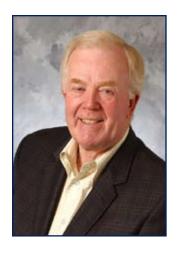


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President's Letter



The Risk Rating
Report is very
user-friendly.

[A Co-op]

Throughout 2007, the Board of Directors took pride in the Agency's quarter-by-quarter advance toward full achievement of the standards we agreed to meet for CMHC. By autumn, the Agency had reached its long-anticipated steady state.

As President, I am pleased with our consistent performance across the country and the reliability with which we deliver services for the benefit of our client housing co-operatives and Canada Mortgage and Housing Corporation alike. The service agreement we signed with CMHC is our promise to perform and, so far, we have kept that promise.

Half-way through the first five-year term of the agreement, we think we have proven ourselves. Our next goal is to persuade CMHC to move forward with the benchmarking and best-practices services, where I think we can demonstrate the Agency's full potential.

Our challenge in 2008 is to convince troubled housing co-operatives to take the difficult decisions needed to revitalize their operations. At the same time, we rely on CMHC to recognize that, as they age, even well-run housing co operatives need access to new loans to finance the repair and refurbishment of their properties.

The Agency's performance so far gives its Board of Directors confidence that, as we assume added responsibilities, we will continue to satisfy CMHC's expectations, while contributing materially to achieving the social policy objectives of Canada's co-operative housing programs.

Yours sincerely, Ray Hession



Board of Directors



Ray Hession, President



Jill Kelly, Vice-President



Peter Crawford, *Treasurer*



Carol Davis



Barbara Millsap



Stuart Thomas



Our Staff in 2007

Alexandra Wilson, CEO

Corporate Services

Gail Church, *Director*, *Corporate Services*

Jennifer Algera, Senior Administrative Assistant Chris Beggs, Information Systems Administrator Jean-Marc Carrière, Senior Administrative Assistant Shannon Crandell, Administrative Assistant Gisèle Dubois, Executive Assistant Catriona McCallum, Senior Administrative Assistant Toby McSween, Administrative Assistant

Information Services and Best Practices

Olga Tasci, *Director, Information Services and Best Practices*

Gail Chiu, Quality Assurance Co-ordinator
Maggie Keith, Communications Officer
Julie LaPalme, Information Officer
Ken Lawson, AIR Help Desk Officer
Larry Lenske, Financial Officer
Sergei Pershukevich, Data Administrator
Stan Piechocinski, Manager, Systems and Standards
Chantal Roy, Client Service Champion
Michel St-Denis, Manager, Technical Services
Dave Switzer, Intermediate Software Developer

Program Management Services

Penelope Winter, *Director, Program Management Services*

Margaret Callaghan, Relationship Manager Donna Charbonneau, Relationship Manager Jacqueline Cooper, Relationship Manager Jane Davidson-Neville, Relationship Manager Cole Dudley, Relationship Manager Peter Gesiarz, Relationship Manager Dave Howard, Acting Team Leader Glenn McCutcheon, Senior Analyst Lori-Anne McDonald, Special Projects Joanne Mick, Team Leader Greg O'Neill, Analyst Shawn Preus, Relationship Manager Payam Ressalat, Relationship Manager Debbie Saidman, Relationship Manager Francesca Sorace, Relationship Manager Sandeep Thethy, Relationship Manager Miriam Trotscha, Relationship Manager Heather Wesenberg, Relationship Manager Nicole Wilson, Relationship Manager Quentin Wright, Relationship Manager G. Scott Wylie, Relationship Manager



ACTION:

Program Management Services Division

In 2007 the Program Management Services division continued to dig deep into the details of every co-operative we work with. We produced personalized risk-assessment and program-compliance reports for each individual co-op and issued our first findings for co-ops on how they are faring compared to their peers and their own past results.

I was very pleased by the level of performance our relationship managers achieved in 2007. Even while the tools and systems they needed were still being developed and refined, they delivered service with passion and a commitment to results. Our staff worked hard to build solid long-distance relationships with clients who in some cases are located far away from their regional service centre.

In 2007 we concentrated on co-ops at high risk, helping them identify immediate steps they could take to strengthen their operations and address their problems. Although much work lies ahead with those that have not yet returned to health, I look forward to meeting our responsibilities in partnership with colleagues who care so much about housing co-operatives.

- Penelope Winter Director, Program Management Services



I'm quite happy with our Relationship Manager and her skill, responses and information...

[A Co-op]





INFORMATION:

Information Services and Best Practices Division

In 2007, I had the privilege of leading a diverse and gifted crew of people through an intensive period of collaboration. Together we developed tools and provided information for the Agency's front-line staff and our clients. We tested and adopted a new rating system for co-op inspections, enriched the information offered through our secure website and produced our first annual report for CMHC on the performance of both the Agency and the co-operatives we work with. A signal achievement was the launch of two individualized reports that we now send annually to housing co-ops. The Annual Compliance Report reviews a co-op's compliance with program requirements and explains what, if anything, it needs to do differently. The Co-op Data Report gives each client a first look at its performance in relation to other co-ops.

Aside from a heavy workload, which we experienced in common with staff throughout the Agency, our biggest challenge was the close attention to detail required for everything from fine-tuning a technical process to creating a new report or reviewing the mound of annual information returns from co-ops.

Feedback collected from our co-op clients themselves has given us valuable ideas that we hope to realize in 2008 and the years ahead. The path of innovation is not always the easiest, but we are making good progress towards our vision of assisting co-ops through the means and methods of the 21st century.

- Olga Tasci Director, Information Services and Best Practices



Actually, the service exceeded my expectations,...



FACILITATION:

Corporate Services Division

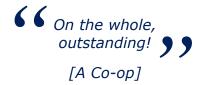
For my division, 2007 was marked by staff comings and goings. Although we lost some worthy employees, we also acquired new and valuable talents.

Besides the task of finding the right person for numerous staff positions, we put a disaster-recovery plan in place for each Agency office and took several important steps toward a paperless operation. Over the year we transferred about half our Agency-related paper and electronic files to SharePoint. This program provides for superior file-sharing and control over documents and work flows, but the transition is lengthy and not yet complete.

I was pleased that we supported our staff with a new wellness program, weekly education sessions on various topics, and an intensive two-day training event on client service, property inspections, co-op financial statements and environmental responsibility.

- Gail Church Director, Corporate Services









SERVING AND RETURNING:

Client Service in 2007

Excellent client service lies at the heart of everything we do at the Agency. Our goal is to deliver service of a quality that can be measured in the growing success and satisfaction of our clients. In 2007, this meant prompt responses, opinions solicited and carefully considered, and the timely return of filed information in a form that lets co-ops judge their accomplishments for themselves.

Client Service Champion Chantal Roy is the Agency's in-house client-service advocate. Her job is to collect feedback from our clients, coach our staff, and monitor Agency performance in meeting our published service standards.

Every year, we report to our clients and other stakeholders on our progress. This year, as last, we shared our results in the form of an <u>annual report card</u>. Our grades were not perfect in 2007, our first full year of operation, but by the end of the year we were meeting the standards we had set for ourselves.

I felt that my Relationship Manager was extremely helpful, very kind and understanding and I am so pleased to see the quality of the service that has been offered.

[A Co-op]





THE STARTING LINE:

Co-op Performance in 2007

By the end of 2007, the Agency had collected two years or more of financial data from all but a handful of our 515 clients, allowing us to report their median¹ performance for the first time.

The year 2007 was reasonably good for Median Co-op—a fictional housing co-operative composed of median data drawn from our co-op clients. In good physical condition, it enjoyed excellent liquidity² and earned enough income over the year to cover all of its costs and make a healthy contribution to its reserve for future capital repairs and replacements.

However, a modest reserve balance and other risk factors, such as holding less insurance than recommended, prompted the Agency to assign Median Co-op a Composite Risk Rating of Above Average.

The co-op's housing charges were below the market level for a property with similar amenities in the same community, allowing Median Co-op to post vacancy losses of only 0.4 per cent of gross housing-charge potential³, well below the average market rate. At 0.8 per cent of the share of housing charges payable by residents, Median Co-op's combined year-end arrears and annual bad-debt expense ratio was very respectable, suggesting that it is well-managed and occupied by responsible members.

AGENCY CLI	ENTS		
All Co-op Clients	515		
By Province			
B.C.	177		
Alberta	52		
Ontario	274		
PEI	12		
By Single			
Program			
S26/61	54		
S95	314		
ILM	127		
PEI-NP/UN	5		
PLI-INP/ON			

- 1. Half the co-ops in the data set were above the median and half were below.
- 2. Liquidity refers to how much money a co-op has ready access to.
- 3. This measure is the maximum revenue possible from current occupancy charges, before deducting housing subsidies and rental inducements, if all units are occupied.



Altogether, Median Co-op spent \$160 per unit per month on regular maintenance and repairs and replacements funded from its capital replacement reserve. This sum is not excessive for a property that was developed 24 years ago. In 2007 the co-op put aside the equivalent of 7.8 per cent of its expenses⁴, or \$58 per unit per month, for future capital needs.

Through regular contributions and investment income, the co-op has built up a capital reserve fund, net of spending to date, of \$3,152 per unit. At its current contribution rate, the co-op will not be able to keep the property in good condition until it is ready to remortgage and renovate. With an eye to this, Median Co-op, which was financed under the S95 Program, ended the year by adding \$23,706⁵ to its capital reserve from surplus earnings. Its peers under other programs were not as prudent.

Median Co-op either employs its own management staff or has a service contract with a management company. Management and administration costs made up 6.3 per cent of the co-op's spending on debt-service and operating costs in 2007.

From its 2007 performance, Median Co-operative appears to be offering its members decent housing at a fair price. It can expect to do so for a long time to come if it takes steps to increase its capital-replacement reserve.

- 4. For this purpose, expenses include mortgage payments and operating costs, but exclude contributions to the reserve.
- This sum was the median supplemental contribution made by just over 25 per cent of Agency clients.



The Road Before Us



We requested and received a full explanation relating to our Year 16 subsidy evaluation and what procedures we will have to follow to appeal. There was full disclosure and cooperation which was very refreshing...

[A Co-op]

My colleagues have spoken of our achievements of the past year with well-deserved pride. We do not intend to sit on our laurels in 2008.

In 2007 much of our energy was devoted to training ourselves to meet exacting standards of performance. We undertook a strict process of continuous measurement that was at first foreign to our staff. Our discipline paid off. The Agency's routine work is now accomplished with much less effort, freeing us to focus more of our creative energy on helping co-operatives. We have an amazing repository of information at our disposal, which we are just beginning to tap for their benefit. The possibilities it offers are limitless.

A challenge in the coming year will be to develop stronger proposals for co-ops in financial difficulty. Where programs restrict the refinancing options open to our clients, we will find new approaches and persuade CMHC of their worth.

In 2006 we set off on what we knew would be a difficult journey. In 2007 we showed that we are competent to travel hopefully, map in hand, with co-operatives as our companions. Splendid possibilities lie ahead for 2008 and beyond. Wonderful cities and free nations, to borrow Whitman's words. Dark woods. Landscapes of continents and a plain public road. The journey continues.

Alexandra Wilson
 Chief Executive Officer





Financial Highlights

	31 December 2007	31 December 2006
ASSETS		
Cash	\$ 1,764,920	\$ 2,043,166
Capital Assets	1,328,724	1,495,782
Other	62,162	83,829
TOTAL	\$ 3,155,806	\$ 3,622,777
LIABILITIES	\$ 1,957,464	\$ 2,312,825
FUND BALANCES		
Operating Reserve	139,406	138,213
Capital Fund	1,058,936	1,171,739
TOTAL	\$ 3,155,806	\$ 3,622,777
	2007	2006
Revenue	\$ 5,021,524	\$ 3,679,994
Expenditures – Operating	(4,795,420)	(3,447,891)
Transfer to Capital Fund	(224,911)	(109,774)
Change in Operating Reserve	\$ 1,193	\$ 122,329

The full financial statements, audited by Marcil Lavallée, have been provided to CHF Canada (the member) and other parties, as required.





Our Vision

The Agency aspires to be a superlative administrator of co-operative housing programs, recognized for its leadership by governments across Canada and valued by housing co operatives as a partner in their success.

Our Mission

The Agency administers co-operative housing programs, deploying risk-based strategies, superior information management and client-centred service to safeguard the public's investment and help our government and co-operative partners attain their goals.



Our Core Values

We hold to these values, which govern our conduct with the general public, our government and co-operative partners, and our employees and other stakeholders.

Transparency - We promote the open and honest sharing of knowledge and information, while guarding the privacy of individuals.

Trust - We earn the confidence of our co-operative and government partners through exceptional service and consistent performance.

Excellence - We pursue superior results and continuous improvement. Success, for us, is getting the right things done as well as possible.

Innovation - We challenge ourselves constantly to find fresh approaches that will lead to ever-better outcomes for our partners.

Co-operation - We work in concert with our stakeholders to achieve separate but complementary goals.

Accountability - We answer to our government and movement partners for the results we achieve as responsible stewards of the programs entrusted to us.





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