Hornepayne Housing Corporation
Financial Statements
For the year ended December 31, 2023

Contents

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Independent Auditor's Report

To the shareholder of Hornepayne Housing Corporation

Qualified Opinion

We have audited the financial statements of HHC (the "organization"), which comprise the statement of financial position as at December 31, 2023, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2023, and its results of operations, changes in its net assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

The organization derives revenue from laundry fees and miscellaneous revenue, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to amounts recorded in the records of the organization. Therefore, we were not able to determine whether any adjustments might be necessary to laundry and miscellaneous revenue, and cash flows from operations for the years ended December 31, 2023 and 2022, financial assets as at December 31, 2023 and 2022 and accumulated surplus as at January 1 and December 31 for both the 2023 and 2022 years. Our audit opinion on the financial statements for the year ended December 31, 2022 was modified accordingly because of the possible effects of this limitation in scope.

Effective April 1, 2022, the organization was required to adopt PS 3280 Asset Retirement Obligations which requires the recognition of legal obligations associated with the retirement of tangible capital assets by public sector entities. Under the modified retroactive application method, the asset retirement obligation on transition is to be recorded using assumptions as of April 1, 2022. The corresponding asset retirement cost is added to the carrying value of the related tangible capital assets adjusted for amortization since the time the legal obligation was incurred. The net adjustment is charged to accumulated surplus. Comparative figures are to be restated to reflect this change in accounting policy. Management has not completed its assessment of the tangible capital assets for potential asset retirement obligations. As a result, it is not possible to quantify the impact of this departure from Canadian public sector accounting standards on expenses and annual surplus for the years ended March 31, 2023 and 2022, tangible capital assets and the asset retirement obligation as at March 31, 2023 and 2022, and accumulated surplus as at April 1 and March 31 for both the 2023 and 2022 years.

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.

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 Entity 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste Marie, Ontario
September 11, 2024

Hornepayne Housing Corporation
Statement of Financial Position

December 31	2023	2022
Financial assets		
Cash	**$ 57,678**	$ 66,710
Accounts receivable	**64,900**	54,365
Portfolio investment (Note 2)	**150,000**	150,000
	272,578	271,075
Liabilities		
Accounts payable and accrued liabilities	**114,786**	35,708
Deferred revenues (Note 6)	**120,240**	121,232
Long term debt obligations (Note 7)	**297,256**	308,401
	532,282	465,341
Net financial debt	**(259,704)**	(194,266)
Non-financial assets		
Tangible capital assets (Note 4)	**384,492**	399,126
Prepaid expenses	**-**	17,121
	384,492	416,247
Accumulated surplus, end of year (Note 5)	**$ 124,788**	$ 221,981

Signed on behalf of the Board by:

DocuSigned by:
Katherine Lewis
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Hornepayne Housing Corporation
Statement of Operations

For the year ended December 31	2023	2022
Revenue		
Rental income	$ 362,137	$ 376,231
Municipal grant	-	45,058
ADSAB	12,500	12,500
Laundry income	9,630	2,021
	384,267	435,810
Expenses		
Amortization	17,224	15,598
Bank and service charges	11,796	1,202
Bad debts	35,706	-
Interest on long term debt	12,472	12,569
Office expenses	27,584	21,944
Property taxes	34,326	32,525
Professional fees	33,653	13,464
Repairs and maintenance	67,802	68,921
Material and supplies	448	-
Utilities	139,288	132,837
Wages and benefits	101,161	103,175
	481,460	402,235
Annual suplus (deficit)	(97,193)	33,575
Accumulated surplus, beginning of year	221,981	188,406
Accumulated surplus, end of year	$ 124,788	$ 221,981

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

Hornepayne Housing Corporation
Statement of Change in Net Financial Assets

For the year ended December 31	2023	2022
Annual surplus (deficit)	**$ (97,193)**	$ 33,575
Acquisition of tangible capital assets	**(2,590)**	(19,250)
Amortization of tangible capital assets	**17,224**	15,598
Prepaid expenses	**17,121**	(17,121)
Net change in net financial assets (debt)	**(65,438)**	12,802
Net debt, beginning of year	**(194,266)**	(207,068)
Net debt, end of year	**$ (259,704)**	$ (194,266)

Hornepayne Housing Corporation
Statement of Cash Flows

For the year ended December 31	2023	2022
Cash flows from operating activities		
Annual surplus (deficit)	**$ (97,193)**	$ 33,575
Item not involving cash		
Amortization	**17,224**	15,598
	(79,969)	49,173
Changes in non-cash operating balances		
Accounts receivable	**(10,535)**	(50,464)
Prepaid expense	**17,121**	(17,121)
Deferred revenue	**(991)**	(1,338)
Accounts payable and accrued liabilities	**79,077**	15,280
	4,703	(4,470)
Capital transactions		
Acquisition of tangible capital assets	**(2,590)**	(19,250)
Cash flows from financing activities		
Principal payments on long term debt	**(11,145)**	(10,710)
Decrease in cash	**(9,032)**	(34,430)
Cash, beginning of year	**66,710**	101,140
Cash, end of year	**$ 57,678**	$ 66,710

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

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

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.

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:

Buildings	25 years
Furniture and equipment	10-15 years
Computer equipment	3-5 years

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.

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. First time adoption

On January 1, 2023, the Organization adopted PS 3450 Financial Instruments which establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. This standard is required to be adopted prospectively. There were no unrealized gains and losses on investments for the year ended December 31, 2023, and therefore the new statement, the statement of measurement gains and losses, was not presented.

3. 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.

4. Tangible capital assets

	2023		2022	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**$ 50,000**	**$ -**	$ 50,000	$ -
Buildings	**352,525**	**35,252**	352,525	21,151
Furniture and equipment	**11,153**	**1,414**	8,563	428
Computer equipment	**10,685**	**3,205**	10,685	1,068
	$ 424,363	**$ 39,871**	$ 421,773	$ 22,647
Net book value		**$ 384,492**		$ 399,126

5. Accumulated surplus

Allocation of annual surplus

		2023		2022
Equity in tangible capital assets	**$**	**(3,489)**	$	14,363
General surplus (deficit)		**(93,704)**		19,212
	$	**(97,193)**	$	33,575

Accumulated surplus, end of year

		2023		2022
Equity in tangible capital assets	**$**	**87,236**	$	90,725
General surplus (deficit)		**(112,448)**		(18,744)
Equity in Hornepayne Hotel Investment Corporation		**150,000**		150,000
	$	**124,788**	$	221,981

6. Deferred revenue

		2023		2022
Rental deposits	**$**	**19,817**	$	15,062
ADSAB deferred contribution		**87,500**		100,000
Prepaid rent		**12,923**		6,170
	$	**120,240**	$	121,232

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.

7. Long term debt

		2023		2022
NCU mortgage, repayable in monthly payments of $1,940 including interest at 4%, matures November 2026.	**$**	**297,256**	$	308,401
Less current portion		**11,599**		10,708
	$	**285,657**	$	297,693

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

Year		Amount
2024	$	11,599
2025		12,071
2026		12,563
2027		13,075
2028		13,608
Thereafter		234,340
	$	297,256

8. 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.

8. 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.

9. 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.