

**REPORT TO HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, MAY 07, 2025**

SUBJECT **Capital Region Housing Corporation 2024 Audit Findings Report and Audited Financial Statements**

ISSUE SUMMARY

This report summarizes the Capital Region Housing Corporation (CRHC) 2024 Audit Findings Report and requests approval of the Audited Financial Statements.

BACKGROUND

The CRHC is incorporated under the laws of British Columbia; its principal activity is the provision of rental accommodation. As a wholly owned subsidiary of the Capital Regional District (CRD), the CRHC financials are consolidated in the CRD financial statements. This consolidation is a requirement by Canadian Public Sector Accounting Standards (PSAS).

Section 376 of the *Local Government Act* requires that annual audited financial statements be prepared for the CRHC and presented at a public Board meeting. The 2024 Financial Statements have been prepared by management in accordance with PSAS, including the 4200 series standards for government not-for-profit organizations. As per BC Housing Management Commission (BCHMC) operating agreements, the Board-approved financial statements must be submitted within six months of the fiscal year end (by June 30, 2025).

Under PSAS, the CRHC is required to present four statements with explanatory notes:

1. Statement of Financial Position
2. Statement of Operations
3. Statement of Changes in Net Assets and Remeasurement Gains and Losses
4. Statement of Cash Flows

In addition to the required statements listed above, the 2024 Financial Statements include the following Schedules:

- A. Schedule of Changes in Replacement Reserve Fund
- B. Schedule of Changes in Portfolio Stabilization Reserves
- C. Schedule of Capital Assets
- D. Schedule of Capital Fund – Mortgages Payable
- E. Schedule of Operating Fund – Rental Operations

The CRHC 2024 Audited Financial Statements and schedules are attached as Appendix A.

The Audit Findings Report (Appendix B) summarizes the responsibilities of the auditor, the scope of work and the audit results. The report confirms there were no significant changes in the audit approach from the Audit Planning Report presented to the Board on January 8, 2025 and that the audit did not identify any uncorrected differences or significant control deficiencies. The audit findings confirm the financial statements present fairly, in all material respects, the financial position of the CRHC as of and for the year ended December 31, 2024.

ALTERNATIVES

Alternative 1

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

That the Capital Region Housing Corporation 2024 Audited Financial Statements be approved.

Alternative 2

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

That the Capital Region Housing Corporation 2024 Audited Financial Statements be referred back to staff for additional information.

IMPLICATIONS

Financial Implications

New Accounting Standards

PS 3400 - Revenue

On January 1, 2024, the CRHC adopted Public Sector Accounting Standard PS 3400 *Revenue*. The new accounting standard provides direction on accounting for revenues that are not in scope of other existing standards. Management performed a review of all CRHC revenue streams and determined that there was no impact to net debt, accumulated surplus, or annual surplus on adoption of this standard.

Highlights

1. Statement of Financial Position

The Statement of Financial Position presents the financial position of an entity at a given date. It is comprised of three main components: assets, liabilities and equity (net assets). Table 1 summarizes total asset values for 2024 and 2023.

Table 1 – Change in Assets Year-Over-Year

Assets (\$M)	2024	2023	\$ Change	% Change
Cash and Cash Equivalents	18.8	14.9	3.9	26.2%
Accounts Receivable	7.0	6.0	1.0	16.7%
Prepaid Expenses	0.9	0.9	0.0	0.0%
Total Current Assets	26.7	21.8	4.9	22.5%
Non-Current Assets				
Cash and Cash Equivalents (Restricted)	7.5	8.5	(1.0)	(11.8%)
Capital Assets	300.8	262.4	38.4	14.6%
Total Non-Current Assets	\$308.3	\$270.9	\$37.4	13.8%
Total Assets	\$335.0	\$292.7	\$42.3	14.5%

The total assets of \$335.0 million consist of current and non-current assets. Current assets of \$26.7 million reflect the organization's ability to meet short-term payment obligations.

The increase in current assets of \$4.9 million or 22.5% is due to increases in cash and accounts receivable. These fluctuations are in line with the timing of payments related to capital construction activity in 2024.

Non-current assets of \$308.3 million consist of \$7.5 million in restricted cash and cash equivalents and \$300.8 million in capital assets. These assets increased by \$37.4 million, primarily due to construction at Caledonia and Michigan Square.

Table 2 summarizes total liabilities and the change year-over-year.

Table 2 – Change in Liabilities Year-Over-Year

Liabilities (\$M)	2024	2023	\$ Change	% Change
Current Liabilities				
Accounts Payable	6.6	7.2	(0.6)	(8.3%)
Short-Term Capital Financing	39.1	27.5	11.6	42.2%
Mortgage Payable – Current	9.6	14.3	(4.7)	(32.9%)
Other Liabilities	3.8	2.7	1.1	40.7%
Total Current Liabilities	59.1	51.7	7.4	14.3%
Non-Current Liabilities				
Mortgage Payable – Non-Current	182.0	161.1	20.9	13.0%
Asset Retirement Obligation	10.0	9.5	0.5	5.3%
Total Liabilities	\$251.1	\$222.3	\$28.8	13.0%

Total current liabilities of \$59.1 million is an increase of \$7.4 million or 14.3% over 2023. Notable changes over 2023 are:

- Short-term capital financing increased by \$11.6 million related to new financing of \$25.7 million for the Caledonia property. This is offset by the conversion of \$14.0 million interim borrowing to mortgages at Michigan Square.
- The decrease of \$4.7 million in current mortgage payable is due to timing of term renewals. The increase of \$20.9 million in non-current mortgage payable is driven by \$20.9 million in new mortgages at Michigan Square. The new debt was offset by \$8.0 million in repayments of all other mortgages.

Appendix C provides a detailed summary of variances year-over-year greater than \$0.15 million and 10% on the Statement of Financial Position. The threshold is relative to the size and operations of the entity.

2. Statement of Operations

The Statement of Operations reports annual financial activities by fund, summarizing revenues less expenses. Table 3 details revenue by source with a year-over-year comparison.

Table 3 – Change in Revenue Year-Over-Year

Revenue (\$M)	2024	2023	\$ Change	% Change
Tenant Rent Contributions	25.0	23.0	2.0	8.7%
Government Capital Contributions	10.8	16.1	(5.3)	(32.9%)
Other Revenue	5.0	5.0	0.0	0.0%
Total Revenue	\$40.8	\$44.1	\$(3.3)	(7.5%)

Revenue from all sources totaled \$40.8 million in 2024, a decrease of \$3.3 million or 7.5%. The decrease is driven by reduced capital contributions from other government entities due to the timing of capital project payments. This was offset by \$2.0 million of increased rent contributions at existing and new properties.

Table 4 – Change in Expenses Year-Over-Year

Expenses (\$M)	2024	2023	\$ Change	% Change
Building Operating and Administrative Expenses	12.1	11.2	0.9	8.0%
Insurance	1.6	1.5	0.1	6.7%
Amortization and Accretion	9.1	8.6	0.5	5.8%
Interest Expense	4.4	4.2	0.2	4.8%
Total Expenses	\$27.2	\$25.5	\$1.7	6.7%

Expenses totaled \$27.2 million in 2024, an increase of \$1.7 million or 6.7%. Expense changes were driven by:

- \$0.9 million increase in building operating and administrative expenses consistent with the volume of new units at Michigan Square and annualization of Prosser Place
- \$0.1 million increase in insurance costs due to the new buildings at Michigan Square
- \$0.5 million increase in amortization due to newly acquired assets
- \$0.2 million increase in interest expense primarily due to mortgages for new properties

Appendix D provides a detailed summary of the variances year-over-year greater than \$0.15 million and 10% on the Statement of Operations.

3. Other Financial Statement Analysis

Appendix E provides summaries and analysis of the remaining statements and schedules:

- Statement of Changes in Net Assets and Remeasurement Gains and Losses
- Statement of Cash Flows
- Schedules (A to E)

Appendix F contains the financial indicators relevant to CRHC performance and financial sustainability.

Board-approved financial statements are required to be consolidated with the CRD financial statements and filed with BCHMC.

CONCLUSION

Board approval of the CRHC 2024 Audited Financial Statements is required under the *Local Government Act*, *BC Business Corporations Act*, BCHMC operating agreements and mortgage agreements. As noted in the Audit Findings Report, it is the auditors' opinion that these Financial Statements present fairly the consolidated financial position of the CRHC for the year ending December 31, 2024, in accordance with Canadian PSAS.

RECOMMENDATION

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

That the Capital Region Housing Corporation 2024 Audited Financial Statements be approved.

Submitted by:	Varinia Somosan, CPA, CGA, Sr. Mgr., Financial Services / Deputy CFO
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer, GM Finance & IT
Concurrence:	Kevin Lorette, P. Eng., MBA, General Manager, Planning & Protective Services
Concurrence:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer

ATTACHMENTS:

Appendix A: CRHC 2024 Financial Statements

Appendix B: CRHC Audit Findings Report [for the year ended December 31, 2024 (KPMG)]

Appendix C: CRHC Statement of Financial Position, Year Ended December 31, 2024, Variance
Analytics: Year-Over-Year

Appendix D: CRHC Statement of Operations, Year Ended December 31, 2024, Variance
Analytics: Year-Over-Year

Appendix E: CRHC Other Financial Statement Analysis

Appendix F: CRHC 2024 Financial Performance Measures