

Annual Report



AUDITED FINANCIAL STATEMENTS

for the year ended
August 31st, 2023



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A Message from the Chair - 2023

Once again the "Message from the Chair" reads very much like previous years as we all continue to endure the impacts of COVID-19 on our lifestyle.

There are a few changes to the ELNOS Board as we move from fiscal 2023 to fiscal 2024:

- Regrettably Martin Grace was forced to resign from the ELNOS Board earlier this year owing to health reasons. Martin was a valued director and served on the Governance and Audit & Finance Committees. I and other directors have appreciated Martin's significant contribution to ELNOS and we wish him well.
- Ed Pearce and I have completed our terms and will be leaving the ELNOS Board. We have enjoyed our time and would encourage other qualified individuals to consider becoming an ELNOS Director.
- Replacing us are three candidates on the slate who bring important community and business experience to the Board. I'm encouraged with the credentials and experience of the three and am confident with the future of ELNOS.

For those interested, in the next fiscal year there will be at least two opportunities for regionally minded community members to consider joining ELNOS as a director.

Some further comments:

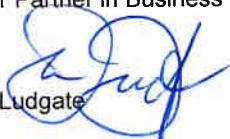
- 12 clients successfully paid off their accounts in full.
- In the 2022/23 fiscal year 17 clients received approval for more than \$548,000 in financial assistance. This is down from 30 clients and \$1,040,000 in financial assistance in the previous fiscal year. This included regular loans, micro-loans and business development assistance.
- The Northern Economic Forum was hosted by ELNOS in May and was a success.
- Although rental revenues are down from previous years the ELNOS building remains filled to capacity.
- Although there have been recent discussions on the matter, 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 soon as this impacts on ELNOS's ability to complete important business transactions.

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 their hard work.

Your Partner in Business

Ian Ludgate

Chair



Report from the Manager

The past year saw the (hopefully) end of 'covid-19' restrictions and a general stabilizing of business operations in the Region. While several clients struggled, it was more on a case-by-case basis as opposed to any general malaise in the Region.

Direct Business Support

ELNOS approved \$523,168 in direct business support funding last year, down over \$500,000 from the prior year. We served fewer clients and did fewer 'large dollar' deals. I suspect that this is the 'bust' after the post-Covid 'boom', and we will likely see the 'echo' in the coming year. These funds were used to start up new businesses and allow for the stabilization, expansion and diversification of existing businesses.

The great unknown at present is how the impending repayment of Canadian Emergency Business Account (CEBA) funds will affect client's ability to manage their cashflow and debt load. It appears that the Federal government is going to pressure the Schedule 'A' banks to provide loans to CEBA clients so that they can take advantage of the loan forgiveness portion of the CEBA program. Those that cannot access these programs *may* end up looking to ELNOS for assistance.

Indirect Supports

During the past fiscal year, ELNOS committed approximately \$80,880 to regional community projects, groups, and initiatives. This amount was down slightly compared to last year, as a number of events (such as the Elliot Lake 'North Shore Challenge Drag Races') were cancelled. We have generally seen the return of events (Lumberjack Days, Witches Walk, etc.) but many have struggled to rebuild their attendance, as Covid-19 health concerns continue to keep some people away from crowds.

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; Blind River Development Corporation; Ministry of Energy, Northern Development and Mines; Northern Ontario Heritage Fund Corporation; the Huron North Community Economic Alliance; as well as many others. Close cooperation among these groups helps ensure maximum benefit to the Region.

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, lawyer's office, etc.). The only exceptions are the accounting firm in the Pearson Suite and ELNOS itself.

We have been adjusting to the downward pressure put on some of the lease rates due to covid driven income impacts, and we have yet to finalize the new lease revenue stream mentioned in

last year's report. Despite this, the building continues to provide a good revenue stream to the organization which helps fund our core business operations.

ELNOS hosted a successful Northern Economic Forum at the end of May which was well received. In the coming year we plan to host several smaller regional business-to-business events to use our expertise and position within the Region to help connect our business communities

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 assists Renate. As a very lean organization the value of highly productive and motivated staff cannot be overstated. With my own retirement now in the 'mid-term' we will also be turning our attention to succession planning, which will include developing a Gantt type chart of how that process might look.

I would like to acknowledge the support, guidance, and commitment of the Board of Directors. This fall we are saying good-bye to Ed Pearce and long-time Chair Ian Ludgate, who both served out their full-term eligibility. Unfortunately, the past year also saw the resignation of Martin Grace due to health reasons. We wish them nothing but the best and will especially keep Martin in our thoughts. On the upside, we had several very qualified individuals apply for the vacant Board positions and our slate for the coming year is quite strong, which bodes well for the future of the Corporation.

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, 2023



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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
BRTown of Blind River
SHTownship of Shedden (Spanish)
NSTownship of the North Shore
SRFNSerpent River First Nation
UNDundetermined 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”).

Existing **ELNOS Report Card**

New Account Activity

Client Name	New or Existing	Location	Status
North Channel Feastery	New	Spanish	Closed
Elliot Lake Meats & Deli	New	EL	Repaid
Rusty Joncas Services	New	BR	Current
Nail Addictions	New	EL	Current
Robert Seymour	New	EL	Current
Sarah Paradis	New	EL	Current
Alternative Roofing	New	EL	Repaid
Girls Goin' Green	Existing	EL	Current
Exit Stage Left	Existing	EL	Closed
Roosters Diner	Existing	Spanish	Repaid
GrowUpsInc.	Existing	EL	Current
LH Outdoor Living	Existing	EL	Current
Vyybe	Existing	EL	Current
Steve Meawasige	Existing	SRFN	Current
Almenara en el Rio	Existing	Spanish	Repaid
All Seasons	Existing	EL	Current

Business Development Assistance Clients

Client Name	New or Existing	Location	Status
Diversity Canada	Existing	EL	Current

Closed Accounts

Client Name	Location	Status	Write-Off (\$)
Emilie Bernatchez	EL	Repaid	0
Roosters Diner	EL	Repaid	0
Elliot Lake Light & Laser	EL	Repaid	0
LH Outdoor Living	EL	Repaid	0
Elliot Lake Masonic Temple Corp.	EL	Repaid	0
2383955 Ontario Inc.	EL	Repaid	0
Girls Goin' Green	EL	Transfer	0
Dave Belaire	SRFN	Repaid	0
Zach Barager	EL	Repaid	0
TreeTeas Brewing	SRFN	Repaid	0
Alternative Roofing	EL	Repaid	0
Elliot Lake Meats & Deli	EL	Repaid	0

ELNOS Report Card

Account Summary

In the fiscal year from September 1, 2022, to August 31, 2023, the Corporation approved financial support to 17 clients. These approvals included \$523,168 in regular loans, \$24,000 in micro-loans and \$1,000 in business development assistance. Total financial assistance approved was \$548,168.

During the same period, ELNOS closed 12 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 Auditor's Report thereon

Year ended August 31, 2023

INDEPENDENT AUDITOR'S 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, 2023
- 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, 2023, 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 "**Auditor's Responsibilities for the Audit of the Financial Statements**" section of our auditor's 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity'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.

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

(date)

ELLIOT LAKE AND NORTH SHORE CORPORATION

FOR BUSINESS DEVELOPMENT

Statement of Financial Position

August 31, 2023, with comparative information for 2022


	Business Development Fund	Capital Fund	2023 Total	2022 Total
Assets				
Cash	\$ 440,315	\$ -	\$ 440,315	\$ 235,302
Short-term investments (note 2)	706,986	-	706,986	871,533
Accrued interest receivable	15,074	-	15,074	14,268
Accounts receivable	27,701	-	27,701	31,508
Prepaid expenses (note 3)	135,409	-	135,409	156,119
Loans receivable (note 4)	1,797,544	-	1,797,544	2,018,842
Equity investments (note 5)	49,781	-	49,781	49,781
Capital assets (note 6)	-	1,176,034	1,176,034	1,245,706
	\$ 3,172,810	\$ 1,176,034	\$ 4,348,844	\$ 4,623,059


Liabilities and Fund Balances

Accounts payable and accrued liabilities	\$ 248,335	\$ -	\$ 248,335	\$ 234,083
Long-term debt (note 7)	-	882,550	882,550	882,550
	248,335	882,550	1,130,885	1,116,633
Fund balances:				
Investment in capital assets	-	293,484	293,484	363,156
Externally restricted (note 8)	2,924,475	-	2,924,475	3,143,270
	2,924,475	293,484	3,217,959	3,506,426
Contingencies (note 9)				
	\$ 3,172,810	\$ 1,176,034	\$ 4,348,844	\$ 4,623,059

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, 2023, with comparative information for 2022

	Business Development Fund		Capital Fund		Total	
	2023	2022	2023	2022	2023	2022
Revenue:						
Interest on cash and short-term investments	\$ 26,821	\$ 8,154	\$ -	\$ -	\$ 26,821	\$ 8,154
Interest on loans receivable	128,346	130,664	-	-	128,346	130,664
Fees and other	1,288	42,978	-	-	1,288	42,978
Membership	25	30	-	-	25	30
Rental income	773,569	845,122	-	-	773,569	845,122
	<u>930,049</u>	<u>1,026,948</u>	<u>-</u>	<u>-</u>	<u>930,049</u>	<u>1,026,948</u>
Project costs:						
Due diligence	2,615	3,024	-	-	2,615	3,024
Provision for bad debt and investment losses	146,644	74,909	-	-	146,644	74,909
Community support	43,880	39,508	-	-	43,880	39,508
Business development assistance	31,000	43,201	-	-	31,000	43,201
	<u>224,139</u>	<u>160,642</u>	<u>-</u>	<u>-</u>	<u>224,139</u>	<u>160,642</u>
Operating expenses:						
Salaries and benefits (Schedule)	385,015	485,452	-	-	385,015	485,452
Amortization of capital assets	-	-	69,672	72,454	69,672	72,454
Professional and other services (Schedule)	25,342	27,727	-	-	25,342	27,727
Occupancy (Schedule)	411,358	395,938	-	-	411,358	395,938
Office and general (Schedule)	102,990	103,554	-	-	102,990	103,554
	<u>924,705</u>	<u>1,012,671</u>	<u>69,672</u>	<u>72,454</u>	<u>994,377</u>	<u>1,085,125</u>
Deficiency of revenue over expenses	\$ (218,795)	\$ (146,365)	\$ (69,672)	\$ (72,454)	\$ (288,467)	\$ (218,819)

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, 2023, with comparative information for 2022

	Business Development Fund		Capital Fund		2023	2022
	2023	2022	2023	2022	Total	Total
Fund balances, beginning of year	\$ 3,143,270	\$ 3,289,635	\$ 363,156	\$ 435,610	\$ 3,506,426	\$ 3,725,245
Deficiency of revenue over expenses	(218,795)	(146,365)	(69,672)	(72,454)	(288,467)	(218,819)
Fund balances, end of year	\$ 2,924,475	\$ 3,143,270	\$ 293,484	\$ 363,156	\$ 3,217,959	\$ 3,506,426

See accompanying notes to financial statements.

ELLIOT LAKE AND NORTH SHORE CORPORATION

FOR BUSINESS DEVELOPMENT

Statement of Cash Flows

Year ended August 31, 2023, with comparative information for 2022

	2023	2022
Cash flows from operating activities:		
Deficiency of revenue over expenses	\$ (288,467)	\$ (218,819)
Adjustment for:		
Amortization of capital assets	69,672	72,454
	(218,795)	(146,365)
Change in non-cash working capital:		
Decrease in accrued interest receivable	(806)	3,410
Increase in accounts receivable	3,807	(5,412)
Decrease in prepaid expenses	20,710	30,015
Increase (decrease) in accounts payable and accrued liabilities	14,252	132,361
	(180,832)	14,009
Cash flows from investing activities:		
Increase in loans receivable	221,298	70,607
	221,298	70,607
Net increase (decrease) in cash	40,466	84,616
Cash and short-term investments, beginning of year	1,106,835	1,022,219
Cash and short-term investments, end of year	\$ 1,147,301	\$ 1,106,835
Represented by:		
Cash	\$ 440,315	\$ 235,302
Short-term investments	706,986	871,533
	\$ 1,147,301	\$ 1,106,835

See accompanying notes to financial statements.

ELLIOT LAKE AND NORTH SHORE CORPORATION FOR BUSINESS DEVELOPMENT

Notes to Financial Statements

Year ended August 31, 2023

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, 2023

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, 2023

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 \$706,986 (2022 - \$871,533) are recorded at cost and earn interest at a rate of return ranging from 1.4%-4.0%.

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, 2023

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	\$ 70,000	\$ 30,000
Mt. Dufour	50,000	40,000	10,000
Huron Pines Golf Course	100,000	90,000	10,000
Blind River Beavers	10,000	–	10,000
Elliot Lake Red Wings	35,118	–	35,118
	295,118	200,000	95,118
Property tax			28,318
Other prepaid expenses			11,973
Total prepaid expenses			\$ 135,409

4. Loans receivable:

The investment in loans receivable is comprised as follows:

	2023	2022
Performing loans receivable	\$ 2,557,577	\$ 2,632,230
Less allowance for loan impairment	(760,033)	(613,388)
	\$ 1,797,544	\$ 2,018,842

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

	2023	2022
Balance, beginning of year	\$ 613,388	\$ 580,753
Loans written off	(39,909)	(42,275)
Provision for loan impairment	186,554	74,910
Balance, end of year	\$ 760,033	\$ 613,388

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, 2023

5. Equity investments:

	2023	2022
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:

	2023		2022	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 1	-	\$ 1	-
Building	2,961,935	1,867,901	2,961,935	1,822,316
Furniture, fixtures and equipment	213,261	211,657	213,261	211,185
Computer	152,849	149,087	152,849	147,474
Computer software	27,000	27,000	27,000	27,000
Leasehold improvements	1,126,130	1,126,130	1,126,130	1,126,130
Building improvements	329,092	252,459	329,092	230,457
	4,810,268	3,634,234	4,810,268	3,564,562
Less accumulated amortization	(3,634,234)		(3,564,562)	
	\$ 1,176,034		\$ 1,245,706	

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, 2023

7. Long-term debt:

	2023	2022
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	\$ 882,550

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, 2023, the amount of interest that would be owing in the event of a sale to a third party was \$289,867 (2022 - \$272,816).

ELLIOT LAKE AND NORTH SHORE CORPORATION FOR BUSINESS DEVELOPMENT

Notes to Financial Statements

Year ended August 31, 2023

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 \$22,817 (2022 - \$21,147).

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, 2023.

	2023		2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Cash	\$ 440,315	\$ 440,315	\$ 235,302	\$ 235,302
Short-term investments	706,986	706,986	871,533	871,533
Accrued interest receivable	15,074	15,074	14,268	14,268
Accounts receivable	27,701	27,701	41,508	41,508
Loans receivable	1,797,544	see note (i)(b)	2,018,842	see note (i)(b)
Equity investments	49,781	see note (i)(c)	49,781	see note (i)(c)
Liabilities:				
Accounts payable and accrued liabilities	252,037	252,037	234,082	234,082
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, 2023

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, 2023, 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, 2023.

(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 2022.

12. Comparative information:

Certain comparative information has been restated to conform with 2023 presentation.

ELLIOT LAKE AND NORTH SHORE CORPORATION

FOR BUSINESS DEVELOPMENT

Schedule of Operating Expenses

Year ended August 31, 2023, with comparative information for 2022

	2023	2022
Salaries and benefits:		
Salaries	\$ 289,674	\$ 396,103
Benefits	72,524	68,202
Pensions	22,817	21,147
	\$ 385,015	\$ 485,452
Professional and other services:		
Audit and accounting	\$ 22,192	\$ 21,775
Legal and other	3,150	5,952
	\$ 25,342	\$ 27,727
Occupancy:		
Heat, light and water	\$ 123,098	\$ 119,567
Property taxes	106,000	102,657
Cleaning and security	93,002	92,737
Building repairs and maintenance	75,758	60,418
Insurance	13,500	20,559
	\$ 411,358	\$ 395,938
Office and general:		
Student bursaries and donations	\$ 41,369	\$ 40,721
Office supplies, postage and other	14,970	19,246
Directors	11,683	16,916
Travel and entertainment	11,900	6,813
Subscription and dues	6,872	6,108
Staff professional development	9,709	5,865
Advertising and promotion	2,812	4,580
Bank charges	3,675	3,215
IT support	-	90
	\$ 102,990	\$ 103,554

ELNOS Board of Directors

As at year-end August 31, 2023

Betty Ann Dunbar, Council Representative
Town of Blind River

Andrew Wannan, Council Representative
City of Elliot Lake

Tony Moor, Council Representative
Township of the North Shore

Ted Clague, Council Representative
Town of Spanish

Shirley McLeod, Council Representative
Serpent River First Nation

Ian Ludgate, CHAIR

Wayne Arnold, TREASURER

John Thomas, VICE CHAIR

Michèle Poisson, SECRETARY

Ed Pearce

Andrew Ault

Jacques Ribout

Martin Grace

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705.848.0229

Fax: 705.848.1539

Website: www.elnos.com

ELNOS Staff

As at year-end August 31, 2023:

William Elliott
General Manager

Renate Wilson
Financial Administrator (Part-time)

Becky Ewald
Administrative Assistant

Sharon Farquhar
Financial Administrator (Contract)

Corporate Counsel

Douglas J. Bamberger
Desmarais, Keenan LLP

Corporate Accountants

KPMG LLP
