

Consolidated Financial Statements of

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

Year ended December 31, 2017



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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, 2017, 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.



Page 2

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, 2017, 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

Sudbury, Canada

May 17, 2018

NON-PROFIT RETIREMENT RESIDENCES OF ELLIOT LAKE INC.

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

December 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash	\$ 3,985,151	\$ 2,559,049
Trade receivables	268,062	92,151
Income taxes recoverable	-	753
Inventories	102,954	181,896
Prepaid expenses and deposits	228,037	228,059
	<u>4,584,204</u>	<u>3,061,908</u>
Capital assets: (note 3)		
Cost	66,333,662	64,921,746
Less accumulated amortization	36,729,128	33,811,436
	<u>29,604,534</u>	<u>31,110,310</u>
Intangible assets (note 4)	29,255	31,796
Golf course (note 5)	179,574	77,259
Forgivable loans (note 2)	84,330	146,847
	<u>293,159</u>	<u>255,902</u>
	<u>\$ 34,481,897</u>	<u>\$ 34,428,120</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, 2017, with comparative information for 2016

	2017	2016
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 1,337,689	\$ 1,118,252
Deposits payable	759,241	693,634
Income taxes payable	2,218	-
Current portion of long-term debt (note 8)	10,153	12,241
Current portion of mortgage payable (note 7)	286,540	276,425
	<u>2,395,841</u>	<u>2,100,552</u>
Future income taxes	-	8,500
Mortgage payable (note 7)	9,260,699	9,547,235
Future income taxes	2,100	-
Long-term debt (note 8)	-	11,045
Deferred capital contributions (note 9)	7,351,856	7,839,726
	<u>19,010,496</u>	<u>19,507,058</u>
Net assets:		
Investment in capital assets (note 10)	22,252,678	23,270,584
Unrestricted	(6,781,277)	(8,349,522)
	<u>15,471,401</u>	<u>14,921,062</u>
Contingency (note 12)		
	<u>\$ 34,481,897</u>	<u>\$ 34,428,120</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, 2017, with comparative information for 2016

	2017	2016
Revenue:		
Rental income	\$ 11,122,142	\$ 10,552,644
Other income	58,387	66,668
Investment income (loss)	35,022	(39,583)
	<u>11,215,551</u>	<u>10,579,729</u>
Expenses:		
Taxes, utilities and insurance (note 11)	3,454,631	3,416,160
Salaries and benefits	2,621,749	2,496,171
Advertising	630,663	603,688
Preparation of units	485,785	533,172
Interest and bank charges	354,277	361,253
Repairs and maintenance	348,637	379,435
Office and general	256,161	248,146
Service contracts	251,965	228,968
Ground maintenance	208,405	237,494
Freight and duties	179,089	163,711
Materials and supplies	167,624	153,818
Rent	91,669	91,807
Vehicles	83,918	74,760
Professional fees	80,908	77,249
Tenant administration	41,974	42,227
Physican recruitment	29,611	-
Superintendent services	25,529	33,085
Trade shows	19,816	46,313
Telephone	12,324	12,522
Business taxes	558	3,010
	<u>9,345,293</u>	<u>9,202,989</u>
Excess of revenue over expenses before the undernoted items and income taxes	1,870,258	1,376,740
Other expenses (income):		
Amortization of capital assets and intangible assets	3,254,272	3,248,343
Golf course (note 5)	86,837	53,323
Foreign exchange	45,162	54,455
Gain on sale of capital assets	(1,595,211)	(1,400,573)
Amortization of deferred capital contributions	(487,870)	(487,870)
	<u>1,303,190</u>	<u>1,467,678</u>
Excess (deficiency) of revenues over expenses before income taxes	567,068	(90,938)
Income taxes:		
Current	23,129	20,911
Future (recovery)	(6,400)	(5,500)
	<u>16,729</u>	<u>15,411</u>
Excess (deficiency) of revenue over expenses	<u>\$ 550,339</u>	<u>\$ (106,349)</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, 2017, with comparative information for 2016

	Invested in capital assets	Unrestricted	2017 Total	2016 Total
Net assets (deficiency), beginning of year	\$ 23,270,584	(8,349,522)	\$ 14,921,062	\$ 15,027,411
Excess (deficiency) of revenue over expenses	(2,763,859)	3,314,198	550,339	(106,349)
Net change in investment in capital assets (note 10(a))	1,745,953	(1,745,953)	-	-
Net assets (deficiency), end of year	\$ 22,252,678	(6,781,277)	\$ 15,471,401	\$ 14,921,062

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, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ 550,339	\$ (106,349)
Items not involving cash:		
Amortization of capital assets and intangible assets	3,254,272	3,248,343
Amortization of deferred capital contributions	(487,870)	(487,870)
Future income taxes (recovery)	(6,400)	(5,500)
Gain on sale of capital assets	(1,595,211)	(1,400,573)
	<u>1,715,130</u>	<u>1,248,051</u>
Change in non-cash operating working capital:		
Decrease (increase) in trade receivables	(175,911)	22,990
Decrease (increase) in income taxes recoverable	753	(753)
Increase in inventories	78,942	(41,111)
Decrease (increase) in prepaid expenses and deposits	22	(259,790)
Increase (decrease) in accounts payable and accrued liabilities	219,437	(244,294)
Increase in deposits payable	65,607	24,447
Increase (decrease) in income taxes payable	2,218	(11,104)
Decrease in forgivable loans	62,517	78,343
	<u>1,968,715</u>	<u>816,779</u>
Financing:		
Repayment of mortgage payable	(276,421)	(266,664)
Repayment of long-term debt	(13,135)	(11,606)
	<u>(289,556)</u>	<u>(278,270)</u>
Investing:		
Purchase of capital assets	(1,848,018)	(1,618,104)
Proceeds on disposal of capital assets	1,697,276	1,596,394
Stone ridge golf course	(102,315)	3,056
	<u>(253,057)</u>	<u>(18,654)</u>
Increase in cash	1,426,102	519,855
Cash, beginning of year	2,559,049	2,039,194
Cash, end of year	<u>\$ 3,985,151</u>	<u>\$ 2,559,049</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, 2017

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, 2017

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, 2017

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, 2017

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:

	2017		
	Cost	Accumulated amortization	Net book value
Elliot Lake Retirement Living:			
Revenue-producing properties	\$ 14,346,924	\$ 8,932,039	\$ 5,414,885
Housing improvements	32,751,785	19,514,427	13,237,358
Furniture and fixtures	1,910,887	1,688,596	222,291
Equipment	1,828,946	1,046,065	782,881
Vehicles	607,750	571,763	35,987
Leasehold improvements	297,602	297,602	-
Computer equipment	666,937	634,092	32,845
Hotel development	12,633,757	3,310,241	9,323,516
Condominium development	407,168	-	407,168
NorDev Group:			
Leasehold improvements	74,593	15,318	59,275
Equipment	203,430	178,724	24,706
Furniture and fixtures	581,678	518,056	63,622
Vehicles	22,205	22,205	-
	\$ 66,333,662	\$ 36,729,128	\$ 29,604,534

NON-PROFIT RETIREMENT RESIDENCES OF ELLIOT LAKE INC.

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

Year ended December 31, 2017

3. Capital assets (continued):

	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	17,512,766	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 - internal	297,602	297,602	-
Computer equipment	660,705	620,318	40,387
Assets under development:			
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	-
	\$ 64,921,746	\$ 33,811,436	\$ 31,110,310

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

4. Intangible assets:

	2017		2016	
Franchise rights	\$	50,830	\$	50,830
Accumulated amortization		(21,575)		(19,034)
	\$	29,255	\$	31,796

NON-PROFIT RETIREMENT RESIDENCES OF ELLIOT LAKE INC.

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

Year ended December 31, 2017

5. Stone Ridge Golf Course:

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.

In 2016, the 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.

	2017	2016
Current assets	\$ 129,591	\$ 46,661
Capital assets	49,983	30,598
	\$ 179,574	\$ 77,259
Revenues	\$ 710,334	\$ 859,195
Expenses	(797,171)	(912,518)
Deficiency of revenue over expenses	\$ (86,837)	\$ (53,323)

6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$41,145 (2016 - \$24,214), 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, 2017

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, 2017 there are no amounts drawn on this facility.

	2017	2016
Mortgage payable #1	\$ 4,731,096	\$ 4,873,730
Mortgage payable #2	4,816,143	4,949,930
	9,547,239	9,823,660
Less current portion	(286,540)	(276,425)
	\$ 9,260,699	\$ 9,547,235

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, 2017, 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, 2017

8. Long-term debt:

	2017	2016
Vehicle loan, bearing interest at 5.99%, payable in monthly instalments of \$538 including principal and interest, due October 2018	\$ 5,586	\$ 11,925
Vehicle loan, bearing interest at 3.99%, payable in monthly instalments of \$516 including principal and interest, due September 2018	4,567	11,361
	10,153	23,286
Less current portion	(10,153)	(12,241)
	\$ -	\$ 11,045

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

2018	\$ 10,153
	\$ 10,153

9. Deferred capital contributions:

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

	2017	2016
Balance, beginning of year	\$ 7,839,726	\$ 8,327,596
Less amounts amortized to income	(487,870)	(487,870)
Balance, end of year	\$ 7,351,856	\$ 7,839,726

NON-PROFIT RETIREMENT RESIDENCES OF ELLIOT LAKE INC.

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

Year ended December 31, 2017

10. Investment in capital assets:

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

	2017	2016
Capital assets	\$ 29,604,534	\$ 31,110,310
Amounts financed by:		
Deferred contributions	(7,351,856)	(7,839,726)
	\$ 22,252,678	\$ 23,270,584
Excess of revenue over expenses:		
Amortization of deferred contributions related to capital assets	\$ 487,870	\$ 487,870
Amortization of capital assets	(3,251,729)	(3,169,502)
	\$ (2,763,859)	\$ (2,681,632)
Net change in investment in capital assets:		
Purchases of capital assets	\$ 1,848,018	\$ 1,475,094
Disposition of capital assets	(102,065)	(161,236)
	\$ 1,745,953	\$ 1,313,858

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

	2017	2016
Purchase of capital assets:		
Elliot Lake Retirement Living	\$ 1,837,972	\$ 1,786,577
NorDev	10,046	68,549
	\$ 1,848,018	\$ 1,855,126
Amortization of capital assets:		
Elliot Lake Retirement Living	3,175,463	3,169,502
NorDev	76,266	76,299
	\$ 3,251,729	\$ 3,245,801

NON-PROFIT RETIREMENT RESIDENCES OF ELLIOT LAKE INC.

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

Year ended December 31, 2017

11. Taxes, utilities and insurance:

Elliot Lake Retirement Living

	2017	2016
Property taxes and insurance	\$ 1,778,388	\$ 1,739,577
Heating	238,931	200,125
Water	853,229	811,804
Hydro	376,260	448,992
	\$ 3,246,808	\$ 3,200,498

NorDev Group

	2017	2016
Property taxes and insurance	\$ 109,221	\$ 111,533
Heating	65,505	87,068
Water	27,270	10,329
Hydro	5,827	6,732
	\$ 207,823	\$ 215,662
	\$ 3,454,631	\$ 3,416,160

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, 2017

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 2016.