

Consolidated Financial Statements of

**SAULT STE. MARIE
HOUSING CORPORATION**

And Independent Auditors' Report thereon

Year ended December 31, 2021

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of Sault Ste. Marie Housing Corporation (the "Corporation") are the responsibility of the Corporation's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Corporation's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Directors meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Corporation. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Corporation's consolidated financial statements.



Chief Executive Officer



Director of Corporate Services



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INDEPENDENT AUDITORS' REPORT

To the Directors of Sault Ste. Marie Housing Corporation

Opinion

We have audited the consolidated financial statements of Sault Ste. Marie Housing Corporation (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2021
- the consolidated statement of operations and accumulated operating surplus for the year then ended
- the consolidated statement of change in net debt for the year then ended
- the consolidated statement of remeasurement losses for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2021 and its consolidated results of operations, its consolidated changes in net debt and its consolidated cash flows and its consolidated remeasurement losses for the year then ended in accordance with Canadian public sector accounting standards.

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 "***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***" section of our auditors' report.

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

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



Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the consolidated 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 consolidated 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.



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- 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly wavy line that underlines the text.

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Canada

July 27, 2022

SAULT STE. MARIE HOUSING CORPORATION

Consolidated Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Financial assets		
Cash and cash equivalents	\$ 6,591,707	\$ 2,368,503
Accounts receivable	853,306	1,158,427
Due from District of Sault Ste. Marie Social Services Administration Board	1,306,883	1,119,775
	<u>8,751,896</u>	<u>4,646,705</u>
Financial liabilities		
Accounts payable and accrued liabilities	1,943,565	1,257,850
Deferred revenue (note 2)	145,606	61,695
Interest rate swaps	1,000,627	413,047
Long-term debt (note 3)	9,904,759	10,375,665
	<u>12,994,557</u>	<u>12,108,257</u>
Net financial liabilities	(4,242,661)	(7,461,552)
Non-financial assets		
Tangible capital assets (note 4)	29,135,170	26,052,014
Prepaid expenses	58,889	-
	<u>29,194,059</u>	<u>26,052,014</u>
Commitments (note 8)		
Accumulated surplus (note 5)	\$ 24,951,398	\$ 18,590,462
Accumulated surplus is comprised of:		
Accumulated operating surplus	25,952,025	19,003,509
Accumulated remeasurement losses	(1,000,627)	(413,047)
	<u>\$ 24,951,398</u>	<u>\$ 18,590,462</u>

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board:



Director



Director

SAULT STE. MARIE HOUSING CORPORATION

Consolidated Statement of Operations and Accumulated Operating Surplus

Year ended December 31, 2021, with comparative information for 2020

	2021 Budget (note 10)	Actual 2021	Actual 2020
Revenue:			
District of Sault Ste. Marie Social Services Administration Board (note 7)	\$ 2,370,406	\$ 8,278,153	\$ 8,683,736
Rental	4,608,800	4,781,844	3,778,660
CMHC funding	-	1,643,427	-
Miscellaneous	51,750	171,861	33,535
Interest	45,000	25,576	24,921
	<u>7,075,956</u>	<u>14,900,861</u>	<u>12,520,852</u>
Expenses:			
Building repairs and maintenance	2,032,506	1,861,494	1,574,748
Utilities	1,453,000	1,710,141	1,296,442
Municipal property taxes	1,310,181	1,343,217	1,130,783
Amortization of capital assets	820,492	820,492	709,693
Building capital	1,326,000	682,314	605,215
Program operations	291,669	384,514	423,614
Insurance	260,500	331,712	318,879
Grounds maintenance	311,100	300,313	175,949
Mortgage interest	-	268,443	90,226
Bad debts	62,000	201,864	104,891
Professional fees	23,500	36,723	53,364
Interest and bank charges	5,500	11,118	18,030
Total expenses	<u>7,896,448</u>	<u>7,952,345</u>	<u>6,501,834</u>
Annual operating surplus (deficit)	(820,492)	6,948,516	6,019,018
Accumulated operating surplus, beginning of year	19,003,509	19,003,509	12,984,491
Accumulated operating surplus, end of year	<u>\$ 18,183,017</u>	<u>\$ 25,952,025</u>	<u>\$ 19,003,509</u>

The accompanying notes are an integral part of these consolidated financial statements.

SAULT STE. MARIE HOUSING CORPORATION

Consolidated Statement of Change in Net Debt

Year ended December 31, 2021, with comparative information for 2020

	2021 Budget (note 10)	Actual 2021	Actual 2020
Annual surplus (deficit)	\$ (820,492)	\$ 6,948,516	\$ 6,019,018
Acquisition of tangible capital assets	-	(3,903,648)	(15,782,964)
Amortization of tangible capital assets	-	820,492	709,693
	(820,492)	3,865,360	(9,054,253)
Acquisition of prepaid expense	-	(58,889)	-
Change in net debt excluding net remeasurement losses	(820,492)	3,806,471	(9,054,253)
Remeasurement losses	-	(587,580)	(413,047)
Change in net debt	(820,492)	3,218,891	(9,467,300)
Net (debt) assets, beginning of year	(7,461,552)	(7,461,552)	2,005,748
Net debt, end of year	\$ (8,282,044)	\$ (4,242,661)	\$ (7,461,552)

The accompanying notes are an integral part of these consolidated financial statements.

SAULT STE. MARIE HOUSING CORPORATION

Consolidated Statement of Remeasurement Losses

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Accumulated remeasurement losses, beginning of year	\$ (413,047)	\$ -
Unrealized losses attributed to:		
Derivative - interest rate swaps	(587,580)	(413,047)
Accumulated remeasurement losses, end of year	\$ (1,000,627)	\$ (413,047)

The accompanying notes are an integral part of these consolidated financial statements.

SAULT STE. MARIE HOUSING CORPORATION

Consolidated Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 6,948,516	\$ 6,019,018
Items not involving cash:		
Amortization of tangible capital assets	820,492	709,693
	7,769,008	6,728,711
Change in non-cash assets and liabilities:		
Accounts receivable	305,121	(453,496)
Due from District of Sault Ste. Marie Social Services Administration Board	(187,108)	(269,035)
Accounts payable and accrued liabilities	685,715	(451,291)
Deferred revenue	83,911	(225,849)
Prepaid expenses	(58,889)	-
Net change in cash from operating activities	8,597,758	5,329,040
Capital activities:		
Cash used to acquire tangible capital assets	(3,903,648)	(15,782,964)
Financing activities:		
Proceeds from long-term debt	-	10,150,000
Long-term debt principal repayments	(470,906)	(280,104)
Net change in cash from financing activities	(470,906)	9,869,896
Net change in cash and cash equivalents	4,223,204	(584,028)
Cash and cash equivalents, beginning of year	2,368,503	2,952,531
Cash and cash equivalents, end of year	\$ 6,591,707	\$ 2,368,503

The accompanying notes are an integral part of these consolidated financial statements

SAULT STE. MARIE HOUSING CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2021

Sault Ste. Marie Housing Corporation (the "Corporation") was incorporated in the Province of Ontario on December 14, 2000. The objects of the Corporation state that the Corporation will provide for accommodation to persons of low or modest income and to persons with special needs. The Corporation is exempt from income tax under section 149(1)(d.5) of the Income Tax Act as a municipal corporation.

1. Significant accounting policies:

The consolidated financial statements of the Corporation are prepared by management in accordance with Canadian generally accepted accounting principles for government organizations as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Corporation are as follows:

(a) Basis of accounting:

Revenue and expenses are reported on the accrual basis of accounting.

The accrual basis of accounting recognizes revenue as they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(b) Reporting entities:

The consolidated financial statements reflect the assets, liabilities, revenues, expenses and accumulated surplus of 2733106 Ontario Inc. Inter-organization transactions and balances between these organizations have been eliminated.

(c) Financial instruments:

All financial instruments are initially recorded on the statement of financial position at fair value.

All investments, if any, held in equity instruments that trade in an active market are recorded at fair value. Management has elected to record investments at fair value as they are managed and evaluated on a fair value basis. Freestanding derivative instruments that are not equity instruments that are quoted in an active market are subsequently measured at fair value. The long term debt is recorded at cost and the related interest rate swap agreement is recorded at fair value.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

SAULT STE. MARIE HOUSING CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2021

1. Significant accounting policies (continued):

(c) Financial instruments (continued):

All financial assets are assessed for impairment on an annual basis. Where a decline in fair value is determined to be other than temporary, the amount of the loss is recognized in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses. On sale, the statement of remeasurement gains and losses associated with that instrument are reversed and recognized in the statement of operations.

Financial instruments are classified into fair value hierarchy Levels 1, 2 or 3 for the purposes of describing the basis of the inputs used to determine the fair market value of those amounts recorded a fair value, as described below:

Level 1 – Fair value measurements are those derived from quoted prices unadjusted) in active markets for identical assets or liabilities;

Level 2 – Fair value measurements are those derived from market-based inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly;

Level 3 – Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

All financial instruments are Level 1 except for the interest rate swap which is Level 2.

(d) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

i. Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful Life – Years
Buildings	40 - 60
Furniture and equipment	5

Amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for use.

ii. Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are recorded as revenue.

SAULT STE. MARIE HOUSING CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2021

1. Significant accounting policies (continued):

(e) Cash and cash equivalents:

Cash and cash equivalents are represented by cash on hand, cash on deposit in chartered banks and investments that mature within three months.

(f) Reserves:

Certain amounts, as approved by the Board of Directors, are set aside in reserves or reserve funds for future operating and capital purposes. Transfers to and/or from the reserves and reserve funds are an adjustment to the respective fund when approved.

(g) Revenue recognition:

The Corporation recognizes revenue on accommodation charges on a monthly accrual basis when collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the amount is fixed or determinable. Other income is recorded when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Subsidy revenue is recognized in accordance with the requirements of the Housing Services Act, 2011.

(h) Use of estimates:

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying value of tangible capital assets, employee future benefits and valuation allowances for receivables and Canada – Ontario Affordable Housing Program Loans. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the statement of operations in the year in which they become known.

2. Deferred revenue:

Deferred revenue consists of Social Services Relief Funding received from Ministry of Municipal Affairs and Housing to support services that address the impacts of COVID-19 on vulnerable Ontarians. These amounts will be recognized as revenue when the related expense is incurred.

	2021	2020
Balance, beginning of year	\$ 61,695	\$ 287,544
Contributions received during the year	223,112	–
Contributions recognized as revenue during the year	(139,201)	(225,849)
Balance, end of year	\$ 145,606	\$ 61,695

SAULT STE. MARIE HOUSING CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2021

3. Long-term debt:

	2021	2020
Canada Mortgage and Housing Corporation, various debentures, interest rates varying from 6.09% to 6.34%, annual payments totaling \$257,264 due dates ranging from January 2021 to December 2023, secured by real property	\$ 40,014	\$ 279,902
2.47% mortgage payable in monthly instalments of \$11,812, including interest, due June 2050, secured by land and building in Sault Ste. Marie, Ontario (a)	2,896,882	2,966,051
2.56% mortgage payable in monthly instalments of \$29,904, including interest, due July 2050, secured by land and building in Sault Ste. Marie, Ontario (a)	6,097,918	6,238,451
2.29% mortgage payable in monthly instalments of \$3,459, including interest, due November 2050, secured by land and building in Sault Ste. Marie, Ontario (a)	869,945	891,261
	<u>\$ 9,904,759</u>	<u>\$ 10,375,665</u>

Principal repayments required for the next five years and thereafter are as follows:

2022	\$ 259,760
2023	260,044
2024	249,077
2025	255,405
2026	261,896
Thereafter	8,618,577
	<u>\$ 9,904,759</u>

In September 2021, the Corporation was approved for a \$13,900,000 mortgage which was not drawn upon at December 31, 2021. The Corporation has entered into an interest rate swap contract for this mortgage. See note 3a.

(a) To reduce the interest rate cash flow risk on the mortgages, the Corporation has entered into interest rate swap contracts that entitles the Corporation to receive interest at floating rates on the notional principal amount and obliges it to pay interest at fixed rates of 2.47%, 2.56%, 2.29% and 3.38% respectively over the entire terms of the mortgages. The fair value of the interest rate swaps at December 31, 2021 are (\$1,000,704) (2020 - \$(431,047)).

SAULT STE. MARIE HOUSING CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2021

4. Tangible capital assets:

Cost	Balance at December 31, 2020	Additions	Disposals and Transfers	Balance at December 31, 2021
Land	\$ 3,374,734	54,949	-	\$ 3,429,683
Buildings	27,374,569	1,481,337	-	28,855,906
Furniture and equipment	43,016	-	-	43,016
Construction-in-progress	-	2,367,362	-	2,367,362
Total	\$ 30,792,319	3,903,648	-	\$ 34,695,967

Accumulated Amortization	Balance at December 31, 2020	Amortization Expense	Disposals	Balance at December 31, 2021
Land	\$ -	-	-	\$ -
Buildings	4,697,289	820,492	-	5,517,781
Furniture and equipment	43,016	-	-	43,016
Total	\$ 4,740,305	820,492	-	\$ 5,560,797

	Net book value, December 31, 2020	Net book value, December 31, 2021
Land	\$ 3,374,734	\$ 3,429,683
Buildings	22,677,280	23,338,125
Furniture and equipment	-	-
Construction-in-progress	-	2,367,362
Total	\$ 26,052,014	\$ 29,135,170

SAULT STE. MARIE HOUSING CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2021

4. Tangible capital assets (continued):

Cost	Balance at December 31, 2019	Additions	Disposals and Transfers	Balance at December 31, 2020
Land	\$ 1,756,634	1,618,100	-	\$ 3,374,734
Buildings	7,184,980	20,189,589	-	27,374,569
Furniture and equipment	43,016	-	-	43,016
Construction-in-progress	6,024,725	-	(6,024,725)	-
Total	\$ 15,009,355	21,807,689	(6,024,725)	\$ 30,792,319

Accumulated Amortization	Balance at December 31, 2019	Amortization Expense	Disposals	Balance at December 31, 2020
Land	\$ -	-	-	\$ -
Buildings	3,987,596	709,693	-	4,697,289
Furniture and equipment	43,016	-	-	43,016
Total	\$ 4,030,612	709,693	-	\$ 4,740,305

	Net book value, December 31, 2019	Net book value, December 31, 2020
Land	\$ 1,756,634	\$ 3,374,734
Buildings	3,197,384	22,677,280
Furniture and equipment	-	-
Construction-in-progress	6,024,725	-
Total	\$ 10,978,743	\$ 26,052,014

SAULT STE. MARIE HOUSING CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2021

5. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

	2021	2020
Invested in tangible capital assets	\$ 29,135,170	\$ 26,052,014
Operating fund	5,417,972	2,337,087
Unfunded long-term debt	(9,904,759)	(10,375,665)
Reserves	1,303,642	990,069
Accumulated remeasurement losses	(1,000,627)	(413,043)
	<u>\$ 24,951,398</u>	<u>\$ 18,590,462</u>

6. Reserves:

	January 1, 2021	Transfers to	Transfers from	December 31, 2021
Set aside for specific purposes by the Corporation:				
Reserves:				
Replacement reserve	\$ 990,069	\$ –	\$(400,000)	\$ 590,069
Affordable Home Pilot Program	–	803,178	(89,605)	713,573
2021 balances	<u>\$ 990,069</u>	<u>\$ 803,178</u>	<u>\$(489,605)</u>	<u>\$ 1,303,642</u>
2020 balances	<u>\$ 990,069</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 990,069</u>

7. District of Sault Ste. Marie Social Services Administration Board revenue:

Funding from District of Sault Ste. Marie Social Services Administration Board consists of the following:

	2021	2020
Subsidy	\$ 2,772,064	\$ 2,772,064
Building capital funding	5,038,583	4,812,174
Affordable Home Pilot Program	–	600,000
COVID-19 funding	77,506	109,498
Rent	390,000	390,000
	<u>\$ 8,278,153</u>	<u>\$ 8,683,736</u>

8. Commitments:

The Corporation issued letters of guarantee through its financial institution to provide guarantees to a certain vendor. The outstanding letters of guarantee amounted to \$25,000 (2020 – \$50,000).

SAULT STE. MARIE HOUSING CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2021

9. Financial risks and concentration of risk:

(a) Liquidity risk:

Liquidity risk is the risk that the Corporation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Corporation manages its liquidity risk by monitoring its operating requirements. The Corporation 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 2020.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Corporation is exposed to credit risk with respect to the accounts receivable. The Corporation assesses, on a continuous basis, accounts receivable and provides for any amounts that are collectible in the allowance for doubtful accounts.

(c) 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 exposed to this risk mainly in respect of certain bank credit facilities.

The Corporation has entered into interest rate swap contracts that entitles the Corporation to receive interest at floating rates on the notional principal amount and obliges it to pay interest at fixed rates of interest.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

(d) Other risk:

On March 11, 2020 the COVID-19 outbreak was declared a pandemic by the World Health Organization, which has resulted in governments worldwide, including the Canadian and provincial governments, enacting emergency measures to combat the spread of the virus.

At the time of approval of these financial statements, the Corporation has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic.

- Additional expenses and Provincial revenues from the District of Sault Ste. Marie Social Services Administration Board to support vulnerable populations impacted by the pandemic;

As a result of the pandemic, the Corporation may experience increased risk exposure in several areas. This includes an increased credit risk exposure on accounts receivable where the risk of default on contractual obligations may increase.

The Corporation is actively monitoring cash flow forecasts and budget. As at December 31, 2021, the Corporation did not have significant adjustments to reflect the possible future impact of COVID-19. Management assessed the impact on the Corporation and believes there are no significant financial issues as the Corporation has strong working capital available and access to sufficient liquid resources to sustain operations in the coming year. The outcome and timeframe to a recovery from the current pandemic is highly unpredictable, thus it is not practicable to estimate and disclose.

SAULT STE. MARIE HOUSING CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2021

10. Budget figures:

The operating budgets approved by the Corporation for 2021 were prepared for the purpose of establishing the estimated revenues and expenses for fiscal 2020 for the Sault Ste. Marie Housing Corporation.

The consolidated budget figures presented in the Consolidated Statement of Operations and Accumulated Surplus and the Consolidated Statement of Change in Net Financial Liabilities have been restated to be comparable with the Public Sector Accounting Standards. A reconciliation of the Corporation's approved budget and the consolidated budget presented in these financial statements is presented below:

Adopted consolidated budget:	
Consolidated budgeted annual surplus for the year	\$ –
Adjustments to adopted budget:	
Amortization of tangible capital assets	(820,492)
<hr/>	
Budget deficit per consolidated statement of operations and accumulated surplus	\$ (820,492)

11. Segmented reporting:

The Chartered Professional Accountants of Canada - Public Sector Accounting Handbook Section PS2700 – Segmented Disclosures establishes standards on defining and disclosing segments in a government's financial statements. Government organizations that apply these standards are encouraged to provide the disclosures established by this section when their operations are diverse enough to warrant such disclosures. The Corporation has only one identifiable segment, considered to be public housing and related services, as presented in these financial statements.

12. Related party disclosure:

The District of Sault Ste. Marie Social Services Administration Board ("DSSAB") controls the Corporation. The DSSAB provides administrative services and staffing to the Corporation each year. Amounts related to salaries, wages and benefits and certain administrative costs have not been recognized in the financial statements.