

Annual Report



AUDITED FINANCIAL STATEMENTS

for the year ended
August 31st, 2021



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A Message from the Chair - 2021

The first paragraph of this year's "Message from the Chair" reads very much like last year's message as we continue to endure the impact of the fourth wave of COVID-19 on individuals, organizations, and businesses in the ELNOS Region. To date we have not seen any direct impact on our ELNOS staff, board members, or families and it would appear that the majority if not all of us directly associated with ELNOS have been fully vaccinated. Although most ELNOS clients have been affected by a reduction in revenues most have resumed repaying their monthly fees. It is possible some businesses may be more adversely affected if the fourth wave extends into the winter and preventative restrictions are re-introduced.

There were no changes in the make up of the ELNOS Board in 2021. However, recently Serpent River First Nation elected to replace Shirley McLeod with Miranda Pelletier. Miranda will attend her first meeting later (possibly virtually) in November. On behalf of the Board, I would like to extend thanks to Shirley for her work on the Nominating Committee and for her service to her community and to ELNOS in general. We all wish her success and happiness in the future.

Over the next two years a number of Board members will have served their 6-year term with three Board members completing their term in 2022 and three more the following year. As such there will be opportunities for interested community minded members in the ELNOS Region to consider submitting a letter of interest to join ELNOS as a director. Stay tuned for announcements in the local media and on the ELNOS website.

Some less than positive events that occurred this year include:

- In 2020 many clients were significantly impacted by COVID-19 and ELNOS authorized a temporary suspension to their monthly payments. Most clients had resumed regular payments. In 2020 there was approximately a \$70,000 loss in interest due to suspending client payments during the pandemic and in 2021 there was an approximate loss of \$60,000 for a total of \$130,000 in losses directly attributable to COVID-19.
- 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 last year 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 that this will be heard in court before the current year end. 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, which expired in 2017, the City holds on the ELNOS Building. We are hopeful an agreement will be reached soon.

While the negative events described above were disappointing, there were a number of positive things that occurred including:

- Despite the impact of COVID-19 there were no accounts written off this year.
- Updating of the ELNOS website is ongoing on a regular basis and various social media platforms such as LinkedIn and Facebook are being used to get the message out about ELNOS.
- Despite the challenges of COVID-19, the ELNOS building, which is a significant provider of revenue to ELNOS, continues to be fully occupied.
- There were a total of 20 new loans to businesses in the ELNOS Region, 8 repaid loans, and there were 5 new Business Development Assistance grants to local businesses.
- The Ste. Camillus house that ELNOS inherited as a result of the failure of Laker Steel is (pending) sold. The net proceeds from the sale will not fully offset the loss of the Laker Steel loan.
- H&M COFI, to which ELNOS provided financial support, has been successful in receiving grants for the installation of fibre broadband network to homes in and outside of the ELNOS Region. This will greatly benefit the region and is expected to bring business opportunities to the region.

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 was a full 'covid-19' year which created a number of challenges for ELNOS, as it did for many businesses. Fortunately, it appears that we – and our clients – have managed to adapt to the changing circumstances and we look forward to more stable days ahead. Summarized below are some of the year's highlights and challenges.

Direct Business Support

ELNOS approved roughly \$627,863 in direct business support funding last year, almost identical to the prior year. These funds were used to start up new businesses and allow for the expansion and diversification of existing businesses. ELNOS opted to take a 'wait and see' approach to client support vis-à-vis the pandemic, and as it turned out the majority of our clients required no assistance or very little. This was in part due to the various support programs being offered by the Provincial and Federal governments. As these support programs are wound down and some repayments are required, we can reasonably expect a number of requests to help finance the repayment.

Being able to respond to pandemic induced concerns with both generic and specific solutions has served ELNOS and our clients well. We continue to be recognized as a very 'regional centric' financier with the ability to provide flexible and affordable financing to worthy projects. It was heartening to see the number of businesses who were able to "pivot" around covid, but also the number of people who chose to enter the market despite the pandemic restrictions.

Indirect Supports

During the past fiscal year, ELNOS committed approximately \$81,000 to regional community projects, groups, and initiatives. This amount was lower compared to previous years, but that was mainly a result of the decrease in activity in the communities due to covid created shutdowns and restrictions (no Community Days, no Fish Derby, no Drag Races, fewer golf tournaments, etc.).

The pandemic wreaked havoc on the education sector, but despite the upheaval students experienced we still had a strong crop of bursary applicants; in fact, so strong was the field that the Community Relations Committee opted to award an extra 'bonus' bursary to a particularly deserving student, meaning we awarded \$21,000 this year as opposed to the regular \$18,000. ELNOS is widely recognized as an important community sponsor in the Region and when the pandemic passes it is expected that there will be significant pressure on us to help rebuild many community-based programs.

Project Updates

The Commerce Management Group conducted a hotel feasibility study which showed a small lack of hotel rooms in the Region, but a number too small to support a new build. The Board is considering looking at future needs, and we have done some client surveys to try and assess the potential demand. We are also aware that the private sector is looking at this type of project as well.

I have spent additional time with Elliot Lake Retirement Living and others in assessing the economic viability and economic impact of new residential developments in Elliot Lake. The progress so far has been spotty, with individuals adding to the housing stock on an irregular basis, with no large-scale projects coming to fruition. It is expected that the City of Elliot Lake will include allowances for infrastructure development in their upcoming budget that may provide the security for some of these projects to move forward.

At the Board's request I spent some time investigating the potential of adding to our real estate portfolio. While that particular project is not likely to move forward in the foreseeable future, it is not off the table. I will continue to look for other opportunities to diversify and grow the ELNOS portfolio in accordance with the Board's strategic direction.

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. While all of our clients have survived (and indeed some have thrived) there is still the concern of both potential future restrictions, and the way in which repayment of supports will be handled by the Federal and Provincial governments. A number of our clients availed themselves of the "free money" offered, but the day of reckoning will come in the next 18 to 24 months.

ELNOS will remain 'at the ready' to respond to any number of possible futures. While we will continue to deal with "normal" business requests, it is likely that we will be called upon to take additional steps to assist the business community in response to pandemic induced problems.

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. While there will be some changes to lease structures in the coming year my expectation is that the net result to ELNOS will either be neutral or positive.

The past year has posed many challenges to our operations, which have required us to significantly modify our day-to-day routines. These included closing the office, partially re-opening the office, and dealing with a large number of covid related tenant requests. Both Renate Wilson in financial services and Rebecca (Becky) Ewald in administration have gone above and beyond the call of duty and their commitment to the organization is greatly appreciated.

I would like to acknowledge the support, guidance, and commitment of the Board of Directors who helped guide the organization through another challenging year. We will be saying good-bye to Shirley McLeod from Serpent River First Nation but will welcome Miranda Pelletier in her stead and look forward to her input around the board table (once we can again sit around the table!).

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

September 1st, 2020 to August 31st, 2021



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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
SRFN.....Serpent 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 off.....business is closed, financial loss to ELNOS incurred
allowance made business is operating but loan loss allowance considered
expired.....offer of financing to client never taken by client
releasedguarantee terminated, no remaining financial risk to ELNOS
current as of today.....client 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
Emmerson Bramham	New	EL	Current
Bill Goulding	New	EL	Current
LH Outdoor Living	Existing	EL	Current
Magnolia Divine Creations	New	EL	Current
Zachary Barager	New	EL	Current
Adam White	Existing	EL	Current
Mirsaedi Professional Dentistry	New	EL	Current
Diana's restaurant	New	EL	Current
T&R Variety	New	EL	Current
E.L. Masonic Temple Corp.	New	EL	Current
Bimaadzwin	New	SRFN	Current
Dwayne Newton	New	EL	Default
Paul Owl	New	SRFN	Current
H&M COFI	New	BR	Current
POM Fire Services	New	EL	Current
Jesse's Carpet Cleaning	New	EL	Current
Downtown Bargains	New	EL	Current
Sessions Cannabis	Existing	EL	Current
Emilie Bernatchez	Existing	EL	Current
Exit Stage Left	Existing	EL	Current

Business Development Assistance Clients

Client Name	New or Existing	Location	Status
EL Orthotics	New	EL	Current
Ian Ross	New	Regional	Current
EL Wildcats	Existing	EL	Current
Blue Sky Hatch	New	SRFN	Unknown
Bimaadzin	New	SRFN	Current

Closed Accounts

Client Name	Location	Status	Write-Off (\$)
EL Bobcats	EL	Repaid	0
Melanie's Liquidation	EL	Repaid	0
Bimaadzin	SRFN	Repaid	0
Werdna Holdings	EL	Repaid	0
T&R Variety	EL	Repaid	0
Bnakside Cafe	EL	Repaid	0
S, Lafontaine	EL	Repaid	0
Alpine Flowers & Gifts	EL	Repaid	0

ELNOS Report Card

Account Summary

In the fiscal year from September 1, 2020 to August 31, 2021, the Corporation approved financial support to 25 clients. These approvals included \$530,870 in regular loans, \$65,963 in micro-loans and \$31,300 in business development assistance. Total financial assistance approved was \$627,863

During the same period, ELNOS closed 8 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, 2021



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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, 2021
- 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, 2021, 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.



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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 9, 2021

ELLIOT LAKE AND NORTH SHORE CORPORATION FOR BUSINESS DEVELOPMENT

Statement of Financial Position

August 31, 2021, with comparative information for 2020

		Business Development Fund	Capital Fund	2021 Total	2020 Total
Assets					
Cash	\$	165,748	\$ -	\$ 165,748	\$ 380,183
Short-term investments (note 2)		856,471	-	856,471	955,973
Accrued interest receivable		17,678	-	17,678	18,677
Accounts receivable		26,096	-	26,096	21,404
Prepaid expenses (note 3)		186,134	-	186,134	217,616
Loans receivable (note 4)		2,089,449	-	2,089,449	1,830,929
Equity investments (note 5)		49,781	-	49,781	49,781
Capital assets (note 6)		-	1,318,160	1,318,160	1,388,169
	\$	3,391,357	\$ 1,318,160	\$ 4,709,517	\$ 4,862,732

Liabilities and Fund Balances

Accounts payable and accrued liabilities	\$	101,722	\$ -	\$ 101,722	\$ 170,101
Long-term debt (note 7)		-	882,550	882,550	892,550
		101,722	882,550	984,272	1,062,651
Fund balances:					
Investment in capital assets		-	435,610	435,610	535,619
Externally restricted (note 8)		3,289,635	-	3,289,635	3,264,462
		3,289,635	435,610	3,725,245	3,800,081
Contingencies (note 9)					
	\$	3,391,357	\$ 1,318,160	\$ 4,709,517	\$ 4,862,732

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, 2021, with comparative information for 2020

	Business Development Fund		Capital Fund		Total	
	2021	2020	2021	2020	2021	2020
Revenue:						
Interest on cash and short-term investments	\$ 12,114	\$ 14,538	\$ -	\$ -	\$ 12,114	\$ 14,538
Interest on loans receivable	95,878	75,687	-	-	95,878	75,687
Fees and other	19,819	96,967	-	-	19,819	96,967
Membership	25	35	-	-	25	35
Rental income	879,649	855,722	-	-	879,649	855,722
	1,007,485	1,042,949	-	-	1,007,485	1,042,949
Project costs:						
Due diligence	29,111	2,252	-	-	29,111	2,252
Provision for bad debt and investment losses	42,275	151,991	-	-	42,275	151,991
Community support	31,941	30,661	-	-	31,941	30,661
Business development assistance	61,300	39,965	-	-	61,300	39,965
	164,627	224,869	-	-	164,627	224,869
Operating expenses:						
Salaries and benefits (Schedule)	319,525	316,219	-	-	319,525	316,219
Amortization of capital assets	-	-	75,687	76,170	75,687	76,170
Professional and other services (Schedule)	29,187	23,418	-	-	29,187	23,418
Occupancy (Schedule)	417,362	402,418	-	-	417,362	402,418
Office and general (Schedule)	75,933	88,504	-	-	75,933	88,504
	842,007	830,559	75,687	76,170	917,694	906,729
Excess (deficiency) of revenue over expenses	\$ 851	\$ (12,479)	\$ (75,687)	\$ (76,170)	\$ (74,836)	\$ (88,649)

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, 2021, with comparative information for 2020

	Business Development Fund		Capital Fund		2021 Total	2020 Total
	2021	2020	2021	2020		
Fund balances, beginning of year	\$ 3,264,462	\$ 3,294,434	\$ 535,619	\$ 594,296	\$ 3,800,081	\$ 3,888,730
Deficiency of revenue over expenses	851	(12,479)	(75,687)	(76,170)	(74,836)	(88,649)
Interfund transfer for capital additions	24,322	(17,493)	(24,322)	17,493	-	-
Fund balances, end of year	\$ 3,289,635	\$ 3,264,462	\$ 435,610	\$ 535,619	\$ 3,725,245	\$ 3,800,081

See accompanying notes to financial statements.

ELLIOT LAKE AND NORTH SHORE CORPORATION FOR BUSINESS DEVELOPMENT

Statement of Cash Flows

Year ended August 31, 2021, with comparative information for 2020

	2021	2020
Cash flows from operating activities:		
Deficiency of revenue over expenses	\$ (74,836)	\$ (88,649)
Adjustment for:		
Amortization of capital assets	75,687	76,170
	851	(12,479)
Change in non-cash working capital:		
Decrease (increase) in accrued interest receivable	999	(1,337)
Increase in accounts receivable	(4,692)	(221)
Decrease (increase) in prepaid expenses	31,482	(328)
Decrease in accounts payable and accrued liabilities	(68,378)	(120,835)
	(39,738)	(135,200)
Cash flows from financing activities:		
Repayment of long-term debt	(10,000)	-
New long-term debt	-	40,000
	(10,000)	40,000
Cash flows from investing activities:		
Increase in loans receivable	(258,520)	418,827
Purchase of Adam White equity investment	-	(49,779)
Purchase of capital assets	(5,679)	(17,493)
	(264,199)	351,555
Net increase (decrease) in cash	(313,937)	256,355
Cash and short-term investments, beginning of year	1,336,156	1,079,801
Cash and short-term investments, end of year	\$ 1,022,219	\$ 1,336,156
Represented by:		
Cash	\$ 165,748	\$ 380,183
Short-term investments	856,471	955,973
	\$ 1,022,219	\$ 1,336,156

See accompanying notes to financial statements.

ELLIOT LAKE AND NORTH SHORE CORPORATION FOR BUSINESS DEVELOPMENT

Notes to Financial Statements

Year ended August 31, 2021

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, 2021

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, 2021

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 \$856,471 (2020 - \$955,973) are recorded at cost and earn interest at a rate of return ranging from 0.4%-1.85%.

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, 2021

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	\$ 50,000	\$ 50,000
Mt. Dufour	50,000	20,000	30,000
Huron Pines Golf Course	100,000	70,000	30,000
	250,000	140,000	110,000
Property tax			30,500
Other prepaid expenses			45,634
Total prepaid expenses			\$ 186,134

4. Loans receivable:

The investment in loans receivable is comprised as follows:

	2021	2020
Performing loans receivable	\$ 2,670,202	\$ 3,167,819
Less allowance for loan impairment	(580,753)	(1,336,890)
	\$ 2,089,449	\$ 1,830,929

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

	2021	2020
Balance, beginning of year	\$ 1,336,890	\$ 1,500,656
Loans written off	(798,412)	(315,757)
Provision for loan impairment	42,275	151,991
Balance, end of year	\$ 580,753	\$ 1,336,890

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, 2021

5. Equity investments:

	2021	2020
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
	<u>\$ 49,781</u>	<u>\$ 49,781</u>

6. Capital assets:

	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 1	-	\$ 1	-
Building	2,961,935	1,774,832	2,961,935	1,725,868
Furniture, fixtures and equipment	213,261	210,451	213,261	209,404
Computer	152,849	145,170	147,117	143,097
Computer software	27,000	26,999	27,000	26,082
Leasehold improvements	1,126,130	1,126,130	1,126,130	1,126,130
Building improvements	329,092	208,525	329,092	185,786
	<u>4,810,267</u>	<u>3,492,107</u>	<u>4,804,536</u>	<u>3,416,367</u>
Less accumulated amortization	(3,492,107)		(3,416,367)	
	<u>\$ 1,318,160</u>		<u>\$ 1,388,169</u>	

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, 2021

7. Long-term debt:

	2021	2020
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, 2022	30,000	40,000
Balance, end of year	\$ 882,550	\$ 892,550

Principal payments required on long-term debt are as follows:

2023	\$ 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, 2021, the amount of interest that would be owing in the event of a sale to a third party was \$255,765 (2020 - \$238,714).

ELLIOT LAKE AND NORTH SHORE CORPORATION FOR BUSINESS DEVELOPMENT

Notes to Financial Statements

Year ended August 31, 2021

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, 11% for the director of finance and 8% of all other employees' compensation.

During the year, contributions to the plan totaled \$21,018 (2020 - \$21,720).

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, 2021.

	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Cash	\$ 165,748	\$ 165,748	\$ 380,183	\$ 380,183
Short-term investments	856,471	856,471	955,973	955,973
Accrued interest receivable	17,678	17,678	18,677	18,677
Accounts receivable	26,096	26,096	21,404	21,404
Loans receivable	1,318,160	see note (i)(b)	1,830,929	see note (i)(b)
Equity investments	49,781	see note (i)(c)	49,781	see note (i)(c)
Liabilities:				
Accounts payable and accrued liabilities	101,722	101,722	170,101	170,101
Long-term debt	882,550	882,550	892,550	892,550

(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, 2021

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, 2021, 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, 2021.

(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 2020.

(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.

ELLIOT LAKE AND NORTH SHORE CORPORATION FOR BUSINESS DEVELOPMENT

Notes to Financial Statements

Year ended August 31, 2021

12. Comparative information:

Certain comparative information has been restated to conform with 2021 presentation.

ELLIOT LAKE AND NORTH SHORE CORPORATION FOR BUSINESS DEVELOPMENT

Schedule of Operating Expenses

Year ended August 31, 2021, with comparative information for 2020

	2021	2020
Salaries and benefits:		
Salaries	\$ 231,763	\$ 247,793
Benefits	66,744	46,706
Pensions	21,018	21,720
	\$ 319,525	\$ 316,219
Professional and other services:		
Audit and accounting	\$ 24,000	\$ 21,048
Legal and other	5,187	2,370
	\$ 29,187	\$ 23,418
Occupancy:		
Heat, light and water	\$ 125,115	\$ 132,261
Property taxes	105,504	105,633
Cleaning and security	101,483	98,619
Building repairs and maintenance	68,017	50,907
Insurance	17,243	14,998
	\$ 417,362	\$ 402,418
Office and general:		
Student bursaries and donations	\$ 34,787	\$ 32,288
Office supplies, postage and other	18,694	23,194
Subscription and dues	7,250	4,561
Directors	3,670	8,900
Bank charges	3,460	3,563
Staff professional development	2,720	5,153
Advertising and promotion	2,214	3,475
Travel and entertainment	1,963	7,257
IT support	1,175	113
	\$ 75,933	\$ 88,504

Elliot Lake and North Shore Corporation for Business Development

Budget Summary

For Year Ending August 31, 2022

Revenue:

Interest on cash and short term investments	\$ 18,000
Interest on loans	97,000
Rental income	858,590
Other	<u>5,175</u>
	\$978,765

Project Costs:

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

Operating Expenses:

Salaries and benefits	320,103
Professional and other services	20,000
Transportation and Communications	23,000
Occupancy	431,527
Office and General	<u>93,200</u>
	\$887,830

Excess (deficiency) of revenues over expenses	\$90,895
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ELNOS Board of Directors

As at year-end August 31, 2021

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

Shirley McLeod, 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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705.848.0229

Fax: 705.848.1539

Website: www.elnos.com

ELNOS Staff

As at year-end August 31, 2021:

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
