

HOMEOWNER PROTECTION OFFICE

Statement of Management Responsibility

The financial statements of the Homeowner Protection Office (the "Office") 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 Office'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 and the external auditors to discuss auditing, financial reporting and internal control matters. The external auditors have access to the Audit and Finance Committee without management's presence.



Shayne Ramsay
Chief Executive Officer



Dan Maxwell
Director of Finance and
Corporate Secretary

May 5, 2000

HOMEOWNER PROTECTION OFFICE

Balance Sheet

As at March 31, 2000

ASSETS	<u>2000</u> <u>(\$000's)</u>	<u>1999</u> <u>(\$000's)</u> (Note 12)
CURRENT ASSETS		
Cash	\$ 534	\$ 644
Cash for reconstruction and PST programs	1,478	5,730
Due from Province of British Columbia (note 5)	29	52
Accounts receivable	151	62
Prepaid expenses	23	2
Current portion of loans receivable	<u>172</u>	<u>3</u>
	2,387	6,493
 LOANS RECEIVABLE (note 3)	 2,362	 203
CAPITAL ASSETS (note 6)	<u>337</u>	<u>349</u>
	<u>\$ 5,086</u>	<u>\$ 7,045</u>
 LIABILITIES AND DEFICIT		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 217	\$ 239
Loss provision for CMHC-insured loans	864	125
Due to Province of British Columbia (note 7)	<u>10,055</u>	<u>8,142</u>
	11,136	8,506
 CONTINGENCIES (note 8)		
COMMITMENTS (note 9)		
 DEFICIT	 <u>(6,050)</u>	 <u>(1,461)</u>
	<u>\$ 5,086</u>	<u>\$ 7,045</u>

Approved by the Board:

Chair

Member

The image shows two handwritten signatures in black ink. The first signature is for the Chair, and the second is for a Member, identified as James E. [unclear]. The signatures are written over the printed labels 'Chair' and 'Member' respectively.

HOMEBOWNER PROTECTION OFFICE
Statement of Revenues and Expenditures
and Deficit

For the year ended March 31, 2000

	<u>2000</u> <u>(\$000's)</u>	<u>1999</u> <u>(\$000's)</u> <u>(Note 12)</u>
Revenues		
License fees	\$ 1,073	\$ -
Provincial contributions	901	500
Reconstruction levies	581	-
Donations	285	23
Interest	200	132
Loan discount recoveries	148	2
Publication sales	3	-
	<u>3,191</u>	<u>657</u>
Expenditures		
Reconstruction program	5,201	1,311
PST Relief Grant program	849	-
Licensing and registrar	741	253
Finance and administration	701	453
Research and education	288	101
	<u>7,780</u>	<u>2,118</u>
Loss (Schedule 1)	(4,589)	(1,461)
Deficit, beginning of year	<u>(1,461)</u>	<u>-</u>
Deficit, end of year	<u>\$ (6,050)</u>	<u>\$ (1,461)</u>

HOMEOWNER PROTECTION OFFICE

Statement of Cash Flows

For the year ended March 31, 2000

	2000 <u>(\$000's)</u>	1999 <u>(\$000's)</u> (Note 12)
Cash flows from Operating Activities		
Cash received from:		
Residential builders for license fees	\$ 1,058	\$ -
Province of British Columbia for PST program	901	-
Residential builders for reconstruction levies	473	-
Partners in funding research and education activities	260	23
Interest	222	80
Homeowners for principal-only payments on loans	114	-
Publication sales	3	-
Cash paid to:		
Homeowners for reconstruction loans	(4,970)	(623)
Suppliers and employees	(2,964)	(1,139)
Homeowners for PST Relief Grants	(776)	-
Financial institutions for interest on CMHC insured loans	(484)	(23)
Financial institutions for defaults on CMHC insured loans	(34)	-
Cash flows used in operating activities	<u>(6,197)</u>	<u>(1,682)</u>
Cash flows from Investing Activities		
Purchase of capital assets	(134)	(444)
Cash flows used in investing activities	<u>(134)</u>	<u>(444)</u>
Cash flows from Financing Activities		
Cash received from Province of British Columbia	-	500
Proceeds from borrowing	1,969	8,000
Cash flows from financing activities	<u>1,969</u>	<u>8,500</u>
Net Increase in Cash (Decrease in Cash)	(4,362)	6,374
Cash, beginning of period	<u>6,374</u>	<u>-</u>
Cash, end of period	<u>\$ 2,012</u>	<u>\$ 6,374</u>
Represented by:		
Cash	534	644
Cash for reconstruction and PST programs	1,478	5,730
	<u>\$ 2,012</u>	<u>\$ 6,374</u>

HOMEOWNER PROTECTION OFFICE
Statement of Cash Flows
For the year ended March 31, 2000

	2000 (S000's)	1999 (S000's)
Cash flows from Operating Activities		(Note 12)
Cash received from:		
Residential builders for license fees	\$ 1,058	\$ -
Province of British Columbia for PST program	901	-
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Cash, beginning of period	6,374	-
Cash, end of period	\$ 2,012	\$ 6,374
Represented by:		
Cash	534	644
Cash for reconstruction and PST programs	1,478	5,730
	\$ 2,012	\$ 6,374

HOMEOWNER PROTECTION OFFICE

Notes to Financial Statements

For the year ended March 31, 2000

c) No-interest loans and deferred payment loans

No-interest loans and deferred payment loans provided by the Office are concessionary loans in that no interest is charged to the homeowner. These loans are recorded at their net present value (net of grant component) less any provision required for doubtful collection. Net present value is determined by discounting no-interest loans over their terms and discounting deferred payment loans over 20 years at the provincial borrowing rate for equivalent terms. Present value discounts are recorded as grant expense. Principal repayments are first applied to the reduced loan balance (net present value) and then recorded as revenue (loan discount recoveries) when received.

d) Loss provision for CMHC-insured loans

Loans provided by financial institutions under the Reconstruction Program do not appear on these financial statements. However, the Office has indemnified the Canada Mortgage and Housing Corporation (CMHC) for any claims that may be made against the CMHC insurance on these loans. The Office records a 4% loan loss provision on these loans.

e) Federal and provincial taxes

The Office is exempt from corporate income taxes and is not subject to the Goods and Services Tax.

3. Reconstruction Program

Under the Act, money paid to the credit of the Reconstruction Program must only be used for the purposes of the program.

Under the Reconstruction Program, financial assistance is provided to homeowners who cannot afford to pay for repairs to their water-damaged homes. The financial assistance is secured by mortgages registered against the title of the home to be repaired. This financial assistance is provided in the form of subsidized interest loans, no-interest loans or deferred payment loans as follows:

a) Subsidized interest loans through the first mortgage lender

i) Condominiums

Under agreements with financial institutions and CMHC, the Office approves loans to homeowners for repairs to water-damaged homes and issues CMHC insurance certificates for these loans. The loan is advanced by the financial institution that holds a first mortgage on the property and, as a consequence, does not appear on these financial statements. The homeowner makes monthly principal-only payments to the financial institution. The Office pays interest on the homeowner's behalf to the financial institution at the prime rate of the lender. This interest is reported as interest subsidy on Schedule 1.

The Office has indemnified CMHC for any claims that may be made against the CMHC insurance on these loans. The Office records a loan loss provision on the balance sheet for the estimate of the claims that may be made.

HOMEOWNER PROTECTION OFFICE

Notes to Financial Statements

For the year ended March 31, 2000

ii) Housing Co-operatives

Under an agreement with CMHC, the Office approves loans to water-damaged housing co-operatives. The loan is advanced by CMHC who is also the first mortgage lender. The housing co-operative makes a monthly principal-only payment to CMHC. The Office pays interest on the housing co-operative's behalf to CMHC. While the repairs are underway and prior to the interest adjustment date (IAD), the Office pays interest at CMHC's Construction Floating Rate. At IAD, the interest rate on a loan is set for an initial five-year term to equal the bid yield of a five-year Government of Canada benchmark bond with approximately five years remaining in its term plus not more than 0.75 percent per annum, compounded semi-annually not in advance. This benchmark is also used to set the interest rate for the second and final five-year term. This interest is included in interest subsidy on Schedule 1.

The Office has not provided guarantees or indemnities for any of the loans to housing co-operatives. The only obligation of the Office with respect to these loans is to pay interest. Consequently, neither the loans nor a provision for losses appear on the balance sheet of the Office.

b) No-interest loans through the Office

In cases where there is no first mortgage or where the first mortgage lender refuses to provide a loan, the Office provides a no-interest loan to the condominium homeowner. The homeowner makes principal-only payments to the Office. Loans advanced directly by the Office are not CMHC insured. The present value of these loans is included in loans receivable on the balance sheet.

c) Deferred payment loans through the Office

In circumstances where eligible condominium homeowners qualify for no-interest loans under the Reconstruction Program but whose income is such that they cannot afford at least \$50 per month as a principal-only loan payment, the Office may approve a deferred payment loan. Deferred payment loans do not accrue interest and do not require any payments to be made for as long as the homeowner lives in the home. If the net sales proceeds of the home, after repaying other mortgages in priority to the deferred payment loan and paying reasonable legal and real estate expenses, are not sufficient to fully repay the deferred payment loan then the shortfall will be forgiven. The present value of these deferred payment loans is included in loans receivable on the balance sheet.

HOMEOWNER PROTECTION OFFICE

Notes to Financial Statements

For the year ended March 31, 2000

As at March 31, 2000 the Office had approved financial assistance as follows:

	<u>Number of Loans</u>	<u>Total Financial Assistance (\$000)</u>	<u>Financial Assistance Reported on the Balance Sheet of the Office (\$000)</u>
Subsidized interest loans			
- Condominiums	1,863	\$36,346	\$ -
- Housing co-operatives	15	25,885	-
No-interest loans	163	3,502	3,502
Deferred payment loans	<u>294</u>	<u>6,457</u>	<u>6,457</u>
Total loans approved	<u>2,335</u>	72,190	9,959
Less:			
Loans approved but not yet issued			
- Condominiums		(14,741)	(4,345)
- Housing co-operatives		(25,885)	-
Allowance for impaired loans		(3,809)	(2,944)
Loan write-offs		(56)	(22)
Loan repayments		<u>(1,323)</u>	<u>(114)</u>
Loans receivable		<u>\$26,376</u>	2,534
Less: current portion			<u>(172)</u>
Loans receivable			<u>\$ 2,362</u>

Loans were approved but not issued in instances where strata corporations or housing co-operatives had not yet signed contracts for the repair of the water-damaged building or had not yet passed the final special assessment for the cost of the repairs.

The 15 housing co-operatives contain 768 homes.

4. Residential Builder Licence Applications

As at March 31, 2000 the Office had received and processed applications for residential builder licences as follows:

	<u>Number</u>
Applications approved	1,600
Applications pending decision	<u>44</u>
Total applications received	<u>1,644</u>

5. Due from the Province of British Columbia

Under an agreement with the Province of British Columbia, the Office invests the balance of its overnight bank deposits in the Province's offset interest program. Approximately one month after the interest is earned, this program pays interest to the Office at the prime rate of the Royal Bank of Canada less 1.75%.

HOMEOWNER PROTECTION OFFICE

Notes to Financial Statements

For the year ended March 31, 2000

6. Capital assets

	March 31, 2000 (\$000's)		March 31, 1999 (\$000's)	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer software	\$ 113	\$ (57)	\$ 56	\$ 39
Computer hardware	133	(76)	57	63
Office furniture and equipment	228	(83)	145	152
Leasehold improvements	104	(25)	79	95
Total	<u>\$ 578</u>	<u>\$ (241)</u>	<u>\$ 337</u>	<u>\$ 349</u>

7. Due to the Province of British Columbia

The Office has the authority to borrow up to a maximum of \$75 million from the Province to fund operations and the Reconstruction Program. The Office's Board of Directors has approved borrowing to a maximum of \$15 million.

Of the \$9.969 million borrowed by the Office, \$2 million is due April 3, 2000 with interest accrued at 4.85% per annum and \$7.969 million is due on April 20, 2000 with interest accrued at 5.08% per annum.

8. Contingencies

The Office has indemnified CMHC for any claims that may be made against the CMHC insurance on subsidized interest loans provided by financial institutions and totalling up to \$250 million.

9. Commitments

The Office is committed in the normal course of business to paying interest on homeowners' behalf to financial institutions at the prime rate of the lender.

The Office has minimum rental obligations under operating leases for office space as follows:

Fiscal Year	(\$000's)
2001	\$ 179
2002	\$ 179
2003	\$ 124
2004	\$ 124
2005	\$ 103
Total	<u>\$ 709</u>

10. Related Party Transactions

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

HOMEOWNER PROTECTION OFFICE
Notes to Financial Statements
For the year ended March 31, 2000

11. Pension Plan

The Office and its employees contribute to the Public Service Pension Plan in accordance with the *Pension (Public Service) Act*. The Plan is a defined benefit plan and is administered by the Superannuation Commission of the Province of British Columbia. The financial position of the Plan is described in the financial statements of the Plan included in the Public Accounts of the Province.

The Province of British Columbia has statutory responsibility for any unfunded liability. The most recent actuarial evaluation has determined the Plan is in a surplus position. The Office received a rebate of employer contributions of \$38,057, which was credited to salaries and wages.

12. Comparative Figures

The 1999 figures represent operations for the period from incorporation September 21, 1998 to March 31, 1999.

Certain figure presentation for comparative purposes have been reclassified to conform with the current year's presentation.

HOMEOWNER PROTECTION OFFICE
Schedule 1
Revenues and Expenditures by Program
For the year ended March 31, 2000

	Reconstruction Program		PST Relief Grant Program		Licensing & Registrar		Finance & Administration		Research & Education		Total	
	2000 (\$000's)	1999 (\$000's)	2000 (\$000's)	1999 (\$000's)	2000 (\$000's)	1999 (\$000's)	2000 (\$000's)	1999 (\$000's)	2000 (\$000's)	1999 (\$000's)	2000 (\$000's)	1999 (\$000's)
Revenue												
License fees	\$ -	\$ -	\$ -	\$ -	\$ 491	\$ -	\$ 582	\$ -	\$ -	\$ -	\$ 1,073	\$ -
Provincial contributions	-	-	901	-	-	139	-	295	-	66	901	500
Reconstruction levies	581	-	-	-	-	-	-	-	-	-	581	-
Donations and other	148	25	-	-	-	-	-	-	288	-	436	25
Interest	150	114	11	-	16	-	20	18	3	-	200	132
	<u>879</u>	<u>139</u>	<u>912</u>	<u>-</u>	<u>507</u>	<u>139</u>	<u>602</u>	<u>313</u>	<u>291</u>	<u>66</u>	<u>3,191</u>	<u>657</u>
Expenditures												
Reconstruction loan grants	2,675	419	-	-	-	-	-	-	-	-	2,675	419
Salaries and wages	502	260	42	-	312	73	390	205	65	6	1,311	544
Loss provision on CMHC-insured loans	795	125	-	-	-	-	-	-	-	-	795	125
PST Relief Grants	-	-	776	-	-	-	-	-	-	-	776	-
Interest subsidy	484	23	-	-	-	-	-	-	-	-	484	23
Interest expense	314	124	1	-	36	5	42	9	7	2	400	140
Office and other	119	71	13	-	103	66	112	78	17	13	364	228
Legal and professional fees	147	134	1	-	83	69	49	94	28	22	308	318
Communications and printing	50	63	3	-	123	26	11	17	102	26	289	132
Rent and utilities	64	36	7	-	46	6	53	20	9	1	179	63
Amortization	51	56	6	-	38	8	44	30	7	1	146	96
Research studies	-	-	-	-	-	-	-	-	53	30	53	30
	<u>5,201</u>	<u>1,311</u>	<u>849</u>	<u>-</u>	<u>741</u>	<u>253</u>	<u>701</u>	<u>453</u>	<u>288</u>	<u>101</u>	<u>7,780</u>	<u>2,118</u>
Income (Loss)	<u>\$ (4,323)</u>	<u>\$ (1,172)</u>	<u>\$ 63</u>	<u>\$ -</u>	<u>\$ (234)</u>	<u>\$ (114)</u>	<u>\$ (99)</u>	<u>\$ (140)</u>	<u>\$ 3</u>	<u>\$ (35)</u>	<u>\$ (4,589)</u>	<u>\$ (1,461)</u>