

Notice of Meeting and Meeting Agenda Hospitals and Housing Committee

Wednesday, May 5, 2021

1:30 PM

6th Floor Boardroom
625 Fisgard St.
Victoria, BC V8W 1R7

L. Helps (Chair), G. Orr (Vice Chair), D. Blackwell, S. Brice, F. Haynes, G. Holman, J. Loveday,
K. Murdoch, D. Screech, 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. [21-369](#) Minutes of the April 7, 2021 Hospitals and Housing Committee Meeting

Recommendation: That the minutes of the Hospitals and Housing Committee meeting of April 7, 2021 be adopted as circulated.

Attachments: [Minutes - April 7, 2021](#)

4. Chair's Remarks

5. Presentations/Delegations

In keeping with directives from the Province of BC, this meeting will be held by Live Webcast without the public present.

To participate electronically, complete the online application for "Addressing the Board" on our website. Alternatively, you may email the CRD Board at crdboard@crd.bc.ca.

5.1. [21-302](#) Presentation: Dr. Richard Stanwick, Island Health Re: 2020-21 Island Health Report to the CRD

Attachments: [Presentation: 2020-21 Island Health Report to CRD](#)

5.2. [21-349](#) Capital Regional Hospital District and Capital Region Housing Corporation Audit Findings Presentation, Lenora Lee, Lead Audit Engagement Partner, KPMG

6. Committee Business

- 6.1.** [21-254](#) Capital Regional Hospital District 2020 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 2020 Audit Findings Report be received and the Capital Regional Hospital District 2020 Audited Financial Statements be approved.
- Attachments:** [Staff Report: CRHD 2020 Audit Findings & Financial Statements](#)
[Appendix A: CRHD 2020 Audited Financial Statements](#)
[Appendix B: 2020 CRHD Audit Findings Report-KPMG](#)
[Appendix C: 2020 CRHD Additional Financial Analysis](#)
- 6.2.** [21-253](#) Capital Region Housing Corporation 2020 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 2020 Audit Findings Report be received and the 2020 Audited Financial Statements be approved.
- Attachments:** [Staff Report: CRHC 2020 Audit Findings and Financial Statements](#)
[Appendix A: CRHC 2020 Financial Statements](#)
[Appendix B: CRHC 2020 Audit Findings Report](#)
[Appendix C: 2020 Detailed Variance Analytics \(Financial Position\)](#)
[Appendix D: 2020 Detailed Variance Analytics \(Operations\)](#)
- 6.3.** [21-327](#) 2021 Minor Capital Projects and Equipment - Approval of Capital Bylaw
- Recommendation:** The Hospitals and Housing Committee recommends to the Capital Regional Hospital District Board:
1) That the recommended 2021 Minor Capital Projects totalling \$3,750,000 be approved and expensed from the 2021 requisition;
2) That the recommended 2021 equipment grants of \$30,000 to Mount St. Mary Hospital and \$2,925,000 to Island Health be approved and expensed from the 2021 requisition;
3) That Bylaw No. 406, "Capital Regional Hospital District Capital Bylaw No. 180, 2021" be introduced and read a first, second and third time; and
4) That Bylaw No. 406 be adopted.
- Attachments:** [Staff Report: 2021 Minor Capital Projs & Equip-Aprvl Capital Bylaw](#)
[Appendix A: Island Health 2021 Minor Capital Projs & Equip](#)
[Appendix B: Capital Bylaw No. 406](#)
- 6.4.** [21-364](#) Capital Region Housing Corporation 2020 Annual Report (Verbal Update)

6.5. [21-357](#) Previous Minutes of Other CRD Committees and Commissions for Information

Recommendation: That the following minutes be received for information:
a) Tenant Advisory Committee minutes - February 22, 2021

Attachments: [Minutes: Tenant Advisory Committee - February 22, 2021](#)

7. Notice(s) of Motion

8. New Business

9. Adjournment

The next meeting is June 2, 2021.

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

Meeting Minutes

Hospitals and Housing Committee

Wednesday, April 7, 2021

1:30 PM

6th Floor Boardroom
625 Fisgard St.
Victoria, BC V8W 1R7

PRESENT

Directors: L. Helps (Chair), G. Orr (Vice Chair) (EP), D. Blackwell (EP), S. Brice (1:34 pm) (EP), F. Haynes (EP), G. Holman (EP), J. Loveday (EP), K. Murdoch (EP)

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

EP - Electronic Participation

Regrets: Directors D. Screech, C. Plant (Board Chair, ex officio)

The meeting was called to order at 1:30 pm.

1. Territorial Acknowledgement

Chair Helps provided a Territorial Acknowledgement.

2. Approval of Agenda

MOVED by Director Murdoch, **SECONDED** by Director Haynes,
That the agenda for the April 7, 2021 Hospitals and Housing Committee meeting
be approved.
CARRIED

3. Adoption of Minutes

3.1. [21-236](#) Minutes of the March 3, 2021 Hospitals and Housing Committee Meeting

MOVED by Director Murdoch, **SECONDED** by Director Haynes,
That the minutes of the Hospitals and Housing Committee meeting of March 3,
2021 be adopted as circulated.
CARRIED

4. Chair's Remarks

Chair Helps thanked staff for their ongoing commitment.

5. Presentations/Delegations

There were no presentations or delegations.

6. Committee Business

6.1. [21-240](#) 2780 Spencer Road Mortgage Registration and Final Budget Approval

K. Lorette spoke to Item 6.1.

Discussion ensued on the type of legal agreements in place to ensure current tenants receive affordable housing.

**MOVED by Director Blackwell, SECONDED by Director Haynes,
The Hospitals and Housing Committee recommends to the Capital Region
Housing Corporation Board:**

- 1) That the Major Capital Plan (2021-2025) be amended, and the final project budget for 2780 Spencer Road be approved at a value of \$19,883,209;
- 2) That the resolutions, attached as Appendix A and Appendix B and required by BC Housing Management Commission to authorize the execution of the Section 219 Covenant and the Loan and Mortgage documents for 2780 Spencer Road (PID 031-284-914) be approved; and,
- 3) That duly authorized staff or executive officer(s) be authorized to do all things necessary to effect the project and take such steps as are required to conclude the purchase and construction, as set out in the letter of intent.

CARRIED

6.2. [21-244](#) Reaching Home and Canadian Medical Association Foundation COVID-19 Funding

K. Lorette spoke to Item 6.2.

Discussion ensued on how decisions were made to allocate funding from a particular stream.

Director Loveday declared a personal conflict and recused himself from the meeting at 1:45 pm

**MOVED by Director Murdoch, SECONDED by Director Orr,
The Hospitals and Housing Committee recommends to the Capital Regional
District Board:**

**That the Reaching Home and Canadian Medical Association Foundation
COVID-19 Funding report be received for information.**

CARRIED

7. Notice(s) of Motion

There were no Notice(s) of Motion.

8. New Business

There was no new business.

9. Motion to Close the Meeting

9.1. [21-301](#) 9. Motion to Close the Meeting

MOVED by Director Brice, **SECONDED** by Director Orr,
That the meeting be closed for Labour Relations under Section (90)(1)(c) of the
Community Charter.
CARRIED

The Hospitals and Housing Committee moved into closed session at 1:49 pm.

10. Adjournment

The Hospitals and Housing Committee rose from the closed session at 1:54 pm
without report.

MOVED by Director Blackwell, **SECONDED** by Director Orr,
That the April 7, 2021 Hospitals and Housing Committee meeting be adjourned at
1:54 pm.
CARRIED

Chair

Recorder

2020–21 Island Health Report to the CRD

Dr. Richard Stanwick

Vice President, Population Health and
Chief Medical Health Officer



Improving Health Outcomes For All Populations



March 2020 – COVID-19 State of the Province

Province-wide restrictions



- ✓ BC Schools
- ✓ RCMP Community Stations
- ✓ Dentist & Medical Offices
- ✓ Casinos
- ✓ Restaurants
- ✓ Fitness and Recreation Centres.....and many others.....

All Close

What we know about COVID-19 and Smoking

Effects

- People who smoke and vape – even younger people - are at higher risk of more severe illness and complications from COVID-19.

Source: BCCDC

Priority

- Education to reduce the spread

Action

- Facilitate messaging for public education

Sources and Modes of Information during Pandemic





BC Centre for Disease Control



McCreary
Centre Society

quitnow.ca



BRITISH
COLUMBIA



Promotion of Trusted Sources of Information



Education & Awareness

MAY 13, 2020



island health



COVID-19

WHAT ABOUT SMOKING
AND VAPING DURING
COVID-19?

Education & Awareness

United States



motiamerica • Follow



motiamerica [❤️For You: SURGICAL MASKS & MOTI Piin❤️]
👉Compared with cigarettes, #vapes are 95% less harmful to the #lungs 🗨️. During #Covid_19 pandemic we recommend using MOTI to alternate cigarettes for your #health. 👤👤

👉 [🤔What can you get?]
👉 2 pieces of Disposable #SurgicalMasks
👉 1 piece of #MOTIPiin
👉 20% off coupon: QDM6S9 .

👉 Follow @motiamerica and @motiglobal. Like this lovely post. We'll choose 5 lucky fam on my Facebook and Instagram on March 31st. 🎁👤 Who will be the lucky

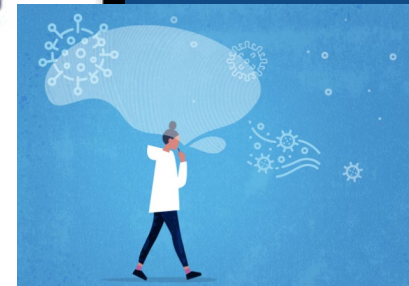


54 likes

1 DAY AGO

Add a comment...

Post



Instagram Takeover



Island Health & Pacific FC partnered for an “Instagram Takeover” to share messaging for COVID Safety.

Instagram Takeovers can help Island Health reach priority populations.



Education & Awareness



FIGHTING COVID-19 TOGETHER
PACIFIC FC TAKES OVER
ISLAND HEALTH INSTAGRAM



962 Visits

Education & Awareness

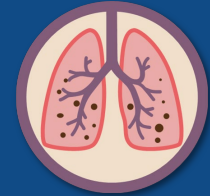
Island Health Website

CRD Clean Air Bylaw

Website is maintained and hosted
by Island Health

Information can be found on:

- ✓ Clean air benefits
- ✓ Enforcement of the bylaw
- ✓ Resources – FAQ's, Info sheets
- ✓ Contact details
- ✓ Downloadable and printable signs, posters and pamphlets
- ✓ Links to resources for Quitting



BREATHE
the lung association



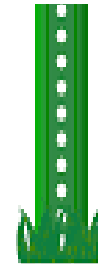
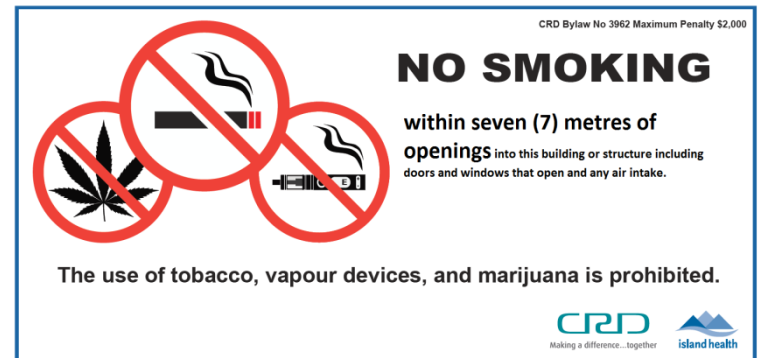
quitnow.ca

Education & Awareness

Signage April 2020-March 2021

Distribution, Education, Inspections

- Additional “No smoking” signage and purchased for distribution.
 - ✓ **2,500** window clings
 - ✓ **2,500** thick decals
- Signage templates are available on the Island Health Clean Air Bylaw website.
- Clean Air Bylaw Inspections include compliance checks & signage distribution throughout the CRD and the Gulf Islands.
 - ✓ **2,426** Clean Air Bylaw Inspections were conducted
 - ✓ **601** new signs were delivered to new and existing businesses



Bylaw Enforcement

Effective enforcement in regulatory practice incorporates both preventative and restrictive strategies

(Baldwin, Cave, & Lodge, 2012).

Voluntary Compliance

Education and awareness campaigns
Signage
Individual education conversations
Verbal and Written warnings

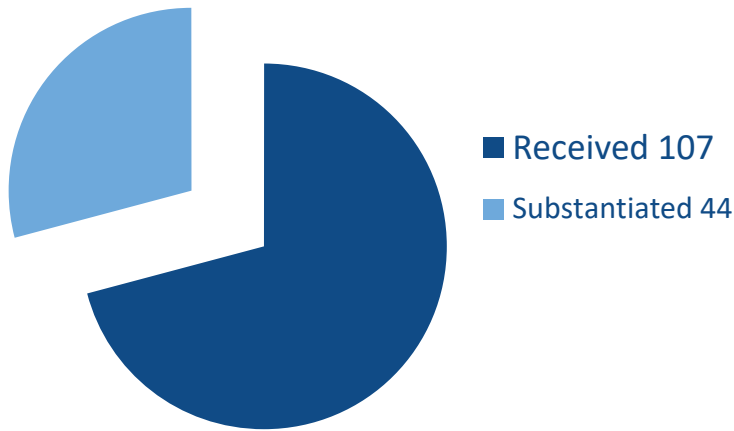
Enforcement

Municipal Tickets
Injunctions
Prosecutions

- On the preventative and corrective end of the continuum are positive, enabling, and supportive enforcement strategies, and at the opposite end, are restrictive, directive, or prescriptive enforcement methods (Colbert, 2014).
- The CRD Clean Air Bylaw is enforced on a continuum between voluntary compliance and enforcement measures. The approach is focused on voluntary compliance measures that encourage, promote and educate the public for compliance.

Enforcement Complaints

Complaints Received 2020-2021



Substantiated Complaints

General Buildings	11
Shopping Malls	0
Parks/Athletic Fields	21
Restaurants	2
Public Squares	0
Bus Stops	6
Vehicle	1
Retail Store	3

Complaint Based Non-compliance Violations by Section

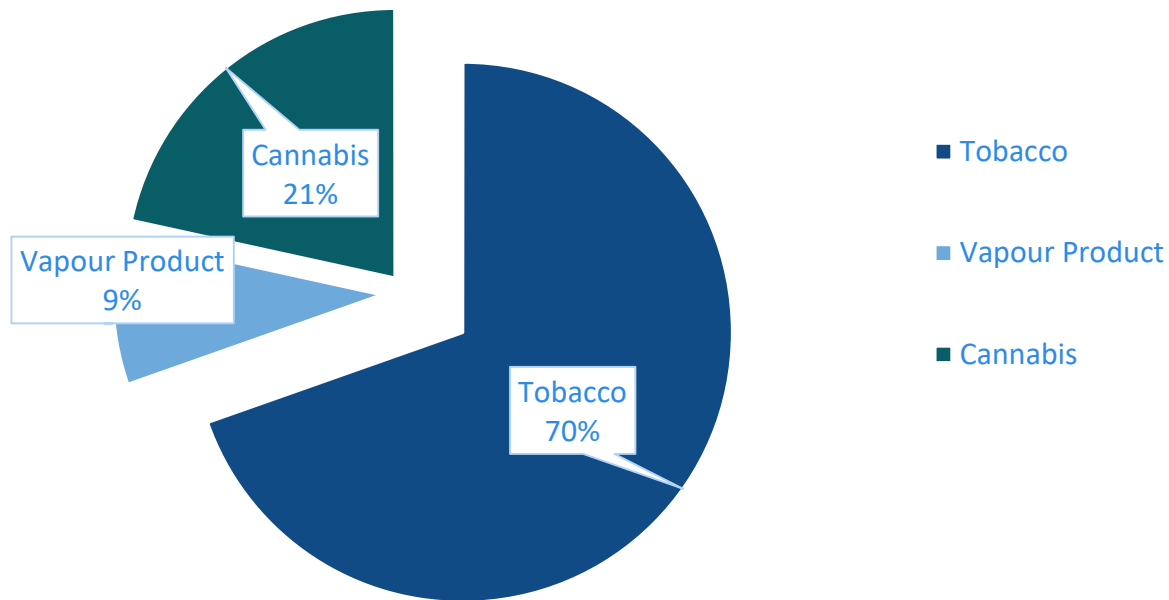
Section	Prohibitions	Quantity
2(1)(a)	Smoking in any park except in a private vehicle	21
2(1)(b)	Smoking in any designated public space	3
2(1)(e)	Smoking in an area where food & beverage are served	2
2(1)(f)	Smoking inside a vehicle or passenger conveyance	1
2(1)(g)	Smoking within 7M of a door, window, or air intake	13
2(1)(h)	Smoking within 7M of a bus stop	6
3(1)(d)	Signage must be displayed at each entrance of a building	3
4(1)(a)	No Smoking sign shall state the phrase “no smoking”	2
4(1)(b)	No smoking sign shall state a graphic symbol substantially	2
Total		53

**Non-compliance violations
with the Clean Air Bylaw
by Section**



Progressive Enforcement Outcomes

Progressive enforcement activities for violations of CAB during patrols by substance
2020-2021



Patrol outcomes Non-compliance Violations by Section

Section	Prohibitions	Quantity
2(1)(a)	Smoking in any park except in a private vehicle	67
2(1)(b)	Smoking in any designated public space	8
2(1)(c)	Smoking in any school yard	0
2(1)(d)	Smoking inside any part of a building or structure	0
2(1)(e)	Smoking in an area where food & beverage are served	0
2(1)(f)	Smoking inside a vehicle or passenger conveyance	0
2(1)(g)	Smoking within 7M of a door, window, or air intake	15
2(1)(h)	Smoking within 7M of a bus stop	12
Total		102

**Non-compliance violations
with the Clean Air Bylaw
by Section**



Idling, Tanning & Tattoo Bylaws



Substantiated Complaints 2020 - 21	
Tattoo Premise Routine Inspections	9
Tattoo Premise Initial Inspections	6
Tattoo Premise Complaints	0
Idling Complaints	6
Public Squares	0
Tanning Facility Complaints	0

Environmental Health Officers (EHO's) enforce through inspection, complaint follow-up and investigations.

Successes

Increased alignment between the CRD Clean Air Bylaw and the provincial legislation enables residents to clearly understand and comply with the Clean Air Bylaw.

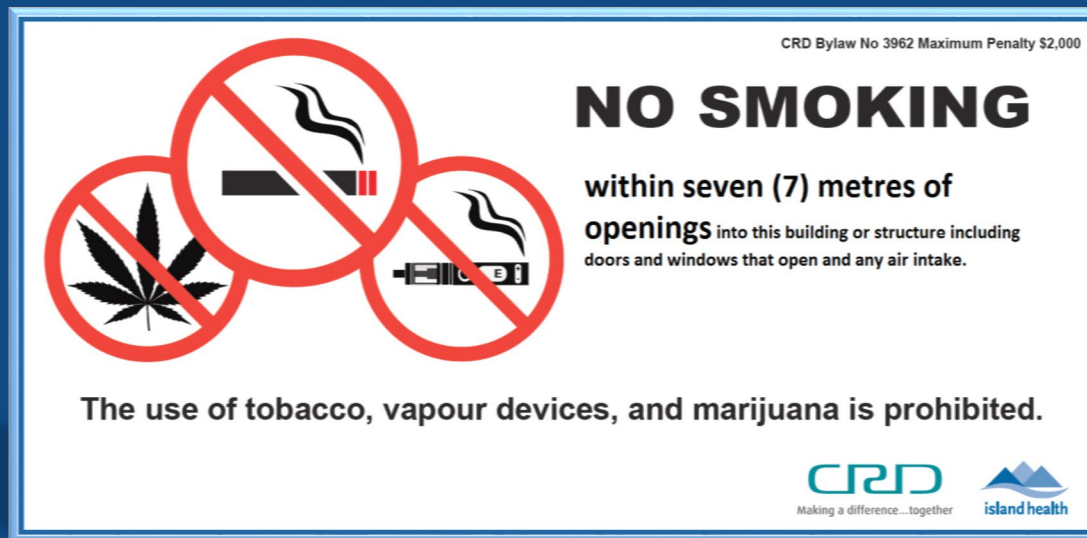
- The CRD Clean Air Bylaw No 3962 amendment adopted January 9, 2019, has resulted in alignment with changes to the 2016 provincial legislation.
- The Clean Air Bylaw No. 3962 makes all parks, playgrounds, playing fields, public squares and bus stops smoke-free. It includes 7 meter smoke-free buffer zones outside of business doorways, windows and air intakes and an expanded definition of smoking to include all substances.
- The use of tobacco, vapour devices and cannabis is strictly prohibited.



Successes

The CRD Clean Air Bylaw No 3962 amendment adopted January 9, 2019, has resulted in an expanded definition of “smoke” and “smoking”.

- ✓ **“smoke” or “smoking”** means burning a cigarette or cigar containing tobacco or another substance, or burning or heating tobacco or another substance using a pipe, hookah pipe, lighted smoking device or vapourizing device.



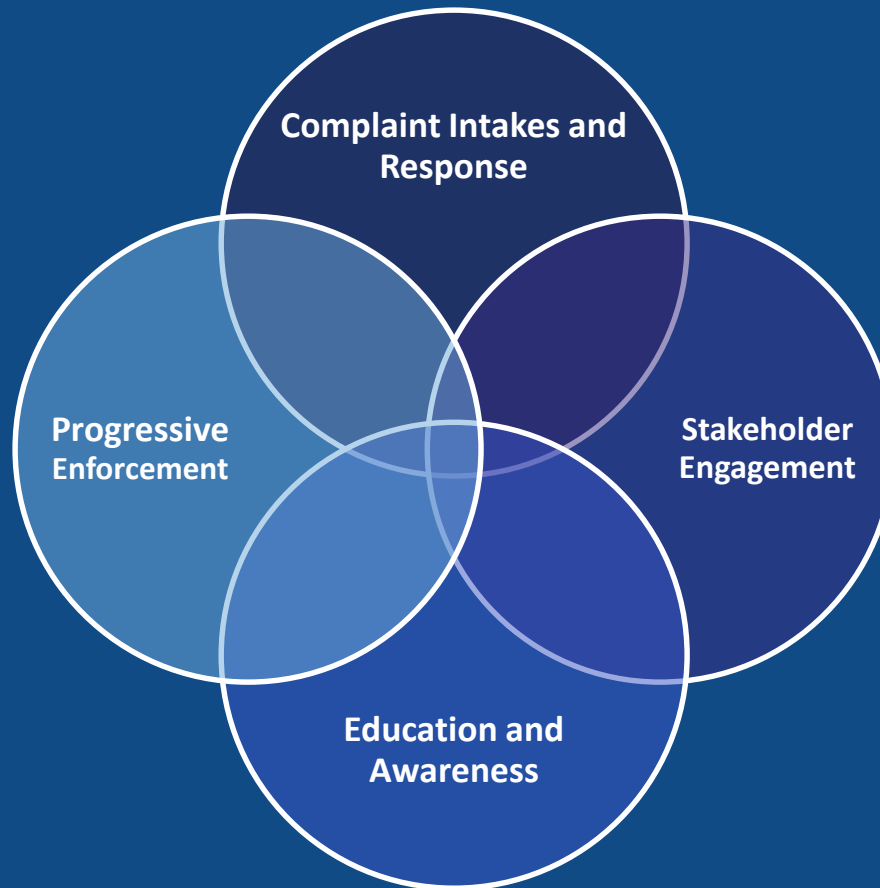
Successes

Cannabis Legalisation

- Federal Government legalized non-medical cannabis September 2018.
- Provincial Government of British Columbia legalized cannabis on October 17, 2019
 - ✓ Smoking of cannabis is allowed in spaces where tobacco and vaping are permitted.
 - ✓ Smoking or vaping of medical cannabis will be banned in areas frequented by children, including community beaches, parks and playgrounds.
- The Clean Air Bylaw amendment resulted in CRD restrictions on cannabis being in place before the provincial legalization.



Moving Forward



Moving Forward



In Person Social Interactions

Build on Virtual Capabilities



COVID-19 Vaccine Information
bccdc.ca/covid19vaccine
Vaccination

Provincial Health Services Authority
BC Centre for Disease Control

Learn from Pandemic to guide education & awareness planning and activities

Don't pass around snacks, drinks, smokes, tokes, and vapes.

Now is not the time for sharing anything that's been in your mouth.

Capital Regional District Clean Air Bylaw

The Capital Regional District Bylaw No. 3962 makes all parks, playgrounds, playing fields, public squares and bus stops smoke-free. It also extends smoke-free buffer zones outside of business doorways, windows and air intakes to seven metres.

The use of tobacco, vapour devices and cannabis is strictly prohibited.



EFFECTIVE MAY 9, 2018

Enjoy outdoor public spaces in your municipality,
free of smoke from tobacco and vapour devices,
as well as cannabis when legalized:

• parks • playgrounds • playing fields • public squares • 7m buffer zones

Warnings and fines may be issued to keep public spaces smoke-free.

Call 250-360-1450 viha.ca/cleanair
cleanairbylaw@viha.ca

Clean Air Bylaw 3962

CRD
Making a difference...together

island health



**REPORT TO THE HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, MAY 05, 2021**

SUBJECT **Capital Regional Hospital District 2020 Audit Findings Report and Audited Financial Statements**

ISSUE SUMMARY

To receive the Capital Regional Hospital District (CRHD) 2020 Audit Findings Report and approve 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. CRHD shares the same boundaries, 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 2020 Financial Statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards (PSAS), as recommended by the Public Sector Accounting Board (PSAB).

Partnering with Island Health and community stakeholder agencies, the CRHD supports a healthy region by investing in healthcare service and strategic capital priorities including upgrades and renewal of existing health facilities and medical equipment, expansion of existing facilities, and new projects. Financial activities consist of raising 30–40% of the costs of approved capital projects and purchases as proposed annually by Island Health. More recently, the CRHD has taken an active role in the development and construction of capital projects. Island Health took possession of the newly constructed long-term care Summit building on February 1, 2020. Despite challenges presented by COVID-19, residents were successfully moved in and the facility began operating as a care home in July 2020. Subsequent to completion of the Summit project, the CRHD acquired the Oak Bay Lodge property from Island Health in August 2020. During 2021, the CRHD plans to move forward with deconstruction of the building on the property, while concurrently investigating possible uses for the land in partnership with the health authority.

To ensure accountability for CRHD expenditures, the CRD provides oversight and review of facility projects and expenditures for major capital projects (greater than \$2 million), minor capital projects (between \$100,000 and \$2 million), healthcare equipment and non-traditional projects. The CRD also works through community-based networks to identify the need for non-traditional capital funding requirements in the areas of primary and complex long-term healthcare services.

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

Attached as Appendix A are the CRHD 2020 Audited Financial Statements. These also include Schedule A which provides a listing of grants 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 13, 2021.

ALTERNATIVES

Alternative 1

That the Hospitals and Housing Committee recommend to the Capital Regional Hospital District Board:

That the Capital Regional Hospital District 2020 Audit Findings Report be received and the Capital Regional Hospital District 2020 Audited Financial Statements be approved.

Alternative 2

That the Capital Regional Hospital District 2020 Audit Findings Report be received and the Capital Regional Hospital District 2020 Audited Financial Statements be referred back to staff for additional information.

IMPLICATIONS

Financial Implications

Audit Findings Report

The Auditor's opinion is included in the financial statements in Appendix A. In KPMG's opinion, the financial statements present fairly, in all material respects, the financial position of the Capital Regional Hospital District as at December 31, 2020, along with the results of its operations, its change in net assets and its cash flows for the year then ended in accordance with Canadian PSAS.

The Audit Findings Report (Appendix B) provides the results of the KPMG audit, and reports specific results in areas of focus identified in the Audit Planning Report presented to the CRHD Board on January 13, 2021.

Financial Statements

The Statement of Financial Position and the Statement of Operations form the basis of the audited financial statements and are similar to the Balance Sheet and Income Statement, respectively, in private organizations. The CRHD financial statements are prepared and presented in accordance with Canadian PSAS.

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 the nature of business for CRHD is to secure funds and provide capital funding for projects, the CRHD typically reports a net debt and accumulated deficit position in the Statement of Financial Position.

Financial Assets

Financial assets of \$28.3 million is a decrease of (\$6.5) million or (19%) from 2019. The decrease in table 1 is primarily a reduction of (\$6.8) million in cash and cash equivalents due to the completion of the Summit project, an increase of \$0.7 million due from the Capital Regional District (CRD) for one-time VIHA payment transfer outstanding at year end and a decrease of (\$0.5) million in debt reserve refund other income.

Table 1 – Change in Financial Assets Year over Year

Statement of Financial Position (\$ millions)	2020	2019	\$ Change	% Change
Financial Assets				
Cash and cash equivalents	23.6	30.4	(6.8)	(22%)
Due from CRD	0.7	-	0.7	100%
Other	0.06	0.3	(0.3)	(82%)
Restricted cash – MFA DRF	3.9	4.1	(0.2)	(4%)
Total Financial Assets	\$28.3	\$34.8	(\$6.5)	(19%)

Financial Liabilities

Table 2 displays financial liabilities of \$146.0 million which primarily consists of \$3.8 million in accounts payable and other liabilities and \$141.9 million in outstanding long-term debt. The accounts payable balance decreased by \$4.7 million over prior year; this decrease is primarily due to the completion of the Summit project and release of construction contract holdbacks in 2020. Long-term debt decreased by \$19.8 million over prior year, as a result of debt maturities exceeding new debt borrowings in 2020.

Table 2 – Change in Financial Liabilities Year over Year

Statement of Financial Position (\$ millions)	2020	2019	\$ Change	% Change
Financial Liabilities				
Accounts payable & other liabilities	3.8	8.5	(4.7)	(56%)
Deferred revenue	0.4	-	0.4	100%
Due to CRD	-	0.1	(0.1)	(100%)
Long-term debt	141.9	161.7	(19.8)	(12%)
Total Financial Liabilities	\$146.0	\$170.3	(\$24.3)	(14%)

Non-Financial Assets

As shown in table 3, non-financial assets of \$99.7 million consist solely of tangible capital assets. The increase of \$10.7 million from prior year is primarily attributed to the acquisition of the Oak Bay Lodge property at 2251 Cadboro Bay Road. Additional detail is presented in Note 5 of the 2020 Financial Statements.

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

Statement of Financial Position (\$ millions)	2020	2019	\$ Change	% Change
Non-Financial Assets				
Tangible Capital Assets	99.7	89.0	10.7	12%

At December 31, 2020, the accumulated deficit in table 4 is \$18.0 million (2019: \$46.6 million) which represents the total assets less total financial liabilities. The net change in accumulated deficit decreased by \$28.5 million or 61% over prior year due primarily to the reduction in long-term debt and an increase in tangible capital assets.

Table 4 – Change in Accumulated Deficit Year over Year

Statement of Financial Position (\$ millions)	2020	2019	\$ Change	% Change
Accumulated deficit	(18.0)	(46.6)	28.5	(61%)

2. Statement of Operations

The Statement of Operations reports the annual results of the entity’s financial activities, presenting revenues less expenses and the net surplus.

Revenue

Revenue from all sources totaled \$50.0 million in 2020, table 5 displays the change year over year of revenue by source and the total increase of \$11.4 million or 29% over prior year.

Table 5 – Change in Revenue Year over Year

Statement of Operations (\$ millions)	2020	2019	\$ Change	% Change
Taxation	29.4	30.7	(1.4)	(4%)
Payments in lieu of taxes	0.9	0.9	-	(2%)
Lease and other property revenue	4.1	-	4.1	100%
Interest income	0.4	1.2	(0.8)	(68%)
Debenture maturity refund	0.02	0.01	-	-
Contributed revenue	9.3	-	9.3	100%
Actuarial adjustment of long-term debt	6.0	5.7	0.2	4%
Total Revenue	\$50.0	\$38.6	\$11.4	29%

Of the total increase, \$4.0 million is due to the commencement of the Summit long-term lease with Island Health, while another \$9.3 million is a result of the of the Oak Bay Lodge property. The property, with a fair market value of \$9.3 million, was acquired for \$10 resulting in the difference net of closing costs reflected as contributed revenue.

Expenses

Expenses consist of grants to district hospitals, interest on debt, and operating expenditures and amortization expense and are represented in the table below. Table 6 shows the change in expenses by type over prior year:

Table 6 – Change in Expenses Year over Year

Statement of Operations (\$ millions)	2020	2019	\$ Change	% Change
Grants to district hospitals	9.0	6.4	2.6	40%
Interest on long-term debt	8.0	9.5	(1.6)	(16%)
Amortization	3.1	-	3.1	100%
Operating expenses	1.4	0.9	0.5	55%
Total Expenses	\$21.5	\$16.9	\$4.6	27%

Grants to district hospitals in the year were \$9.0 million, an increase of \$2.6 million or 40% over prior year. Grants vary year-over-year depending on the timing of projects and grant-claim submissions of the various capital projects. Of grants paid in 2020; 83% of the CRHD contributions went towards various minor capital projects in the region and 17% went towards major capital projects such as various Urgent and Primary Care Centres and the Beacon Community Services Expansion.

The decrease in interest on long-term debt of (\$1.6) million due to lower balances payable and lower interest on new issuances and renewals of existing debt.

In 2020, the CRHD recorded an amortization expense of \$3.1 million related to the Summit facility. Recording amortization was a new requirement for CRHD in 2020 due to the capitalization of the Summit building at December 31, 2019. The Summit is the first depreciable tangible capital asset and will result in the recording of an annual amortization expense on a straight line basis throughout the useful life of the asset.

Operating expenses are administration, feasibility studies and property management costs. The \$0.5 million increase is primarily attributed to the acquisition of the Oak Bay Lodge property and related studies and fixed overhead costs.

Accumulated Deficit

The accumulated deficit represents the sum of all of the annual surpluses and deficits to date for the CRHD. Table 7 reconciled the opening and closing balance with the annual surplus:

Table 7 – Annual Surplus and Change in Accumulated Deficit Year over Year

Statement of Operations (\$ millions)	2020	2019	\$ Change	% Change
Annual surplus	28.5	21.8	6.7	31%
Accumulated deficit, beginning	(46.6)	(68.4)	21.8	(32%)
Accumulated deficit, ending	(18.0)	(46.6)	28.5	(61%)

In 2020, operations resulted in an annual surplus of \$28.5 million, an increase of \$6.7 million or 31%; this reduced the accumulated deficit from \$46.6 million in prior year to \$18.0 million at December 31, 2020. The increase in surplus is attributable to an increase in lease revenue, an increase in contributed revenue and an overall decrease in interest expense on long term debt.

3. Statement of Change in Net Debt

The Statement of Change in Net Debt is summarized in table 8 and is primarily designed to explain the difference between the CRHD’s annual surplus reported on the Statement of Operations and the change in net debt.

Table 8 – Change in Net Debt Year over Year

Statement of Change in Net Debt (\$ millions)	2020	2019
Change in net debt	17.8	(8.7)
Net debt, beginning of year	(135.5)	(126.8)
Net debt, end of year	(\$117.7)	(\$135.5)

In 2020, the CRHD’s net debt position of \$117.7 million decreased by \$17.8 million or 13% over prior year. The change in net debt in 2020 is a result of the acquisition of tangible capital assets of \$13.8 million relating to Oak Bay Lodge and Summit.

4. Statement of Cash Flows

The Statement of Cash Flows reports the sources and uses of cash during the period and table 9 displays the total cash flow activity by category from the statement:

Table 9 – Change in Cash and Cash Equivalents Year over Year

Statement of Cash Flows (\$ millions)	2020	2019
Operating activities	11.6	16.2
Capital activities	(4.5)	(30.4)
Investing activities	-	26.0
Financing activities	(13.8)	(7.9)
Net change in cash & cash equivalents	(6.8)	3.9
Cash & cash equivalents, beginning of year	30.4	26.5
Cash and cash equivalents, end of year	\$23.6	\$30.4

The net change in cash and cash equivalents in 2020 was a decrease of \$6.8 million, a result of cash received from operating activities of \$11.6 million less investment in tangible capital assets of \$4.5 million, less net repayment of debt of \$13.8 million.

5. Schedule

A. Schedule of Grants to District Hospitals

Schedule A summarizes the amounts raised for capital grants which are approved in the annual capital and operating plan. CRHD cost shares between 30-40% of approved project costs and the CRHD share of authorized projects at December 31, 2020, is \$33.5 million (2019: \$29.7 million). This includes: equipment grants, major capital projects (Unit Dose Medication Distribution Project, St. Anthony's Westshore Urgent and Primary Care, James Bay Urgent and Primary Care, Beacon Community Services Expansion and the Victoria Urgent and Primary Care) and various minor capital projects which are cash flowed over several years. Capital grant expenses in the year were \$9.0 million and the value of projects completed during the year is \$10.2 million.

Appendix C provides graphical presentation of the 2020 total grants expense by facility.

6. Financial Indicators

Financial indicators are metrics used to quantify current conditions and to forecast financial and economic trends. They can be used as a tool to evaluate overall financial condition of the entity. The following indicators are relevant to CRHD's performance and financial sustainability.

6.1 Debt service costs as a percentage of revenue (Debt Service Ratio)

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 grants for health facility infrastructure, a high debt servicing ratio is expected. CRHD's debt servicing costs as percentage of revenue at December 31, 2020 is 45% (2019: 64%).

Refer to Appendix C for a comparison of CRHD to other Hospital Districts on Vancouver Island and in southern British Columbia.

6.2 Current assets versus current liabilities (Current Ratio)

The current ratio is a measure of the liquidity of an organization, meaning the CRHD's ability to meet current obligations through the use of 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 at December 31, 2020, is 5.9 to 1 (2019: 3.6 to 1), indicating CRHD's current assets are sufficient to pay current liabilities 5.9 times.

6.3 Interest costs as a percentage of total revenues (Interest Coverage Ratio)

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 at December 31, 2020 is 6.3, meaning the CRHD's revenue is sufficient to repay interest expense 6.3 times over (2019: 4.1).

CONCLUSION

Board approval of the CRHD 2020 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, 2020, and the results of the financial activities for the year then ended are in accordance with Canadian Public Sector Accounting Standards.

RECOMMENDATION

That the Hospitals and Housing Committee recommend to the Capital Regional Hospital District Board:

That the Capital Regional Hospital District 2020 Audit Findings Report be received and the Capital Regional Hospital District 2020 Audited Financial Statements be approved.

Submitted by:	Rianna Lachance, BCom, CPA, CA, Senior Manager, Financial Services
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer
Concurrence:	Kevin Lorette, P. Eng., MBA, General Manager, Planning & Protective Services
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

ATTACHMENT(S)

- Appendix A: CRHD 2020 Audited Financial Statements
- Appendix B: CRHD Audit Findings Report for the year ended December 31, 2020 (KPMG)
- Appendix C: 2020 CRHD Detailed Variance Analytics

Capital Regional Hospital District

2020 Financial Statements

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INDEPENDENT AUDITORS' 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, 2020
- the statement of operations for the year then ended
- the statement of changes 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, 2020, and its results of operations, its changes 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 "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' 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.

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.

Auditors' 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 auditors' 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 auditors' 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 auditors' 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
_____ 2021

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 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 District'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, 2020.

On behalf of Capital Regional Hospital District,

Nelson Chan, MBA, FCPA, FCMA
Chief Financial Officer
May 12, 2021

Statement of Financial Position

As at December 31, 2020

	2020	2019
Financial assets		
Cash and cash equivalents (Note 2)	\$ 23,627,273	\$ 30,379,935
Accounts receivable		
Due from Capital Regional District	701,170	-
Other	58,046	314,592
Restricted cash - MFA Debt Reserve Fund (Note 3)	3,905,704	4,068,049
	<u>28,292,193</u>	<u>34,762,576</u>
Financial liabilities		
Accounts payable and other liabilities	3,783,702	8,506,833
Deferred revenue	361,515	-
Due to Capital Regional District	-	123,208
Long-term debt (Note 4)	141,896,510	161,663,460
	<u>146,041,727</u>	<u>170,293,501</u>
Net debt	(117,749,534)	(135,530,925)
Non-financial assets		
Tangible capital assets (Note 5)	99,710,197	88,960,507
Commitments (Note 6)		
Contractual obligations (Note 7)		
Contractual rights (Note 8)		
Accumulated Deficit (Note 10)	<u>\$ (18,039,337)</u>	<u>\$ (46,570,418)</u>

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, 2020

	Budget	2020	2019
	(Note 11)		
Revenue			
Taxation - Municipalities	\$ 27,226,407	\$ 27,226,407	\$ 28,547,725
Taxation - Electoral Areas	2,068,174	2,068,174	2,107,057
Taxation - First Nations	88,466	88,466	95,196
Payments in lieu of taxes	890,109	890,109	925,163
Lease and other property revenue	4,032,420	4,054,227	-
Interest income	175,000	390,713	1,208,798
Debenture maturity refund	244,000	19,291	12,680
Contributed revenue	-	9,299,990	-
Actuarial adjustment on long-term debt	-	5,960,910	5,741,710
	34,724,576	49,998,287	38,638,329
Expenses			
Grants to district hospitals (Schedule A)	13,547,009	9,033,239	6,439,785
Interest on long-term debt	8,519,580	7,969,899	9,520,398
Interest on temporary borrowings	65,000	1,367	906
Amortization	-	3,077,136	-
Operating expenses	1,282,137	1,385,565	891,139
	23,413,726	21,467,206	16,852,228
Annual surplus	11,310,850	28,531,081	21,786,101
Accumulated deficit, beginning of year	(46,570,418)	(46,570,418)	(68,356,519)
Accumulated deficit, end of year	\$ (35,259,568)	\$ (18,039,337)	\$ (46,570,418)

The accompanying notes are an integral part of these financial statements

Statement of Change in Net Debt

For the year ended December 31, 2020

	Budget	2020	2019
	(Note 11)		
Annual surplus	\$ 11,310,850	\$ 28,531,081	\$ 21,786,101
Acquisition of tangible capital assets	(20,261,359)	(4,526,836)	(30,434,494)
Contributed tangible capital assets	-	(9,299,990)	-
Amortization of tangible capital assets	-	3,077,136	-
Reclassification of land held for resale	-	-	(38,137)
Change in net debt	(8,950,509)	17,781,391	(8,686,530)
Net debt, beginning of year	(135,530,925)	(135,530,925)	(126,844,395)
Net debt, end of year	\$ (144,481,434)	\$ (117,749,534)	\$ (135,530,925)

The accompanying notes are an integral part of these financial statements

Statement of Cash Flows

For the year ended December 31, 2020

	2020	2019
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 28,531,081	\$ 21,786,101
Items not involving cash:		
Actuarial adjustment on long-term debt	(5,960,910)	(5,741,710)
Amortization	3,077,136	-
Contributed tangible capital assets	(9,299,990)	-
Increase (decrease) in non-cash assets and liabilities:		
Accounts receivable	256,546	522,148
Accounts payable and accrued liabilities	(4,723,131)	(401,792)
Deferred revenue	361,515	-
Due to/(from) Capital Regional District	(824,378)	(16,448)
Prepaid expenses	-	50,000
Restricted cash	162,345	22,935
Net change in cash from operating activities	11,580,214	16,221,234
Capital activities:		
Cash used to acquire tangible capital assets	(4,526,836)	(30,434,494)
Net change in cash from capital activities	(4,526,836)	(30,434,494)
Investing activities:		
Net change in investments	-	26,000,000
Net change in cash from investing activities	-	26,000,000
Financing activities:		
Additions to long-term debt	596,005	7,036,817
Repayment of long-term debt	(14,402,045)	(14,903,984)
Net change in cash from financing activities	(13,806,040)	(7,867,167)
Net change in cash and cash equivalents	(6,752,662)	3,919,573
Cash and cash equivalents, beginning of year	30,379,935	26,460,362
Cash and cash equivalents, end of year	\$ 23,627,273	\$ 30,379,935
Cash paid for interest	\$ 8,212,747	\$ 9,726,175
Cash received for interest	390,713	1,208,798

The accompanying notes are an integral part of these financial statements

Capital Regional Hospital District

Notes to Financial Statements

For the year ended December 31, 2020

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) 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

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

e) Long-Term Debt

Long-term debt is recorded net of repayments and actuarial adjustments.

f) Debenture Issue Cost

Debenture issue costs are recorded as an expense in operations as incurred.

g) 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 Deficit.

h) 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.

i) Investments

Investments are recorded at cost plus reinvested earnings. Investment income is reported in the period earned.

j) Financial Instruments

Financial instruments consist of cash, cash equivalents, accounts receivable, accounts payable and other liabilities, due from – Capital Regional District, and long term debt. All financial assets and financial liabilities are measured at cost or amortized cost and the effective interest method is used for financial instruments measured using amortized cost.

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. CASH AND CASH EQUIVALENTS

	2020		2019	
Cash in bank	\$	23,537,598	\$	30,291,013
MFA Money Market		89,675		88,922
	\$	<u>23,627,273</u>	\$	<u>30,379,935</u>

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, 2020 is \$3,905,704 (2019: \$4,068,049)

4. LONG-TERM DEBT**a) Debt**

Long-term debt represents gross debt borrowings of \$287,424,507 (2019: \$300,400,952) net of repayments and actuarial adjustments of \$145,527,997 (2019: \$138,737,492).

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:

	2021	2022	2023	2024	2025
	\$ 13,857,161	\$ 12,722,667	\$ 11,689,156	\$ 9,730,031	\$ 6,677,484

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

2020	2019
0.91% to 1.99%	1.97% to 2.66%

The long-term debt bears interest at rates ranging from 0.91% to 4.20%. The weighted average interest rate in 2020 is 2.56% (2019: 2.83%).

c) Demand Notes – Contingent Liability

The MFA holds demand notes related to the Hospital District's debenture debt in the amount of \$9,141,471 (2019: \$9,714,527). 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. TANGIBLE CAPITAL ASSETS

	Cost			Accumulated Amortization			Net Book Value at December 31, 2020
	Balance at December 31, 2019	Additions	Transfers	Balance at December 31, 2020	Amortization Expense	Balance at December 31, 2020	
Work in Progress	\$ -	-	-	\$ -	-	-	\$ -
Land	14,285,827	9,305,763	-	23,591,590	-	-	23,591,590
Buildings	74,674,680	4,521,063	-	79,195,743	3,077,136	3,077,136	76,118,607
	\$ 88,960,507	13,826,826	-	\$ 102,787,333	3,077,136	3,077,136	\$ 99,710,197

	Cost			Accumulated Amortization			Net Book Value at December 31, 2019
	Balance at December 31, 2018	Additions	Transfers	Balance at December 31, 2019	Amortization Expense	Balance at December 31, 2019	
Work in Progress	\$ 44,240,186	30,434,494	(74,674,680)	\$ -	-	-	\$ -
Land	13,959,120	38,137	288,570	14,285,827	-	-	14,285,827
Buildings	288,570	-	74,386,110	74,674,680	-	-	74,674,680
	\$ 58,487,876	30,472,631	-	\$ 88,960,507	-	-	\$ 88,960,507

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

b) Oak Bay Lodge

In 2020, the Hospital District purchased the Oak Bay Lodge, at 2251 Cadboro Bay Road, from the Vancouver Island Health Authority for \$10. The asset addition was recorded at its fair market value of \$9,300,000 plus acquisition costs of \$5,763.

6. COMMITMENTS

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

Bylaw	Description	Approved Project Cost (Island Health)	Hospital District Share	Funded to December 31, 2019	Funded in Current Year (Schedule A)	Funded to December 31, 2020	Remaining Commitment
Sec 20(3)	Equipment and Non-Traditional Projects	\$ 2,955,000	\$ 2,955,000	-	\$ 2,955,000	\$ 2,955,000	\$ -
CBL 151	Mt. View Heights 2010	2,000,000	2,000,000	1,466,664	-	1,466,664	533,336
CBL 168	Unit Dose Medication Distribution 2016 (RJH)	10,310,000	4,124,000	3,594,121	19,220	3,613,341	-
CBL 169	Minor Capital Projects 2016	13,831,153	3,750,000	3,331,776	3,220	3,334,996	-
CBL 170	Minor Capital Projects 2017	19,772,954	3,750,000	3,604,278	23,478	3,627,756	122,242
CBL 171	Minor Capital Projects 2018	20,683,223	3,750,000	3,110,046	357,869	3,467,915	282,085
CBL 172	Westshore UPCC	4,240,000	1,272,000	304,222	6,899	311,121	-
CBL 173	Minor Capital Projects 2019	19,030,689	3,750,000	728,279	2,828,843	3,557,122	192,878
CBL 174	James Bay UPCC	5,000,000	1,500,000	-	564,617	564,617	935,383
CBL 175	Beacon Services Expansion	4,500,000	1,350,000	-	753,734	753,734	596,266
CBL 176	Minor Capital Projects 2020	17,554,299	3,750,000	-	1,323,455	1,323,455	2,426,545
CBL 177	Victoria UPCC	5,000,000	1,500,000	-	196,904	196,904	1,303,096
		\$ 124,877,318	\$ 33,451,000	\$ 16,139,386	\$ 9,033,239	\$ 25,172,625	\$ 6,391,831

Minor Capital Projects 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 an average 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. Bylaws are not always 100% expended.

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

Bylaw	Year Approved	Description	Approved Project Cost (Island Health)	Hospital District Share	Funded to December 31, 2019	Funded in Current Year (Schedule A)	Funded to December 31, 2020	Remaining Commitment	Planned Approved Funding 2021 - 2025
APPROVED AND ACTIVE CAPITAL PROJECTS									
Designated Health Care Facilities									
151	2010	Mt View Heights	\$ 2,000,000	\$ 2,000,000	\$ 1,466,664	-	\$ 1,466,664	\$ 533,336	\$ -
Vancouver Island Health Authority									
Multiple	2016-2020	Minor Capital	8,406,362	2,315,712	764,722	784,418	1,549,140	766,409	766,409
Sec 20(3)	2020	Equipment Grant	2,925,000	2,925,000	-	2,925,000	2,925,000	-	-
172	2019	Westshore UPCC	4,240,000	1,272,000	304,222	6,899	311,121	-	-
174	2020	James Bay UPCC	5,000,000	1,500,000	-	564,617	564,617	935,383	108,000
175	2020	Beacon Services Expansion	4,500,000	1,350,000	-	753,734	753,734	596,266	596,266
177	2020	Victoria UPCC	5,000,000	1,500,000	-	196,904	196,904	1,303,096	1,303,096
Mount St. Mary Hospital									
Sec 20(3)	2020	Movable Equipment Grant	30,000	30,000	-	30,000	30,000	-	-
Gorge Road Hospital									
Multiple	2016-2020	Minor Capital	4,556,932	1,040,828	431,268	56,995	488,263	552,565	552,565
Juan de Fuca Hospital									
Multiple	2016-2020	Minor Capital	12,129,886	2,073,660	805,622	1,060,501	1,866,123	207,537	207,537
Lady Minto Hospital									
Multiple	2016-2020	Minor Capital	2,744,785	884,814	798,956	14,634	813,590	67,717	67,717
Queen Alexandra Hospital									
Multiple	2016-2020	Minor Capital	3,675,592	776,938	712,731	2,373	715,104	61,834	61,834
Royal Jubilee Hospital									
Multiple	2016-2020	Minor Capital	30,981,458	5,972,248	3,775,947	1,290,643	5,066,590	819,991	819,991
168	2016	UDMD	10,310,000	4,124,000	3,594,121	19,220	3,613,341	-	-
Saanich Peninsula Hospital									
Multiple	2016-2020	Minor Capital	5,515,649	1,191,018	955,392	167,246	1,122,638	45,662	45,662
Victoria General Hospital									
Multiple	2016-2020	Minor Capital	22,861,654	4,494,782	2,529,741	1,160,055	3,689,796	502,035	502,035
			124,877,318	33,451,000	16,139,386	9,033,239	25,172,625	6,391,831	5,031,112
PLANNED CAPITAL PROJECTS									
TBD	2021	Victoria UPCC	4,998,639	1,499,592	-	-	-	1,499,592	1,499,592
TBD	2021	Esquimalt UPCC	2,954,713	886,414	-	-	-	886,414	886,414
TBD	2021	Emergency Dept. (LMH)	10,340,000	3,000,000	-	-	-	3,000,000	3,000,000
			143,170,670	38,837,006	16,139,386	9,033,239	25,172,625	11,778,837	10,417,118

7. CONTRACTUAL OBLIGATIONS

At December 31, 2020, the Hospital District has outstanding commitments to capital projects and operating contracts totalling \$322,519.

8. CONTRACTUAL RIGHTS

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.

9. 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, \$727,404 (2019: \$795,300) of administrative support and project management services from the CRD, of which \$16,622 (2019: \$141,985) of project management services 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, \$141,154 (2019: \$138,387) to the CRD, to cost share in administrative support and project management services.

10. ACCUMULATED DEFICIT

Accumulated deficit consists of individual fund surpluses, deficits and reserves as follows:

	<u>2020</u>	<u>2019</u>
<u>Deficit:</u>		
Other	\$ (38,260,070)	\$ (62,644,107)
Reserve funds set aside for specific purposes:		
Land Development Reserve	6,180,199	6,104,498
Regional Housing First Program Reserve	5,783,318	1,250,000
Summit Management Reserve	265,487	-
Land Holdings Management Reserve	1,193,653	288,923
Capital Loan Fund	3,438,752	4,967,515
Hospital District Act Section 20(3) Reserve	3,359,324	3,462,753
Accumulated Deficit	<u>\$ (18,039,337)</u>	<u>\$ (46,570,418)</u>

11. BUDGET DATA

The budget data presented in these financial statements is based upon the 2020 operating and capital budgets approved by the Board on March 18, 2020. The chart below reconciles the approved budget to the budget figures reported in these financial statements.

	Budget Amount
Revenue budget	\$ 37,441,471
Less:	
Transfers from reserve	(2,211,897)
Prior-year surplus	(504,998)
Revenue per Financial Statements	<u>34,724,576</u>
Expense budget	37,441,471
Add:	
Grants to district hospitals	5,482,009
Less:	
Transfers to reserve	(4,955,849)
Debt principal payments	(14,553,905)
Expense per Financial Statements	<u>23,413,726</u>
Annual Surplus	<u>\$ 11,310,850</u>

12. CONTINGENT LIABILITIES

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.

13. 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 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 2019.

13. 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 2019.

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 2019.

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 with the Municipal Finance Authority. This risk applies only to long term debt with amortization periods exceeding 10 years which may be refinanced at that time and is managed through budget and cash forecasts.

There has been no change to the risk exposure from 2019.

14. COVID-19

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This resulted in governments worldwide, including the Canadian federal and provincial governments enacting emergency measures to combat the spread of the virus. The economic conditions and the Hospital District's response to the pandemic did not have a material impact on the Hospital District's operating results and financial position in 2020. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Hospital District is not known at this time.

15. SUBSEQUENT EVENTS

Subsequent to December 31, 2020, the CRHD approved the acquisition of vacant land for a future health care facility. On April 14, 2021, the Board voted to remove conditions and proceed with acquiring the land for a purchase price of \$8 million. A non-refundable deposit of \$1.2 million was paid on April 16, 2021 and the balance of the acquisition cost will be payable when the contract completes on November 23, 2021.

On April 14, 2021, the CRHD Board authorized staff to award a contract in the amount of \$3.5 million for the abatement and building demolition of 2251 Cadboro Bay Road

DRAFT

Grants to District Hospitals

For the year ended December 31, 2020

	Total grants December 31, 2019	Expense 2020	Transfers to completed projects	Total grants December 31, 2020
PROJECTS IN PROGRESS				
Designated Health Care facilities	\$ 1,770,686	\$ 1,522,154	\$ -	\$ 3,292,840
Vancouver Island Health Authority	6,692,033	3,709,418	(3,236,121)	7,165,330
Gorge Road Hospital	504,409	56,995	(74,415)	486,989
Juan de Fuca Hospital	1,342,851	1,060,501	(63,509)	2,339,843
Lady Minto Hospital	1,148,945	14,634	(565,788)	597,791
Mount St. Mary Hospital	30,000	30,000	(30,000)	30,000
Queen Alexandra Hospital	712,730	2,373	(143,544)	571,559
Royal Jubilee Hospital	14,385,921	1,309,863	(4,888,750)	10,807,034
Saanich Peninsula Hospital	1,882,289	167,246	(211,282)	1,838,253
Victoria General Hospital	3,877,241	1,160,055	(1,001,049)	4,036,247
	<u>32,347,106</u>	<u>9,033,239</u>	<u>(10,214,458)</u>	<u>31,165,886</u>
COMPLETED PROJECTS				
Designated Health Care facilities	21,034,214	-	-	21,034,214
Vancouver Island Health Authority	73,879,224	-	3,236,121	77,115,345
Gorge Road Hospital	7,750,781	-	74,415	7,825,196
Juan de Fuca Hospital	37,132,361	-	63,509	37,195,870
Lady Minto Hospital	5,051,487	-	565,788	5,617,275
Mount St. Mary Hospital - Fairfield	15,419,545	-	30,000	15,449,545
Queen Alexandra Hospital	8,725,182	-	143,544	8,868,726
Royal Jubilee Hospital	253,782,362	-	4,888,750	258,671,112
Saanich Peninsula Hospital	19,648,611	-	211,282	19,859,893
Victoria General Hospital - Helmcken	97,730,838	-	1,001,049	98,731,887
	<u>540,154,605</u>	<u>-</u>	<u>10,214,458</u>	<u>550,369,063</u>
	572,501,711	9,033,239	-	581,534,949
LESS:				
Province of British Columbia share of grants to hospitals recorded before change in capital payment process in 2000	<u>(126,010,301)</u>	<u>-</u>	<u>-</u>	<u>(126,010,301)</u>
	<u>\$ 446,491,410</u>	<u>\$ 9,033,239</u>	<u>\$ -</u>	<u>\$ 455,524,648</u>

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

Capital Regional Hospital
District

**Audit Findings
Report**



Capital Regional Hospital District

Audit Findings Report for the year ended December 31, 2020

KPMG LLP

For the meeting on May 5, 2021

kpmg.ca/audit



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Executive summary

Purpose of this report

The purpose of this Audit Findings Report is to assist you, as a member of the Board of Directors, in your review of the results of our audit of the financial statements of Capital Regional Hospital District (the District) as at and for the year ended December 31, 2020. This Audit Findings Report builds on the Audit Plan we presented to the Hospitals and Housing Committee on January 6, 2021.

What's new in fiscal 2020

There have been changes in fiscal 2020 which impacted financial reporting and our audit:

- COVID-19 pandemic – See pages 5
- New auditing standard for estimates – See page 6

Changes from the audit plan

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

Finalizing the audit

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:

- Completing our discussions with the Board of Directors;
- Obtaining the signed management representation letter;
- Obtaining evidence of the Board of Directors' approval of the financial statements; and,
- Completing subsequent event review procedures up to the date of the Board of Directors' approval of the financial statements.

We will update the Board of Directors on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures. Our auditors' report, a draft of which is attached to the enclosed draft financial statements, will be dated upon the completion of any remaining procedures.

Areas of audit focus

Our audit is risk-focused. We have not identified any additional significant risks. However, as part of our audit, we identified areas of audit focus which include:

- Summit at Quadra Village
- Oak Bay Lodge

See pages 7 to 9 for the audit findings related to this area of audit focus.

Adjustments and differences

Differences and adjustments include disclosure and presentation differences and adjustments. Professional standards require that we request of management and the Board of Directors that all identified differences be corrected.

We identified one difference from the 2017 fiscal year that remains uncorrected relating to debt issuance costs recognized in 2017 as an expense rather than over the 25 year term of the debt. The difference will decline in value over the term of the debt.

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

Executive summary (continued)

Significant accounting policies and practices

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

See page 10 for further details.

Control and other observations

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

Independence

We confirm that we are independent with respect to the District within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation from January 1, 2020 up to the date of this report.

Current developments

Please refer to Appendix 3 for the current developments updates, including COVID-19 resources.

What's new in 2020

COVID-19 pandemic

Areas of impact	Key observations
District's financial reporting impacts	<ul style="list-style-type: none">- We considered impacts to financial reporting due to the COVID-19 pandemic and the increased disclosures needed in the financial statements as a result of the significant judgements applied. Suggestions were provided to management to enhance disclosures which have been reflected in the financial statements.
District's internal control over financial reporting	<ul style="list-style-type: none">- There were minimal changes to internal controls over financial reporting due to the COVID-19 pandemic as the District did not move to a fully remote working environment and was able to maintain its internal controls and processes.
Risk assessment	<ul style="list-style-type: none">- We performed a more thorough risk assessment specifically targeted at the impacts of the COVID-19 pandemic, including an assessment of fraud risk factors (i.e., conditions or events that may be indicative of an incentive/pressure to commit fraud, opportunities to commit fraud, rationalizations of committing fraud).
Working remotely	<ul style="list-style-type: none">- We worked both remotely and onsite. We used virtual work rooms, video conferencing, and internally shared team sites to collaborate in real-time, both amongst the audit team as well as with management.- We used secure technologies to conduct walkthroughs, perform tests of controls and substantive tests.- We increased our professional skepticism when evaluating electronic evidence received and performed additional procedures to validate the authenticity and reliability of electronic information used as audit evidence.
Direction and supervision of the audit	<ul style="list-style-type: none">- The Senior Manager and Engagement Partner were actively involved in determining the impact that the COVID-19 pandemic had on the audit (as discussed above), including the impact on the District's financial reporting and the District's internal control over financial reporting.- The Senior Manager and Engagement Partner implemented new supervision processes to deal with working in a remote environment, and our audit approach allowed us to manage the audit using meaningful milestones and frequent touch points.
Substantive testing – Response	<ul style="list-style-type: none">- As there were minimal changes to the District's business during the year, we did not change our approach for the audit.

What's new in 2020 continued

New auditing standard

Standard	Key observations
CAS 540, Auditing Accounting Estimates and Related Disclosures	<ul style="list-style-type: none">- The new standard was applied on all estimates within the financial statements that had a risk of material misstatement due to estimation uncertainty.- We assessed the risk of material misstatement due to estimation uncertainty for all estimates within the financial statements and not just “key estimates”, “critical accounting estimates”, or “estimates with significant risk”. In assessing this risk, we considered the degree of complexity, uncertainty and subjectivity involved in making each accounting estimate to determine the level of audit response.- We considered the potential for management bias.- We determined that no estimates had a risk of material misstatement due to estimation uncertainty that was greater than remote.

Audit risks

Professional requirements

Fraud risk from management override of controls

Why is this significant?

This is a presumed fraud risk. We have not identified any specific additional risks of management override relating to this audit.

Our response

Our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include:

- Testing of journal entries and other adjustments throughout the period and during the post-closing period for financial statement preparation.
- Evaluating the business rationale of significant unusual transactions.

Significant findings

There were no issues noted in our testing.

Areas of audit focus

Other area of focus

Summit at Quadra Village

Why are we focusing here?

The CRHD transferred possession to VIHA in February 2020 and began collecting rental income for the property. This is a significant project for the CRHD as it involves significant management judgment and understanding over the leasing structure.

Our response

- Summit at Quadra Village (955 Hillside Ave) is a 320-unit residential care facility intended to replace Oak Bay Lodge and Mount Tolmie Hospital. The land and building is owned by the District, while the funding for the residential care services will be provided for by Island Health.
- Through a financing agreement, Island Health will lease the building for a 25 year term. The lease agreement was finalized in 2020. Annual rental payments from Island Health to CRHD are \$4.3M. Island Health is responsible for the majority of operating costs and ongoing maintenance; CRHD is responsible for the maintenance and repair of structural elements of the building which will be financed from the Summit Management Reserve.
- Summit was substantially completed in December 2019 with a move in date, that was delayed due to the COVID-19 pandemic, to July 2020. The first occupancy inspection was performed in December 2019 with minor deficiencies noted. The final inspection was performed in January 2020 and all outstanding issues were cleared. An occupancy permit was issued in 2020.
- Total project costs to December 31, 2020 are \$79.2M, excluding land. Asset additions related to the project in the 2020 fiscal year were \$4.5M. These primarily related to furniture and fixtures for the building.
- KPMG selected a sample of capital asset additions totalling \$3.4M and agreed them to source documentation with no discrepancies noted.
- KPMG agreed lease revenue recognized by CRHD to the lease agreement and noted the revenue for fiscal 2020 related to the rental from February 1, 2020.
- KPMG reviewed the operating lease agreement and concurred with management's analysis of the cost sharing requirements and presentation of such transactions in the financial statements.

Significant findings

There were no issues noted in our testing.

Areas of audit focus (continued)

Other area of focus	Why are we focusing here?
Oak Bay Lodge	In August 2020, Oak Bay Lodge was transferred from VIHA to CRHD. An external valuation was obtained for the land. The future use of the land and building is yet to be determined.
Our response	
<ul style="list-style-type: none">- The Summit business case (see page 8) included the property transfer of Oak Bay Lodge (land and building) from Island Health to CRHD, with the transfer occurring on August 14, 2020. The purchase price for the land and building was \$10, including a deposit of \$1 paid in 2016.- There are restrictive covenants in the transfer agreement, requiring that CRHD use the land for “public good”, which includes not-for-profit care facilities in health or other publicly funded health care services; subsidized, supported or other public housing, shelter accommodation for homeless persons and associated health and social supports including harm reduction.- CRHD’s intention is to demolish the existing structure and construct a health care facility on the land. These plans are undergoing community consultation. A construction manager has been appointed to oversee the demolition project.- Public sector accounting standards require contributions/donations of tangible capital assets be recognised in the financial statements at fair value at the date of contribution.- Management obtained a valuation of the land, which indicated a fair value of \$9.3M. As management’s intention is to demolish the building, it was determined that the building had no value. This was supported by the valuation expert’s report.- KPMG obtained the valuation report and reviewed management’s assessment of the accounting treatment of this transaction.- KPMG concurs with management’s treatment of the transfer of the land and buildings in fiscal 2020. The fair value of the land has been recognized as contributed revenue of \$9.3M in the statement of operations.	
Significant findings	
There were no issues noted in our testing.	

Significant accounting policies and practices



Significant accounting policies

- There were no initial selections of or changes to the new significant accounting policies and practices.
 - There were no significant accounting policies in controversial or emerging areas.
 - There were no issues noted with the timing of the District'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 transaction 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.
 - There were no significant factors affecting the District's asset and liability carrying values.
-



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.
-

Uncorrected differences and corrected adjustments

Differences and adjustments include disclosure differences and adjustments.

Professional standards require that we request of management and the Board of Directors that all identified differences be corrected. We have already made this request of management.

Uncorrected differences

We identified one difference from the 2017 fiscal year that remains uncorrected relating to debt issuance costs recognized in 2017 as an expense rather than over the 25 year term of the debt.

The impact of the uncorrected difference at December 31, 2020 is an understatement of expense of \$4,900 and overstatement of debt of \$102,900. The difference will decline in value over the term of the debt.

Corrected adjustments

There were no corrected adjustments noted.

Appendices

Appendix 1: Required communications

Appendix 2: Current developments and audit trends

Appendix 3: Management representation letter



Appendix 1: Required communications

Draft auditors' report

The conclusion of our audit is set out in our draft auditors' report attached to the draft financial statements.

Management representation letter

In accordance with professional standards, a copy of the management representation letter is included in Appendix 3.

Independence

In accordance with professional standards, we have confirmed our independence.

Appendix 2: Current developments and audit trends

Current Developments, created by the KPMG Public Sector and Not-for-Profit Practice, summarizes regulatory and governance matters impacting public sector entities today, or expected to impact them over the next few years. We provide this information to help public sector entities understand upcoming changes and challenges they may face in their industry. Some of these developments may not impact the District directly, but we believe it is important for the Board of Directors to understand what is happening in the sector.

Public Sector Accounting Standards

Standard	Summary and implications
Impact of COVID-19	<ul style="list-style-type: none"> – In response to the impact of COVID-19 on public sector entities, PSAB has approved deferral of all upcoming accounting standards by one year and will issue non-authoritative guidance on the effects of COVID-19.
Asset Retirement Obligations	<ul style="list-style-type: none"> – The new standard is effective for fiscal years beginning on or after April 1, 2022. The effective date was deferred by one year due to COVID-19. – The new standard addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets in productive use. Retirement costs will be recognized as an integral cost of owning and operating tangible capital assets. PSAB currently contains no specific guidance in this area. – The ARO standard will require the public sector entity to record a liability related to future costs of any legal obligations to be incurred upon retirement of any controlled tangible capital assets (“TCA”). The amount of the initial liability will be added to the historical cost of the asset and amortized over its useful life. – As a result of the new standard, the public sector entity will have to: <ul style="list-style-type: none"> • Consider how the additional liability will impact net debt, as a new liability will be recognized with no corresponding increase in a financial asset; • Carefully review legal agreements, senior government directives and legislation in relation to all controlled TCA to determine if any legal obligations exist with respect to asset retirements; • Begin considering the potential effects on the organization as soon as possible to coordinate with resources outside the finance department to identify AROs and obtain information to estimate the value of potential AROs to avoid unexpected issues.

Appendix 2: Current developments and audit trends (continued)

Standard	Summary and implications
Revenue	<ul style="list-style-type: none">– The new standard is effective for fiscal years beginning on or after April 1, 2023. The effective date was deferred by one year due to COVID-19.– The new standard establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement.– The standard notes that in the case of revenues 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 revenues arise when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.
Purchased Intangibles	<ul style="list-style-type: none">– In October 2019, PSAB approved a proposal to allow public sector entities to recognize intangibles purchased through an exchange transaction. Practitioners are expected to use the definition of an asset, the general recognition criteria and the GAAP hierarchy to account for purchased intangibles.– PSAB has approved Public Sector Guideline 8 which allows recognition of intangibles purchased through an exchange transaction. Narrow-scope amendments were made to Section PS 1000 Financial statement concepts to remove prohibition on recognition of intangibles purchased through exchange transactions and PS 1201 Financial statement presentation to remove the requirement to disclose that purchased intangibles are not recognized.– The effective date is April 1, 2023 with early adoption permitted. Application may be retroactive or prospective.

Standard	Summary and implications
Public Private Partnerships (“P3”)	<ul style="list-style-type: none"> – PSAB has proposed new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership. PSAB is in the process of reviewing feedback provided by stakeholders on the exposure draft. – The exposure draft proposes that recognition of infrastructure by the public sector entity would occur when it controls the purpose and use of the infrastructure, when it controls access and the price, if any, charged for use, and it controls any significant interest accumulated in the infrastructure when the P3 ends. – The exposure draft proposes that the public sector entity recognize a liability when it needs to pay cash or non-cash consideration to the private sector partner for the infrastructure. – The infrastructure would be valued at cost, which represents fair value at the date of recognition with a liability of the same amount if one exists. Cost would be measured in reference to the public private partnership process and agreement, or by discounting the expected cash flows by a discount rate that reflects the time value of money and risks specific to the project. – The final standard was approved in December 2020 with an issuance date of April 1, 2021 and an effective date of April 1, 2023.
Concepts Underlying Financial Performance	<ul style="list-style-type: none"> – PSAB is in the process of reviewing the conceptual framework that provides the core concepts and objectives underlying Canadian public sector accounting standards. – PSAB has released four exposure drafts for the proposed conceptual framework and proposed revised reporting model, and their related consequential amendments. Comments on the exposure drafts are due in May 2021. – PSAB is proposing a revised, ten chapter conceptual framework intended to replace PS 1000 <i>Financial Statement Concepts</i> and PS 1100 <i>Financial Statement Objectives</i>. The revised conceptual framework would be defined and elaborate on the characteristics of public sector entities and their financial reporting objectives. Additional information would be provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts would be introduced. – In addition, PSAB is proposing: <ul style="list-style-type: none"> • Relocation of the net debt indicator to its own statement and 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 non-financial assets before 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.

Appendix 2: Current developments and audit trends (continued)

Our discussions with you, our audit opinion and what KPMG is seeing in the marketplace - both from an audit and industry perspective - indicate the following is specific information that will be of particular interest to you. We would, of course, be happy to further discuss this information with you at your convenience.

Thought leadership

Thought leadership	Overview	Link
2020 Audit Quality and Transparency Report	Learn about KPMG's ongoing commitment to continuous audit quality improvement. KPMG maintains a system of audit quality control that is designed to meet or exceed the requirements of the applicable professional standards. In fact, we are continuously reviewing our policies and practices to ensure we're aligned with all regulatory and professional requirements, which if our firm commitment to each other as well as to our clients and to the capital markets we serve.	Link to report
Put your data to work to gain competitive advantage	There is no "digital economy". The economy is digital and "digits" refer to data. Data is the lifeblood of every organization on this planet and organizations that embrace this notion are well positioned to grow as industries continue to evolve and disrupt at an ever increasing pace.	Link to report
Predictive analytics, it works	CEOs recognize the value that predictive analytics delivers to their decision-making process.	Link to report
Creating the workforce of the future	You can't transform the organization without also transforming the workforce. It may be time to rethink the people strategy.	Link to report
Accelerate	Introducing KPMG's 2021 edition of Accelerate, a series of articles and videos offering insight into the key issues driving Board agendas, including: <ul style="list-style-type: none"> - Cyber risk - Internal control over financial reporting, disclosures and regulation - Digital disruption - Enterprise risk management - The evolution of environmental, social and governance (ESG) and disclosures 	Link to report
Board Leadership Centre	KPMG provides leading insights to help Board members maximize boardroom opportunities.	Link to site

Appendix 2: Current developments and audit trends (continued)

COVID-19 pandemic resources

Resources	Summary	Links
Resources for management and the Board of Directors	<p>Please visit our COVID-19 website for resources regarding the topics below. This site is being updated <u>daily</u> based on information being released by federal, provincial and municipal news releases.</p> <ul style="list-style-type: none">– Business continuity guide– Immediate actions to take– Medium to long-term actions– Tax considerations and a summary of federal and provincial programs– Legal considerations– Financial reporting and audit considerations– Global perspectives	COVID-19 Alerts (Live Link)

Appendix 3: Management Representation Letter

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the financial statements (hereinafter referred to as “financial statements”) of Capital Regional Hospital District (“the Entity”) as at and for the period ended December 31, 2020.

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 April 8, 2021, 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, of 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
 - otherswhere 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, 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).

Yours very truly,

Mr. Robert Lapham, Chief Administrative Officer

Mr. Nelson Chan, Chief Financial Officer

Mr. 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 been pledged without proper authorization.

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

Attachment II – Summary of Audit Misstatement Schedule

Uncorrected adjustments

Description	Statement of operations effect	Statement of financial position effect		
	(Decrease) Increase	Assets (Decrease) Increase	Liabilities (Decrease) Increase	Accumulated Deficit (Decrease) Increase
To recognize debt issuance expense over the term of the debt instead of in the year of issuance	(4,900)	-	(102,900)	98,000



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KPMG member firms around the world have 227,000 professionals, in 146 countries.

Capital Regional Hospital
District

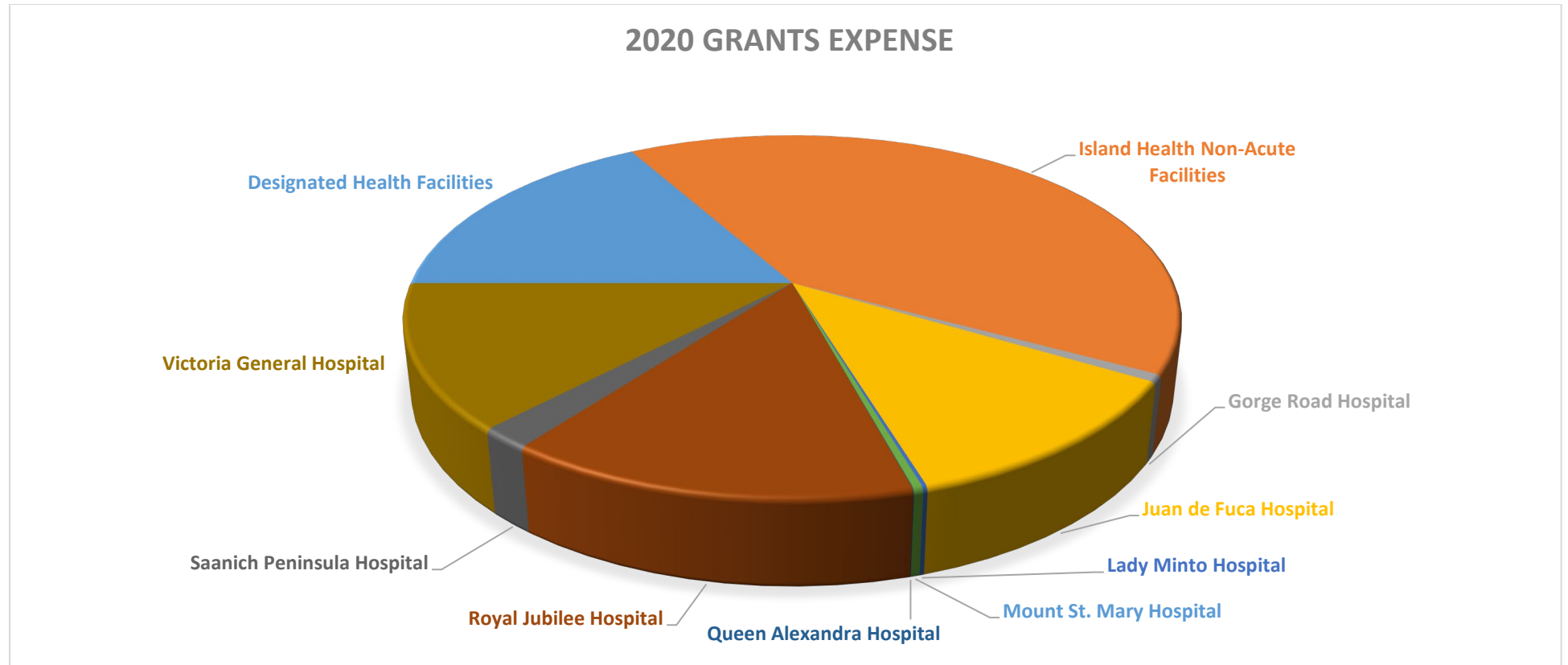
**Additional
Financial Analysis**

British Columbia, Canada

Fiscal year ended December 31, 2020

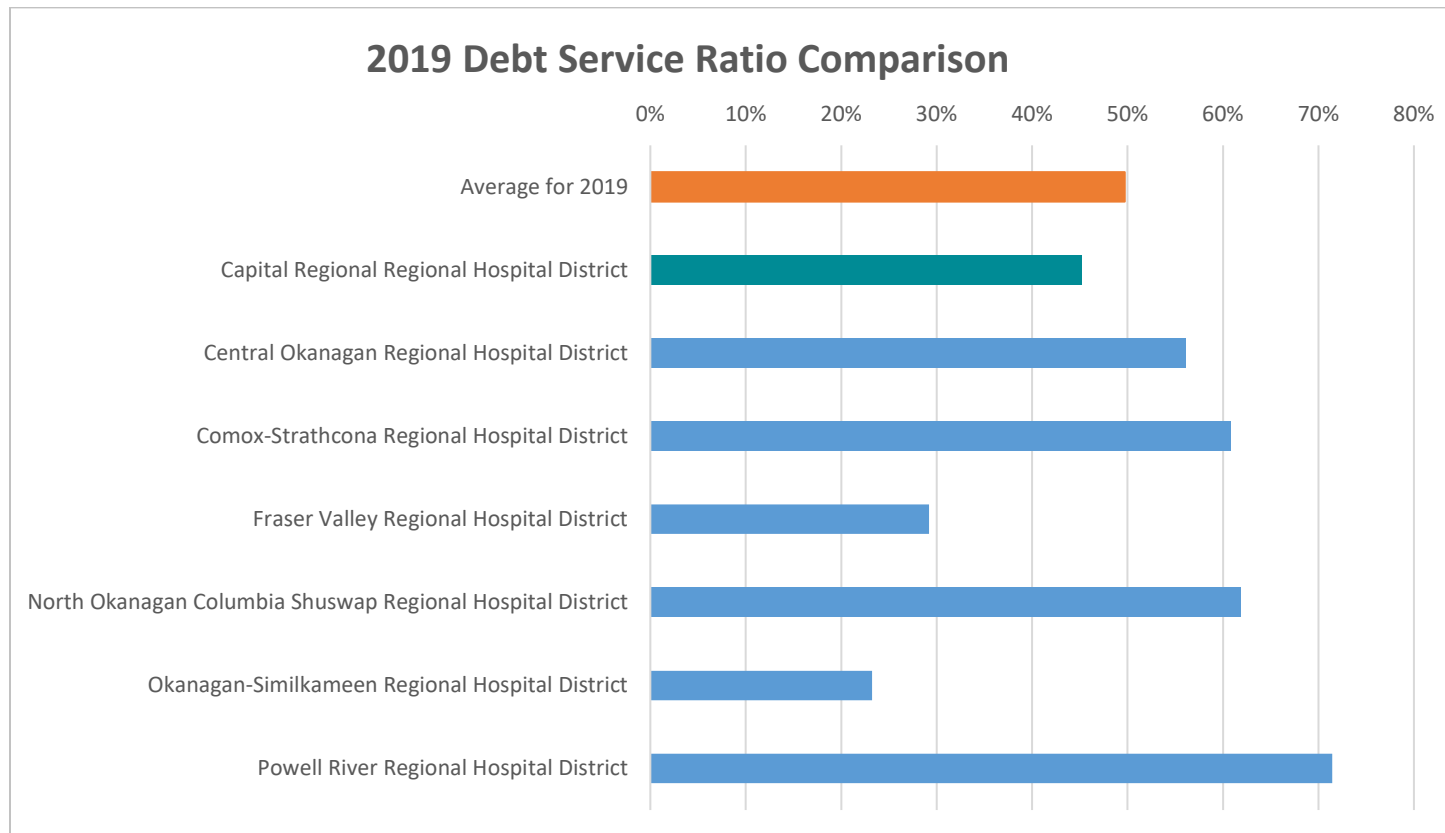
1) 2020 Grants to District Hospitals

In 2020, the CRHD provided capital grants to hospital facilities in the district totaling \$9.0 million. Further to the information provided in the Audited Financial Statements' Note 6 and Schedule A, the distribution of 2020 total grants expense is illustrated below, showing the relative share of total grants received by each facility during the year. Non-Acute Facilities received grants totaling \$3.7 million; \$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 2019 financial results of other Hospital Districts on Vancouver Island and southern British Columbia, the average debt service costs as a percentage of revenue is 50%. At 45% for 2020 and 64% for 2019, the CRHD's debt service ratio decreased from the prior year as a result of increased revenue in 2020 due to the Summit building's lease proceeds of \$4.0M and contributed revenue of \$9.3M which is the difference between the Oak Bay Lodge property's fair value and price paid for the acquisition. Current year comparison data is not yet available.



**REPORT TO HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, MAY 05, 2021**

SUBJECT **Capital Region Housing Corporation 2020 Audit Findings Report and Audited Financial Statements**

ISSUE SUMMARY

To receive the Capital Region Housing Corporation (CRHC) 2020 Audit Findings Report and approve the Audited Financial Statements.

BACKGROUND

The CRHC is incorporated under the laws of British Columbia, and its principal activity is the provision of rental accommodation. As a wholly-owned subsidiary of the Capital Regional District (CRD), the CRHC financials are consolidated in the CRD financial statements as required by the Canadian Public Sector Accounting Board (PSAB) standards.

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 2020 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 (June 30, 2020).

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 & Remeasurement Gains & Losses
4. Statement of Cash Flow

In addition to the required statements listed above, the 2020 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

Attached as Appendix A are the CRHC 2020 audited financial statements and schedules.

The audit findings report from KPMG (Appendix B) summarizes the responsibilities of the audit firm, scope of investigations, and the audit results. The report highlights that the audit did not identify any uncorrected differences or significant control deficiencies. The report also confirms there were no significant changes in the audit approach from the Audit Planning Report presented to the Board on January 13, 2021.

ALTERNATIVES

Alternative 1

The Hospitals and Housing Committee recommends to the Capital Region Housing Corporation Board:

That the Capital Region Housing Corporation 2020 Audit Findings Report be received and the 2020 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 2020 Audit Findings Report be received and the 2020 Audited Financial Statements be referred back to staff for additional information.

IMPLICATIONS

Financial Implications

Audit Findings Report

The Auditor's opinion is included in the financial statements in Appendix A. In KPMG's opinion, the financial statements present fairly, in all material respects, the financial position of the Capital Region Housing Corporation as at December 31, 2020, and the results of its operations, its change 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.

The Audit Findings report (Appendix B) provides the results of their audit, and reports specific results in areas of focus identified in the Audit Planning Report presented to Board on January 6, 2021.

Financial Statements

The Statement of Financial Position and the Statement of Operations form the basis of the audited financial statements and are similar to the Balance Sheet and Income Statement, respectively, in private organizations. As the CRHC is in the public sector, the financial statements are prepared and presented in accordance with Canadian public sector accounting standards (PSAB).

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 – Change in Assets Year over Year

Statement of Financial Position (\$ millions)	2020	2019	\$ Change	% Change
Current Assets				
Cash & Cash Equivalents	7.0	6.8	0.2	3%
Accounts receivable	0.6	0.5	0.1	20%
Due from CRHD	-	0.1	(0.1)	(100%)
Prepaid expenses	0.5	0.4	0.1	25%
Total Current Assets	\$8.1	\$7.8	\$0.3	4%
Non-Current Assets				
Cash and cash equivalents restricted for RR	5.9	5.1	0.8	16%
Restricted cash held by BCHMC	-	0.5	(0.5)	(100%)
Capital assets	161.1	99.9	61.2	61%
Total Non-current Assets	\$167.0	\$105.5	\$61.5	58%
Total Assets	\$175.1	\$113.30	\$61.8	55%

The total assets of \$175.1 million consist of current and non-current assets. Current assets of \$8.1 million in the year represent cash and cash equivalents, accounts receivable, and prepaid expenses and reflect an organization’s ability to meet short-term payment requirements. The increase in current assets of \$0.3 million or 4% is due primarily to increases in cash, accounts receivable, and prepaid expenses commensurate with increased revenue activity from new rental units in 2020.

Non-current assets of \$167.0 million consist of \$5.9 million in cash and cash equivalents restricted for replacement reserve and \$161.1 million in capital assets. Non-current assets increased by \$61.5 million, primarily due to the \$61.2 million increase relating to the Spencer Close and West Park buildings now under 60-year prepaid lease from the CRD.

Table 2 – Change in Liabilities Year over Year

Statement of Financial Position (\$ millions)	2020	2019	\$ Change	% Change
Current Liabilities				
Accounts payable	1.0	2.7	(1.7)	(63%)
Short-term capital financing	61.3	2.3	59.0	2565%
Mortgage payable - current	8.0	13.4	(5.4)	(40%)
Other Liabilities	1.8	1.6	0.2	13%
Total Current Liabilities	72.1	20.0	52.1	261%
Non-Current Liabilities				
Mortgage payable- non current	71.8	64.2	7.6	12%
Total Liabilities	\$143.9	\$84.2	\$59.7	71%

The total current liabilities of \$72.1 million is an increase of \$52.1 million or 261% over 2019 and is primarily related to the increase in short-term capital financing of \$61.3 million. This short-term financing was placed as long-term mortgage debt early in 2021. Accounts payable decreased by \$1.7 million due to a decrease in construction activity after the completion of the Westview property.

The net decrease of \$5.4 million in current mortgage payable and increase of \$7.7 million in non-current mortgage payable is driven primarily by an increase of \$7.4 million for Westview offset by \$5.1 million in repayment of all other existing mortgages.

Appendix C provides a detailed summary of the 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 particular operations of the entity.

2. Statement of Operations

The Statement of Operations reports the annual results of the organization’s financial activities by fund, presenting revenues less expenses less BCHMC subsidy overpayments.

Table 3 – Change in Revenue Year over Year

Statement of Operations (\$ millions)	2020	2019	\$ Change	% Change
Revenue				
Rent and rental management fees	16.7	15.3	1.4	9%
Government Contribution	0.7	5.8	(5.1)	(88%)
Other revenue	3.8	4.1	(0.3)	(7%)
Total Revenue	\$21.2	\$25.2	(\$4.0)	(16%)

Revenue from all sources totaled \$21.2 million in 2020, a decrease of \$3.9 million or 15.0%. The decrease is due to a decrease in government capital contributions of \$5.1 million offset by increased rent and rental management fees of \$1.4 million from the new units at Westview, West Park, and Spencer Close.

Table 4 – Change in Expenses Year over Year

Statement of Operations (\$ millions)	2020	2019	\$ Change	% Change
Expenses				
Building operating & admin expenses	7.4	6.9	0.5	7%
Insurance	0.9	0.6	0.3	50%
Rental management fees	1.7	1.5	0.2	13%
Amortization	6.2	6.3	(0.1)	(2%)
Interest Expense	2.1	2.2	(0.1)	(5%)
Other operating expenses	1.1	0.4	0.7	175%
Total Expenses	\$19.4	\$17.9	\$1.5	8%

Expenses totaled \$19.4 million, an increase of \$1.5 million or 8%. Of the total increase, \$0.5 million relates to increased operating and administration costs for the new units. Insurance increased by \$0.2 million due to increased premiums in the sector, and management fees increased by \$0.2 million to support the new buildings. Although capital assets increased by \$67 million, amortization expense remained fairly consistent with 2019. This is due to the acquisition of new assets occurring close to year-end, incurring relatively low depreciation, and five buildings becoming fully depreciated incurring no depreciation in 2020. Increase in Other operating expenses is mainly due to a repayment of a BCHMC grant of \$0.7 million which became repayable when the capital project came in under budget.

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. 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 – Change in in Net Assets and Remeasurement Gains and Losses Year over Year

Statement of Net Assets & Remeasurement Gains (\$ millions)	2020	2019
Net Assets, Beginning of Year	29.0	21.7
Annual Surplus	1.8	7.3
Subtotal	30.8	29.03
Unrealized gains on investments	0.4	0.1
Net Assets, End of Year	\$31.2	\$29.1

Total net assets increased from 2019 by \$2.1 million or 7.2% of net assets. Annual surplus accounts for \$1.8 million of the increase, while the remaining \$0.4 million is due to a remeasurement gain on investments. There were also changes to the Funds within the final net asset balance.

Notable changes in operating funds totalled \$7.3 million and consisted of \$5.1 million to fund principal repayments on mortgages and \$2.3 million to replacement reserves.

The capital fund increased by \$0.5 million with the repayment of \$5.1 million in principal payments on mortgages and \$1.7 million in replacement expenditures.

The replacement reserve fund had a net increase of \$0.8 million. The change was comprised of an increase in the fund of \$2.3 million transferred from operating, and a decrease of the fund of (\$1.7) million to fund asset replacement expenditures.

4. Statement of Cash Flow

The Statement of Cash Flow 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 – Change in Cash and Cash Equivalents Year over Year

Statement of Cash Flows (\$ millions)	2020	2019
Operating activities	6.3	14.8
Capital activities	(67.4)	(47.4)
Investing activities	0.0	0.2
Financing activities	61.3	32.6
Net change in cash & cash equivalents	0.2	0.2
Cash & cash equivalents, beginning of year	6.8	6.6
Cash and cash equivalents, end of year	\$7.0	\$6.8

In 2020, the cash position increased by \$0.2 million. The change in cash was due to \$6.3 million from operating activities for net revenue after expenses, \$61.3 million from financing activities for debt proceeds received, and \$67.4 million paid as prepaid lease payments on West Park and Spencer Close.

5. Schedules

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 (replacement of a roof, carpets, appliances, and so forth). 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. Annual operating surplus/(deficit) is transferred to the PSR and the CRHC Board has control over specified fund use as per related operating agreement requirements. 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.

6. Financial Indicators

Financial indicators are metrics used to quantify current conditions as well as to forecast financial or economic trends. They can be used to evaluate the overall financial condition of the entity. The following indicators are relevant to CRHC performance and financial sustainability:

- **Mortgage Debt Servicing Costs as a Percentage of Rental Revenue**
Debt servicing costs include principal retirement and interest charges made in the current fiscal year. The ratio of mortgage debt servicing costs as a percentage of total tenant rental revenue can demonstrate the amount committed to the annual debt service and the remaining amount available for discretionary operational expenditures and rent adjustments. In 2020, mortgage debt service costs were 40% of rental revenue (2019: 43%). The decrease is due to no payments being made for the first 2-3 months of operations at new buildings prior to their interest adjustment dates. As the ratio decreases, service flexibility increases because fewer operating resources are committed to the financial obligation.
- **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 2020, of the total mortgage debt servicing costs, 71% were attributed to principal payments (2019: 70%) accelerating repayment of the outstanding liability.
- **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 2020, contributions to the RRF were based on a calculation of \$149/unit per month and resulted in a contribution level of 12.9% (2019: 7%) of rental income. Contribution metrics and funding levels are a requirement of BCHMC operating agreements.

Additional data and analytics are detailed in the Audit Findings Report (Appendix B, p.12–17):

- Replacement Reserve Fund Balances
- Capital Fund – Mortgages Payable
- Operating Fund – Rental Operations
- Vacancy Rates

The audited statements are ready for approval. Board-approved financial statements are required to be consolidated with the Capital Regional District financial statements and filed with BCHMC.

CONCLUSION

Board approval of the CRHC 2020 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, 2020, and the results of financial activities for the year then ended in accordance with Canadian Public Sector Accounting Standards.

RECOMMENDATION

The Hospitals and Housing Committee recommends to the Capital Region Housing Corporation Board:

That the Capital Region Housing Corporation 2020 Audit Findings Report be received and the 2020 Audited Financial Statements be approved.

Submitted by:	Rianna Lachance, BCom, CPA, CA, Senior Manager, Financial Services
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer
Concurrence:	Kevin Lorette, P. Eng., MBA, General Manager, Planning & Protective Services
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

ATTACHMENT(S):

Appendix A: CRHC 2020 Financial Statements

Appendix B: CRHC 2020 Audit Findings Report

Appendix C: CRHC 2020 Detailed Variance analytics (Statement of Financial Position)

Appendix D: CRHC 2020 Detailed Variance analytics (Statement of Operations)

Appendix A

Capital Region Housing Corporation

2020 Financial Statements

British Columbia, Canada
Fiscal year ended December 31, 2020

CRHC
Capital Region Housing Corporation

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INDEPENDENT AUDITORS' 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, 2020
- 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, 2020, 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 “Auditors’ Responsibilities for the Audit of the Financial Statements” section of our auditors’ 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.

Other Information

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

- the information, other than the financial statements and the auditors' 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 auditors' report thereon, included in the Annual Report as at the date of this auditors' 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 auditors' 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.

Auditors' 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 auditors' 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 auditors' 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 auditors' 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
_____ 2021

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 Capital Region Housing Corporation 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 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, 2020.

On behalf of Capital Region Housing Corporation,

Nelson Chan, MBA, FCPA, FCMA
Chief Financial Officer
May 12, 2021

Statement of Financial Position

As at December 31, 2020

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 6,961,868	\$ 6,778,570
Accounts receivable	642,886	483,154
Due from Capital Regional Hospital District	-	80,726
Prepaid expenses	541,333	391,831
	8,146,087	7,734,281
Cash and cash equivalents restricted for replacement reserve (Note 2)	5,934,450	5,116,400
Restricted cash held by BCHMC	-	478,892
Capital assets (Note 3 and Schedule C)	161,085,348	99,934,869
	\$ 175,165,885	\$ 113,264,442
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	1,014,548	2,684,758
Accrued mortgage interest	209,964	229,824
Due to Capital Regional District	104,454	21,539
Deferred revenue	704,008	670,815
Security deposits	795,281	636,614
Short-term capital financing (Note 9)	61,277,457	2,344,958
Mortgages payable principal current portion (Schedule D)	4,828,667	4,568,934
Mortgages payable principal renewal portion (Note 4 and Schedule D)	3,189,847	8,840,245
	72,124,226	19,997,687
Mortgages payable (Note 4 and Schedule D)	71,844,896	64,173,151
Capital stock (Note 5)	1	1
Net assets:		
Invested in capital assets (Note 6)	21,351,990	20,840,337
Externally restricted (Note 7)	8,587,302	7,504,594
Internally restricted (Note 7)	623,382	306,064
Unrestricted: Corporation stabilization reserve (Note 8)	498,122	658,224
	31,060,796	29,309,219
Accumulated remeasurement losses	135,966	(215,616)
	31,196,762	29,093,603
Commitments and contingencies (Note 9)		
Subsequent events (Note 12)		
	\$ 175,165,885	\$ 113,264,442

See accompanying notes to the financial statements.

On behalf of the Board:

Director_____
Director

Statement of Operations

For the year ended December 31, 2020

	Operating Funds		Restricted Funds		Total 2020	Total 2019
	Corporation	Rental Housing	Capital Fund	Replacement Reserve Fund		
Revenues:						
Tenant rent contributions	\$ -	\$14,483,146	\$ -	\$ -	\$ 14,483,146	\$ 13,352,665
BCHMC rent subsidy assistance	-	359,792	-	-	359,792	326,494
BCHMC umbrella operating agreement funding	-	3,118,951	-	-	3,118,951	3,348,038
Rental management fees	1,736,610	-	-	-	1,736,610	1,505,344
Rental management fees - other	80,682	-	-	-	80,682	89,328
Investment income	78,422	-	45,427	148,084	271,933	303,915
Guest suites, net	(1,774)	-	-	-	(1,774)	1,320
Miscellaneous	55,890	137,626	-	-	193,516	172,248
Project management fees	273,690	-	-	-	273,690	276,000
Government contributions (Note 9)	-	-	660,000	-	660,000	5,821,264
	2,223,520	18,099,515	705,427	148,084	21,176,546	25,196,616
Expenses:						
Administration and property management	2,255,667	-	-	-	2,255,667	1,959,882
Amortization - office equipment and vehicles	-	-	8,970	-	8,970	11,213
Amortization - buildings and equipment	-	-	5,317,385	-	5,317,385	5,438,880
Amortization - prepaid leases	-	-	902,205	-	902,205	816,830
Property taxes	-	295,670	-	-	295,670	306,316
Insurance	-	845,756	-	-	845,756	632,846
Maintenance	-	949,823	-	-	949,823	1,031,410
Caretakers	-	1,513,770	-	-	1,513,770	1,246,120
Landscape	-	378,861	-	-	378,861	372,714
Electricity	-	264,704	-	-	264,704	323,562
Land and improvement leases	-	294,000	-	-	294,000	294,000
Water	-	1,090,990	-	-	1,090,990	977,216
Oil and gas	-	96,251	-	-	96,251	86,493
Garbage	-	286,381	-	-	286,381	265,337
Rental management fee	-	1,735,790	-	-	1,735,790	1,504,614
Audit and legal	-	31,381	-	-	31,381	28,211
Miscellaneous	-	35,745	-	-	35,745	66,139
Hospitality services (Parry Place)	-	293,690	-	-	293,690	290,262
Interest on mortgages payable	-	2,127,930	-	-	2,127,930	2,209,671
Repayment of BCHMC capital contribution	-	-	700,000	-	700,000	-
	2,255,667	10,240,742	6,928,560	-	19,424,969	17,861,716
Excess (deficiency) of revenues over expenses before:	(32,147)	7,858,773	(6,223,133)	148,084	1,751,577	7,334,900
Reimburse BCHMC subsidy overpayments	-	-	-	-	-	(5,047)
Excess (deficiency) of revenues over expenses	\$ (32,147)	\$ 7,858,773	\$ (6,223,133)	\$ 148,084	\$ 1,751,577	\$ 7,329,853

See accompanying notes to the financial statements.

Statement of Changes in Net Assets & Remeasurement Gains & Losses

For the year ended December 31, 2020

	Operating Funds		Restricted Funds		Remeasurement Gains / (Losses)	Total 2020	Total 2019
	Corporation	Rental Housing	Capital Fund	Replacement Reserve Fund			
Net assets, beginning of year	\$ 826,544	\$ 2,525,938	\$ 20,840,337	\$ 5,116,400	\$ (215,616)	\$ 29,093,603	\$ 21,718,174
Excess (deficiency) of revenues over expenses	(32,147)	7,858,773	(6,223,133)	148,084	-	1,751,577	7,329,853
Interfund transfers:							
Mortgage principal repayments	-	(5,092,006)	5,092,006	-	-	-	-
Replacement reserve transfers	-	(2,327,500)	-	2,327,500	-	-	-
Replacement reserve expenditures	-	-	1,657,534	(1,657,534)	-	-	-
Rental housing fund transfers	(135,082)	149,836	(14,754)	-	-	-	-
	(135,082)	(7,269,670)	6,734,786	669,966	-	-	-
Unrealized gain (loss) on investments	-	-	-	-	351,582	351,582	45,576
Net assets, end of year	\$ 659,315	\$ 3,115,041	\$ 21,351,990	\$ 5,934,450	\$ 135,966	\$ 31,196,762	\$ 29,093,603

See accompanying notes to the financial statements.

Statement of Cash Flows

For the year ended December 31, 2020

	2020	2019
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	\$ 1,751,577	\$ 7,329,853
Items not involving cash:		
Amortization	6,228,560	6,266,923
Changes in non-cash assets and liabilities:		
(Increase) in accounts receivable	(159,732)	(223,470)
Decrease (increase) in due from Capital Regional Hospital District	80,726	(80,726)
(Increase) in inventory and prepaid expenses	(149,502)	(155,228)
Increase (decrease) in accounts payable and accrued liabilities	(1,670,210)	1,585,256
Increase (decrease) in accrued mortgage interest	(19,860)	72,789
Increase in deferred revenue	33,193	37,488
Increase in security deposits	158,667	113,106
Increase (decrease) due to Capital Regional District	82,915	(145,996)
Net change in cash from operating activities	6,336,334	14,799,995
Investing activities:		
Decrease in restricted cash and cash equivalents	12,424	199,256
Capital activities:		
Acquisition of capital assets	(67,379,039)	(47,445,874)
Net change in cash from capital activities	(67,379,039)	(47,445,874)
Financing activities:		
Repayment of mortgages payable	(5,092,006)	(5,193,349)
Proceeds from short term debt	61,277,457	2,344,958
Proceeds from long term debt	5,028,128	35,499,184
	61,213,579	32,650,793
Net change in cash and cash equivalents	183,298	204,170
Cash and cash equivalents, beginning of year	6,778,570	6,574,400
Cash and cash equivalents, end of year	\$ 6,961,868	\$ 6,778,570

See accompanying notes to the financial statements.

Capital Region Housing Corporation

Notes to Financial Statements

For the year ended December 31, 2020

General

The Capital Region Housing Corporation (the "Corporation") is incorporated under the laws of British Columbia and its principal activity is the provision of rental accommodation. As a wholly owned subsidiary of the Capital Regional District ("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.

ii. Capital Fund

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

iii. Replacement Reserve Fund

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

1. Significant Accounting Policies (continued)

c. Capital Assets

Land, buildings, equipment and vehicles are stated at cost. Amortization over their estimated useful lives is provided on the straight-line basis at the following rates:

Asset	Rate
Prepaid 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 provided on the declining balance basis at 20% per annum.

Amortization is charged upon the asset becoming available for productive use in the year of acquisition.

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.

d. Debt Retirement

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

e. Operating Agreements

i. Umbrella

Effective April 1, 2012, the Corporation signed a thirty-three month Interim Umbrella Operating Agreement (the "Umbrella Agreement") with BCHMC to consolidate three operating agreements 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

1. Significant Accounting Policies (continued)

e. Operating Agreements (continued)

i. Umbrella (continued)

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 39 buildings and 1,142 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.

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.

1. Significant Accounting Policies (continued)

e. Operating Agreements (continued)

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 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.

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 will be received to subsidize the ongoing operation of the building.

v. CRHC No Operating Agreement

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

f. Allocation of Investment Income

Funds available for investment are pooled and interest revenue is allocated to restricted funds at the rate of average prime minus 0.11% (2019: average prime minus 0.45%).

g. Financial Instruments

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

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

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

1. Significant Accounting Policies (continued)**g. Financial Instruments (continued)**

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.

h. Use of Estimates

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

2. Cash and Cash Equivalents

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

3. Capital Assets

December 31, 2020	Cost	Accumulated Amortization	Net Book Value
Land	\$ 9,496,053	\$ -	\$ 9,496,053
Prepaid leases	109,499,053	7,233,959	102,265,094
Buildings	122,362,585	81,567,634	40,794,951
Equipment and other	38,956,747	30,427,497	8,529,250
	\$ 280,314,438	\$ 119,229,090	\$ 161,085,348

December 31, 2019	Cost	Accumulated Amortization	Net Book Value
Land	\$ 9,496,053	\$ -	\$ 9,496,053
Prepaid leases	48,030,167	6,331,754	41,698,413
Buildings	118,109,960	78,387,702	39,722,258
Equipment and other	37,299,219	28,281,074	9,018,145
	\$ 212,935,399	\$ 113,000,530	\$ 99,934,869

4. Mortgages Payable

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

Principal due within each of the next five years on these mortgages is approximately as follows:		Assuming no mortgage renewal	Assuming mortgage renewal
2021	\$	8,018,514	\$ 4,901,224
2022		7,926,882	4,872,303
2023		5,410,602	4,927,348
2024		12,068,342	4,745,516
2025	\$	6,425,327	\$ 4,291,919

Interest on mortgages ranges from 0.68% to 3.50% with renewal dates February 1, 2021 to September 1, 2030 and maturity dates from February 1, 2021 to September 1, 2055.

5. 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.

6. Invested in Capital Assets

Investment in capital assets is calculated as follows:

	December 31, 2020	December 31, 2019
Capital assets	\$ 161,085,348	\$ 99,934,869
Accounts receivable	454,156	202,254
Interfund due (to)/from rental housing operating fund	953,353	151,610
Restricted cash	-	478,892
Mortgages payable	(79,863,410)	(77,582,330)
Short-term loan	(61,277,457)	(2,344,958)
	\$ 21,351,990	\$ 20,840,337

7. Restricted Net Assets

Externally restricted net assets:

	December 31, 2020	December 31, 2019
Replacement reserve fund	\$ 5,934,450	\$ 5,116,400
CMHC/BCHMC/Homes BC operating agreements	(3,949)	(3,948)
Portfolio stabilization reserve - umbrella agreement	2,588,625	2,472,613
Portfolio stabilization reserve - ILBC2 agreement	(38,827)	(80,509)
Portfolio stabilization reserve - RHFP agreement	(13,589)	38
Portfolio stabilization reserve - IHI	120,592	-
	\$ 8,587,302	\$ 7,504,594

Internally restricted net assets:

	December 31, 2020	December 31, 2019
Portfolio stabilization reserve - no operating agreement	\$ 462,189	\$ 137,744
Guest suite surplus	36,425	38,199
Vehicle replacement reserve	94,584	92,142
Equipment replacement reserve	30,184	37,979
	\$ 623,382	\$ 306,064

Rental housing operating fund balance:

	December 31, 2020	December 31, 2019
Portfolio stabilization reserve - umbrella agreement	\$ 2,588,625	\$ 2,472,613
Portfolio stabilization reserve - ILBC2 agreement	(38,827)	(80,509)
Portfolio stabilization reserve - RHFP agreement	(13,589)	38
Portfolio stabilization reserve - IHI	120,592	-
Portfolio stabilization reserve - no operating agreement	462,189	137,744
CMHC/BCHMC/Homes BC operating agreements	(3,949)	(3,948)
	\$ 3,115,041	\$ 2,525,938

8. Unrestricted Net Assets

Unrestricted net assets - corporation stabilization reserve:

	December 31, 2020	December 31, 2019
Operating net assets, ending balance	\$ 659,315	\$ 826,544
Less: Internally restricted net assets		
Guest suite surplus	(36,425)	(38,199)
Vehicle replacement reserve	(94,584)	(92,142)
Equipment replacement reserve	(30,184)	(37,979)
	\$ 498,122	\$ 658,224

9. Commitments and Contingencies

a. Related Party Transactions

The Corporation is a wholly owned subsidiary of the Capital Regional District (CRD). In 1997, the Corporation committed to a sixty year prepaid land lease at 625 Superior Street from the CRD at the agreed upon price of \$525,000 which was recognized as an acquisition in the Corporation Capital Fund. In 2017, the Corporation committed to a sixty year land lease at 3816 Carey Road from the CRD for one dollar, 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 \$63,520 (2019: \$62,275) 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 35-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 short-term capital financing from BCHMC to fund the prepaid lease. This short-term financing was converted to a 35-year mortgage subsequent to year-end for a 10-year term at 1.519% interest.

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 short-term capital financing from BCHMC to fund the prepaid lease. This short-term financing was converted to a 35-year mortgage subsequent to year-end for a 10-year term at 1.519% interest.

9. Commitments and Contingencies (continued)

b. Sublease of Kings Place Housing Development

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

c. Building Envelope Remediation (BER)

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

10. Pension Liability

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

As at December 31, 2019, the Plan has about 213,000 active members and approximately 106,000 retired members. Active members include approximately 32 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, 2018 indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis.

The Corporation's employer contributions to the Plan for the fiscal year ended December 31, 2020 is \$222,396 (2019: \$183,804). The next valuation will be as at December 31, 2021, with results available in 2022.

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

11. Financial risks and concentration of 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. 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, 2020 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, 2020 is \$0 (2019: \$0). There have been no significant changes to the credit risk exposure from 2019.

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 4. There have been no significant changes to the liquidity risk exposure from 2019.

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 2019.

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 and Money Market Funds where changes in fair value have parallel changes in unrealized gains or losses until realized on disposal.

11. Financial risks and concentration of risk (continued)

c. Market risk: (continued)

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, 2020, there are four properties which do not receive subsidy assistance based on mortgage interest rates: Village on the Green, Vergo, Millstream Ridge, and Westview. The Corporation entered into a fixed rate 10-year mortgage for Millstream Ridge in 2019 which will be subject to unsubsidized interest rate risk upon renewal.

12. Subsequent Events

Subsequent to December 31, 2020, the short-term capital financing provided by BCHMC to acquire the prepaid leases of West Park and Spencer Close was converted to 35-year mortgage financing at a fixed rate for a 10-year term at 1.519% interest.

On March 22, 2021, the Corporation obtained short-term financing from BCHMC and entered into a prepaid lease of Hockley House from the CRD in the amount of \$23.8 million. The financing will be converted to a 35-year mortgage after being placed with a lender by BCHMC.

On April 14, 2021, the Corporation's Board authorized staff to enter into a pre-paid lease agreement with the CRD in the amount of \$10.1 million for an affordable housing project in the region.

13. COVID-19

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This resulted in governments worldwide, including the Canadian federal and provincial governments enacting emergency measures to combat the spread of the virus. The economic conditions and the Corporation's response to the pandemic did not have a material impact on the Corporation's operating results and financial position in 2020. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Corporation is not known at this time.

Changes in Replacement Reserve Fund

For the year ended December 31, 2020

	Balance at December 31 2019	Transfer from Rental Operating Fund	Contribution from UOA Stabilization Reserve	Contribution from Capital Trust Account	Interest	Transfer to Capital Fund	2020
<u>Umbrella Agreement</u>							
Oakwinds	\$ 742,608	\$ 89,454	\$ -	\$ -	\$ 19,938	\$ (69,941)	\$ 782,059
James Yates Gardens	119,434	14,313	-	-	3,350	(375)	136,722
Pinehurst	404,624	35,782	-	-	11,069	(9,597)	441,878
The Brambles	135,687	32,203	-	-	3,934	(6,645)	165,179
The Terraces	496,814	35,782	-	-	13,595	(3,357)	542,834
Michigan Square	360,602	-	-	-	9,437	(9,015)	361,024
Olympic View	165,189	107,345	-	-	3,144	(199,928)	75,750
Swanlea	125,914	25,047	-	-	3,650	(1,381)	153,230
Firgrove	4,561	57,251	-	-	780	(7,480)	55,112
Beechwood Park	(51,378)	85,876	-	-	-	(40,811)	(6,313)
Grey Oak Square	(19,013)	42,938	-	-	-	(8,756)	15,169
Willowdene	2,932	26,836	-	-	403	(2,249)	27,922
Rosewood	59,919	78,720	-	-	2,228	(29,917)	110,950
Gladstone	31,279	25,047	-	-	969	(14,475)	42,820
Camosun Place	73,466	14,313	-	-	1,763	(28,174)	61,368
Parkview	99,636	46,516	-	-	2,769	(36,836)	112,085
Carey Lane	17,087	39,360	-	-	225	(56,580)	92
Colquitz Green	(20,849)	35,782	-	-	-	(45,288)	(30,355)
Springtide	21,566	85,876	-	-	1,565	(10,260)	98,747
Greenlea	19,730	37,571	-	-	357	(50,073)	7,585
Arbutus View	(5,509)	41,149	-	-	-	(39,533)	(3,893)
Amberlea	228,217	78,720	-	-	6,000	(82,327)	230,610
Cloverhurst	38,512	17,891	-	-	1,228	(2,211)	55,420
Hamlet	(485)	17,891	-	-	-	(38,882)	(21,476)
Viewmont	119,254	64,407	-	-	2,937	(73,684)	112,914
Creekside	5,657	42,938	-	-	-	(62,115)	(13,520)
The Birches	23,925	100,188	-	-	1,406	(41,942)	83,577
Caledonia	16,802	-	-	-	445	-	17,247
The Heathers	136,991	46,516	-	-	3,691	(41,930)	145,268
Heron Cove	89,060	42,938	-	-	2,572	(26,939)	107,631
Castanea Place	370,261	105,556	-	-	9,419	(134,390)	350,846
Leblond Place	(79,845)	76,930	-	-	-	(75,569)	(78,484)
Rotary House	7,371	73,352	-	-	862	(23,040)	58,545
Cairns Park	11,127	10,734	-	-	39	(30,017)	(8,117)
Kings Place	17,676	62,618	-	-	956	(25,815)	55,435
Carillon Place	19,919	26,836	-	-	565	(24,053)	23,267
Brock Place	132	53,672	-	-	-	(53,902)	(98)
Harbour Lane	189,407	50,094	-	-	5,378	(22,991)	221,888
Tillicum Station	220,397	71,560	-	-	5,975	(61,400)	236,532
<u>ILBC2 Agreement</u>							
Parry Place	101,705	16,600	-	-	2,507	(3,287)	117,525
<u>No Operating Agreement</u>							
Village on the Green	312,419	78,719	-	-	8,467	(64,570)	335,035
Vergo	33,707	37,288	-	-	1,329	(4,419)	67,905
Portage Place	122,702	35,217	-	-	3,666	(3,928)	157,657
Campus View Court	126,804	24,859	-	-	3,474	(16,277)	138,860
Royal Oak Square	138,774	78,719	-	-	4,112	(45,901)	175,704
<u>RHFP Agreement</u>							
Millstream Ridge	81,612	114,048	-	-	3,374	(23,385)	175,649
<u>IHI Agreement</u>							
Westview	-	42,048	-	-	506	(3,889)	38,665
	\$ 5,116,400	\$ 2,327,500	\$ -	\$ -	\$ 148,084	\$ (1,657,534)	\$ 5,934,450

Changes in Portfolio Stabilization Reserves

For the year ended December 31, 2020

	Balance at December 31, 2019	Reimburse BCHMC	Transfer (to) Replacement Reserve Fund (Schedule A)	Transfer from/(to) Rental Operating Fund (Schedule E)	Transfer (to) Capital Fund	Balance at December 31, 2020
<u>Umbrella</u>						
<u>Agreement</u>						
CMHC	\$ 3,978,668	\$ -	\$ -	\$ 1,121,581	\$ -	\$ 5,100,249
BCHMC	(1,464,774)	-	-	(924,026)	-	(2,388,800)
Homes BC	(41,281)	-	-	(81,543)	-	(122,824)
	2,472,613	-	-	116,012	-	2,588,625
<u>ILBC2</u>						
<u>Agreement</u>						
Parry Place	(80,509)	-	-	41,682	-	(38,827)
<u>RHFP</u>						
<u>Agreement</u>						
Millstream Ridge	38	-	-	(24,418)	-	(24,380)
Spencer Close	-	-	-	10,791	-	10,791
West Park	-	-	-	-	-	-
	38	-	-	(13,627)	-	(13,589)
<u>IHI Agreement</u>						
Westview	-	-	-	120,592	-	120,592
<u>No Operating</u>						
<u>Agreement</u>						
Portage Place	-	-	-	86,140	-	86,140
Campus View Court	-	-	-	58,149	-	58,149
Royal Oak Square	-	-	-	227,697	-	227,697
Village on the Green	583,734	-	-	46,280	-	630,014
Vergo	(445,990)	-	-	(93,821)	-	(539,811)
	137,744	-	-	324,445	-	462,189
	\$ 2,529,886	\$ -	\$ -	\$ 589,104	\$ -	\$ 3,118,990

Capital Assets

For the year ended December 31, 2020

Capital Assets

	Completed	Land	Prepaid Lease	Buildings	Equipment and Other	Transfer from Replacement Reserve Fund	Total	Accumulated Amortization	2020	2019
In Operation										
Umbrella Agreement										
Oakwinds	Feb/85	\$ 103,200	\$ -	\$ 2,835,407	\$ 1,449,152	\$ 69,941	\$ 5,184,575	\$ (4,776,238)	\$ 408,337	\$ 435,420
James Yates Gardens	Oct/84	277,692	-	387,934	285,944	375	777,453	(607,347)	170,106	186,459
Pinehurst	Feb/85	275,975	-	1,188,811	660,916	9,597	2,137,016	(1,739,255)	397,761	452,147
The Brambles	Jun/85	356,532	-	1,048,104	737,519	6,645	2,066,243	(1,679,764)	388,479	409,961
The Terraces	May/85	784,763	-	1,087,668	861,279	3,357	2,308,836	(1,821,889)	486,947	516,194
Michigan Square	Sep/85	900,000	-	3,154,222	2,485,008	9,015	6,433,008	(5,381,795)	1,051,213	1,108,811
Olympic View	Apr/86	230,215	-	3,288,908	2,045,415	199,928	6,434,251	(4,984,526)	1,449,725	1,481,198
Swanlea	Dec/85	480,000	-	746,556	451,510	1,381	1,429,662	(1,126,319)	303,343	320,244
Firgrove	Feb/86	888,000	-	1,763,183	1,147,074	7,480	3,397,737	(2,756,555)	641,182	724,374
Beechwood Park	Feb/86	409,015	-	2,317,623	2,988,251	40,811	6,234,985	(4,812,566)	1,422,119	1,581,057
Grey Oak Square	Apr/86	-	-	1,290,394	942,375	8,756	2,650,540	(2,045,066)	605,474	682,700
Willowdene	Sep/87	-	-	884,186	650,139	2,249	1,536,574	(1,381,491)	155,083	204,235
Rosewood	Oct/88	-	255,000	1,864,715	787,119	29,917	2,936,751	(2,553,619)	383,132	451,202
Gladstone	Jan/89	-	197,000	912,600	480,483	14,475	1,604,558	(1,358,499)	246,059	279,916
Camosun Place	Mar/89	-	108,000	489,700	195,585	28,174	821,459	(680,295)	141,164	140,978
Parkview	May/89	-	283,250	1,795,567	877,127	36,836	2,992,780	(2,544,574)	448,206	507,923
Carey Lane	Aug/89	-	283,250	1,443,751	860,411	56,580	2,643,992	(2,206,230)	437,762	472,608
Colquitz Green	Nov/89	-	160,250	1,504,000	738,220	45,288	2,447,758	(2,072,579)	375,179	418,402
Springtide	May/90	-	324,500	2,519,309	866,820	10,260	3,720,889	(3,121,895)	598,994	704,680
Greenlea	Feb/90	-	305,750	1,560,300	788,168	50,073	2,704,291	(2,215,852)	488,439	528,627
Arbutus View	Jul/90	-	370,250	1,592,750	924,257	39,533	2,926,790	(2,320,654)	606,136	679,562
Amberlea	May/90	-	447,501	2,578,479	781,907	82,327	3,890,214	(3,171,364)	718,850	769,620
Cloverhurst	May/90	-	197,000	651,500	235,714	2,211	1,086,425	(873,588)	212,837	243,314
Hamlet	Oct/90	-	152,000	803,000	360,812	38,882	1,354,694	(1,088,304)	266,390	278,273
Viewmont	Aug/91	-	402,140	2,378,046	737,657	73,684	3,591,527	(2,864,552)	726,975	774,484
Creekside	Apr/92	-	388,250	2,363,830	878,085	62,115	3,692,280	(2,897,628)	794,652	853,754
The Birches	Aug/92	-	675,000	3,684,874	847,918	41,942	5,249,734	(4,092,359)	1,157,375	1,276,198
Caledonia	Apr/93	-	403,473	1,452,777	439,163	-	2,295,413	(1,729,557)	565,856	629,118
The Heathers	Apr/93	-	436,279	1,974,683	388,764	41,930	2,841,656	(2,122,030)	719,626	764,389
Heron Cove	Oct/93	-	270,000	2,274,691	504,560	26,939	3,076,190	(2,340,964)	735,226	811,851
Castanea Place	Feb/95	-	1,277,000	4,841,879	987,008	134,390	7,240,277	(4,959,212)	2,281,065	2,384,390
Leblond Place	Sep/96	-	900,000	4,506,231	1,139,539	75,569	6,621,339	(4,263,598)	2,357,741	2,562,240
Rotary House	Nov/06	-	556,600	2,994,000	581,051	23,040	4,154,691	(2,532,119)	1,622,572	1,777,552
Cairns Park	Dec/96	-	240,000	415,314	162,140	30,017	847,471	(518,550)	328,921	332,336
Kings Place	N/A	-	-	-	653,812	25,815	679,627	(510,218)	169,409	185,948

	Completed	Land	Prepaid Lease	Buildings	Equipment and Other	Transfer from Replacement Reserve Fund	Total	Accumulated Amortization	2020	2019
Carillon Place	Jul/98	-	525,000	1,280,389	689,270	24,053	2,518,712	(1,500,885)	1,017,827	1,102,878
Brock Place	Jan/00	-	840,000	3,465,836	1,040,995	53,902	5,400,733	(3,081,536)	2,319,197	2,475,035
Harbour Lane	Oct/01	-	825,000	3,607,266	309,371	22,991	4,764,628	(2,585,995)	2,178,633	2,293,124
Tillicum Station	Jul/02	-	948,750	4,300,764	501,799	61,400	5,812,713	(3,036,433)	2,776,280	2,894,049
Building Envelope Remediation										
Amberlea	2008	-	-	2,367,415	-	-	2,367,415	(1,846,264)	521,151	651,439
Cloverhurst	2008	-	-	1,105,204	-	-	1,105,204	(863,417)	241,787	302,234
The Birches	2006	-	-	1,635,610	-	-	1,635,610	(1,175,435)	460,175	536,871
Heron Cove	2007	-	-	1,756,374	-	-	1,756,374	(1,197,203)	559,171	639,053
Castanea Place	2007	-	-	2,531,350	-	-	2,531,350	(1,551,839)	979,511	1,088,345
Leblond Place	2009	-	-	3,337,941	-	-	3,337,941	(1,875,017)	1,462,924	1,609,216
The Heathers	2016	-	-	1,258,358	-	-	1,258,358	(521,149)	737,209	842,524
ILBC2 Agreement										
Parry Place	Jun/08	1,400,000	-	4,794,268	226,793	3,287	6,424,348	(1,900,551)	4,523,797	4,677,834
RHP Agreement										
Millstream Ridge	Feb/19	-	35,428,849	-	12,769	23,385	35,465,003	(1,190,236)	34,274,767	34,848,583
Spencer Close	Nov/20	-	30,218,969	-	-	-	30,218,969	(41,972)	30,176,997	-
West Park	Nov/20	-	31,249,917	-	-	-	31,249,917	(43,403)	31,206,514	-
IHI Agreement										
Westview	May/20	-	-	14,844,032	-	3,889	14,847,921	(247,400)	14,600,521	11,293,916
No Operating Agreement										
Village on the Green	May/84	910,171	-	2,002,921	903,639	64,570	3,881,301	(2,757,282)	1,124,019	1,112,911
Vergo	May/12	1,144,327	-	4,226,787	78,334	4,419	5,453,867	(1,143,782)	4,310,085	4,435,629
Portage Place	Aug/83	328,659	-	965,774	688,343	3,928	1,998,704	(1,480,988)	515,716	558,552
Campus View Court	Sep/83	341,224	-	688,111	576,313	16,277	1,621,925	(1,158,447)	463,478	477,763
Royal Oak Square	Mar/84	666,280	-	2,051,834	1,744,272	45,901	4,508,287	(3,318,270)	1,190,017	1,275,050
Buildings Under Construction										
Redevelopment Sites		-	-	1,547,359	-	-	1,547,359	-	1,547,359	844,850
Office Equipment		-	-	535,869	-	-	535,869	(499,991)	35,878	44,848
Vehicles		-	-	60,544	-	-	60,544	(60,544)	-	-
		\$ 9,496,053	\$ 109,499,053	\$ 122,362,585	\$ 37,299,213	\$ 1,657,534	\$ 280,314,438	\$ (119,229,090)	\$ 161,085,348	\$ 99,934,869

Capital Fund: Mortgages Payable

For the year ended December 31, 2020

Rental Property	Interest Rate	Renewal Date	Maturity Date	2020	2019
<u>Umbrella Agreement</u>					
Oakwinds	1.390%		February 1, 2020	\$ -	\$ 38,790
Pinehurst	1.390%		March 1, 2020	-	22,859
The Brambles	1.040%		June 1, 2020	-	40,334
The Terraces	1.040%		May 1, 2020	-	36,746
Michigan Square	1.020%		September 1, 2020	-	181,257
Olympic View	2.930%		April 1, 2021	88,571	349,002
Swanlea	3.430%		December 1, 2020	-	62,817
Firgrove	3.150%		February 1, 2021	23,899	164,373
Beechwood Park	3.150%		February 1, 2021	34,235	235,461
Grey Oak Square	3.150%		March 1, 2021	27,083	133,150
Willowdene	2.580%		September 1, 2022	90,076	139,761
Rosewood	2.610%		November 1, 2023	342,135	453,603
Gladstone	2.610%		January 1, 2024	189,340	247,565
Camosun Place	1.860%		March 1, 2024	101,074	130,967
Parkview	1.690%		May 1, 2024	396,503	508,304
Carey Lane	1.690%		August 1, 2024	351,189	443,266
Colquitz Green	1.730%		November 1, 2024	363,422	451,699
Springtide	0.680%		May 1, 2025	689,317	834,317
Greenlea	0.690%		March 1, 2025	443,747	542,704
Arbutus View	0.680%		July 1, 2025	485,329	583,483
Amberlea	0.680%		May 1, 2025	736,384	891,285
Cloverhurst	0.680%		May 1, 2025	205,717	248,990
Hamlet	3.430%	February 1, 2021	October 1, 2025	253,602	301,086
Viewmont	2.490%	October 1, 2021	August 1, 2026	803,591	934,059
Creekside	2.600%	April 1, 2027	April 1, 2027	862,697	986,452
The Birches	2.550%	August 1, 2027	August 1, 2032	1,406,451	1,597,662
Caledonia	2.500%	April 1, 2028	April 1, 2033	652,595	732,716
The Heathers	2.600%	April 1, 2028	April 1, 2033	836,379	938,629
Heron Cove	2.610%	October 1, 2028	October 1, 2033	929,292	1,034,901
Castanea Place	0.690%		February 1, 2030	2,681,978	2,945,716
Leblond Place - 1st mortgage	2.490%	October 1, 2021	September 1, 2031	2,104,815	2,273,605
Leblond Place - 2nd mortgage	2.150%	March 1, 2025	March 1, 2045	2,522,835	2,601,372
Rotary House	2.510%	March 1, 2028	March 1, 2033	1,327,521	1,492,469
Cairns Park	1.698%	December 1, 2021	December 1, 2031	317,549	343,595
Carillon Place	3.220%	June 1, 2024	July 1, 2033	967,327	1,028,796
Brock Place	2.840%		January 1, 2035	2,643,524	2,899,890
Harbour Lane	2.200%	October 1, 2026	October 1, 2036	2,655,676	2,794,500
Tillicum Station	3.270%	July 1, 2024	July 1, 2037	3,456,281	3,611,010
<u>ILBC2 Agreement</u>					
Parry Place	3.480%	May 1, 2024	May 1, 2043	3,462,633	3,562,711
<u>RHFP Agreement</u>					
Millstream Ridge	2.860%	February 1, 2029	March 1, 2054	34,441,936	35,053,436
<u>IHI Agreement</u>					
Westview	1.631%	September 1, 2030	September 1, 2055	7,440,758	-
<u>CRHC No Operating Agreement</u>					
Village on the Green	3.500%	October 1, 2021	October 1, 2039	1,857,077	1,925,741
Vergo	3.450%	August 1, 2022	August 1, 2042	3,670,872	3,783,251
				79,863,410	77,582,330
Principal Current Portion				(4,828,667)	(4,568,934)
Principal Renewal Portion				(3,189,847)	(8,840,245)
				\$ 71,844,896	\$ 64,173,151

Operating Fund: Rental Operations

For the year ended December 31, 2020

Operating Fund: Rental Operations

	Revenues				Expenditures and Interfund Transfers					Surplus (Deficit) from operations after interfund transfers	Allocation from/(to) Portfolio Stabilization Reserves		
	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
Umbrella Agreement													
CMHC													
Oakwinds	50	\$ 654,602	\$ -	\$ 4,811	\$ 2,907	\$ 662,320	\$ 280,399	\$ 89,454	\$ 38,913	\$ -	\$ 408,766	\$ 253,554	\$ (253,554)
James Yates Gardens	8	76,410	-	-	169	76,579	42,276	14,313	-	-	56,589	19,990	(19,990)
Pinehurst	20	285,635	-	3,865	1,898	291,398	99,603	35,782	23,086	-	158,471	132,927	(132,927)
The Brambles	18	239,249	-	7,500	1,901	248,650	112,785	32,203	40,521	-	185,509	63,141	(63,141)
The Terraces	20	254,063	-	6,627	1,912	262,602	112,215	35,782	36,808	-	184,805	77,797	(77,797)
Michigan Square	62	420,737	-	35,171	5,875	461,783	221,590	-	181,971	-	403,561	58,222	(58,222)
Olympic View	60	800,126	-	70,610	4,512	875,248	335,023	107,345	266,496	-	708,864	166,384	(166,384)
Swanlea	14	197,193	-	16,605	1,126	214,924	74,880	25,047	63,900	-	163,827	51,097	(51,097)
Firgrove	32	402,886	-	37,102	2,551	442,539	151,536	57,251	143,243	-	352,030	90,509	(90,509)
Beechwood Park	48	612,810	-	53,052	7,413	673,275	246,532	85,876	205,192	-	537,600	135,675	(135,675)
Grey Oak Square	24	321,885	-	27,979	2,459	352,323	128,659	42,938	108,441	-	280,038	72,285	(72,285)
	356	4,265,596	-	263,322	32,723	4,561,641	1,805,498	525,991	1,108,571	-	3,440,060	1,121,581	(1,121,581)
BCHMC													
Willowdene	15	109,018	-	56,415	454	165,887	137,717	26,836	52,691	-	217,244	(51,357)	51,357
Rosewood	44	245,916	-	83,724	2,921	332,561	221,726	78,720	121,926	-	422,372	(89,811)	89,811
Gladstone	14	124,914	-	63,368	228	188,510	77,441	25,047	63,964	-	166,452	22,058	(22,058)
Camosun Place	8	74,714	-	33,432	133	108,279	49,300	14,313	32,068	-	95,681	12,598	(12,598)
Parkview	26	185,590	-	114,811	898	301,299	125,730	46,516	119,503	-	291,749	9,550	(9,550)
Carey Lane	22	188,975	-	83,364	1,200	273,539	115,202	39,360	98,835	-	253,397	20,142	(20,142)
Colquitz Green	20	171,282	-	76,241	992	248,515	113,126	35,782	96,371	-	245,279	3,236	(3,236)
Springtide	48	260,135	-	118,997	2,725	381,857	244,156	85,876	165,287	-	495,319	(113,462)	113,462
Greenlea	21	161,043	-	44,624	1,045	206,712	115,603	37,571	108,912	-	262,086	(55,374)	55,374

Operating Fund: Rental Operations (continued)

	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	183,661	-	53,476	627	237,764	106,483	41,149	112,373	-	260,005	(22,241)	22,241
Amberlea	44	287,367	-	119,408	2,768	409,543	233,682	78,720	176,573	-	488,975	(79,432)	79,432
Cloverhurst	10	64,827	-	42,920	133	107,880	50,596	17,891	49,327	-	117,814	(9,934)	9,934
Hamlet	10	100,935	-	53,091	233	154,259	58,050	17,891	57,004	-	132,945	21,314	(21,314)
Viewmont	36	175,090	-	166,536	2,555	344,181	176,634	64,407	152,138	-	393,179	(48,998)	48,998
Creekside	24	207,604	-	111,686	1,200	320,490	129,221	42,938	147,813	-	319,972	518	(518)
The Birches	56	292,515	-	163,537	3,048	459,100	222,212	100,188	229,534	-	551,934	(92,834)	92,834
Caledonia	18	25,586	-	79,981	556	106,123	95,459	-	97,439	-	192,898	(86,775)	86,775
The Heathers	26	141,578	-	108,372	1,822	251,772	130,239	46,516	125,324	-	302,079	(50,307)	50,307
Heron Cove	24	182,963	-	63,582	818	247,363	103,293	42,938	131,230	-	277,461	(30,098)	30,098
Castanea Place	59	376,237	-	196,456	3,112	575,805	304,680	105,556	319,154	-	729,390	(153,585)	153,585
Leblond Place	43	254,618	-	342,600	3,534	600,752	267,020	76,930	356,669	-	700,619	(99,867)	99,867
Rotary House	41	246,477	-	216,649	1,467	464,593	220,263	73,352	200,345	-	493,960	(29,367)	29,367
Homes BC	632	4,061,045	-	2,393,270	32,469	6,486,784	3,297,833	1,098,497	3,014,480	-	7,410,810	(924,026)	924,026
Cairns Park	6	50,941	-	22,315	240	73,496	36,768	10,734	31,658	-	79,160	(5,664)	5,664
Kings Place	35	381,346	-	152,041	2,118	535,505	474,156	62,618	-	-	536,774	(1,269)	1,269
Carillon Place	15	184,052	-	33,478	542	218,072	92,882	26,836	93,480	-	213,198	4,874	(4,874)
Brock Place	30	332,593	-	69,892	3,838	406,323	165,824	53,672	227,708	-	447,204	(40,881)	40,881
Harbour Lane	28	287,804	-	88,749	3,115	379,668	155,880	50,094	198,635	-	404,609	(24,941)	24,941
Tillicum Station	40	471,994	-	95,884	1,884	569,762	242,141	71,560	269,723	-	583,424	(13,662)	13,662
	154	1,708,730	-	462,359	11,737	2,182,826	1,167,651	275,514	821,204	-	2,264,369	(81,543)	81,543
	1,142	10,035,371	-	3,118,951	76,929	13,231,251	6,270,982	1,900,002	4,944,255	-	13,115,239	116,012	(116,012)

Operating Fund: Rental Operations continued

		Revenues					Expenditures and Interfund Transfers					Surplus (Deficit) from operations after interfund transfers	Allocation from/(to) Portfolio Stabilization Reserves
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			
ILBC2 Agreement													
21	299,038	359,792	-	861	659,691	379,813	16,600	221,596	-	618,009	41,682	(41,682)	
RHFP Agreement													
132	2,087,297	-	-	38,791	2,126,088	571,821	114,048	1,599,719	(135,082)	2,150,506	(24,418)	24,418	
130	36,806	-	-	210	37,016	26,225	-	-	-	26,225	10,791	(10,791)	
152	29,429	-	-	480	29,909	44,663	-	-	(14,754)	29,909	-	-	
414	2,153,532	-	-	39,481	2,193,013	642,709	114,048	1,599,719	(149,836)	2,206,640	(13,627)	13,627	
IHI Agreement													
73	398,793	-	-	10,504	409,297	166,478	42,048	80,179	-	288,705	120,592	(120,592)	
No Operating Agreement													
17	222,685	-	-	925	223,610	102,253	35,217	-	-	137,470	86,140	(86,140)	
12	150,291	-	-	1,688	151,979	68,971	24,859	-	-	93,830	58,149	(58,149)	
38	507,018	-	-	2,716	509,734	203,318	78,719	-	-	282,037	227,697	(227,697)	
38	443,096	-	-	4,376	447,472	188,183	78,719	134,290	-	401,192	46,280	(46,280)	
18	273,322	-	-	146	273,468	90,105	37,288	239,896	-	367,289	(93,821)	93,821	
123	1,596,412	-	-	9,851	1,606,263	652,830	254,802	374,186	-	1,281,818	324,445	(324,445)	
1,773	\$14,483,146	\$ 359,792	\$ 3,118,951	\$ 137,626	\$18,099,515	\$ 8,112,812	\$ 2,327,500	\$ 7,219,935	\$ (149,836)	\$17,510,411	\$ 589,104	\$ (589,104)	

Capital Region Housing
Corporation

**Audit Findings
Report**

British Columbia, Canada

Fiscal year ended December 31, 2020



Capital Region Housing Corporation

Audit Findings Report for the year ended December 31, 2020

KPMG LLP

For the meeting on May 5, 2021

kpmg.ca/audit



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Executive summary

Purpose of this report

The purpose of this Audit Findings Report is to assist you, as a member of the Board of Directors, in your review of the results of our audit of the financial statements of Capital Region Housing Corporation (the Corporation) as at and for the year ended December 31, 2020. This Audit Findings Report builds on the Audit Plan we presented to the Hospitals and Housing Committee on January 6, 2021.

What's new in fiscal 2020

There have been changes in fiscal 2020 which impacted financial reporting and our audit:

- COVID-19 pandemic – See page 5
- New auditing standard for estimates – See page 6

Changes from the audit plan

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

Finalizing the audit

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:

- Completing our discussions with the Board of Directors;
- Obtaining the signed management representation letter;
- Obtaining evidence of the Board of Directors' approval of the financial statements; and,
- Completing subsequent event review procedures up to the date of the Board of Directors' approval of the financial statements.

We will update the Board of Directors on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures. Our auditors' report, a draft of which is attached to the enclosed draft financial statements, will be dated upon the completion of any remaining procedures.

Areas of audit focus

Our audit is risk-focused. We have not identified any additional significant risks. However, as part of our audit, we identified areas of audit focus which include:

- Regional Housing First Program
- Development of Westview project

See pages 7 to 9 for the audit findings related to these areas of audit focus.

Adjustments and differences

Differences and adjustments include disclosure and presentation differences and adjustments. Professional standards require that we request of management and the Board of Directors that all identified differences be corrected.

We did not identify differences that remain uncorrected.

We identified one adjustment that was communicated to management and subsequently corrected in the financial statements. Amortization for new properties was reduced to reflect the dates they began to be used by the Corporation. This increased capital assets and decreased expenses by \$1,116,598.

Executive summary (continued)

Significant accounting policies and practices

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

See page 10 for further details.

Control and other observations

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

Independence

We confirm that we are independent with respect to the Corporation within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation from January 1, 2020 up to the date of this report.

Current developments

Please refer to Appendix 3 for the current developments updates, including COVID-19 resources.

What's new in 2020

COVID-19 pandemic

Areas of impact	Key observations
Corporation's financial reporting impacts	<ul style="list-style-type: none"> - We considered impacts to financial reporting due to the COVID-19 pandemic and the increased disclosures needed in the financial statements as a result of the significant judgements applied. Suggestions were provided to management to enhance disclosures which have been reflected in the financial statements.
Corporation's internal control over financial reporting	<ul style="list-style-type: none"> - There were minimal changes to internal controls over financial reporting due to the COVID-19 pandemic as the Corporation did not move to a fully remote working environment and was able to maintain its existing internal controls and processes.
Risk assessment	<ul style="list-style-type: none"> - We performed a more thorough risk assessment specifically targeted at the impacts of the COVID-19 pandemic, including an assessment of fraud risk factors (i.e., conditions or events that may be indicative of an incentive/pressure to commit fraud, opportunities to commit fraud, rationalizations of committing fraud).
Working remotely	<ul style="list-style-type: none"> - We worked both remotely and onsite. We used virtual work rooms, video conferencing, and internally shared team sites to collaborate in real-time, both amongst the audit team as well as with management. - We used secure technologies to conduct walkthroughs, perform tests of controls and substantive tests. - We increased our professional skepticism when evaluating electronic evidence received and performed additional procedures to validate the authenticity and reliability of electronic information used as audit evidence.
Direction and supervision of the audit	<ul style="list-style-type: none"> - The Senior Manager and Engagement Partner were actively involved in determining the impact that the COVID-19 pandemic had on the audit (as discussed above), including the impact on the Corporation's financial reporting and the Corporation's internal control over financial reporting. - The Senior Manager and Engagement Partner implemented new supervision processes to deal with working in a remote environment, and our audit approach allowed us to manage the audit using meaningful milestones and frequent touch points.
Substantive testing – Response	<ul style="list-style-type: none"> - As there were minimal changes to the Corporation's business during the year, we did not change our approach for the audit.

What's new in 2020 continued

New auditing standard

Standard	Key observations
CAS 540, Auditing Accounting Estimates and Related Disclosures	<ul style="list-style-type: none">- The new standard was applied on all estimates within the financial statements that had a risk of material misstatement due to estimation uncertainty.- We assessed the risk of material misstatement due to estimation uncertainty for all estimates within the financial statements and not just “key estimates”, “critical accounting estimates”, or “estimates with significant risk”. In assessing this risk, we considered the degree of complexity, uncertainty and subjectivity involved in making each accounting estimate to determine the level of audit response.- We considered the potential for management bias.- We determined that no estimates had a risk of material misstatement due to estimation uncertainty that was greater than remote.

Audit risks

Significant financial reporting risk

Fraud risk from management override of controls

Why is this significant?

This is a presumed fraud risk. We have not identified any specific additional risks of management override relating to this audit.

Our response

Our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include:

- Testing of journal entries and other adjustments throughout the period and during the post-closing period for financial statement preparation.
- Evaluating the business rationale of significant unusual transactions.

Significant findings

There were no issues noted in our testing.

Areas of audit focus

Other area of focus	Why is this significant?
<p>Regional Housing First Program (RHFP) West Park and Spencer Close</p>	<p>On November 2, 2020 and November 20, 2020, the Corporation entered into 60-year prepaid leases and 35-year operator agreements with Capital Regional District regarding West Park and Spencer Close respectively. These prepaid leases were initially funded through short-term financing which was converted into mortgages subsequent to year-end.</p>
Our response	
<ul style="list-style-type: none">- RHFP is a partnership between three levels of government that have committed to fund affordable or supportive housing projects in the CRD. BC Housing, CMHC and CRD (through CRD, CRHC and CRHD) have committed to invest \$40M each to develop and acquire approximately 300 (at \$300,000 each) new housing units that will have a rental rate equal to the Province's income assistance shelter rate (\$375) for residents of the region experiencing chronic homelessness.- Either BC Housing or CRD/CRD entities will purchase the approximately 20% provincial assistance rate units as an equity contribution. The operator (non-profit organization or CRHC) operates 100% of the units and maintains ownership of the remaining approximately 80% of units (or lease agreement with BC Housing or CRD/CRD entity). CMHC's \$40M contribution is in the form of a grant to the CRD, where the CRD holds ownership of those units.- In November 2020, the CRD purchased West Park and Spencer Close under the RHFP. The properties were purchased for \$29.43M and \$28.41M respectively, including closing costs. CRD owns 100% of the units and has entered into a 60-year prepaid lease agreement with the CRHC, and a 35-year operator agreement for the RHFP units.- The purchase of the properties is funded by contributions from CMHC and a 60-year prepaid lease with CRHC. CRHC received short-term financing from the BC Housing to fund the lease and closing costs. The short-term financing was converted into mortgages subsequent to year-end.- KPMG inspected related information including the RHFP project details, purchase contract, lease agreement with CRD and the BC Housing financing commitment letter.- KPMG agreed the short-term financing to 3rd party loan commitment letters and verified the prepaid lease had been appropriately added to capital assets.- KPMG concurs with management's accounting treatment of the transactions in the financial statements.	
Significant findings	
<p>There were no issues noted in our testing.</p>	

Audit risks

Other area of focus

Development of Westview project

Why is this significant?

Material capital additions during the year.

Our response

- During the 2020 fiscal year, \$3.6M (2019 - \$8.5M) of capital additions were incurred on the Westview project on Carey Road in Saanich. Total costs incurred to date on this project are \$14.8M as at December 31, 2020. Construction was completed in May 2020 when the property began to be rented.
- The construction costs are funded through two loans from BC Housing; a forgivable loan for \$6.4M and another loan which is not forgivable for up to \$8.5M. The forgivable loan was recognized as Provincial/Federal contributions in the statement of operations in fiscal 2019. Amounts drawn down in excess of the forgivable loan were converted into a mortgage for \$7.4M on September 1, 2020.
- KPMG selected a sample of invoices for construction costs incurred in fiscal 2020 and inspected the nature of invoices to determine if capitalization of cost is the appropriate accounting treatment.
- We did not note any issues or discrepancies in the amounts recognized for construction costs related to the Westview project.

Significant findings

There were no issues noted in our testing.

Significant accounting policies and practices



Significant accounting policies

- There were no initial selections of or changes to the significant accounting policies and practices.
 - There were no significant accounting policies in controversial or emerging areas.
 - There were no issues noted with the timing of the Corporation'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 transaction 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.
 - There were no significant factors affecting the Corporation's asset and liability carrying values.
-



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.
-

Uncorrected differences and corrected adjustments

Differences and adjustments include disclosure differences and adjustments.

Professional standards require that we request of management and the Board of Directors that all identified differences be corrected. We have already made this request of management.

Uncorrected differences

We did not identify differences that remain uncorrected for fiscal 2020.

Corrected adjustments

We identified one adjustment that was communicated to management and subsequently corrected in the financial statements. Amortization for new properties was reduced to reflect the dates they began to be used by the Corporation. This increased capital assets and decreased expenses by \$1,116,598.

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

Appendices

Appendix 1: Data & Analytics

Appendix 2: Required communications

Appendix 3: Current developments and audit trends

Appendix 4: Management representation letter

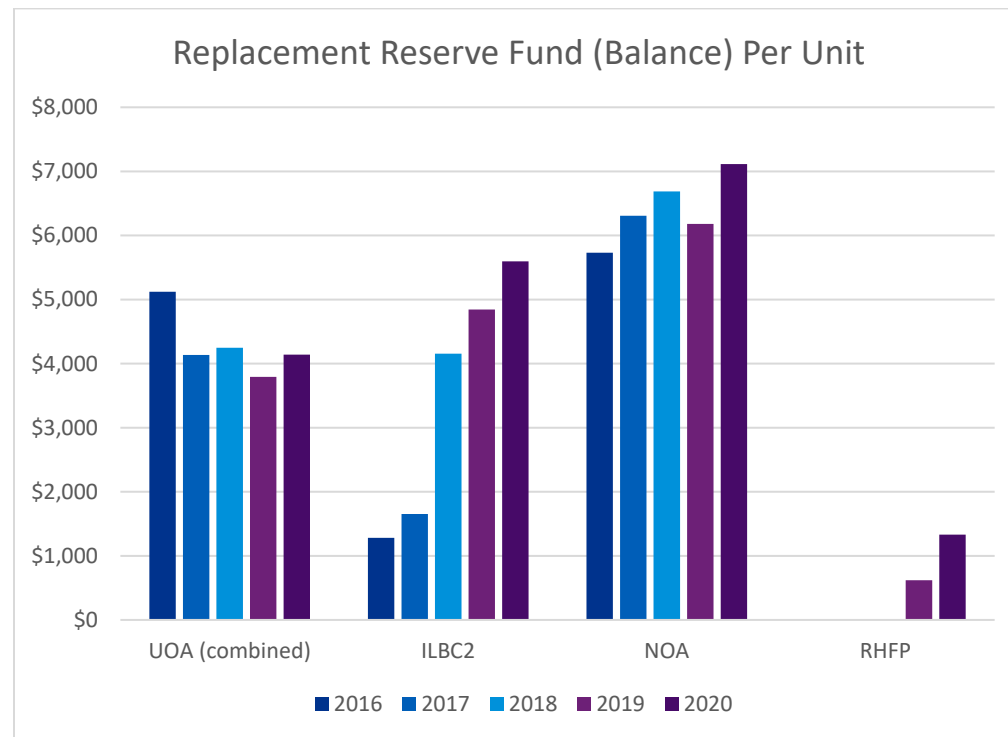


Appendix 1: Data & Analytics

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

Schedule A: Replacement Reserve Fund (Balances)

Schedule A of the financial statements details the annual changes in the Replacement Reserve Fund by property including contributions, interest, and spending. The Replacement Reserve Funds have been established in accordance with the agreements for the purpose of each building being able to pay for the replacement of capital equipment and other approved items. The schedule below summarizes the properties in three categories: Umbrella Agreement, ILBC2 Agreement, No Operating Agreement and Regional Housing First Program (RHFP). In 2020, the Investing in Housing Initiative (IHI) Agreement was introduced which is 1 building (Westview) with 132 units. It was not included in the chart below since it is in its first year of operation.



The Replacement Reserve Fund (Balance) Per Unit (“RRFPU”) graph provides a summary of the average funds available per unit from 2016 to 2020 under each of the operating agreements.

The average RRFPU for all buildings under the Umbrella Agreement ranges from a low of \$3,794 in 2019 to a high of \$5,122 in 2016. The 2020 balance has increased from 2019.

The average RRFPU for the building under the ILBC2 Agreement ranges from \$1,281 in 2016 to \$5,596 in 2020. During 2020 \$16,600 was transferred into the RRF from the Parry Place Rental Operating Fund, resulting in an increase in the overall RRF balance.

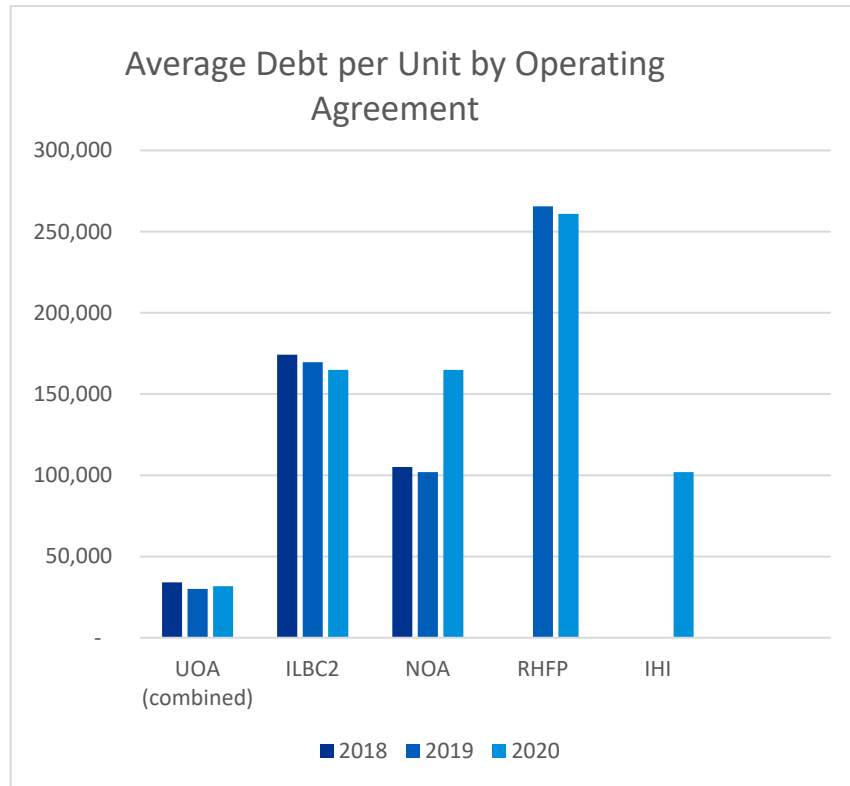
The NOA consists of 5 buildings. The average RRFPU for the buildings with no operating agreement ranges from \$5,731 in 2016 to \$7,115 in 2020. The increase in 2020 is attributed to contributions of operating surplus and interest earned being greater than capital expenditures. Furthermore, 3 buildings reached the end of their operator agreement with BC Housing and were transferred from the UOA category to NOA category - these buildings had higher individual RRFPU than those already in this category.

The RHFP 2020 replacement reserve per unit was \$1,331 which increased from \$618 in 2019 due to a full year of operations.

The IHI replacement reserve per unit was \$530. As the agreement is in its first year, it was not included in the table.

Schedule D: Capital Fund – Mortgages Payable

Schedule D details the Mortgages Payable by property. The schedule includes the interest rate, renewal date, maturity date and the outstanding balance in fiscal 2020 and 2019. Three mortgages were renewed in fiscal 2019, while there were 7 renewals in fiscal 2020. Total principal repayments on mortgages in fiscal 2019 were \$5,193,349 and \$5,092,006 in fiscal 2020. Properties with no mortgages payable have not been included in the listing. West Park and Spencer Close are not included as at year end the short-term financing from BC Housing had not been converted into mortgages. The average debt per unit is \$66,720. Interest rates range from 0.68% to 3.5% per annum.



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

	2020	2019	2018
UOA (combined):	\$31,683	\$30,043	\$34,049
CMHC:	\$1,060	\$3,553	\$7,771
BCHMC:	\$29,709	\$33,726	\$37,583
Homes BC:	\$84,373	\$89,729	\$93,892
ILBC2:	\$164,887	\$169,653	\$174,257
NOA:	\$98,713	\$101,946	\$105,071
RHFP:	\$260,924	\$265,556	-
IHI:	\$101,928	-	-

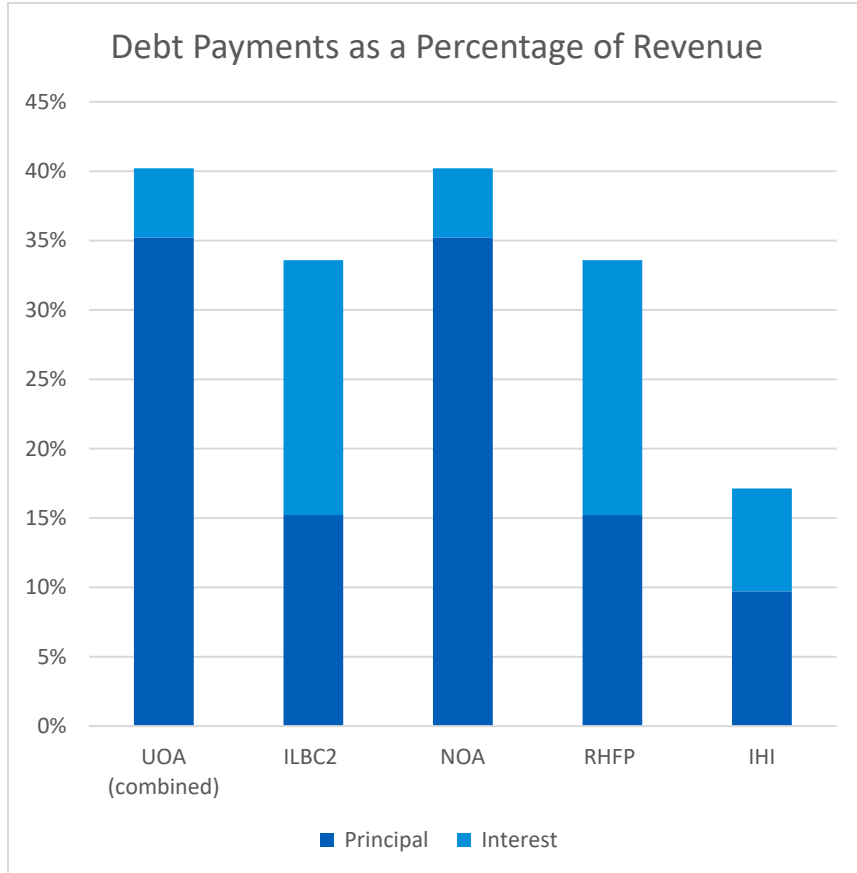
CMHC buildings have a lower average debt due to the agreements reaching the end of their term and expiring and therefore buildings almost entirely debt free.

Homes BC are included in the Umbrella Agreement; however, the mortgages are held with private lenders and have higher costs.

Buildings included in ILBC2, NOA and RHFP are newer buildings that have larger mortgage balances outstanding and therefore higher average debt.

The building in IHI is new in 2020 and the Corporation received a large forgivable for the construction cost of the building, therefore total debt is lower than RHFP even though all 3 buildings were placed in service within 2019-2020.

Schedule D: Capital Fund – Mortgages Payable (continued)



The following graph depicts the average debt charge (interest and principal) as a percentage of revenue per building by operating agreement in 2020.

Average annual debt as a percentage of revenue have the following ratios:

UOA (combined):	39.24%
ILBC2:	33.59%
NOA:	58.96%
RHFP:	75.31%
IHI:	17.13%

It is expected that agreements with older buildings will have lower debt charges proportional to revenue as mortgages are paid off and newer buildings will have higher debt charges proportional to revenue.

The agreements are consistent with this expectation as RHFP is a new mortgage and has higher proportional debt charges to the revenues it collects.

UOA has mostly older mortgages which are paid off fully resulting in lower debt charges relative to revenue collected.

IHI is a new mortgage but the Corporation received a large forgivable loan for construction costs, therefore the total debt charge is lower.

It is expected that older agreements will have a larger portion of their debt charge relating to principal than interest and new agreements will have a larger portion of their debt charge relating to interest. All agreements are consistent with this expectation as more principal and less interest is paid each month over the term of the mortgage.

Schedule E: Operating Fund – Rental Operations

Schedule E details the revenues, expenditures, and transfers related to each building. Also detailed is the surplus or deficit from operations after transfers which provides the readers of the financial statements with a summary of the annual surplus or deficit for the year by building.

The following table calculates the average per unit per month amount for rent, subsidy, operating costs, transfer to replacement reserve, debt charges and surplus/deficit by operating agreement.

Increased average tenant income and lower vacancy rates contributed to increased tenant rent contributions in buildings under the UOA. The ILBC2 building offers additional services to residents compared to other buildings resulting in a higher operating cost per unit. The RHFP buildings are operating at close to break even. IHI was introduced in 2020 and operated above breakeven.

Overall, the surplus per month represents a very small profit margin. For example, units under the UOA generate only \$8/month or 1% of revenue. There are a number of variables such as unexpected repairs or vacancies that can reduce the surplus and create a deficit since a number of buildings operate at no or little profit.

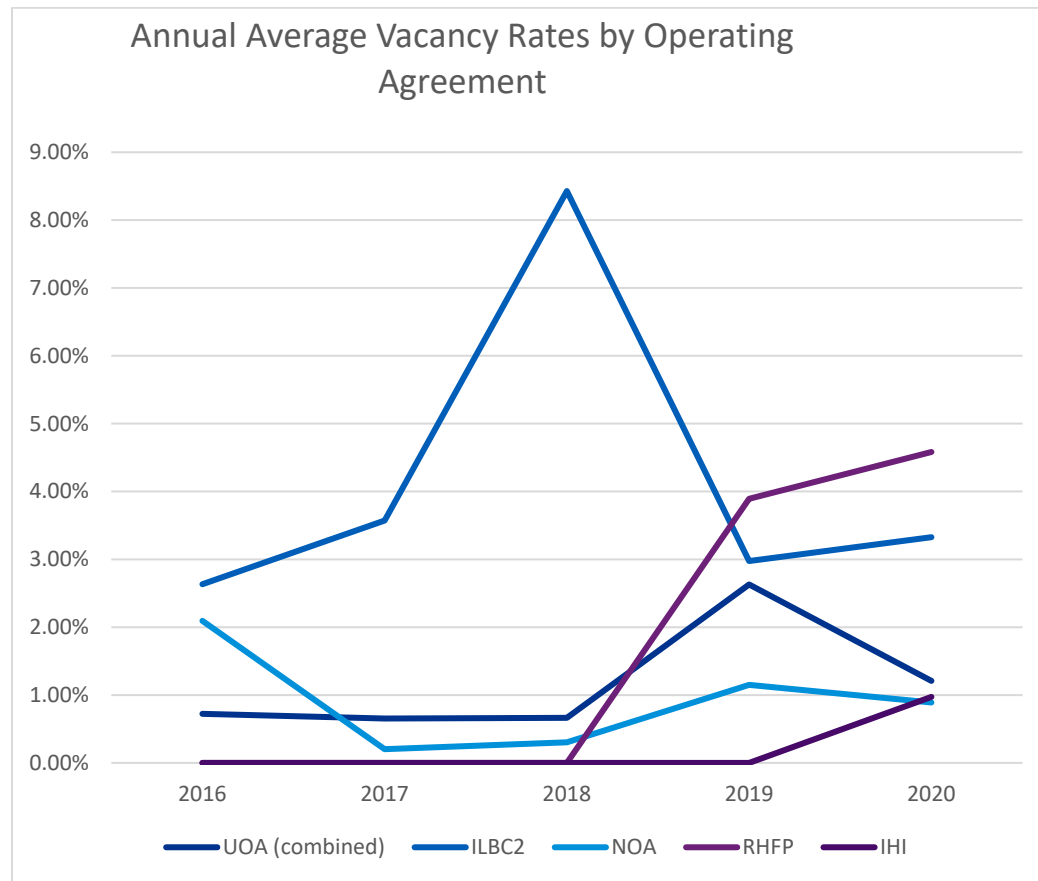
	UOA	ILBC2	NOA	RHFP	IHI
RENT	732	1,187	1,082	1,698	780
SUBSIDY	228	1,428	0	0	0
<i>TOTAL</i>	960	2,615	1,082	1,698	780
OPERATING COSTS	457	1,507	442	710	326
TRANSFER TO REPLACEMENT RESERVE	139	66	173	72	82
DEBT CHARGES	361	879	254	1,010	92
<i>TOTAL</i>	957	2,452	869	1,792	500
SURPLUS - average per month	8	165	220	68	236

Vacancy Rates

The vacancy rate is the numerical calculation of all the available units in a property that are vacant or unoccupied at a particular time. High vacancy rates indicate that the property is not renting well, while low vacancy rates indicate strong rentals. CMHC's reports indicate the following vacancy rates in Victoria:

2017 – 0.2%
 2018 – 1.2%
 2019 – 1.0%
 2020 – 2.2%

The vacancy rate in the Victoria Census Metropolitan Area is determined by a Rental Market Survey conducted by CMHC every October.



The following graph depicts the annual average vacancy rates by operating agreement. The Umbrella Agreement (“UOA”) includes CMHC, BCHMC and Homes BC.

The overall vacancy rates ranged from a low of 0.20% in the NOA properties in 2017 to a high of 8.43% in the ILBC2 property in 2018. Vancouver Island Health Authority is responsible for renting out the ILBC2 property which has only 21 units, so each unit represents a 5% change.

There was an increase in the vacancy rates for all operating agreements in the current year except UOA which decreased from 2.63% in 2019 to 1.21% in 2020. This is due to the large volume of units which impacts vacancy rates when there is turnover.

RHFP was a new building in 2019, had a vacancy rate of 3.89% due to the rent up of the building upon acquisition which increased to 4.58% due to the high number of units in the building and regular turnover.

Overall, vacancy rates are consistent with the Rental Market Survey conducted by CMHC. Higher than average vacancy rates are due to the rent up period for new buildings and the building managed by VIHA

Appendix 2: Required communications

Draft auditors' report

The conclusion of our audit is set out in our draft auditors' report attached to the draft financial statements.

Management representation letter

In accordance with professional standards, a copy of the management representation letter is included in Appendix 4.

Independence

In accordance with professional standards, we have confirmed our independence.

Appendix 3: Current developments and audit trends

Current Developments, created by the KPMG Public Sector and Not-for-Profit Practice, summarizes regulatory and governance matters impacting public sector entities today, or expected to impact them over the next few years. We provide this information to help public sector entities understand upcoming changes and challenges they may face in their industry. Some of these developments may not impact the Corporation directly, but we believe it is important for the Board of Directors to understand what is happening in the sector.

Public Sector Accounting Standards

Standard	Summary and implications
Impact of COVID-19	<ul style="list-style-type: none"> – In response to the impact of COVID-19 on public sector entities, PSAB has approved deferral of all upcoming accounting standards by one year and will issue non-authoritative guidance on the effects of COVID-19.
Asset Retirement Obligations	<ul style="list-style-type: none"> – The new standard is effective for fiscal years beginning on or after April 1, 2022. The effective date was deferred by one year due to COVID-19. – The new standard addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets in productive use. Retirement costs will be recognized as an integral cost of owning and operating tangible capital assets. PSAB currently contains no specific guidance in this area. – The ARO standard will require the public sector entity to record a liability related to future costs of any legal obligations to be incurred upon retirement of any controlled tangible capital assets (“TCA”). The amount of the initial liability will be added to the historical cost of the asset and amortized over its useful life. – As a result of the new standard, the public sector entity will have to: <ul style="list-style-type: none"> • Consider how the additional liability will impact net debt, as a new liability will be recognized with no corresponding increase in a financial asset; • Carefully review legal agreements, senior government directives and legislation in relation to all controlled TCA to determine if any legal obligations exist with respect to asset retirements; • Begin considering the potential effects on the organization as soon as possible to coordinate with resources outside the finance department to identify AROs and obtain information to estimate the value of potential AROs to avoid unexpected issues.

Appendix 3: Current developments and audit trends (continued)

Standard	Summary and implications
Revenue	<ul style="list-style-type: none">– The new standard is effective for fiscal years beginning on or after April 1, 2023. The effective date was deferred by one year due to COVID-19.– The new standard establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement.– The standard notes that in the case of revenues 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 revenues arise when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.
Purchased Intangibles	<ul style="list-style-type: none">– In October 2019, PSAB approved a proposal to allow public sector entities to recognize intangibles purchased through an exchange transaction. Practitioners are expected to use the definition of an asset, the general recognition criteria and the GAAP hierarchy to account for purchased intangibles.– PSAB has approved Public Sector Guideline 8 which allows recognition of intangibles purchased through an exchange transaction. Narrow-scope amendments were made to Section PS 1000 Financial statement concepts to remove prohibition on recognition of intangibles purchased through exchange transactions and PS 1201 Financial statement presentation to remove the requirement to disclose that purchased intangibles are not recognized.– The effective date is April 1, 2023 with early adoption permitted. Application may be retroactive or prospective.

Standard	Summary and implications
Public Private Partnerships (“P3”)	<ul style="list-style-type: none"> – PSAB has proposed new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership. PSAB is in the process of reviewing feedback provided by stakeholders on the exposure draft. – The exposure draft proposes that recognition of infrastructure by the public sector entity would occur when it controls the purpose and use of the infrastructure, when it controls access and the price, if any, charged for use, and it controls any significant interest accumulated in the infrastructure when the P3 ends. – The exposure draft proposes that the public sector entity recognize a liability when it needs to pay cash or non-cash consideration to the private sector partner for the infrastructure. – The infrastructure would be valued at cost, which represents fair value at the date of recognition with a liability of the same amount if one exists. Cost would be measured in reference to the public private partnership process and agreement, or by discounting the expected cash flows by a discount rate that reflects the time value of money and risks specific to the project. – The final standard was approved in December 2020 with an issuance date of April 1, 2021 and an effective date of April 1, 2023.
Concepts Underlying Financial Performance	<ul style="list-style-type: none"> – PSAB is in the process of reviewing the conceptual framework that provides the core concepts and objectives underlying Canadian public sector accounting standards. – PSAB has released four exposure drafts for the proposed conceptual framework and proposed revised reporting model, and their related consequential amendments. Comments on the exposure drafts are due in May 2021. – PSAB is proposing a revised, ten chapter conceptual framework intended to replace PS 1000 <i>Financial Statement Concepts</i> and PS 1100 <i>Financial Statement Objectives</i>. The revised conceptual framework would be defined and elaborate on the characteristics of public sector entities and their financial reporting objectives. Additional information would be provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts would be introduced. – In addition, PSAB is proposing: <ul style="list-style-type: none"> • Relocation of the net debt indicator to its own statement and 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 non-financial assets before 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.

Appendix 3: Current developments and audit trends (continued)

Our discussions with you, our audit opinion and what KPMG is seeing in the marketplace - both from an audit and industry perspective - indicate the following is specific information that will be of particular interest to you. We would, of course, be happy to further discuss this information with you at your convenience.

Thought leadership

Thought leadership	Overview	Link
2020 Audit Quality and Transparency Report	Learn about KPMG's ongoing commitment to continuous audit quality improvement. KPMG maintains a system of audit quality control that is designed to meet or exceed the requirements of the applicable professional standards. In fact, we are continuously reviewing our policies and practices to ensure we're aligned with all regulatory and professional requirements, which if our firm commitment to each other as well as to our clients and to the capital markets we serve.	Link to report
Put your data to work to gain competitive advantage	There is no "digital economy". The economy is digital and "digits" refer to data. Data is the lifeblood of every organization on this planet and organizations that embrace this notion are well positioned to grow as industries continue to evolve and disrupt at an ever increasing pace.	Link to report
Predictive analytics, it works	CEOs recognize the value that predictive analytics delivers to their decision-making process.	Link to report
Creating the workforce of the future	You can't transform the organization without also transforming the workforce. It may be time to rethink the people strategy.	Link to report
Accelerate	Introducing KPMG's 2021 edition of Accelerate, a series of articles and videos offering insight into the key issues driving Board agendas, including: <ul style="list-style-type: none"> - Cyber risk - Internal control over financial reporting, disclosures and regulation - Digital disruption - Enterprise risk management - The evolution of environmental, social and governance (ESG) and disclosures 	Link to report
Board Leadership Centre	KPMG provides leading insights to help Board members maximize boardroom opportunities.	Link to site

Appendix 3: Current developments and audit trends (continued)

COVID-19 pandemic resources

Resources	Summary	Links
Resources for management and the Board of Directors	<p>Please visit our COVID-19 website for resources regarding the topics below. This site is being updated <u>daily</u> based on information being released by federal, provincial and municipal news releases.</p> <ul style="list-style-type: none">– Business continuity guide– Immediate actions to take– Medium to long-term actions– Tax considerations and a summary of federal and provincial programs– Legal considerations– Financial reporting and audit considerations– Global perspectives	COVID-19 Alerts (Live Link)

Appendix 4: Management Representation Letter

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the financial statements (hereinafter referred to as “financial statements”) of Capital Region Housing Corporation (“the Entity”) as at and for the period ended December 31, 2020.

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 April 8, 2021 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, such as all financial records and documentation and other matters, including:
 - (i) the names of all related parties and information regarding all relationships and transactions with related parties; and
 - (ii) the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of 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.

Appendix 4: Management Representation Letter (continued)

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
 - otherswhere 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, 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.

Appendix 4: Management Representation Letter (continued)

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

Yours very truly,

Mr. Robert Lapham, Chief Administrative Officer

Mr. Nelson Chan, Chief Financial Officer

Mr. 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 been pledged without proper authorization.

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

Attachment II – Schedule of Audit Misstatements

Description	Statement of operations effect	Statement of financial position effect		
	(Decrease) Increase	Assets (Decrease) Increase	Liabilities (Decrease) Increase	Accumulated Deficit (Decrease) Increase
Reducing amortization to reflect the date new properties began to be used by the Corporation	1,116,598	1,116,598	-	-



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KPMG member firms around the world have 227,000 professionals, in 146 countries.

Capital Region Housing
Corporation

**Detailed Variance
Analytics: Statement
of Financial Position**

British Columbia, Canada

Fiscal year ended December 31, 2020

	2020	2019	Variance \$	Variance %	Explanation (greater than 150k and 10%)
Financial Assets					
Cash and cash equivalents	6,961,868	6,778,570	183,298	3%	
Accounts receivable	642,886	483,154	159,732	33%	Accounts receivable increased primarily due to capital project funds receivable at year end.
Due from Capital Region Hospital District	-	80,726	(80,726)	100%	
Prepaid	541,333	391,831	149,502	38%	
Cash and cash equivalents restricted for RR	5,934,450	5,116,400	818,050	16%	Replacement reserve balance increased due to decreased spending due to access and trades availability.
Restricted cash held by BCHMC	-	478,892	(478,892)	-100%	Restricted cash held by BCHMC represents holdbacks related to construction at Westview fully paid during the year.
Capital Assets	161,085,348	99,934,869	61,150,479	61%	Includes \$31.2M and \$30.2M long term lease additions of West Park and Spencer Close, respectively, \$3.4M of construction at Westview, and \$703K spent at redevelopment
Total Financial Assets	175,165,885	113,264,442	61,901,443	55%	
Financial Liabilities & Net Assets					
Current Liabilities					
Accounts payable and other liabilities	1,014,548	2,684,758	(1,670,210)	-62%	Accounts payable decreased primarily due to a decrease in construction activity at year end as the Westview project had completed.
Accrual mortgage interest	209,964	229,824	(19,860)	-9%	
Due to CRD	104,454	21,539	82,915	385%	
Deferred Revenue	704,008	670,815	33,193	5%	
Security Deposits	795,281	636,614	158,667	25%	Security deposit increase due to new tenants at new buildings.
Short-term capital financing	61,277,457	2,344,958	58,932,499	100%	Interim capital financing provided by BC Housing for acquisition of West Park and Spencer Close.
Mortgage payable - current	4,828,667	4,568,934	259,733	6%	
Mortgage payable - renewal	3,189,847	8,840,245	(5,650,398)	-64%	Mortgages payable renewal portion decreased as a result of fewer mortgages renewing in 2021 than 2020.
Total Current Liabilities	72,124,226	19,997,687	52,126,539	261%	
Mortgages Payable	71,844,896	64,173,151	7,671,745	12%	Mortgages payable increased due to new mortgage for Westview.
Capital Stock	1	1	-	0%	
Net Assets					
Invested in capital assets	21,351,990	20,840,337	511,653	2%	
Externally restricted	8,587,302	7,504,594	1,082,708	14%	Increase due to net income from portfolio operations and an increase in the replacement reserve balance.
Internally restricted	623,382	306,064	317,318	104%	Increase due to increase in NOA portfolio stabilization reserve.
Unrestricted	498,122	658,224	(160,102)	-24%	Decrease relates to transfer from the Corporate Stabilization Reserve of \$135K to cover the operating deficit at Millstream Ridge.
Accumulated remeasurement gains (losses)	135,966	(215,616)	351,582	163%	Due to unrealized gains on investments.
Total Financial Liabilities & Net Assets	175,165,885	113,264,442	61,901,443	55%	

Capital Region Housing
Corporation

**Detailed Variance
Analytics: Statement
of Operations**

	2020	2019	Variance \$	Variance %	Explanation (greater than 150k and 10%)
Revenue					
Tenant rent contributions	14,483,146	13,352,665	1,130,481	8.5%	
BCHMC rent subsidy assistance	359,792	326,494	33,298	10.2%	
BCHMC umbrella operating agreement funding	3,118,951	3,348,038	(229,087)	-6.8%	
Rental management fees	1,736,610	1,505,344	231,266	15.4%	Increase relates to CUPE and exempt salaries, increases in CRD overhead allocations, and the cost of additional FTEs to support the new buildings.
Rental management fees - other	80,682	89,328	(8,646)	-9.7%	
Investment income	271,933	303,915	(31,982)	-10.5%	
Guest suites, net	(1,774)	1,320	(3,094)	-234.4%	
Miscellaneous	193,516	172,248	21,268	12.3%	
Project management fees	273,690	276,000	(2,310)	-0.8%	
Government contributions	660,000	5,821,264	(5,161,264)	-88.7%	Decrease due to IHI capital funding in prior year. 2020 amount represents RHTF contribution to West Park.
Total Revenues	21,176,546	25,196,616	(4,020,070)	-16.0%	
Expenses					
Administration and property management	2,255,667	1,959,882	295,785	15.1%	Increase relates to CUPE and exempt salaries, increases in CRD overhead allocations, and the cost of additional FTEs to support the new buildings.
Amortization - office equipment and vehicles	8,970	11,213	(2,243)	-20.0%	
Amortization - buildings and equipment	5,317,385	5,438,880	(121,495)	-2.2%	
Amortization - land leases	902,205	816,830	85,375	10.5%	
Property taxes	295,670	306,316	(10,646)	-3.5%	
Insurance	845,756	632,846	212,910	33.6%	Increase primarily related to new buildings.
Maintenance	949,823	1,031,410	(81,587)	-7.9%	
Caretakers	1,513,770	1,246,120	267,650	21.5%	Increase primarily related to new buildings.
Landscape	378,861	372,714	6,147	1.6%	
Electricity	264,704	323,562	(58,858)	-18.2%	
Land and Improvement leases	294,000	294,000	-	0.0%	
Water	1,090,990	977,216	113,774	11.6%	
Oil and gas	96,251	86,493	9,758	11.3%	
Garbage	286,381	265,337	21,044	7.9%	
Rental management fee	1,735,790	1,504,614	231,176	15.4%	Increase relates to CUPE and exempt salaries, increases in CRD overhead allocations, and the cost of additional FTEs to support the new buildings.
Audit and legal	31,381	28,211	3,170	11.2%	
Miscellaneous	35,746	66,139	(30,393)	-46.0%	
Hospitality services (Parry Place)	293,690	290,262	3,428	1.2%	
Interest on mortgages payable	2,127,930	2,209,671	(81,741)	-3.7%	
Repayment of BCHMC capital contribution	700,000	-	700,000	100.0%	Represents reduction in IHI grant recognized as revenue in prior year.
Total Expenses	19,424,970	17,861,716	1,563,254	8.8%	
Excess (deficiency) of revenues over expenses before:	1,751,576	7,334,900	(5,583,324)	-76%	
Reimburse BCHMC 2016 ILBC2 subsidy overpayment	(5,047)	(5,047)	-	0%	
Excess (deficiency) of revenues over expenses	1,746,529	7,329,853	(5,583,324)	-76%	

**REPORT TO HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, MAY 05, 2021**

SUBJECT **2021 Minor Capital Projects and Equipment – Approval of Capital Bylaw**

ISSUE SUMMARY

Approval of a capital bylaw is required by the Capital Regional Hospital District (CRHD) Board to authorize funding of healthcare minor capital and equipment projects in the region.

BACKGROUND

Minor Capital Projects (MCPs) sustain the region’s health infrastructure through additions and improvements to existing healthcare facilities (such as replacement of aging or failing building systems or components), renovations or upgrades to accommodate changes in service delivery and responding to technological advances. MCPs are valued between \$100,000 and \$2 million (M) and the CRHD contributes 40% towards the total cost of Island Health minor capital projects to a maximum of \$3.75M annually.

The 2021-2030 amended and approved CRHD Capital Plan established funding of \$3.75M for Island Health 2021 MCPs and \$2.955M toward healthcare equipment purchases identified by Island Health (\$2.925M) and Mount St. Mary Hospital (\$30K). Staff has worked diligently with Island Health to finalize the list of 2021 MCPs and equipment purchases (Appendix A).

Approval of a capital expenditure bylaw is required by the CRHD Board to expend these funds (Appendix B). Schedule A of the bylaw (Appendix B) summarizes CRHD’s contribution to MCP and Equipment, in line with the approved 2021 CRHD Budget.

ALTERNATIVES

Alternative 1

The Hospitals and Housing Committee recommends to the Capital Regional Hospital District Board:

- 1) That the recommended 2021 Minor Capital Projects totalling \$3,750,000 be approved and expensed from the 2021 requisition;
- 2) That the recommended 2021 equipment grants of \$30,000 to Mount St. Mary Hospital and \$2,925,000 to Island Health be approved and expensed from the 2021 requisition;
- 3) That Bylaw No. 406, “Capital Regional Hospital District Capital Bylaw No. 180, 2021”, be introduced and read a first, second and third time; and
- 4) That Bylaw No. 406 be adopted.

Alternative 2

That the 2021 Minor Capital Projects and Equipment – Approval of Capital Bylaw report be referred back to staff for additional information.

IMPLICATIONS

Providing annual funding for MCPs and equipment establishes a mechanism for the CRHD to invest in sustaining and upgrading the region’s healthcare capital assets thereby enhancing patient care and safety for residents. Through its funding commitment to Island Health’s 2021

MCPs and equipment priorities, the CRHD supports the completion of previously approved projects and new priority projects. The 2021 CRHD budget was approved on March 24, 2021 and included \$2.955M for Capital Equipment Grants and a \$3.750M transfer to reserve to fund the 2021 MCP initiatives that will be cash-flowed over three years by Island Health.

CONCLUSION

The Board has identified a community need for appropriate health facilities and equipment. CRHD staff are working with Island Health to identify capital improvements and respond to funding requests for acute care, long term care and hospital equipment. Island Health’s MCPs list represents the highest priority needs for the region’s healthcare facilities. Staff of the Health and Capital Planning Strategies Division, working together with Island Health, has conducted due diligence for the 2021 MCPs and equipment projects.

The amended 2021-2030 CRHD Capital Plan and 2021 CRHD Operating Budget established funding for both previously approved and newly identified MCPs and, for the equipment priorities provided by Island Health and Mount St. Mary Hospital. Approval of a capital bylaw in the amount of \$6,705,000 is recommended.

RECOMMENDATIONS

The Hospitals and Housing Committee recommends to the Capital Regional Hospital District Board:

- 1) That the recommended 2021 Minor Capital Projects totalling \$3,750,000 be approved and expensed from the 2021 requisition;
- 2) That the recommended 2021 equipment grants of \$30,000 to Mount St. Mary Hospital and \$2,925,000 to Island Health be approved and expensed from the 2021 requisition;
- 3) That Bylaw No. 406, “Capital Regional Hospital District Capital Bylaw No. 180, 2021”, be introduced and read a first, second and third time; and
- 4) That Bylaw No. 406 be adopted.

Submitted by:	Michael Barnes, MPP, Senior Manager Health & Capital Planning Strategies
Concurrence:	Kevin Lorette, P. Eng., MBA, General Manager, Planning & Protective Services
Concurrence:	Kristen Morley, J.D., General Manager, Corporate Services & Corporate Officer
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

ATTACHMENT(S)

- Appendix A: Island Health 2021 Minor Capital Projects and Equipment
Appendix B: Bylaw No. 406, “Capital Regional Hospital District Capital Bylaw No. 180, 2021”

								Cash Flow		
				2021/22			2022/23	2023/24		
Site	Portfolio	Project Name	Total Project Cost	Annual	Island Health	CRHD				
Previously Funded Projects										
Victoria General Hospital	Operations and Support Services	Roof Replacement (\$500,000 Top Up)	\$1,495,000	\$50,000	\$30,000	\$20,000				
Royal Jubilee Hospital	Operations and Support Services	D&T Dedicated Heat Recovery Chiller Phase 2	\$1,370,533	\$700,000	\$420,000	\$280,000				
Gorge Road Hospital	Operations and Support Services	Roof Replacement	\$1,522,456	\$300,896	\$180,538	\$120,358				
Victoria General Hospital	Clinical Service Delivery / Priority Populations & Initiatives	Pharmacy (Top Up \$1.7 million)	\$1,900,000	\$1,289,781	\$773,869	\$515,912	\$210,219			
UPCC #3	Clinical Service Delivery / Priority Populations & Initiatives	Greater Victoria Urgent Primary Care Centre	\$1,546,232	\$46,232	\$27,739	\$18,493				
Sub-Total Previously Funded Projects			\$7,834,221	\$2,386,909	\$1,432,145	\$954,764	\$210,219	\$0		
New Projects										
Royal Jubilee Hospital	Clinical Service Delivery	Dedicated Pharmacy Negative Air room for Hazardous medication storage and re-	\$550,000	\$550,000	\$330,000	\$220,000				
Royal Jubilee Hospital	Operations & Support Services	MDRD Cart Washer installation top-up	\$116,600	\$116,600	\$69,960	\$46,640				
All Sites	People	Applicant Tracking System, replacing VI Hire which will be unsupported in 2020	\$400,000	\$400,000	\$240,000	\$0				
Royal Jubilee Hospital	Operations & Support Services	D&T Nurse Call	\$397,500	\$397,500	\$238,500	\$159,000				
Royal Jubilee Hospital	Operations & Support Services	Biomed Space Renovation - Top-Up	\$300,000	\$300,000	\$180,000	\$120,000				
Queen Alexandra Centre	Priority Populations & Initiatives	Ledger Building Secure Room	\$385,000	\$385,000	\$231,000	\$154,000				
Queen Alexandra Centre	Operations & Support Services	Main Water Line Replacement	\$225,000	\$225,000	\$135,000	\$90,000				
Eric Martin Pavillion	Priority Populations & Initiatives	Mental Health Subacute Unit Renovation	\$900,000	\$900,000	\$540,000	\$360,000				
Saanich Peninsula Hospital	Clinical Service Delivery	Restricted Access / Lock down of the site	\$495,000	\$495,000	\$297,000	\$198,000				
Victoria General Hospital	Clinical Service Delivery	Card entry locked system for Perinatal and Neonatal inpatient units	\$150,000	\$150,000	\$90,000	\$60,000				
Royal Jubilee Hospital	Operations & Support Services	D&T Pneumatic Tube System Replacement	\$424,000	\$424,000	\$254,400	\$169,600				
Victoria General Hospital	Operations & Support Services	Nurse Call Upgrade	\$1,500,000	\$650,000	\$390,000	\$260,000	\$550,000	\$300,000		
Victoria General Hospital	Operations & Support Services	Staff Lot Upgrade and Capacity Increase	\$550,000	\$550,000	\$330,000	\$220,000				
Royal Jubilee Hospital	Operations & Support Services	Elevator Refurbishment	\$1,000,000	\$500,000	\$300,000	\$200,000	\$500,000			
Victoria Regional Laundry	Operations & Support Services	E- Tech overhead bag rail system upgrade	\$371,000	\$371,000	\$222,600	\$148,400				
Royal Jubilee Hospital	Priority Populations & Initiatives	Victoria Mental Health Carpet and paint	\$150,000	\$150,000	\$90,000	\$60,000				
Victoria General Hospital	Operations & Support Services	Deaerator Replacement	\$200,000	\$200,000	\$120,000	\$80,000				
Royal Jubilee Hospital	Clinical Service Delivery	Auxillary Morgue	\$99,000	\$99,000	\$99,000	\$0				
Lady Minto Hospital	Clinical Service Delivery	Pass Through Windows - Endocsopy	\$50,000	\$50,000	\$50,000	\$0				
Saanich Peninsula Hospital	Operations & Support Services	Emergency Department Exhaust Ventilation	\$104,500	\$104,500	\$62,700	\$41,800				
Multiple Sites	Priority Populations & Initiatives	New site re-location for Her Way Home	\$82,500	\$82,500	\$82,500	\$0				
Victoria General Hospital	Clinical Service Delivery	Surgical Expansion - (Project) Laser Ready Room	\$22,000	\$22,000	\$22,000	\$0				
Queen Alexandra Centre	Operations & Support Services	Main Replace Windows	\$104,500	\$104,500	\$62,700	\$41,800				
Royal Jubilee Hospital	Clinical Service Delivery	Secure ED Doors: Medical Imaging Hallway	\$82,500	\$82,500	\$82,500	\$0				
Victoria General Hospital	Operations & Support Services	Main OR Floors - Top Up	\$86,400	\$86,400	\$86,400	\$0				
Saanich Peninsula Hospital	Clinical Service Delivery	Locked Doors for South ALC unit	\$99,000	\$99,000	\$99,000	\$0				
Priory Hospital	Priority Populations & Initiatives	Meiko Sanitizers and Renos	\$99,000	\$99,000	\$99,000	\$0				
Victoria General Hospital	Operations & Support Services	Staff Parking lot: Removal of Islands to Increase Parking Capacity	\$93,500	\$93,500	\$93,500	\$0				
Lady Minto Hospital	Operations & Support Services	Hazardous Material Remediation	\$99,750	\$99,750	\$99,750	\$0				

Site	Portfolio	Project Name	Total Project Cost	Annual	Island Health	CRHD	2022/23	2023/24
Queen Alexandra Centre	Clinical Service Delivery	OBGH Clinic Room Expansion	\$99,000	\$99,000	\$99,000	\$0		
Royal Jubilee Hospital	Clinical Service Delivery	Replacement flooring	\$82,500	\$82,500	\$82,500	\$0		
Eric Martin Pavillion	Operations & Support Services	Sixth Floor Patio Replacement	\$300,000	\$300,000	\$180,000	\$120,000		
Gorge Road Hospital	Priority Populations & Initiatives	Install Meiko Sanitizer on AVU	\$99,000	\$99,000	\$99,000	\$0		
Gordon Head/Oak Bay Health Unit	Clinical Service Delivery	OBGH-Community Health Services	\$99,000	\$99,000	\$99,000	\$0		
Lady Minto Hospital	Operations & Support Services	Building Exterior Fabric and Finishes	\$99,750	\$99,750	\$99,750	\$0		
Victoria General Hospital	Operations & Support Services	Biomedical Air Handler	\$82,500	\$82,500	\$82,500	\$0		
Gorge Road Hospital	Priority Populations & Initiatives	Install Meiko Sanitizer on WVU	\$99,000	\$99,000	\$99,000	\$0		
Glengarry Hospital	Operations & Support Services	Exterior Wood Fencing	\$44,000	\$44,000	\$44,000	\$0		
Royal Jubilee Hospital	Clinical Service Delivery	Dividing nursing office in PAC	\$55,000	\$55,000	\$55,000	\$0		
Saanich Peninsula Hospital	Operations & Support Services	Domestic Water Filtration	\$99,000	\$99,000	\$99,000	\$0		
Royal Jubilee Hospital	Operations & Support Services	PCC Demand Controlled Ventilation	\$44,000	\$44,000	\$44,000	\$0		
Priory Hospital	Operations & Support Services	Fencing Between Cottages	\$114,991	\$114,991	\$68,994	\$45,996		
Pembroke	Priority Populations & Initiatives	Renovation for Pembroke Kitchen Space- Into	\$99,000	\$99,000	\$99,000	\$0		
Queen Alexandra Centre	Operations & Support Services	Fisher HVAC Compliance project	\$99,750	\$99,750	\$99,750	\$0		
Aberdeen Hospital	Priority Populations & Initiatives	Hopper Room Reno	\$99,000	\$99,000	\$99,000	\$0		
Royal Jubilee Hospital	Clinical Service Delivery	OP panic alarms	\$27,500	\$27,500	\$27,500	\$0		
Victoria General Hospital	Clinical Service Delivery	Dirty Utility Room	\$99,000	\$99,000	\$99,000	\$0		
Victoria General Hospital	Operations & Support Services	Pipe Insulation	\$55,000	\$55,000	\$55,000	\$0		
Lady Minto Hospital	Operations & Support Services	Replace Oxygen Liquid Manifold with High Pressure System	\$28,188	\$28,188	\$28,188	\$0		
Royal Jubilee Hospital	Operations & Support Services	EV Charging Station (Level 2) - Loading Dock	\$30,000	\$30,000	\$30,000	\$0		
Queen Alexandra Centre	Operations & Support Services	Roadway Engineering	\$250,000	\$250,000	\$250,000	\$0		
Saanich Peninsula Hospital	People	Ceiling Lift - San Pen ACU - 4 bed room	\$55,000	\$55,000	\$55,000	\$0		
Victoria General Hospital	People	Ceiling Lift - 1 patient room	\$50,000	\$50,000	\$50,000	\$0		
Gorge Road Hospital	People	Ceiling Lift - 4 bed room	\$55,000	\$55,000	\$55,000	\$0		
		Sub-Total New Projects	\$11,401,928	\$10,051,928	\$7,096,692	\$2,795,236	\$1,050,000	\$300,000
		Total	\$19,236,149	\$12,438,837	\$8,528,837	\$3,750,000	\$1,260,219	\$300,000

VANCOUVER ISLAND HEALTH AUTHORITY

2021/22 RECOMMENDED APPROVED CAPITAL EQUIPMENT - CAPITAL REGIONAL HOSPITAL DISTRICT

Capital #	Control #	Program	Site	Equipment Name	Qty	Budget	New / Replace
Equipment >\$100,000							
	2020-2417	Surgical Svs - Perioperative	RJH/VGH	Steam Sterilizer Large	2	948,964	Replacement
	2020-2820	Innovation and Analytics	RJH	PCC Nimble Storage Array	1	132,009	Replacement
	2021-3830	Laboratory Services	SPH	Chem Platform - SPH General Chemistry Analyzer	1	100,000	Replacement
	2021-3808	Laboratory Services	RJH	Chem Platform - RJH Automated Line	1	1,275,000	Replacement
	2019-2096	Surgical Svs-Ambulatory Care	RJH	PASCAL - Pattern Scanning Laser - Clinic 5	1	158,868	Replacement
	2021-2614	Pharmacy	RJH/VGH	AcuDose Automated Dispensing Cabinet Phase 2	22	1,779,316	Replacement
	2020-3294	Heart Health	VGH	Echocardiography Ultrasound Machine- Full consult	1	150,000	Replacement
	2019-1701	Heart Health	RJH	Echocardiography Ultrasound Machine- Full consult	1	150,000	Replacement
	2018-834	Surgical Svs - Perioperative	VGH	(Orth) Large C-Arm	1	318,124	Replacement
	2020-3288	Heart Health	RJH	Echocardiography Ultrasound Machine- Full consult	1	150,000	Replacement
	3388d	Medical Imaging	SPH	X-Ray - Siemens Axiom Aristos	1	701,025	Replacement
	3388c	Medical Imaging	RJH	X-Ray - Siemens Axiom Aristos	1	701,025	Replacement
	2021-3834	Laboratory Services	VGH	Chem Platform - VGH Sample Handler	1	250,000	New
	2019-1396	Environmental Support	VRL	Water Extraction Press	2	1,500,000	Replacement
	2021-3490	Protection Services	RJH	PCC CCTV System - General Areas	75	123,750	Replacement
Total Equipment > \$100,000						8,438,081	
	2020-2867	MHSU Operations SI	VPAHC	Videoconference Centre for Pandora Health Centre	1	37,748	Replacement
	2021-3773	Esquimalt West Shore Sooke	SHU	SCHS videoconference equipment	1	34,512	New
	2021-3779	Esquimalt West Shore Sooke	Multi	Vacuum Assisted Closure Machines	4	75,495	Replacement
21LM127	2021-3533	Saanich Gulf Islands	LMH	Electrolux High Extraction Washer	1	24,210	Replacement
	2020-2776	Saanich Gulf Islands	SPH	Cardiac monitors	5	122,684	Replacement
	2021-3556	Saanich Gulf Islands	LMH	Patient Monitors	2	47,691	New
	2021-3666	Saanich Gulf Islands	SPH	Stryker OR table	2	112,205	Replacement
	2021-3748	Saanich Gulf Islands	PHU	Code White Safety Doors	3	48,533	New
	2021-3795	Saanich Gulf Islands	PHU	Vacuum-Assisted Closure in CHS	1	18,874	New
	2021-3647	Saanich Gulf Islands	SPH	Tornado 8P disinfecting washer	2	41,166	Replacement
	2019-1849	Saanich Gulf Islands	SPH	Acute Bladder scanner	1	19,413	Replacement
21RJ119	2021-3927	Laboratory Services	RJH	Autoclave	1	50,000	Replacement
21RJ011	2020-2948	Laboratory Services	RJH	Biological Safety Cabinet	2	18,525	Replacement
	2020-2331	Laboratory Services	SPH	Automated Digital Slide Reader	1	47,454	Replacement
	2021-3945	Laboratory Services	LMH	Digital Cell Morphology System	1	41,522	New
	2021-3352	Laboratory Services	VGH	Body Fluid Application for Digital Microscopy	1	11,864	New
	2021-3946	Laboratory Services	RJH	Body Fluid Application for Digital Microscopy	1	11,864	New

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2021/22 RECOMMENDED APPROVED CAPITAL EQUIPMENT - CAPITAL REGIONAL HOSPITAL DISTRICT

Capital #	Control #	Program	Site	Equipment Name	Qty	Budget	New / Replace
	3659	Laboratory Services	VGH	instrument	1	98,000	Replacement
	2020-3159	Laboratory Services	RJH	Slide Maker Stainer (SMS)	1	64,710	Replacement
	2020-2329	Laboratory Services	RJH	Hematology Analyzers	2	198,444	Replacement
21RJ117	2020-3369	Medical Imaging	RJH	RJH Dose Calibrator	1	11,638	Replacement
	2021-3658	Medical Imaging	VGH	Barco Screening Mammo Monitors	1	30,552	Replacement
	2021-3988	Medical Imaging	RJH/VGH	Injector Contract Media	2	69,024	Replacement
	2020-3364	Medical Imaging	VGH	MRI contrast Injector	1	48,533	Replacement
	2020-3366	Medical Imaging	VGH	Breast CAD Software	1	99,000	Replacement
	2021-3984	Medical Imaging	RJH	Logiq e10 room 5	1	87,237	Replacement
	2021-3985	Medical Imaging	VGH	GE Logiq e10	1	87,237	Replacement
	2021-4051	Medical Imaging	VGH	GE Logiq e10	1	87,237	Replacement
	2020-3263	Medical Imaging	RJH	Digital Detector Fuji X-ray	1	91,673	Replacement
	2020-3264	Medical Imaging	VGH	Digital Detector Fuji X-ray	1	91,673	Replacement
	2020-3362	Medical Imaging	VGH	1.5T Patient Monitor	1	94,000	Replacement
	2021-3962	Medical Imaging	VGH	Hovermat blower	1	16,178	New
	2019-2224	Medical Imaging	VGH	Well counter	1	43,140	Replacement
	2021-3917	Clinical Operations - RJH	RJH	IStat	1	11,864	New
	2019-1463	Clinical Operations - RJH	RJH	Ultrasound - Point of Care - 8 North	1	80,888	Replacement
	2019-1516	Clinical Operations - RJH	RJH	ExSpirom 1Xi Monitor System	1	79,020	Replacement
	3694	Clinical Operations - RJH	RJH	System	1	28,593	Replacement
	2021-3920	Clinical Operations - RJH	RJH	FalconQUAD Point of Care Imaging	1	42,703	New
	2021-3915	Clinical Operations - RJH	RJH	Bariatric Bed	2	33,842	New
	2021-3933	Clinical Operations - RJH	RJH	Bariatric Power Sit to Stand	1	6,629	New
	2021-3958	Clinical Operations - RJH	RJH	Bartric Mattress	2	12,396	New
	2020-2965	Clinical Operations - RJH	RJH	Bladder Scanner	1	18,576	Replacement
	2021-3912	Clinical Operations - RJH	RJH	Bladder Scanner	1	18,576	Replacement
	2021-3913	Clinical Operations - RJH	RJH	Bladder Scanner	1	18,576	Replacement
	2021-3910	Clinical Operations - RJH	RJH	Cast Saw	1	6,687	Replacement
	2021-3959	Clinical Operations - RJH	RJH	Cleanslate System	4	37,165	New
	2020-2963	Clinical Operations - RJH	RJH	Electrosurgical Unit	1	80,000	Replacement
	2020-2960	Clinical Operations - RJH	RJH	Fetal Heart Monitor Ultrasound	2	85,000	Replacement
	2020-2961	Clinical Operations - RJH	RJH	Infant Radiating Warming Unit	1	80,000	Replacement
	2021-3963	Clinical Operations - RJH	RJH	Telemetry Emergency Department	2	57,618	New
	2021-3957	Clinical Operations - RJH	RJH	Telemetry	4	21,570	New
	2021-3861	Clinical Operations - VGH	GRH	Flexible Endoscope Examination of Swallowing	1	44,423	New
	4018	Clinical Operations - VGH	VGH	Cardiac Ultrasound System - Vivid S70	1	70,103	Replacement
	4179	Clinical Operations - VGH	VGH	Motorized Height & Width Parallel Bars	2	21,847	Replacement
	2019-1829	Clinical Operations - VGH	RJH	EMG Machines	2	134,580	Replacement

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2021/22 RECOMMENDED APPROVED CAPITAL EQUIPMENT - CAPITAL REGIONAL HOSPITAL DISTRICT

Capital #	Control #	Program	Site	Equipment Name	Qty	Budget	New / Replace
2021-3815		Clinical Operations - VGH	VGH	Stryker 3333 TruRize	1	10,037	New
3767		Clinical Operations - VGH	VGH	Avalon FM40 Fetal Monitor	1	15,854	Replacement
2021-3382		Clinical Operations - VGH	SPH	Flexible Endoscopic Examination System	1	45,297	New
2019-2246		Clinical Operations - VGH	GRH	Bioness Integrated Therapy System	1	38,392	Replacement
4178		Clinical Operations - VGH	VGH	EMG (Electromyography) Machine	1	41,235	New
2019-1250		Clinical Operations - VGH	VGH	Bariatric Suite for VGH	1	40,541	Replacement
2019-2172		Clinical Operations - VGH	VGH	RT - 300 LA Supine Cycle with FES option	1	86,280	New
2021-3381		Clinical Operations - VGH	RJH	NuStep T5	1	13,805	Replacement
3157		Clinical Operations - VGH	VGH	Neonatal Critical Care Invasive Ventilator	2	35,594	Replacement
3712		Clinical Operations - VGH	RJH	Treadmill	1	10,354	Replacement
3154		Clinical Operations - VGH	VGH	Bariatric Bed	1	22,638	Replacement
2019-1358		Clinical Operations - VGH	VGH	Bariatric/Geriatric Chair	1	15,703	Replacement
2020-2557		Clinical Operations - VGH	RJH	Power Tilt/Recline Power Wheelchair	1	16,178	New
2020-2559		Clinical Operations - VGH	VGH	Power Tilt/Recline Power Wheelchair	1	16,178	New
4174		Clinical Operations - VGH	VGH	Barton 1-400 Chair	1	10,785	New
4180		Clinical Operations - VGH	VGH	NuStep	1	13,805	New
2019-2166		Clinical Operations - VGH	VGH	L300GO Foot Drop System	1	52,316	New
2019-1883		Clinical Operations - VGH	VGH	Warming Cabinet - Bowers Medical Supply	1	8,628	Replacement
2021-3323		Clinical Operations - VGH	VGH	Epimed Pain Blocker Cryoneurotomy	1	34,512	New
3707		Clinical Operations - VGH	VGH	Phoenix Geri-Chair with Neurological Augmentation	1	8,089	Replacement
4173		Clinical Operations - VGH	VGH	Tilt Recline Wheelchair	2	15,099	New
1286		Clinical Operations - VGH	VGH	Phillips MP50 Transport Monitor	1	11,470	Replacement
4175		Clinical Operations - VGH	VGH	Mattresses	20	171,068	Replacement
4176		Clinical Operations - VGH	VGH	High End Stretchers	2	24,363	Replacement
4233		Clinical Operations - VGH	VGH	Exam Lights	5	28,508	Replacement
2021-4037		Heart Health	Multi	Muse HL7 Interface module	1	70,103	New
2021-4016		Heart Health	RJH	Vascular Access Ultrasound (Cath Lab)	1	37,748	New
2021-1710		Heart Health	SPH	Echocardiography Ultrasound Machine - Portable	1	42,028	Replacement
2021-4041		Heart Health	RJH	Hand-held Portable Ultrasound: CCU	2	32,355	New
2019-1695		Heart Health	RJH	Echocardiography Ultrasound Machine - Portable	1	56,082	Replacement
2021-4015		Heart Health	RJH	L12-4 Linear Probe EP lab	1	16,178	New
2020-3246		Heart Health	SPH	ECG cart	1	24,097	Replacement
2020-3249		Heart Health	SPH	Stress testing Case system	1	48,509	Replacement
2020-3275		Heart Health	RJH	ECG cart	2	48,194	Replacement
2020-3276		Heart Health	VGH	ECG cart	1	24,097	Replacement
2020-3277		Heart Health	VGH	ECG cart	1	24,097	Replacement
2020-3278		Heart Health	VGH	ECG cart	1	24,097	Replacement
2020-3279		Heart Health	VGH	ECG cart	1	24,097	Replacement

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Capital #	Control #	Program	Site	Equipment Name	Qty	Budget	New / Replace
2020-3280		Heart Health	VGH	ECG cart	1	24,097	Replacement
2020-3281		Heart Health	VGH	ECG cart	1	24,097	Replacement
2020-3282		Heart Health	VGH	ECG cart	1	24,097	Replacement
2020-3283		Heart Health	VGH	ECG cart	1	24,097	Replacement
2021-4046		Heart Health	RJH	ECMO cart (Sprinter)	1	13,920	Replacement
2021-3754		Surgical Svs - Perioperative	RJH	Phillips monitors for SDC	4	100,163	New
2018-819		Surgical Svs - Perioperative	VGH	Washer Disinfectors	4	161,775	Replacement
2020-2610		Surgical Svs - Perioperative	VGH	Ophthalmology Ultrasound system for Eye	1	80,888	Replacement
2020-2919		Surgical Svs - Perioperative	RJH	Ophthalmology Centurion	1	75,606	Replacement
1101		Surgical Svs - Perioperative	RJH/VGH	Ortho Small Battery Drives	20	522,641	Replacement
2021-3755		Surgical Svs - Perioperative	RJH	Block room Ultrasound Machine for SDC	1	81,421	New
4327		Surgical Svs - Perioperative	VGH	Pre-Vacuum Steam Sterilizer Small	2	68,496	Replacement
2021-3573		Surgical Svs - Perioperative	RJH/VGH	Nerve Monitoring System NIM 3.0	2	133,734	Replacement
2019-1963		Surgical Svs - Perioperative	VGH	Gyne Sets	4	69,024	Replacement
2021-4034		Surgical Svs-Ambulatory Care	RJH	Endo Image Capturing N-Care system	1	32,355	New
2021-4032		Surgical Svs-Ambulatory Care	VGH	Endoscopy Stretcher	1	7,181	New
2021-3951		Surgical Svs-Ambulatory Care	RJH	Flexible Nasopharyngoscopes	15	95,852	New
2021-3952		Surgical Svs-Ambulatory Care	RJH	Light Cables for Nasopharyngoscopes'	15	113,129	New
2019-2097		Surgical Svs-Ambulatory Care	RJH	Assessment Clinic	1	8,093	New
2021-4030		Surgical Svs-Ambulatory Care	VGH	Electrosurgical Unit	1	29,120	New
2207		Surgical Svs-Ambulatory Care	RJH	Doppler Ultrasound	1	48,533	Replacement
2021-3950		Surgical Svs-Ambulatory Care	RJH	Plinth Bariatric Stretcher	1	14,297	New
2021-3375		Renal and Trauma Services	RJH	RJH Portable Emergency Deionization System	1	29,775	New
2021-3977		Renal and Trauma Services	RJH	Portable Ultrasound	1	80,888	New
2019-1451		Long Term Care - VIHA	SPH	Blanket Warmers - Extended Care Unit	2	20,941	Replacement
2019-1580		Long Term Care - VIHA	ABER	Portable Scale for Overhead Lift	1	5,441	Replacement
2019-1688		Public Health	VHU	Clinical diagnostic Audiometer	1	17,628	Replacement
2019-1689		Public Health	VHU	Clinical diagnostic Audiometer	1	17,628	Replacement
2020-3213		Food Services	PRIO	Double Convection Oven	1	8,304	Replacement
2021-3346		Food Services	GLEN	Robot Coupe Blixer 6V 7 Qt	1	7,550	Replacement
2021-3344		Food Services	RJH	Robot Coupe Blixer 6V 7QT	1	7,550	New
2020-3192		Services	QAC	Dryer	1	12,942	Replacement
2021-3487		Services	VGH	Electrolux W5240H Washer RJH	1	19,413	Replacement
3874		Services	GLEN	Washer and Dryer	1	26,963	Replacement
4207		Biomedical Engineering	VGH	Gas Flow Analyzer	1	10,569	Replacement
4208		Biomedical Engineering	RJH	Electrosurgical Analyzer	1	14,843	Replacement
2019-1398		Biomedical Engineering	VGH	Electrosurgical Analyzer	1	14,843	Replacement
2020-3223		SI FMO	GRH	John Deere Gator	1	26,963	Replacement

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2021/22 RECOMMENDED APPROVED CAPITAL EQUIPMENT - CAPITAL REGIONAL HOSPITAL DISTRICT

Capital #	Control #	Program	Site	Equipment Name	Qty	Budget	New / Replace
	2021-3532	SI FMO	RJH	Fluke ii900 Sonic Industrial Imager for Pipes	2	29,120	New
	2020-3199	SI FMO	VGH	Welder, Industrial	1	14,021	Replacement
						Total Equipment < \$100,000	6,349,089
						Total Equipment Approved	14,787,170

- VGH Victoria General Hospital
- RJH Royal Jubilee Hospital
- SPH Saanich Peninsula Hospital
- VRL Victoria Regional Laundry
- VPAHC Victoria Pandora Avenue Health Center
- LMH Lady Minto Hospital
- PHU Peninsula Health Unit
- GRH Gorge Road Hospital
- ABER Aberdeen
- VHU Victoria Health Unit
- PRIO Priory
- GLEN Glengarry
- QAC Queen Alexandra Centre

CAPITAL REGIONAL HOSPITAL DISTRICT BYLAW NO. 406

CAPITAL REGIONAL HOSPITAL DISTRICT CAPITAL BYLAW NO. 180, 2021

WHEREAS the Board of the Capital Regional Hospital District proposes to expend money for the capital expenditures described in Schedule 'A' attached hereto and forming an integral part of this bylaw;

And whereas those capital expenditures have received the approval required under Section 23 of the *Hospital District Act*;

Now therefore the Board of the Capital Regional Hospital District enacts the following capital expenditure bylaw as required by Sections 32 of the *Hospital District Act*;

1. The Board hereby authorizes and approves the expenditure of money necessary to complete the capital expenditures as described in Schedule 'A' attached hereto totalling \$6,705,000.
2. The payment of the portion that the Capital Regional Hospital District is responsible for shall be funded through monies budgeted in the current year of operation.
3. The Board hereby delegates the necessary authority to the Treasurer of the Capital Regional Hospital District to settle the terms of the expenditure.
4. This Bylaw may be cited for all intents and purposes as the "Capital Regional Hospital District Capital Bylaw No. 180, 2021".

READ A FIRST TIME THIS	DAY OF	May	, 2021
READ A SECOND TIME THIS	DAY OF	May	, 2021
READ A THIRD TIME THIS	DAY OF	May	, 2021
ADOPTED THIS	DAY OF	May	, 2021

Chair

Corporate Officer

SCHEDULE 'A'

**CAPITAL REGIONAL HOSPITAL DISTRICT BYLAW NO. 406
 "CAPITAL REGIONAL HOSPITAL DISTRICT CAPITAL BYLAW NO. 180, 2021"**

Name of Facility	Project or Equipment Description	Project Number	Amount covered by CRHD Bylaw	Amount covered by Province/ Island Health	Total Project or Equipment Cost
Island Health - South Island Health Facilities	2021 Minor Capital Projects	C180-21-XX	\$3,750,000	\$8,528,837	\$12,438,837*
Island Health – South Island 2021 Equipment Grant	2021 Capital Equipment	N/A	\$2,925,000	\$11,862,170	\$14,787,170
Mount St. Mary Hospital – 2021 Equipment Grant	2021 Capital Equipment	N/A	\$30,000		\$30,000
TOTAL			\$6,705,000	\$20,391,007	\$27,256,007

** includes all project cashflow for 2021.
 Appendix A specifies which projects CRHD will cost share in (i.e., projects over 100K)*



Making a difference...together



Tenant Advisory Committee

Minutes of a Meeting of February 22, 2021

Room 652, CRD Boardroom, 625 Fisgard Street, Victoria, BC, and remotely via Webex

Present: Mayor L. Helps, L. Reid, D. Wallace, E. Syring

Webex: C. Simpson, N. Thompson, K. Naraghi, E. Ngongo

Regrets: D. Elliott, K. Bedard

Staff: S. Grigg, K. Lambert, C. Work (recorder)

The meeting was called to order at 3:35 p.m.

1. Welcome and Introductions

Co-chairs Mayor Helps and L. Reid welcomed new and current committee members and staff, and introductions were made.

2. Adoption of Minutes of December 14, 2020 Meeting

It was moved by E. Ngongo, seconded by N. Thompson, that the December 14, 2020 meeting minutes be adopted as circulated.

CARRIED

3. Co-Chair Election

L. Reid expressed an interest in continuing with the co-chair role. No other members came forward with an interest in the co-chair role.

It was moved by E. Ngongo, seconded by C. Simpson, that L. Reid continue in the co-chair role, with the term ending December 31, 2021.

CARRIED

4. Business Arising from the Minutes

- Online Banking Update:

While CRD staff confirmed that RBC has agreed to online banking, still awaiting agreement from other five banks. IT has created a Project Charter, and is working with Finance, with a view to provide an update within the coming weeks. Although CRD accepts rent payments through PAD (Pre-Authorized Debit), online banking will only be used for parking & maintenance charges or arrears payments, but will allow tenants to avoid having to attend in person. Decision was made to not allow rent to be paid online as payments are due on the 1st of each month as per the Act and would be too onerous to move payments before non-payment of rent notices could be issued.

- Pet Policy Update:

CRD staff advised that workplace safety (when workers enter suites) and dog feces remain ongoing issues. Due to current Covid restrictions, the pilot project at Millstream and West Park will be allowed to run through the summer. There is a requirement to allow BC registered service animals. Regarding tenant allergies, pets are only allowed on the first and second floors.

- Pride of Place:

Currently working on a beautification project (gazebo) at Millstream. There is also a seedling distribution program to all communities. A “declutter day” was considered but dumpster rental was cost prohibitive. Regarding unsupervised children, leaflets have been distributed to certain child-friendly buildings. Likewise, smoking leaflets have been distributed to certain buildings only.

5. New Member Orientation Package

CRD staff reviewed the 2020-21 Membership List and CRHC Staff Contacts, Advisory Committee Member Information Package, CRD Board Procedures Bylaw No. 3828, CRD Respectful Workplace Policy, TAC Terms of Reference, and Non Disclosure/Confidentiality Agreement for CRD Commissions. PowerPoint presentation outlined how the CRHC is a separate, non-profit corporation of the CRD that provides affordable housing. TAC members provided positive feedback, in that staff is responsive as and when issues/complaints arise.

The Non Disclosure/Confidentiality Agreement for CRD Commissions must be signed by all members and returned to the CRD to keep on file.

6. 2020 Year End Reporting

RH-2021-05 TAC 2020 Year End Reporting staff report was presented, with a request for a motion that the TAC make a recommendation that the report be submitted to and received for information at the CRD’s Hospitals and Housing Committee (HHC) meeting on March 3, 2021.

CRD staff led a discussion about the past tenant engagement efforts of the TAC and the impacts that Covid had on those efforts. To support continued engagement and work continuity, the members will have staggered term lengths of either one or two years. Suggestion to have co-chair L. Reid present the report at the March 3, 2021 HHC meeting.

It was moved by E. Ngongo, seconded by N. Thompson, that the TAC recommend that the RH-2021-05 staff report be submitted to the HHC and received for information on March 3, 2021.

CARRIED

7. Roundtable – Ranking of 2021 Priorities

The 2021 Priorities list was presented and committee members were asked to rank the importance of the six existing priorities as well as put forward any new priorities. Bike storage, rule enforcement and snow removal were new issues brought forward. CRD staff advised that during the recent unusual snowstorm, although workers were on call, under WorkSafeBC

requirements, they could not send workers to remove snow and had to use contractors. Some staff had to walk to get to the buildings; largely inaccessible by vehicle.

Members are in the process of responding with their priorities ranking through Survey Monkey or via direct email to CRD staff. After ranking the priorities, the 2021 Annual Plan will be compiled and presented for discussion at the April 29, 2021 meeting.

8. Action Summary

- Members to provide signed Non Disclosure/Confidentiality Agreement for CRD Commissions to the CRD to keep on file.
- Members to provide 2021 Priorities feedback through Survey Monkey or direct email to CRD staff. Results will be compiled and form part of the 2021 Annual Plan, for discussion at the April 29, 2021 meeting.
- Co-chair L. Reid to present the RH-2021-05 staff report at the March 3, 2021 HHC.

Note: L. Reid subsequently advised that, due to work commitments, she would be unable to attend the March 3, 2021 HHC meeting.

9. Concluding Remarks

Current and new members provided feedback on the first meeting together of 2021.

The next TAC meeting is scheduled for Thursday, April 29, 2021 from 3:30 to 5:00 pm, in the Covid-safe Room 652 and remotely via Webex.

10. Adjournment

It was moved by E. Ngongo, seconded by K. Naraghi, that the meeting be adjourned.

CARRIED

The meeting was adjourned at 4:45 p.m.