Consolidated Financial Statements of

SAULT STE. MARIE HOUSING CORPORATION

And Independent Auditor's Report thereon

Year ended December 31, 2023

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

Chief Financial Officer

KPMG LLP
111 Elgin Street, Suite 200
Sault Ste. Marie, ON P6A 6L6
Canada
Telephone 705 949 5811
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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, 2023
- 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, 2023 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.

Other Matter – Comparative Information

As part of our audit of the financial statements for the year ended December 31, 2023, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended December 31, 2022, as a result of a change in accounting policy. In our opinion, such adjustments are appropriate and have been properly applied.

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.

- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Canada

July 5, 2024

SAULT STE. MARIE HOUSING CORPORATION

Consolidated Statement of Financial Position

December 31, 2023, with comparative information for 2022

		2023		2022
				(as restated - note 2)
Financial assets				
Cash and cash equivalents	$	8,579,471	$	3,940,075
Accounts receivable		828,984		2,162,533
Interest rate swaps		2,236,989		3,965,717
Due from District of Sault Ste. Marie Social Services Administration Board		-		1,054,650
Loan receivable (note 3)		748,810		-
		12,394,254		11,122,975
Financial liabilities				
Accounts payable and accrued liabilities		4,123,459		3,924,081
Deferred revenue (note 4)		1,973,344		44,005
Due to District of Sault Ste. Marie Social Services Administration Board		1,370,232		-
Construction credit facility (note 5)		10,679,474		3,254,635
Long-term debt (note 6)		12,709,372		9,644,999
Asset retirement obligations (note 7)		23,843,809		23,843,809
		54,699,690		40,711,529
Net debt		(42,305,436)		(29,588,554)
Non-financial assets				
Tangible capital assets (note 8)		66,080,805		50,605,968
Prepaid expenses		441,719		377,503
		66,522,524		50,983,471
Commitments (note 12)				
Accumulated surplus (note 9)	$	24,217,088	$	21,394,917
Accumulated surplus is comprised of:				
Accumulated operating surplus	$	21,980,099	$	17,429,200
Accumulated remeasurement gains		2,236,989		3,965,717
	$	24,217,088	$	21,394,917

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, 2023, with comparative information for 2022

	2023 Budget	2023 Actual	2022 Actual
	(note 14)		(as restated - note 2)
Revenue:			
District of Sault Ste. Marie Social Services Administration Board (note 11)	$ 3,008,606	$ 6,112,210	$ 9,652,504
Rental	5,804,345	6,195,598	5,202,478
Government of Canada funding	-	1,460,271	200,000
Interest	75,000	363,871	124,619
Miscellaneous	92,825	495,186	58,536
	8,980,776	14,627,136	15,238,137
Expenses:			
Building repairs and maintenance	2,154,300	2,280,346	2,002,873
Utilities	2,050,000	2,023,501	1,762,167
Municipal property taxes	1,616,830	1,476,526	1,463,318
Amortization of capital assets	1,374,848	1,374,848	1,568,920
Building capital	1,390,728	702,215	628,342
Interest	447,638	690,611	283,600
Program operations	119,000	557,215	1,099,701
Insurance	424,000	396,319	254,201
Grounds maintenance	275,000	333,133	345,910
Bad debts	125,000	171,885	219,469
Professional fees	34,000	53,727	40,197
Interest and bank charges	9,500	15,911	11,690
Total expenses	10,020,844	10,076,237	9,680,388
Annual operating surplus (deficit)	(1,040,068)	4,550,899	5,557,749
Accumulated operating surplus, beginning of year	17,429,200	17,429,200	25,952,025
Adjustment for asset retirement obligation	-	-	(14,080,574)
Accumulated operating surplus, end of year	$ 16,389,132	$ 21,980,099	$ 17,429,200

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, 2023, with comparative information for 2022

	2023 Budget	2023 Actual	2022 Actual
	(note 14)		(as restated - note 2)
Annual surplus (deficit)	$ (1,040,068)	$ 4,550,899	$ 5,557,749
Acquisition of tangible capital assets	-	(16,849,685)	(13,276,483)
Amortization of tangible capital assets	1,374,848	1,374,848	1,568,920
	334,780	(10,923,938)	(6,149,814)
Acquisition of prepaid expense	-	(441,719)	(377,503)
Use of prepaid expenses	-	377,503	58,889
Change in net debt excluding net remeasurement (losses) gains	334,780	(10,988,154)	(6,468,428)
Remeasurement (losses) gains	-	(1,728,728)	4,966,344
Change in net debt	334,780	(12,716,882)	(1,502,084)
Net debts, beginning of year	(29,588,554)	(29,588,554)	(4,242,661)
Adjustment for asset retirement obligation		-	(23,843,809)
Net debt, end of year	$ (29,253,774)	$ (42,305,436)	$ (29,588,554)

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, 2023, with comparative information for 2022

	2023	2022
Accumulated remeasurement gains (losses), beginning of year	$ 3,965,717	$ (1,000,627)
Unrealized (losses) gain attributed to:		
Derivative - interest rate swaps	(1,728,728)	4,966,344
Accumulated remeasurement gains, end of year	$ 2,236,989	$ 3,965,717

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, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Annual surplus	$ 4,550,899	$ 5,557,749
Items not involving cash:		
Amortization of tangible capital assets	1,374,848	1,568,920
	5,925,747	7,126,669
Change in non-cash assets and liabilities:		
Accounts receivable	1,333,549	(1,309,227)
Due to (from) District of Sault Ste. Marie Social Services Administration Board	2,424,882	252,233
Accounts payable and accrued liabilities	199,378	1,980,516
Deferred revenue	1,929,339	(101,601)
Prepaid expenses	(64,216)	(318,614)
Net change in cash from operating activities	11,748,679	7,629,976
Capital activities:		
Cash used to acquire tangible capital assets	(16,849,685)	(13,276,483)
Financing activities:		
Proceeds from construction credit facility	7,424,839	3,254,635
Proceeds from long-term debt	3,330,000	-
Loan provided	(750,000)	-
Principal payments received on loan receivable	1,190	-
Principal payments on long-term	(265,627)	(259,760)
Net change in cash from financing activities	9,740,402	2,994,875
Net change in cash and cash equivalents	4,639,396	(2,651,632)
Cash and cash equivalents, beginning of year	3,940,075	6,591,707
Cash and cash equivalents, end of year	$ 8,579,471	$ 3,940,075

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

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.

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.

1. Significant accounting policies (continued):

(d) Non-financial assets (continued):

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.

(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:

Revenue is recognized in the period in which the transactions or events occurred that gave rise to the revenue. All revenue is recorded on an accrual basis.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Contributions, other than government transfers, are deferred when restrictions are placed on their use by the external contributor, and are recognized as revenue when used for the specific purpose.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

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.

1. Significant accounting policies (continued):

(h) Loans receivable:

Loans receivable are recorded at the lower of amortized cost and the net recoverable value, when the risk of loss exists. Changes in the valuation of loans receivables are recognized in the Consolidated Statement of Operations and Accumulated Operating Surplus.

Interest is accrued on loans receivable to the extent it is deemed collectable. When the terms associated with a loan are considered to be concessionary such that all or a part of the loan is considered to be a grant, the Corporation will expense the grant portion of the transaction in the Consolidated Statement of Operations and Accumulated Operating Surplus at the time the loan is made.

(i) 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. Change in accounting policy – adoption of new accounting standards:

PS1201 *Financial Statement Presentation* replaces PS 1200 *Financial Statement Presentation*. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the Statement of Remeasurement Gains and Losses separate from the Statement of Operations. Requirements in PS 2601 *Foreign Currency Translation*, PS 3450 *Financial Instruments*, and PS 3041 *Portfolio Investments*, which are required to be adopted at the same time, can give rise to the presentation of gains and losses as remeasurement gains and losses.

PS 2601 *Foreign Currency Translation* replaces PS 2600 *Foreign Currency Translation*. The standard requires monetary assets and liabilities denominated in a foreign currency and non-monetary items denominated in a foreign currency that are reported as fair value, to be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses arising from foreign currency changes are presented in the new Statement of Remeasurement Gains and Losses.

PS 3041 *Portfolio Investments* replaces PS 3040 *Portfolio Investments*. The standard provides revised guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to PS 3450 *Financial Instruments*. The distinction between temporary and portfolio investments has been removed in the new standard, and upon adoption, PS 3030 T*emporary Investments* no longer applies.

PS 3450 *Financial Instruments* establishes accounting and reporting requirements for all types of financial instruments including derivatives. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost. Unrealized gains and losses arising from changes in fair value are presented in the Statement of Remeasurement Gains and Losses.

Establishing fair value

The fair value of guarantees and letters of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reported borrowing date.

2. Change in accounting policy – adoption of new accounting standards (continued):

Fair value hierarchy

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

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 inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

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 (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

PS 3280 *Asset Retirement Obligations (ARO)* establishes the accounting and reporting requirements for legal obligations associated with the retirement of tangible capital assets controlled by a government or government organization. A liability for a retirement obligation can apply to tangible capital assets either in productive use or no longer in productive use. This standard was adopted on January 1, 2023 on a modified retroactive basis with prior period restatement.

In the past, the Corporation has reported its obligations related to the retirement of tangible capital assets in the period when the asset was retired directly as an expense. The new standard requires the recognition of a liability for legal obligations that exist as a result of the acquisition, construction or development of a tangible capital asset, or that result from the normal use of the asset when the asset is recorded, and replaces Section PS 3270, Solid Waste Landfill Closure and Post-Closure Liability (PS 3270). Such obligation justifies recognition of a liability and can result from existing legislation, regulation, agreement, contract, or that is based on a promise and an expectation of performance. The estimate of the liability includes costs directly attributable to asset retirement activities. When recording an asset retirement obligation, the estimated retirement costs are capitalized to the carrying value of the associated assets and amortized over the asset's estimated useful life. The amortization of the asset retirement costs follows the same method of amortization as the associated tangible capital asset.

A significant part of asset retirement obligations results from the removal and disposal of designated substances such as asbestos from Corporation buildings. The Corporation reports liabilities related to the legal obligations where the Corporation is obligated to incur costs to retire a tangible capital asset.

2. Change in accounting policy – adoption of new accounting standards (continued):

The Corporation's ongoing efforts to assess the extent to which designated substances exist in Corporation assets, and new information obtained through regular maintenance and renewal of Corporation assets may result in additional asset retirement obligations from better information on the nature and extent the substance exists or from changes to in the estimated cost to fulfil the obligation. The measurement of asset retirement obligations is also impacted by activities that occurred to settle all or part of the obligation, or any changes in the legal obligation. Revisions to the estimated cost of the obligation will result in to the carrying amount of the associated assets that are in productive use and amortized as part of the asset on an ongoing basis. When obligations have reliable cash flow projections, the liability may be estimated using the present value of future cash flows.

To estimate the liability for similar buildings that do not have information on asbestos and other designated substances, the Corporation uses buildings with assessments on the extent and nature of the designated substances in the building to measure the liability and those buildings and this information is extrapolated to a group of similar assets that do not have designated substances reports. As more information becomes available on specific assets, the liability is revised to be asset specific.

As a result of applying this accounting standard, an asset retirement obligation of $23,843,809 (2022 – $23,843,809) was recognized as a liability in the Statement of Financial Position. These obligations represent estimated retirement costs for the Corporation owned buildings. The Corporation has restated the prior period based on a simplified approach, using the ARO liabilities, ARO assets and the associated ARO accumulated amortization for the period January 1, 2023 to December 31, 2023 as a proxy for January 1, 2022 to December 31, 2022 information. The associated TCA gross book value, TCA accumulated amortization and TCA amortization expense were not restated.

The adoption of PS 3280 ARO was applied to the comparative period as follows:

	As previously reported	Adjustments	As restated
Statement of Financial Position			
Tangible capital assets including ARO	$ 41,436,960	$ 9,169,008	$ 50,605,968
Asset retirement obligation liability	–	23,843,809	23,843,809
Accumulated operating surplus	32,104,001	(14,674,801)	17,429,200
Statement of Change in Net Debt			
Adjustment for asset retirement obligation	–	(23,843,809)	(23,843,809)
Annual surplus	6,151,976	(594,227)	5,557,749
Amortization tangible capital assets	974,693	594,227	1,568,920
Statement of Operations			
Annual operating surplus	6,151,976	(594,227)	5,557,749
Adjustment for asset retirement obligation	–	(14,080,574)	(14,080,574)
Accumulated operating surplus	32,104,001	(14,674,801)	17,429,200

3. Loan receivable:

		2023		2022
Loan receivable from community organization bearing interest at 5.472%, payable in monthly installments of $4,014, including interest, due October 2058, secured by land and building in Sault Ste. Marie, Ontario (note 6b)		748,810		–
	$	748,810	$	–

4. Deferred revenue:

The balances in the deferred revenue consist of:

		2023		2022
Social Services relief funding	$	–	$	44,005
CMHC cost match		1,919,144		–
Energy programs		42,200		–
Other		12,000		–
Balance, end of year	$	1,973,344	$	44,005

Continuity of deferred revenue is as follows:

		2023		2022
Balance, beginning of year	$	44,005	$	145,606
Contributions received during the year		1,973,344		653,558
Contributions recognized as revenue during the year		(44,005)		(755,159)
Balance, end of year	$	1,973,344	$	44,005

5. Construction credit facility:

The construction credit facility is authorized to a maximum of $13,900,000 (2022 - $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, 2023, the amount drawn against this facility is $10,679,474 (2022 - $3,254,635). 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 3.380%. The agreement expires February 2059. See note 6(a).

Interest of $427,808 (2022 – $35,918) relating to the construction credit facility has been included in expenses on the consolidated statement of operations.

6. Long-term debt:

	2023	2022
Canada Mortgage and Housing Corporation, various debentures, interest rates varying from 6.089% to 6.339%, annual payments totaling $257,264 due December 2023, secured by real property	$ –	$ 17,139
2.473% mortgage payable in monthly instalments of $11,812, including interest, due June 2050, secured by land and building in Sault Ste. Marie, Ontario (a)	2,753,312	2,825,984
2.564% mortgage payable in monthly instalments of $29,904, including interest, due July 2050, secured by land and building in Sault Ste. Marie, Ontario (a)	5,805,821	5,953,740
2.290% mortgage payable in monthly instalments of $3,459, including interest, due November 2050, secured by land and building in Sault Ste. Marie, Ontario (a)	825,821	848,136
5.160% mortgage payable in monthly instalments of $13,285, including interest, due October 2058, secured by land and building in Sault Ste. Marie, Ontario (a)	2,575,608	–
5.472% mortgage payable in monthly instalments of $4,014, including interest, due October 2058, secured by land and building in Sault Ste. Marie, Ontario (a) (b)	748,810	–
	$ 12,709,372	$ 9,644,999

Interest of $262,803 (2022 – $247,682) 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:

2024	$ 283,612
2025	291,789
2026	300,226
2027	308,934
2028	317,918
Thereafter	11,206,893
	$ 12,709,372

6. Long-term debt (continued):

The Corporation is approved for a $13,500,000 mortgage which was not drawn upon at December 31, 2023.

The Corporation has entered into an interest rate swap contract for these mortgages.

(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 2.473%, 2.564%, 2.290%, 5.160%, 5.472% and 3.380% respectively over the entire terms of the mortgages. The fair value of the interest rate swaps at December 31, 2023 are an asset $2,236,989 (2022 – $3,965,717).

(b) The Corporation advanced the proceeds from this loan to another community organization as a loan receivable to support additional social services in the Algoma region. The repayments terms of the loan receivable from the community organization to the Corporation are consistent with the terms describe above. See note 3.

7. Asset retirement obligations:

The Corporation has recorded ARO as of the January 1, 2023 implementation date on a modified retroactive basis, with a simplified restatement of prior year amounts.

The Corporation discounts significant obligations where there is a high degree of confidence on the amount and timing of cash flows and the obligation will not be settled for at least five years from the reporting date. The discount and inflation rate is reflective of the risks specific to the asset retirement liability.

As at December 31, 2023, all liabilities for asset retirement obligations are reported at current costs in nominal dollars without discounting.

A reconciliation of the beginning and ending aggregate carrying amount of the ARO liability is below:

	2023	2022
Liabilities for Asset Retirement Obligations at Beginning of Year	$ 23,843,809	$ –
Opening Adjustments for PSAB Adjustment	–	23,843,809
Increase in Liabilities Reflecting Changes in the Estimate of Liabilities[1]	–	–
Liabilities Settled During the Year	–	–
Liabilities for Asset Retirement Obligations at End of Year	$ 23,843,809	$ 23,843,809

[1] Reflecting changes in the estimated cash flows and the discount rate

8. Tangible capital assets:

Cost		Balance at December 31, 2022		Additions		Disposals and Transfers		Balance at December 31, 2023
Land	$	3,501,734	$	105,731	$	-	$	3,607,465
Buildings		54,312,239		1,889,819		-		56,202,058
Construction-in-progress		13,959,270		14,854,135		-		28,813,405
Total	$	71,773,243	$	16,849,685	$	-	$	88,622,928

Accumulated Amortization		Balance at December 31, 2022		Amortization Expense		Disposals		Balance at December 31, 2023
Land	$	-	$	-	$	-	$	-
Buildings		21,167,275		1,374,848		-		22,542,123
Total	$	21,167,275	$	1,374,848	$	-	$	22,542,123

		Net book value, December 31, 2022		Net book value, December 31, 2023
Land	$	3,501,734	$	3,607,465
Buildings		33,144,964		33,659,935
Construction-in-progress		13,959,270		28,813,405
Total	$	50,605,968	$	66,080,805

8. Tangible capital assets:

Cost	Balance at December 31, 2021	Adjustment for PS3280	Balance at January 1, 2022	Additions	Disposals and Transfers	Balance at December 31, 2022
Land	$ 3,429,683	$ -	$ 3,429,683	$ 72,051	$ -	$ 3,501,734
Buildings	28,855,906	23,843,809	52,699,715	1,612,524	-	54,312,239
Furniture and equipment	43,016	-	43,016	-	(43,016)	-
Construction-in-progress	2,367,362	-	2,367,362	11,591,908	-	13,959,270
Total	$ 34,695,967	$ 23,843,809	$ 58,539,776	$ 13,276,483	$ (43,016)	$ 71,773,243

Accumulated Amortization	Balance at December 31, 2021	Adjustment for PS3280	Balance at January 1, 2022	Amortization Expense	Disposals	Adjustment for ARO Amortization	Balance at December 31, 2022
Land	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Buildings	5,517,781	14,080,574	19,598,355	974,693	-	594,227	21,167,275
Furniture and equipment	43,016	-	43,016	-	(43,016)	-	-
Construction-in-progress	-	-	-	-	-	-	-
Total	$ 5,560,797	$ 14,080,574	$ 19,641,371	$ 974,693	$ (43,016)	$ 594,227	$ 21,167,275

	Net book value, December 31, 2021	Net book value, January 1, 2022	Net book value, December 31, 2022
Land	$ 3,429,683	$ 3,429,683	$ 3,501,734
Buildings	23,338,125	33,101,360	33,144,964
Furniture and equipment	-	-	-
Construction-in-progress	2,367,362	2,367,362	13,959,270
Total	$ 29,135,170	$ 38,898,405	$ 50,605,968

9. Accumulated surplus:

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

	2023	2022
Invested in tangible capital assets	$ 66,080,805	$ 50,605,968
Operating fund	406,878	2,013,613
Unfunded long-term debt and construction credit facility	(23,388,846)	(12,899,634)
Asset retirement obligation	(23,843,809)	(23,843,809)
Reserves	2,725,071	1,553,062
Accumulated remeasurement gains (losses)	2,236,989	3,965,717
	$ 24,217,088	$ 21,394,917

Allocation of annual surplus:

	2023	2022
Invested in tangible capital assets	$ 15,474,837	$ 11,707,563
Operating fund	(1,606,735)	(3,404,359)
Unfunded long-term debt and construction credit facility	(10,489,212)	(2,994,875)
Reserves	1,172,009	249,420
Remeasurement (losses) gains	(1,728,728)	4,966,344
	$ 2,822,171	$ 10,524,093

10. Reserves:

	January 1, 2023	Transfers to	Transfers from	December 31, 2023
Set aside for specific purposes by the Corporation:				
Reserves:				
Capital Reserve	$ 722,094	$ 1,523,003	$ (340,464)	$ 1,904,633
Affordable Home Ownership Program	688,615	257,788	(266,865)	679,538
Depressed Housing Program	142,353	–	(4,700)	137,653
Community Resource Centre	–	3,950	(703)	3,247
2023 balances	$ 1,553,062	$ 1,784,741	$ (612,732)	$ 2,725,071
2022 balances	$ 1,303,642	$ 460,000	$ (210,580)	$ 1,553,062

11. 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:

	2023	2022
Subsidy	$ 3,025,730	$ 2,235,449
Building capital funding	2,552,475	6,171,896
Affordable Home Pilot Program	100,000	100,000
Social services relief funding	44,005	755,159
Rent	390,000	390,000
	$ 6,112,210	$ 9,652,504

12. 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 $nil (2022 – $2,500).

13. 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 2022.

(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.

14. Budget figures:

The operating budget approved by the Corporation for 2023 was prepared for the purpose of establishing the estimated revenues and expenses for fiscal 2023 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:	
Principal payments on long-term debt	334,780
Amortization of tangible capital assets	(1,374,848)
Budget deficit per consolidated statement of operations and accumulated surplus	$ (1,040,068)

15. 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.

16. 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.