

Consolidated Financial Statements of

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

Year ended December 31, 2016



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

## 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, 2016, 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 consolidated financial position of Non-Profit Retirement Residences of Elliot Lake Inc. as at December 31, 2016, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*KPMG LLP*

Chartered Professional Accountants, Licensed Public Accountants

April 25, 2017

Sudbury, Canada

# NON-PROFIT RETIREMENT RESIDENCES OF ELLIOT LAKE INC.

(OPERATING AS ELLIOT LAKE RETIREMENT LIVING)

Consolidated Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
<b>Assets</b>		
Current assets:		
Cash	\$ 2,559,049	\$ 2,039,194
Trade receivables	92,151	115,141
Income taxes recoverable	753	-
Inventories	182,736	141,625
Prepaid expenses and deposits	228,059	205,291
	<u>3,062,748</u>	<u>2,501,251</u>
Capital assets: (note 3)		
Cost	64,921,746	63,534,254
Less accumulated amortization	33,811,436	30,837,447
	<u>31,110,310</u>	<u>32,696,807</u>
Intangible assets (note 4)	31,796	34,337
Joint Venture (note 5)	76,419	79,475
Forgivable loans (note 2)	146,847	225,190
	<u>255,062</u>	<u>339,002</u>
	<u>\$ 34,428,120</u>	<u>\$ 35,537,060</u>

See accompanying notes to consolidated financial statements.

# NON-PROFIT RETIREMENT RESIDENCES OF ELLIOT LAKE INC.


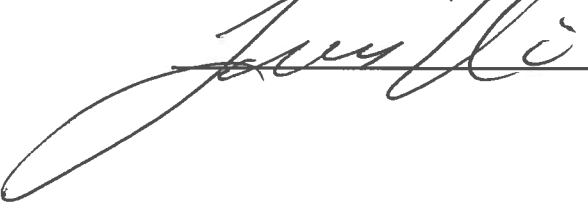
(OPERATING AS ELLIOT LAKE RETIREMENT LIVING)  
Consolidated Statement of Financial Position (continued)

December 31, 2016, with comparative information for 2015

	2016	2015
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 1,118,132	\$ 1,362,427
Deposits payable	693,752	669,305
Income taxes payable	-	11,104
Current portion of long-term debt (note 8)	12,241	11,643
Current portion of mortgage payable (note 7)	276,425	266,669
	<u>2,100,550</u>	<u>2,321,148</u>
Future income taxes	8,500	14,000
Mortgage payable (note 7)	9,547,235	9,823,655
Long-term debt (note 8)	11,047	23,250
Deferred capital contributions (note 9)	7,839,726	8,327,596
	<u>19,507,058</u>	<u>20,509,649</u>
Net assets:		
Investment in capital assets (note 10)	23,056,762	24,147,639
Unrestricted	(8,135,700)	(9,120,228)
	<u>14,921,062</u>	<u>15,027,411</u>
Contingency (note 12)		
	<u>\$ 34,428,120</u>	<u>\$ 35,537,060</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, 2016, with comparative information for 2015

	2016	2015
<b>Revenue:</b>		
Rental income	\$ 10,508,811	\$ 9,943,545
Management and administration fees (recovery)	60,000	-
Other income	50,502	37,662
Interest income	(39,583)	17,001
Revenue	-	6,235
Contract revenue	-	57,040
	<u>10,579,730</u>	<u>10,061,483</u>
<b>Expenses:</b>		
Taxes, utilities and insurance (note 11)	3,407,634	3,502,400
Salaries and benefits	1,931,725	2,397,021
Preparation of units	698,639	327,408
Advertising	603,688	579,015
Repairs and maintenance	434,245	253,293
Superintendent services	376,624	68,266
Interest and bank charges	361,253	347,339
Office and general	238,546	168,531
Ground maintenance	237,494	228,057
Service contracts	228,968	214,565
Freight and duties	163,711	148,803
Materials and supplies	163,418	144,814
Rent	91,807	88,194
Professional fees	77,249	146,825
Vehicles	74,760	66,360
Trade shows	46,313	43,244
Tenant administration	42,227	52,695
Telephone	12,522	11,039
Training	9,157	7,909
Business taxes	3,010	3,146
	<u>9,202,990</u>	<u>8,798,924</u>
Excess of revenue over expenses before the undernoted items and income taxes	1,376,740	1,262,559
<b>Other expenses (income):</b>		
Amortization of capital assets and intangible assets	3,248,343	3,202,118
Joint Venture (note 5)	53,323	93,452
Foreign exchange	54,455	33,732
Gain on sale of capital assets	(1,400,573)	(996,339)
Gain on disposal of capital assets	-	(6,500)
Amortization of deferred capital contributions	(487,870)	(487,871)
	<u>1,467,678</u>	<u>1,838,592</u>
Deficiency of revenues over expenses before income taxes	(90,938)	(576,033)
<b>Income taxes:</b>		
Current	20,911	22,322
Future (recovery)	(5,500)	(7,600)
	<u>15,411</u>	<u>14,722</u>
Deficiency of revenue over expenses	<u>\$ (106,349)</u>	<u>\$ (590,755)</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, 2016, with comparative information for 2015

	Invested in capital assets	Unrestricted	2016 Total	2015 Total
Net assets, beginning of year	\$ 24,147,639	(9,120,228)	\$ 15,027,411	\$ 15,618,166
Excess (deficiency) of revenue over expenses	(2,681,632)	2,575,283	(106,349)	(590,755)
Net change in investment in capital assets (note 10(a))	1,590,755	(1,590,755)	-	-
<b>Net assets, end of year</b>	<b>\$ 23,056,762</b>	<b>(8,135,700)</b>	<b>\$ 14,921,062</b>	<b>\$ 15,027,411</b>

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, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operations:		
Deficiency of revenue over expenses	\$ (106,349)	\$ (590,755)
Items not involving cash:		
Amortization of capital assets and intangible assets	3,248,343	3,202,118
Amortization of deferred capital contributions	(487,870)	(487,871)
Joint Venture	53,323	93,452
Future income taxes (recovery)	(5,500)	(7,600)
Gain on disposal of capital assets	(1,400,573)	(1,002,839)
	<u>1,301,374</u>	<u>1,206,505</u>
Change in non-cash operating working capital:		
Decrease in trade receivables	22,990	15,603
Decrease (increase) in income taxes recoverable	(753)	1,452
Increase in inventories	(41,111)	(3,901)
(Increase) decrease in prepaid expenses and deposits	(259,790)	14,356
Decrease in accounts payable and accrued liabilities	(244,294)	(268,737)
Increase in deposits payable	24,447	31,487
Increase (decrease) in income taxes payable	(11,104)	11,104
Decrease in forgivable loans	78,343	85,877
	<u>870,102</u>	<u>1,093,746</u>
Financing:		
Decrease in mortgage payable	(266,664)	(256,982)
Repayment of long-term debt	(11,606)	(11,039)
	<u>(278,270)</u>	<u>(268,021)</u>
Investing:		
Purchase of capital assets	(1,618,104)	(1,477,394)
Proceeds on disposal of capital assets	1,596,394	1,164,077
Repayments to Joint Venture	(50,267)	(55,323)
	<u>(71,977)</u>	<u>(368,640)</u>
Increase in cash	519,855	457,085
Cash, beginning of year	2,039,194	1,582,109
Cash, end of year	<u>\$ 2,559,049</u>	<u>\$ 2,039,194</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, 2016

---

## 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%
Housing improvements	4% - 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, 2016

---

## 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 joint venture are deferred and amortized into revenue on the same basis and rate as the related capital asset. The contributions for the golf course joint venture have been offset against the cost of the golf course joint venture 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, 2016

---

## 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, 2016

## 2. Forgivable loans:

The Organization, as part of its commitment to help develop the City of Elliot Lake, has agreed to provide forgivable 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 forgivable loans expired on December 31, 2011 and a new commitment agreement has not been entered into.

## 3. Capital assets:

	2016		
	Cost	Accumulated amortization	Net book value
Elliot Lake Retirement Living:			
Revenue-producing properties	\$ 14,588,924	\$ 8,661,974	\$ 5,926,950
Housing improvements	31,295,695	17,512,765	13,782,930
Furniture and fixtures	1,816,761	1,649,234	167,527
Equipment	1,741,524	943,962	797,562
Vehicles	607,750	548,229	59,521
Leasehold improvements	297,602	297,602	-
Computer equipment	660,705	620,318	40,387
Hotel development	12,633,757	2,919,315	9,714,442
Condominium development	407,168	-	407,168
NorDev Group:			
Leasehold improvements	74,593	11,042	63,551
Equipment	196,223	165,083	31,140
Furniture and fixtures	578,839	459,707	119,132
Vehicles	22,205	22,205	-
	<b>\$ 64,921,746</b>	<b>\$ 33,811,436</b>	<b>\$ 31,110,310</b>

# NON-PROFIT RETIREMENT RESIDENCES OF ELLIOT LAKE INC.

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

Year ended December 31, 2016

### 3. Capital assets (continued):

	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	30,101,216	15,514,680	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 - internal	297,602	297,602	-
Computer equipment	635,959	605,903	30,056
Assets under development:			
Hotel development	12,633,757	2,528,390	10,105,367
Condominium development	407,168	-	407,168
NorDev Group:			
Leasehold improvements	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	-
	<b>\$ 63,534,255</b>	<b>\$ 30,837,448</b>	<b>\$ 32,696,807</b>

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

### 4. Intangible assets:

	2016		2015	
Franchise rights	\$	50,830	\$	50,830
Accumulated amortization		(19,034)		(16,493)
	<b>\$</b>	<b>31,796</b>	<b>\$</b>	<b>34,337</b>

# NON-PROFIT RETIREMENT RESIDENCES OF ELLIOT LAKE INC.

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

Year ended December 31, 2016

## 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.

In 2016, the Joint Venture agreement was amended to attribute the profit or loss from the operation of the golf course and capital purchases to the Organization and the City evenly at 50% each.

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.

	2016	2015
Current assets	\$ 45,821	\$ 28,977
Capital assets	30,598	50,498
	\$ 76,419	\$ 79,475
Revenues	\$ 859,195	\$ 789,643
Expenses	(912,518)	(883,095)
Deficiency of revenue over expenses	\$ (53,323)	\$ (93,452)
Cash flows provided by (used for):		
Operating activities	\$ 25,382	\$ 10,980
Financing and investing activities	(25,382)	(10,980)

# NON-PROFIT RETIREMENT RESIDENCES OF ELLIOT LAKE INC.

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

Year ended December 31, 2016

## 6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$24,214 (2015 - \$57,078), which includes amounts payable for HST and payroll related taxes.

## 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, 2016 there are no amounts drawn on this facility.

	2016	2015
Mortgage payable #1	\$ 4,873,730	\$ 5,011,689
Mortgage payable #2	4,949,930	5,078,635
	9,823,660	10,090,324
Less current portion	(276,425)	(266,669)
	\$ 9,547,235	\$ 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, 2016, 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, 2016

## 8. Long-term debt:

	2016	2015
Vehicle loan, bearing interest at 5.99%, payable in monthly instalments of \$538 including principal and interest, due October 2018	\$ 11,927	\$ 17,900
Vehicle loan, bearing interest at 3.99%, payable in monthly instalments of \$516 including principal and interest, due September 2018	11,361	16,993
	23,288	34,893
Less current portion	(12,241)	(11,643)
	\$ 11,047	\$ 23,250

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

2017	\$ 12,241
2018	11,047
	\$ 23,288

## 9. Deferred capital contributions:

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

	2016	2015
Balance, beginning of year	\$ 8,327,596	\$ 8,815,467
Less amounts amortized to income	(487,870)	(487,871)
Balance, end of year	\$ 7,839,726	\$ 8,327,596



# NON-PROFIT RETIREMENT RESIDENCES OF ELLIOT LAKE INC.

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

Year ended December 31, 2016

## 10. Investment in capital assets:

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

	2016	2015
Capital assets	\$ 30,896,488	\$ 32,475,235
Amounts financed by:		
Deferred contributions	(7,839,726)	(8,327,596)
	\$ 23,056,762	\$ 24,147,639
Excess of revenue over expenses:		
Amortization of deferred contributions related to capital assets	\$ 487,870	\$ 487,871
Amortization of capital assets	(3,169,502)	(3,126,391)
	\$ (2,681,632)	\$ (2,638,520)
Net change in investment in capital assets:		
Purchases of capital assets	\$ 1,786,577	\$ 1,475,094
Disposition of capital assets	(195,822)	(161,236)
	\$ 1,590,755	\$ 1,313,858

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

	2016	2015
Purchase of capital assets:		
Elliot Lake Retirement Living	\$ 1,786,577	\$ 1,475,094
NorDev	68,549	2,300
	\$ 1,855,126	\$ 1,477,394
Amortization of capital assets:		
Elliot Lake Retirement Living	3,169,502	3,126,391
NorDev	76,299	73,184
	\$ 3,245,801	\$ 3,199,575

# NON-PROFIT RETIREMENT RESIDENCES OF ELLIOT LAKE INC.

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

Year ended December 31, 2016

## 11. Taxes, utilities and insurance:

### Elliot Lake Retirement Living

	2016	2015
Property taxes and insurance	\$ 1,737,661	\$ 1,757,882
Heating	196,064	243,727
Water	811,804	807,421
Hydro	446,442	466,138
	<u>\$ 3,191,971</u>	<u>\$ 3,275,168</u>

### NorDev Group

	2016	2015
Property taxes and insurance	\$ 111,533	\$ 109,938
Heating	87,068	97,578
Water	10,330	13,675
Hydro	6,732	6,041
	<u>\$ 215,663</u>	<u>\$ 227,232</u>
	<u>\$ 3,407,634</u>	<u>\$ 3,502,400</u>

## 12. Contingency:

In 2014, 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, 2016

---

## 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 2015.