

Please note if your program is not checked, this Program Instruction is not applicable to your project(s)

- Public Housing
- Provincial Reform Housing Programs
- Municipal Non-Profit Housing Programs
- Federal Unilateral Housing Programs
- Rent Supplement - Commercial
- Rent Supplement - OCHAP & CSHP
- Rent Supplement Homelessness

---

**Subject**                      **Treatment of Bad Debts**

**Authority**                      S. 113 (6) & (7) of the *Social Housing Reform Act, 2000*  
Generally Accepted Accounting Principles (GAAP)

**Effective Date**              Immediately

**Background**                      Auditors have been inconsistent in their approach to the treatment of bad debts. This program instruction will clarify the way in which the Region expects housing providers to report bad debts.

**What You Need To Do**

1. Determine if a debt is a bad debt which should be written off. According to the AIR Guide, a bad debt is rent charged to tenants/members that is no longer collectible. If some arrears payments are being made, the debt cannot be considered uncollectible. The arrears must be:
  - actual (not estimated) arrears charged to a former tenant/member and
  - attempts to collect the arrears have failed.

Reasons why the debt is uncollectible include, but are not limited to:

  - the tenant/member cannot be found
  - the tenant/member has declared bankruptcy
  - the collection agency has not been able to recover funds
  - the cost of pursuing the debt is higher than the amount that could be collected, etc.

Arrears charged to current tenants/members cannot be written off.
2. Obtain Board approval and write off the bad debt as an expense in the statement of operations.

3. Bad debt allowances are not permitted. Do not calculate bad debt allowances.
4. Consider reporting current tenant/member arrears and former tenant/member arrears separately in your General Ledger and Annual Financial Statements in order to assist in tracking.

Please contact your Program Co-ordinator if you have any questions.

Sylvia Patterson  
Director  
Housing Services Branch  
Community and Health Services Department