to the depreciation incurred on older properties. In 2023, capital investment outpaced amortization by 6.35 times.

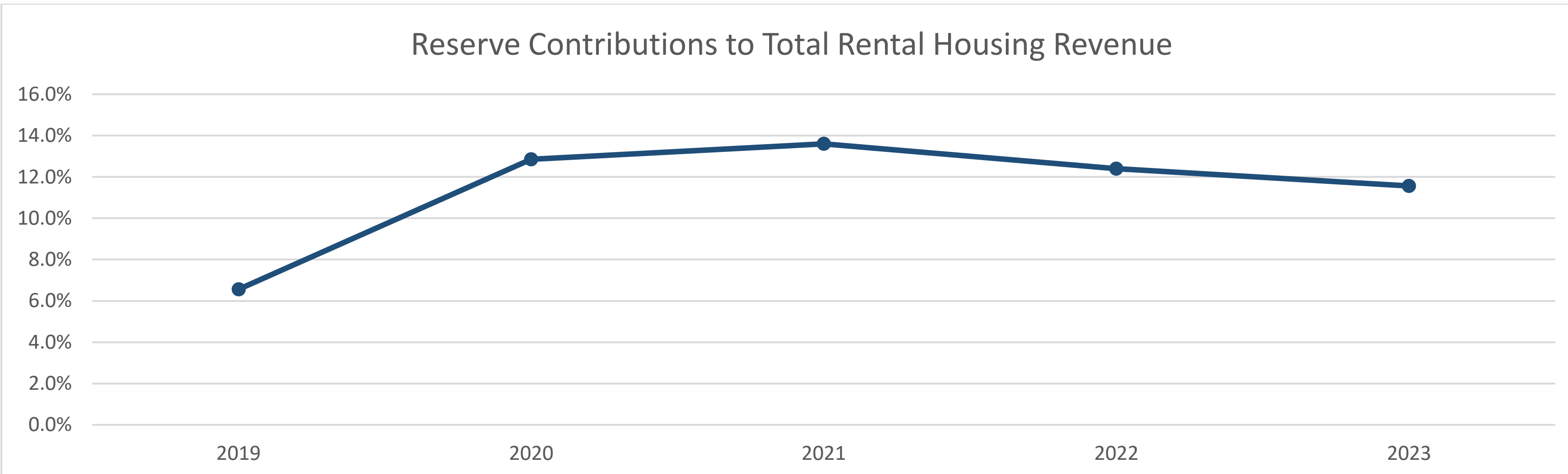




Data for 2019-2021 was not adjusted for ARO, standard was adopted in 2023

8. Contributions to Reserves as a Percentage of Total Revenue

Each building makes annual contributions to their Replacement Reserve Fund (RRF) which are required to fund future planned replacement of items. In 2023, contributions to the RRF were based on a calculation of $173/unit per month and resulted in a contribution level of 11.6% (2022: 12.2%) of rental income. Contribution metrics and funding levels are a requirement of BC Housing Management Commission operating agreements which informs the contributions across all building portfolios. Fluctuations in contribution levels 2019 to 2023 can be attributed to changes in the number of rental units. Increases in 2020 and 2021 reflect new units being added and decreases reflect units not contributing while under redevelopment (2022 and 2023).



9. Reserve Balances

The entity's net assets comprise investments in TCAs, externally restricted reserves, internally restricted reserves and unrestricted reserves. The following displays the quantity of each reserve category held by the Entity over the last five years. Reserves serve as savings to bolster service delivery, potentially reducing borrowing costs for asset renewal and replacement. The uptick in the externally restricted reserve balance in years 2019-2022 signifies additions to replacement reserves surpassing expenditures from the reserve.