

Consolidated Financial Statements of

**SAULT STE. MARIE
HOUSING CORPORATION**

And Independent Auditor's Report thereon

Year ended December 31, 2022

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 Auditor's 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 AUDITOR'S 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, 2022
- 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 gain (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, 2022 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 "***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***" section of our auditor's 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.

Auditor's 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 auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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 auditor's 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 auditor's 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, stylized font. Below the signature is a single, long, horizontal, slightly wavy line.

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Canada

October 10, 2023

SAULT STE. MARIE HOUSING CORPORATION

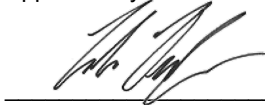
Consolidated Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Financial assets		
Cash and cash equivalents	\$ 3,940,075	\$ 6,591,707
Accounts receivable	2,162,533	853,306
Interest rate swaps	3,965,717	-
Due from District of Sault Ste. Marie Social Services Administration Board	1,054,650	1,306,883
	11,122,975	8,751,896
Financial liabilities		
Accounts payable and accrued liabilities	3,924,081	1,943,565
Deferred revenue (note 3)	44,005	145,606
Construction credit facility (note 4)	3,254,635	-
Interest rate swaps	-	1,000,627
Long-term debt (note 5)	9,644,999	9,904,759
	16,867,720	12,994,557
Net financial liabilities	(5,744,745)	(4,242,661)
Non-financial assets		
Tangible capital assets (note 6)	41,436,960	29,135,170
Prepaid expenses	377,503	58,889
	41,814,463	29,194,059
Commitments (note 10)		
Accumulated surplus (note 7)	\$ 36,069,718	\$ 24,951,398
Accumulated surplus is comprised of:		
Accumulated operating surplus	32,104,001	25,952,025
Accumulated remeasurement gains (losses)	3,965,717	(1,000,627)
	\$ 36,069,718	\$ 24,951,398

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, 2022, with comparative information for 2021

	2022 Budget (note 12)	Actual 2022	Actual 2021
Revenue:			
District of Sault Ste. Marie Social Services			
Administration Board (note 9)	\$ 2,286,773	\$ 9,652,504	\$ 8,278,153
Rental	5,211,977	5,202,478	4,781,844
Government of Canada funding	-	200,000	1,643,427
Interest	16,521	124,619	25,576
Miscellaneous	49,965	58,536	171,861
	7,565,236	15,238,137	14,900,861
Expenses:			
Building repairs and maintenance	1,902,300	2,002,873	1,861,494
Utilities	1,920,000	1,762,167	1,710,141
Municipal property taxes	1,290,000	1,463,318	1,343,217
Program operations	169,800	1,099,701	374,951
Amortization of capital assets	974,693	974,693	820,492
Building capital	581,335	628,342	682,314
Grounds maintenance	214,550	345,910	300,313
Mortgage interest	252,516	283,600	268,443
Insurance	314,000	254,201	331,712
Bad debts	105,000	219,469	201,864
Professional fees	27,500	40,197	46,286
Interest and bank charges	11,570	11,690	11,118
Total expenses	7,763,264	9,086,161	7,952,345
Annual operating surplus (deficit)	(198,028)	6,151,976	6,948,516
Accumulated operating surplus, beginning of year	25,952,025	25,952,025	19,003,509
Accumulated operating surplus, end of year	\$ 25,753,997	\$ 32,104,001	\$ 25,952,025

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, 2022, with comparative information for 2021

	2022 Budget (note 12)	Actual 2022	Actual 2021
Annual surplus (deficit)	\$ (198,028)	\$ 6,151,976	\$ 6,948,516
Acquisition of tangible capital assets	(776,665)	(13,276,483)	(3,903,648)
Amortization of tangible capital assets	-	974,693	820,492
	(974,693)	(6,149,814)	3,865,360
Acquisition of prepaid expense	-	(377,503)	(58,889)
Use of prepaid expenses		58,889	-
Change in net debt excluding net remeasurement gains (losses)	(974,693)	(6,468,428)	3,806,471
Remeasurement gains (losses)	-	4,966,344	(587,580)
Change in net debt	(974,693)	(1,502,084)	3,218,891
Net debt, beginning of year	(4,242,661)	(4,242,661)	(7,461,552)
Net debt, end of year	\$ (5,217,354)	\$ (5,744,745)	\$ (4,242,661)

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

SAULT STE. MARIE HOUSING CORPORATION

Consolidated Statement of Remeasurement Gains (Losses)

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Accumulated remeasurement losses, beginning of year	\$ (1,000,627)	\$ (413,047)
Unrealized gain (losses) attributed to:		
Derivative - interest rate swaps	4,966,344	(587,580)
Accumulated remeasurement gains (losses), end of year	\$ 3,965,717	\$ (1,000,627)

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, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 6,151,976	\$ 6,948,516
Items not involving cash:		
Amortization of tangible capital assets	974,693	820,492
	7,126,669	7,769,008
Change in non-cash assets and liabilities:		
Accounts receivable	(1,309,227)	305,121
Due from District of Sault Ste. Marie Social Services Administration Board	252,233	(187,108)
Accounts payable and accrued liabilities	1,980,516	685,715
Deferred revenue	(101,601)	83,911
Prepaid expenses	(318,614)	(58,889)
Net change in cash from operating activities	7,629,976	8,597,758
Capital activities:		
Cash used to acquire tangible capital assets	(13,276,483)	(3,903,648)
Financing activities:		
Proceeds from construction loan	3,254,635	-
Long-term debt principal repayments	(259,760)	(470,906)
Net change in cash from financing activities	2,994,875	(470,906)
Net change in cash and cash equivalents	(2,651,632)	4,223,204
Cash and cash equivalents, beginning of year	6,591,707	2,368,503
Cash and cash equivalents, end of year	\$ 3,940,075	\$ 6,591,707

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, 2022

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, 2022

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, 2022

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. Accounting standards issued but not yet adopted:

Section PS 1201, Financial Statement Presentation, PS 3041, Portfolio Investments, PS 3280, Asset Retirement Obligations, PS 3450, Financial Instruments, are effective for fiscal years beginning on or after April 1, 2022. While early adoption is permitted, all four of the standards must be adopted in the same year except for PS 3280. PS 1201 Financial Statement Presentation includes the addition of a new statement outlining re-measurement gains and losses. PS 3041, Portfolio Investments provides guidance on how to account for and report portfolio investments. PS 3280 Asset Retirement Obligations addresses the reporting of legal obligations associated with the retirement of tangible capital assets. PS 3450, Financial Instruments provides guidance on the recognition, measurement, presentation and disclosure of financial instruments including derivative instruments. The Corporation has not yet adopted these standards or determined the effect on the consolidated financial statements.

SAULT STE. MARIE HOUSING CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2022

2. Accounting standards issued but not yet adopted (continued):

Section PS 2601 Foreign Currency Translation is effective for fiscal years beginning on or after April 1, 2022. This section includes guidance on deferral and amortization of unrealized gains and losses, hedge accounting and separation of realized and unrealized foreign exchange gains and losses. The Corporation has not yet adopted these standards or determined the effect on the consolidated financial statements.

Section PS 3400, Revenue is effective for fiscal years beginning on or after April 1, 2023, early adoption is permitted. This section establishes standards on how to account for and report on revenue. Specifically, it differentiates between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations. The Corporation has not yet adopted this standard or determined the effect on the consolidated financial statements.

3. 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.

	2022	2021
Balance, beginning of year	\$ 145,606	\$ 61,695
Contributions received during the year	653,558	223,112
Contributions recognized as revenue during the year	(755,159)	(139,201)
Balance, end of year	\$ 44,005	\$ 145,606

4. Construction credit facility:

The construction credit facility is authorized to a maximum of \$13,900,000 (2021 - \$13,900,000), is repayable on demand, has interest calculated at bank prime minus 0.50% and is secured by a borrowing resolution. At December 31, 2022, the amount drawn against this facility is \$3,254,635 (2021 - \$Nil). The Corporation intends to convert the facility to a term loan, not to exceed 35 years, upon completion of the related capital project.

The Corporation has entered into an interest rate derivative agreement to manage the volatility of the interest rate on this facility. The Corporation has converted floating rate debt to fixed rate debt, equal to 3.38%. The agreement expires February 2059. See note 4a.

Interest of \$35,918 (2021 - \$Nil) relating to the construction credit facility has been included in expenses on the consolidated statement of operations.

SAULT STE. MARIE HOUSING CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2022

5. Long-term debt:

	2022	2021
Canada Mortgage and Housing Corporation, various debentures, interest rates varying from 6.09% to 6.34%, annual payments totaling \$257,264 due December 2023, secured by real property	\$ 17,139	\$ 40,014
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)	2,825,984	2,896,882
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)	5,953,740	6,097,918
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)	848,136	869,945
	<u>\$ 9,644,999</u>	<u>\$ 9,904,759</u>

Interest of \$247,682 (2021 – \$268,443) relating to long-term debt has been included in expenses on the consolidated statement of operations.

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

2023	\$ 260,044
2024	249,077
2025	255,405
2026	261,896
2027	268,549
Thereafter	8,350,028
	<u>\$ 9,644,999</u>

The Corporation is approved for a \$13,900,000 mortgage which was not drawn upon at December 31, 2022. The Corporation has entered into an interest rate swap contract for this mortgage. See note 4a.

(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, 2022 are an asset \$3,965,717 (2021 – liability of \$1,000,704)).

SAULT STE. MARIE HOUSING CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2022

6. Tangible capital assets:

Cost	Balance at December 31, 2021	Additions	Disposals and Transfers	Balance at December 31, 2022
Land	\$ 3,429,683	72,051	-	\$ 3,501,734
Buildings	28,855,906	1,612,524	-	30,468,430
Furniture and equipment	43,016	-	(43,016)	-
Construction-in-progress	2,367,362	11,591,908	-	13,959,270
Total	\$ 34,695,967	13,276,483	(43,016)	\$ 47,929,434

Accumulated Amortization	Balance at December 31, 2021	Amortization Expense	Disposals	Balance at December 31, 2022
Land	\$ -	-	-	\$ -
Buildings	5,517,781	974,693	-	6,492,474
Furniture and equipment	43,016	-	(43,016)	-
Total	\$ 5,560,797	974,693	(43,016)	\$ 6,492,474

	Net book value, December 31, 2021	Net book value, December 31, 2022
Land	\$ 3,429,683	\$ 3,501,734
Buildings	23,338,125	23,975,956
Furniture and equipment	-	-
Construction-in-progress	2,367,362	13,959,270
Total	\$ 29,135,170	\$ 41,436,960

SAULT STE. MARIE HOUSING CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2022

6. Tangible capital assets (continued):

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, 2022

7. Accumulated surplus:

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

	2022	2021
Invested in tangible capital assets	\$ 41,436,960	\$ 29,135,170
Operating fund	2,013,613	5,417,972
Unfunded long-term debt and construction credit facility	(12,899,634)	(9,904,759)
Reserves	1,553,062	1,303,642
Accumulated remeasurement gains (losses)	3,965,717	(1,000,627)
	\$ 36,069,718	\$ 24,951,398

Allocation of annual surplus:

	2022	2021
Invested in tangible capital assets	\$ 12,301,790	\$ 3,083,156
Operating fund	(3,404,359)	3,280,055
Unfunded long-term debt and construction credit facility	(2,994,875)	470,906
Reserves	249,420	313,573
Remeasurement gains (losses)	4,966,344	(587,580)
	\$ 11,118,320	\$ 6,360,936

8. Reserves:

	January 1, 2022	Transfers to	Transfers from	December 31, 2022
Set aside for specific purposes by the Corporation:				
Reserves:				
Replacement reserve	\$ 590,069	\$ 132,025	\$ —	\$ 722,094
Affordable Home Pilot Program	713,573	100,000	(124,958)	688,615
Depressed Housing Program	—	227,975	(85,622)	142,353
2022 balances	\$ 1,303,642	\$ 460,000	\$(210,580)	\$ 1,553,062
2021 balances	\$ 990,069	\$ 803,178	\$(489,605)	\$ 1,303,642

SAULT STE. MARIE HOUSING CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2022

9. 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:

	2022	2021
Subsidy	\$ 2,235,449	\$ 2,772,064
Building capital funding	6,171,896	5,038,583
Affordable Home Pilot Program	100,000	—
COVID-19 funding	755,159	77,506
Rent	390,000	390,000
	<u>\$ 9,652,504</u>	<u>\$ 8,278,153</u>

10. 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 \$2,500 (2021 – \$25,000).

11. 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 2021.

(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.

SAULT STE. MARIE HOUSING CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2022

12. Budget figures:

The operating budget approved by the Corporation for 2022 was prepared for the purpose of establishing the estimated revenues and expenses for fiscal 2022 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:	
Acquisition of tangible capital assets	776,665
Amortization of tangible capital assets	(974,693)
Budget deficit per consolidated statement of operations and accumulated surplus	\$ (198,028)

13. 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.

14. 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.

15. Comparative information:

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