

Annual Report



AUDITED FINANCIAL STATEMENTS

for the year ended
August 31st, 2020



ELNOS Centre
31 Nova Scotia Walk, 3rd Floor
Elliot Lake, Ontario P5A 1Y9
Tel: (705) 848-0229
Toll Free: 1-800-256-7299
Fax: (705) 848-1539
www.elnos.com

A Message from the Chair

Like all individuals, organizations, and businesses in Canada, the COVID-19 pandemic was the most significant event that impacted us in the ELNOS Region this fiscal year. To date we have not seen any direct impact on our ELNOS staff, board members, or families. However, at the time of writing this message Canada is seeing increased cases as we endure the second wave.

With respect to the ELNOS Board there were two positions to be filled in 2019 as a result of the passing of Blind River Council representative Clifford Spratt and the departure from the community of Heather Negrych. The positions were filled by Blind River Councillor Betty Ann Dunbar and Elliot Lake resident Martin Grace. Councillor Barbara Barton, representative for Township of the North Shore, resigned during the summer of 2020 and she has been recently replaced by Councillor Len Menard who will begin serving on the ELNOS Board this fiscal year.

With the departure of retiring ELNOS staff last year, Renate Wilson and Becky Ewald each joined ELNOS as a Bookkeeper and Administrative Assistant respectively.

Some less than positive events that occurred this year include:

- There were 4 accounts written off totalling \$133,025. However, this was approximately \$150,000 less than the previous fiscal year.
- Because many clients were significantly impacted by COVID-19, ELNOS authorized a temporary suspension to their monthly payments. Most clients have now resumed regular payments. There has been approximately a \$70,000 loss in interest due to suspending client payments during the pandemic.
- Further to last years message concerning Lizard Creek, although they were successful in winning arbitration for Location Approval, they were not successful in receiving an extension for the Feed In Tariff (FIT) contract which would have been critical to moving this initiative forward. Lizard Creek has retained legal council and is in the process of challenging the decision which is scheduled to be heard in court in the first quarter of 2021. There may be an opportunity for ELNOS to recover some historical costs, however this investment had been written off.

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

- Completion of an Administration Manual, update and management of the ELNOS website, and improving regional awareness about ELNOS.
- Despite the challenges of COVID-19, the ELNOS building, which is a significant provider of revenue to ELNOS, remained fully occupied,
- A total of 9 new loans to businesses in the ELNOS Region, 6 repaid loans, and there were 5 new Business Development Assistance grants to local businesses.
- Completion of the new Rona building and the commencement of engineering investigations towards Elliot Lake Retirement Living's (ELRL) new Spine Road development.
- An ELNOS Strategic Planning Session, which all staff and directors attended, was held in September at the Hampton Inn. During the session new initiatives were discussed to increase the presence of ELNOS in the region without sacrificing our historical commitment to support small business development. One initiative is to assess the need for new fixed roof accommodations in the region.

Given the above I remain very optimistic about the future of ELNOS. Lastly 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 has been particularly challenging for ELNOS, as it has been for many businesses, but we have adapted as required. We continue to work at stabilizing, growing, and diversifying the Regional economy. Summarized below are some of the year's highlights and challenges.

Direct Business Support

ELNOS approved roughly \$628,000 in direct business support funding last year. These funds were used to start up new businesses and allow for the expansion and diversification of existing businesses. In response to the covid-19 pandemic, ELNOS unilaterally held client payments from April to September and we continue to work with individual businesses on their response to the continuing pandemic.

In addition, we took on the role of administrator for the City of Elliot Lake's 'Business Restart Project' to ensure that businesses got the help they needed from this program in a timely manner and to ease some of the strain on City staff.

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.

Indirect Supports

During the past fiscal year, ELNOS committed approximately \$80,000 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 Drag Races, no golf tournaments, etc.).

Despite the significant impacts on education due to the pandemic, we were still able to award \$18,000 in bursaries for graduating students in the Region. 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.

Upcoming Projects

We are actively exploring the potential for a new hotel in the Region and to that end, have engaged the Commerce Management Group to conduct a feasibility study. It is anticipated that we will receive the preliminary results in mid-November.

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. I am happy to report that the first stage of the new initiative appears imminent.

The empty retail space in the Pearson Plaza is being redeveloped as a Hart store and I have been working with City staff and the Landlord to help secure the largest, most diverse offering possible.

Through the strategic planning process, the Board set several broad goals for the long term viability and relevancy of the organization. Over the next several months, I will be working on translating these aspirational goals into action items for a work plan.

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 a number of our clients have ‘hunkered down’ and appear to be weathering the storm, we have no idea how long the storm will last. This situation makes day-to-day and long range planning very difficult.

The high degree of uncertainty means that we have to remain ‘at the ready’ to respond to any number of possible futures. It is likely that we will be called upon to take additional steps to assist the business community before things return to normal, such as ‘normal’ will be.

Other

The ELNOS building continues to be at 100% rental capacity, made up of solid, 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.

This year saw a significant turnover in staff with the retirement of Sharon Farquhar and Danielle Vincent, though Sharon continues to do some contract work for us. Fortunately we were able to secure the services of Renate Wilson in financial service and Rebecca (Becky) Ewald in administration, both of whom have proven to be exceptional hires.

I would like to acknowledge the support, guidance, and commitment of the Board of Directors who helped guide the organization through a challenging year. We will be saying good bye to Barbra Barton from the Township of the North Shore, but will welcome Len Menard in her stead and look forward to his input around the board 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

Financial Statements of

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

And Independent Auditors' Report thereon

Year ended August 31, 2020



KPMG LLP
Claridge Executive Centre
144 Pine Street
Sudbury ON P3C 1X3
Canada
Tel 705-675-8500
Fax 705-675-7586

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, 2020
- 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, 2020, 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 3, 2020

ELLIOT LAKE AND NORTH SHORE CORPORATION FOR BUSINESS DEVELOPMENT

Statement of Financial Position

August 31, 2020, with comparative information for 2019

	Business Development Fund	Capital Fund	2020 Total	2019 Total
Assets				
Cash	\$ 380,183	\$ -	\$ 380,183	\$ 132,038
Short-term investments (note 3)	955,973	-	955,973	947,763
Accrued interest receivable	18,677	-	18,677	17,341
Accounts receivable	21,404	-	21,404	21,183
Prepaid expenses (note 4)	217,616	-	217,616	217,288
Loans receivable (note 5)	1,830,929	-	1,830,929	2,249,756
Equity investments (note 6)	49,781	-	49,781	2
Capital assets (note 7)	-	1,388,169	1,388,169	1,446,846
	\$ 3,474,563	\$ 1,388,169	\$ 4,862,732	\$ 5,032,217

Liabilities and Fund Balances

Accounts payable and accrued liabilities	\$ 210,101	\$ -	\$ 210,101	\$ 290,937
Long-term debt (note 8)	-	852,550	852,550	852,550
	210,101	852,550	1,062,651	1,143,487
Fund balances:				
Investment in capital assets	-	535,619	535,619	594,296
Externally restricted (note 9)	3,264,462	-	3,264,462	3,294,434
	3,264,462	535,619	3,800,081	3,888,730

Contingencies (note 10)

Effects of COVID-19 (note 13)

	\$ 3,474,563	\$ 1,388,169	\$ 4,862,732	\$ 5,032,217
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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, 2020, with comparative information for 2019

	Business Development Fund		Capital Fund		Total	
	2020	2019	2020	2019	2020	2019
Revenue:						
Interest on cash and short-term investments	\$ 14,538	\$ 21,650	\$ -	\$ -	\$ 14,538	\$ 21,650
Interest on loans receivable	75,687	145,081	-	-	75,687	145,081
Fees and other	96,967	2,000	-	-	96,967	2,000
Membership	35	40	-	-	35	40
Rental income	855,722	857,271	-	-	855,722	857,271
	1,042,949	1,026,042	-	-	1,042,949	1,026,042
Project costs:						
Due diligence	2,252	1,804	-	-	2,252	1,804
Provision for bad debt and investment losses	151,991	565,940	-	-	151,991	565,940
Community support	30,661	33,975	-	-	30,661	33,975
Business development assistance	39,965	89,822	-	-	39,965	89,822
	224,869	691,541	-	-	224,869	691,541
Operating expenses:						
Salaries and benefits (Schedule)	316,219	302,111	-	-	316,219	302,111
Amortization of capital assets	-	-	76,170	77,497	76,170	77,497
Professional and other services (Schedule)	23,418	40,134	-	-	23,418	40,134
Occupancy (Schedule)	402,418	385,997	-	-	402,418	385,997
Office and general (Schedule)	88,504	129,464	-	-	88,504	129,464
	830,559	857,706	76,170	77,497	906,729	935,203
Deficiency of revenue over expenses	\$ (12,479)	\$ (523,205)	\$ (76,170)	\$ (77,497)	\$ (88,649)	\$ (600,702)

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, 2020, with comparative information for 2019

	Business Development Fund		Capital Fund		2020	2019
	2020	2019	2020	2019	Total	Total
Fund balances, beginning of year	\$ 3,294,434	\$ 3,817,639	\$ 594,296	\$ 671,793	\$ 3,888,730	\$ 4,489,432
Deficiency of revenue over expenses	(12,479)	(523,205)	(76,170)	(77,497)	(88,649)	(600,702)
Interfund transfer for capital additions	(17,493)	-	17,493	-	-	-
Fund balances, end of year	\$ 3,264,462	\$ 3,294,434	\$ 535,619	\$ 594,296	\$ 3,800,081	\$ 3,888,730

See accompanying notes to financial statements.

ELLIOT LAKE AND NORTH SHORE CORPORATION FOR BUSINESS DEVELOPMENT

Statement of Cash Flows

Year ended August 31, 2020, with comparative information for 2019

	2020	2019
Cash flows from operating activities:		
Deficiency of revenue over expenses	\$ (88,649)	\$ (600,702)
Adjustment for:		
Amortization of capital assets	76,170	77,497
	<u>(12,479)</u>	<u>(523,205)</u>
Change in non-cash working capital:		
Increase in accrued interest receivable	(1,337)	(366)
Decrease (increase) in accounts receivable	(221)	7,914
Increase in prepaid expenses	(328)	(34,095)
Decrease in accounts payable and accrued liabilities	(80,835)	(241,038)
	<u>(95,200)</u>	<u>(790,790)</u>
Cash flows from investing activities:		
Decrease in loans receivable	418,827	365,090
Purchase of Adam White equity investment	(49,779)	-
Purchase of capital assets	(17,493)	-
	<u>351,555</u>	<u>365,090</u>
Net increase (decrease) in cash	256,355	(425,700)
Cash and short-term investments, beginning of year	1,079,801	1,505,501
Cash and short-term investments, end of year	<u>\$ 1,336,156</u>	<u>\$ 1,079,801</u>
Represented by:		
Cash	\$ 380,183	\$ 132,038
Short-term investments	955,973	947,763
	<u>\$ 1,336,156</u>	<u>\$ 1,079,801</u>

See accompanying notes to financial statements.

ELLIOT LAKE AND NORTH SHORE CORPORATION FOR BUSINESS DEVELOPMENT

Notes to Financial Statements

Year ended August 31, 2020

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, 2020

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, 2020

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. Change in accounting standard:

Effective September 1, 2019, the Corporation adopted section 4433, Tangible Capital Assets held by not-for-profit organizations as required by the CPA Canada Accounting Standards for not-for-profit organizations. The adoption of this new standard was applied prospectively. No changes were made to opening net assets and tangible capital assets relating to the componentization of capital assets.

3. Short-term investments:

Short-term investments consists of guaranteed investment certificate in amount of \$955,973 (2019 - \$947,763) are recorded at cost and earn interest at a rate of return ranging from 1.25%-2.25%.

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, 2020

4. Prepaid expenses:

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

	Initial Cost	Amortized to Date	Balance Remaining
Elliot Lake Golf and Country Club	\$ 100,000	\$ 40,000	\$ 60,000
Mt. Dufour	50,000	10,000	40,000
Huron Pines Golf Course	100,000	60,000	40,000
	250,000	110,000	140,000
Remaining prepaid expenses			77,616
Total prepaid expenses			\$ 217,616

5. Loans receivable:

The investment in loans receivable is comprised as follows:

	2020	2019
Performing loans receivable	\$ 3,167,819	\$ 3,750,412
Less allowance for loan impairment	(1,336,890)	(1,500,656)
	\$ 1,830,929	\$ 2,249,756

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

	2020	2019
Balance, beginning of year	\$ 1,500,656	\$ 842,973
Loans written off	(315,757)	(40,789)
Provision for loan impairment	151,991	698,472
Balance, end of year	\$ 1,336,890	\$ 1,500,656

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, 2020

6. Equity investments:

	2020	2019
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	-
	\$ 49,781	\$ 2

7. Capital assets:

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 1	-	\$ 1	-
Building	2,961,935	1,725,868	2,949,935	1,674,866
Furniture, fixtures and equipment	213,261	209,404	213,261	208,047
Computer	147,117	143,097	143,463	142,145
Computer software	27,000	26,082	25,164	25,164
Leasehold improvements	1,126,130	1,126,130	1,126,130	1,126,130
Building improvements	329,092	185,786	329,092	163,848
	4,804,536	3,416,367	4,787,046	3,340,200
Less accumulated amortization	(3,416,367)		(3,340,200)	
	\$ 1,388,169		\$ 1,446,846	

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

8. Long-term debt:

	2020	2019
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

ELLIOT LAKE AND NORTH SHORE CORPORATION FOR BUSINESS DEVELOPMENT

Notes to Financial Statements

Year ended August 31, 2020

9. Externally restricted funds:

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

10. 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, 2020, the amount of interest that would be owing in the event of a sale to a third party was \$238,714 (2019 - \$221,663).

11. 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 \$21,720 (2019 - \$25,752).

ELLIOT LAKE AND NORTH SHORE CORPORATION FOR BUSINESS DEVELOPMENT

Notes to Financial Statements

Year ended August 31, 2020

12. Fair value of financial instruments:

The following table represents the carrying amounts and fair values of the Corporation's financial instruments at August 31, 2020.

	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Cash	\$ 380,183	\$ 380,183	\$ 132,038	\$ 132,038
Short-term investments	955,973	955,973	947,763	947,763
Accrued interest receivable	18,677	18,677	17,341	17,341
Accounts receivable	21,404	21,404	21,183	21,183
Loans receivable	1,830,929	see note (i)(b)	2,249,756	see note (i)(b)
Equity investments	49,781	see note (i)(c)	2	see note (i)(c)
Liabilities:				
Accounts payable and accrued liabilities	210,101	210,101	290,937	290,937
Long-term debt - Corporation of the City of Elliot Lake	852,550	852,550	852,550	852,550

(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.
- (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, 2020, it is not practicable to determine the fair value of the Corporation's equity investments in view of the relationships.

ELLIOT LAKE AND NORTH SHORE CORPORATION FOR BUSINESS DEVELOPMENT

Notes to Financial Statements

Year ended August 31, 2020

12. Fair value of financial instruments (continued):

(i) Estimation of fair values (continued):

(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, 2020.

(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 2019.

13. Effects of COVID-19:

On March 11, 2020, the COVID-19 outbreak was declared a pandemic 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 the 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 economic 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.

14. Comparative information:

Certain comparative information has been restated to conform with 2020 presentation.

ELLIOT LAKE AND NORTH SHORE CORPORATION FOR BUSINESS DEVELOPMENT

Schedule of Operating Expenses

Year ended August 31, 2020, with comparative information for 2019

	2020	2019
Salaries and benefits:		
Salaries	\$ 247,793	\$ 230,020
Benefits	46,706	46,339
Pensions	21,720	25,752
	\$ 316,219	\$ 302,111
Professional and other services:		
Audit and accounting	\$ 21,048	\$ 26,604
Legal and other	2,370	13,530
	\$ 23,418	\$ 40,134
Occupancy:		
Heat, light and water	\$ 132,261	\$ 105,808
Property taxes	105,633	103,963
Cleaning and security	98,619	86,574
Building repairs and maintenance	50,907	75,517
Insurance	14,998	14,135
	\$ 402,418	\$ 385,997
Office and general:		
Student bursaries and donations	\$ 32,288	\$ 63,879
Office supplies, postage and other	23,194	17,750
Directors	8,900	11,896
Travel and entertainment	7,257	11,284
Staff professional development	5,153	4,150
Subscription and dues	4,561	3,564
Bank charges	3,563	3,911
Advertising and promotion	3,475	12,760
IT support	113	270
	\$ 88,504	\$ 129,464

ELNOS Board of Directors

As at year-end August 31, 2020

Betty Ann Dunbar, Council Representative
Town of Blind River

Norman Mann, Council Representative
City of Elliot Lake

VACANT, 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

Office

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

Tel: 800.256.7299
705.848.0229

Fax: 705.848.1539

Website: www.elnos.com

ELNOS Staff

As at year-end August 31, 2020:

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
