

**Provincial Rental Housing Corporation**  
**Financial Statements**

March 31, 2023

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# 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 section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia, 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 on May 26, 2023. 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 are prepared, 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. 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 the financial management of the Corporation and meets with them when required.



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Vincent Tong  
President



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Daphne Yin  
Director

May 26, 2023



## Independent auditor's report

To the Board of Directors of Provincial Rental Housing Corporation and Minister of Housing, Province of British Columbia

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### Our opinion

In our opinion, the accompanying financial statements of Provincial Rental Housing Corporation (the Corporation) as at March 31, 2023 and for the year then ended are prepared, 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.

#### What we have audited

The Corporation's financial statements comprise:

- the statement of financial position as at March 31, 2023;
- the statement of operations for the year then ended;
- the statement of changes in net debt for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

#### Independence

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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### Emphasis of matter – basis of accounting

We draw attention to note 2(a) to the financial statements, which describes 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. Our opinion is not modified in respect of this matter.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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## **Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation of the 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.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

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## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants

Vancouver, British Columbia  
May 26, 2023

# Provincial Rental Housing Corporation

## Statement of Financial Position

	March 31 2023 (\$000's)	March 31 2022 (\$000's)
		Restated - Note 2(j)
<b>Financial assets</b>		
Cash	\$ 2	\$ 1
Debenture subsidy receivable	839	839
Long-term receivables (Note 3)	<u>232,826</u>	<u>229,106</u>
	<u>233,667</u>	<u>229,946</u>
<b>Liabilities</b>		
Interest payable	149	193
Deferred capital contributions (Note 4)	1,669,285	1,489,765
Due to BC Housing Management Commission (Note 6)	97,878	127,951
Unearned lease revenue	28,974	29,905
Site contamination (Note 5)	6,379	5,985
Long-term debt (Note 7)	233,991	237,444
Asset retirement obligations (Note 8)	<u>253,958</u>	<u>227,555</u>
	<u>2,290,614</u>	<u>2,118,798</u>
<b>Net debt</b>	<u>(2,056,947)</u>	<u>(1,888,852)</u>
<b>Non-financial assets</b> (Note 9)		
Housing and projects under construction	3,237,985	3,067,476
Riverview Lands redevelopment	<u>59,228</u>	<u>56,071</u>
	<u>3,297,213</u>	<u>3,123,547</u>
<b>Accumulated surplus</b>	<u>\$ 1,240,266</u>	<u>\$ 1,234,695</u>

See accompanying notes to the financial statements

# Provincial Rental Housing Corporation

## Statement of Operations

Year Ended March 31	2023 (\$000's)	2022 (\$000's) Restated - Note 2(j)
<b>Revenue</b>		
Provincial subsidy	\$ 39,798	\$ 36,885
Contribution revenue	98,082	231,026
Gain (Loss) from property sales (Note 10)	2,006	(7,957)
Lease revenue	931	931
Interest income	3,720	-
	<u>144,537</u>	<u>260,885</u>
<b>Expenses</b>		
Depreciation of tangible capital assets	109,104	105,115
Asset retirement obligation accretion expense	15,978	6,906
Interest on long-term debt	9,723	9,566
Other Interest expense	-	6,568
Group home and self insurance claims	4,161	3,723
	<u>138,966</u>	<u>131,878</u>
<b>Annual surplus from operations</b>	<u>5,571</u>	<u>129,007</u>
Accumulated surplus from operations at beginning of year	<u>1,234,695</u>	<u>1,105,688</u>
Accumulated surplus from operations at end of year	<u>\$ 1,240,266</u>	<u>\$ 1,234,695</u>

See accompanying notes to the financial statements



# Provincial Rental Housing Corporation

## Statement of Changes in Net Debt

Year Ended March 31	2023 (\$000's)	2022 (\$000's)
		Restated - Note 2(j)
<b>Annual surplus</b>	\$ 5,571	\$ 129,007
Additions of tangible capital assets	(347,766)	(653,008)
Depreciation of tangible capital assets	109,104	105,115
Disposal of tangible capital assets	68,153	10,684
	<u>(170,509)</u>	<u>(537,209)</u>
Semiqwe?ele (Riverview Lands) Redevelopment	<u>(3,157)</u>	<u>(3,518)</u>
Changes in net debt for the year	(168,095)	(411,720)
<b>Net debt, beginning of year</b>	<u>(1,888,852)</u>	<u>(1,477,132)</u>
<b>Net debt, end of year</b>	<u>\$ (2,056,947)</u>	<u>\$ (1,888,852)</u>

See accompanying notes to the financial statements

# Provincial Rental Housing Corporation

## Statement of Cash Flows

Year Ended March 31	2023 (\$000's)	2022 (\$000's)
		Restated - Note 2(j)
Cash flows provided by (used in)		
<b>Operating transactions</b>		
Annual surplus from operations	\$ 5,571	\$ 129,007
Non cash Items:		
Depreciation of tangible capital assets	109,104	105,115
Asset retirement obligation accretion expense	15,978	6,906
Amortization of deferred contributions	(71,176)	(71,660)
Loss (Gain) on sale of property	(2,006)	7,957
Little Mountain Interest adjustment	(3,720)	6,568
Amortization of unearned lease revenue	(931)	(931)
Changes in non-cash working capital (Note 11)	(30,117)	80,795
	<u>22,703</u>	<u>263,757</u>
<b>Capital transactions</b>		
Additions of tangible capital assets	(337,341)	(633,975)
Proceeds on sale of tangible capital assets	70,159	5,668
Semiqwe?ele (Riverview Lands) Redevelopment	(3,157)	(3,518)
	<u>(270,339)</u>	<u>(631,825)</u>
<b>Financing transactions</b>		
Deferred capital contributions received	250,696	351,843
New long-term debt financing	16,591	36,378
Site contamination	394	(411)
Long-term debt repayment	(20,044)	(19,742)
	<u>247,637</u>	<u>368,068</u>
Increase in cash	1	-
Cash, beginning of year	<u>1</u>	<u>1</u>
Cash, end of year	\$ <u>2</u>	\$ <u>1</u>

See accompanying notes to the financial statements

# Provincial Rental Housing Corporation

## Notes to the Financial Statements

March 31, 2023

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### 1. General

The Provincial Rental Housing Corporation (the Corporation) was incorporated under the *Company Act* of the Province of British Columbia (the Province) 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 initiatives for the Province. It also holds land under long-term leases to housing providers. The subsidized rental housing units of the Corporation are managed and operated by the British Columbia Housing Management Commission (the Commission). The Commission is a Crown corporation and a related entity to the Corporation through common control by the Province. The Commission recognizes the related rental revenue of the housing units and is responsible for all the operating and administrative activities and related costs. Separate financial statements are prepared for the Commission.

### 2. Significant Accounting Policies

#### a) Basis of Presentation

These financial statements have been prepared in accordance with section 23.1 of the *Budget Transparency and Accountability Act* of the Province 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.

#### b) Use of Estimates

In preparing these financial statements, management has made estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Areas requiring use of estimates include the assumptions used in determining asset retirement obligations, useful lives of tangible capital assets, collectability of receivables and site contamination liability. Actual results could differ from those estimates.

#### c) Revenue Recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

#### d) Deferred Contributions

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 (see Note 15).

# Provincial Rental Housing Corporation

## Notes to the Financial Statements

March 31, 2023

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However, consistent with the Province of British Columbia, Ministry of Finance regulation 198/2011, funding received from the Province for the acquisition or construction of depreciable capital assets is recorded as a liability (deferred capital contribution) and is recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal periods during which the tangible capital asset is used to provide services.

### e) Tangible Capital Assets

i. The Corporation capitalizes its tangible capital assets at cost and depreciates its buildings using the straight-line method as follows:

- Newly constructed buildings are depreciated over a 40-year amortization period;
- Purchases of older buildings are depreciated over the remaining estimated useful life of the building; and,
- 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.

ii. Tangible capital assets are written down to net realizable value when conditions indicate that they no longer contribute to the Corporation's ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value. The write-down of tangible capital assets is accounted for in the statement of operations. Write-downs are not subsequently reversed.

### f) 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 partner's operating costs, financing costs and a return of their capital.

### g) Səmiqwə?elə (Riverview Lands) Redevelopment

Costs associated with the redevelopment that meet capitalization criteria are capitalized, including carrying costs, construction, net operating income or losses, financing, demolition, land planning and incidental carrying costs net of any revenue generated at the site. Costs are capitalized until the completion of the redevelopment. The net amount recoverable from the redevelopment is considered sufficient to recover the capitalized costs.

# Provincial Rental Housing Corporation

## Notes to the Financial Statements

March 31, 2023

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### h) Property Leases

The Corporation leases property used for housing to housing providers. These 60-year leases are prepaid by the housing providers when the housing projects are completed and ready for occupancy. The Corporation amortizes the amount as lease revenue over the term of each lease and records the unearned portion as unearned lease revenue.

### i) Financial Instruments

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

The classification of financial instruments is determined upon their initial recognition. Financial instruments are classified as level 1, 2 or 3 for the purposes of describing the basis of the inputs used to measure the fair values of financial instruments in the fair value measurement category as described below:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Market-based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.
- Level 3 - Inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

All financial assets are assessed annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations. A write-down of a portfolio investment to reflect a loss in value is not reversed for a subsequent increase in value.

A financial liability or its part is derecognized when it is extinguished.

### j) Restatement Pertaining to adoption of PS 3280 – Asset Retirement Obligation

Effective April 1, 2022, the Corporation adopted PS 3280 Asset Retirement Obligations. PS 3280 defines and establishes standards for recognition, measurement, presentation and disclosure of legal obligations associated with the retirement of tangible capital assets.

The Corporation has completed an assessment of obligations within the scope of PS 3280 Asset Retirement Obligations. Its asset retirement activities include the abatement of hazardous materials in buildings, i.e. asbestos, lead paint, etc. and dismantling of leasehold improvements as required in the respective lease agreements. The estimated timing for all hazardous materials removal is based at the end of the buildings' remaining useful lives, while estimated timing for dismantling of leasehold improvements is based at the end of current lease terms.

The asset retirement obligation at the financial statement date is measured based on the Corporation's estimate of the amount required to retire its tangible capital asset at the balance sheet date. This was performed using unit cost estimations provided by a third-party consultant. Asset retirement cost is calculated using a discount rate of 3.55% which is the effective interest rate on taxpayer-supported debt that updated quarterly by Provincial Treasury.

# Provincial Rental Housing Corporation

## Notes to the Financial Statements

March 31, 2023

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The modified retrospective method is applied with restatement of April 1, 2022 opening balances.

Restated items in the Statement of Financial Position as at March 31, 2022

	<u>As previously reported</u>	<u>Asset retirement Obligation</u>	<u>Restated</u>
Asset retirement obligations	\$ -	\$ 227,555	\$ 227,555
Housing and projects under construction	2,997,063	70,413	3,067,476
Accumulated surplus	\$ 1,391,837	\$ (157,142)	\$ 1,234,695

Restated items in Statement of Operations for the year ended March 31, 2022

	<u>As previously reported</u>	<u>Asset retirement Obligation</u>	<u>Restated</u>
Depreciation - tangible capital assets	\$ 87,593	\$ 17,522	\$ 105,115
Accretion expense - Asset retirement	-	6,906	6,906
Annual surplus from operations	153,435	(24,428)	129,007
Accumulated surplus from operations at beginning of year	1,238,402	(132,714)	1,105,688
Accumulated surplus from operations at end of year	\$ 1,391,837	\$ (157,142)	\$ 1,234,695

Restated items in Statement of Change in Net Debt for the year ended March 31, 2022

	<u>As previously reported</u>	<u>Asset retirement Obligation</u>	<u>Restated</u>
Annual surplus	\$ 153,435	\$ (24,428)	\$ 129,007
Additions of tangible capital assets	(633,975)	(19,033)	(653,008)
Depreciation of tangible capital assets	87,593	17,522	105,115
Changes in net debt for the year	(385,781)	(25,939)	(411,720)
Net debt, beginning of year	(1,275,516)	(201,616)	(1,477,132)
Net debt, end of year	\$ (1,661,297)	\$ (227,555)	\$ (1,888,852)

# Provincial Rental Housing Corporation

## Notes to the Financial Statements

March 31, 2023

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Restated items in Statement of Cash Flows for the year ended March 31, 2022

	<u>As previously reported</u>	<u>Asset retirement Obligation</u>	<u>Restated</u>
Annual surplus from operations	\$ 153,435	\$ (24,428)	\$ 129,007
Depreciation of tangible capital assets	87,593	17,522	105,115
Accretion expense - Asset retirement	<u>-</u>	<u>6,906</u>	<u>6,906</u>

### 3. Long-term Receivables

The Corporation completed the sale of Little Mountain property on July 2, 2013, for proceeds of \$333.96 million. The purchaser is 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 adjusted based on the updated cash flow forecast and it 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 2.31 per cent.

	Little Mountain (\$000's)
March 31, 2022 Balance	\$ 229,106
Principal adjustment	
Interest Adjustment	3,720
March 31, 2023 Balance	<u>\$ 232,826</u>

### 4. Deferred Capital Contributions

	2023 (\$000's)	2022 (\$000's)
Balance, beginning of year	\$ 1,489,765	\$ 1,209,582
Receipts	250,696	351,843
Amortization	(71,176)	(71,660)
Balance, end of period	<u>\$ 1,669,285</u>	<u>\$ 1,489,765</u>

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

# Provincial Rental Housing Corporation

## Notes to the Financial Statements

March 31, 2023

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### 5. Site Contamination

The Ministry of Citizens' Services and the Ministry of Health transferred \$7.4 million to the Corporation in February 2015 for remediation of contaminated sites at Səmiqwəʔelə (Riverview Lands) project site. As of March 31, 2023, the total liability is \$6.38 million (2022: \$5.99 million). The Corporation reviews the contamination and cost of remediation over the life of the projects and adjust the liability as information available. As at March 31, 2023, the liability amount is enough to cover the present value of remediation costs required, any portion of the amount transferred that proves to exceed the actual amount required will be repayable by the Corporation to the Ministry of Citizens' Services.

### 6. Related Party Transactions

#### a) BC Government Reporting Entities

The Corporation is related through common control to all Province of BC ministries, agencies, Crown corporations, school districts, health authorities, hospital societies, universities and colleges that are included in the provincial government reporting entity. Transactions with these entities, unless disclosed otherwise, are considered to be in the normal course of operations and are recorded at the exchanged amount, which is the amount of consideration established and agreed to by the related parties.

#### b) British Columbia Management Housing Commission (the Commission)

The Commission was established in 1967 to deliver on the provincial government's commitment to the development, management and administration of subsidized housing throughout the Province of British Columbia. The Commission is a Crown corporation and has a separate governance structure. The rental housing units of the Corporation are managed by the Commission who records the related rental revenue and is responsible for all the operating and administrative activities of the units. The assets and liabilities, including the capital cost of projects owned by the Corporation, and results from operations of the Corporation are not included in the financial statements of the Commission. Separate financial statements are prepared for the Commission.

During the year, the Corporation provided \$1,039,000 (2022: \$7,422,000) to the Commission for services performed by the Commission on behalf of the Corporation and the Commission provided \$304,571,000 (2022: \$539,390,000) to the Corporation for capital grants, self-insurance, debenture and mortgage subsidies, etc. As at March 31, 2023, amounts due to the Commission totalled \$97,878,000 (2022: \$127,951,000) and represent funds received from the Commission for the acquisition and development of properties under social housing programs. These funds are non-interest bearing with no set terms of repayment.

The following types of transactions occur by the Commission on behalf of the Corporation:

#### i. Directly Managed Debenture Subsidy

The Commission provides to the Corporation a debenture subsidy for the principal and interest costs of the long-term debt related to properties that are directly managed by the Commission.

#### ii. Group Home Mortgage Subsidy

The Commission provides to the Corporation a group home mortgage subsidy for the mortgage payments made to chartered banks and Canada Mortgage Housing Corporation (CMHC).



# Provincial Rental Housing Corporation

## Notes to the Financial Statements

March 31, 2023

### iii. Administration and Financing

The Commission collects rental revenue and manages the administration, financing, operations and capital projects of the Corporation. The Commission charges a 5 per cent administration fee on the acquisition or disposition of property for services performed.

## 7. Long-Term Debt

	<b>2023</b>	2022
	<b>(\$000's)</b>	(\$000's)
Canada Mortgage and Housing Corporation (CMHC) Debenture mortgages repayable at the end of each year, maturing between the years 2024 and 2029, with a weighted average rate of 8.00% (2022: 7.95%) and secured by unregistered first mortgages on properties of the Corporation.	<b>\$ 16,552</b>	\$ 21,650
Chartered banks and CMHC Mortgages repayable monthly over terms of up to 35 years, with an average rate of 2.59% (2022: 2.34%), secured by registered first mortgages on properties of the Corporation.	<b>161,246</b>	154,282
Public-Private Partnership Obligations SRO Renewal Initiative, 18-year contract until January 2031 with Habitat Housing Initiative, monthly payments including interest at 6.73% per annum, payable in accordance with the project agreement terms commencing July 2014 to a maximum of \$788,377.	<b>56,193</b>	61,512
	<b>\$ 233,991</b>	\$ 237,444

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

	<b>(\$000's)</b>
2024	<b>\$ 27,190</b>
2025	<b>52,291</b>
2026	<b>24,129</b>
2027	<b>32,626</b>
2028	<b>35,105</b>
Thereafter	<b>62,650</b>
	<b>\$ 233,991</b>

# Provincial Rental Housing Corporation

## Notes to the Financial Statements

March 31, 2023

### 8. Asset Retirement Obligation

The asset retirement obligations include:

- The abatement of hazardous materials in buildings, i.e. asbestos, lead paint, etc.
- Leasehold obligation which includes dismantling of leasehold improvements and return the land to the original condition as required in the lease agreements.

The following is a reconciliation of the changes in the asset retirement obligation during the year:

	2023 (\$000's)	2022 (\$000's)
Balance, beginning of year	227,555	201,616
Add: Additional obligation	\$ 10,425	\$ 19,033
Add: Accretion expense	15,978	6,906
Balance, end of year	\$ 253,958	\$ 227,555

### 9. Non-Financial Assets

#### a) Housing and projects under construction

Cost	2022 (\$000's)					2023 (\$000's)	
	Beginning	Tangible Asset Additions	Asset Retirement Cost Additions	Disposals	Ending		
Land	\$ 874,534	\$ 21,338	\$ -	\$ (23,071)	\$ 872,801		
Buildings	2,623,802	218,754	10,425	(46,306)	2,806,675		
Construction in progress	359,685	97,249	-	(400)	456,534		
	\$ 3,858,021	\$ 337,341	\$ 10,425	\$ (69,777)	\$ 4,136,010		

Depreciation	Beginning Accumulated Depreciation	Annual Expense	Asset Retirement Cost Annual Expense	Disposals Adjustments	Ending Accumulated
Buildings	\$ 790,545	\$ 90,332	\$ 18,772	\$ (1,624)	\$ 898,025

Net Book Value	Beginning	Ending
Land	\$ 874,534	\$ 872,801
Buildings	1,833,257	1,908,650
Construction in progress	359,685	456,534
	\$ 3,067,476	\$ 3,237,985

#### b) Səmiqwə?elə (Riverview Lands) redevelopment

On February 2, 2015, ownership of Səmiqwə?elə (Riverview Lands) was transferred to the Corporation from the Ministry of Citizens' Services. The land is to be redeveloped over the next several years. 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.

# Provincial Rental Housing Corporation

## Notes to the Financial Statements

March 31, 2023

	2022			2023
	(\$000's)			(\$000's)
	Beginning	Expenditures	Revenue	Ending
<b>Construction</b>	\$ 46,482	\$ 2,099	\$ -	\$ <b>48,581</b>
<b>Net operating</b>	9,589	6,138	(5,080)	<b>10,647</b>
	\$ 56,071	\$ 8,237	\$ (5,080)	\$ <b>59,228</b>

kʷikwəłəm First Nation (KFN) asserted their aboriginal title to a collection of lands, including səmiqʷəʔelə (Riverview), through the filing of a civil land claim in 2016, naming PRHC/BCH. In 2021, BCH/PRHC, KFN and all other named parties in the land claim agreed to a Reconciliation Agreement (RA) process led by the Ministry of Indigenous Relations & Reconciliation (MIRR). The purpose of the RA to provide a non-litigative means of resolving KFN's assertion of aboriginal title. The land claim trial is currently adjourned until April 2024. BCH/PRHC and MIRR are collaborating with KFN to co-determine an ownership outcome for səmiqʷəʔelə that would resolve KFN's claim.

### 10. Gain (Loss) from Disposition of Properties

	2023	2022
	(\$000's)	(\$000's)
Property present value adjustment ( Note 3)	\$ -	(2,941)
Modular building dismantle and modular units demolition	(22)	(3,417)
Building demolition	-	(1,492)
Sale of properties	2,028	(107)
<b>Gain (Loss) from Disposition of Properties</b>	\$ <b>2,006</b>	\$ (7,957)

### 11. Changes in Non-cash Working Capital

	2023	2022
	(\$000's)	(\$000's)
Interest payable	(44)	(38)
Due to BC Housing Management Commission	(30,073)	80,833
<b>Total</b>	\$ <b>(30,117)</b>	\$ 80,795

### 12. Commitments

#### a) Public-Private Partnership Commitments

The Corporation has entered into a public-private partnership project with Habitat Housing Initiative (HHI) to renovate 13 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 including the Commission's annual service payments to HHI for the capital cost and financing, the facility maintenance and lifecycle costs. Payments to the private partner are contingent on specified performance criteria and include an estimation of inflation where applicable.

# Provincial Rental Housing Corporation

## Notes to the Financial Statements

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As construction progressed, the asset values were recorded as tangible capital assets (see Note 8) and the obligation was recorded as a liability and included in long-term debt (see Note 7). Upon construction completion, the obligation is met through the capital component of the monthly service payments over the term of the Project Agreement that is paid directly by the Commission.

	Capital (\$000's)	Facility Maintenance and Lifecycle (\$000's)	Total Payments (\$000's)
2024	9,461	3,292	\$ 12,753
2025	9,461	2,031	11,492
2026	9,461	2,040	11,501
2027	9,461	1,840	11,301
2028	9,461	1,994	11,455
Thereafter	26,805	5,876	32,681
Total	\$ 74,110	\$ 17,073	\$ 91,183

### b) Contractual Obligation – Property Acquisition

As at March 31, 2023, there are 5 purchase agreements that the Corporation has signed are pending to compete with total value of \$101,745,000. All these transactions will be completed in year 2023-2024.

## 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 as at March 31, 2023:

### 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 long-term receivables (see Note 3).

To reduce the risk associated with long-term receivables, the Corporation periodically evaluates the collectability of its accounts receivable and adjusts it to reflect the true value of the receivable when necessary.

### 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.

# Provincial Rental Housing Corporation

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### 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.

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

#### 2023

<b>Financial assets</b>	Up to 1 year (\$000's)	1 to 5 years (\$000's)	Over 5 years (\$000's)	<b>Total (\$000's)</b>
Long-term receivables	\$ 23,316	\$ 44,752	\$ 164,758	\$ 232,826
<b>Total</b>	\$ 23,316	\$ 44,752	\$ 164,758	\$ 232,826

<b>Financial liabilities</b>	Up to 1 year (\$000's)	1 to 5 years (\$000's)	Over 5 years (\$000's)	<b>Total (\$000's)</b>
Long-term debt	\$ 27,190	\$ 144,151	\$ 62,650	\$ 233,991

#### 2022

<b>Financial assets</b>	Up to 1 year (\$000's)	1 to 5 years (\$000's)	Over 5 years (\$000's)	<b>Total (\$000's)</b>
Long-term receivables	\$ 23,316	\$ 44,752	\$ 161,038	\$ 229,106
<b>Total</b>	\$ 23,316	\$ 44,752	\$ 161,038	\$ 229,106

<b>Financial liabilities</b>	Up to 1 year (\$000's)	1 to 5 years (\$000's)	Over 5 years (\$000's)	<b>Total (\$000's)</b>
Long-term debt	\$ 32,214	\$ 128,181	\$ 77,049	\$ 237,444

#### 2023

<b>Financial assets</b>	Up to 1 year (\$000's)	1 to 5 years (\$000's)	Over 5 years (\$000's)	<b>Total (\$000's)</b>
Long-term receivables	\$ 23,316	\$ 44,752	\$ 164,758	\$ 232,826
<b>Total</b>	\$ 23,316	\$ 44,752	\$ 164,758	\$ 232,826

<b>Financial liabilities</b>	Up to 1 year (\$000's)	1 to 5 years (\$000's)	Over 5 years (\$000's)	<b>Total (\$000's)</b>
Long-term debt	\$ 27,190	\$ 144,151	\$ 62,650	\$ 233,991

#### 2022

<b>Financial assets</b>	Up to 1 year (\$000's)	1 to 5 years (\$000's)	Over 5 years (\$000's)	<b>Total (\$000's)</b>
Long-term receivables	\$ 23,316	\$ 44,752	\$ 161,038	\$ 229,106
<b>Total</b>	\$ 23,316	\$ 44,752	\$ 161,038	\$ 229,106

<b>Financial liabilities</b>	Up to 1 year (\$000's)	1 to 5 years (\$000's)	Over 5 years (\$000's)	<b>Total (\$000's)</b>
Long-term debt	\$ 32,214	\$ 128,181	\$ 77,049	\$ 237,444

# Provincial Rental Housing Corporation

## Notes to the Financial Statements

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- d) Foreign Exchange Risk or Other Price Risk

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

### 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.

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

As noted in the significant accounting policies (see Note 2), 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 recognizing them in revenue at the same rate that amortization of the related capital asset is recorded. 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, 2022, an increase to annual surplus of \$266,822,000; and,
- b) At March 31, 2022, an increase to accumulated surplus and a decrease to contributions of \$1,443,761,000.
- c) For the year ended March 31, 2023, an increase to annual surplus of \$175,057,000; and,
- d) At March 31, 2023, an increase to accumulated surplus and a decrease to contributions of \$1,618,818,000.