

Consolidated Financial Statements of

**NON-PROFIT RETIREMENT
RESIDENCES OF ELLIOT LAKE INC.**
(OPERATING AS ELLIOT LAKE RETIREMENT LIVING)

Year ended December 31, 2015



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Non-Profit Retirement Residences of Elliot Lake Inc.

We have audited the accompanying consolidated financial statements of Non-Profit Retirement Residences of Elliot Lake Inc. (operating as Elliot Lake Retirement Living), which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Non-Profit Retirement Residences of Elliot Lake Inc. (operating as Elliot Lake Retirement Living) as at December 31, 2015, 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.

Chartered Professional Accountants, Licensed Public Accountants

May 25, 2016

Sudbury, Canada

NON-PROFIT RETIREMENT RESIDENCES OF ELLIOT LAKE INC.

(OPERATING AS ELLIOT LAKE RETIREMENT LIVING)
Consolidated Statement of Financial Position

December 31, 2015, with comparative information for 2014

	2015	2014
Assets		
Current assets:		
Cash	\$ 2,039,194	\$ 1,582,109
Trade receivables	115,141	130,744
Income taxes recoverable	-	1,452
Inventories	141,625	137,724
Prepaid expenses and deposits	205,291	219,647
	<u>2,501,251</u>	<u>2,071,676</u>
Capital assets: (note 3)		
Cost	63,534,254	62,385,060
Less accumulated amortization	30,837,447	27,804,832
	<u>32,696,807</u>	<u>34,580,228</u>
Intangible assets (note 4)	34,337	36,879
Joint Venture (note 5)	79,475	117,604
Forgivable loans (note 2)	225,190	311,067
	<u>339,002</u>	<u>465,550</u>
	<u>\$ 35,537,060</u>	<u>\$ 37,117,454</u>

See accompanying notes to consolidated financial statements.

NON-PROFIT RETIREMENT RESIDENCES OF ELLIOT LAKE INC.

(OPERATING AS ELLIOT LAKE RETIREMENT LIVING)
Consolidated Statement of Financial Position (continued)

December 31, 2015, with comparative information for 2014

	2015	2014
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 1,362,427	\$ 1,631,164
Deposits payable	669,305	637,818
Income taxes payable	11,104	-
Current portion of long-term debt (note 8)	11,643	11,075
Current portion of mortgage payable (note 7)	266,669	10,347,306
	<u>2,321,148</u>	<u>12,627,363</u>
Future income taxes	14,000	21,600
Mortgage payable (note 7)	9,823,655	-
Long-term debt (note 8)	23,250	34,858
Deferred capital contributions (note 9)	8,327,596	8,815,467
	<u>20,509,649</u>	<u>21,499,288</u>
Net assets:		
Investment in capital assets (note 10)	24,147,639	25,472,301
Unrestricted	(9,120,228)	(9,854,135)
	<u>15,027,411</u>	<u>15,618,166</u>
Contingency (note 12)		
	<u>\$ 35,537,060</u>	<u>\$ 37,117,454</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board:

_____ Members

_____ Members

NON-PROFIT RETIREMENT RESIDENCES OF ELLIOT LAKE INC.

(OPERATING AS ELLIOT LAKE RETIREMENT LIVING)

Consolidated Statement of Operations

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Revenue:		
Rental income	\$ 9,944,662	\$ 9,885,130
Contract revenue	57,040	-
Other income	37,662	40,278
Interest income	17,001	137,258
Revenue	6,235	4,950
Management and administration fees (recovery)	(1,117)	(2,429)
	<u>10,061,483</u>	<u>10,065,187</u>
Expenses:		
Taxes, utilities and insurance (note 11)	3,502,400	3,589,258
Salaries and benefits	2,397,021	2,574,971
Advertising	579,015	584,035
Interest and bank charges	347,339	363,546
Preparation of units	327,408	422,206
Repairs and maintenance	253,998	262,492
Ground maintenance	227,352	252,601
Service contracts	214,565	187,097
Office and general	205,366	191,713
Freight and duties	148,803	160,839
Professional fees	146,825	116,882
Materials and supplies	140,122	120,380
Rent	88,194	96,386
Superintendent services	68,266	66,633
Vehicles	66,360	53,451
Tenant administration	54,284	51,535
Trade shows	43,244	46,978
Telephone	11,039	20,282
Training	7,909	11,407
Business taxes	3,146	13,873
	<u>8,832,656</u>	<u>9,186,565</u>
Excess of revenue over expenses before the undernoted items and income taxes	1,228,827	878,622
Other expenses (income):		
Amortization of capital assets and intangible assets	3,202,118	3,177,550
Joint Venture (note 5)	93,452	117,427
Interest on long-term debt	(996,339)	(1,248,207)
Equipment rental	-	(158,862)
Gain on sale of capital assets	(6,500)	-
Amortization of deferred capital contributions	(487,871)	(487,871)
	<u>1,804,860</u>	<u>1,400,037</u>
Deficiency of revenues over expenses before income taxes	(576,033)	(521,415)
Income taxes:		
Current	22,322	11,218
Future (recovery)	(7,600)	(5,800)
	<u>14,722</u>	<u>5,418</u>
Deficiency of revenue over expenses	<u>\$ (590,755)</u>	<u>\$ (526,833)</u>

See accompanying notes to consolidated financial statements.

NON-PROFIT RETIREMENT RESIDENCES OF ELLIOT LAKE INC.

Consolidated Statements of Changes in Net Assets

Year ended December 31, 2015, with comparative information for 2014

	Invested in capital assets	Unrestricted	2015 Total	2014 Total
Net assets, beginning of year	\$ 25,472,301	(9,854,135)	\$ 15,618,166	\$ 16,144,999
Excess (deficiency) of revenue over expenses	(2,638,520)	2,047,765	(590,755)	(526,833)
Net change in investment in capital assets (note 10(a))	1,313,858	(1,313,858)	-	-
Net assets, end of year	\$ 24,147,639	(9,120,228)	\$ 15,027,411	\$ 15,618,166

See accompanying notes to consolidated financial statements.

NON-PROFIT RETIREMENT RESIDENCES OF ELLIOT LAKE INC.

(OPERATING AS ELLIOT LAKE RETIREMENT LIVING)

Consolidated Statement of Cash Flows

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operations:		
Deficiency of revenue over expenses	\$ (590,755)	\$ (526,833)
Items not involving cash:		
Amortization of capital assets and intangible assets	3,202,118	3,177,550
Amortization of deferred capital contributions	(487,871)	(487,871)
Joint Venture	93,452	117,427
Future income taxes (recovery)	(7,600)	(5,800)
Gain on disposal of capital assets	(1,002,839)	(1,248,207)
Gain on disposal of investments	-	(158,862)
	<u>1,206,505</u>	<u>867,404</u>
Change in non-cash operating working capital:		
Decrease in trade receivables	15,603	152,453
Decrease (increase) in income taxes recoverable	1,452	(1,452)
Decrease (increase) in inventories	(3,901)	6,811
Increase in prepaid expenses and deposits	14,356	(15,349)
Decrease in accounts payable and accrued liabilities	(268,737)	(1,183,870)
Increase (decrease) in deposits payable	31,487	(8,673)
Increase (decrease) in income taxes payable	11,104	(16,936)
Decrease in forgivable loans	85,877	63,556
	<u>1,093,746</u>	<u>(136,056)</u>
Financing:		
Decrease in mortgage payable	(256,982)	(481,045)
Repayment of long-term debt	(11,039)	(10,065)
Increase in operating line of credit	-	(3,480,000)
	<u>(268,021)</u>	<u>(3,971,110)</u>
Investing:		
Purchase of capital assets	(1,477,394)	(2,249,858)
Proceeds on disposal of capital assets	1,164,077	1,567,671
Increase in long-term investments	-	9,982
Proceeds on disposal of investments	-	6,341,820
Repayments to Joint Venture	(55,323)	(68,510)
Decrease in short-term investments	-	(86,241)
	<u>(368,640)</u>	<u>5,514,864</u>
Increase in cash	457,085	1,407,698
Cash, beginning of year	1,582,109	174,411
Cash, end of year	<u>\$ 2,039,194</u>	<u>\$ 1,582,109</u>

See accompanying notes to consolidated financial statements.

NON-PROFIT RETIREMENT RESIDENCES OF ELLIOT LAKE INC.

(OPERATING AS ELLIOT LAKE RETIREMENT LIVING)

Notes to Consolidated Financial Statements

Year ended December 31, 2015

Nature of operations:

Non-Profit Retirement Residences of Elliot Lake Inc. (operating as Elliot Lake Retirement Living) (the "Organization") is incorporated without share capital under the laws of Ontario. Its mandate is to provide and operate affordable housing units, primarily for senior citizens, in a manner that provides quality of life that support the economic base of the City of Elliot Lake.

1. Significant accounting policies:

(a) Basis of presentation:

These consolidated financial statements include the accounts of its wholly-owned subsidiary 1425164 Ontario Ltd. (operating as NorDev Group).

(b) Inventories:

Inventories were valued at the lower of cost and net realizable value, determined on a first-in, first-out basis. The Organization uses the same cost formula for all inventories having a similar nature and use to the entity. When circumstances which previously caused inventories to be written down no longer exists the previous impairment is reversed.

(c) Capital assets:

Capital assets are stated at cost less accumulated amortization. Contributed assets are recorded at fair market value at the date of contribution. Amortization is provided on a straight-line basis at the following annual rates:

Asset	Rate
Furniture and fixtures	7% - 20%
Vehicles	20%
Equipment	4% - 20%
Computer equipment	10% - 20%
Leasehold improvements	20%
Revenue-producing properties	4% - 20%
Hotel development	3% - 10%

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and exceeds its fair value.

NON-PROFIT RETIREMENT RESIDENCES OF ELLIOT LAKE INC.

(OPERATING AS ELLIOT LAKE RETIREMENT LIVING)
Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

1. Significant accounting policies (continued):

(d) Intangible assets:

Intangible assets are measured initially at cost and are amortized over their useful lives unless the life is determined to be indefinite. Franchise rights acquired for the hotel operations are being amortized over 20 years which is the length of the franchise agreement.

(e) Impairment of long-lived assets:

Long-lived assets, including capital assets and intangible 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 asset's 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 for the amount by which the carrying amount of the asset exceeds the fair value of the asset. When quoted market prices are not available, the Organization uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

(f) Revenue recognition:

The Organization follows the deferral method of accounting for contributions.

Contributions for capital assets and the golf course are deferred and amortized into revenue on the same basis and rate as the related capital asset. The contributions for the golf course have been offset against the cost of the golf course assets.

Revenue from rental properties includes rent from tenants under lease agreement, property taxes, operating costs, recoveries and incidental income.

Other revenues are recognized as the services are provided and collection is reasonably determinable.

NON-PROFIT RETIREMENT RESIDENCES OF ELLIOT LAKE INC.

(OPERATING AS ELLIOT LAKE RETIREMENT LIVING)
Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

1. Significant accounting policies (continued):

(g) Use of estimates:

The preparation of the consolidated financial statements in accordance with Canadian generally accepted accounting principals for not-for-profit organizations 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 year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets and inventory. Actual results could differ from those estimates.

(h) 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 Organization 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 expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

NON-PROFIT RETIREMENT RESIDENCES OF ELLIOT LAKE INC.

(OPERATING AS ELLIOT LAKE RETIREMENT LIVING)
Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

2. Forgiveable loans:

The Organization, as part of its commitment to help develop the City of Elliot Lake, has agreed to provide forgiveable loans to a number of physicians in an effort to attract them to open practices in the community. The Organization has offered these loans, conditional on the physicians opening their practices and remaining in the community for a period of time specified in their individual agreements. Should the physicians violate the terms of the agreements, the loans would be repayable to the Organization. The commitment with the City of Elliot Lake to provide forgiveable loans expired on December 31, 2011 and a new commitment agreement has not been entered into.

3. Capital assets:

	2015		
	Cost	Accumulated amortization	Net book value
Elliot Lake Retirement Living:			
Revenue-producing properties	\$ 14,859,572	\$ 8,313,709	\$ 6,545,863
Housing improvements	30,101,215	15,514,678	14,586,537
Furniture and fixtures	1,800,251	1,619,287	180,964
Equipment	1,447,647	851,449	596,198
Vehicles	547,771	524,692	23,079
Leasehold improvements	297,602	297,602	-
Computer equipment	635,959	605,903	30,056
Hotel development	12,633,757	2,528,390	10,105,367
Condominium development	407,168	-	407,168
NorDev Group:			
Building	12,491	6,610	5,881
Equipment	189,777	151,152	38,625
Furniture and fixtures	578,839	401,770	177,069
Vehicles	22,205	22,205	-
	\$ 63,534,254	\$ 30,837,448	\$ 32,696,807

NON-PROFIT RETIREMENT RESIDENCES OF ELLIOT LAKE INC.

(OPERATING AS ELLIOT LAKE RETIREMENT LIVING)
Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

3. Capital assets (continued):

	2014		
	Cost	Accumulated amortization	Net book value
Elliot Lake Retirement Living:			
Revenue-producing properties	\$ 15,028,270	\$ 7,876,532	\$ 7,151,738
Housing improvements	28,841,655	13,499,862	15,341,794
Furniture and fixtures	1,797,844	1,591,290	206,554
Equipment	1,392,474	774,267	618,207
Vehicles	547,771	504,890	42,881
Leasehold improvements - internal	297,602	297,602	-
Computer equipment	616,514	593,381	23,133
Assets under development:			
Hotel development	12,633,757	2,137,464	10,496,293
Condominium development	407,168	-	407,168
NorDev Group:			
Building	12,491	5,284	7,207
Equipment	189,777	138,268	51,509
Furniture and fixtures	576,541	342,797	233,744
Vehicles	43,196	43,196	-
	\$ 62,385,060	\$ 27,804,832	\$ 34,580,228

The condominium project is under development and amortization will commence upon completion of project.

4. Intangible assets:

	2015		2014	
Franchise rights	\$	50,830	\$	50,830
Accumulated amortization		(16,493)		(13,951)
	\$	34,337	\$	36,879

NON-PROFIT RETIREMENT RESIDENCES OF ELLIOT LAKE INC.

(OPERATING AS ELLIOT LAKE RETIREMENT LIVING)
Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

5. Joint Venture:

Stone Ridge Golf Course:

In 2003, a Joint Venture agreement was entered into between the City of Elliot Lake (the "City") and the Organization to create the Stone Ridge Golf Course. Capital asset purchases for the course have been funded by the City, the Organization, Human Resources and Skills Development Canada ("HRSDC") and private contributions. The course opened in the summer of 2005.

During 2006, the Joint Venture agreement was amended to attribute 100% of the profit or loss from the operation of the golf course to the Organization. Previously, profits or losses from the operation of the golf course were shared evenly between the City and the Organization.

The following amounts represent the Organization's share of the assets, liabilities, revenues, expenses, deficiency of revenues over expenses and cash flows in this venture.

	2015	2014
Current assets	\$ 28,977	\$ 48,140
Capital assets	50,498	69,464
	\$ 79,475	\$ 117,604
Revenues	\$ 789,643	\$ 785,726
Expenses	(883,095)	(953,152)
Deficiency of revenue over expenses	\$ (93,452)	\$ (167,426)
Cash flows provided by (used for):		
Operating activities	\$ 10,980	\$ 34,262
Financing and investing activities	(10,980)	(34,262)

6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$57,078 (2014 - \$44,639), which includes amounts payable for HST and payroll related taxes.

NON-PROFIT RETIREMENT RESIDENCES OF ELLIOT LAKE INC.

(OPERATING AS ELLIOT LAKE RETIREMENT LIVING)
Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

7. Mortgage payable:

The Organization's bank borrowing facilities provide an unsecured line of credit in the amount of \$250,000 with an interest rate of prime plus 0.5% as of December 31, 2015 there are no amounts drawn on this facility.

	2015	2014
Mortgage payable #1	\$ 5,011,689	\$ 5,159,767
Mortgage payable #2	5,078,635	5,187,539
	10,090,324	10,347,306
Less current portion	(266,669)	(10,347,306)
	\$ 9,823,655	\$ -

Mortgage payable #1 bears interest at 3.36% and is secured by a first charge on the Organization's assets and cash flows related to specific properties, an unlimited corporate guarantee from its subsidiary, 1425164 Ontario Ltd. (operating as NorDev Group), a general security agreement presenting a first charge on assets and cash flow specific to the hotel and office properties constructed on Highway 108 North, Elliot Lake, continuing market collateral mortgage in the amount of \$5,214,719 on specific properties, general assignment of rents and leases on all above properties and assignment of fire insurance. The term of the mortgage payable is for five years ending January 2020 and is being amortized over 25 years.

Mortgage payable #2 bears interest at 3.91% and is secured by a first charge on the Organization's assets and cash flows related to specific properties, a limited corporate guarantee from its subsidiary, 1425164 Ontario Ltd. (operating as NorDev Group) in the amount of \$6.2 million, a general security agreement presenting a first charge on appliances and other person property owned by NorDev Group at 279 Hwy 108, Elliot Lake, general assignment of rents and leases on specific properties and assignment of fire insurance. The term of the mortgage payable is ten years ending March 2025 and is being amortized over 25 years.

The mortgage is subject to certain financial and non-financial restrictive covenants. At December 31, 2015, the Organization is in compliance with these covenants.

NON-PROFIT RETIREMENT RESIDENCES OF ELLIOT LAKE INC.

(OPERATING AS ELLIOT LAKE RETIREMENT LIVING)
Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

8. Long-term debt:

	2015	2014
Vehicle loan, bearing interest at 5.99%, payable in monthly instalments of \$538 including principal and interest, due October 2018	\$ 17,899	\$ 23,530
Vehicle loan, bearing interest at 3.99%, payable in monthly instalments of \$516 including principal and interest, due September 2018	16,994	22,403
	34,893	45,933
Less current portion	(11,643)	(11,075)
	\$ 23,250	\$ 34,858

The long-term debt is secured by equipment with a carrying value of approximately \$34,618. Principal repayments are due as follows:

2016	\$ 11,643
2017	12,241
2018	11,010
	\$ 34,894

9. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of capital assets.

	2015	2014
Balance, beginning of year	\$ 8,815,467	\$ 9,303,338
Less amounts amortized to income	(487,871)	(487,871)
Balance, end of year	\$ 8,327,596	\$ 8,815,467

NON-PROFIT RETIREMENT RESIDENCES OF ELLIOT LAKE INC.

(OPERATING AS ELLIOT LAKE RETIREMENT LIVING)
Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

10. Investment in capital assets:

(a) Investment in capital assets is calculated as follows:

	2015	2014
Capital assets	\$ 32,475,235	\$ 34,287,768
Amounts financed by:		
Deferred contributions	(8,327,596)	(8,815,467)
	\$ 24,147,639	\$ 25,472,301
Excess of revenue over expenses:		
Amortization of deferred contributions related to capital assets	\$ 487,871	\$ 487,871
Amortization of capital assets	(3,126,391)	(3,100,185)
	\$ (2,638,520)	\$ (2,612,314)
Net change in investment in capital assets:		
Purchases of capital assets	\$ 1,475,094	\$ 2,249,858
Disposition of capital assets	(161,236)	(319,474)
	\$ 1,313,858	\$ 1,930,384

(b) Details of amortization and purchase of capital assets are as follows:

	2015	2014
Purchase of capital assets:		
Elliot Lake Retirement Living	\$ 1,475,094	\$ 2,249,858
NorDev	2,298	-
	\$ 1,477,392	\$ 2,249,858
Amortization of capital assets:		
Elliot Lake Retirement Living	3,126,391	3,100,185
NorDev	73,184	74,824
	\$ 3,199,575	\$ 3,175,009

NON-PROFIT RETIREMENT RESIDENCES OF ELLIOT LAKE INC.

(OPERATING AS ELLIOT LAKE RETIREMENT LIVING)
Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

11. Taxes, utilities and insurance:

Elliot Lake Retirement Living

	2015	2014
Property taxes and insurance	\$ 1,757,882	\$ 1,772,393
Heating	243,727	303,729
Water	807,421	800,019
Hydro	466,138	481,292
	<u>\$ 3,275,168</u>	<u>\$ 3,357,433</u>

NorDev Group

	2015	2014
Property taxes and insurance	\$ 109,938	\$ 116,995
Heating	97,578	91,300
Water	13,675	17,700
Hydro	6,041	5,830
	<u>\$ 227,232</u>	<u>\$ 231,825</u>
	<u>\$ 3,502,400</u>	<u>\$ 3,589,258</u>

12. Contingency:

In the year, the Organization was named in several legal actions related to the collapse of the Algo Centre Mall. Management is unable to determine at this time what liability, if any, exists related to these actions, and consequently, no provision has been recorded in the books of the Organization.

13. Comparative information:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

NON-PROFIT RETIREMENT RESIDENCES OF ELLIOT LAKE INC.

(OPERATING AS ELLIOT LAKE RETIREMENT LIVING)
Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

14. Financial risks and concentration of risk:

(a) Market risk:

The Organization's revenue is derived from the rental of properties in the City of Elliot Lake and guest room and meeting room rentals. The introduction of new rental properties or an additional hotel in the community could have an impact on future gross margins.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Organization deals with creditworthy counterparties to mitigate the risk of financial loss from defaults. The Organization monitors the credit risk of customers through credit rating reviews.

(c) Liquidity risk:

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages its liquidity risk by monitoring its operating requirements. The Organization prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2014.