

**British Columbia Housing
Management Commission
Financial Statements
March 31, 2018**

Contents

	<u>Page</u>
Statement of Management Responsibility	2
Independent Auditor's Report	3 - 4
Statement of Financial Position	5
Statement of Operations	6
Statement of Cash Flows	7
Statement of Remeasurement Gains and Losses	8
Statement of Change in Net Debt	8
Notes to the Financial Statements	9 - 20

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 25, 2018. 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



Dan Maxwell
Vice President of Corporate Services
And Chief Financial Officer

May 25, 2018



May 25, 2018

Independent Auditor's Report

To the Board of Commissioners of

British Columbia Housing Management Commission Independent Auditor's Report

We have audited the accompanying financial statements of British Columbia Housing Management Commission, which comprise the statement of financial position as at March 31, 2018 and the statements of operations, cash flows, remeasurement of gains and losses and changes in net debt / financial assets for the year then ended and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

*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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of British Columbia Housing Management Commission as at March 31, 2018 and the statements of operations, cash flows, remeasurement of gains and losses and changes in net debt / financial assets for the year then ended in accordance with Canadian public sector accounting standards.

Other matter

The financial statements of British Columbia Housing Management Commission for the year ended March 31, 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements on May 24, 2017.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

British Columbia Housing Management Commission


Statement of Financial Position

	March 31 2018 (\$000's)	March 31 2017 (\$000's)
Financial Assets		
Cash	\$ 561,647	\$ 550,044
Portfolio investments (Note 3)	91,023	98,762
Receivables (Note 4)	12,582	13,161
Due from Province of British Columbia (Note 15)	900	-
Due from Canada Mortgage and Housing Corporation	49,985	60,253
Construction loans to housing projects (Note 4)	241,523	277,877
Mortgages receivable (Note 5)	58,399	6,882
	<u>1,016,059</u>	<u>1,006,979</u>
Liabilities		
Accounts payable and accrued liabilities	42,809	37,207
Deferred revenue (Note 6)	226,967	114,167
Due to Provincial Rental Housing Corporation (Note 15)	200,431	236,397
Tenants' prepaid rent	1,397	893
Due to Provincial Treasury (Note 7)	25,028	5,000
Society funds held on deposit (Note 8)	24,350	19,915
Grants received in advance of construction (Note 9)	346,184	436,530
Social Housing Agreement Reserves (Note 10)	3,530	3,449
	<u>870,696</u>	<u>853,558</u>
Net financial assets / (debt)	<u>145,363</u>	<u>153,421</u>
Non-financial assets		
Prepaid expenses and housing subsidies	38,420	32,736
Tangible capital assets (Note 11)	12,822	11,918
	<u>51,242</u>	<u>44,654</u>
Accumulated surplus / (deficit)	<u>196,605</u>	<u>198,075</u>
Accumulated surplus / (deficit) comprises:		
Accumulated surplus from operations	201,235	201,200
Accumulated remeasurement loss	(4,630)	(3,125)
	<u>\$ 196,605</u>	<u>\$ 198,075</u>

Commitments (Note 14)

Contingencies (Note 17)

On behalf of the Board


_____ Chair

See accompanying notes to the financial statements

British Columbia Housing Management Commission

Statement of Operations

Year Ended March 31	2018 Budget (Note 12) (\$000's)	2018 Actuals (\$000's)	2017 Actuals (\$000's)
Revenue			
Provincial contributions	\$ 652,818	\$ 513,223	\$ 1,025,666
Federal contributions	233,501	208,583	255,425
Tenant rent	30,737	31,404	34,609
Other	13,935	24,662	19,797
Portfolio investment income	4,000	4,220	7,377
	<u>934,991</u>	<u>782,092</u>	<u>1,342,874</u>
Expenses			
Housing subsidies and grants	668,352	514,679	888,223
Rental assistance	124,313	118,060	114,351
Salaries and labour	59,297	58,120	54,124
Operating expenses	21,357	24,417	22,028
Building maintenance	13,970	18,414	17,425
Office and overhead	11,361	12,360	11,274
Building modernization and improvement	10,849	10,975	10,257
Building mortgage costs	8,499	8,498	8,525
Utilities	8,408	8,288	8,412
Grants in lieu of property taxes (Note 13)	7,099	7,162	7,532
Research and education	1,436	1,057	1,549
Interest expense	50	27	276
	<u>934,991</u>	<u>782,057</u>	<u>1,143,976</u>
Annual surplus from operations		<u>35</u>	<u>198,898</u>
Accumulated surplus from operations at beginning of year		<u>201,200</u>	<u>2,302</u>
Accumulated surplus from operations at end of year		<u>\$ 201,235</u>	<u>\$ 201,200</u>

See accompanying notes to the financial statements

British Columbia Housing Management Commission

Statement of Cash Flows

Year Ended March 31	2018 (\$000's)	2017 (\$000's)
Cash flows provided by (used in)		
Operating transactions		
Annual surplus from operations	\$ 35	\$ 198,898
Adjustments to determine cash flows:		
Change in non-cash working capital	123,169	(43,593)
Investment Income	(4,220)	(7,377)
Amortization	3,820	3,484
	<u>122,804</u>	<u>151,412</u>
Capital transactions		
Tangible capital asset additions & disposal	<u>(4,724)</u>	<u>(5,742)</u>
Investing transactions		
Construction loans provided to housing projects	36,354	(72,678)
Portfolio investments	10,547	(21,156)
Mortgages receivable	<u>(51,517)</u>	<u>(669)</u>
	<u>(4,616)</u>	<u>(94,503)</u>
Financing transactions		
Grants received in advance of construction	(90,346)	411,798
Due to Provincial Treasury	20,028	(78,341)
Due to Provincial Rental Housing Corporation	(35,966)	141,622
Social Housing Agreement Reserves	(12)	347
Society funds held on deposit	4,435	(1,010)
	<u>(101,861)</u>	<u>474,416</u>
Increase in cash	11,603	532,960
Cash, beginning of year	<u>550,044</u>	<u>17,084</u>
Cash, end of year	\$ <u>561,647</u>	\$ <u>550,044</u>

See accompanying notes to the financial statements

British Columbia Housing Management Commission

Statement of Remeasurement Gains and Losses

Year Ended March 31	2018 (\$000's)	2017 (\$000's)
Accumulated remeasurement gains, beginning of year	\$ (3,125)	\$ (4,702)
Amount released to income statement	1,010	-
Unrealized gain / (loss) attributable to portfolio investments	(2,515)	1,577
Net remeasurement changes for the year	(1,505)	1,577
Accumulated remeasurement loss, end of year	\$ (4,630)	\$ (3,125)

Statement of Changes in Net Financial Assets / (Debt)

Year Ended March 31	Budget (\$000's) (Note 12)	2018 (\$000's)	2017 (\$000's)
Annual surplus from operations		\$ 35	\$ 198,898
Net remeasurement changes for the year		(1,505)	1,577
		(1,470)	200,475
Depreciation of tangible capital assets		3,820	3,484
Disposal of tangible capital asset		7	-
Acquisition of tangible capital assets	(5,000)	(4,731)	(5,742)
		(904)	(2,258)
Acquisition of prepaid expenses and housing subsidies		(391,985)	(357,510)
Use of prepaid expenses and housing subsidies		386,301	354,899
		(5,684)	(2,611)
Changes in net financial assets / (debt) for the year		(8,058)	195,606
Net financial assets / (debt), beginning of year		153,421	(42,185)
Net financial assets / (debt), end of year		\$ 145,363	\$ 153,421

See accompanying notes to the financial statements

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2018

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) holds property for social housing for the Province. The subsidized rental housing units of the Corporation are managed and operated by the Commission. 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 licencing 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 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. Estimating the useful life of tangible capital assets and the collectability of receivables, construction loans to housing projects and mortgages receivable requires the greatest degree of estimation. 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).

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 has to meet in order to receive the contributions including authorization by the transferring entity.

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.

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2018

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. Desktop applications and computer hardware are depreciated on a three-year amortization period. Server applications and communications hardware and components are depreciated on a five-year amortization period. Enterprise applications are depreciated on a ten-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 57,000 active plan members and approximately 46,200 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, 2017, indicated an actuarial surplus of \$1.9 billion for basic pension benefits. The next valuation will be as at March 31, 2020 with results available in early 2021. The actuary does not attribute portions of the unfunded liability or surplus to individual employers. The Commission paid \$4,485,809 for employer contributions to the Plan in fiscal 2018 (2017: \$4,174,568).

g) 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 receivable, accounts payable and accrued liabilities, due to Provincial Rental Housing Corporation, due to Provincial Treasury, and Society funds held on deposit.

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.

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2018

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 operating statement and unrealized gains/losses from changes in fair value are recorded in the statement of remeasurement gains and 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.

h) Newly Adopted Accounting Standards

Effective April 1, 2017, the Commission adopted the following new accounting standards:

- i. PS 2200, Related Party Disclosures: PS 2200 defines a related party and establishes disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when the transactions have occurred at a value different from that which would have been arrived at if the parties were unrelated, and the transactions have, or could have, a material financial effect on the financial statements.
- ii. PS 3420, Inter-entity Transactions: PS 3420 establishes standards of how to account for and report transactions between public sector entities that comprise a government reporting entity from both a provider and a recipient perspective. Requirements of this standard are considered in conjunction with requirements of PS 2200.
- iii. PS 3210, Assets: PS 3210 provides guidance for applying the definition of assets set out in PS 1000, Financial Statement Concepts, and establishes general disclosure standards for assets. Disclosure of information about the major categories of assets that are not recognized is required. When an asset is not recognized because a reasonable estimate of the amount involved cannot be made, a disclosure should be provided.

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2018

- iv. PS 3320, Contingent Assets: PS 3320 defines and establishes disclosure standards for contingent assets. Contingent assets are possible assets arising from existing conditions or situations involving uncertainty. Disclosure of information about contingent assets is required when the occurrence of the confirming future event is likely.
- v. PS 3380, Contractual Rights: PS 3380 defines and establishes disclosure standards for 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. Disclosure of information about contractual rights is required including description of their nature and extent, and the timing.

Except for disclosure changes resulting from the adoption of PS 2200 and PS 3380, there was no impact to the financial statements upon transition to the other standards.

3. Portfolio Investments

BC Housing 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 four 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. The market yield during fiscal 2017/18 was 3.16% (2016/17: 10.21%).

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. In fiscal 2017/18, the allowance totalled \$4,045,000 (2016/17: \$4,292,000). 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 approved lender, the Commission funds construction draws for societies who are building approved projects under social housing programs. These advances are repaid at substantial completion of each project from financing arranged with private lenders. The average period of construction financing can range from eighteen months to over two years. Societies are charged interest at the Province's weighted average borrowing rate for short-term funds, plus administration costs. The current average yield for the portfolio is 1.24% (2016/17: 0.89%). The allowance for construction loans to housing projects for fiscal 2017/18 totalled \$8,713,000 (2016/17: \$7,109,000).

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2018

5. Mortgages 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, 2018, the total value of construction financing mortgages receivable was \$32,868,000 (2017: \$4,100,000). These mortgages are secured by property.

b) BC HOME Partnership Loans Receivable

Through the BC Home Owner Mortgage and Equity Partnership (BC HOME Partnership), the Commission assists 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 twenty 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% in 2017/18. 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 of March 31, 2018, the total value of the loan receivables was \$25,487,000 (2016/17: \$2,882,000).

6. Deferred Revenue

These funds are restricted contributions received in advance of related expenditures that are incurred in the following fiscal year.

	2017	Contributions	Revenue	
	2017	Received	Recognized	2018
	(\$000's)	(\$000's)	(\$000's)	(\$000's)
Provincial Contributions	\$ 44,384	\$ 217,361	\$ (82,312)	\$ 179,433
Canada Mortgage and Housing Corporation	69,748	186,054	(208,298)	47,504
Other Agencies	35	316	(321)	30
	\$ 114,167	\$ 403,731	\$ (290,931)	\$ 226,967

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 \$165 million bearing interest at a variable rate charged by the provincial Ministry of Finance.

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2018

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 minus 1.75%.

9. Grants Received in Advance of Construction

The Commission receives funds from the Province and CMHC, the use of which is restricted to the construction of specific social housing projects.

	2017 (\$000's)	Grants received (\$000's)	Construction costs incurred (\$000's)	2018 (\$000's)
Project Grants	\$ 14,898	\$ 3,883	\$ (10,305)	\$ 8,476
Provincial - Building Capital Renewal Funding	-	15,062	(15,062)	-
Provincial - Housing Priority Initiative	324,953	15,000	(78,001)	261,952
Provincial - Modular Supportive Housing		15,233	(15,233)	-
Provincial - Affordable Rental Housing		7,688	(7,688)	-
CMHC - Investment in Affordable Housing (Phase I and Phase II)	5,938	24	(4,655)	1,307
CMHC - Social Housing Agreement	628		(511)	117
CMHC - Social Infrastructure Fund	89,824	46,822	(62,603)	74,043
Ministry - Other	289			289
	\$ 436,530	\$ 103,712	\$ (194,058)	\$ 346,184

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.

	2018 (\$000's)	2017 (\$000's)
Balance, beginning of year	\$ 3,449	\$ 2,851
Funds applied	(12)	347
Investment income	93	251
Balance, end of year	\$ 3,530	\$ 3,449

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2018

11. Tangible Capital Assets

	2017 (\$000's)			2018 (\$000's)	
	Cost	Additions	Disposals	Cost	
Computer software	\$ 40,736	3,459	784	\$ 43,411	
Computer hardware	2,845	-	100	2,745	
Tenant improvements	10,396	923	-	11,319	
Office furniture	2,893	291	9	3,175	
Office equipment	164	-	11	153	
Vehicles	1,618	23	45	1,596	
Grounds equipment	533	35	25	543	
	\$ 59,185	4,731	974	\$ 62,942	
	Accumulated Depreciation	Amortization	Disposals	Accumulated Depreciation	
Computer software	\$ 30,573	2,980	777	\$ 32,776	
Computer hardware	2,637	144	100	2,681	
Tenant improvements	9,611	411	-	10,022	
Office furniture	2,654	105	9	2,750	
Office equipment	164	-	11	153	
Vehicles	1,124	164	45	1,243	
Grounds equipment	504	16	25	495	
	\$ 47,267	3,820	967	\$ 50,120	
Net Book Value	\$ 11,918			\$ 12,822	

12. Budget Figures

Budgeted figures are provided for comparative purposes, and are consistent with the budget presented in the 2017/18 Service Plan Update that was released in September 2017.

13. 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.

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2018

14. Commitments

a) Rental Obligations

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

		(\$000's)
2019	\$	5,243
2020		5,816
2021		5,982
2022		6,132
2023		6,278
Total	\$	29,451

b) Contractual Obligations

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 current annual subsidy is \$398,760,000 with a forecasted amount over five years as follows.

		(\$000's)
2019	\$	407,441
2020		241,919
2021		204,987
2022		197,327
2023		190,985
Total	\$	1,242,659

c) Public-Private Partnership Commitments

The Commission has entered into a public-private partnership project (P3) with Habitat Housing Initiative (HHI) to renovate thirteen 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 15). 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 grants and are expensed to the Corporation.

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2018

		Capital	Facility Maintenance		Total Payments	
		(\$000's)	and Lifecycle		(\$000's)	
			(\$000's)			
2019	\$	9,461	\$	2,731	\$	12,192
2020		9,461		2,444		11,905
2021		9,461		2,735		12,196
2022		9,461		2,228		11,689
2023		9,461		2,165		11,626
Thereafter		74,105		17,075		91,180
Total	\$	121,410	\$	29,378	\$	150,788

d) Loan Insurance Agreement

CMHC provides loan insurance under the *National Housing Act*, to assist the Commission in securing mortgages for the Corporation and not for 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 this agreement in January 1993, there has never been a claim made under this agreement. The Commission underwrites these mortgages in accordance with CMHC guidelines for multi-unit properties, places charges on title to ensure access to property and requires housing providers to have an operating agreement with the Commission ensuring ongoing access to financial information.

The maximum value of mortgages that can be insured under this agreement is \$3.5 billion. As of March 31, 2018, the total value of outstanding CMHC insured mortgages was \$2,241,937,129 (2017: \$2,119,062,248). There is no claim expected on this portfolio and the Commission has not recorded a provision for loss.

15. 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 \$71,979,000 (2017: \$71,084,000) to the Corporation for capital grants, self-insurance, mortgage subsidies, etc. As at March 31, 2018, amounts due to the Corporation totalled \$200,430,000 (2017: \$236,397,000) and represent funds advanced for the acquisition and development of properties under social housing programs. The advances are non-interest bearing with no set terms of repayment.

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2018

16. 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:

Contractual right with:	Description	2019 (\$000's)	2020 (\$000's)	2021 (\$000's)	2022 (\$000's)	2023 (\$000's)	Thereafter (\$000's)
CMHC	Annual funding under the Social Housing Agreement (SHA)	102,388	97,442	85,710	80,179	71,976	202,798
CMHC	Annual funding under the Extension to the Investment in Affordable Housing (IAH) Agreement	30,020	-	-	-	-	-
Non-profit housing providers	Land/and or building lease payments on properties owned by the Corporation	1,244	1,244	1,244	1,244	1,244	25,088
Total		\$ 133,652	\$ 98,686	\$ 86,954	\$ 81,423	\$ 73,220	\$ 227,886

17. Contingencies

a) Letters of Credit

As at March 31, 2018, the Commission was contingently liable with respect to letters of credit totalling \$3,748,206 (2017: \$2,638,522) 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, 2018, 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.

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2018

18. 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, 2018:

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 short-term investments, receivables, mortgages receivable and construction loans.

The Commission is not exposed to significant credit risk as the majority of receivables are due from CMHC and the Province. 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 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 project (see Note 4). In addition, credit risk is low with respect to mortgages receivable from non-profit housing providers and BC HOME Partnership loans as these receivables are also secured by property (see Note 5).

b) 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, but these loans are short term. Investments bear some interest rate risk but these risks are mitigated through the diversification of the portfolio.

c) Market Risk

Market 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 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.

British Columbia Housing Management Commission

Notes to the Financial Statements

March 31, 2018

d) 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. If the current funding, and cash on hand was insufficient to satisfy its current obligations, the Commission has the option to sell its portfolio investments.

The majority of the Commission's financial assets and liabilities are current, maturing within 0 to 1 year. The table below shows the various financial assets and liabilities that mature after 1 year.

2018					
Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total	
Construction loans to housing projects	154,868	86,655	-	241,523	
Mortgages receivable	31,036	1,906	25,457	58,399	
Total	\$ 185,904	\$ 88,561	\$ 25,457	\$	299,922

Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total	
Society funds held on deposit	\$ 1,105	\$ 4,601	\$ 18,644	\$	24,350

2017					
Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total	
Construction loans to housing projects	147,378	130,499	-	277,877	
Mortgages receivable	234	3,772	2,876	6,882	
Total	\$ 147,612	\$ 134,271	\$ 2,876	\$	284,759

Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total	
Society funds held on deposit	\$ 1,607	\$ 4,728	\$ 13,580	\$	19,915

e) Foreign Exchange Risk or Other Price Risk

The Commission is not exposed to foreign exchange risk or other price risk.