

Financial Statements of

**GREATER VICTORIA  
HOUSING SOCIETY**

Year ended December 31, 2016



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## INDEPENDENT AUDITORS' REPORT

*To the Directors of Greater Victoria Housing Society*

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Greater Victoria Housing Society, which comprise the statement of financial position as at December 31, 2016, and the statements of operations and changes in fund balances and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management based on the financial reporting provisions of the agreements between Greater Victoria Housing Society and Canada Mortgage and Housing Corporation ("CMHC") and British Columbia Housing Management Commission ("BCHMC").

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation of these financial statements in accordance with the financial reporting provisions of the agreements with CMHC and BCHMC, 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 our 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, we consider internal control relevant to the entity's preparation and fair presentation of the 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 in our audit is sufficient and appropriate to provide a basis for our audit opinion.



*Opinion*

In our opinion, the financial statements as at December 31, 2016, and for the year then ended are prepared, in all material respects, in accordance with the financial reporting provisions of the agreements between Greater Victoria Housing Society and CMHC and BCHMC.

*Basis of Accounting and Restriction on Use*

Without modifying our opinion, we draw attention to note 1(a) to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist Greater Victoria Housing Society to comply with the reporting provisions of the agreements referred to above. As a result, the financial statements may not be suitable for another purpose.

Our report is intended solely for the Directors of Greater Victoria Housing Society, CMHC and BCHMC and should not be used by parties other than the Directors of Greater Victoria Housing Society, CMHC or BCHMC.

**Report on Other Legal and Regulatory Requirements**

As required by the Societies Act (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements have been applied on a basis consistent with that of the preceding year.

*KPMG LLP*

Chartered Professional Accountants

March 29, 2017  
Victoria, Canada

# GREATER VICTORIA HOUSING SOCIETY

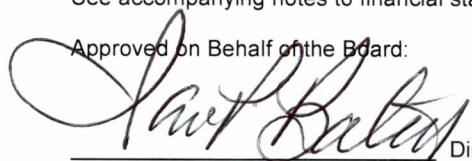
## Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
<b>Assets</b>		
Current assets:		
Cash	\$ 1,237,629	\$ 775,704
Cash held in trust (note 2)	30,976	30,976
Accounts receivable	91,435	544,871
Prepaid expenses	52,858	71,083
	1,412,898	1,422,634
Replacement Reserve Fund:		
Cash	344,942	377,186
Short-term investments and term deposits	1,888,703	1,654,834
Capital assets (note 4)	42,845,038	44,136,316
	\$ 46,491,581	\$ 47,590,970
<b>Liabilities</b>		
Current liabilities:		
Accrued mortgage interest payable	\$ 83,043	\$ 88,515
Accounts payable and accrued liabilities	567,581	564,056
Current portion of mortgages payable	1,760,377	1,735,798
Deferred revenue	171,436	199,771
	2,582,437	2,588,140
Mortgages payable (note 5)	31,906,396	33,708,318
Forgivable loan – Dahli Place (note 6)	500,000	500,000
Forgivable loan – Pembroke Mews (note 7)	413,333	453,333
Loans payable – Townley Lodge (note 8)	310,000	2,584
Loan payable – Grafton Lodge (note 9)	146,042	157,185
	35,858,208	37,409,560
<b>Fund Balances</b>		
Operating Fund:		
Deficit	(675,677)	(683,014)
Externally restricted	555,787	513,406
Internally restricted (note 10)	5,181	-
	(114,709)	(169,608)
Capital Fund:		
Invested in capital assets	8,396,090	8,200,651
Externally restricted	118,347	118,347
	8,514,437	8,318,998
Replacement Reserve Fund	2,233,645	2,032,020
	10,633,373	10,181,410
Contingency (notes 6, 7 and 11(b))		
Commitments (notes 6 and 7)		
	\$ 46,491,581	\$ 47,590,970

See accompanying notes to financial statements.

Approved on Behalf of the Board:

  
 Ian Batey - Chair  
 Director

  
 Fraser Stamp-Vincent, Treasurer  
 Director



# GREATER VICTORIA HOUSING SOCIETY

## Statement of Operations and Changes in Fund Balances

Year ended December 31, 2016, with comparative information for 2015

	Restricted Funds			Total 2016	Total 2015
	Operating Fund (Schedule 1)	Capital Fund	Replacement Reserve Fund (Schedule 2)		
Revenue:					
Tenant rent contributions	\$ 4,370,457	\$ -	\$ -	\$ 4,370,457	\$ 4,004,765
Rent supplements (note 11(a))	1,620,511	-	-	1,620,511	1,724,835
Interest reduction grants (note 11(a))	43,505	-	-	43,505	43,505
Island Health services paid by tenants	74,631	-	-	74,631	66,360
Island Health subsidy	150,309	-	-	150,309	140,378
Laundry	88,582	-	-	88,582	80,808
Heat and light recovery	35,092	-	-	35,092	34,860
Cable recovery	208,443	-	-	208,443	196,324
Investment income	11,161	-	15,009	26,170	122,304
Loan forgiveness - Pembroke Mews (note 7)	-	40,000	-	40,000	40,000
Replacement reserve contribution from BCHMC	-	-	113,087	113,087	307,007
Interest in joint venture with GVRDS (note 3)	-	-	-	-	71,598
Unrealized gain (loss) on investments	-	-	74,966	74,966	(100,112)
Other	281,249	47,137	8,895	337,281	317,012
	6,883,940	87,137	211,957	7,183,034	7,049,644
Expenses:					
Amortization	1,751,599	-	-	1,751,599	1,395,070
Mortgage interest	1,029,371	-	-	1,029,371	943,784
Janitor - maintenance salaries	719,725	-	-	719,725	698,561
Administration	616,582	-	-	616,582	647,375
Heat, hydro and hot water	445,427	-	-	445,427	439,900
Maintenance	356,623	-	-	356,623	321,021
Replacement Reserve expenditures	-	-	324,393	324,393	572,783
Property taxes	254,935	-	-	254,935	227,563
Water	248,183	-	-	248,183	207,889
Cablevision	203,239	-	-	203,239	195,655
Island Health expenses	201,558	-	-	201,558	201,493
Garbage	166,022	-	-	166,022	150,098
Insurance	159,057	-	-	159,057	194,018
Other	93,973	-	-	93,973	101,347
Audit and legal	38,784	-	-	38,784	64,550
Consultant fees	37,842	-	-	37,842	55,468
Capital improvements	16,124	-	-	16,124	35,837
Land lease	-	-	-	-	18,414
Replacement Reserve allocation	319,369	-	(319,369)	-	-
Contribution to joint venture with GVRDS	-	-	-	-	1,250
	6,658,413	-	5,024	6,663,437	6,472,076
Excess of revenue over expenses, before the following	225,527	87,137	206,933	519,597	577,568
Dissolution of joint venture with GVRDS	-	-	-	-	704,305
Recovery (repayment) of surplus (deficit) (note 11(b))	(67,634)	-	-	(67,634)	180,100
Excess of revenue over expenses	157,893	87,137	206,933	451,963	1,461,973
Fund balances, beginning of year	(169,608)	8,318,998	2,032,020	10,181,410	8,719,437
Interfund transfers:					
Capital - amortization, principal payments, purchases	(108,302)	108,302	-	-	-
BC Housing replacement reserve review adjustments	(8,949)	-	8,949	-	-
Replacement reserve fund transfer for expenditures	14,257	-	(14,257)	-	-
Fund balances, end of year	\$ (114,709)	\$ 8,514,437	\$ 2,233,645	\$ 10,633,373	\$ 10,181,410

See accompanying notes to financial statements.

# GREATER VICTORIA HOUSING SOCIETY

## Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses:		
Operating Fund	\$ 157,893	\$ 1,356,980
Capital Fund	87,137	50,000
Replacement Reserve Fund	206,933	54,993
Items not involving cash:		
Amortization of capital assets	1,751,599	1,395,070
Loan forgiveness - Pembroke Mews	(40,000)	(40,000)
Unrealized (gain) loss on investments	(74,966)	100,112
Dissolution of joint venture with GVRDS	-	(704,305)
Change in non-cash operating working capital:		
Accounts receivable	453,436	(434,633)
Prepaid expenses	18,225	79,591
Accrued mortgage interest payable	(5,472)	31,239
Accounts payable and accrued liabilities	3,525	88,122
Due to GVRDS	-	(190,322)
Deferred revenue	(28,335)	10,639
	2,529,975	1,797,486
Investing activities:		
Purchase of capital assets	(460,321)	(7,493,694)
Proceeds on dissolution of joint venture with GVRDS	-	52,825
Investment in joint venture with GVRDS	-	(71,598)
(Increase) decrease in investments	(158,903)	278,731
	(619,224)	(7,233,736)
Financing activities:		
Principal repayments on mortgages	(1,918,144)	(1,514,120)
Increase in mortgages	140,801	6,998,347
Increase in loans payable	296,273	-
	(1,481,070)	5,484,227
Increase in cash	429,681	47,977
Cash, beginning of the year	\$1,183,866	1,135,889
Cash, end of year	\$ 1,613,547	\$ 1,183,866
Comprised of:		
Cash	\$ 1,237,629	\$ 775,704
Cash held in trust	30,976	30,976
Replacement reserve fund cash	344,942	377,186
	\$ 1,613,547	\$ 1,183,866

See accompanying notes to financial statements.

# GREATER VICTORIA HOUSING SOCIETY

## Notes to Financial Statements

Year ended December 31, 2016

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Greater Victoria Housing Society (the "Society") is incorporated under the Society Act (British Columbia) and its principal activity is to provide subsidized and low cost rental housing to low income households. The Society is a registered charity under the Income Tax Act.

The financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook except for the requirements in the Society's agreements with Canada Mortgage and Housing Corporation and British Columbia Housing Management Commission as described in the basis of accounting note 1(a) below.

### 1. Significant accounting policies:

#### (a) Basis of accounting:

These financial statements have been prepared in accordance with the significant accounting policies set out below in order to comply with the financial reporting criteria in the Society's agreements with the Canada Mortgage and Housing Corporation ("CMHC") and the British Columbia Housing Management Commission ("BCHMC"). The basis of accounting used in these financial statements materially differs from Canadian accounting standards for not-for-profit organizations because:

- (i) Amortization is not provided on prepaid land leases, buildings, and furniture and equipment over the estimated useful lives of these assets but rather at a rate equal to the annual principal reduction of the related mortgages with the exception of the land lease on Grafton Lodge and the assets owned directly in the Society.
- (ii) Capital assets purchased from the Replacement Reserve Fund are charged against the replacement fund rather than being capitalized on the statement of financial position and amortized over their estimated useful lives.
- (iii) Building renovation costs and capital assets are charged to operations in the year the expenditure is incurred rather than being capitalized and amortized over their estimated useful lives unless an exception is granted by BCHMC.
- (iv) A reserve for future capital replacements is appropriated annually from operations and recorded as an expense.
- (v) Forgivable loans are recognized as liabilities in the year the funds are received and amortized over the forgiveness term or upon confirmation from CMHC rather than being recognized as grant revenue when entitled to receipt of the loan.



# GREATER VICTORIA HOUSING SOCIETY

Notes to Financial Statements

Year ended December 31, 2016

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## 1. Significant accounting policies (continued):

### (b) Fund accounting:

The Society follows the restricted fund method of accounting for contributions. Accordingly, the transactions of the Society are recorded in three funds as follows:

#### (i) Operating Fund:

The Operating Fund accounts for the Society's assets, liabilities and transactions relating to the ongoing rental and non-rental operations.

#### (ii) Capital Fund:

The Capital Fund accounts for the Society's investment in capital assets and related financial activities.

#### (iii) Replacement Reserve Fund:

In accordance with the provision of the agreements with CMHC and BCHMC, a Replacement Reserve Fund has been established for each building to pay for the replacement of worn-out capital equipment and certain painting expenditures. The provision to this Fund is an annual charge against rental operations.

### (c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Investments that are quoted in an active market are subsequently measured at fair value and all changes in the fair value are recognized in excess (deficiency) of revenue over expenses in the period incurred. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. There are no other financial instruments designated to be carried at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Society determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Society expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

# GREATER VICTORIA HOUSING SOCIETY

## Notes to Financial Statements

Year ended December 31, 2016

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### 1. Significant accounting policies (continued):

#### (d) Capital assets:

- (i) Land, prepaid land leases, landscaping and site improvements, buildings, furniture and equipment are recorded at cost less accumulated amortization.

- (ii) Amortization:

Amortization on prepaid land leases, buildings and furniture and equipment is provided at an amount equal to the annual principal reduction of the related mortgages with the exception of the land lease on Grafton Lodge. Amortization on leasehold improvements is provided over the term of the lease. Amortization on laundry equipment is provided over the estimated useful life of the equipment of 12 years. Amortization expense is recorded in the Operating Fund.

- (iii) Construction in progress is not amortized until the asset is put into use.

When a capital asset no longer contributes to the Society's ability to provide services, its carrying amount is written down to its residual amount.

#### (e) Investment in joint venture:

The investment in the joint venture with Greater Victoria Rental Development Society was accounted for using the equity method of accounting. Under the equity method the original cost of the investment was adjusted for the Society's share of the joint venture's subsequent earnings and losses. The accounting policies of the joint venture were consistent with those adopted by the Society. On May 1, 2015 the joint venture was dissolved (see note 3).

#### (f) Revenue recognition:

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

Restricted contributions related to general operations are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenues of the appropriate restricted fund in the year received or receivable.



# GREATER VICTORIA HOUSING SOCIETY

Notes to Financial Statements

Year ended December 31, 2016

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## 1. Significant accounting policies (continued):

### (g) Allocation of expenses:

The Society allocates certain of its office, audit and legal and administration/maintenance salary and benefit expenses proportionately across the buildings based on the total number of units in each building.

### (h) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the period. Actual results could differ from these estimates.

## 2. Cash held in trust:

Cash held in trust is held by BCHMC for the payment of construction costs for Dahli Place. Any remaining funds after the payout of the construction costs will be used to reduce the mortgage payable for Dahli Place.

## 3. Investment in joint venture with Greater Victoria Rental Development Society ("GVRDS"):

Until May 1, 2015 the Society was a partner in a joint venture with GVRDS, an unrelated society with a different board of directors, to purchase property and develop affordable rental housing. The joint venture operated two affordable housing buildings on Gorge Road East. The Society accounted for its 50% share of the joint venture using the equity method of accounting.

On May 1, 2015, the joint venture with GVRDS was dissolved. Upon dissolution of the joint venture, the Society acquired the Dahli Place land and building valued at \$13,043,950, the related mortgage of \$10,200,000 and related forgivable loan of \$500,000. The Society paid \$158,500 at the time of dissolution and received cash proceeds on dissolution of \$52,825. The result on dissolution of the joint venture of \$704,305 was recorded as revenue in the statement of operations in 2015.

# GREATER VICTORIA HOUSING SOCIETY

Notes to Financial Statements

Year ended December 31, 2016

## 4. Capital assets:

			2016	2015
	Cost	Accumulated amortization	Net	Net
Balmoral Garden Court:				
Land lease prepaid for 60 years	\$ 298,959	101,199	197,760	211,902
Building	5,282,374	1,788,114	3,494,260	3,744,134
	5,581,333	1,889,313	3,692,020	3,956,036
Brentwood Bay:				
Development in progress	42,193	-	42,193	-
	42,193	-	42,193	-
Campbell Lodge:				
Land	2,452,727	-	2,452,727	2,452,727
Building	2,517,895	556,067	1,961,828	2,005,933
Furniture and equipment	95,697	21,134	74,563	76,239
Landscaping and site improvement	21,290	-	21,290	21,290
	5,087,609	577,201	4,510,408	4,556,189
Colwood Lodge:				
Land	1,273,304	-	1,273,304	1,273,304
Building	1,673,113	1,277,519	395,594	481,498
Furniture and equipment	55,492	42,371	13,121	15,970
	3,001,909	1,319,890	1,682,019	1,770,772
Constance Court:				
Land	500,565	-	500,565	500,565
Land lease prepaid for 60 years	-	-	-	-
Building	3,440,970	1,855,057	1,585,913	1,743,586
Furniture and equipment	79,144	42,667	36,477	40,104
	4,020,679	1,897,724	2,122,955	2,284,255
Dahli Place:				
Land	2,734,179	-	2,734,179	2,734,179
Building	10,309,771	250,842	10,058,929	10,237,002
	13,043,950	250,842	12,793,108	12,971,181
Dowler Lodge:				
Land	818,159	-	818,159	818,159
Land lease prepaid for 60 years	-	-	-	-
Building	3,674,753	2,374,835	1,299,918	1,472,677
Furniture and equipment	1,367	883	484	548
	4,494,279	2,375,718	2,118,561	2,291,384
Esquimalt Lions' Lodge:				
Land	73,459	-	73,459	73,459
Building	759,999	406,167	353,832	531,171
Furniture and equipment	32,835	17,549	15,286	22,948
Elevated walkway	45,420	24,273	21,147	31,745
	911,713	447,989	463,724	659,323
Forest Heights:				
Land	892,961	-	892,961	892,961
Building	1,183,637	290,775	892,862	919,028
	2,076,598	290,775	1,785,823	1,811,989

# GREATER VICTORIA HOUSING SOCIETY

Notes to Financial Statements

Year ended December 31, 2016

## 4. Capital assets (continued):

			2016	2015
	Cost	Accumulated amortization	Net	Net
Grafton Lodge:				
Land lease prepaid for 35 years	345,600	105,300	240,300	251,100
Building	3,553,238	896,578	2,656,660	2,726,766
Furniture and equipment	18,457	18,457	-	-
	3,917,295	1,020,335	2,896,960	2,977,866
Goldstream:				
Development in progress	31,291	-	31,291	-
Nigel Square:				
Land lease prepaid for 60 years	301,240	124,003	177,237	193,040
Building	1,290,578	531,258	759,320	827,022
Development in progress	10,409	-	10,409	-
	1,602,227	655,261	946,966	1,020,062
Pembroke Mews:				
Land	799,243	-	799,243	799,243
Building	2,346,499	149,845	2,196,654	2,230,144
Equipment	93,548	5,975	87,573	88,908
	3,239,290	155,820	3,083,470	3,118,295
Sitkum Lodge:				
Land	1,564,797	-	1,564,797	1,564,797
Building	3,937,351	2,912,352	1,024,999	1,211,000
Furniture and equipment	73,192	54,138	19,054	22,512
	5,575,340	2,966,490	2,608,850	2,798,309
Sutcliffe Court:				
Land	140,801	-	140,801	-
Building	197,144	27,973	169,171	193,343
	337,945	27,973	309,972	193,343
Tillicum Terrace:				
Land	870,232	-	870,232	870,232
Land lease prepaid for 60 years	-	-	-	-
Building	3,213,988	1,231,633	1,982,355	2,142,264
	4,084,220	1,231,633	2,852,587	3,012,496
Townley Lodge:				
Land	11,388	-	11,388	11,388
Building	385,466	167,449	218,017	233,530
Furniture and equipment	18,295	7,947	10,348	11,084
Redevelopment in progress	389,371	-	389,371	153,745
	804,520	175,396	629,124	409,747
Society:				
Leasehold improvement	162,633	44,228	118,405	133,189
Laundry equipment	183,338	26,736	156,602	171,880
	345,971	70,964	275,007	305,069
	\$ 58,198,362	15,353,354	42,845,038	44,136,316



# GREATER VICTORIA HOUSING SOCIETY

Notes to Financial Statements

Year ended December 31, 2016

## 5. Mortgages payable:

	2016	2015
Balmoral Garden Court:		
2.81% Mortgage with CMHC, due September 1, 2023 payable \$30,933 per month to include principal and interest	\$ 3,692,041	\$ 3,956,060
Campbell Lodge:		
8% Mortgage with CMHC, due June 1, 2028, payable \$9,808 per month to include principal and interest	888,758	934,539
Campbell Lodge:		
2.19% Mortgage with MCAP, due March 1, 2025, payable \$10,612 per month to include principal and interest	2,321,066	2,396,915
Colwood Lodge:		
3.54% Mortgage with CMHC, due July 1, 2018, payable \$7,968 per month to include principal and interest	146,986	235,739
Colwood Lodge:		
2.19% Mortgage with MCAP, due March 1, 2025 payable \$5,067 per month to include principal and interest	1,214,423	1,248,344
Constance Court:		
2.25% Mortgage with the CMHC, due December 1, 2021, payable \$16,955 per month to include principal and interest	1,794,180	1,955,480
Constance Court:		
2.19% Mortgage with MCAP, due March 1, 2025, payable \$959 per month to include principal and interest	271,937	277,448
Dahli Place:		
2.76% Mortgage with MCAP, due July 1, 2025, payable \$37,814 per month to include principal and interest	9,949,158	10,127,231
Dowler Lodge:		
3.68% Mortgage with CHMC, due December 1, 2018, payable \$18,904 per month to include principal and interest	1,384,625	1,557,448
Dowler Lodge:		
2.19% Mortgage with MCAP due March 1, 2025 payable \$2,619 per month to include principal and interest	695,587	711,656
Esquimalt Lions' Lodge:		
7.63% Mortgage with CMHC, due June 1, 2023, payable \$2,849 per month to include principal and interest	-	195,599
Forest Heights:		
3.45% Mortgage with Vancity, due November 13, 2020, payable \$4,281 per month to include principal and interest	721,395	747,561
Grafton Lodge:		
3.43% Mortgage with MCAP, due April 1, 2024 payable \$12,718 per month to include principal and interest	2,384,497	2,454,603
Nigel Square:		
2.93% Mortgage with CMHC, due August 1, 2021, payable \$9,343 per month to include principal and interest	936,555	1,020,060
Pembroke Mews:		
3.19% Mortgage with TD Canada Trust, due March 1, 2022 payable \$7,688 per month to include principal and interest	1,794,181	1,829,005
Carried forward	28,195,389	29,647,688

# GREATER VICTORIA HOUSING SOCIETY

Notes to Financial Statements

Year ended December 31, 2016

## 5. Mortgages payable (continued):

	2016	2015
Balance brought forward	28,195,389	29,647,688
Sitkum Lodge:		
2.71% Mortgage with CMHC, due February 1, 2019, payable \$16,982 per month to include principal and interest	428,532	617,993
Sitkum Lodge:		
3.26% Mortgage with TD Canada Trust, due February 1, 2022 payable \$2,855 per month to include principal and interest	410,161	430,785
Sitkum Lodge:		
2.19% Mortgage with MCAP, due March 1, 2025 payable \$6,394 per month to include principal and interest	1,488,853	1,532,604
Sutcliffe Court:		
1.3% Mortgage with CMHC, due August 1, 2023, payable \$2,212 per month to include principal and interest	169,408	193,579
Sutcliffe Court:		
2.41% Mortgage with Peoples Trust, due May 1, 2026, payable \$536 per month to include principal and interest	139,001	-
Tillicum Terrace:		
3.68% Mortgage with CMHC, due December 1, 2018, payable \$20,737 per month to include principal and interest	2,347,432	2,507,340
Tillicum Terrace:		
2.19% Mortgage with MCAP, due March 1, 2025, payable \$1,720 per month to include principal and interest	487,997	497,878
Townley Lodge:		
5.88% Mortgage with CMHC, due July 1, 2017, payable \$898 per month to include principal and interest	-	16,249
	33,666,773	35,444,116
Current portion of long-term debt	1,760,377	1,735,798
	<b>\$ 31,906,396</b>	<b>\$ 33,708,318</b>

During the year the Society repaid the entire outstanding balances of the mortgages payable for Esquimalt Lions Lodge and Townley Lodge.

Principal due within each of the next five years on the mortgages is approximately as follows:

	Assuming no mortgage renewal	Assuming mortgage renewal
2017	\$ 1,761,406	\$ 1,761,406
2018	4,802,427	1,775,576
2019	970,620	1,601,632
2020	1,230,844	1,615,588
2021	1,226,172	1,623,773



# GREATER VICTORIA HOUSING SOCIETY

## Notes to Financial Statements

Year ended December 31, 2016

### 6. Forgivable loan - Dahli Place:

BCHMC provided the Society with a grant of \$500,000 for Dahli Place. If the Society uses the land for the intended purpose as required by BCHMC, the loan will be forgiven 1/25 each year, commencing in the 11<sup>th</sup> year.

### 7. Forgivable loan – Pembroke Mews:

	2016	2015
Loan payable to CMHC (Residential Rehabilitation Assistance Program "RRAP")	\$ 413,333	\$ 453,333

The RRAP loan payable to CMHC is authorized up to \$600,000, of which \$600,000 has been drawn. The loan terms state that the loan will be forgiven if the Society continues to charge rents in accordance with the approved post-RRAP rents and limit subsequent rental increases. The forgivable loan will be earned over 15 years from the first day of the month, following the final advance of the loan funds. The final loan advance was received in April 2012 and accordingly loan forgiveness of \$40,000 (2015 - \$40,000) has been recognized as of December 31, 2016 (\$40,000 per year). If the Society is in default of any of the loan terms it will be required to repay the loan including interest at 6.75%.

### 8. Loans payable – Townley Lodge:

	2016	2015
Loan payable to CMHC - Seed Loan	\$ 10,000	\$ 2,584
Loan payable to CMHC - Proposal Development Funding	100,000	-
Loan payable to Vancity - Pre-development Funds	200,000	-
	\$ 310,000	\$ 2,584

During the year, the Society obtained financing for the Townley Lodge redevelopment project in the form of a \$10,000 Seed loan from CMHC. The loan is to be repaid at the time of capital financing for the project. There are no stated interest terms associated with the loan.

CMHC provided the Society with a Proposal Development Funding Loan in the amount of \$100,000 to be used towards the Townley redevelopment project. The funding is in the form of an interest free repayable loan. A portion of the loan varying from 20 - 100% will be forgiven if certain conditions are met. The loan, less the forgivable portion, is to be repaid at the time of construction financing.

The Vancity Pre-Development Funds loan bears interest at 2% and is repayable on demand.

# GREATER VICTORIA HOUSING SOCIETY

Notes to Financial Statements

Year ended December 31, 2016

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## 9. Loan payable - Grafton Lodge:

The Society is required to commence repaying this amount representing repayable assistance for Grafton Lodge in the year following the fiscal year in which the aggregate of the rents payable by non-rent geared to income tenants exceeds the aggregate of the economic rent occupied by non-rent geared to income tenants. The repayment criteria were met in 2015 therefore the Society began repaying this amount in 2016.

The Society is required to pay interest at bank prime rate on the repayable assistance upon commencement of the repayment. Interest of \$4,049 (2015 - nil) was paid on the repayable assistance during the year. The Society repaid \$11,143 (2015 - nil) of the repayable assistance during the year.

## 10. Internally restricted:

The Society's Board of Directors has internally restricted \$5,181 (2015 - nil) of the Society's operating fund balance for working capital and future rental accommodation projects. The internally restricted amounts consist of the net operating fund balance of Forest Heights and the Society's operating fund balance ("Other" fund per Schedule 1), which are not associated with BCHMC or CMHC operating agreements. The internally restricted amounts are not to be used for any other purpose without approval by the Board of Directors.

## 11. Rent supplements and interest reduction grants:

- (a) Rent supplements received are either contributed jointly by CMHC and BCHMC or funded wholly by BCHMC. All supplements received are administered through the BCHMC. Interest reduction grants are received for Colwood and Sitkum Lodges from CMHC to subsidize interest payments in excess of 2% per annum, calculated on the approved capital costs.
- (b) In accordance with the arrangements with BCHMC, surpluses created in Colwood and Sitkum Lodges are refundable, firstly to BCHMC up to the rent supplements contributed and, secondly, to CMHC. Surpluses created in Balmoral Court, Dowler Lodge, Constance Court, Nigel Square, Sutcliffe Court and Tillicum Terrace are refundable only to BCHMC. Any deficits created in these projects are funded by BCHMC. The financial statement reviews for the Society's 2015 fiscal year were finalized by BCHMC in fiscal 2016 and accordingly recorded in the Society's financial statements.

# GREATER VICTORIA HOUSING SOCIETY

## Notes to Financial Statements

Year ended December 31, 2016

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### 12. Financial risks and concentration of credit risk:

#### (a) Market risk:

Market price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. As all of the Society's investments in the Replacement Reserve Fund are carried at fair value with fair value changes recognized in the statement of operations, all changes in market conditions will directly result in an increase or decrease in fund balances. Market price risk is managed by the Society's investment manager through construction of a diversified portfolio of instruments traded on various markets and across various industries. The Society is not exposed to currency risk as all financial instruments are held in Canadian dollars. There has been no change to the risk exposures from 2015.

#### (b) Liquidity risk:

Liquidity risk is the risk that the Society will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Society manages its liquidity risk by monitoring its operating requirements. The Society prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2015.

#### (c) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Society is exposed to credit risk with respect to the accounts receivable. The Society assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. There has been no change to the risk exposures from 2015.

#### (d) Interest rate risk:

The Society's exposure to interest rate risk relates to its current and future anticipated borrowings. The Society has interest bearing mortgages and loans which are subject to interest rate adjustments upon maturity. Fixed-interest instruments subject the Society to a fair value risk while floating-rate instruments subject it to a cash flow risk. Further details about the fixed rate mortgages and loans are included in note 5. There has been no change to the risk exposures from 2015.

### 13. Interest income and interest expense:

Interest income during 2016 totaled \$11,348 (2015 - \$41,502).

Interest expense on long term debt during 2016 totaled \$1,029,371 (2015 - \$943,784).



# GREATER VICTORIA HOUSING SOCIETY

## Notes to Financial Statements

Year ended December 31, 2016

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### **14. Accounts payable and accrued liabilities:**

Included in accounts payable and accrued liabilities are government remittances payable of \$30,349 (2015 - \$43,689), which includes amounts payable for payroll deductions, workers' compensation, and medical service plan premiums.

### **15. Employee and contractor remuneration:**

The BC Societies Act came into effect on November 28, 2016. The Act has a requirement for the disclosure in the financial statements of the remuneration of directors, employees and contractors for financial statements prepared after November 28, 2016. For employee and contractor remuneration the requirement is to disclose amounts paid to individuals whose remuneration was greater than \$75,000. For the fiscal year ending December 31, 2016, the Society paid remuneration of \$262,300 to 3 employees, each of whom received total annual remuneration of \$75,000 or greater.

### **16. Comparative information:**

Certain comparative information has been reclassified to conform to the presentation adopted in the current year.

## Schedule of Operations

Year ended December 31, 2016, with comparative information for 2015

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**GREATER VICTORIA HOUSING SOCIETY**  
Schedule of Operations

Schedule 1 - page 2 of 2

Year ended December 31, 2016, with comparative information for 2015

	Nigel Square		Pembroke		Siklum Lodge		Sutcliffe Court		Tillicum Terrace		Townley Lodge		Joint Venture with GVRDS		Other		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<b>Revenue</b>																		
Tenant rent contributions	108,920	\$ 113,938	214,968	\$ 211,155	\$ 357,621	\$ 355,849	\$ 50,212	\$ 12,057	\$ 265,228	\$ 283,606	170,117	\$ 189,135	\$ -	\$ -	\$ -	\$ -	\$ 4,370,457	\$ 4,004,765
Interest income (note 11(a))	94,848	93,041	-	-	230,775	260,362	46,005	8,953	231,070	235,989	-	-	-	-	-	-	1,620,511	1,724,835
Interest reduction grants (note 11(a))	-	-	-	-	22,355	-	-	-	-	-	-	-	-	-	-	-	43,505	-
Island Health services paid by tenants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	74,631	66,360
Island Health subsidy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	150,309	140,378
Laundry	-	-	1,920	1,272	10,070	9,390	-	-	2,430	2,898	3,143	3,311	-	-	15,278	-	11,457	88,582
Heat and light recovery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	35,092	34,860
Cable recovery	-	-	-	-	30,752	11,825	4,320	1,050	200	30	15,306	15,128	-	-	10,506	-	208,443	196,324
Investment income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30,037	-
Interest in joint venture with GVRDS (note 3)	(37)	-	-	-	-	113	-	-	-	87	-	-	-	-	-	-	11,161	-
Unrealized gain (loss) on investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,596)	(3,596)
Other	175	5,927	363	2,075	2,965	2,245	-	-	-	-	2,129	1,850	-	-	(3,274)	-	285,021	285,021
	203,906	212,906	217,251	214,502	672,070	691,465	100,537	21,960	508,605	505,725	190,695	189,424	-	-	241,813	287,312	6,883,940	6,875,217
<b>Expenses</b>																		
Amortization	83,505	81,120	34,825	33,740	189,461	184,438	24,172	3,801	159,909	154,210	16,249	9,531	-	-	30,062	26,242	1,751,599	1,395,070
Mortgage interest	28,524	30,923	57,384	58,526	60,506	61,471	4,585	1,068	99,269	103,668	742	1,271	-	-	1,273	1,029,371	943,784	943,784
Janitor - maintenance salaries	16,233	16,392	20,406	20,796	71,736	74,693	8,134	1,845	56,237	53,567	37,302	39,983	-	-	(1,188)	(22)	719,375	698,561
Administration	11,460	11,255	17,176	17,482	56,967	59,042	5,708	1,634	39,928	41,258	28,669	29,436	-	-	45,159	83,786	616,582	647,375
Heat, hydro and hot water	1,088	1,542	5,699	7,415	84,377	74,684	9,027	2,724	18,798	20,684	7,729	10,696	-	-	-	-	445,427	439,900
Maintenance	11,446	13,566	20,814	21,577	24,606	29,695	9,211	2,745	36,568	30,595	10,539	13,121	-	-	776	-	356,623	321,021
Replacement Reserve allocation	12,960	12,960	16,000	16,000	18,000	18,000	1,731	433	37,080	37,080	21,600	21,600	-	-	-	-	316,369	303,349
Property taxes	15,385	25,781	24	24	26,129	25,540	7,854	789	19,990	18,657	9,145	9,814	-	-	-	-	254,935	227,563
Waste	17,969	16,851	6,317	4,351	33,519	28,719	3,574	789	28,541	28,341	15,847	15,598	-	-	-	-	245,183	207,889
Cablevision	-	-	-	-	28,932	4,101	902	-	95	-	-	-	-	-	-	-	203,239	195,655
Island Health expenses	8,177	6,982	5,485	5,303	12,029	11,377	1,176	294	13,616	12,776	8,760	8,919	-	-	-	-	201,558	201,493
Garbage	5,557	7,570	1,005	1,117	17,061	20,329	2,530	743	12,162	17,486	8,196	8,324	-	-	-	-	166,022	150,098
Insurance	211	142	520	88	972	1,886	33	131	276	634	556	524	-	-	-	-	159,057	194,018
Other	870	643	995	849	3,773	2,645	877	280	2,310	2,075	1,843	1,312	-	-	-	-	93,973	101,347
Audit and legal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	38,660	64,550
Consultant fees	184	40	279	61	922	2,200	92	-	645	140	465	102	-	-	-	-	37,842	35,406
Capital improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	49,080	35,839
Land lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16,124	18,414
Contribution to joint venture with GVRDS	-	25	-	38	-	6,233	-	-	-	-	-	-	-	-	-	-	1,250	-
	213,799	225,552	186,929	187,467	629,452	631,009	82,805	17,382	526,423	521,209	167,362	171,396	-	-	192,929	289,757	6,658,413	6,202,642
<b>Excess (deficiency) of revenue over expenses before the following</b>	(9,893)	(12,646)	30,322	27,035	42,618	60,456	17,732	4,578	(17,818)	(15,484)	23,333	18,028	-	-	48,884	(22,445)	225,527	472,575
<b>Recovery (repayment) of deficit (surplus) (note 11(b))</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recovery of joint venture with GVRDS	9,947	19,301	-	-	(16,647)	32,571	(2,560)	-	2,541	21,456	-	-	-	-	-	-	704,305	704,305
Adjustment of prior year's revenue and expenses funded by the Society	2,609	8,811	-	-	43,809	(14,834)	(1,968)	-	-	-	-	-	-	-	-	-	-	180,100
Excess (deficiency) of revenue over expenses	2,753	15,466	30,322	27,035	68,780	78,193	13,154	4,578	(2,334)	32,996	23,333	18,028	-	-	(82,336)	(96,079)	-	-
	(12,646)	(28,112)	71,822	44,787	(464,563)	(510,563)	4,578	-	(22,761)	(48,480)	132,332	114,304	-	-	(4,356)	716,052	(169,608)	1,446,745
<b>Fund balance, beginning of year</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Interfund transfers:</b>																		
Operating - Joint Venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,533,969	-
Capital - Joint Venture	-	-	-	-	(43,751)	(32,193)	(1,800)	-	(9,881)	(7,277)	-	-	-	-	67,661	(2,836,158)	(108,302)	(2,983,481)
BC Housing replacement reserve review adjustments	-	-	-	-	-	-	(8,949)	-	-	-	-	-	-	-	-	-	(8,949)	(9,852)
Replacement reserve fund transfer for expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,257	-
<b>Fund balance, end of year</b>	\$ (9,893)	\$ (12,646)	\$ 102,144	\$ 71,822	\$ (438,534)	\$ (464,563)	\$ 6,983	\$ 4,578	\$ (34,976)	\$ (22,761)	\$ 155,665	\$ 132,332	\$ -	\$ -	\$ 29,873	\$ (4,356)	\$ (114,709)	\$ (169,608)

# GREATER VICTORIA HOUSING SOCIETY

Changes in Replacement Reserve Fund

Schedule 2

Year ended December 31, 2016

	Balance at December 31, 2015	BC Housing review adjustments	Contributions from BCHMC and other	Contribution from Operating Fund	Investment income	Expenditures	Unrealized gain (loss) on investments	Balance at December 31, 2016
Balmoral	\$ 90,695	\$ -	\$ 90,328	\$ 53,280	\$ 1,703	\$ 68,853	\$ -	\$ 152,896
Campbell Lodge	14,965	-	954	25,918	398	32,252	-	9,983
Colwood Lodge	186,019	-	18,731	12,000	1,341	33,238	-	184,853
Constance Court	300,143	-	-	6,240	1,746	19,037	-	289,092
Dahli Place	59,454	-	-	40,800	576	7,138	-	93,692
Dowler Lodge	65,229	-	-	23,760	595	21,961	-	67,623
Esquimalt Lions Lodge	329,008	-	3,074	30,000	2,208	49,295	-	314,995
Forest Heights	3,798	-	-	20,000	165	6,946	-	17,017
Grafton Lodge	416,316	-	-	-	2,286	9,523	-	409,079
Nigel Square	1,705	-	-	12,960	133	10,158	-	4,640
Pembroke Mews	54,753	-	-	16,000	394	2,666	-	68,481
Sitkum Lodge	149,146	-	-	18,000	999	18,935	-	149,210
Sutcliffe Court	5,443	8,949	8,895	1,731	43	753	-	24,308
Tillicum Terrace	55,181	-	-	37,080	659	30,571	-	62,349
Townley Lodge	293,864	-	-	21,600	1,763	13,067	-	304,160
Unrealized gain on investments	6,301	-	-	-	-	-	74,966	81,267
	\$ 2,032,020	\$ 8,949	\$ 121,982	\$ 319,369	\$ 15,009	\$ 324,393	\$ 74,966	\$ 2,233,645

# GREATER VICTORIA HOUSING SOCIETY

Changes in Replacement Reserve Fund

Schedule 2

Year ended December 31, 2015

	Balance at December 31, 2014	BC Housing review adjustments	Contributions from BCHMC and other	Contribution from Operating Fund	Investment income	Expenditures	Unrealized gain (loss) on investments	Balance at December 31, 2015
Balmoral	\$ 103,981	\$ -	\$ 250,129	\$ 53,280	\$ 17,589	\$ 334,284	\$ -	\$ 90,695
Campbell Lodge	(14,035)	9,852	10,820	25,918	979	18,569	-	14,965
Colwood Lodge	169,127	-	34,678	12,000	5,966	35,752	-	186,019
Constance Court	297,423	-	959	6,240	7,509	11,988	-	300,143
Dahli Place	-	-	36,991	27,200	776	5,513	-	59,454
Dowler Lodge	56,268	-	1,919	23,760	2,397	19,115	-	65,229
Esquimalt Lions Lodge	309,620	-	-	28,878	8,453	17,943	-	329,008
Forest Heights	(6,453)	-	-	20,000	566	10,315	-	3,798
Grafton Lodge	417,609	-	3,113	-	10,327	14,733	-	416,316
Nigel Square	6,409	-	-	12,960	900	18,564	-	1,705
Pembroke Mews	39,119	-	-	16,000	1,348	1,714	-	54,753
Sitkum Lodge	143,974	-	5,389	18,000	4,508	22,725	-	149,146
Sutcliffe Court	-	-	5,000	433	10	-	-	5,443
Tillicum Terrace	63,686	-	-	37,080	3,555	49,140	-	55,181
Townley Lodge	277,308	-	-	21,600	7,384	12,428	-	293,864
Unrealized gain on investments	103,139	-	-	-	-	-	(96,838)	6,301
	\$ 1,967,175	\$ 9,852	\$ 348,998	\$ 303,349	\$ 72,267	\$ 572,783	\$ (96,838)	\$ 2,032,020