

Auditors' Report

To the Chair
British Columbia Housing Management Commission

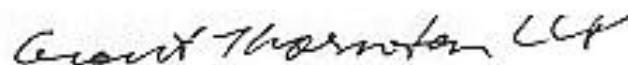
We have audited the balance sheet of the British Columbia Housing Management Commission (the "Commission") as at March 31, 2000 and the statements of revenue and expenditures and Province's account and its cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

The financial statement balances for the prior year included for comparative purposes were audited by another firm of chartered accountants who reported without reservation in their auditors' report dated May 15, 1999.

Vancouver, Canada
May 19, 2000



Chartered Accountants

BRITISH COLUMBIA HOUSING MANAGEMENT COMMISSION

Statement of Management Responsibility

The financial statements of the British Columbia Housing Management Commission have been prepared by management in accordance with generally accepted accounting principles, consistently applied and appropriate in the circumstances. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized in the notes to financial statements.

Management depends upon a system of internal controls that provide reasonable assurance, on a cost effective basis, that the financial information is reliable and accurate. The system of internal controls is monitored by internal auditors. Also, the Commission's external auditors independently perform such tests of the system of internal controls, as they consider necessary for the purpose of expressing their opinion on the financial statements.

The Audit and Finance Committee, which is comprised of directors who are not employees, oversees management's discharge of its financial reporting responsibilities. The committee meets periodically with management, the internal auditors and the external auditors to discuss auditing, financial reporting and internal control matters. Both internal and external auditors have access to the Audit and Finance Committee without management's presence.



Shayne Ramsay
A/Chief Executive Officer



Irene Young
Chief Financial Officer

May 19, 2000

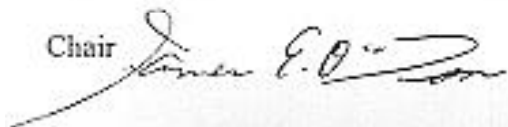
BRITISH COLUMBIA HOUSING MANAGEMENT COMMISSION

Balance Sheets
As at March 31, 2000 and 1999

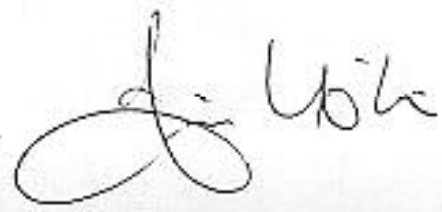
	2000 <u>(S000's)</u>	1999 <u>(S000's)</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 2,827	\$ 1,633
Prepaid expenses and housing subsidies	9,070	8,750
Accounts receivable	6,841	6,950
Due from Province of British Columbia	6,325	4,915
Due from Canada Mortgage and Housing Corporation	5,740	4,974
Current portion of mortgages receivable (note 4)	103	93
Construction loans provided to housing projects (note 3)	43,764	31,909
	<u>74,670</u>	<u>59,224</u>
DUE FROM PROVINCIAL RENTAL HOUSING CORPORATION (note 7)	0	3,118
MORTGAGES RECEIVABLE (note 4)	3,995	3,810
LONG-TERM RECEIVABLES	1,103	746
PROPOSAL DEVELOPMENT ADVANCES (note 5)	3,117	2,467
LONG-TERM INVESTMENTS (market value \$12,990)	13,091	12,400
CAPITAL ASSETS (note 6)	1,069	1,019
	<u>\$ 97,045</u>	<u>\$ 82,784</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 12,528	\$ 14,263
Tenants' prepaid rent	624	549
Due to Provincial Rental Housing Corporation (note 7)	204	0
Due to Provincial Treasury (note 3)	61,226	44,297
	<u>74,582</u>	<u>59,109</u>
SOCIETIES' FUNDS HELD ON DEPOSIT (note 8)	14,292	13,451
GRANTS RECEIVED IN ADVANCE OF CONSTRUCTION (note 9)	323	1,581
DEFERRED CONTRIBUTIONS		
Self Insurance Funds (note 10)	2,731	2,287
Group Home Replacement Funds (note 11)	4,559	3,198
PROVINCE'S ACCOUNT	558	3,158
	<u>\$ 97,045</u>	<u>\$ 82,784</u>
COMMITMENTS (note 13)		
CONTINGENCY (note 15)		

Approved by the Board:

Chair



Member



BRITISH COLUMBIA HOUSING MANAGEMENT COMMISSION

**Statements of Revenue and Expenditures
And Province's Account**
For the years ended March 31, 2000 and 1999

	2000 (S000's)	1999 (S000's)
	<u> </u>	<u> </u>
Revenue		
Provincial contributions	\$ 98,445	\$ 96,584
Federal contributions	72,680	73,193
Tenant Rent	30,096	30,169
Sundry	6,269	6,419
	<u>207,490</u>	<u>206,365</u>
 Expenditures		
Housing subsidies	135,010	129,374
Salaries and labour	19,428	19,691
Building mortgage costs	12,990	13,022
Building modernization and improvement	10,184	11,264
Building maintenance	7,229	7,422
Utilities	6,186	5,551
Operating expenses	5,953	5,594
Office and overhead	5,274	5,215
Grants in lieu of property taxes	4,752	4,539
Interest expense	3,084	1,560
	<u>210,090</u>	<u>203,232</u>
 Excess of (expenditures over revenue) revenue over Expenditures	(2,600)	3,133
 Province's account, beginning of year	<u>3,158</u>	<u>25</u>
 Province's account, end of year	<u>\$ 558</u>	<u>\$ 3,158</u>

BRITISH COLUMBIA HOUSING MANAGEMENT COMMISSION

Statements of Cash Flows
For the years ended March 31, 2000 and 1999

	<u>2000</u> <u>(\$000's)</u>	<u>1999</u> <u>(\$000's)</u>
Cash provided by (used by):		
Operating activities		
Excess of (expenditures over revenue) revenue over expenditures	\$ (2,600)	\$ 3,133
Depreciation	784	1,041
Self insurance funds	444	286
Group home replacement funds	1,361	326
Changes in non-cash operating working capital	<u>(4,047)</u>	<u>(7,301)</u>
 Cash provided by (used by) operating activities	 <u>(4,058)</u>	 <u>(2,515)</u>
Investing activities		
Mortgages receivable	(195)	267
Long-term receivables	(357)	(132)
Proposal development advances	(650)	2,332
Construction loans provided to housing projects	(11,855)	10,924
Long-term investments	(691)	5,886
Additions to fixed assets	(834)	(935)
 Cash provided by (used by) investing activities	 <u>(14,582)</u>	 <u>18,342</u>
Financing activities		
Due from/to Provincial Rental Housing Corporation	3,322	(17,572)
Due to Provincial Treasury	16,929	(7,837)
Societies' funds on deposit	841	(484)
Grants received in advance of construction	<u>(1,258)</u>	<u>(5,166)</u>
 Cash provided by (used by) financing activities	 <u>19,834</u>	 <u>(31,059)</u>
 Increase (decrease) in cash during the year	 1,194	 (15,232)
 Cash, beginning of year	 <u>1,633</u>	 <u>16,865</u>
 Cash, end of year	 <u>\$ 2,827</u>	 <u>\$ 1,633</u>

BRITISH COLUMBIA HOUSING MANAGEMENT COMMISSION

Notes to Financial Statements For the years ended March 31, 2000 and 1999

1. General

The British Columbia Housing Management Commission is a Crown agency, established in 1967, responsible for developing new social housing under the Province's Homes BC program, for administering the Province's Shelter Aid for Elderly Renters program, and for administering a variety of other federal/provincial housing programs. The Commission manages public housing stock and administers agreements relating to units managed by non-profit societies. 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 and its employees contribute to the Public Service Superannuation Plan administered by the Superannuation Commission of the Provincial Government.

The expenditures and revenues of the programs administered by the Commission are reported in Schedule 1.

2. Significant Accounting Policies

a) Amortization of cost of projects

These statements do not include the capital cost of the projects. However, amortization on capital costs is in part payable to the Provincial Rental Housing Corporation ("PRHC") and in part credited to Canada Mortgage and Housing Corporation ("CMHC") based on schedules they provide.

b) 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.

c) Capital Assets

Capital assets are recorded at cost and depreciated over their estimated useful lives. Both computer hardware and software are depreciated on the straight-line method over three years. All other capital assets are depreciated on the straight-line method over five years.

d) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

e) Financial Instruments

The Commission's financial instruments consist of cash and equivalents, accounts receivable and current liabilities. It is management's opinion that the Commission is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these instruments approximate their carrying values.

BRITISH COLUMBIA HOUSING MANAGEMENT COMMISSION

Notes to Financial Statements

For the years ended March 31, 2000 and 1999

3. Construction Loans Provided 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. Societies are charged interest at the Province's weighted average borrowing rate for short-term funds, plus administration costs. The Provincial Treasury provides funding to the Commission for the purpose of advancing loans for construction. These loans are unsecured and bear interest at the Province's weighted average borrowing rate for short-term funds. The Commission has the authority to borrow up to a maximum of \$110 million from the Provincial Treasury.

4. Mortgages Receivable

During 1993, an advance of \$3,450,000 was made under the B.C. Rental Supply Program. This investment is secured by a second mortgage on a property and bears interest at 8% per annum during the first five years. Over the last 15 years, the effective rate is 9.58%.

During 1994, an advance of \$401,000 was made under the Non-profit Housing Program, Section 95 of the National Housing Act. This investment is secured by a second mortgage on a property and bears interest at 7.81% annually over the term of 15 years.

During 1997, an advance of \$200,000 was made under the Homes BC program. This investment is secured by a first mortgage on a property and bears interest at 8% annually over the term of five years.

During 1998, three advances totalling \$322,766 were made under the Homes BC program. These investments are secured by first mortgages on properties and bear interest between 4.7% and 6.76% annually over five years.

During 1999, an advance with a balance of \$177,149 was repaid.

During 2000, one advance totalling \$288,906 was made under the Homes BC program. This investment is secured by a first mortgage on the property and bears interest at 6.75% over five years.

5. Proposal Development Advances

Loan advances are made to sponsoring societies for needs studies, incorporation and site development costs. These advances are normally repaid upon project completion or remain outstanding for three years, at which time they are written-off.

BRITISH COLUMBIA HOUSING MANAGEMENT COMMISSION

Notes to Financial Statements
For the years ended March 31, 2000 and 1999

6. **Capital Assets**

	2000 (\$000's)		1999 (\$000's)	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Computer software	\$ 1,966	\$ (1,819)	\$ 147	\$ 131
Computer hardware	2,208	(1,723)	485	454
Vehicles	572	(451)	121	105
Grounds equipment	231	(197)	34	35
Office furniture	371	(203)	168	198
Office equipment	251	(137)	114	96
Total	\$ 5,599	\$ (4,530)	\$ 1,069	\$ 1,019

7. **Provincial Rental Housing Corporation**

Amounts represent funds advanced for the acquisition and development of properties under the social housing programs.

8. **Societies' Funds Held on Deposit**

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

9. **Grants Received in Advance of Construction**

The Commission has received funds from the Province, the use of which is restricted to the construction of specific social housing projects. The changes in these grants during the year were as follows:

	Balance Beginning of Year (\$000's)	Grant Receipts or Transfers (\$000's)	Construction Costs Incurred (\$000's)	Balance End of Year (\$000's)
1992/93 Homeless Initiatives	\$ 200	\$	\$	\$ 200
1993/94 Homeless Initiatives	270		(239)	31
1994/95 Homeless Initiatives	-		-	-
1994/95 Homes BC	486		(394)	92
Singles Acquisition Strategy	625		(625)	0
Total	1,581	\$	\$ (1,258)	\$ 323

BRITISH COLUMBIA HOUSING MANAGEMENT COMMISSION

Notes to Financial Statements For the years ended March 31, 2000 and 1999

10. Self Insurance Funds

These amounts are funded by the Province and CMHC, and provide for claims below the deductible amounts of insured properties and for uninsured losses.

	2000 (\$000's)	1999 (\$000's)
Balance, beginning of year	\$ 2,287	\$ 2,001
Additions	319	195
Interest earned	181	165
	2,787	2,361
Less: claims expense	(56)	(74)
Balance, end of year	\$ 2,731	\$ 2,287

11. Group Home Replacement Funds

These amounts are funded by the Province through the annual operating budgets for group homes and are used to fund major repairs and maintenance.

	2000 (\$000's)	1999 (\$000's)
Balance, beginning of year	\$ 3,198	\$ 2,872
Additions	2,249	1,377
	5,447	4,249
Less: expenditures for repairs and maintenance	(888)	(1,051)
Balance, end of year	\$ 4,559	\$ 3,198

12. Grants in Lieu of 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.

13. Lease Commitments

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

	(\$000's)
2001	\$ 1,743
2002	1,699
2003	1,594
2004	1,392
2005	1,424

BRITISH COLUMBIA HOUSING MANAGEMENT COMMISSION

Notes to Financial Statements

For the years ended March 31, 2000 and 1999

14. Related Party Transactions

In the normal course of operations, the Commission acquired goods and services from the Province and certain crown corporations, under prevailing trade terms.

15. Contingency

In response to industry concerns and experience regarding building envelope failure, the Commission undertook a systematic review of non-profit and Co-operative owned buildings under its administration. Buildings included in the study are part of the Federal/Provincial housing portfolio. The Commission received preliminary estimates for the cost of remediation for a number of projects. These costs, subject to confirmation through detailed engineering studies or actual repairs, are estimated to be in the range of \$20 million. These repairs will be undertaken by housing sponsors in the future and the resulting expenditures, if accepted and approved, will be cost-shared with CMHC and the Province based on various program funding formulae. Requests for funding of the repairs will be included in annual budgets and reimbursed based on actual costs incurred.

British Columbia Housing Management Commission
Expenditures and Revenue by Program

Schedule 1

Years Ended March 31, 2000 and 1999

	Federal / Provincial Cost Shared										Wholly Provincial Cost						Total		
	Directly Managed				Non-profit Fed./Prov. Housing						Group homes		Hosp. BC		Other programs		2000 (\$010's)	1999 (\$010's)	
	Cost share 76/25		Cost share 50/50		Rent supplement (s32(1)(a))		Rent supplement (s32(1)(b))		Housing (s95)		2000	1999	2000	1999	2000	1999			
	2000 (\$000's)	1999 (\$000's)	2000 (\$010's)	1999 (\$010's)	2000 (\$000's)	1999 (\$000's)	2000 (\$000's)	1999 (\$000's)	2000 (\$010's)	1999 (\$010's)	(\$000's)	(\$000's)	(\$000's)	(\$010's)	(\$000's)	(\$000's)			
Expenditures																			
Housing subsidies	\$ (199)	\$ (2)	\$ -	\$ 2	\$ 1,353	\$ 1,544	\$ 6,461	\$ 6,021	\$ 74,407	\$ 75,402	\$ 1,719	\$ 1,330	\$ 22,876	\$ 15,672	\$ 28,193	\$ 28,325	\$ 135,015	\$ 129,374	
Salaries and labour	9,111	8,073	2,715	2,738	389	469	326	335	1,541	1,678	1,338	1,490	2,673	2,675	1,325	1,391	15,421	19,501	
Building mortgage costs	7,355	7,355	5,424	5,495	-	-	-	-	-	-	-	-	-	-	-	-	12,891	13,022	
Building modernization and improvement	4,938	5,134	2,050	2,154	142	154	-	1	1,688	2,001	206	151	768	295	332	1,103	10,124	11,254	
Building maintenance	3,142	3,454	1,272	1,479	145	151	23	22	954	970	525	597	789	415	391	438	7,229	7,422	
Utilities	3,805	3,831	1,035	948	74	76	-	-	621	519	380	313	87	50	554	546	5,166	5,051	
Operating expenses	2,728	2,513	1,203	1,014	155	150	(8)	(10)	612	500	497	410	595	610	359	257	5,350	5,094	
Office and overhead	1,400	1,374	441	464	74	75	155	134	932	1,008	445	440	350	777	587	944	5,274	5,215	
Grants in lieu of property tax	2,454	2,355	1,041	1,009	20	15	-	-	457	421	218	263	169	150	291	317	4,762	4,530	
Interest expense	40	65	9	9	37	41	25	15	293	248	-	-	-	-	2,684	1,200	3,094	1,550	
	34,456	34,844	15,218	15,513	2,558	2,605	6,972	6,594	81,504	83,841	6,385	4,920	28,818	20,714	35,208	34,131	218,690	200,232	
Revenue																			
Provincial contribution	3,775	3,101	4,345	3,361	1,041	523	3,648	3,229	25,267	27,410	3,260	2,961	25,831	16,778	30,727	31,697	88,445	86,814	
Federal contribution	12,372	11,038	4,537	4,116	1,046	1,000	3,634	3,044	59,452	59,471	-	-	-	-	749	426	72,890	75,193	
Tenant rent	19,051	18,937	6,721	7,007	433	300	-	-	1,270	1,373	27	20	1,631	1,258	848	1,135	30,858	30,169	
Bondy	324	212	77	58	20	20	-	-	4	165	1,861	1,816	268	84	3,727	4,063	6,259	6,419	
	35,522	33,318	15,710	14,561	2,540	2,612	7,162	6,273	86,198	82,469	5,247	4,926	28,758	18,002	36,052	44,344	207,490	200,265	
Excess of revenue over expenditures	\$ 1,057	\$ (1,526)	\$ 452	\$ (1,052)	\$ (49)	\$ (94)	\$ 210	\$ (281)	\$ (1,304)	\$ (1,362)	\$ (59)	\$ (114)	\$ (3,780)	\$ (2,622)	\$ 844	\$ 10,213	\$ (2,600)	\$ 3,123	