

**British Columbia Housing Management
Commission Financial Statements**

March 31, 2022

Contents

	<u>Page</u>
Statement of Management Responsibility	2
Independent Auditor's Report	3 - 5
Statement of Financial Position	6
Statement of Operations	7
Statement of Cash Flows	8
Statement of Remeasurement Losses	9
Statement of Changes in Net Financial Assets	9
Notes to the Financial Statements	10 - 22

British Columbia Housing Management Commission

Statement of Management Responsibility

The financial statements of the British Columbia Housing Management Commission (the Commission) are the responsibility of management and have been prepared in accordance with Canadian public sector accounting standards, consistently applied and appropriate in the circumstances. The preparation of financial statements necessarily involves the use of estimates which have been made using careful judgment. In management's opinion, the financial statements have been properly prepared within the framework of the accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, all information available at May 26, 2022. The financial statements have also been reviewed by the Audit and Risk Management Committee and approved by the Board of Commissioners.

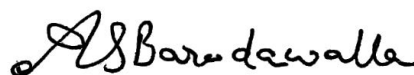
Management maintains systems of internal controls designed to provide reasonable assurance that assets are safeguarded, and that reliable financial information is available on a timely basis. These systems include formal written policies and procedures, careful selection and training of qualified personnel and appropriate delegation of authority and segregation of responsibilities within the organization. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Audit and Risk Management Committee.

The financial statements have been examined by an independent external auditor. The external auditor's responsibility is to express their opinion on whether the financial statements, in all material respects, fairly present the Commission's financial position, results of operations and cash flows in accordance with Canadian public sector accounting standards. The Independent Auditor's Report, which follows, outlines the scope of their examination and their opinion.

The Board of Commissioners, through the Audit and Risk Management Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Audit and Risk Management Committee meets regularly with the external auditors, the internal auditors and management to satisfy itself that each group has properly discharged its responsibility to review the financial statements before recommending approval by the Board of Commissioners. The Audit and Risk Management Committee also recommends the appointment of an external auditor to the Board of Commissioners. The external auditor has full and open access to the Audit and Risk Management Committee, with and without the presence of management.



Shayne Ramsay
Chief Executive Officer



Abbas Barodawalla
Vice President of Corporate Services
and Chief Financial Officer

May 26, 2022



Independent auditor's report

To the Board of Commissioners of British Columbia Housing Management Commission and Minister of Municipal Affairs and Housing, Province of British Columbia

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of British Columbia Housing Management Commission (the Commission) as at March 31, 2022 and the results of its operations, changes in its net debt, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

What we have audited

The Commission's financial statements comprise:

- the statement of financial position as at March 31, 2022;
- the statement of operations for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of remeasurement gains (losses) for the year then ended;
- the statement of changes in net financial assets for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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 report.

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

Independence

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

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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 Commission'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 Commission or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Commission'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 these 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 Commission'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 Commission'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 Commission 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.

We 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
May 26, 2022

British Columbia Housing Management Commission

Statement of Financial Position

	March 31 2022 (\$000's)	March 31 2021 (\$000's)
Financial Assets		
Cash	\$ 38,259	\$ 34,671
Portfolio investments (Note 3)	114,106	103,346
Receivables (Note 4)	24,620	21,722
Due from Province of British Columbia (Note 17)	406,933	289,739
Due from Canada Mortgage and Housing Corporation	35,764	41,678
Due from (to) Provincial Rental Housing Corporation (Note 17)	127,951	47,118
Construction loans to housing projects (Note 4)	927,565	939,168
Mortgages and loans receivable (Note 5)	24,428	34,263
	<u>1,699,626</u>	<u>1,511,705</u>
Liabilities		
Accounts payable and accrued liabilities	141,112	119,667
Deferred revenue (Note 6)	184,636	258,521
Tenants' prepaid rent	1,475	1,571
Due to Provincial Treasury (Note 7)	736,024	548,953
Society funds held on deposit (Note 8)	28,682	22,910
Construction grants payable (Note 9)	459,944	417,969
Social Housing Agreement Reserves (Note 10)	4,442	4,061
	<u>1,556,315</u>	<u>1,373,652</u>
Net financial assets	<u>143,311</u>	<u>138,053</u>
Non-financial assets		
Prepaid expenses and housing subsidies	55,975	54,001
Tangible capital assets (Note 11)	10,370	11,856
	<u>66,345</u>	<u>65,857</u>
Accumulated surplus	<u>209,656</u>	<u>203,910</u>
Accumulated surplus comprises:		
Accumulated surplus from operations	201,345	201,317
Accumulated remeasurement gain (loss)	8,311	2,593
	<u>\$ 209,656</u>	<u>\$ 203,910</u>

Commitments (Note 16)
Contingencies (Note 19)

On behalf of the Board of Commissioners:



Cassie Doyle, Chair

British Columbia Housing Management Commission

See accompanying notes to the financial statements

Statement of Operations

Year Ended March 31	2022 Budget (\$000's) (Note 13)	2022 Actuals (\$000's)	2021 Actuals (\$000's)
Revenue			
Provincial contributions	\$ 1,820,742	\$ 1,743,414	\$ 1,689,514
Federal contributions	166,442	154,010	164,881
Tenant rent	32,992	38,480	34,328
Other (Note 12)	22,793	21,456	18,866
Portfolio investment income (loss)	4,000	4,138	(3,771)
	2,046,969	1,961,498	1,903,818
Expenses			
Grants	905,852	906,039	772,674
Housing subsidies	742,035	696,747	638,495
Rental assistance	155,615	119,426	265,218
Salaries and labour	92,963	86,290	80,639
Operating expenses	91,130	90,935	88,748
Building maintenance	19,550	22,505	22,247
Office and overhead	15,148	15,032	13,768
Utilities	9,941	11,325	9,654
Grants in lieu of property taxes (Note 14)	9,649	10,063	9,650
Research and education	1,110	2,178	2,509
Interest expense	3,976	930	185
	2,046,969	1,961,470	1,903,787
Annual surplus from operations		28	31
Accumulated surplus from operations at beginning of year		201,317	201,286
Accumulated surplus from operations at end of year		\$ 201,345	\$ 201,317

See accompanying notes to the financial statements

British Columbia Housing Management Commission

Statement of Cash Flows

Year Ended March 31	2022 (\$000's)	2021 (\$000's)
Cash flows provided by (used in)		
Operating transactions		
Annual surplus from operations	\$ 28	\$ 31
Non cash Items:		
Changes in non-cash working capital (Note 15)	(249,521)	(268,035)
Portfolio investment loss (income)	(4,138)	3,771
Discount on loans receivable	(1,181)	(1,375)
Depreciation of tangible capital assets	5,674	6,011
	<u>(249,138)</u>	<u>(259,597)</u>
Capital transactions		
Tangible capital asset additions net of disposals	<u>(4,188)</u>	<u>(3,392)</u>
Investing transactions		
Construction loans provided to housing projects	11,603	(344,002)
Cash redemption from short-term investments	560	38,753
Cash used for short-term investments	(1,065)	(38,392)
New mortgages provided	(150)	(1,753)
Mortgages payments received	11,164	11,109
	<u>22,112</u>	<u>(334,285)</u>
Financing transactions		
Grants received for construction	883,753	763,550
Grants used for construction	(841,777)	(690,078)
Loans provided by Provincial Treasury	1,628,331	1,184,389
Repayment to Provincial Treasury	(1,441,259)	(640,429)
Social Housing Agreement Reserves	(17)	(12)
Additions to society funds	7,839	7,154
Society funds used for projects	(2,068)	(4,133)
	<u>234,802</u>	<u>620,441</u>
Increase in cash	3,588	23,167
Cash, beginning of year	<u>34,671</u>	<u>11,504</u>
Cash, end of year	\$ <u>38,259</u>	\$ <u>34,671</u>

See accompanying notes to the financial statements

British Columbia Housing Management Commission

Statement of Remeasurement Gains (Losses)

Year Ended March 31	2022 (\$000's)	2021 (\$000's)
Accumulated remeasurement gain (loss), beginning of year	\$ 2,593	\$ (14,988)
Amount released to statement of operations	-	13,573
Unrealized gain (loss) attributable to portfolio investments	5,718	4,008
Net remeasurement changes for the year	5,718	17,581
Accumulated remeasurement gain, end of year	\$ 8,311	\$ 2,593

Statement of Changes in Net Financial Assets

Year Ended March 31	Budget (\$000's)	2022 (\$000's)	2021 (\$000's)
	(Note 13)		
Annual surplus from operations		\$ 28	\$ 31
Net remeasurement changes for the year		5,718	17,581
		5,746	17,612
Depreciation of tangible capital assets		5,674	6,011
Disposal of tangible capital assets		-	41
Acquisition of tangible capital assets	(5,000)	(4,188)	(3,433)
		1,486	2,619
Acquisition of prepaid expenses		(13,434)	(28,558)
Use of prepaid expenses		14,469	25,928
Net Changes on prepaid Subsidies		(3,009)	(8,496)
		(1,974)	(11,126)
Changes in net financial assets for the year		5,258	9,105
Net financial assets, beginning of year		138,053	128,948
Net financial assets, end of the period		\$ 143,311	\$ 138,053

See accompanying notes to the financial statements

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2022

1. General

The British Columbia Housing Management Commission (the Commission) is a Crown agency, established in 1967 to deliver on the provincial government's commitment to the development, management and administration of subsidized housing throughout the Province of British Columbia (the Province). This includes developing and facilitating new social housing, administering rental assistance programs, and a variety of other federal and/or provincial housing programs.

The Provincial Rental Housing Corporation (the Corporation) is a related entity to the Commission through common control by the Province. The Corporation holds property for social and other low-cost housing initiatives for the Province. It also holds land under long-term leases to housing providers. The subsidized rental housing units of the Corporation are managed and operated by the Commission. The Commission recognizes the related rental revenue of the housing units and is responsible for all the operating and administrative activities and related costs. The Commission administers agreements relating to operation of social housing units owned and/or managed by non-profit housing providers. Through the Licensing and Consumer Services Branch, the Commission also has responsibilities related to licensing of builders, home warranty insurance, and research and education to improve the quality of residential construction and consumer protection.

The Commission is exempt from federal and provincial income taxes.

2. Significant Accounting Policies

a) Basis of Presentation

These financial statements have been prepared in accordance with the Province of British Columbia, Ministry of Finance regulation 688-2010 that requires taxpayer-supported organizations to adopt Canadian Public Sector Accounting Standards established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA).

b) Use of Estimates

In preparing these financial statements, management has made 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 reporting period. Areas requiring use of estimates include the collectability of receivables, construction loans to housing projects and mortgages receivable as well as useful lives of tangible capital assets. Actual results could differ from those estimates.

c) Revenue Recognition

The Commission is funded primarily by the Province and the Canada Mortgage Housing Corporation (CMHC).

Tenant rent and other Revenues are recognized on an accrual basis in the period in which the transactions or events occurred that gave rise to the revenues, the amounts are considered to be collectible and can be reasonably estimated.

Contributions received or where eligibility criteria have been met are recognized as revenue except where the contribution meets the criteria for deferral. Eligibility criteria are the criteria that the Commission must meet in order to receive the contributions including authorization by the transferring entity.

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2022

For contributions subject to a legislative or contractual stipulation or restriction as to their use, revenue is recognized in the year related expenses are incurred.

d) Tenant Rent Revenue

Tenant rent revenue represents rent charged to residents and is determined as the lesser of market rent and a percentage of each resident's income.

e) Tangible Capital Assets

Tangible capital assets are recorded at cost and depreciated over their estimated useful life (see Note 11). Computer software includes desktop applications, server applications and enterprise applications which is depreciated over a three-year, five-year and 10-year amortization period respectively. Computer hardware includes photocopier hardware, server hardware, datacentre and communication hardware and are depreciated on a three-year amortization period. All other capital assets are depreciated over a five-year amortization period.

Tangible capital assets are written down to residual value when conditions indicate they no longer contribute to the ability of the Commission to provide services or when the value of future economic benefits are less than their net book value. The write-downs are accounted for as expenses in the statement of operations.

f) Employee Benefit Plans

The employees and employers of the public service contribute to the Public Service Pension Plan (the Plan), a jointly trustee pension plan. The Public Service Pension Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory defined benefits pension plan and pension benefits are expensed as incurred. The Plan has approximately 64,000 active plan members and approximately 50,000 retired plan members.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of plan funding. The latest valuation as at March 31, 2020, indicated an actuarial surplus of \$2.7 billion for basic pension benefits. The next valuation will be as at March 31, 2023 with results available in early 2024. The actuary does not attribute portions of the unfunded liability or surplus to individual employers. The Commission paid \$6,703,838 for employer contributions to the Plan in fiscal 2021/2022 (2020/2021: \$6,073,379).

g) Government transfers

The Corporation records government transfers (applicable to grants and housing subsidies) as expenses in the period the transfer is authorized and all eligibility criteria have been met by the recipient.

h) Financial Instruments

The Commission's financial instruments consist of cash, portfolio investments, receivables, due from the Province of British Columbia, due from Canada Mortgage and Housing Corporation, construction loans to housing projects, mortgages and loans receivable, accounts payable and accrued liabilities, due from Provincial Rental Housing Corporation, due to Provincial Treasury, Society funds held on deposit and construction grants payable.

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2022

Upon inception and subsequent to initial recognition, equity instruments quoted in an active market (portfolio investments) are measured at fair value. These financial instruments are identified in this note by financial asset and financial liability classification and are not reclassified into another measurement category for the duration of the period they are held.

All other financial assets and financial liabilities are measured at cost or amortized cost upon their inception and subsequent to initial recognition. Cash and cash equivalents are measured at cost. Receivables, due from the Province of British Columbia, due from Canada Mortgage and Housing Corporation, loan receivables and mortgages receivable are recorded at amortized cost less any amount for valuation allowance. All debt and other financial liabilities are recorded using cost or amortized cost.

The classification of financial instruments is determined upon their initial recognition. Financial instruments are classified as level 1, 2 or 3 for the purposes of describing the basis of the inputs used to measure the fair values of financial instruments in the fair value measurement category as described below:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Market-based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.
- Level 3 - Inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

Portfolio investments are recognized at their fair value, determined by published price quotations in an active market. Transactions to purchase or sell these items are recorded on the settlement date, and transaction costs are immediately recognized in income. Realized gains and losses are recognized in the statement of operations and unrealized gains/losses from changes in fair value are recorded in the statement of remeasurement losses. All other financial instruments are recorded at cost or amortized cost basis using the effective interest rate method where appropriate.

All financial assets are assessed annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations. A write-down of a portfolio investment to reflect a loss in value is not reversed for a subsequent increase in value.

Transaction costs for financial instruments measured at fair value are expensed when incurred.

A financial liability or its part is derecognized when it is extinguished.

3. Portfolio Investments

The Commission invests funds held on behalf of non-profit housing providers, funds for specific reserves and funds provided by ministries for specific housing projects. These investments are held in pooled investments and managed by five investment management firms. Income derived under the investments is reinvested into the portfolio. An investment committee meets periodically to review the performance of the fund managers and ensure compliance with the BC Housing investment policy. Quarterly reports are provided to the BC Housing Board of Commissioners. The investment policy has the following asset target components: 30% Fixed Income, 15% Canadian Equity, 20% Canadian Real Estate and 35% Global Equity.

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2022

4. Receivables and Construction Loans to Housing Projects

a) Receivables

Receivables are recorded at cost less an amount for allowance of doubtful accounts. The allowance is determined on the basis of past collection experience. As at March 31, 2022, the allowance totalled \$4,575,000 (2021: \$4,397,000). Changes in the valuation allowance are recognized in the statement of operations.

b) Construction Loans to Housing Projects

In its capacity as a *National Housing Act* (NHA) approved lender, the Commission advances approved interim construction loan draws to both non-profit housing providers and developers under the social housing and market rental housing programs. The loan advances are repaid upon project construction completion and arrangement of long-term takeout mortgages with CMHC and/or NHA approved lenders. The average period of construction financing ranges from eighteen to thirty-six months depending on the magnitude of the project. Borrowers are charged interim interest at the Province's weighted average borrowing rate for short-term funds, plus administration costs. The average yield for the year 2021/2022 is 0.69% (2020/2021: 0.78%). The allowance for construction loans to housing projects for the year 2021/2022 totalled \$8,614,000 (2020/2021: \$8,856,000).

5. Mortgages and loans receivable

a) Non-profit Housing Provider Mortgages Receivable

The Commission periodically continues to hold construction financing mortgages receivable after construction completes. In all but rare situations, these mortgages are tendered for take-out financing provided by private sector financial institutions within twelve months of the construction completion date. As of March 31, 2022, the total value of construction financing mortgages receivable was \$8,321,000 (2021: \$10,110,000). These receivables are secured by mortgages and/or promissory note

b) BC HOME Partnership Loans Receivable

Through the BC Home Owner Mortgage and Equity Partnership (BC HOME Partnership), the Commission assisted eligible first-time homebuyers by providing repayable down payment assistance loans. The loans, secured as a second mortgage by property, are interest and payment free for the first five years after which interest at prime plus 0.5% will begin to accrue and principal and interest payments will be amortized over 20 years. The initial interest rate is set when the loan is conditionally approved and will be reset at the Royal Bank of Canada Prime Rate plus 0.5% at each of the 10th, 15th and 20th anniversary dates.

As the first five years of the loans are concessionary, the loans have been recorded at the present value, discounted at prime plus 0.5%. The loan discount will be amortized into revenue and the loan receivable using the effective interest rate approach over the five-year concessionary term. The related concessionary loan expense is recorded at the time of issue and is included in housing subsidies expense. The program stopped accepting new applications on March 31, 2018. As at March 31, 2022, the total value of the loans receivable was \$16,031,000 (2021: \$24,077,000).

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2022

6. Deferred Revenue

Deferred revenue represents restricted contributions for the Corporation's specific programs, or restrictions pertaining to using the contributions in future periods.

	2021	Contributions Received	Revenue Recognized	2022
	(\$000's)	(\$000's)	(\$000's)	(\$000's)
Provincial Contributions	\$ 121,043	1,072,046	(1,161,331)	\$ 31,758
Federal Contribution	136,883	168,339	(153,162)	152,060
Other Agencies	595	774	(551)	818
	\$ 258,521	\$ 1,241,159	\$ (1,315,044)	\$ 184,636

The Social Housing Agreement Reserves (see Note 10) represent further restricted contributions from CMHC of a long-term nature.

7. Due to Provincial Treasury

Amounts represent short-term funds borrowed from the Province for the purpose of facilitating the construction or renovation of affordable housing. The maximum amount is not to exceed \$800 million bearing interest at a rate charged by the provincial Ministry of Finance. Budget 2021 also approved an additional maximum borrowing limit of \$2 billion for HousingHub thus enhancing the maximum amount to \$2.8 billion. The debt is available by way of a series of rolling short-term promissory notes (that, when due, can be rolled into further short-term promissory notes).

8. Society Funds Held on Deposit

These funds represent the balance of mortgage advances held to cover various non-profit society construction and soft costs required to complete their projects. Interest accrues on the society funds at the prime rate minus 1.8%.

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2022

9. Construction Grants Payable

Grants for construction represent liabilities to individual projects in advance of construction. The remaining balance will be paid as construction progresses.

	2021 (\$000's)	Construction grants recognized (\$000's)	Construction grants applied (\$000's)	2022 (\$000's)
Building BC:				
Rapid Response to Homelessness	\$ -	\$ 355	\$ (355)	\$ -
Affordable Rental Housing	-	16,365	(16,365)	-
Deepening Affordability	19,948	(343)	(5,352)	14,253
Community Housing Fund	155,114	178,312	(161,411)	172,015
Indigenous Housing Fund	65,194	58,478	(40,445)	83,227
Supportive Housing Fund	-	250,323	(250,323)	-
Women's Transition Housing Fund	-	35,991	(35,991)	-
Homeless Action Plan	-	12,403	(12,403)	-
Capital Renewal Funding (Non-profit & PRHC)	84,186	146,254	(123,590)	106,850
Investment in Housing Innovation	60,788	2,231	(27,954)	35,065
Pandemic Recovery Grant	-	99,526	(99,526)	-
Investment in Affordable Housing Agreement	1,122	(1,600)	478	-
BC PHI Provincial Matching	2,496	2,500	(1,000)	3,996
Mental Health Housing Initiative	1,283	-	(64)	1,219
Permanent Housing Plan	-	5,564	(5,564)	-
Other Project Grants	7,944	8,908	(6,926)	9,926
Social Housing Agreement	27	-	-	27
Federal Bilateral Agreement	19,849	33,103	(22,376)	30,576
Federal Rapid Housing Initiative (RHI)	-	17,033	(14,261)	2,772
Federal Co-Investment Fund	-	18,350	(18,350)	-
Social Infrastructure Fund	18	-	-	18
	\$ 417,969	\$ 883,753	\$ (841,778)	\$ 459,944

10. Social Housing Agreement Reserves

The funds are available to offset future cost increases in the federal social housing portfolio due to inflation and changes in interest rates, or losses on loans owing by third parties. The funds are restricted under the Social Housing Agreement (SHA) and may only be used for housing within the SHA portfolio.

	2022 (\$000's)	2021 (\$000's)
Balance, beginning of year	\$ 4,061	\$ 3,508
Funds applied	(17)	(12)
Investment income	398	565
Balance, end of year	\$ 4,442	\$ 4,061

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2022

11. Tangible Capital Assets

	2021 (\$000's)		2022 (\$000's)	
	Cost	Additions	Disposals	Cost
Computer software	\$ 51,348	\$ 3,375	\$ -	\$ 54,723
Computer hardware	1,954	58	-	2,012
Tenant improvements	14,588	-	259	14,329
Office furniture	3,916	-	199	3,717
Office equipment	91	48	10	129
Vehicles	1,645	456	-	2,101
Grounds equipment	1,794	251	-	2,045
	\$ 75,336	\$ 4,188	\$ 468	\$ 79,056

	Accumulated Depreciation	Depreciation	Disposals	Accumulated Depreciation
Computer software	\$ 43,768	\$ 3,922	\$ -	\$ 47,690
Computer hardware	1,954	19	-	1,973
Tenant improvements	12,396	883	259	13,020
Office furniture	3,037	378	199	3,216
Office equipment	74	8	10	72
Vehicles	1,539	135	-	1,674
Grounds equipment	712	329	-	1,041
	\$ 63,480	\$ 5,674	\$ 468	\$ 68,686
Net Book Value	\$ 11,856			\$ 10,370

12. Other Revenue

	2022 (\$000's)	2021 (\$000's)
Licensing & Consumer Service Revenue	\$ 6,865	\$ 7,046
Interest Revenue	5,205	5,178
Commercial Rent/Lease Revenue	3,387	1,204
Miscellaneous Revenue	5,999	5,438
Total Other Revenue	\$ 21,456	\$ 18,866

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2022

13. Budget Figures

Budgeted figures are provided for comparative purposes and are consistent with the budget presented in the 2021/2022 – 2023/2024 Service Plan that was released in April 2021.

14. Grants in Lieu of Property Taxes

The Commission, on behalf of the Province, pays each municipality a grant equivalent to gross property taxes due for all residential properties and projects managed.

15. Changes in Non-Cash Working Capital

	2022	2021
	(\$000's)	(\$000's)
Accounts payable and accrued liabilities	\$ 21,445	\$ 36,961
Deferred revenue	(73,885)	80,942
Due from Canada Mortgage and Housing Corporation	5,914	(28,826)
Due from Province of British Columbia	(117,194)	(283,744)
Due from (to) Provincial Rental Housing Corporation	(80,833)	(59,059)
Prepaid expenses and housing subsidies	(1,974)	(11,126)
Receivables	(2,898)	(3,329)
Tenants' prepaid rent	(96)	146
	\$ (249,521)	\$ (268,035)

16. Commitments

a) Rental Obligations

The Commission has minimum rental obligations under operating leases for office space over the next five years and beyond as follows:

	(\$000's)
2023	\$ 5,575
2024	1,250
2025	685
2026	588
2027	599
Beyond	1,844
Total	\$ 10,541

b) Contractual Obligations- Housing Subsidies

The Commission has significant contractual obligations with non-profit housing societies for the provision of annual subsidies. These contracts are reviewed annually to evaluate the level of commitment. The forecasted amount over the next five years and beyond as follows:

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2022

		(\$000's)
2023	\$	484,144
2024		277,848
2025		222,624
2026		196,216
2027		174,645
Beyond		4,299,392
Total	\$	5,654,869

c) Contractual Obligations- Construction

The Commission entered into construction contracts to build or renovate 413 projects that are owned by the Corporation. Total contracts value as at March 31, 2022 was \$150,000,000. All construction contracts are expected to be completed within two years. As construction progresses, the asset values are recorded as work in progress (WIP) in the Corporation. Upon construction completion, WIP will be transferred to capital assets and depreciation will commence.

d) Public-Private Partnership Commitments

The Commission has entered into a public-private partnership project (P3) with Habitat Housing Initiative (HHI) to renovate 13 Single Room Occupancy Hotels in Vancouver's Downtown Eastside. The information provided below shows the anticipated cash outflow, net of federal contributions provided during construction, for future obligations under the contract with HHI for the capital cost and financing, the facility maintenance and lifecycle costs as defined in the Project Agreement. Payments to the private partner are contingent on specified performance criteria and include an estimation of inflation where applicable.

As construction progresses, the asset values are recorded as capital assets and the obligation is recorded as a liability and included in long-term debt in the Corporation (see Note 16). Upon construction completion, the obligation will be met through the capital component of the monthly service payments over the term of the Project Agreement that is provided by the Commission. The capital portion of the payments due to HHI are recorded under Housing subsidies and are expensed to the Corporation.

		Capital (\$000's)	Facility Maintenance and Lifecycle (\$000's)		Total Payments (\$000's)
2023	\$	9,461	\$	2,165	\$ 11,626
2024		9,461		3,292	12,753
2025		9,461		2,031	11,492
2026		9,461		2,040	11,501
2027		9,461		1,840	11,301
Thereafter		36,264		7,871	44,135
Total	\$	83,569	\$	19,239	\$ 102,808

e) Loan Insurance Agreement

CMHC provides loan insurance under the *NHA*. The CMHC/BC Housing Loan Insurance Agreement provides the Commission with the ability to arrange long term CMHC loan insured mortgages on behalf

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2022

of non-profit housing providers. In the event of a loan default, the Commission is required to rectify the default and fully reimburse CMHC for claims paid to approved lenders. Since the establishment of the Loan Insurance Agreement in January 1993, the Commission has never had a claim made against the Loan Insurance Agreement. The Commission underwrites the mortgages in accordance with CMHC Handbook for multi-unit properties, registers a charge on title to ensure access to property and requires housing providers to enter into an operating agreement with BC Housing to ensure ongoing operational compliance and access to housing provider's financial information.

The maximum value of mortgages that can be insured under this agreement is \$4.5 billion. As of March 31, 2022, the total value of outstanding CMHC insured mortgages was \$2,967,467,062 (2021: \$2,652,223,574). There is no claim expected on this portfolio and the Commission has not recorded a provision for loss.

17. Related Party Transactions

a) BC Government Reporting Entities

The Commission is related through common control to all Province of BC ministries, agencies, Crown corporations, school districts, health authorities, hospital societies, universities and colleges that are included in the provincial government reporting entity. Transactions with these entities, unless disclosed otherwise, are considered to be in the normal course of operations and are recorded at the exchanged amount, which is the amount of consideration established and agreed to by the related parties. Funds are due on receipt of the invoice and bear no interest.

b) Provincial Rental Housing Corporation (the Corporation)

The Corporation was created in 1961 as a landholding corporation for social and other low-cost housing for the Province. The Corporation is a separate legal entity that was incorporated under the *Company Act* of the Province and has a separate governance structure. The rental housing units of the Corporation are managed and operated by the Commission. The assets and liabilities, including the capital cost of projects owned by the Corporation, and results from operations of the Corporation are not included in the statements of the Commission. Separate financial statements are prepared for the Corporation.

During the year, the Commission provided \$539,390,000 (2020/2021: \$500,297,000) to the Corporation for capital grants, self-insurance, mortgage subsidies, etc. As at March 31, 2022, amounts due from the Corporation totalled \$127,951,000 (2021: 47,118,000) and represent funds provided by the Commission to the Corporation for the acquisition and development of properties under social housing programs. The balances are non-interest bearing with no set terms of repayment.

18. Contractual Rights

Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future. The Commission has contractual rights to receive payment under a share cost agreement or to receive lease payments as follows:

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2022

Contractual right with:	Description	2023 (\$000's)	2024 (\$000's)	2025 (\$000's)	2026 (\$000's)	2027 (\$000's)	Thereafter (\$000's)
CMHC	Annual funding under the Social Housing Agreement (SHA)	\$ 80,179	\$ 71,976	\$ 63,711	\$ 51,422	\$ 37,306	\$ 50,359
CMHC	Annual funding under Bilateral Agreement	64,017	76,451	89,392	-	-	-
Non-profit housing providers	Land/and or building lease payments on properties owned by the Corporation	1,382	1,355	1,293	1,105	1,077	15,366
Total		\$ 145,578	\$ 149,782	\$ 154,396	\$ 52,527	\$ 38,383	\$ 65,725

19. Contingencies

a) Letters of Credit

As at March 31, 2022, the Commission was contingently liable with respect to letters of credit totalling \$13,773,254 (2021: \$11,581,234) for municipal development cost charges.

b) Legal Claims

The nature of the Commission's activities is such that there will be litigation pending or in progress at any time. With respect to claims at March 31, 2022, management is of the opinion that it has valid defenses and appropriate insurance coverage in place, or if there is unfunded risk, such claims are not expected to have a material effect on the Commission's financial position. Outstanding contingencies are reviewed on an ongoing basis and are provided for based on management's best estimate of the ultimate settlement.

20. Financial Instrument Risks

The Commission, through its financial assets and liabilities, is exposed to credit risk, interest rate risk, market risk and liquidity risk. The following analysis provides a measurement of those risks at March 31, 2022:

a) Credit Risk

Credit risk is the risk that the Commission will incur a loss due to the failure by its debtors to meet their contractual obligations. Financial instruments that potentially subject the Commission to credit risk consist primarily of cash and portfolio investments, receivables, due from Province of British Columbia, due from Canada Mortgage and Housing Corporation, Due from Provincial rental Housing Corporation, mortgages and loans receivable and construction loans to housing projects.

Credit risk associated with cash is managed by investing these financial assets in instruments held with reputable Canadian chartered banks. Credit risk associated with portfolio investments is managed by investing in pooled funds that have a well-diversified portfolio of securities.

With respect to construction loans to housing projects, the development phase of a project bears some credit risk as a result of municipal zoning uncertainty, the capacity of non-profit housing providers, and

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2022

funding availability. During this phase, credit risk is mitigated by an assessment of collectability. During the construction phase of a project, credit risk is low with respect to construction loans to housing projects owned by non-profit housing providers as the loans are secured by property and repaid at substantial completion of the project (see Note 4).

With respect to mortgages and loans receivables, credit risk is mitigated as these receivables are also secured by property (see Note 5).

The Commission is also exposed to credit risk through its CMHC indemnifications as in the event of a loan default, the Commission is required to rectify the default and fully reimburse CMHC for claims paid and approved to lenders. This is further disclosed in note 16 (e). The Commission mitigates this risk by identifying and locating an alternate housing provider to own the asset, continue the operation and assume the loan obligation. Since the establishment of the Loan Insurance Agreement in January 1993, the Commission has never had a claim made against the Loan Insurance Agreement.

The Commission is not significantly exposed to credit risk on its receivables from the Province and from the Corporation.

b) Market Risk

Market risk is comprised of currency risk, interest rate risk and other price risk.

Interest rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Construction loans bear interest at the Province's weighted average borrowing rate, however this risk is mitigated due to the relatively stable Provincial borrowing rate and the fact that these loans are relatively short term in nature (within two years). Investments bear some interest rate risk, but these risks are mitigated through the diversification of the portfolio.

Other price risk

Other price risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market. The Commission has an investment policy to ensure investments are managed appropriately and invested in diversified funds to secure the preservation of capital and the availability of liquid funds. The Commission has also retained two qualified investment firms to invest surplus funds in accordance with its investment policy.

Currency risk - Currency risk is the risk arising from change in price of one currency in relation to another. The Commission is not exposed to currency risk.

c) Liquidity Risk

Liquidity risk is the risk that the Commission will not be able to meet its obligations as they fall due. The Commission maintains adequate levels of working capital to ensure all its obligations can be met as they become due. To further manage liquidity risk, the Commission has a borrowing limit of up to \$2.8 billion with the Province, including an additional approved \$2 billion borrowing limit for the HousingHub program. The debt is available by way of a series of rolling short-term promissory notes. The Commission therefore can access further financing through these promissory notes as they are repaid in stages through the receipt of cash on construction loans receivable. Further financing can also be obtained through transfers and grants from the Province to mitigate this risk. The Commission has the option to sell its portfolio investments.

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2022

The majority of the Commission's financial assets and liabilities are current, maturing within one year. The table below shows the various financial assets and liabilities that mature after one year.

2022 March 31

Financial assets	Up to 1 year (\$000's)	1 to 5 years (\$000's)	Over 5 years (\$000's)	Total (\$000's)
Construction loans to housing projects	\$ 446,772	\$ 480,793	\$ -	\$ 927,565
Mortgages and loans receivable	458	3,178	20,792	24,428
Total	\$ 447,230	\$ 483,971	\$ 20,792	\$ 951,993

Financial liabilities	Up to 1 year (\$000's)	1 to 5 years (\$000's)	Over 5 years (\$000's)	Total (\$000's)
Society funds held on deposit	\$ 2,844	\$6,110	\$19,728	\$ 28,682

2021 March 31

Financial assets	Up to 1 year (\$000's)	1 to 5 years (\$000's)	Over 5 years (\$000's)	Total (\$000's)
Construction loans to housing projects	\$ 769,558	\$ 169,610	\$ -	\$ 939,168
Mortgages and loans receivable	1,869	5,692	26,702	34,263
Total	\$ 771,427	\$ 175,302	\$ 26,702	\$ 973,431

Financial liabilities	Up to 1 year (\$000's)	1 to 5 years (\$000's)	Over 5 years (\$000's)	Total (\$000's)
Society funds held on deposit	\$ 2,537	\$ 6,386	\$ 13,987	\$ 22,910