

Hornepayne Housing Corporation
Financial Statements
For the nine months ended December 31, 2021

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Independent Auditor's Report

To the shareholder of Hornepayne Housing Corporation

Opinion

We have audited the financial statements of Hornepayne Housing Corporation (the Entity), which comprise the statement of financial position as at December 31, 2021, and the statements of operations, change in net financial assets and cash flows, for the nine months then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2021, and its results of operations, its change in net financial assets and its cash flows for the nine months 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 Financial Statements* section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 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 Financial Statements

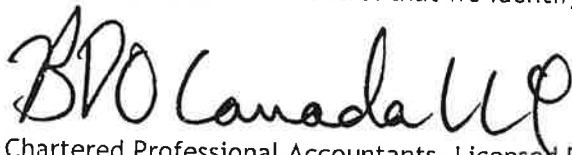
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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 these financial statements.

Independent Auditor's Report (continued)

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 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 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 First Nation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We 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.



Chartered Professional Accountants, Licensed Public Accountants

Sault Ste Marie, Ontario

July 14, 2022

Hornepayne Housing Corporation
Statement of Financial Position

<u>December 31</u>	<u>2021</u>
Financial assets	
Cash	\$ 101,140
Accounts receivable	3,900
Portfolio investment (Note 2)	<u>150,000</u>
	<u>255,040</u>
Liabilities	
Accounts payable and accrued liabilities	4,536
Deferred revenues (Note 5)	122,570
Long term debt obligations (Note 6)	<u>319,112</u>
	<u>446,218</u>
Net financial assets (debt)	(191,178)
Non-financial assets	
Tangible capital assets (Note 3)	<u>395,474</u>
Accumulated surplus (Note 4)	<u>\$ 204,296</u>

Signed on behalf of the Board by:

 _____ DIRECTOR

Hornepayne Housing Corporation
Statement of Operations

For the nine month period ended December 31

2021

Revenue

Rental income	\$ 60,021
Municipal grant	200,000
ADSAB	3,125
	<hr/>
	263,146
	<hr/>

Expenses

Amortization	7,051
Bank and service charges	63
Interest on long term debt	2,101
Office supplies	401
Property taxes	5,353
Professional fees	719
Repairs and maintenance	7,069
Utilities	27,124
Wages and benefits	8,969
	<hr/>
	58,850
	<hr/>

Suplus being accumulated surplus, end of period

\$ 204,296

Hornepayne Housing Corporation
Statement of Change in Net Financial Assets

For the nine month period ended December 31

2021

Annual surplus	\$ 204,296
Acquisition of tangible capital assets	(402,525)
Amortization of tangible capital assets	<u>7,051</u>
Net debt, end of period	\$ (191,178)

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

Hornepayne Housing Corporation Statement of Cash Flows

For the nine month period ended December 31, 2021

2021

Cash flows from operating activities	
Annual surplus	\$ 204,296
Amortization	7,051
(Increase) decrease in receivables	(3,900)
Increase in deferred revenue	122,570
Increase in accounts payable and accrued liabilities	4,536
	<hr/> 334,553
Cash flows from investing activities	
Purchase of tangible capital assets	(402,525)
Increase in portfolio investment	(150,000)
	<hr/> (552,525)
Cash flows from financing activities	
Inception of long term debt	320,000
Repayment of long term debt	(888)
	<hr/> 319,112
Net decrease in cash	<hr/> 101,140
Cash, beginning of period	<hr/> -
Cash, end of period	<hr/> \$ 101,140

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

Hornepayne Housing Corporation

Notes to Financial Statements

December 31, 2021

1. Significant accounting policies

Nature and Purpose of Organization	Hornepayne Housing Corporation is engaged in the operation of a residential housing complex. The organization is a Provincially incorporated Municipal Corporation and is exempt from taxation under section 149(1)(c) of the income tax act.		
Management's Responsibility for the Financial Statements	The financial statements of the Hornepayne Housing Corporation, are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards. The entity (HHC) is a Municipal Services Corporation in the Province of Ontario and operates under the provisions of the Provincial government. The HHC provides services such as Housing to the community.		
Basis of Accounting	These financial statements of Hornepayne Housing Corporation have been prepared in accordance with Canadian public sector accounting standards prescribed for government organizations, as recommended by the Public Sector Accounting Board.		
Tangible Capital Assets	<p>Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Tangible capital assets under construction and or development are not amortized until they are available to be put into service.</p> <p>Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:</p> <table><tr><td>Buildings</td><td>25 years</td></tr></table>	Buildings	25 years
Buildings	25 years		
Revenue Recognition	<p>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.</p> <p>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.</p>		

Hornepayne Housing Corporation

Notes to Financial Statements

December 31, 2021

1. Significant accounting policies (continued)

Revenue Recognition (continued) 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.

Use of Estimates The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Portfolio investments

The corporation purchased 149,990 Class A Preferred Shares and 10 Class B voting Common Shares in the Hornepayne Hotel Investment Corporation for \$150,000.

3. Tangible capital assets

	2021	
	Cost	Accumulated Amortization
Land	\$ 50,000	\$ -
Buildings	352,525	7,051
	\$ 402,525	\$ 7,051
Net book value		\$ 395,474

Hornepayne Housing Corporation
Notes to Financial Statements

December 31, 2021

4. Accumulated surplus

Allocation of annual surplus

	<u>2021</u>
Equity in tangible capital assets	\$ 76,362
General surplus (deficit)	(22,066)
Equity in Hornepayne Hotel Investment Corporation	<u>150,000</u>
	<u>\$ 204,296</u>

Accumulated surplus, end of period

	<u>2021</u>
Equity in tangible capital assets	\$ 76,362
General surplus/deficit	(22,066)
Equity in Hornepayne Hotel Investment Corporation	<u>150,000</u>
	<u>\$ 204,296</u>

5. Deferred revenue

	<u>2021</u>
Rental deposits	\$ 10,070
ADSAB deferred contribution	<u>112,500</u>
	<u>\$ 122,570</u>

The corporation assumed a deferred contribution of \$115,625 from the Algoma District Services Administration Board to be forgiven at a rate of \$1,041 per month with ultimate maturity in December 2030. The Corporation is required to repay the entire amount if the apartment complex is sold prior to December 2030.

Hornepayne Housing Corporation
Notes to Financial Statements

December 31, 2021

6. Long term debt

	2021
NCU mortgage, repayable in monthly payments of \$1,940, including interest at 4%. The loan matures November 2026.	\$ 319,112
Less current portion	10,708
	\$ 308,404

Principal payments required on long term debt for the next five years and thereafter assuming similar refinancing are due as follows:

Year	Amount
2022	\$ 10,708
2023	11,145
2024	11,599
2025	12,071
2026	12,563
Thereafter	261,026
	\$ 319,112

7. Financial instruments

Cash and equity instruments quoted in an active market are measured at fair value. Accounts receivable and accounts payable are measured at cost or amortized cost. The carrying amount of each of these financial instruments is presented on the statement of financial position.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to financial instruments are reported in the statement of operations.

When investment income and realized and unrealized gains and losses from changes in the fair value of financial instruments are externally restricted, the investment income and fair value changes are recognized as revenue in the period in which the resources are used for the purpose specified.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

Transaction costs are added to the carrying value for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

Hornepayne Housing Corporation
Notes to Financial Statements

December 31, 2021

7. Financial instruments (continued)

The entity's management monitors, evaluates and manages the principal risks assumed with financial instruments on a daily basis. The risk that arises from transacting financial instruments is liquidity risk.

Liquidity risk

Liquidity risk arises from the organization's management of accounts payable and accrued liabilities. It is the risk that the organization will encounter difficulty in meeting its financial obligations as they fall due. This risk is mitigated by the corporation having adequate cash balances at a chartered bank.

8. Budget

The entity did not prepare a budget for this fiscal year. The budget figures would anticipate the use of reserves and/or surpluses accumulated in previous years to reduce current year expenditures.