

# Annual Report



## *Audited Financial Statements*

*for the year ended*

*August 31, 2012*



ELNOS Telecommunications Centre  
3rd Floor, Suite 306, 31 Nova Scotia Walk  
Elliot Lake, ON  
P5A 1Y9

## A MESSAGE FROM THE CHAIR

I think that this past year as Director and Chair of ELNOS has been the most exciting and rewarding of the 14 years I have served on the ELNOS Board. Under the direction of its Board of Directors, ELNOS has faced very hard decisions that has and will affect the future of our whole development of commerce in the "ELNOS Area".

A few quick points to touch on:

1. The collapse of the roof on June 23<sup>rd</sup>, 2012. Our community along with Government services supported with many volunteers immediately forming committees for the reconstruction of a new Pearson Plaza; ELNOS Board of Directors with William Elliott spearheading the whole project.
2. Nuclear Waste Management Organization (N.W.M.O.) introducing their proposal to educate the community people on the nuclear spent fuel rod storage at William Elliott's request.
3. We continued to partner where possible with Fednor, NOHFC, East Algoma Community Futures Development Corporation and the Business Development Bank of Canada to increase the impact of ELNOS' economic activities.

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*

This past year was overshadowed by the events of June 23<sup>rd</sup> in Elliot Lake. As a result of the partial collapse at the Algo Mall, ELNOS was called upon to fulfill a number of key roles in the community. These included:

### Business Continuity Fund

The Province of Ontario recognized ELNOS' important role in the community and the esteem in which the corporation is held when Minister Bartolucci announce the \$2 million dollar 'business continuity fund' to be made available for effected mall business to re-establish operations. ELNOS was identified as a key player in implementing the project and subsequently entered into a service agreement with the City of Elliot Lake to administer the fund. To date these businesses have accessed over \$957,000 in grant funding to re-establish operations. The fund has a 2 year life span.

### 'Pearson Plaza' project

At the recommendation of the Planning and Recovery task force the City of Elliot Lake appointed ELNOS to be the Project Manager for the 'Pearson Plaza' development. This project is designed to replace the retail space lost in the collapse of the mall in the downtown core.

The project involves 3 phases: the site development work, tendered out to JI Enterprises and currently on-going; the selection of a developer for the property, recently identified as McCowan and Associates from Barrie, Ontario; and the on-going monitoring of the project until completion.

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 new plaza is expected to be completed by the end of 2013 and ELNOS' role with the project will end concurrent with the opening.

### Job Creation Project

ELNOS has been asked to be the sponsoring agency of a job creation project which will see 5 individuals hired to support local community and service groups (food bank, Salvation Army, etc.). The purpose of the program is to help alleviate the overload and burn out on volunteers related to the increased demands caused by the mall collapse.

ELNOS will be responsible for providing financial and administrative support to the program and for the final report back to the federal government at the end of the project.

These specific activities are in addition to our general activities in support of the business community, which included sitting on the Remobilization Committee, the Planning and Recovery task force, the ASK committee and numerous other ad hoc boards and commi8ttes of the City and the Chamber of Commerce.

### In General

ELNOS has enjoyed another very successful year. The Corporation extended over a million dollars in new financing - \$987,000 in regular loans, \$46,000 in micro-loans and \$33,783 in low interest loans for a total of \$1,066,783. Over the course of the year we had 8 accounts repay in full. During the same period we had 4 accounts written off, in the aggregate amount of \$68,245.

The ELNOS building remains at capacity and its operation provides a positive cashflow to the corporation.

ELNOS continues to be involved in many projects throughout the 5 communities, including direct investment in the private sector, renewable energy initiatives, resource based projects, youth development programming and other projects considered important for the economic diversification and stabilization of the Region.

In keeping with the ELNOS Board's decision to take the lead role in potentially securing the 'deep geological repository' project for the Region, ELNOS continued to gather information on the project and provide opportunities for the communities to "learn more". This project could provide 450 temporary jobs over 10 years, 800 permanent jobs and have a positive economic impact of between \$16 and \$24 billion dollars. At present 21 communities are in the running as potential host sites, and this number is expected to be reduced to 4 or 5 in the next 12 to 18 months.

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 Blind River Development Corporation; East Algoma Community Futures Development Corporation, Elliot Lake and Blind River Chambers of Commerce, to name only a few.

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

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, 2012



KPMG LLP  
Chartered Accountants  
Claridge Executive Centre  
144 Pine Street PO Box 700  
Sudbury ON P3E 4R6

Telephone (705) 675-8500  
Fax (705) 675-7586  
In Watts (1-800) 481-3551  
Internet www.kpmg.ca

## 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, 2012 and the statements of operations and 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 generally accepted accounting principles 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, 2012, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

October 23, 2012  
Sudbury, Canada

# ELLIOT LAKE AND NORTH SHORE CORPORATION FOR BUSINESS DEVELOPMENT


Statement of Financial Position


August 31, 2012, with comparative figures for 2011

	Business Development Fund	Capital Fund	2012 Total	2011 Total
<b>Assets</b>				
Cash and short-term investments (note 2)	\$ 1,332,580	-	1,332,580	912,187
Restricted cash (note 3)	248,023	-	248,023	244,879
Accrued interest receivable	20,002	-	20,002	25,095
Accounts receivable	178,970	-	178,970	7,843
Prepaid expenses (note 4)	175,699	-	175,699	181,215
Loans receivable (note 5)	3,270,662	-	3,270,662	3,918,803
Equity investments (note 6)	250,001	-	250,001	250,001
Capital assets (note 7)	-	2,466,204	2,466,204	2,665,522
Other assets (note 8)	63,090	-	63,090	-
	\$ 5,539,027	2,466,204	8,005,231	8,205,545
<b>Liabilities and Fund Balances</b>				
Accounts payable and accrued liabilities	\$ 47,445	-	47,445	77,700
Long-term debt (note 9)	-	852,549	852,549	852,549
	47,445	852,549	899,994	930,249
Fund balances:				
Investment in capital assets	-	1,613,655	1,613,655	1,812,973
Externally restricted (note 10)	5,491,582	-	5,491,582	5,462,323
	5,491,582	1,613,655	7,105,237	7,275,296
Contingencies (note 12)				
	\$ 5,539,027	2,466,204	8,005,231	8,205,545

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, 2012, with comparative figures for 2011

	Business Development Fund		Capital Fund		Total
	2012	2011	2012	2011	
<b>Revenue:</b>					
Interest on cash and short-term investments	\$ 21,820	40,134	-	-	21,820
Interest on loans receivable	200,406	199,309	-	-	200,406
Fees and other	6,000	1,000	-	-	6,000
Membership	35	35	-	-	35
Rental income	733,911	721,151	-	-	733,911
	<u>962,172</u>	<u>961,629</u>	<u>-</u>	<u>-</u>	<u>962,172</u>
<b>Project costs:</b>					
Due diligence	1,186	1,692	-	-	1,186
Provision for bad debt and investment losses	117,229	80,200	-	-	117,229
Business development assistance	72,465	73,270	-	-	72,465
	<u>190,880</u>	<u>155,162</u>	<u>-</u>	<u>-</u>	<u>190,880</u>
<b>Operating expenses:</b>					
Salaries and benefits (Schedule)	228,888	226,762	-	-	228,888
Amortization of capital assets	-	-	199,318	204,094	199,318
Professional and other services (Schedule)	19,330	30,115	-	-	19,330
Transportation and communications	38,657	24,623	-	-	38,657
Occupancy (Schedule)	371,396	420,965	-	-	371,396
Office and general (Schedule)	83,762	72,580	-	-	83,762
	<u>742,033</u>	<u>775,045</u>	<u>199,318</u>	<u>204,094</u>	<u>941,351</u>
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$ 29,259</b>	<b>31,422</b>	<b>(199,318)</b>	<b>(204,094)</b>	<b>(170,059)</b>
					<b>(172,672)</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, 2012, with comparative figures for 2011

	Business Development Fund		Capital Fund		2011 Total
	2012	2011	2012	2011	
Fund balances, beginning of year	\$ 5,462,323	5,430,738	1,812,973	2,017,230	7,275,296
Excess (deficiency) of revenue over expenses	29,259	31,422	(199,318)	(204,094)	(172,672)
Interfund transfer for capital contributions	-	163	-	(163)	-
<b>Fund balances, end of year</b>	<b>\$ 5,491,582</b>	<b>5,462,323</b>	<b>1,613,655</b>	<b>1,812,973</b>	<b>7,105,237</b>

See accompanying notes to financial statements.

# ELLIOT LAKE AND NORTH SHORE CORPORATION FOR BUSINESS DEVELOPMENT

## Statement of Cash Flows

Year ended August 31, 2012, with comparative figures for 2011

	2012	2011
<b>Cash flows from operating activities:</b>		
Deficiency of revenue over expenses	\$ (170,059)	(172,672)
Adjustment for:		
Amortization of capital assets	199,318	204,094
	29,259	31,422
<b>Change in non-cash working capital (note 11)</b>	<b>(190,773)</b>	<b>8,584</b>
	(161,514)	40,006
<b>Cash flows from investing activities:</b>		
Decrease (increase) in loans receivable	648,141	(490,618)
Increase in equity investments	-	(250,000)
Increase in other assets	(63,090)	-
Increase in capital assets	-	163
	585,051	(740,455)
<b>Net increase (decrease) in cash</b>	<b>423,537</b>	<b>(700,449)</b>
Cash and short-term investments, beginning of year	1,157,066	1,857,515
<b>Cash and short-term investments, end of year</b>	<b>\$ 1,580,603</b>	<b>1,157,066</b>
<b>Cash is represented by:</b>		
Cash and short-term investments	\$ 1,332,580	912,187
Restricted cash	248,023	244,879
	<b>\$ 1,580,603</b>	<b>1,157,066</b>

See accompanying notes to financial statements.

# ELLIOT LAKE AND NORTH SHORE CORPORATION FOR BUSINESS DEVELOPMENT

## Schedule of Expenses

Year ended August 31, 2012, with comparative figures for 2011

	2012	2011
<b>Salaries and benefits:</b>		
Salaries	\$ 170,144	172,737
Benefits	40,971	37,238
Pensions	17,773	16,787
	\$ 228,888	226,762
<b>Professional and other services:</b>		
Audit and accounting	\$ 18,159	18,063
Legal and other	1,171	12,052
	\$ 19,330	30,115
<b>Occupancy:</b>		
Property taxes	\$ 118,365	121,373
Heat, light and water	116,896	119,801
Cleaning and security	75,093	90,933
Building repairs and maintenance	32,113	63,899
Insurance	28,316	24,959
Advertising and promotion	613	-
	\$ 371,396	420,965
<b>Office and general:</b>		
Student bursaries and donations	\$ 33,047	19,832
Office supplies, postage and other	11,192	13,896
Advertising and promotion	11,523	13,446
Directors	9,239	9,530
Equipment leases	5,577	5,468
Subscription and dues	4,250	4,158
Bank charges	2,844	3,312
Staff professional development	6,090	2,938
	\$ 83,762	72,580

See accompanying notes to financial statements.

# ELLIOT LAKE AND NORTH SHORE CORPORATION FOR BUSINESS DEVELOPMENT

Notes to Financial Statements

Year ended August 31, 2012

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Elliot Lake and North Shore Corporation for Business Development (the "Corporation") is 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, 2012

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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 control are accounted for using the consolidation method of accounting.

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, 2012

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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 the Corporation's financial statements in conformity with Canadian generally accepted accounting principles 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, loans receivable and equity investments. 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:

The financial instruments are classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the statement of financial position at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in operations; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in the statement of operations and changes in fund balances until the instrument is derecognized or impaired at which time the amounts would be recorded in the statement of operations.

The Corporation designated its cash and investments as held-for-trading, which are measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

The Corporation has selected to account for transactions at the trade date.

The Corporation also complies with CICA 3861, "Financial Instruments – Disclosure and Presentation", for the presentation and disclosure of financial instruments and non-financial derivatives.

# ELLIOT LAKE AND NORTH SHORE CORPORATION FOR BUSINESS DEVELOPMENT

Notes to Financial Statements

Year ended August 31, 2012

## 2. Cash and short-term investments:

	2012	2011
Business Development Fund:		
Cash	\$ 370,105	\$ 269,723
Guaranteed Investment Certificates	962,475	642,464
	\$ 1,332,580	\$ 912,187

## 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 four long-term marketing programs entered into with the Deer Trail Curling Club, the Elliot Lake Golf and Country Club, Mt. Dufour, and the Elliot Lake Bobcats Hockey Club.

	Initial Cost	Amortized to Date	Balance Remaining
Deer Trail Curling Club	\$ 50,000	(40,000)	10,000
Elliot Lake Golf and Country Club	100,000	(70,000)	30,000
Mt. Dufour	100,000	(30,000)	70,000
Elliot Lake Bobcats	15,000	(15,000)	-
	\$ 265,000	(155,000)	110,000

# ELLIOT LAKE AND NORTH SHORE CORPORATION FOR BUSINESS DEVELOPMENT

Notes to Financial Statements

Year ended August 31, 2012

## 5. Loans receivable:

The investment in loans receivable is comprised as follows:

	2012	2011
Performing loans receivable	\$ 2,654,489	3,780,079
Impaired loans receivable	799,337	435,651
Less allowance for loan impairment	(183,164)	(296,927)
	\$ 3,270,662	3,918,803

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

Balance, beginning of year	\$ 296,927	295,897
Loans written-off	(117,229)	(80,200)
Provision for loan impairment	3,466	81,230
Balance, end of year	\$ 183,164	296,927

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:

	2012	2011
RSVP Communication Services Inc., 4% interest in common shares	\$ 1	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	250,000
	\$ 250,001	250,001



# ELLIOT LAKE AND NORTH SHORE CORPORATION FOR BUSINESS DEVELOPMENT

Notes to Financial Statements

Year ended August 31, 2012

## 7. Capital assets:

	2012		2011	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 1	—	1	—
Building	2,949,935	1,253,118	2,949,935	1,182,418
Furniture, fixtures and equipment	198,952	186,419	198,952	182,816
Computer	137,557	133,280	137,557	131,446
Computer software	24,695	24,695	24,695	24,695
Leasehold improvements	1,075,583	518,475	1,075,583	410,917
Building improvements	234,350	38,882	234,350	23,259
	4,621,073	2,154,869	4,621,073	1,955,551
Less accumulated amortization	2,154,869		1,955,551	
	\$ 2,466,204		2,665,522	

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

## 8. Other assets:

Other assets consist of land held for resale. The Corporation has received an offer to purchase the land, which will allow for the full recovery of costs.

## 9. Long-term debt:

	2012	2011
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

## 10. 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, 2012

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

	2012	2011
Accrued interest receivable	\$ 5,093	(6,286)
Accounts receivable	(171,127)	(7,843)
Prepaid expenses	5,516	33,556
Accounts payable and accrued liabilities	(30,255)	(10,843)
	<u>\$ (190,773)</u>	<u>8,584</u>

## 12. 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, 2012, the amount of interest that would be owing in the event of a sale to a third party was \$99,306 (2011 - \$82,255).

# ELLIOT LAKE AND NORTH SHORE CORPORATION FOR BUSINESS DEVELOPMENT

Notes to Financial Statements

Year ended August 31, 2012

## 13. Related party transactions:

During the year, the Corporation charged \$28,500 (2011 - \$28,500) in rent to RSVP Communications Inc. ("RSVP").

In 2011, the Corporation also approved a new \$97,000 loan to RSVP, of which \$45,374 was issued during the current fiscal year. The remainder of the approved loan was issued to RSVP in the prior fiscal year.

The Corporation has also guaranteed RSVP's \$200,000 line of credit (2011 - \$200,000).

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.

## 14. 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 \$17,773 (2011 - \$16,787).

## 15. Fair value of financial instruments:

The following table represents the carrying amounts and fair values of the Corporation's financial instruments at August 31, 2012 and 2011.

	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Assets:</b>				
Cash and short-term investments	\$ 1,332,580	1,332,580	912,187	912,187
Restricted cash	248,021	248,021	244,879	244,879
Accrued interest receivable	20,002	20,002	25,095	25,095
Accounts receivable	192,970	192,970	7,843	7,843
Loans receivable	3,020,662	see note (i)(b)	4,168,803	see note (i)(b)
Equity investments	1	see note (i)(c)	1	see note (i)(c)
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 50,445	50,445	77,700	77,700
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

Year ended August 31, 2012

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## 15. 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, 2012, 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 debt owing to the Corporation of the City of Elliot Lake calls for payment of interest and principal to be deferred indefinitely. Consequently, it is not practicable to determine the fair value of this debt as at August 31, 2012.

### (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.

## *ELNOS Board of Directors*

As at year-end August 31, 2012:

Ken Kennedy, Council Representative  
Town of Blind River

Sandy Finamore, Council Representative  
City of Elliot Lake

Barbara Barton, Council Representative  
Township of the North Shore

Mayor Gary Bishop, Council Representative  
Town of Spanish

Charles Southwind  
Serpent River First Nation

Harvey Hyndman, Chairman  
Business Representative

Brad Lees, Treasurer  
Business Representative

Edo Ten Broek, Secretary  
Business Representative

Carmen Bondy, Vice-Chair  
Business Representative

Howard Booker  
Business Representative

Carole Prodan  
Education Representative

Robert Fenerty  
Labour Representative

Peter Seidel  
Business Representative

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## *Office*

ELNOS Telecommunications Centre  
31 Nova Scotia Walk, Suite 306  
Elliot Lake, ON  
P5A 1Y9

Tel: 800.256.7299  
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, 2012:

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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