BC Housing

2014/15

ANNUAL REPORT

BRITISH COLUMBIA

BC Housing

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Board Chair's Message and Accountability Statement

It is a pleasure to submit BC Housing's 2014/15 Annual Service Plan Report. Over the past year we have built upon past successes and worked to address service gaps and community needs in our delivery of housing services to low and moderate income households. We delivered on our mandate by working with our Ministry and housing sector partners.

In 2014/15 we enhanced the *Rental Assistance Program* and the *Shelter Aid for Elderly Renters* program, resulting in increased payments for most recipients, making their housing in the rental market more affordable. Almost 18,500 seniors and 11,000 families received assistance through these programs. The *Homeless Prevention Program* was launched to assist targeted groups at-risk of homelessness with rent supplements to help them access rental housing in the private market; currently more than 1,400 rent supplements are allocated each month through this program. As well, over 300 homes were adapted under the *Home Adaptations for Independence* program, which helps seniors and people with disabilities to continue to live in the comfort of their own home.

Supporting a strong non-profit housing sector is a key goal for BC Housing. In 2014/15 we commenced the *Non-Profit Asset Transfer Program,* which strengthens the sector by transferring provincially-owned properties to non-profit housing providers thereby improving their capacity for long-term planning and self-sufficiency. We also partnered with the BC Non-Profit Housing Association to publish a planning guide for non-profits to make successful transitions when their operating agreements and federal subsidies expire.

To enhance consumer protections for buyers of new homes, we worked with partners in the residential construction industry to introduce an enhanced licensing system for residential builders in B.C. with new qualifications and continuing education requirements for home builders constructing single-family homes and small residential buildings.

Over the past year we also initiated an important visioning process for the future use of the Riverview Lands. To ensure broad community input, we continue to consult with First Nations, the City of Coquitlam, the general public as well as a wide range of other interested parties and stakeholders on the future of the site.

In 2015, our Government Letter of Expectations was amended to include government's Taxpayer Accountability Principles. Since the amendment, we have updated our Standards of Conduct and begun delivery of a strategic engagement plan that sees the integration of the Taxpayer Accountability Principles into our ongoing operations, employee and Board orientation sessions, and also the implementation of a refresher training program for existing employees.

Looking ahead, we will continue to focus on ensuring that we are providing the best housing programs and services possible for British Columbians.

The BC Housing 2014/15 Annual Report compares actual results to the expected results identified in the 2014/15-2016/17 Service Plan. The Board of Commissioners and I are accountable for those results as reported.

Judy Rogers
Board Chair

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Purpose of the Organization

The British Columbia Housing Management Commission (BC Housing) was created in 1967 through an Order-in-Council under the *Ministry of Lands, Parks and Housing Act* to deliver on the provincial government's commitment to the development, management and administration of subsidized housing. Through the Homeowner Protection Office (HPO), BC Housing also has responsibilities related to licensing of residential builders, home warranty insurance, and research and education to improve the quality of residential construction and consumer protection. BC Housing has a Board of Commissioners that is responsible for corporate governance, and an organizational structure with six branches. Additional information such as our mandate, vision, mission and values can be found on the BC Housing website.

In 2014/15, we assisted more than 102,500 households in nearly 290 communities across the province through a range of programs, initiatives and partnerships. Assistance ranges from emergency shelter and homeless outreach, transition houses, safe homes and second stage housing, independent and supportive social housing, rent assistance in the private market and home adaptations for seniors and persons with disabilities. Through the HPO 6,100 builders were licensed and 27,093 new homes were enrolled in home warranty insurance.

Strategic Direction and Context

Strategic Direction

This Annual Report describes BC Housing's performance for 2014/15, which is aligned with and supports the B.C. public sector Taxpayer Accountability Principles and the provincial housing strategy *Housing Matters BC*. Specific government direction was provided in the 2014/15 Government's Letter of Expectations from the Minister Responsible for Housing to the Board of Commissioners. The Government's Letter of Expectations ensures a mutual understanding on the parties' respective accountabilities, roles and responsibilities. Our performance against the Government's Letter of Expectations and the Taxpayer Accountability Principles is reported in the Report on Performance section of this Annual Report.

Specific strategic priority actions for 2014/15 given by government for BC Housing include:

- Make strategic shifts in the way services are delivered to low and moderate income households that build on successes, assess gaps in the current system and address where communities and citizens need further support;
- Support a strong non-profit sector by taking steps to strengthen relationships and build capacity;
- Work with industry to protect consumers and professionalize the residential construction industry by taking further steps towards the introduction of education and training qualifications for licensed residential builders;
- Promote strategic partnerships and alliances that work to further the availability affordable market housing; and
- Work with the Ministry of Health and the health authorities to provide coordinated housing and support services that promote positive outcomes for adults with mental illness and addictions.

Strategic Context

No significant changes were experienced in our operating environment in terms of impacting 2014/15 results. The following is a summary of key risks and the range of responses and mitigation strategies in place during the year.

- Cost pressure risks related to building, repairing and operating social housing continued to be monitored and managed through a range of strategies including capital project planning, effective underwriting practices for new developments, laddered mortgage renewal dates and competitive mortgage tender processes, as well as implementation of new budget and financial templates for societies with operating agreements with BC Housing.
- The potential for loss of affordable housing stock through expiry of operating agreements of social housing projects and general aging of the stock was responded to through a range of business activities including joint initiatives with the BC Non-Profit Housing Association (e.g., research, publication of a planning guide for non-profits, implementation of capital planning and energy management initiatives), launch of the *Non-Profit Asset Transfer Program* to support the financial capacity of housing providers, as well as continued financial investment in the capital renewal of the social housing stock.
- Operational efficiency and performance risks are managed through continued attention to our human resource's *People Strategy*, annual monitoring of employee engagement through a survey and follow-up to respond to opportunities and challenges identified, and cross-branch work to streamline and improve internal processes with necessary skills training where needed.
- Health and safety risks for tenants, employees, housing providers and contractors related to the size, age and diversity of the social housing stock is managed through a range programs with dedicated staff resources including, for example, hazardous materials training.

Report on Performance

Performance Measurement Framework

Our Performance Measurement Framework (PMF) is firmly linked with government's directions as set out in the Government Letter of Expectations and the provincial housing strategy, *Housing Matters BC*. The PMF is also strongly aligned with the Taxpayer Accountability Principles. Performance targets in this report were established in the 2014/15 Service Plan for six measures under each of our goals and objectives. The description of each goal illustrates how we deliver on the expectations set out by the Government's Letter of Expectations and Taxpayer Accountability Principles.

With a focus on continuous improvement, we strive to ensure the PMF is an effective performance tool, accurately reflects the business and informs our partners and the public of the progress we have made or the challenges we encountered throughout the year. Further information and assumptions regarding our performance measures may be found on our website at www.bchousing.org/aboutus/Reports.

Goals, Strategies, Objectives, Measures and Targets

Goal 1: Support a Strong Non-Profit Housing Sector

BC Housing supports a strong non-profit housing sector through relationship building, collaboration and capacity-building initiatives in partnership with housing providers and the BC Non-Profit Housing Association. We share a common purpose with non-profit housing providers to provide stable, safe and affordable housing. Together we work toward ensuring the sustainability of the sector and provision of social housing over the long-term. Our mutual success depends on being strategic about priorities and making the best use of our different but complementary capabilities. This goal strongly aligns with Taxpayer Accountability Principles in the areas of cost effective delivery of services, accountability and a clear focus of positive outcomes in the delivery of services to British Columbians. This goal also delivers on direction given in our Government's Letter of Expectations to support a strong non-profit sector by taking steps to strengthen relationships and capacity building.

Strategies:

1. Provided support to housing providers to help improve financial and operating practices.
2. Initiated the *Non-Profit Asset Transfer Program*.
3. Partnered with the BC Non-Profit Housing Association to:
   - Carry out a range or education and training initiatives for housing providers;
   - Release a planning guide for non-profit housing providers related to the expiry of operating agreements; and
   - Support non-profit housing providers to carry out portfolio/capital planning and energy management for their projects.
4. Continued to improve our service delivery to the sector and ways in which we can better support the sector by soliciting feedback from the BC Non-Profit Housing Association and non-profit housing providers around the province.
5. Continued to implement an outcome-based approach to funding and program management.

Objective: Collaborate with Our Non-Profit Housing Partners to Ensure Long-Term Provision of Social Housing

Performance Measure 1.1:	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Increase in the percentage of housing providers with fewer indicators for follow-up after an operational review*	New measure commencing 2012/13	87% Baseline established	70%	70% or higher	76%	72% or higher	Measure to be reviewed

*Data for this measure is gathered by BC Housing as part of the operational review process with housing providers.

Discussion

This measure focuses on collaborative efforts with non-profit housing providers to improve financial and operational practices. Key indicators were identified through consultations with the sector on the operational review process, and cover a range of areas including: property management, tenant/client management; financial management; health and safety; support services (if applicable); and capital asset planning.

Targets reflect the percentage of housing providers requiring follow-up with five or fewer indicators as determined from the results of the operational review process, with the emphasis on a larger percentage of housing providers with fewer follow-up items each year. Once the review is conducted, a work plan is developed to resolve any outstanding issues. The measure assumes that as the number of indicators requiring follow-up decreases, the number of non-profit housing providers with improved financial and operational capacity will increase, thereby allowing us to focus on other housing providers who need more support.

With the continued focus on improving our work with the non-profit housing sector, this measure will be reviewed in 2015/16 to identify more appropriate performance indicators that reflect a broader range of indicators of non-profit capacity and that are specific to activities carried out by BC Housing toward strengthening the non-profit housing sector.

Performance Results

In 2014/15, 76 per cent of providers that completed their operational review required minimal assistance from BC Housing. This positive finding indicates that the housing providers reviewed have strong operational and financial practices permitting BC Housing to focus on other housing providers who need more support. Data for this measure is gathered through an operational review process with housing providers funded by BC Housing. Performance is benchmarked against past performance. The measure will be reviewed in 2015/16.

Goal 2: Respond to Needs Along the Housing Continuum

Our Government's Letter of Expectations directs BC Housing to make strategic shifts in the way services are delivered to low and moderate income households, and to promote strategic partnerships and alliances that work to further the availability of affordable market housing. We deliver on these commitments by responding to needs along the housing continuum and delivering a wide range of programs and initiatives to expand housing options.

Also in accordance with the Government's Letter of Expectations, we work with industry to help ensure the quality of residential construction and consumer protections for buyers of new homes. To do this we collaborate with partners across many sectors and industries, from non-profits to homebuilders and local governments to community organizations.

This goal strongly aligns with the Taxpayer Accountability Principles related to cost-effective use of public resources and supporting sustainable programs and outcomes as a lasting legacy for generations to come.

Strategies:

1. Launched the *Homeless Prevention Program* to provide people in identified at-risk groups facing homelessness with support services and portable rent supplements to help them access rental housing in the private market.
2. Implemented changes to the *Rental Assistance Program* and *Shelter Aid for Elderly Renters* program to benefit working families and low-income seniors.
3. Offered assistance to improve the physical accessibility of homes for low income homeowners and renters through the *Home Adaptations for Independence* program.
4. Promoted strategic partnerships and alliances to create new affordable housing options along the continuum through a range of programs including the *Community Partnership Initiatives*.
5. Carried out capital planning for the maintenance, rehabilitation, redevelopment and energy management of the social housing stock.
6. Worked with Ministry and sector partners to analyze province-wide demographic trends and identify critical housing gaps.
7. Worked with the Ministry of Health and the health authorities to provide coordinated housing and support services that promote positive outcomes for adults with mental illness and addictions, including creating new supportive housing, partnering to provide services to residents in single room occupancy hotels and consulting on the future of the Riverview Lands.

Objective: Increase Housing Options

Performance Measure 2.1:	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Number of New Units/Beds Created in Priority Groups*	2,014	1,004	1,557	1,043	2,815**	1,113	1,104

*Data for this measure is gathered through BC Housing's data systems that track progress of new units created.
**Includes 1,427 rent supplements funded through the *Homeless Prevention Program.*

Discussion

This measure describes our performance in creating new units along the housing continuum. Through our development programs we are able to add new housing units for a range of low-income individuals and families, including frail seniors, Aboriginal households, people with physical and mental disabilities, women and children fleeing violence, as well as individuals who are homeless. Targets are based on the completion of new units under existing development programs and take into account planned program funding levels. In addition to the number of units created, the number of households benefitting from the *Homeless Prevention Program* that was launched in 2014/15 is reported under this objective.

Performance Results

In 2014/15 we created 2,815 new units/beds, surpassing the target of 1,043. The new units were added in 42 communities across the province. Of this total, 1,388 new units were created through various programs including: 154 under the *Provincial Homelessness Initiative*, 611 units under the *Community Partnership Initiatives*, 126 units under the Canada/BC *Investment in Affordable Housing*, 272 units under *Memoranda of Understanding* with local governments, and an additional 12 short-stay shelter spaces, 14 beds for group homes, and 199 units under various other programs (including 104 through rent supplement programs). The primary reason for exceeding the target was the introduction of the *Homeless Prevention Program*. The majority of funding for this program was allocated in 2014/15, resulting in a total of 1,427 new units. Future targets reflect that this program was almost fully allocated in 2014/15.

Objective: Adequate Provisions for Future Requirements for the Social Housing Stock

Performance Measure 2.2:	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Facility Condition Index*	22% (Preliminary Result)	15% (Baseline established)	11%	15% to 20%	11%	15% to 20%	15% to 20%

*Data used to calculate the FCI is obtained from condition assessments of building systems, sub-systems and components.

Discussion

The Facility Condition Index (FCI) measure is a means of quantifying and measuring the physical condition of the social housing stock. The FCI value is an indication of the condition of the building – a lower value corresponds to a better building condition. The FCI is used to assist with investment decisions and strategic directions regarding capital works and budgets for social housing. The target, set at 15 to 20 per cent is a modest target that allows an acceptable service level for buildings and building condition for tenants. Future targets reflect work underway and planned to improve the social housing stock over the three-year service plan period through major rehabilitation and repairs while reflecting available funding and the aging of the housing stock each year.

Performance Results

As of March 31, 2015, results have indicated an overall baseline FCI rating of 11 per cent, thereby exceeding the higher targeted rating of 15 per cent. This positive performance is a result of renovations and repairs as a result of the former *Housing Renovation Partnership,* on-going capital improvements to the stock and a larger sample of units assessed. In total, around 240 major renovation initiatives occurred on the social housing stock in 2014/15.

The FCI is the result of renewal and replacement needs divided by the replacement cost, expressed as a percentage. Based on a sampling of assessed units (a total of 63 per cent of the social housing stock), the FCI has been identified at 11 per cent.

Goal 3: Enhance Aboriginal Partnerships

Aboriginal people are more likely to be in core housing need and are significantly over represented within the homeless population. We work with the Aboriginal housing sector to enhance partnerships to address Aboriginal housing need and increase self-reliance within the sector. The taxpayer accountability principle of respect is strongly emphasized by our work under this goal. BC Housing engages in equitable, compassionate, respectful and effective communications that ensure all parties are properly informed or consulted on actions and decisions, and collaborates in a spirit of partnership that respects the use of taxpayers' monies.

Strategies:

1. Built on strong partnerships with the Aboriginal Housing Management Association and Aboriginal housing providers, including administrative, information technology and staff supports that will result in culturally appropriate housing options.
2. Identified new housing partnership opportunities with Aboriginal communities, including housing and related training and education.
3. Assisted Aboriginal individuals at-risk of homelessness through the newly created *Homeless Prevention Program*.
4. Provided BC Housing staff with opportunities to gain a stronger understanding of the cultural aspects about Aboriginal partnerships and housing.
5. Consulted with First Nations and Aboriginal communities about planned or proposed housing initiatives in traditional territories.

Objective: Facilitate Opportunities that Lead to a More Self-Reliant Aboriginal Housing Sector

Performance Measure 3.1:	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/165 Actual	2016/17 Target
Progressive Aboriginal Relations (PAR) Certification*	n/a	Silver (initial certification year**)	Silver	Silver	Silver (re-certification year)	Silver

*Data to validate the certification results is generated and held by the Canadian Council for Aboriginal Business.
**This measure is conducted on a three year cycle. BC Housing has begun its recertification process for 2015.

Discussion

Performance is measured through the Progressive Aboriginal Relations (PAR) Certification, whereby our broad range of initiatives and partnerships with Aboriginal organizations are assessed by an independent third-party organization, the Canadian Council for Aboriginal Business. The Canadian Council for Aboriginal Business assesses our commitment to the Aboriginal sector in four areas: employment; business development; community investment; and community engagement. Assessment results are certified at a bronze, silver or gold level, depending on how the organization has demonstrated its performance. Benchmarking is conducted on a national level against other Canadian companies participating in the PAR Certification program. The certification process occurs every three years, and will occur again in 2015. Initiatives are underway that will support our certification at a minimum of a silver level, with a goal of continual improvement each year to support stronger Aboriginal partnerships and relations.

Performance Results

BC Housing was awarded a silver designation in 2012/13, surpassing the target of bronze, becoming the first social housing provider in Canada to be certified under the PAR program. This result demonstrates BC Housing's active and on-going commitment to supporting the Aboriginal housing sector and our Aboriginal housing partners. Work continued throughout the organization in preparation for the next triennial review which will be conducted in summer 2015, with results announced at the Canadian Council for Aboriginal Business' annual Vancouver Gala in September 2015.

Benchmarking is conducted on a national level against other Canadian companies participating in the PAR certification program. Current PAR certified companies include BC Hydro, Canada Post, IBM and BMO Financial Group.

Goal 4: Leadership in Sustainability and Residential Construction

This goal brings together two areas where we have significant leadership responsibilities. Through the Homeowner Protection Office, we partner with industry to raise the bar of professionalism in residential construction, as well as work with industry and government partners to initiate technical research and education projects that promote the durability and energy efficiency of new residential construction. The crossover of projects and findings for the non-profit housing sector is proving to be beneficial, for example, improving energy performance of multi-unit buildings and providing building enclosure design guidelines.

As well, through the *livegreen* Housing Sustainability Plan, we focus on opportunities to encourage sustainability benefits from the work that we do in delivering housing programs and services, and to also take a leadership role in promoting sustainability within the broader housing sector. As demonstrated in our Carbon Neutral Action Report, progress has been made in reducing our greenhouse gas emissions and through a wide range of activities to lower our organizational environmental footprint. Overall this goal supports the Taxpayer Accountability Principles of accountability and integrity. Actions under this goal are aligned with government's direction under the *Greenhouse Gas Reductions Target Act*. Decisions and actions in the interest of environmental sustainability are implemented in our own operations.

Strategies:

1. Worked with industry and Ministry partners to create a new regulatory framework to help raise the bar of professionalism in the construction industry through an enhanced licensing system for residential builders.
2. Ensured ongoing compliance under the *Homeowner Protection Act* to support consumer protections.
3. Carried out strategic research and education to support continuous improvement in quality of residential construction and consumer awareness.
4. Implemented initiatives through our *livegreen* Housing Sustainability Plan to reduce greenhouse gas emissions and promote environmental sustainability in our work and more broadly within the housing sector.

Objective: Promote Consumer Protections and Compliance with the *Homeowner Protection Act*

Performance Measure 4.1:	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Builders' Rating of the Effectiveness of Compliance Efforts to Monitor and Enforce Licensing and Home Warranty Insurance*	80%	83%	85%	80% or higher	84%	80% or higher	80% or higher

*Data for the measure is obtained through a survey carried out by a third-party survey research firm. Prior to 2014/15 the survey was conducted through online and mailed out surveys. For 2014/15 onwards, the results are based on an online survey only.

Discussion

This is a measure of the overall health of the builder licensing, home warranty insurance and owner-builder authorization system whereby compliance issues are dealt with quickly and effectively by the Homeowner Protection Office. Assessment of performance is best done by industry participants (licensed residential builders) that operate their businesses within the regulatory framework. Targets are based on past trends and strategic initiatives underway to increase builders' positive rating of compliance efforts each year over the three-year service planning period.

Performance Results

The 2014/15 survey was sent to 5,096 builders with 1,097 responding, for a response rate of 22 per cent. This year, the entire survey was conducted online to expedite the process, cut down on paper, and to reduce costs. Results show that 84 per cent of builders felt that the effectiveness of the compliance efforts was "very effective" or "effective". This result is above the target of 80 per cent. Reducing instances of non-compliance continues to be seen as an area for continued business improvement.

Objective: Environmental Leadership in the Housing Sector

Performance Measure 4.2:	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Per Cent Reduction in Greenhouse Gas Emissions from 2005 levels*	16%	22%	24%	15%	26%	20% or more	20% or more

*This measure is based on data provided directly from utility companies and compiled by an external consultant. In accordance with legislative requirements, the targets and results are based on a calendar year, e.g., results for 2014 are reported in the 2014/15 Actual column.

Discussion

This measure tracks progress in reducing greenhouse gas (GHG) emissions and maintaining a carbon neutral status as required by the *Greenhouse Gas Reductions Target Act*. It includes emissions from the entire housing portfolio of buildings owned or leased by the Provincial

Rental Housing Corporation, and is aligned with provincial reporting requirements. Targets are set to achieve a 20 per cent or more reduction in GHG emissions from the 2005 level. The baseline, which was calculated across the housing portfolio in 2005, has been maintained to compare our reductions. Targets take into account anticipated changes to the housing portfolio, and our goal is to reduce emissions above the 20 per cent level (compared to the 2005 baseline) each year.

Performance Results

In 2014 total GHG emissions related to energy use for heating and electricity in all buildings owned or leased by BC Housing (including: directly managed buildings, group homes operated by non-profit housing societies, and SROs) were reduced by 26 per cent from the 2005 level, exceeding the annual reduction target of 15 per cent.

These results can be attributed to multi-year building upgrades and energy programs, renovation of 13 SROs in the Downtown Eastside through the SRO Renewal Initiative, and successful implementation of higher efficiency heating and lighting technologies in new and older buildings, combined with installation of heating systems low in carbon emissions and on-going improvements in energy management practices across the portfolio.

The total 2014 GHG emissions from buildings was 21,623 tonnes of CO2e[1]. This represents a six per cent decrease in emissions compared to 2013. The total 2013 GHG emissions from buildings was 22,828 tonnes of CO2e, representing a six per cent decrease in emissions compared to 2011.

[1] CO2e is an abbreviation for carbon dioxide equivalent.

Financial Report

Management Discussion and Analysis

Operational Overview – 2014/15 Actuals

CONTRIBUTIONS AND EXPENDITURES

Funding		**Expenses**	
Provincial Government	$402.3 M	Emergency Shelters & Housing for Homeless	$213.2 M
Federal Government	$170.0 M	Transitional Supported & Assisted Living	$116.1 M
Tenant Rent	$34.0 M	Independent Social Housing	$209.3 M
Provincial Partnering Ministries	$9.5 M	Rent Assistance in the Private Market (Independent)	$101.9 M
Homeowner Protection Office Fees	$5.5 M	Homeowner Protection Office Administration, Research & Education	$5.4 M
Other	$29.8 M	Home Adaptations for Independence	$5.1 M
Total	**$651.1 M**	**Total**	**$651.0 M**

GOVERNMENT ASSISTED HOUSING (UNITS) ACROSS THE HOUSING CONTINUUM*

Emergency Shelters & Housing for Homeless	**13,269 units**
• Homeless Shelters	1,737 units
• Homeless Housed	8,386 units
• Homeless Rent Assistance	3,146 units
Transitional Supported & Assisted Living	**18,472 units**
• People with Special Needs	5,936 units
• Frail Seniors	11,714 units
• Women and Children Fleeing Violence	822 units
Independent Social Housing	**41,186 units**
• Low Income Seniors	21,510 units
• Low Income Families	19,676 units
Rent Assistance in the Private Market (Independent)	**29,584 units**
• Seniors	18,632 units
• Families	10,952 units
Total Units	**102,511 units**

CONSUMER PROTECTION & INCREASED QUALITY OF RESIDENTIAL CONSTRUCTION

Residential Builders Licenses (New and Renewals)	6,100
Owner Builder Authorizations	2,450
New Homes Enrolled in Home Warranty Insurance	27,093
Homes Adapted through Home Adaptations for Independence	322
Research & Education Initiatives**	

*Due to the diverse number of programs delivered by BC Housing, the term unit may refer to a bed, room, apartment or household assisted through a rental subsidy program. Units may differ between programs and/or within programs, depending on the program delivery requirements and available resources.

**The complete range of research and education initiatives carried out through the Homeowner Protection Office can be found online at www.hpo.bc.ca/technical-research-education.

In 2014/15, BC Housing's expenditures totaled $651.0 million. Services to improve housing options for British Columbians ranged from housing supports for the most vulnerable, to consumer protection, and improved quality of residential construction in the private market. In total, 102,511 households were assisted through subsidized housing, an increase of over 2,700 from the previous year.

Financial Resource Summary

($000)	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Budget	2014/15 Actual	2014/15 Variance	2013/14 - 14/15 Variance	2015/16 Budget	2016/17 Budget	2017/18 Budget
Total Revenue ($000)	**620,623**	**764,063**	**769,606**	**656,580**	**610,156**	**660,809**	**651,068**	**9,741**	**40,912**	**657,534**	**629,195**	**622,583**
Provincial Share [2]	390,738	481,472	474,031	421,312	384,632	419,498	411,811	7,687	27,179	432,464	435,195	439,584
Federal Share	165,245	223,423	239,501	178,251	160,070	188,624	169,972	18,652	9,902	173,097	147,151	138,613
Other [3]	64,640	59,168	56,074	57,017	65,454	52,687	69,285	(16,598)	3,831	51,973	46,849	44,386
Total Expenses ($000)	**620,597**	**764,013**	**769,552**	**656,538**	**610,128**	**660,809**	**651,040**	**9,769**	**40,912**	**657,534**	**629,195**	**622,583**
Housing Subsidies	400,553	552,307	555,173	436,519	388,236	409,056	415,695	(6,639)	27,459	408,597	383,064	377,866
Rental Assistance	73,334	76,716	82,327	86,510	90,428	117,797	106,767	11,030	16,339	114,694	114,694	114,694
Salaries and Labour	43,664	48,553	48,618	49,724	50,251	51,120	51,085	35	834	54,444	53,903	53,528
Operating Expenses	37,317	25,624	22,961	22,440	22,383	22,762	20,768	1,994	(1,615)	20,845	20,593	20,486
Building Maintenance	14,428	12,924	12,223	14,503	12,490	12,755	10,789	1,966	(1,701)	13,535	12,831	12,473
Building Modernization and Improvement	18,421	11,864	11,866	10,510	9,512	10,942	9,904	1,038	392	9,590	9,590	9,590
Office and Overhead	7,240	9,005	8,422	8,983	10,014	9,508	10,155	(647)	141	9,800	9,800	9,800
Building Mortgage Costs	8,856	8,718	8,718	8,718	8,672	8,533	8,533	-	(139)	8,534	8,525	8,499
Utilities	9,389	8,873	8,459	8,427	8,571	9,226	8,081	1,145	(490)	8,979	8,202	7,801
Grants in lieu of Property Taxes	7,326	7,806	7,606	7,694	6,687	7,597	6,801	796	114	6,620	6,097	5,950
Research and Education	-	1,071	2,152	1,667	2,114	913	1,714	(801)	(400)	1,296	1,296	1,296
Interest Expense	69	552	1,027	843	770	600	748	(148)	(22)	600	600	600
Net Income	**26**	**50**	**54**	**42**	**28**	**-**	**28**	**(28)**	**-**	**-**	**-**	**-**
Total Debt	**53,026**	**110,475**	**140,919**	**82,234**	**130,433**	**142,919**	**77,216**	**65,703**	**(53,217)**	**30,000**	**30,000**	**30,000**
Accumulated Surplus /Retained Earnings [4]	**1,499**	**2,115**	**2,169**	**2,211**	**2,239**	**2,211**	**2,267**	**(56)**	**28**	**2,239**	**2,239**	**2,239**
Total Capital Expenditures	**6,610**	**3,595**	**4,772**	**5,531**	**3,041**	**5,000**	**692**	**4,308**	**(2,349)**	**5,000**	**5,000**	**5,000**

Note 1: The above financial information was prepared based on current Generally Accepted Accounting Principles.
Note 2: In 2014/15 this includes funding of $390.3 million provided directly by the provincial government to BC Housing, $12.0 million from the Housing Endowment Fund, and $9.5 million from other partnering ministries/agencies.
Note 3: This includes tenant rent and revenues from other sources including builder licensing fees.
Note 4: Change in accumulated surplus from operations in 2010/11 is due to the transfer of the Homeowner Protection Office to BC Housing.

Revenues

Current Year Discussion

The chart on page 16 shows BC Housing’s actual and forecasted revenues and expenditures from 2009/10 to 2017/18. In 2014/15, revenues totalled $651.1 million, which is $40.9 million, or 6.7 per cent, higher than the previous year. This increase reflects changes in provincial contributions, federal contributions, and other revenues.

Provincial contributions increased by $27.2 million compared to the previous year. This change includes an increase of $19.9 million primarily to fund the operating and support costs for newly completed projects developed under the *Memoranda of Understanding* (MOU) with local governments, and to fund the capital repayment and facility maintenance costs for projects completed under the *SRO Renewal Initiative*. Capital grant initiatives for the construction and renovation of provincially-owned housing stock increased by $6.9 million, and contributions from other ministries, used mostly for funding the operating costs of group homes, also increased by $0.4 million.

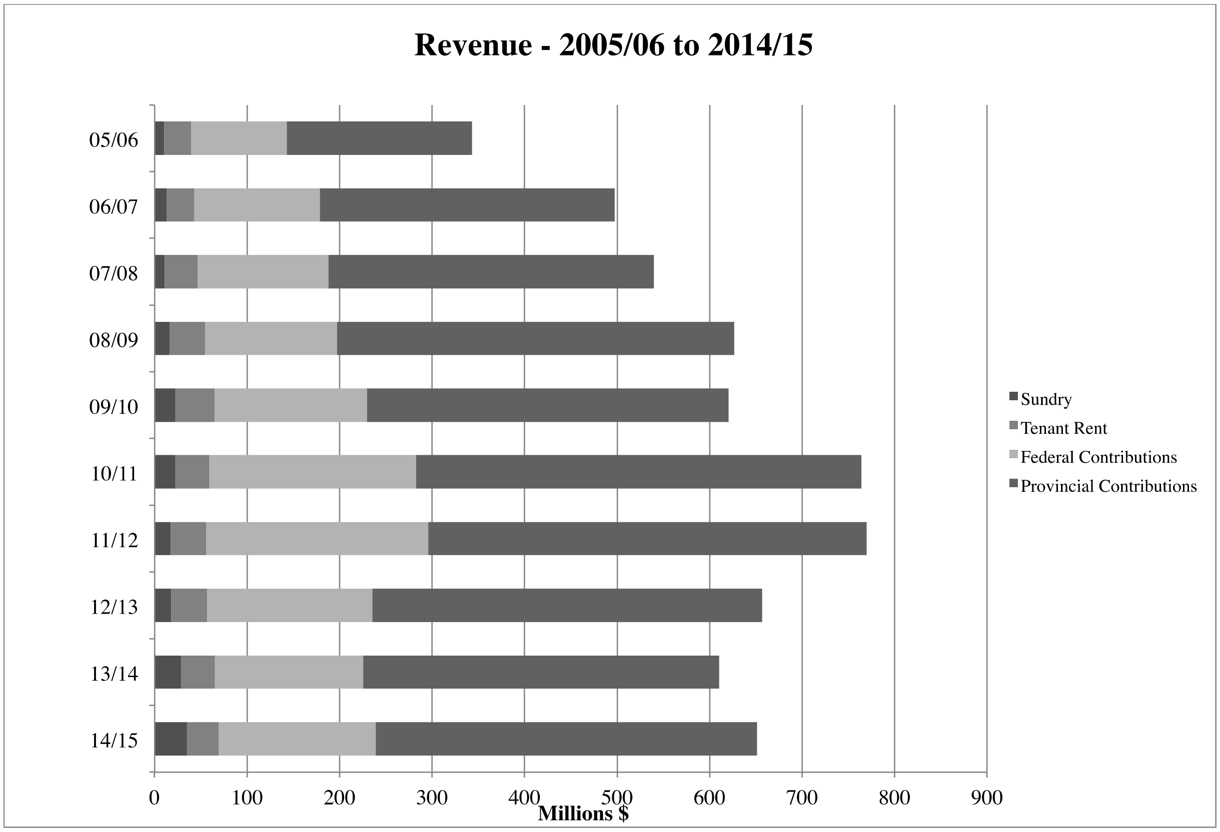
Federal contributions increased by $9.9 million compared to the previous year. This includes $12.9 million from the P3 Canada Fund for capital contributions towards four completed buildings under the *SRO Renewal Initiative*. The largest federal contribution is from the Canada Mortgage and Housing Corporation which decreased by $1.3 million. This includes funding under the *Social Housing Agreement* and the *Investment in Affordable Housing Agreement* (IAH). Federal contributions decreased by a further $1.7 million due to one-time funding received in 2013/14 from the Mental Health Commission of Canada and Services Canada.

Other revenue adjustments include a decrease to tenant rent of $2.7 million primarily due to transferring management of BC Housing projects to non-profit housing providers, and a $7.2 million increase to investment earnings as a result of strong financial markets and the sale of investments. Minor adjustments also include decreases to commercial rent in SROs being renovated under the SRO Renewal Initiative, and land lease revenue from properties transferred under the *Non-Profit Asset Transfer Program*, with increases in construction interest and lender revenue.

Overall, revenues in 2014/15 were $9.7 million, less than 1.5 per cent, below the budget as published in BC Housing’s 2014/15 Service Plan. A slower than anticipated construction spend on various provincial and federal funded projects are the primary reason for the shortfall in revenues. Higher than expected revenues, are in investment gains, construction interest and Homeowner Protection Office fees.

Historical Discussion

The graph on page 18 shows the change in revenues over the last ten years. Ongoing funding to provide operating subsidies has grown consistently over this timeframe. Even though operating subsidies continue to grow year over year, revenue peaks and valleys are attributable to capital funding for renovations and new construction projects that are based on individual construction schedules, the timing of which fluctuates from year to year.



Program Expenditures

Current Year Discussion

The chart on page 16 shows expenditures totalled $651.0 million in 2014/15. This is $40.9 million, or 6.7 per cent higher than the previous year.

The primary reason for the higher costs in 2014/15 is a $43.8 million increase in Housing Subsidies (operating and support subsidies, and grants) and Rental Assistance. Grants, the majority of which provided for capital initiatives, were $19.3 million higher than the previous year. Operating and support subsidies to non-profit housing providers increased by $8.2 million primarily due to newly completed MOU projects, outreach support costs for the new *Homeless Prevention Program* (HPP) and the annual capital repayment for projects completed under the *SRO Renewal Initiative*. Rental Assistance increased by $16.3 million as a result of raising rent ceilings for the *Shelter Aid for Elderly Renters* (SAFER) program and the *Rental Assistance Program* (RAP), and new rent supplements targeting those at risk of homelessness under the HPP. Transferring management of BC Housing projects to non-profit housing providers in 2014/15 shifted operating expenditures from Building Maintenance, Operating Expenses, etc. to Housing Subsidies to reflect the change in management.

Expenditures in 2014/15 were $9.8 million, less than 1.5 per cent, below the budget as published in BC Housing's 2014/15 Service Plan. This is primarily due to slower than expected take up of the HPP, lower growth in SAFER and RAP, lower operating subsidies from the delayed completion of MOU projects, and interest rate savings on new and renewed mortgages. These savings are partially offset by increased one-time grants. In addition, a number of operational related expenditures are lower than anticipated which include: Operating Expenses, Building Maintenance, Utilities etc. These lower costs are also reflected in lower tenant rent revenue as the management of some BC Housing projects transferred to non-profit housing providers.

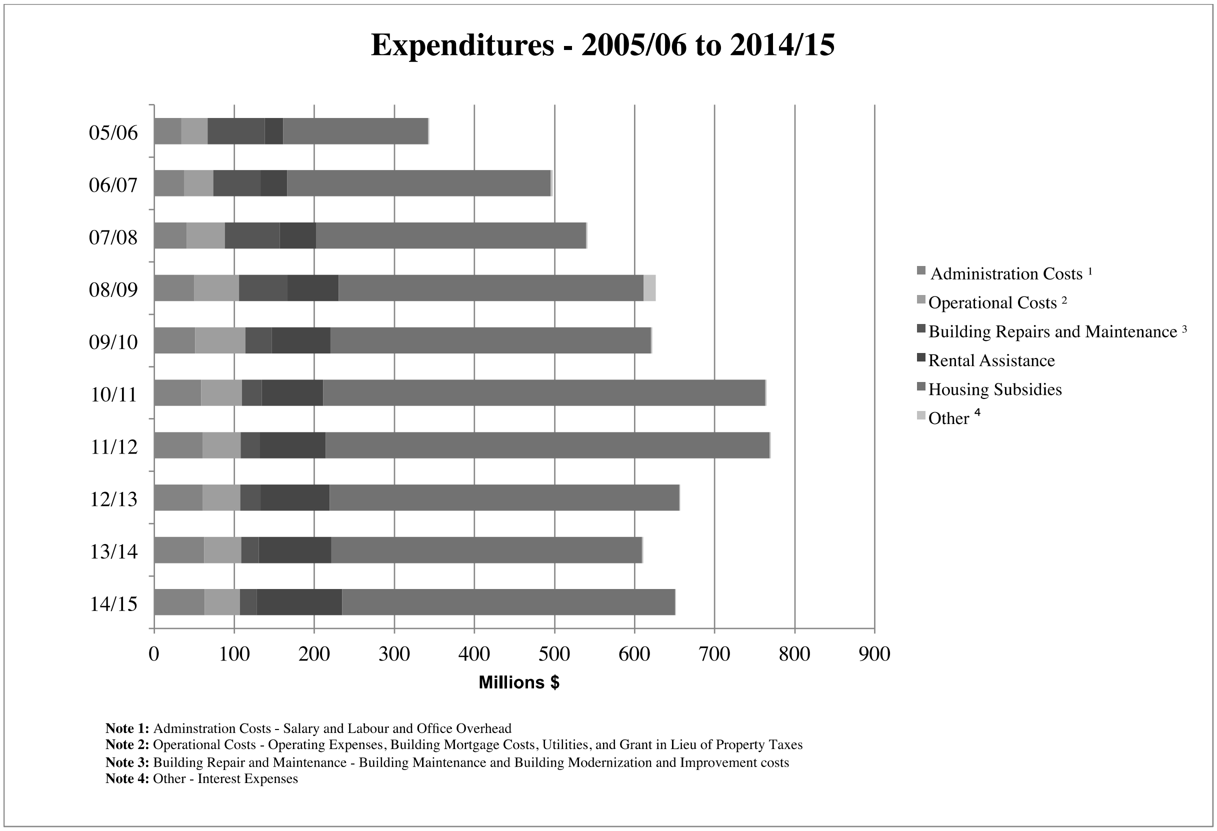
Historical Discussion

The graph on page 20 shows the change in expenditures over the last ten years. During this period, total expenditures have almost doubled and approximately 46,800 new households were added to the housing portfolio.

The most significant growth in expenditures is to Housing Subsidies. Ongoing funding to non-profit housing providers has grown consistently over the last ten years as new housing programs are introduced and additional housing projects become operational. As mentioned in the revenue section, time limited capital initiatives for renovations and new construction vary from year to year and are the primary reason for the fluctuations in Housing Subsidies and to expenditures overall. Rental Assistance also increased as a result of caseload growth, program enhancements to the *Shelter Aid for Elderly Renters* program and the *Rental Assistance Program*, and the introduction of the *Homeless Prevention Program* in 2014/15.

Other changes to note include the following:

- The increase to Operational Costs from 2007/08 through 2009/10 reflects the operating and support costs of the newly acquired Single Room Occupancy hotels. In 2010/11, funding was shifted from Operational Costs to Housing Subsidies due to a change in accounting policy.
- In 2010/11, the Homeowner Protection Office joined BC Housing, which resulted in increased overall Administration Costs. These costs have otherwise remained constant.
- Building Repairs and Maintenance trended upwards from 2005/06 through 2008/09 and dropped in subsequent years. BC Housing has continued to invest in major capital improvements to its aging social housing stock through capital grants provided under Housing Subsidies.



Future Financial Outlook

As part of the long-term policy to support a strong non-profit housing sector, BC Housing will continue to deliver the *Non-Profit Asset Transfer Program,* which transfers ownership of select Provincial Rental Housing Corporation (PRHC) properties under long-term lease to the non-profit housing operators who already operate the social housing on site. There will be no change to the ongoing operations of the buildings. BC Housing will provide the societies with additional assistance to manage payments on the mortgages required to finance the land transfers.

BC Housing will continue to deliver a range of client-centered programs and services through strong partnerships across British Columbia. Future ongoing operating and support subsidies to non-profit housing providers remain relatively stable. Subsidy reductions due to the expiration of operating agreements are partially offset by increased subsidies as the remaining *Memoranda of Understanding* projects under construction become operational, the annual service payments commence upon completion of the *SRO Renewal Initiative*, and mortgage subsidy is provided under the *Non-Profit Asset Transfer Program*.

There will continue to be new investments made to social housing. Capital funding for maintenance of PRHC owned properties will increase. More affordable housing options are being created as part of the 2014-2019 Extension to the Canada/BC *Investment in Affordable Housing Agreement* (IAH). While capital projects under major initiatives including the *Memoranda of Understanding*, the 2011-2014 IAH Agreement, and the *SRO Renewal Initiative* will all complete by early 2016/17, PRHC will reinvest the proceeds from properties transferred under the *Non-Profit Asset Transfer Program* into new housing programs.

Ownership of the Riverview Lands transferred to PRHC on February 2, 2015. Working with multiple partners, BC Housing is leading the visioning process for the future use of these lands with the goal to balance the social, economic and environmental objectives of the provincial government, the City of Coquitlam and the community.

Financial Statements: BC Housing Management Commission

Statement of Management Responsibility

The financial statements of the British Columbia Housing Management Commission (the Commission) are the responsibility of management and have been prepared in accordance with Canadian public sector accounting standards, consistently applied and appropriate in the circumstances. The preparation of financial statements necessarily involves the use of estimates which have been made using careful judgment. In management's opinion, the financial statements have been properly prepared within the framework of the accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, all information available at May 22, 2015. The financial statements have also been reviewed by the Audit and Risk Management Committee and approved by the Board of Commissioners.

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

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

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

Shayne Ramsay
Chief Executive Officer

Dan Maxwell
Vice President of Corporate Services
And Chief Financial Officer

May 22, 2015

BDO

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Independent Auditor's Report

To the Board of Commissioners of British Columbia Housing Management Commission

We have audited the accompanying financial statements of the British Columbia Housing Management Commission, which comprise the Statement of Financial Position as at March 31, 2015, and the Statements of Operations, Change in Net Debt, Remeasurement Gains and Losses and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly in all material respects, the financial position of the British Columbia Housing Management Commission as at March 31, 2015 and its results of operations, change in net debt, remeasurement gains and losses, and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Accountants

Vancouver, British Columbia
May 22, 2015

Statement of Financial Position

	March 31 2015 ($000's)	March 31 2014 ($000's)
Financial Assets		
Cash	**$ 3,249**	$ 2,494
Portfolio investments (Note 3)	**74,509**	87,210
Receivables	**7,838**	17,158
Due from Province of British Columbia (Note 15)	**448**	834
Due from Canada Mortgage and Housing Corporation (Note 15)	**17,257**	17,301
Construction loans to housing project (Note 4)	**176,257**	178,426
Mortgages receivable (Note 5)	**12,987**	10,297
	$ 292,545	$ 313,720
Liabilities		
Accounts payable and accrued liabilities	**$ 31,469**	$ 35,242
Deferred revenues (Note 6)	**79,636**	61,286
Due to Provincial Rental Housing Corporation (Note 7)	**69,512**	26,763
Tenants' prepaid rent	**1,300**	956
Due to Provincial Treasury	**77,216**	130,433
Society funds held on deposit (Note 8)	**14,492**	18,600
Grants received in advance of construction (Note 9)	**48,306**	56,546
Social Housing Agreement Reserves (Note 10)	**2,660**	7,468
	324,591	**337,294**
Net Debt	**(32,046)**	(23,574)
Non-Financial Assets		
Prepaid expenses and housing subsidies	**28,151**	26,502
Tangible capital assets (Note 11)	**8,037**	10,388
	36,188	36,890
Accumulated Surplus	**4,142**	13,316
Accumulated surplus is comprised of:		
Accumulated surplus from operation	**2,267**	2,239
Accumulated remeasurement gain	**1,875**	11,077
	$ 4,142	$ 13,316

Commitments (Note 14)
Contingencies (Note 16)

On behalf of the Board

_______________ Chair

See accompanying notes to the financial statements

Statement of Operations

For the Year Ended March 31st	2015 Budget	**2015 Actuals**	2014 Actuals
	($000's)	**($000's)**	($000's)
Revenue			
Provincial contributions	$ 419,498	$ **411,811**	$ 384,632
Federal contributions	188,624	**169,972**	160,070
Tenant rent	37,681	**34,011**	36,697
Other	14,956	**16,600**	17,155
Portfolio investment income	50	**18,674**	11,602
	660,809	**651,068**	610,156
Expenses			
Housing subsidies	409,055	**415,695**	388,236
Rental assistance	117,797	**106,767**	90,428
Salaries and labour	51,121	**51,085**	50,251
Operating expenses	22,762	**20,768**	22,383
Building maintenance	12,755	**10,789**	12,490
Office and overhead	9,508	**10,155**	10,014
Building modernization and improvement	10,942	**9,904**	9,512
Building mortgage costs	8,534	**8,533**	8,672
Utilities	9,226	**8,081**	8,571
Grants in lieu of property taxes (Note 13)	7,597	**6,801**	6,687
Research and education	913	**1,714**	2,114
Interest expense	600	**748**	770
	660,810	**651,040**	610,128
Annual Surplus from Operations		**28**	28
Accumulated surplus from operations at beginning of		**2,239**	2,211
Accumulated surplus from operations, end of year		**$ 2,267**	2,239

See accompanying notes to the financial statements

Statement of Cash Flows

Year Ended March 31	2015 ($000's)	2014 ($000's)
Cash flows provided by (used in)		
Operating transactions		
Annual surplus from operations	$ **28**	$ 28
Adjustments to determine cash flows:		
Change in non-cash working capital	**23,022**	2,214
Depreciation	**3,043**	4,045
	26,093	6,287
Capital transactions		
Tangible capital asset additions	**(692)**	(3,041)
Investing transactions		
Construction loans provided to housing projects	**2,169**	(40,694)
Portfolio investments	**3,928**	23,398
Mortgages receivable	**(2,690)**	(8,906)
	3,407	(26,202)
Financing transactions		
Grants received in advance of construction	**(8,240)**	(4,046)
Due to Provincial Treasury	**(53,217)**	48,199
Due to Provincial Rental Housing Corporation	**42,749**	(21,213)
Social Housing Agreement Reserves	**(5,237)**	(3,201)
Society funds held on deposit	**(4,108)**	1,101
	(28,053)	20,840
Increase (decrease) in cash	**755**	(2,116)
Cash, beginning of year	**2,494**	4,610
Cash, end of year	$ **3,249**	$ 2,494

See accompanying notes to the financial statements

Statement of Remeasurement Gains and Losses

Year Ended March 31	2015 ($000's)	2014 ($000's)
Accumulated remeasurement gains, beginning of year	$ **11,077**	$ 9,359
Gains realized and released to income statement	**(11,077)**	(8,166)
Unrealized gains attributable to portfolio investments	**1,875**	9,884
Net remeasurement gains for the year	**(9,202)**	1,718
Accumulated remeasurement gains, end of year	$ **1,875**	$ 11,077

Statement of Change in Net Debt

Year Ended March 31	Budget ($000's) (note 12)	2015 ($000's)	2014 ($000's)
Annual surplus from operations		$ **28**	$ 28
Net remeasurement gains		**(9,202)**	1,718
		(9,174)	1,746
Depreciation of tangible capital assets		**3,043**	4,045
Acquisition of tangible capital assets	**(5,000)**	**(692)**	(3,041)
	(5,000)	**2,351**	1,004
Acquisition of prepaid expenses and housing subsidies		**(302,494)**	(293,039)
Use of prepaid expenses and housing subsidies		**300,845**	292,462
		(1,649)	(577)
Changes in net debt for the year		**(8,472)**	2,173
Net debt, beginning of year		**(23,574)**	(25,747)
Net debt, end of year		$ **(32,046)**	$ (23,574)

See accompanying notes to the financial statements

1. General

The British Columbia Housing Management Commission is a Crown agency, established in 1967, responsible for developing new social housing under Provincial Housing Programs administering the Province's Shelter Aid for Elderly Renters program, Rental Assistance Program, licensing of builders, overseeing the third-party home warranty insurance system; and administering a variety of other federal and/or provincial housing programs. The Commission manages public housing stock and administers agreements relating to units managed by housing sponsors. The Commission ensures that provincial housing policy is reflected in its programs and that these are delivered in a co-ordinated, cost-effective manner. The Commission is exempt from federal and provincial income taxes.

2. Significant Accounting Policies

Basis of presentation

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

Use of Estimates

In preparing these financial statements, management has made estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimating the useful life of capital assets and the write-down of proposal development advances require the greatest degree of estimation. Actual results could differ from those estimates.

Revenue Recognition

Unrestricted contributions are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions are recognized as revenue in the period in which the related expenses are incurred.

Tenant Rent Revenue

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

Tangible Capital Assets

Tangible capital assets are recorded at cost and depreciated over their estimated useful lives.

Desktop applications and computer hardware are depreciated on a three year amortization period. Server applications and communications hardware and components are depreciated on a five year amortization period. Enterprise applications are depreciated on a ten year amortization period. All other capital assets are depreciated over a five year amortization period.

Employee Benefit Plans

The employees and employers of the public service contribute to the Public Service Pension Plan (the Plan), a jointly trusteed pension plan. The Public Service Pension Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits are defined. The Plan has approximately 53,000 active plan members and approximately 41,000 retired plan members.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of plan funding. The latest valuation as at March 31, 2014, indicated an actuarial surplus of $392 million for basic pension benefits. The next valuation will be as at March 31, 2017 with results available in early 2018. The actuary does not attribute portions of the unfunded liability or surplus to individual employers. The Commission paid $3,852,497 for employer contributions to the Plan in fiscal 2015 (2014: $3,768,026).

Financial Instruments

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

Portfolio Investments

Portfolio investments are recognized at their fair value, determined by published price quotations in an active market. Transactions to purchase or sell these items are recorded on the settlement date, and transaction costs are immediately recognized in income. Realized gains and losses are recognized in the operating statement and unrealized gains/losses from changes in fair value are recorded in the statement of remeasurement gains and losses.

Other Financial Instruments

All other financial instruments are recorded on the cost or amortized cost basis using the effective interest rate method where appropriate.

3. Portfolio Investments

BC Housing invests funds held on behalf of non-profit housing providers, funds for specifics reserves and funds provided by ministries for specific housing projects. These investments are held in pooled investments and managed by four investment management firms. Income derived under the investments is reinvested into the portfolio. An investment committee meets periodically to review the performance of the fund managers and ensure compliance with the BC Housing investment policy. Quarterly reports are provided to the Board. The investment policy has the following asset target components: 30% Fixed Income, 15% Canadian Equity; 20% Canadian real estate and 35% Global Equity. The market yield over fiscal 14/15 was 11.35% (13/14 – 13.9%).

4. Construction Loans to Housing Projects

In its capacity as a National Housing Act approved lender, the Commission funds construction draws for societies who are building approved projects under social housing programs. These advances are repaid at substantial completion of each project from financing arranged with private lenders. The average period of construction financing can range from 18 months to over two years. Societies are charged interest at the Province's weighted average borrowing rate for short-term funds, plus administration costs. The current average yield for the portfolio is 1.40% (2013/14 – 1.53%)

5. Mortgages Receivable

The Commission periodically continues to hold construction financing mortgages receivable after construction completes. In all but rare situations, these mortgages are tendered for take-out financing provided by private sector financial institutions within twelve months of the construction completion date. These mortgages are secured by property and bear weighted average interest of 0.67%

6. Deferred Revenue

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

	2014 ($000's)	Contributions Received ($000's)	Revenue Recognized ($000's)	**2015 ($000's)**
Provincial Contributions	$ 30,900	$ 408,018	$ (402,403)	**$ 36,515**
Canada Mortgage and Housing Corporation	28,479	165,163	(151,492)	**42,150**
Other Agencies	1,907	20	(956)	**971**
	$ 61,286	$ 573,201	$ (554,851)	**$ 79,636**

The Social Housing Agreement Reserves (Note 10) represent further restricted contributions from Canada Mortgage and Housing Corporation of a long term nature.

7. Due to Provincial Rental Housing Corporation

Amounts represent funds advanced for the acquisition and development of properties under social housing programs. The advances are non-interest bearing with no set terms of repayment. Provincial Rental Housing Corporation (PRHC) is a Crown corporation managed by the Commission.

8. Society Funds Held on Deposit

These funds represent the balance of mortgage advances held to cover various non-profit society construction and soft costs required to complete their projects. Interest accrues on the society funds at the province's weighted average borrowing rate for short term funds of 1.21%.

9. Grants received in advance of construction

The Commission receives funds from the Province and Canada Mortgage and Housing Corporation (CMHC), the use of which is restricted to the construction of specific social housing projects.

	2014 ($000's)	Grants received ($000's)	Construction costs incurred ($000's)	**2015 ($000's)**
Project Grants	$ 11,515	$ 13,037	$ (13,660)	**$ 10,892**
Provincial Economic Stimulus Fund	-	19,697	(19,697)	**-**
Provincial FCI Fund	-	4,705	(4,705)	**-**
Provincial CAII Fund	-	476	(476)	**-**
CMHC - IAH (Phase I and Phase II)	34,754	11,700	(16,254)	**30,200**
CMHC - SHA	9,521	5,222	(7,816)	**6,927**
Federal - Other		12,930	(12,930)	**-**
Ministry - Other	756	550	(1,019)	**287**
	$ 56,546	$ 68,317	$ (76,557)	**$ 48,306**

10. Social Housing Agreement Reserves

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

	2015 ($000's)	2014 ($000's)
Balance, beginning of year	**$ 7,468**	$ 9,099
Funds applied	**(5,223)**	(3,160)
Investment income	**415**	1,529
Balance, end of year	**$ 2,660**	$ 7,468

11. Tangible Capital Assets

		2014 ($000's)						**2015 ($000's)**
		Cost		Additions		Disposals		**Cost**
Computer software	$	38,608		277			$	38,885
Computer hardware		4,353		200				4,553
Tenant improvements		9,598		41				9,639
Office furniture		3,072		15				3,087
Office equipment		639		-				639
Vehicles		1,052		159		(95)		1,116
Grounds equipment		496		-				496
	$	57,818	$	692	$	(95)	$	58,415

		Accumulated Depreciation		Amortization		Disposals		**Accumulated Depreciation**
Computer software	$	29,492		2,382			$	31,874
Computer hardware		4,091		173				4,264
Tenant improvements		8,994		245				9,239
Office furniture		2,905		80				2,985
Office equipment		624		5				629
Vehicles		876		116		(95)		897
Grounds equipment		448		42				490
	$	47,430	$	3,043	$	(95)	$	50,378
Net Book Value	**$**	**10,388**					**$**	**8,037**

12. Budget figures

Budgeted figures are provided for comparative purposes are consistent with the 2014/15 Service Plan budgeted figures that were released in early 2014.

13. Grants in Lieu of Property Taxes

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

14. Commitments

a) Rental Obligations

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

		($000's)
2016	$	4,797
2017		4,688
2018		4,782
2019		3,587
2020		955
	$	18,809

b) Contractual Obligations

The Commission has significant contractual obligations with not for profit housing societies for the provision of annual subsidies. The current annual subsidy is $333,070,000 with a forecasted amount $253,942,000 in 5 years. These contracts are reviewed annually to evaluate the level of commitment. Notes to the Financial Statements

c) Public-Private Partnership Commitments

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

As construction progresses, the asset values are recorded as capital assets and the obligation is recorded as a liability and included in long-term debt in the Provincial Rental Housing Corporation (see Note 15). Upon construction completion, the obligation will be met through the capital component of the monthly service payments over the term of the Project Agreement that is provided by the Commission.

		Capital ($000's)		Facility Maintenance and Lifecycle ($000's)		**Total Payments ($000's)**
2016		6,280		1,219		**7,499**
2017		9,389		1,941		**11,330**
2018		9,388		2,183		**11,571**
2019		9,388		3,167		**12,555**
2020		9,388		2,905		**12,293**
Thereafter		101,786		33,565		**135,351**
Total	$	145,619	$	44,980	**$**	**190,599**

d) Loan Insurance Agreement

CMHC provides loan insurance under the National Housing Act, to assist the Commission in securing mortgages for PRHC and not for profit housing providers. In the event of a loan default, the Commission is required to rectify the default and fully reimburse CMHC for claims paid to approved lenders. Since the establishment of this agreement in January 1993, there has never been a claim made under this agreement. The Commission underwrites these mortgages in accordance with CMHC guidelines for multi-unit properties, places charges on title to ensure access to property and requires housing providers to have an operating agreement with the Commission ensuring ongoing access to financial information.

The maximum value of mortgages that can be insured under this agreement is $2.5 billion. As of March 31, 2015, the total value of outstanding CMHC insured mortgages was $1,671,177,025 (2014: $1,563,018,482). There is no claim expected on this portfolio and the Corporation has not recorded a provision for loss.

15. Related Party Transactions

In the normal course of operations, the Commission periodically invoices the provincial government and federal/provincial crown agencies under various funding arrangements or agreements for social housing programs. Funds are due on receipt of the invoice and bear no interest.

These statements do not include the capital cost of projects owned by PRHC. Separate financial statements are prepared for PRHC which is a Crown corporation managed by the Commission.

16. Contingencies

Letters of Guarantee

As at March 31, 2015, the Commission was contingently liable with respect to letters of guarantee totalling $2,229,728 for municipal development cost charges.

Legal Claims

The nature of the Commission's activities is such that there will be litigation pending or in progress at any time. With respect to claims at March 31, 2015, management is of the opinion that it has valid defenses and appropriate insurance coverage in place, or if there is unfunded risk, such claims are not expected to have a material effect on the Commission's financial position. Outstanding contingencies are reviewed on an ongoing basis and are provided for based on management's best estimate of the ultimate settlement.

17. Financial Instrument Risks

The Commission, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of those risks at March 31, 2015.

a) Credit Risk

Credit risk is the risk that the Commission will incur a loss due to the failure by its debtors to meet their contractual obligations. Financial instruments that potentially subject the Commission to credit risk consist primarily of cash and short term investments, accounts receivable, mortgage receivables and construction loans. The Commission has an investment policy to ensure investments are managed appropriately to secure the preservation of capital and the availability of liquid funds. The Commission has also retained two qualified investment firms to invest surplus funds in accordance with its investment policy. The majority of receivables are due from federal and provincial agencies. Mortgage receivables are secured by property and are generally held for short periods (Note 5). Construction loans are also secured by property and repaid at substantial completion of project (Note 4).

b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Construction loans bear interest at the Province's weighted average borrowing rate, but these loans are short term. Investments bear some interest rate risk but these risks are mitigated through the diversification of the portfolio.

c) Market Risk

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market.

d) Liquidity Risk

Liquidity risk is the risk that the Commission will not be able to meet its obligations as they fall due. The Commission maintains adequate levels of working capital to ensure all its obligations can be met when they fall due.

18. Capital Disclosures

The Commission considers its capital to be its accumulated surplus. Its accumulated surplus consists of amounts invested in tangible capital assets, prepaid expenses and housing subsidies, and net debt. The Commission's objectives when managing its capital are to safeguard its ability to continue as a going concern so it can continue to provide services. Annual budgets are developed and monitored to ensure the Commission's capital is maintained at an appropriate level.

As a Crown corporation, the Commission cannot incur an annual or cumulative deficit without the prior approval of the Minister of Natural Gas Development (Minister Responsible for Housing).

Financial Statements: Provincial Rental Housing Corporation

Statement of Management Responsibility

The financial statements of the Provincial Rental Housing Corporation (the Corporation) are the responsibility of management and have been prepared in accordance with public sector accounting standards, consistently applied and appropriate in the circumstances. The preparation of financial statements necessarily involves the use of estimates which have been made using careful judgment. In management's opinion, the financial statements have been properly prepared within the framework of the accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, all information available at May 22, 2015. The financial statements have also been reviewed and approved by the Board of Directors.

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

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

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Board of Directors reviews internal financial statements quarterly and external audited financial statements annually. The external auditor has full and open access to financial managements of Corporation and meets when required.

Shayne Ramsay
President

Dan Maxwell
Chief Financial Officer

May 22, 2015
Independent Auditors Report

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Independent Auditor's Report

To the Shareholder of Provincial Rental Housing Corporation

We have audited the accompanying financial statements of the Provincial Rental Housing Corporation, which comprise the Statement of Financial Position as at March 31, 2015, and the Statements of Operations, Change in Net Debt, and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present, in all material respects, in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describe the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards. Note 15 to the financial statements discloses the impact of these differences.

BDO Canada LLP

Chartered Accountants

Vancouver, British Columbia
May 22, 2015

Statement of Financial Position

	March 31 2015 ($000's)		March 31 2014 ($000's)	
Financial assets				
Cash	**$**	**1**	$	1
Debenture subsidy receivable		**853**		866
Due from BC Housing Management Commission (Note 3)		**69,512**		26,763
Long term receivable (Note 5)		**244,602**		258,976
Loan receivables (Note 4)		**3,388**		6,143
Riverview lands redevelopment (Note 6)		**4,483**		-
Due from Federal Government (Note 12)		**5,102**		9,444
		327,941		302,193
Liabilities				
Interest payable		**421**		446
Deferred contributions (Note 7)		**603,446**		586,169
Unearned lease revenue		**66,168**		79,679
Site contamination (Note 8)		**7,420**		-
Long-term debt (Note 10)		**225,180**		210,943
		902,635		877,237
Net debt		**(574,694)**		(575,044)
Non-financial assets				
Tangible capital assets (Note 11)		**1,174,031**		1,139,436
		1,174,031		1,139,436
Accumulated surplus	**$**	**599,337**	$	564,392

Commitments (Note 12)

On behalf of the Board:

Director Director

See accompanying notes to the financial statements

Statement of Operations

Year Ended March 31		2015 ($000's)		2014 ($000's)
Revenue				
Provincial subsidy	**$**	**19,207**	$	17,661
Contribution revenue		**32,902**		38,264
Gain on sale of property		**16,099**		291,074
Lease revenue		**13,587**		2,126
Interest income		**5,557**		4,068
		87,352		353,193
Expenses				
Depreciation		**40,075**		37,696
Interest on long-term debt		**7,668**		8,462
Social housing grant and subsidy		**2,755**		9,733
Group home and self insurance claims		**1,909**		1,955
		52,407		57,846
Annual surplus from operations		**34,945**		295,347
Accumulated surplus from operations, beginning of year		**564,392**		269,045
Accumulated surplus from operations, end of year	**$**	**599,337**	$	564,392

See accompanying notes to the financial statements

Statement of Change in Net Debt

Year Ended March 31		2015 ($000's)		2014 ($000's)
Annual surplus	**$**	**34,945**	$	295,347
Acquisition of tangible capital assets		**(105,613)**		(62,177)
Depreciation of tangible capital assets		**40,075**		37,696
Disposal of tangible capital assets		**30,943**		4,696
		(34,595)		(19,785)
Changes in net debt for the year		**350**		275,562
Net debt, beginning of year		**(575,044)**		(850,606)
Net debt, end of year	**$**	**(574,694)**	$	(575,044)

See accompanying notes to the financial statements

Statement of Cash Flows

Year Ended March 31		2015 ($000's)		2014 ($000's)
Cash flows provided by (used in)				
Operating transactions				
Annual surplus from operations	$	**34,945**	$	295,347
Adjustments to determine cash flows:				
Depreciation		**40,075**		37,696
Amortization of deferred contributions		**(32,902)**		(38,264)
Gain on sale of property		**(16,099)**		(291,074)
Amortization of unearned lease revenue		**(13,511)**		(2,051)
Change in non-cash working capital		**7,085**		(1,847)
		19,593		(193)
Capital transactions				
Property acquisitions		**(105,613)**		(62,177)
Proceeds on sale of property		**47,042**		295,770
		(58,571)		233,593
Financing transactions				
Deferred contributions		**50,179**		36,105
New long term debt financing		**38,735**		36,339
Site contamination		**7,420**		-
Due from BC Housing Management Commission		**(42,749)**		21,213
Property sale deposit		**-**		(30,000)
Riverview Redevelopment Project		**(4,483)**		-
Long-term debt repayment		**(24,498)**		(38,081)
Long-term Receivable		**14,374**		(258,976)
		38,978		(233,400)
Increase in cash		**-**		-
Cash, beginning of the year		**1**		1
Cash, end of year	$	**1**	$	1

See accompanying notes to the financial statements

Notes to the Financial Statements

1. General

The Provincial Rental Housing Corporation was incorporated under the Company Act of the Province of British Columbia in 1961. The Corporation is wholly owned by the Province, and is an agent of the Crown. The Corporation is exempt from federal and provincial income taxes.

The Corporation holds property for social and other low cost housing for the Province. It also holds land under long-term leases to housing sponsors. The subsidized rental housing units of the Corporation are managed and operated by the British Columbia Housing Management Commission (the “Commission”), which is a Crown agency that records the related rental revenue and is responsible for all of the operating and administrative activities and related costs. Separate financial statements are prepared for the Commission.

2. Significant Accounting Policies

Basis of Presentation

These financial statements have been prepared in accordance with section 23.1 of the Budget Transparency and Accountability Act of the Provincial of British Columbia. This section requires that the financial statements be prepared in accordance with Canadian Public Sector Accounting Standards except in regard to the accounting for government transfers as set out in Note 15. The Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants Canada is responsible for establishing Canadian public sector accounting standards.

Use of Estimates

In preparing these financial statements management has made estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The service life of buildings requires the greatest degree of estimation. Site remediation liability is based on a third party valuation while the Riverview redevelopment is an estimate based on transfer value and total capitalized costs. Actual results could differ from those estimates.

Tangible Capital Assets

a) The Corporation capitalizes its tangible capital assets at cost and depreciates its buildings on the straight-line method as follows:

Newly constructed buildings are depreciated on a 40 year amortization period. Purchases of older buildings are depreciated over the remaining estimated useful life of the building. Betterments to buildings are depreciated over the extended remaining life of the building.

Construction in progress is not subject to depreciation until the project is complete and transferred to buildings.

a) For some social housing projects and group homes, the Province provides grants to the Corporation for a portion of the construction costs.

   From time to time, the Corporation disposes of property purchased for social housing projects that cannot proceed due to various circumstances. The proceeds from these sales are applied against the cost of purchasing alternate sites as appropriate. Any surplus or deficiency resulting from those sales is credited or charged to revenue.

b) Capitalization of public-private partnership projects

   Public-private partnership (P3) projects are delivered by private sector partners selected to design, build, finance and maintain the assets. The costs of the assets are estimated at fair value, based on construction progress verified by an independent certifier, and also include other costs incurred directly by the Corporation. The asset cost includes development and financing fees estimated at fair value, which require the extraction of cost information from the financial model embedded in the project agreement. Interest during construction is also included in the asset cost and is calculated on the P3 asset value, less contributions received during the construction term. The interest rate used is the project internal rate of return. Upon completion, the project assets are amortized over their estimated useful lives.

   Correspondingly, an obligation net of the contributions received is recorded as a liability and included in long-term debt.

   Upon substantial completion, the private sector partner receives monthly payments to cover the partners’ operating costs, financing costs and a return of their capital.

Property Leases

The Corporation leases property used for housing projects to housing sponsors. These sixty-year leases are prepaid by the housing sponsors when the housing projects are completed and ready for occupancy. The Corporation amortizes the lease revenue over the term of each lease and records the unearned portion as unearned lease revenue.

Deferred Contributions

Funding received from the Province used for acquisition of depreciable capital assets is recorded as deferred contributions and is recognized as a recovery in the statement of operations equal to depreciation charged on related depreciable capital assets. The requirements of Canadian public sector accounting standards require that government transfers be recognized when approved and eligibility criteria have been met unless the transfer contains a stipulation that creates a liability in which case the transfer is recognized over the period that the liability is extinguished (Note 15).

Funding received from the Province for acquisition of non-depreciable capital assets, such as land, is allocated to net assets invested in properties when the related assets are acquired.

Government Capital Grants

Consistent with the Province of British Columbia, Ministry of Finance regulation 198/2011 capital grants are recorded as a liability (deferred capital contribution) which is amortized to income over the life of the capital asset being funded.

Financial Instruments

The Corporation's financial instruments consist of debenture subsidy receivable, due from BC Housing Management Commission, cash, long-term receivables, loan receivables, due from federal government, long-term debt, interest payable and property sale deposit. All financial instruments are recorded at cost or amortized cost basis using the effective interest rate method where appropriate.

Inventory

The Corporation's inventory consists of the Riverview lands redevelopment. All costs associated with the redevelopment are capitalized, including carrying costs, construction, net operating income or losses, financing and demolition. Costs will be capitalized until the completion of the redevelopment. The net amount recoverable from the redevelopment is considered sufficient to recover the capitalized costs.

3. Due from British Columbia Housing Management Commission

Amounts represent funds advanced for the acquisition and development of properties under social housing programs. The amounts are non-interest bearing with no set terms of repayment.

4. Loan Receivables

PRHC has transferred a number of Rural and Native Housing projects to various Aboriginal Housing Providers over the last two years. These properties were originally transferred to PRHC as part of the devolution of federal housing in 2006 with the intention that they would eventually be transferred to aboriginal management and ownership. Repayable loans are associated with each property, with a total value of $3,388,143 (2014 - $6,143,362). Each loan has different repayment dates with interest rates ranging between 3% and 6%. The final loan is to be repaid in fiscal 2018/19.

5. Long Term Receivable

The Corporation completed the sale of Little Mountain property on July 2nd 2013 for the proceeds of $333.96 million. The purchaser was required to provide the Corporation with 234 non-market housing units and to pay the balance of the purchase price based on the proportion of the site developed in phases over time. The current receivable is equal to the net present value of the remaining expected future payments and the fair value of the 181 social housing units not constructed, discounted at 3.25%.

March 31, 2014 balance		**$258,976**
Received 53 housing units		**(19,932)**
Interest Recognized		**5,557**
	$	**244,601**

6. Riverview Lands Re-development

On February 2nd, 2015**,** ownership of the Riverview land was transferred to the Corporation from Minister of Technology, Innovation and Citizen's Service (MTICS). The land is to be redeveloped over the next several years. All costs associated with the redevelopment will be capitalized, including financing, demolition, land planning and the net operating costs associated with the ongoing operations at the site. Costs related to the development are to be funded through the proceeds obtained from the redevelopment, including lease and film revenues. The land and buildings were transferred to the Corporation at book value. (see note 8).

7. Deferred Contributions

		2015 ($000's)		2014 ($000's)
Balance, beginning of year	**$**	**586,169**	$	588,328
Receipts		**50,291**		32,146
Amortization		**(33,014)**		(34,305)
Balance, end of year	**$**	**603,446**	$	586,169

Deferred contributions are capital grants from the Commission. The grants are for the purchase and/or development of new social housing projects or the major rehabilitation of buildings owned by the Corporation (Notes 2 and 15).

8. Site Contamination

MTICS and the Ministry of Health transferred $7.4 million to the Corporation for remediation of contaminated sites at the Riverview Lands project site. This exceeds the current best estimate of the present value of remediation costs requires of $4 million. However, the full $7.4 million is recorded as a liability because any portion of the amount transferred that proves to exceed the actual amount required will be repayable by the Corporation to MTICS. The Corporation will review the contamination and cost of remediation over the life of the projects and will adjust the liability as information becomes available.

9. Related Party Transactions

a) Insurance

The Corporation does not insure most of its rental housing properties. Instead property losses are compensated by the Province through the Commission and, for certain properties, by CMHC.

b) Directly Managed Debenture Subsidy

Directly managed debenture subsidy represents funds received from the Commission for the principal and interest costs of the long-term debt related to directly managed properties.

c) Group Home Mortgage Subsidy

Group home mortgage subsidy represents the funds received from the Commission for mortgage payments to chartered banks and CMHC.

d) Administration and Financing

The Commission acts as agent in administering and financing the operations and capital projects of the Corporation. No administration costs are charged to the Corporation for such services performed.

10. Long-Term Debt

		2015 ($000's)		2014 ($000's)
Canada Mortgage & Housing Corporation (CMHC) Debenture mortgages repayable at the end of each year, maturing between the years 2024 and 2027, with a weighted average rate of 7.47% (2014 -7.66%) and secured by unregistered first mortgages on properties of the Corporation	**$**	**57,151**	$	61,358
Chartered banks and CMHC Mortgages repayable monthly over terms of up to 35 years, with a weighted average rate of 3.22% (2014 - 3.11%), secured by registered first mortgages on properties of the Corporation		**102,202**		103,990
Public-private partnership obligations SRO Renewal Initiative, 18 year contract to January 2031 with Habitat Housing Initiative, monthly payments including interest at 6.89% per annum, payable in accordance with the project agreement terms commencing July 2014 to a maximum of $782,370 As of March 31, 2015, the total amount paid was $14,266,397.		**65,827**		45,595
	$	**225,180**	$	210,943

The aggregate principal repayments required in each of the next five fiscal years are estimated to be as follows:

		($000's)
2016	$	**27,623**
2017		**19,938**
2018		**23,835**
2019		**20,650**
2020		**23,977**
Thereafter		**109,157**
	$	**225,180**

11. Tangible Capital Assets

		2014 ($000's)						**2015 ($000's)**
Cost		Beginning		Additions		Disposals		**Ending**
Land	$	443,455	$	17,285	$	(30,305)	**$**	**430,435**
Buildings		876,333		87,015		(1,448)		**961,900**
Construction in progress		66,719		1,313				**68,032**
	$	1,386,507	$	105,613	$	(31,753)	**$**	**1,460,367**

Depreciation		Beginning Accumulated		Annual Expense		Disposals Adjustments		**Ending Accumulated**
Buildings	$	247,071	$	40,075	$	(810)	**$**	**286,336**

Net Book Value		Beginning		**Ending**
Land	$	443,455	**$**	**430,435**
Buildings		629,262		**675,564**
Construction in progress		66,719		**68,032**
	$	1,139,436	**$**	**1,174,031**

Construction in progress includes $ 38.65 million (2014 - $54.63 million) under the SRO Renewal Initiative project. Costs are based upon the percentage of construction completed as verified by an independent party, and includes other costs incurred by the Corporation. Included in the asset costs of the SRO Renewal Initiative are development and financing fees estimated at fair value. Interest during construction is also included in the asset cost. The interest rate used is the project internal rate of return of 6.64 percent (2014 - 6.64 percent). The amount of interest capitalized is $2,101,224 (2014 - $1,884,503). Upon completion, the project assets are amortized over their estimated useful lives.

30 properties with NBV of $25,483,675 was sold on April 1st, 2015 with proceeds of 32,979,728.

12. Commitments

The Corporation has entered into a public-private partnership project with Habitat Housing Initiative (HHI) to renovate thirteen Single Room Occupancy Hotels in Vancouver's Downtown Eastside. The information provided below shows the anticipated cash outflow, net of federal contributions (see 12(b)) provided during construction, for future obligations under the contract including the Commissions' annual service payments to HHI for the capital cost and financing, the facility maintenance and lifecycle costs as defined in the Project Agreement. Payments to the private partner are contingent on specified performance criteria and include an estimation of inflation where applicable.

As construction progresses, the asset values are recorded as capital assets (see note 11) and the obligation is recorded as a liability and included in long-term debt (see note 10). Upon construction completion, the obligation will be met through the capital component of the monthly service payments over the term of the Project Agreement that is provided by the Corporation.

a)

		Capital ($000's)		Facility Maintenance and Lifecycle ($000's)		**Total Payments ($000's)**
2016		6,280		1,219		**7,499**
2017		9,389		1,941		**11,330**
2018		9,388		2,183		**11,571**
2019		9,388		3,167		**12,555**
2020		9,388		2,905		**12,293**
Thereafter		101,786		33,565		**135,351**
Total	$	145,619	$	44,980	**$**	**190,599**

b) Federal Contributions

Year Ended March 31		**Annual Total ($000's)**
2015	**$**	**12,931**
2016		**16,173**
Total	$	**29,104**

Federal contributions (P3 Canada) are due to the Corporation at the completion of each building.

13. Financial Instrument Risks

The Corporation, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of those risks at March 31, 2015.

a) Credit Risk

Credit risk is the risk that the Corporation will incur a loss due to the failure by its debtors to meet their contractual obligations. Financial instruments that potentially subject the Corporation to credit risk consist primarily of the funds due from the Commission (Note 3) and the long-term receivable (note 4 and 5).

b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is subject to interest rate risk when refinancing its long term debt portfolio. The Corporation mitigates this risk by maximizing its borrowing from CMHC and seeking competitive interest rates from financial institutions. The Corporation is also able to mitigate short and long term interest rate changes through the Commission's ability to borrow directly from the Provincial Treasury.

c) Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they fall due. The Commission administers the finances of the Corporation and maintains adequate levels of working capital to ensure all its obligations can be met when they fall due.

14. Budget

The Corporation does not establish an annual operating budget as the information does not assist the directors in monitoring or evaluating changes in revenues or expenditures. The Corporation operates as a land holding company and does not employ staff. The Corporation's revenues and expenditures are largely fixed in nature. The Commission actively administers the provincial social housing programs and records the revenues and expenditures incurred from the operation of the Corporation's buildings. The Commission is also responsible for initiating decisions around purchases, new developments and the rehabilitation or modernization of the Corporation's properties.

15. Impact of Accounting for Government Transfers in Accordance with the Budget Transparency and Accounting Act

As noted in the significant accounting policies, section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia and its related regulations require the Corporation to account for government transfers for capital assets by deferring and amortizing them to income on the same basis as the related amortization expense. As these transfers do not contain stipulations that create a liability, Canadian public sector accounting standards would require these grants to be reported in income immediately. If government transfers were accounted for under Canadian public sector accounting standards the impact of this difference on the financial statements of the Corporation is as follows:

a) For the year-ended March 31, 2014, an increase to annual surplus of $5,041,000;

b) for March 31, 2014, an increase to accumulated surplus and a decrease to contributions of $466,069,000;

c) for the year-ended March 31, 2015, an increase to annual surplus of $33,134,000; and

d) for March 31, 2015, an increase to accumulated surplus and a decrease to contributions of $499,203,000.

16. Comparative Amounts

The comparative amounts presented in the financial statements have been restated to conform to the current year’s presentation.