

# Annual Report



## AUDITED FINANCIAL STATEMENTS

for the year ended  
August 31<sup>st</sup>, 2014



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## A MESSAGE FROM THE CHAIR

I think that this past year as Director and Chair of ELNOS has been the most interesting with all the controversy over the Mall.

ELNOS, in the past year, has helped with the start-up of several new businesses in the region which is a very positive thing the way the situation is in our area. Also we have helped a good number of small businesses which are in trouble because of the economics of our Region at the moment.

ELNOS is still forging ahead with NWMO as they now have a Board of Directors in Elliot Lake and an office in our community getting information out to the residents of our community. We are going ahead with the next phase.

ELNOS continues to partner with FedNor, NOHFC, East Algoma Community Futures Development Corporation, as well as the Business Development Bank of Canada to increase the impact of ELNOS' economic activities. I am happy to report that our financial strength is very good.

We thank these partners on behalf of the Region. We are particularly proud of our micro loans initiative (under \$10,000) where we have assisted entrepreneurs to receive economic independence which otherwise would not have been supported by the commercial banking industry.

It has been my pleasure to serve as a Director and Chairperson of the ELNOS Board of Directors. This task was made easy thanks to the diligent efforts of the dedicated staff. Particular thanks to William Elliott, General Manager, for his exemplary service and foresight, often beyond the call of duty.

Your Partner in Business,



Chairperson Harvey Hyndman

## *Report from the Manager*

During the past year ELNOS continued to deal with the aftermath of the mall collapse, including work on the new plaza and attempting to deal with retail gaps in the Region. At the same time we looked to rejuvenate our relationships with our constituent communities, while continuing to support the private sector. Some of the main projects included:

### 'Pearson Plaza' project

ELNOS took on this project as a community service and in recognition of the fact that the City of Elliot Lake – given the circumstances – simply did not have the capacity to manage the project.

The project has been hampered by several delays. In April 2014 the City approved a Site Plan and issued building permits in June 2014. Subsequently, the construction tenders received went well over budget, causing the developer to re-think the project. Ultimately a re-design was submitted and approved by Council in August 2014.

Despite the new approval by Council the civil work on the site has continued to lag, and no actual construction is expected until at least the spring of 2015. These delays have jeopardized some of the tenancies, which in turn may have a negative impact on the overall project.

In a related project we have been working with several potential general merchandisers, with a view to having one establish either in the new plaza or as a standalone in the community. The "pool" however is very shallow, and it is likely that a very creative package will need to be put together to attract someone to the Region.

### In General

From a financing standpoint ELNOS enjoyed a successful year; from September 1, 2013, to August 31, 2014, the Corporation approved financial support to 19 clients. These approvals included \$1,125,000 in regular loans, \$47,965.58 in micro-loans and \$73,689 in business development assistance. **Total financial assistance approved was \$1,246,654.58.**

During the same period, ELNOS closed 14 accounts, 6 of which were 'repaid in full' with the remaining 8 accounts being written off in the aggregate amount of \$249,545.

The one glaring negative during the year was the unfortunate closing of RSVP Communications Services after almost 17 years in business. This business began as Stellarcom and was one of the first tenants in the ELNOS building. Over time the business became employee owned and diversified from the original call centre model. Unfortunately the changing economy and technological developments presented a challenge that the company was ultimately unable to meet. The closure resulted in the loss of 17 jobs as well as a tenant in the ELNOS building.

The current operating budget reflects the loss of RSVP as a tenant, but also reflects our confidence that we will secure a new tenant for this very desirable space before the second quarter of 2015.

The 'deep geological repository' project for storage of spent fuel rods, which 4 of our constituent communities are pursuing, continues to be of great interest. The number of communities in the running has been reduced to 14, and we expect to hear that "our" communities have advanced to the next step before the end of 2014. Each has established a Community Liaison Committee and the Nuclear Waste Management Organization (NWMO) has also set up offices in Spanish and Elliot Lake.

As a reminder, this project could provide 800-1000 temporary jobs over 12 years of construction, 600-800 permanent jobs and have a positive economic impact of between \$16 and \$24 billion dollars. This project could reasonably be considered the 'holy grail' for the long-term economic growth of the Region.

In the shorter term, ELNOS continues to work with the Serpent River First nation and Elliot Lake Residential Development Commission to try and bring Phase II of the cottage lot program to fruition. Cottage lots are likely the mid-term solution to economic stability and growth in the Region

ELNOS understands that partnerships and communications are major keys to success. In addition to the 5 municipalities ELNOS continues to work very closely with such agencies as: the Ministry of Northern Development and Mines; the Northern Ontario Heritage Fund Corporation; the Blind River Development Corporation; Serpent River First Nation Economic Development Corporation; Shedden Development Corporation; East Algoma Community Futures Development Corporation, Elliot Lake and Blind River Chambers of Commerce, to name only a few.

Unfortunately the City of Elliot Lake council failed to reach a consensus on how they wished to proceed with economic development in the City, which has created a gap in the community. As an interim measure they have hired Ashten Vlahovich on a 1 year contract to guide some current projects forward. Having worked out of the ELNOS office for 2 years of her internship we are very familiar with Ashten and her skills, and have taken her hiring as a very positive sign and are continuing to work very closely with her.

All of these initiatives help to reinforce ELNOS' position as one of the key economic development organizations in the region.

It is worth noting that all of this activity is completed by 1 full-time and 2 part-time staff, augmented by a summer student for 3 months. I would like to take this opportunity to thank Sharon, Danielle and Erin for their unwavering support of the Corporation, without which we simply could not function and prosper.

In closing, as always, should anyone have any questions or concerns about any issue, my door is always open, and I would welcome the opportunity to meet with you.

**William Elliott**  
**General Manager**  
**ELNOS**

Financial Statements of

**ELLIOT LAKE AND NORTH SHORE  
CORPORATION FOR BUSINESS  
DEVELOPMENT**

Year ended August 31, 2014



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Elliot Lake and North Shore Corporation for Business Development

We have audited the accompanying financial statements of **Elliot Lake and North Shore Corporation for Business Development** which comprise of the statement of financial position as at August 31, 2014, the statements of operations, changes in fund balances and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects the financial position of Elliot Lake and North Shore Corporation for Business Development as at August 31, 2014, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Professional Accountants, Licensed Public Accountants

October 28 2014  
Sudbury, Canada

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# ELLIOT LAKE AND NORTH SHORE CORPORATION FOR BUSINESS DEVELOPMENT



Statement of Financial Position

August 31, 2014, with comparative information for 2013

	Business Development Fund	Capital Fund	2014 Total	2013 Total
<b>Assets</b>				
Cash and short-term investments (note 2)	\$ 1,377,344	-	1,377,344	2,088,728
Restricted cash (note 3)	244,517	-	244,517	235,923
Accrued interest receivable	42,357	-	42,357	36,945
Accounts receivable	50,550	-	50,550	79,673
Prepaid expenses (note 4)	215,263	-	215,263	167,133
Loans receivable (note 5)	3,205,596	-	3,205,596	2,763,426
Equity investments (note 6)	250,000	-	250,000	250,001
Capital assets (note 7)	-	2,081,950	2,081,950	2,274,513
	<b>\$ 5,385,627</b>	<b>2,081,950</b>	<b>7,467,577</b>	<b>7,896,342</b>
<b>Liabilities and Fund Balances</b>				
Accounts payable and accrued liabilities	\$ 385,952	-	385,952	229,001
Long-term debt (note 8)	-	852,549	852,549	852,549
	385,952	852,549	1,238,501	1,081,550
Fund balances:				
Investment in capital assets	-	1,229,401	1,229,401	1,421,964
Externally restricted (note 9)	4,999,675	-	4,999,675	5,392,828
	4,999,675	1,229,401	6,229,076	6,814,792
Contingencies (note 11)				
	<b>\$ 5,385,627</b>	<b>2,081,950</b>	<b>7,467,577</b>	<b>7,896,342</b>

See accompanying notes to financial statements.

On behalf of the Board:

 Director  
 Director

# ELLIOT LAKE AND NORTH SHORE CORPORATION FOR BUSINESS DEVELOPMENT

Statement of Operations

Year ended August 31, 2014, with comparative information for 2013

	Business Development Fund		Capital Fund		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenue:</b>						
Interest on cash and short-term investments	\$ 59,377	35,433	-	-	59,377	35,433
Interest on loans receivable	180,437	156,275	-	-	180,437	156,275
Fees and other	30,000	44,834	-	-	30,000	44,834
Membership	15	15	-	-	15	15
Rental income	714,503	751,178	-	-	714,503	751,178
	984,332	987,735	-	-	984,332	987,735
<b>Project costs:</b>						
Due diligence	736	1,411	-	-	736	1,411
Provision for bad debt and investment losses	254,966	121,551	-	-	254,966	121,551
Business development assistance	217,981	164,252	-	-	217,981	164,252
	473,683	287,214	-	-	473,683	287,214
<b>Operating expenses:</b>						
Salaries and benefits (Schedule)	350,559	261,554	-	-	350,559	261,554
Amortization of capital assets	-	-	192,563	195,903	192,563	195,903
Professional and other services (Schedule)	21,147	20,153	-	-	21,147	20,153
Occupancy (Schedule)	388,867	389,775	-	-	388,867	389,775
Office and general (Schedule)	143,229	123,581	-	-	143,229	123,581
	903,802	795,063	192,563	195,903	1,096,365	990,966
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$ (393,153)</b>	<b>(94,542)</b>	<b>(192,563)</b>	<b>(195,903)</b>	<b>(585,716)</b>	<b>(290,445)</b>

See accompanying notes to financial statements.



# ELLIOT LAKE AND NORTH SHORE CORPORATION

## FOR BUSINESS DEVELOPMENT

Statement of Changes in Fund Balances

Year ended August 31, 2014, with comparative information for 2013

	Business Development Fund		Capital Fund		2013 Total
	2014	2013	2014	2013	
Fund balances, beginning of year	\$ 5,392,828	5,491,582	1,421,964	1,613,655	7,105,237
Excess (deficiency) of revenue over expenses	(393,153)	(94,542)	(192,563)	(195,903)	(585,716)
Interfund transfer for capital additions	-	(4,212)	-	4,212	-
<b>Fund balances, end of year</b>	<b>\$ 4,999,675</b>	<b>5,392,828</b>	<b>1,229,401</b>	<b>1,421,964</b>	<b>6,814,792</b>

See accompanying notes to financial statements.

# ELLIOT LAKE AND NORTH SHORE CORPORATION FOR BUSINESS DEVELOPMENT

## Statement of Cash Flows

Year ended August 31, 2014, with comparative information for 2013

	2014	2013
Cash flows from operating activities:		
Deficiency of revenue over expenses	\$ (585,716)	(290,445)
Adjustment for:		
Amortization of capital assets	192,563	195,903
Gain on sale of investment	-	-
	(393,153)	(94,542)
Change in non-cash working capital (note 10)	132,533	272,476
	(260,620)	177,934
Cash flows from investing activities:		
Increase (decrease) in loans receivable	(442,170)	507,236
Increase in other assets	-	63,090
Purchase of capital assets	-	(4,212)
	(442,170)	566,114
<b>Net increase (decrease) in cash</b>	<b>(702,790)</b>	<b>744,048</b>
Cash and short-term investments, beginning of year	2,324,651	1,580,603
<b>Cash and short-term investments, end of year</b>	<b>\$ 1,621,861</b>	<b>2,324,651</b>
Cash is represented by:		
Cash and short-term investments	\$ 1,377,344	2,088,728
Restricted cash	244,517	235,923
	\$ 1,621,861	2,324,651

See accompanying notes to financial statements.

# ELLIOT LAKE AND NORTH SHORE CORPORATION FOR BUSINESS DEVELOPMENT

## Schedule of Expenses

Year ended August 31, 2014, with comparative information for 2013

	2014	2013
<b>Salaries and benefits:</b>		
Salaries	\$ 261,845	192,532
Benefits	68,192	49,982
Pensions	20,522	19,040
	<b>\$ 350,559</b>	<b>261,554</b>
<b>Professional and other services:</b>		
Audit and accounting	\$ 17,992	17,552
Legal and other	3,155	2,601
	<b>\$ 21,147</b>	<b>20,153</b>
<b>Occupancy:</b>		
Property taxes	\$ 115,983	119,229
Heat, light and water	116,933	114,229
Cleaning and security	62,297	56,710
Building repairs and maintenance	70,554	78,253
Insurance	23,100	21,354
Advertising and promotion	-	-
	<b>\$ 388,867</b>	<b>389,775</b>
<b>Office and general:</b>		
Student bursaries and donations	\$ 44,482	31,862
Office supplies, postage and other	15,370	21,172
Advertising and promotion	10,490	6,993
Directors	10,526	7,696
Equipment leases	4,167	4,910
Subscription and dues	13,436	12,604
Bank charges	2,836	2,784
Travel and entertainment	33,047	34,488
Staff professional development	8,875	1,072
	<b>\$ 143,229</b>	<b>123,581</b>

See accompanying notes to financial statements.

# ELLIOT LAKE AND NORTH SHORE CORPORATION FOR BUSINESS DEVELOPMENT

Notes to Financial Statements

Year ended August 31, 2014

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Elliot Lake and North Shore Corporation for Business Development (the "Corporation") is a not-for-profit organization incorporated without share capital under the laws of the Province of Ontario. The Corporation is exempt from income taxes under the Income Tax Act.

The Corporation has been established to promote the diversified development of businesses that will generate wealth and employment in the five area communities, referred to as the "ELNOS Region", namely:

- i) Corporation of the City of Elliot Lake (the "City")
- ii) Town of Blind River
- iii) Township of Shedden
- iv) Township of the North Shore
- v) Serpent River First Nation

## 1. Significant accounting policies:

### (a) Fund accounting:

Revenue and expenses related to economic development initiatives and promoting the diversified development of businesses in the ELNOS Region are reported in the Business Development Fund, which represents the Corporation's general fund.

Revenue and expenses related to investments in capital assets are reported in the Capital Fund.

### (b) Revenue recognition:

The Corporation follows the restricted fund method of accounting for contributions.

Restricted contributions for which no corresponding restricted fund is presented are recognized as revenue of the Business Development Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the Business Development Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably certain.

Investment income earned on restricted resources is recognized as revenue of the appropriate restricted fund. Interest income on short-term investments and performing loans receivable is recognized on the accrual basis.

Fees, membership and rental income are recognized as revenue of the Business Development Fund when the related services have been provided.

# ELLIOT LAKE AND NORTH SHORE CORPORATION FOR BUSINESS DEVELOPMENT

Notes to Financial Statements

Year ended August 31, 2014

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## 1. Significant accounting policies (continued):

### (c) Loans receivable:

Investments in loans receivable are carried at the amount disbursed less principal repayments and provisions for loan impairment sufficient to reduce their carrying amount to estimated realizable amounts. A provision for loan impairment is made under the following conditions:

- 1) loan principal or interest payments are greater than 90 days in arrears; or
- 2) at any other time when, in management's view, a loan has suffered impairment in value.

### (d) Loan guarantees:

Obligations under loan guarantees are recognized as a charge to income at the earlier of:

- 1) the payment in respect of the guarantee; and
- 2) when management determines the guarantee is likely to be called.

### (e) Equity investments:

Equity investments over which the Corporation exercises little or no influence are accounted for using the cost method of accounting.

A write-down of investments is made when management believes the investment has suffered a permanent impairment in value.

### (f) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution, except when fair value cannot be reasonably determined, in which case they are recorded at their nominal value. Amortization is provided using the following methods and annual rates:

Asset	Basis	Rate
Building	Declining-balance	4%
Furniture, fixtures and equipment	Declining-balance	20% - 30%
Computer	Declining-balance	30%
Computer software	Declining-balance	100%
Leasehold improvements	Straight-line	10 years
Building improvements	Straight-line	15 years

Amortization is taken at one-half of the above rates in the year of acquisition.

# ELLIOT LAKE AND NORTH SHORE CORPORATION FOR BUSINESS DEVELOPMENT

Notes to Financial Statements

Year ended August 31, 2014

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## 1. Significant accounting policies (continued):

### (g) Impairment of long-lived assets:

Long-lived assets, including capital assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

### (h) Use of estimates:

The preparation of 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 date of the financial statements and the reported amounts of revenue and expenses during the periods specified. Significant items subject to such estimates and assumptions include the carrying value of capital assets and valuation allowances for accounts receivable and loans receivable. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they became known.

### (i) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Corporation has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expenses as incurred.

# ELLIOT LAKE AND NORTH SHORE CORPORATION FOR BUSINESS DEVELOPMENT

Notes to Financial Statements

Year ended August 31, 2014

**2. Cash and short-term investments:**

	2014	2013
Cash	\$ 110,844	\$ 514,951
Guaranteed Investment Certificates	1,266,500	1,573,777
	<b>\$ 1,377,344</b>	<b>\$ 2,088,728</b>

**3. Restricted cash:**

Restricted cash consists of guaranteed investment certificates assigned to financial institutions as security for the lines of credit of clients.

**4. Prepaid expenses:**

Included in prepaid expenses is the cost of five long-term marketing programs entered into with the Deer Trail Curling Club, the Elliot Lake Golf and Country Club, Mt. Dufour, the Elliot Lake Bobcats Hockey Club, the Elliot Lake Wildcats Hockey Club, the Elliot Lake Tennis Club, and the Blind River Curling Club.

	Initial Cost	Amortized to Date	Balance Remaining
Deer Trail Curling Club	\$ 50,000	(10,000)	40,000
Elliot Lake Golf and Country Club	100,000	(90,000)	10,000
Mt. Dufour	100,000	(40,000)	60,000
Elliot Lake Bobcats	15,000	(15,000)	-
Elliot Lake Wildcats	10,000	(10,000)	-
Elliot Lake Tennis Club	10,000	(2,000)	8,000
Blind River Curling Club	50,000	(10,000)	40,000
Blind River Beavers	10,000	(10,000)	-
	<b>\$ 345,000</b>	<b>(187,000)</b>	<b>158,000</b>

# ELLIOT LAKE AND NORTH SHORE CORPORATION FOR BUSINESS DEVELOPMENT

Notes to Financial Statements

Year ended August 31, 2014

## 5. Loans receivable:

The investment in loans receivable is comprised as follows:

	2014	2013
Performing loans receivable	\$ 3,482,135	2,774,131
Impaired loans receivable	-	294,010
Less allowance for loan impairment	(276,539)	(304,715)
	\$ 3,205,596	2,763,426

The continuity of the allowance for impaired loans is as follows:

Balance, beginning of year	\$ 304,715	183,164
Loans written-off	(283,142)	-
Provision for loan impairment	254,966	121,551
Balance, end of year	\$ 276,539	304,715

The investment in loans receivable consists of regional development loans to businesses in the five area communities described in note 1. Collateral held for loans includes promissory notes, personal guarantees, general security agreements and chattel mortgages. Interest rates range from 0% to 10.0% per annum. Loans approved and disbursed have terms ranging from 1 to 10 years. Terms and conditions are subject to annual review.

## 6. Equity investments:

	2014	2013
RSVP Communication Services Inc., 4% interest in common shares	\$ -	1
Lizard Creek Power Inc. 200,000 Class C special shares	200,000	200,000
50,000 Common shares	50,000	50,000
	\$ 250,000	250,001



# ELLIOT LAKE AND NORTH SHORE CORPORATION FOR BUSINESS DEVELOPMENT

Notes to Financial Statements

Year ended August 31, 2014

## 7. Capital assets:

	2014		2013	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 1	–	1	–
Building	2,949,935	1,386,149	2,949,935	1,320,991
Furniture, fixtures and equipment	198,952	191,325	198,952	189,188
Computer	141,299	136,977	141,299	135,125
Computer software	25,164	25,164	25,164	24,929
Leasehold improvements	1,075,583	733,591	1,075,583	626,033
Building improvements	234,350	70,128	234,350	54,505
	4,625,284	2,543,334	4,625,284	2,350,771
Less accumulated amortization	2,543,334		2,350,771	
	\$ 2,081,950		2,274,513	

Land contributed by the City has been recorded at its nominal value of \$1.

## 8. Long-term debt:

	2014	2013
Corporation of the City of Elliot Lake, principal and interest deferred (note 11). As security, the Corporation has pledged the real estate to which the mortgage relates	\$ 852,549	852,549

## 9. Externally restricted funds:

Externally restricted funds of the Business Development Fund represent net assets restricted by the Northern Ontario Heritage Fund Corporation ("NOHFC") for the purpose of fulfilling the Corporation's mandate of promoting diversified economic development in the ELNOS Region.

# ELLIOT LAKE AND NORTH SHORE CORPORATION FOR BUSINESS DEVELOPMENT

Notes to Financial Statements

Year ended August 31, 2014

## 10. Change in non-cash working capital:

	2014	2013
Accrued interest receivable	\$ (5,412)	(16,943)
Accounts receivable	29,123	99,297
Prepaid expenses	(48,130)	8,566
Accounts payable and accrued liabilities	156,952	181,556
	\$ 132,533	272,476

## 11. Contingencies:

The Corporation has provided covenants to the NOHFC regarding solvency, operations, providing information and proceeding with its mandate. Breach by the Corporation of these covenants as stipulated in the agreement with NOHFC may result in the assignment to the NOHFC of contracts and other materials related to ELNOS' economic diversification initiatives and the refund of any portion of the original funding that has not been disbursed for economic development initiatives. The agreement expired on August 31, 2003 and the Corporation has continued to operate under that agreement in anticipation that it will be renewed.

The Corporation has provided guarantees to a financial institution in support of \$210,000 of letters and lines of credit extended to clients.

Annual principal and interest payments on the mortgage owing will be waived as long as the building is owned by ELNOS. The City was also granted first option to purchase the building in the event of a sale by ELNOS. If the building is sold to a third party, the City is entitled to the principal amount of the mortgage plus interest at the rate of 2% calculated from the date of the advance of the funds.

As at August 31, 2014, the amount of interest that would be owing in the event of a sale to a third party was \$133,408 (2013 - \$116,357).

# ELLIOT LAKE AND NORTH SHORE CORPORATION FOR BUSINESS DEVELOPMENT

Notes to Financial Statements

Year ended August 31, 2014

## 12. Related party transactions:

During the year, the Corporation charged \$14,250 (2013 - \$28,500) in rent to RSVP Communications Inc. ("RSVP").

The Corporation has also guaranteed RSVP's \$100,000 line of credit (2013 - \$100,000).

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

## 13. Defined contribution pension plan:

The Corporation maintains a defined contribution pension plan and makes a contribution for all employees who are eligible to participate in the retirement plan. The Corporation's contribution to the plan is an amount equal to 12% for the general manager and 7.5% of all other employees' compensation.

During the year, contributions to the plan totaled \$20,522 (2013 - \$19,040).

## 14. Fair value of financial instruments:

The following table represents the carrying amounts and fair values of the Corporation's financial instruments at August 31, 2014 and 2013.

	2014		2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Assets:</b>				
Cash and short-term investments	\$ 1,374,933	1,374,933	2,088,728	2,088,728
Restricted cash	244,517	244,517	235,923	235,923
Accrued interest receivable	42,289	42,289	37,174	37,174
Accounts receivable	50,550	50,550	79,673	79,673
Loans receivable	3,205,596	see note (i)(c)	2,763,426	see note (i)(c)
Equity investments	250,000	see note (i)(e)	250,001	see note (i)(e)
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	266,378	266,378	229,002	229,002
Long-term debt - Corporation of the City of Elliot Lake	852,549	see note (i)(d)	852,549	see note (i)(d)

# ELLIOT LAKE AND NORTH SHORE CORPORATION FOR BUSINESS DEVELOPMENT

Notes to Financial Statements

Years ended August 31, 2014

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## 14. Fair value of financial instruments (continued):

### (i) Estimation of fair values:

The following notes summarize the major methods and assumptions used in estimating fair values of financial instruments:

- (a) Short-term financial instruments are valued at their carrying amounts, which are reasonable estimates of fair value due to the relatively short period to maturity. This approach applies to cash, accrued interest receivable, accounts receivable, and accounts payable and accrued liabilities. Short-term investments are valued at quoted market prices.
- (b) Loans receivable consist of a portfolio of regional development loans with the terms described in note 5. There is no secondary market for many of the loans in which the Corporation invests, and the uncertainty and potentially broad range of outcomes pertaining to the future cash flows renders the calculation of a fair value with appropriate reliability impractical.
- (c) Equity investments are valued at quoted market prices if available. For unquoted securities, which are predominantly equity accounted entities, the reported fair value is estimated by the Corporation on the basis of financial position and other information. At August 31, 2014, it is not practicable to determine the fair value of the Corporation's equity investments in view of the relationships.
- (d) The terms of the long-term debt owing to the Corporation of the City of Elliot Lake calls for payment of interest and principal to be deferred indefinitely. See note 11 for additional information. Consequently, it is not practicable to determine the fair value of this debt as at August 31, 2014.

### (ii) Concentration of credit risk:

The Corporation is subject to credit risk through loans receivable and related accrued interest, accounts receivable and equity investments, since a portion of its debtors' ability to pay is dependent to a large extent upon the success of the ELNOS Region's economy.

### (iii) Interest rate risk:

The Corporation is not exposed to interest rate risk since all of its lending and borrowing activities are at fixed rates of interest, as described in notes 5 and 8.

### (iv) 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 budgets and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2013.

## *ELNOS Board of Directors*

As at year-end August 31, 2014:

Ken Kennedy, Vice-Chair, Council Representative  
Town of Blind River

Sandy Finamore, Council Representative  
City of Elliot Lake

Barbara Barton, Council Representative  
Township of the North Shore

Ted Clague, Council Representative  
Town of Spanish

Charlotte Commanda, Council Representative  
Serpent River First Nation

Harvey Hyndman, Chairman  
Business Representative

Brad Lees, Treasurer  
Business Representative

Edo Ten Broek, Secretary  
Business Representative

Howard Booker  
Business Representative

Carole Prodan  
Education Representative

Robert Fenerty  
Labour Representative

Peter Green  
Business Representative

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## *Office*

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705.848.0229

Fax: 705.848.1539

Website: [www.elnos.com](http://www.elnos.com)

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## *ELNOS Staff*

As at year-end August 31, 2014:

William Elliott  
General Manager

Sharon Farquhar  
Director of Financial Services (Part-time)

Danielle Vincent  
Administrative Assistant (Part-time)

## *Corporate Counsel*

Douglas J. Bamberger  
Desmarais, Keenan LLP

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## *Corporate Accountants*

KPMG LLP

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