

Annual Report



AUDITED FINANCIAL STATEMENTS

for the year ended
August 31st, 2022



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A Message from the Chair - 2022

Once again the “Message from the Chair” reads very much like previous years message as we all continue to endure the impacts of COVID-19 on our lifestyle. We are fortunate to have access to effective vaccines but will likely have to learn to live with COVID-19.

There were a few changes to the ELNOS Board as we move from fiscal 2022 to fiscal 2023:

- Serpent River First Nation nominated Shirley McLeod who will replace Miranda Pelletier and Township of North Shore nominated Tony Moor who will replace Len Menard. On behalf of the Board, I would like to extend thanks to Miranda and Len for their service to the community.
- Steve Antunes resigned from the Board recently as he has been employed with the City of Elliot Lake and was often in a conflict of interest. Ray Racine and his wife recently left the community to be closer to family outside of the region. Steve served on the Community Relations Committee and Ray served on the Audit and Finance Committee and I thank these gentlemen for their service to ELNOS and their community.
- Elliot Lake’s Council representative Norm Mann and Spanish Council representative Sandra Trudel will also not be returning. Both these Councillor’s served on the Nominating Committee and Councillor Trudel also served on the Management Committee (which will soon be called the Governance Committee). I sincerely thank Councillors Trudel and Mann for their service to the Board and to their communities.
- Ed Pearce and the writer, despite serving on the Board for 6 years, will each remain for another term owing to the requirement to honour the “notwithstanding clause” to stay another year. The clause requires that no more than 3 Directors be replaced and no more than 2 be non-municipal representatives.

Owing to the number of Board members who will have served their terms over the next few years there will be opportunities for regionally minded community members to consider joining ELNOS as a director.

Some final comments:

- 13 clients successfully paid off their accounts in full.
- In the 2021/22 fiscal year 30 clients received approval for more than \$1,040,000 in financial assistance. This included regular loans, micro-loans and business development assistance.
- ELNOS continues to recover from the impact of COVID-19. Interest on loans receivable was up by approximately \$40,000 in the past year and is approaching pre-pandemic levels. In 2019 interest on receivables was \$145,081 but dropped to \$75,687 in 2020, rose to \$95,878 in 2021 and sits at \$130,664 for 2022.
- Further to historical comments from the Chair concerning Lizard Creek and the arbitration win for the Location Approval and the loss in receiving the extension for the Feed In Tariff (FIT), it was reported in 2020 that this would be challenged in court in the first quarter of 2021. That did not occur, most likely owing to COVID-19. It is expected this will be heard eventually. Although ELNOS has written off this investment there is still a chance to recover some historical costs.
- ELNOS and the City of Elliot Lake have not yet come to agreement with respect to the historical mortgage the City holds on the ELNOS Building. The mortgage expired in 2017 and we are hopeful this can be resolved during the current fiscal year.

I continue to remain very optimistic about the future of ELNOS and once again I would like to commend the General Manager and ELNOS staff for successfully managing ELNOS during these very challenging times.

Your Partner in Business

Ian Ludgate

Chair

Report from the Manager

The past year saw a partial recovery from 'covid-19' restrictions and generally ELNOS clients were able to weather the storm fairly well, which is reflected in better than anticipated financial performance, directly related to increased principal and interest payments over our forecast.

Direct Business Support

ELNOS approved \$1,043,225 in direct business support funding last year, up over \$415,000 from the prior year. These funds were used to start up new businesses and allow for the expansion and diversification of existing businesses. We were heartened to see the number of new businesses that opened, irrespective of the uncertainty caused by the pandemic.

We are aware that many of our clients, as well as many non-ELNOS clients, took advantage of various government supports during the pandemic, and some of these funds will be repayable. What the impact of these payments will be is unknown, though we expect that we may be approached by clients when the time comes nearer, especially as several of the programs have incentives related to early payment, and it would make sense to capitalize on those benefits.

Indirect Supports

During the past fiscal year, ELNOS committed approximately \$83,000 to regional community projects, groups, and initiatives. This amount was up slightly compared to last years, as continued restrictions and uncertainty led to the cancellation of a number of events. It is certainly our hope for the 2022/2023 year to get 'back to normal' in this category.

Partnerships

In addition to the 5 municipal governments, ELNOS has worked closely with: the East Algoma Community Futures Development Corporation; Serpent River Economic Development Corporation; Shedden Development Corporation; Blind River Development Corporation; Ministry of Energy, Northern Development and Mines; Northern Ontario Heritage Fund Corporation; the Solutions Group; the Huron North Community Economic Alliance; and a myriad of others. Close cooperation among these groups helps ensure maximum benefit to the Region.

Challenges

The full effects of the covid-19 pandemic are yet to be realized, and a number of our clients continue to struggle with staffing/labour issues. This is likely to be a long-term issue as it is mainly related to a retiring of the work force, not the lack of workforce participation.

We are about to undertake a business retention and expansion (BR+E) project in the region which should help identify concerns in the business community and potential opportunities. This is being undertaken in conjunction with the City of Elliot Lake, the Town of Blind River, and the Huron North Community Economic Alliance (HNCEA).

Other

The ELNOS building continues to be at 100% rental capacity, made up of long-term tenants grouped into either the health care (Rexall pharmacy, Family Health Team, Algoma Public Health Unit, medical lab, etc.) or legal fields (the courthouse, legal clinic, victim witness assistance office, etc.). The only exceptions are the law and accounting firm in the Pearson Suite and ELNOS itself.

There has been some downward pressure on some of the lease rates due to covid driven income impacts, but also an opportunity to add a new lease revenue stream (yet to be realized) so overall the expectation is that the net result to ELNOS will either be neutral or positive.

I am once again in debt to my staff, Renate Wilson in financial services and Rebecca (Becky) Ewald in administration, as well as Sharon Farquhar who assist Renate. As a very lean organization the value of highly productive and motivated staff cannot be overstated.

In addition, would like to acknowledge the support, guidance, and commitment of the Board of Directors who once again faced a very challenging, albeit ever improving, year. We said good-bye to Ray Racine who relocated out of the region, and Steve Antunes who left to focus on his 'regular' job. We will also be losing Norman Mann off the Board as he has come to his term limit, Sandra Trudel who will be retiring and travelling, and Miranda Pelletier and Len Menard, council representatives who will not be returning for the 2022/2023 fiscal year.

The significant number of departures from the Board triggered the 'safety valve' contained in our by-laws, which means that both Ian Ludgate and Ed Pearce will be eligible to do a 'bonus year' to extend their terms and provide stability to the organization. We are looking forward to welcoming several new directors and were very impressed with the caliber of applications received, which I believe reflects well on the organization.

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



REPORT CARD

An Account Summary from
Inception to August 31st, 2022



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ELNOS Report Card

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ELNOS Report Card

1. Introduction

The ELNOS Report Card was introduced at the 2001 Annual General Meeting (AGM) to provide the Membership with a summary of ELNOS account activity. The intent is that the original document will be used as a baseline, with updated information provided at each subsequent AGM.

The materials that follow summarize the account activity that took place during ELNOS' last fiscal year, and also includes any applicable updates to last year's materials.

Any Member wishing to access interim, between reporting period, information, or having any questions about the Corporation, should feel free to contact William Elliott, General Manager, at any time with their request.

2. Client Summary Categories

Financial assistance to clients of ELNOS will normally take one of the following five forms:

i. Debt Facilities

Funds advanced are expected to be repaid with interest, on a fixed repayment schedule.

ii. Equity Facilities

Funds are invested in a company and are expected to be repaid, with a return, on no fixed schedule – long-term investment.

iii. Business Development Assistance (BDA)

Funds are advanced as a forgivable loan, on the basis of certain well-defined tasks being completed by the client – usually no more than \$5,000 per client, with a maximum \$10,000 limit. Business Development Assistance can be used to research ideas and concepts, hire consultants to analyze operations, or implement new strategies to improve efficiencies.

iv. Micro Loan Fund

Loans are issued, up to a maximum of \$10,000, to small businesses with short-term opportunities or issues. Loans are repayable over two years, at a fixed rate of interest, and a streamlined application process is used.

v. Low Interest Loan Fund

Loans are available to businesses undertaking municipally approved façade improvement or beautification projects. Loans are issued up to a maximum of 40% of project costs up to a maximum of \$20,000. Loans are repayable over two and a half years, at a fixed rate of 2.5% interest, and a streamlined application process is used.

In keeping with ELNOS' goal to be a provider of 'flexible' financing, there are numerous terms and conditions that are applied to each of the funding categories, all designed with the intent of giving the recipient the best possible chance at economic success.

ELNOS Report Card

Terminology Keys

Location

ELCity of Elliot Lake
BR.....Town of Blind River
SHTownship of Shedden (Spanish)
NSTownship of the North Shore
SRFNSerpent River First Nation
UND.....undetermined location at this time

Proposed Jobs to be Created and Proposed Jobs to be Sustained

As indicated by the individual client.

Status

repaid in full.....loan fully retired, no further contact with client required
written offbusiness is closed, financial loss to ELNOS incurred
allowance made business is operating but loan loss allowance considered
expiredoffer of financing to client never taken by client
releasedguarantee terminated, no remaining financial risk to ELNOS
current as of todayclient loan with ELNOS is up to date
re-soldassets sold, liability assumed by new client

Amount Written Off

Amount ELNOS recorded on its books after any settlement received or recovery made.

Client Confidentiality

In keeping with the ELNOS policy instituted in 2001, clients obtaining financing in the past fiscal year are listed by name, though no amounts are detailed. Historical clients are noted by the nature of the business only, except in the circumstances noted below.

In any instance where a client is either: “current as of today”, “repaid in full”, “expired” or “released”, no identifiers are used, thereby protecting client confidentiality.

In cases where a file has been “written off” or “re-sold” resulting in a loss, the client is identified, as is the quantum of financing approved to the client; the total received by the client; and, the ultimate amount ELNOS has recorded as a loss on its financial statements (the “write-off”).

ELNOS Report Card

New Account Activity

Client Name	New or Existing	Location	Status
Huron Shores Bedding	New	EL	Current
Attitudes Hair Salon	New	EL	Repaid
Tina Watson/Girls Goin Green	New	EL	Repaid
Hutchinson Enterprises	New	EL	Repaid
Yannick's Muscle factory	New	EL	Current
2383955 Ontario	New	EL	Repaid
Northern Rare Candy	New	BR	Current
Alternative Roofing	New	EL	Current
Brii-Co Contracting	New	SRFN	Current
FMB Home Inspections	New	EL	Current
Red & White HVAC	New	EL	Current
Steve Meawasige	New	SRFN	Current
Hutchinson Enterprises	Existing	EL	Current
Diversity Canada	New	EL	Current
Gregory Pine	New	SRFN	Current
Hapkido Kids	New	BR	Current
Brendan Folkes	New	EL	Current
Diana's Restaurant	New	EL	Repaid
Vyybe	New	EL	Current
St. Denis Market	New	Spanish	Current
CC Drywall	New	EL	Current
Anita Pelletier	New	SRFN	Current
108 Lifestyle	New	EL	Current
Diana's Restaurant	Existing	EL	Current
Magnolia Divine Creations	Existing	EL	Current
Attitudes Hair Salon	Existing	EL	Current
T&R Variety Plus	Existing	EL	Current
Tina Watson/Girls Goin Green	Existing	EL	Current
Adam White/GrowUps	Existing	EL	Current
Yogi's Automotive	New	EL	Expired
Glassy Bay Outfitters	New	EL	Expired

Business Development Assistance Clients

Client Name	New or Existing	Location	Status
Ian Ross/North Channel 30	Existing	EL	Current
Transport Training Centre	New	SRFN	Unknown

Closed Accounts

Client Name	Location	Status	Write-Off (\$)
Attitudes Hair Salon	EL	Repaid	0
Hutchinson Enterprises	EL	Repaid	0
Hutchinson Enterprises	EL	Repaid	0
Diana's Restaurant	EL	Repaid	0
Adam White	EL	Repaid	0
Elliot Equipment	EL	Repaid	0
PCR Enterprises	EL	Repaid	0
A Touch of Home	BR	Repaid	0
Bill's Family Movers	EL	Repaid	0
AV Disposal	EL	Repaid	0
Miresaedi Dental	EL	Repaid	0
Huron Shores Bedding	EL	Repaid	0
Diversity Canada	EL	Repaid	0

ELNOS Report Card

Account Summary

In the fiscal year from September 1, 2021, to August 31, 2022, the Corporation approved financial support to 30 clients. These approvals included \$991,288.55 in regular loans, \$43,100 in micro-loans and \$8,837 in business development assistance. Total financial assistance approved was \$1,043,225.55.

During the same period, ELNOS closed 13 accounts, all of which were ‘repaid in full’.

Included on the account summary are ‘doubtful accounts’. These are accounts that, while currently active, the auditors and staff believe are impaired, or that ELNOS will have a difficult time collecting. In either case, the auditors require that ELNOS write-off some portion, or the entire loan balance, depending on security issues, potential for recovery, etc. Regardless of whether the write-off is full or partial, the result can be a higher loan loss reported on the financial statements than on the activity summary.

In a similar manner, accounts may have their “written off” figure adjusted to reflect either a recovery against the account, or a finalization of the write off, allowing for the previous year’s estimate to be adjusted to reflect the actual amounts.

Financial Statements of

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

And Independent Auditors' Report thereon

Year ended August 31, 2022



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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of Elliot Lake and North Shore Corporation for Business Development (the entity), which comprise:

- the statement of financial position as at August 31, 2022
- the statement of operations for the year then ended
- the statement of changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes and schedule to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the entity as at August 31, 2022, 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.

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 "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' 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 for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 the entity or to cease operations, or has no realistic alternative but to do so.

Auditors' 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 auditors' 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 the 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.



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- 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 auditors' 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 auditors' report. However, future events or conditions may cause the entity's 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
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

November 8, 2022

ELLIOT LAKE AND NORTH SHORE CORPORATION FOR BUSINESS DEVELOPMENT

Statement of Financial Position

August 31, 2022, with comparative information for 2021


	Business Development Fund	Capital Fund	2022 Total	2021 Total
Assets				
Cash	\$ 235,302	\$ -	\$ 235,302	\$ 165,748
Short-term investments (note 2)	871,533	-	871,533	856,471
Accrued interest receivable	14,268	-	14,268	17,678
Accounts receivable	31,508	-	31,508	26,096
Prepaid expenses (note 3)	156,119	-	156,119	186,134
Loans receivable (note 4)	2,018,842	-	2,018,842	2,089,449
Equity investments (note 5)	49,781	-	49,781	49,781
Capital assets (note 6)	-	1,245,706	1,245,706	1,318,160
	\$ 3,377,353	\$ 1,245,706	\$ 4,623,059	\$ 4,709,517


Liabilities and Fund Balances

Accounts payable and accrued liabilities	\$ 234,083	\$ -	\$ 234,083	\$ 101,722
Long-term debt (note 7)	-	882,550	882,550	882,550
	234,083	882,550	1,116,633	984,272
Fund balances:				
Investment in capital assets	-	363,156	363,156	435,610
Externally restricted (note 8)	3,143,270	-	3,143,270	3,289,635
	3,143,270	363,156	3,506,426	3,725,245
Contingencies (note 9)				
	\$ 3,377,353	\$ 1,245,706	\$ 4,623,059	\$ 4,709,517

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, 2022, with comparative information for 2021

	Business Development Fund		Capital Fund		Total	
	2022	2021	2022	2021	2022	2021
Revenue:						
Interest on cash and short-term investments	\$ 8,154	\$ 12,114	\$ -	\$ -	\$ 8,154	\$ 12,114
Interest on loans receivable	130,664	95,878	-	-	130,664	95,878
Fees and other	42,978	19,819	-	-	42,978	19,819
Membership	30	25	-	-	30	25
Rental income	845,122	879,649	-	-	845,122	879,649
	1,026,948	1,007,485	-	-	1,026,948	1,007,485
Project costs:						
Due diligence	3,024	29,111	-	-	3,024	29,111
Provision for bad debt and investment losses	74,909	42,275	-	-	74,909	42,275
Community support	39,508	31,941	-	-	39,508	31,941
Business development assistance	43,201	61,300	-	-	43,201	61,300
	160,642	164,627	-	-	160,642	164,627
Operating expenses:						
Salaries and benefits (Schedule)	485,452	319,525	-	-	485,452	319,525
Amortization of capital assets	-	-	72,454	75,687	72,454	75,687
Professional and other services (Schedule)	27,727	29,187	-	-	27,727	29,187
Occupancy (Schedule)	395,938	417,362	-	-	395,938	417,362
Office and general (Schedule)	103,554	75,933	-	-	103,554	75,933
	1,012,671	842,007	72,454	75,687	1,085,125	917,694
Excess (deficiency) of revenue over expenses	\$ (146,365)	\$ 851	\$ (72,454)	\$ (75,687)	\$ (218,819)	\$ (74,836)

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, 2022, with comparative information for 2021

	Business Development Fund		Capital Fund		2022	2021
	2022	2021	2022	2021	Total	Total
Fund balances, beginning of year	\$ 3,289,635	\$ 3,264,462	\$ 435,610	\$ 535,619	\$ 3,725,245	\$ 3,800,081
Excess (deficiency) of revenue over expenses	(146,365)	851	(72,454)	(75,687)	(218,819)	(74,836)
Interfund transfer for capital additions	-	24,322	-	(24,322)	-	-
Fund balances, end of year	\$ 3,143,270	\$ 3,289,635	\$ 363,156	\$ 435,610	\$ 3,506,426	\$ 3,725,245

See accompanying notes to financial statements.

ELLIOT LAKE AND NORTH SHORE CORPORATION FOR BUSINESS DEVELOPMENT

Statement of Cash Flows

Year ended August 31, 2022, with comparative information for 2021

	2022	2021
Cash flows from operating activities:		
Deficiency of revenue over expenses	\$ (218,819)	\$ (74,836)
Adjustment for:		
Amortization of capital assets	72,454	75,687
	<u>(146,365)</u>	<u>851</u>
Change in non-cash working capital:		
Decrease in accrued interest receivable	3,410	999
Increase in accounts receivable	(5,412)	(4,692)
Decrease in prepaid expenses	30,015	31,482
Increase (decrease) in accounts payable and accrued liabilities	132,361	(68,378)
	<u>14,009</u>	<u>(39,738)</u>
Cash flows from financing activities:		
Repayment of long-term debt	-	(10,000)
	<u>-</u>	<u>(10,000)</u>
Cash flows from investing activities:		
Increase in loans receivable	70,607	(258,520)
Purchase of capital assets	-	(5,679)
	<u>70,607</u>	<u>(264,199)</u>
Net increase (decrease) in cash	84,616	(313,937)
Cash and short-term investments, beginning of year	1,022,219	1,336,156
Cash and short-term investments, end of year	<u>\$ 1,106,835</u>	<u>\$ 1,022,219</u>
Represented by:		
Cash	\$ 235,302	\$ 165,748
Short-term investments	871,533	856,471
	<u>\$ 1,106,835</u>	<u>\$ 1,022,219</u>

See accompanying notes to financial statements.

ELLIOT LAKE AND NORTH SHORE CORPORATION FOR BUSINESS DEVELOPMENT

Notes to Financial Statements

Year ended August 31, 2022

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.

(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 condition when, in management's view, a loan has suffered impairment in value.

ELLIOT LAKE AND NORTH SHORE CORPORATION FOR BUSINESS DEVELOPMENT

Notes to Financial Statements

Year ended August 31, 2022

1. Significant accounting policies (continued):

(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.

(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.

ELLIOT LAKE AND NORTH SHORE CORPORATION FOR BUSINESS DEVELOPMENT

Notes to Financial Statements

Year ended August 31, 2022

1. Significant accounting policies (continued):

(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.

2. Short-term investments:

Short-term investments consists of guaranteed investment certificate in amount of \$871,533 (2021 - \$856,471) are recorded at cost and earn interest at a rate of return ranging from 1.4%-3.75%.

Under its credit agreement, the Corporation has a demand operating facility to a maximum of \$50,000, bearing interest at prime plus 1.50%. In the current year, the demand operating facility was not utilized and had an outstanding balance of \$Nil at year end.

Borrowing under the credit facility are secured by a general security agreement.

ELLIOT LAKE AND NORTH SHORE CORPORATION FOR BUSINESS DEVELOPMENT

Notes to Financial Statements

Year ended August 31, 2022

3. Prepaid expenses:

Included in prepaid expenses is the cost of all long-term marketing programs entered into with the Elliot Lake Golf and Country Club, Mt. Dufour, and Huron Pines Golf Course.

	Initial Cost	Amortized to Date	Balance Remaining
Elliot Lake Golf and Country Club	\$ 100,000	\$ 60,000	\$ 40,000
Mt. Dufour	50,000	30,000	20,000
Huron Pines Golf Course	100,000	80,000	20,000
Blind River Beavers	10,000	—	10,000
Elliot Lake Red Wings	25,118	—	25,118
	285,118	170,000	115,118
Property tax			31,181
Other prepaid expenses			9,820
Total prepaid expenses			\$ 156,119

4. Loans receivable:

The investment in loans receivable is comprised as follows:

	2022	2021
Performing loans receivable	\$ 2,632,230	\$ 2,670,202
Less allowance for loan impairment	(613,388)	(580,753)
	\$ 2,018,842	\$ 2,089,449

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

	2022	2021
Balance, beginning of year	\$ 580,753	\$ 1,336,890
Loans written off	(42,275)	(798,412)
Provision for loan impairment	74,910	42,275
Balance, end of year	\$ 613,388	\$ 580,753

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 5% 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.

ELLIOT LAKE AND NORTH SHORE CORPORATION FOR BUSINESS DEVELOPMENT

Notes to Financial Statements

Year ended August 31, 2022

5. Equity investments:

	2022	2021
Lizard Creek Power Inc.:		
200,000 Class C special shares	\$ 1	\$ 1
50,000 Common shares	1	1
Grow Ups Inc.:		
12% Common share ownership	49,779	49,779
	\$ 49,781	\$ 49,781

6. Capital assets:

	2022		2021	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 1	-	\$ 1	-
Building	2,961,935	1,822,316	2,961,935	1,774,832
Furniture, fixtures and equipment	213,261	211,185	213,261	210,451
Computer	152,849	147,474	152,849	145,170
Computer software	27,000	27,000	27,000	26,999
Leasehold improvements	1,126,130	1,126,130	1,126,130	1,126,130
Building improvements	329,092	230,457	329,092	208,525
	4,810,268	3,564,562	4,810,267	3,492,107
Less accumulated amortization	(3,564,562)		(3,492,107)	
	\$ 1,245,706		\$ 1,318,160	

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

ELLIOT LAKE AND NORTH SHORE CORPORATION FOR BUSINESS DEVELOPMENT

Notes to Financial Statements

Year ended August 31, 2022

7. Long-term debt:

	2022	2021
Corporation of the City of Elliot Lake, principal and interest deferred (note 9). As security, the Corporation has pledged the real estate to which the mortgage relates	\$ 852,550	\$ 852,550
Canada Emergency Business Account loan from RBC, bears interest at the rate of 0% per annum, repayment on or before December 31, 2023	30,000	30,000
Balance, end of year	\$ 882,550	\$ 892,550

Principal payment required on long-term debt is as follows:

2024	\$ 30,000
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8. 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.

9. Contingencies:

The Corporation has provided covenants to the NOHFC regarding solvency, operations, 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.

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, 2022, the amount of interest that would be owing in the event of a sale to a third party was \$272,816 (2021 - \$255,765).

ELLIOT LAKE AND NORTH SHORE CORPORATION FOR BUSINESS DEVELOPMENT

Notes to Financial Statements

Year ended August 31, 2022

10. 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 12.5% for the general manager and 5% for the administrative assistant.

During the year, contributions to the plan totaled \$21,147 (2021 - \$21,018).

11. Fair value of financial instruments:

The following table represents the carrying amounts and fair values of the Corporation's financial instruments at August 31, 2022.

	2022		2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Cash	\$ 235,302	\$ 235,302	\$ 165,748	\$ 165,748
Short-term investments	871,533	871,533	856,471	856,471
Accrued interest receivable	14,268	14,268	17,678	17,678
Accounts receivable	41,508	41,508	26,096	26,096
Loans receivable	2,018,842	see note (i)(b)	1,318,160	see note (i)(b)
Equity investments	49,781	see note (i)(c)	49,781	see note (i)(c)
Liabilities:				
Accounts payable and accrued liabilities	234,082	234,082	101,722	101,722
Long-term debt	882,550	882,550	882,550	882,550

(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 4. 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.

ELLIOT LAKE AND NORTH SHORE CORPORATION FOR BUSINESS DEVELOPMENT

Notes to Financial Statements

Year ended August 31, 2022

11. Fair value of financial instruments (continued):

(i) Estimation of fair values (continued):

(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, 2022, 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 9 for additional information. Consequently, it is not practicable to determine the fair value of this debt as at August 31, 2022.

(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 2021.

(v) Other risk:

On March 11, 2020, the COVID-19 outbreak was declared by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus. These measures, which include implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Ontario resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable.

The current challenging climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the Corporation's operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect to the Corporation's business is not known at this time.

12. Comparative information:

Certain comparative information has been restated to conform with 2022 presentation.

ELLIOT LAKE AND NORTH SHORE CORPORATION FOR BUSINESS DEVELOPMENT

Schedule of Operating Expenses

Year ended August 31, 2022, with comparative information for 2021

	2022	2021
Salaries and benefits:		
Salaries	\$ 396,103	\$ 231,763
Benefits	68,202	66,744
Pensions	21,147	21,018
	\$ 485,452	\$ 319,525
Professional and other services:		
Audit and accounting	\$ 21,775	\$ 24,000
Legal and other	5,952	5,187
	\$ 27,727	\$ 29,187
Occupancy:		
Heat, light and water	\$ 119,567	\$ 125,115
Property taxes	102,657	105,504
Cleaning and security	92,737	101,483
Building repairs and maintenance	60,418	68,017
Insurance	20,559	17,243
	\$ 395,938	\$ 417,362
Office and general:		
Student bursaries and donations	\$ 40,721	\$ 34,787
Office supplies, postage and other	19,246	18,694
Directors	16,916	3,670
Travel and entertainment	6,813	1,963
Subscription and dues	6,108	7,250
Staff professional development	5,865	2,720
Advertising and promotion	4,580	2,214
Bank charges	3,215	3,460
IT support	90	1,175
	\$ 103,554	\$ 75,933

Elliot Lake and North Shore Corporation for Business Development

Budget Summary

For Year Ending August 31, 2023

Revenue:

Interest on cash and short term investments	\$ 15,000
Interest on loans	130,000
Rental income	765,000
Other	<u>25</u>
	\$910,025

Project Costs:

Loan and Investment losses	15,000
Business Development Assistance	<u>25,000</u>
	\$40,000

Operating Expenses:

Salaries and benefits	342,700
Professional and other services	22,500
Transportation and Communications	23,000
Occupancy	418,553
Office and General	<u>93,300</u>
	\$900,053

Excess (deficiency) of revenues over expenses **(\$30,028)**

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ELNOS Board of Directors

As at year-end August 31, 2022

Betty Ann Dunbar, Council Representative
Town of Blind River

Norman Mann, Council Representative
City of Elliot Lake

Len Menard, Council Representative
Township of the North Shore

Sandra Trudel, Council Representative
Town of Spanish

Miranda Pelletier, Council Representative
Serpent River First Nation

Ian Ludgate, CHAIR

Wayne Arnold, SECRETARY

John Thomas, VICE CHAIR

Ed Pearce

Raymond Racine

Jacques Ribout, TREASURER

Steve Antunes

Martin Grace

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P5A 1Y9

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705.848.0229

Fax: 705.848.1539

Website: www.elnos.com

ELNOS Staff

As at year-end August 31, 2022:

William Elliott
General Manager

Renate Wilson
Financial Administrator (Part-time)

Becky Ewald
Administrative Assistant

Sharon Farquhar
Financial Administrator (Contract)

Corporate Accountants

KPMG LLP
