

Consolidated Financial Statements of

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

And Independent Auditors' Report thereon

Year ended December 31, 2021



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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of Non-Profit Retirement Residences of Elliot Lake Inc. (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2021
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net assets (deficiency) for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated 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 consolidated financial position of the Entity as at December 31, 2020, 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.

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 and Those Charged With Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit



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organizations, 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.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

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.
- 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



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based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity 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



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- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

May 18, 2022

NON-PROFIT RETIREMENT RESIDENCES OF ELLIOT LAKE INC.

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

December 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash	\$ 6,443,335	\$ 5,812,937
Accounts receivable	91,249	258,674
Inventories	161,789	161,567
Prepaid expenses and deposits	384,366	327,514
	<u>7,080,739</u>	<u>6,560,692</u>
Capital assets: (note 2)		
Cost	75,084,199	72,172,983
Less accumulated amortization	49,144,871	46,247,681
	<u>25,939,328</u>	<u>25,925,302</u>
Intangible assets (note 3)	19,089	21,630
Golf course (note 4)	184,558	40,941
	<u>203,647</u>	<u>62,571</u>
	<u>\$ 33,223,714</u>	<u>\$ 32,548,565</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 1,273,776	\$ 1,305,395
Deposits payable	955,136	934,091
Deferred revenue	146,871	131,392
Current portion of mortgage payable (note 7)	328,854	317,009
	<u>2,704,637</u>	<u>2,687,887</u>
Long-term debt (note 6)	114,000	114,000
Mortgage payable (note 7)	8,012,484	8,341,313
Deferred capital contributions (note 10)	5,457,376	5,945,246
	<u>16,288,497</u>	<u>17,088,446</u>
Net assets:		
Investment in capital assets (note 9)	20,481,952	19,980,056
Unrestricted	(3,546,735)	(4,519,937)
	<u>16,935,217</u>	<u>15,460,119</u>
Contingency (note 12)		
	<u>\$ 33,223,714</u>	<u>\$ 32,548,565</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board:

NON-PROFIT RETIREMENT RESIDENCES OF ELLIOT LAKE INC.

(OPERATING AS ELLIOT LAKE RETIREMENT LIVING)
Consolidated Statement of Operations

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

	2021	2020
Revenue:		
Rental income	\$ 13,514,665	\$ 12,714,365
Government assistance (note 8)	72,792	110,721
Other income	65,796	75,587
Investment income	34,007	48,023
	<u>13,687,260</u>	<u>12,948,696</u>
Expenses:		
Taxes, utilities and insurance (note 11)	4,023,651	3,781,191
Salaries and benefits	2,839,918	2,815,123
Repairs and maintenance	559,509	590,575
Advertising	216,273	527,688
Preparation of units	380,137	426,123
Interest and bank charges	313,234	324,548
Ground maintenance	219,804	244,122
Service contracts	257,693	241,586
Office and general	293,965	235,533
Freight and duties	202,080	154,304
Professional fees	155,284	123,540
Tenant administration	69,728	114,868
Materials and supplies	107,195	101,433
Rent	99,460	98,444
Vehicles	70,383	56,201
Telephone	52,502	41,133
Furnished units	30,599	37,651
Superintendent services	24,984	35,035
Physician recruitment	4,175	8,106
Business taxes	2,366	2,302
	<u>9,922,940</u>	<u>9,959,506</u>
Earnings before the undernoted items	3,764,320	2,989,190
Other expenses (income):		
Amortization of capital assets and intangible assets	2,902,496	3,164,782
Golf course (note 4)	(123,226)	82,130
Gain on sale of capital assets	(2,178)	-
Amortization of deferred capital contributions	(487,870)	(487,870)
	<u>2,289,222</u>	<u>2,759,042</u>
Excess of revenue over expenses	\$ 1,475,098	\$ 230,148

See accompanying notes to consolidated financial statements.

NON-PROFIT RETIREMENT RESIDENCES OF ELLIOT LAKE INC.

Consolidated Statement of Changes in Net Assets (Deficiency)

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

	Invested in capital assets	Unrestricted	2021 Total	2020 Total
Net assets (deficiency), beginning of year	\$ 19,980,056	\$ (4,519,937)	\$ 15,460,119	\$ 15,229,971
Excess (deficiency) of revenue over expenses	(2,412,084)	3,887,182	1,475,098	230,148
Net change in investment in capital assets (note 9)	2,913,980	(2,913,980)	-	-
Net assets (deficiency), end of year	\$ 20,481,952	\$ (3,546,735)	\$ 16,935,217	\$ 15,460,119

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, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 1,475,098	\$ 230,148
Items not involving cash:		
Amortization of capital assets and intangible assets	2,902,496	3,164,782
Amortization of deferred capital contributions	(487,870)	(487,870)
Gain on sale of capital assets	(2,178)	-
	<u>3,887,546</u>	<u>2,907,060</u>
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	167,425	(66,483)
Decrease (increase) in inventories	(222)	1,444
Increase in prepaid expenses and deposits	(56,852)	(69,527)
Increase (decrease) in accounts payable and accrued liabilities	(31,620)	110,890
Increase in deposits payable	21,045	48,574
Increase (decrease) in deferred revenue	15,479	(20,303)
Decrease in forgivable and other loans receivable	-	23,143
	<u>4,002,801</u>	<u>2,934,798</u>
Financing:		
Repayment of mortgage payable	(316,984)	(305,359)
Issuance of long-term debt	-	114,000
Additions to deferred capital contributions	-	57,000
	<u>(316,984)</u>	<u>(134,359)</u>
Investing:		
Purchase of capital assets	(2,917,997)	(2,223,772)
Proceeds on disposal of capital assets	6,195	-
Contributions to (from) golf course	(143,617)	19,496
	<u>(3,055,419)</u>	<u>(2,204,276)</u>
Increase in cash	630,398	596,163
Cash, beginning of year	5,812,937	5,216,774
Cash, end of year	<u>\$ 6,443,335</u>	<u>\$ 5,812,937</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, 2021

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). The NorDev group follows the CPA Canada accounting standards for private enterprises. Their year end is December 31.

(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 Organization. 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. Amortization is provided on a straight-line basis at the following annual rates:

Asset	Rate
Furniture and fixtures	7% - 20%
Vehicles	20%
Equipment	10% - 20%
Computer equipment	10% - 20%
Housing improvements	4% - 20%
Leasehold improvements	5% - 20%
Revenue-producing properties	4% - 20%
Hotel development	3% - 10%

Assets under development are not amortized until they are put in use. 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, 2021

1. Significant accounting policies (continued):

(d) Intangible assets:

Intangible assets are measured initially at cost and are amortized over their useful life. 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 such as grants and government contributions. Grants and contributions are recorded as revenue in the period to which they relate. Grants for future periods are deferred and recognized in the subsequent period when the related activity occurs.

Revenue from rental properties includes rent from tenants under lease agreement, property taxes, operating costs, recoveries and incidental income. These amounts are recorded as the services are performed and collection is reasonably determinable.

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 joint venture have been offset against the cost of the golf course assets.

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, 2021

1. Significant accounting policies (continued):

(g) Government assistance:

Government assistance related to current expenses and revenue is included in the determination of income for the period. Amounts not received as of the year-end date but for which the expenses have been incurred are included as a receivable.

(h) 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. Within the years ended December 31, 2020 and 2021, the Organization applied for the Canada Emergency Wage Subsidy which was part of the federal government's COVID-19 pandemic response. These amounts are considered an estimate until such time that the Canada Revenue Agency completes an audit of the claims. Actual results could differ from those estimates.

(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 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.

NON-PROFIT RETIREMENT RESIDENCES OF ELLIOT LAKE INC.

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

Year ended December 31, 2021

1. Significant accounting policies (continued):

(i) Financial instruments (continued):

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.

2. Capital assets:

	2021		
	Cost	Accumulated amortization	Net book value
Elliot Lake Retirement Living:			
Revenue-producing properties	\$ 14,346,924	\$ 10,664,696	\$ 3,682,228
Housing improvements	37,716,232	27,426,802	10,289,430
Furniture and fixtures	2,342,131	2,027,976	314,155
Equipment	4,058,370	1,659,014	2,399,356
Vehicles	706,393	657,071	49,322
Leasehold improvements	297,602	297,602	-
Computer equipment	698,269	674,304	23,965
Hotel development	12,633,757	4,871,028	7,762,729
Assets under development:			
Condominium development	1,227,970	-	1,227,970
NorDev Group:			
Leasehold improvements	80,555	33,208	47,347
Equipment	322,360	230,336	92,024
Furniture and fixtures	653,636	602,834	50,802
	\$ 75,084,199	\$ 49,144,871	\$ 25,939,328

NON-PROFIT RETIREMENT RESIDENCES OF ELLIOT LAKE INC.

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

Year ended December 31, 2021

2. Capital assets (continued):

	2020		
	Cost	Accumulated amortization	Net book value
Elliot Lake Retirement Living:			
Revenue-producing properties	\$ 14,346,924	\$ 10,234,915	\$ 4,112,009
Housing improvements	35,717,790	25,682,724	10,035,066
Furniture and fixtures	2,282,199	1,921,587	360,612
Equipment	3,560,895	1,486,827	2,074,068
Vehicles	706,393	637,343	69,050
Leasehold improvements	297,602	297,602	-
Computer equipment	684,374	668,181	16,193
Hotel development	12,633,757	4,481,074	8,152,683
Assets under development:			
Condominium development	896,593	-	896,593
NorDev Group:			
Leasehold improvements	80,555	29,507	51,048
Equipment	322,360	215,759	106,601
Furniture and fixtures	643,541	592,162	51,379
	\$ 72,172,983	\$ 46,247,681	\$ 25,925,302

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

3. Intangible assets:

	2021	2020
Franchise rights	\$ 50,830	\$ 50,830
Accumulated amortization	(31,741)	(29,200)
	\$ 19,089	\$ 21,630

NON-PROFIT RETIREMENT RESIDENCES OF ELLIOT LAKE INC.

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

Year ended December 31, 2021

4. Stone Ridge Golf Course:

In 2003, an 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 to fund capital purchases to the Organization and the City evenly at 50% each. This agreement reflects a contribution agreement with the City as discussions related to operating, financing and investing activities are made by the Organization.

The following amounts represent the financial results of the Golf Course for the year ended December 31, 2021.

	2021	2020
Inventories and prepaid expenses	\$ 24,875	\$ 29,272
Capital assets	159,683	11,669
	<u>\$ 184,558</u>	<u>\$ 40,941</u>
Revenues	\$ 1,253,235	\$ 800,072
Expenses	(1,130,009)	(882,202)
Excess (deficiency) of revenue over expenses	<u>\$ 123,226</u>	<u>\$ (82,130)</u>

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$32,850 (2020 - \$32,758), which includes amounts payable for HST.

NON-PROFIT RETIREMENT RESIDENCES OF ELLIOT LAKE INC.

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

Year ended December 31, 2021

6. Long-term debt:

The Canada Mortgage and Housing Corporation ("CMHC") long-term debt is secured by granting a priority mortgage to the CMHC over the real property. The Organization received a contribution of \$57,000 and a loan of \$114,000 towards the Spine Road Housing project to finance eligible activity costs as detailed in the CMHC agreement dated January 27, 2020. The contribution was utilized for the purchase of capital assets and was recorded as an increase to deferred capital contributions in 2020.

The long-term debt shall be repaid on the third year anniversary of the effective date of the CMHC agreement which is January 27, 2023. Interest on the repayment amount will commence thirty days following this maturity date at an amount equal to the Canada Prime rate plus 2%. In the event that the Spine Road project is discontinued, CMHC determines that the Organization has failed to meet its project objectives or determines the Organization is not in compliance with the CMHC agreement, the CMHC may demand immediate repayment of the full \$114,000 loan and \$57,000 grant. As of the audit report date, the Organization is in compliance with the requirements of the CMHC agreement.

7. Mortgage payable:

i) Credit facility agreement:

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, 2021, there are no amounts drawn on this facility (2020 - \$Nil).

ii) Mortgages payable:

	2021	2020
Mortgage payable #1	\$ 4,226,048	\$ 4,276,074
Mortgage payable #2	4,115,290	4,382,248
	8,341,338	8,658,322
Less current portion	(328,854)	(317,009)
	\$ 8,012,484	\$ 8,341,313

NON-PROFIT RETIREMENT RESIDENCES OF ELLIOT LAKE INC.

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

Year ended December 31, 2021

7. Mortgage payable (continued):

Mortgage payable #1 bears interest at 3.50% and is secured by a blanket first mortgage on specified properties with a carrying value of \$3,166,020 as at December 31, 2021, a first priority general assignment of rents and leases of the specified properties, a second priority general security agreement over all appliances and other personal property owned by the Organization and used in connection with the operation of the properties, a limited corporate guarantee of 1425164 Ontario Ltd. in the amount of \$6.2 million, and a second priority general security agreement over all appliances and other personal property owned by 1425164 Ontario Ltd. and located or used in the operation at 279 Highway 108 North. The term of the mortgage is a three year term ending January 2023 and is amortized over 25 years.

Mortgage payable #2 bears interest at 3.91% and is secured by a first charge mortgage of land over specified property in the amount of \$6.5 million with a carrying value of \$5,420,336 as at December 31, 2021, a first priority general assignment of rents and leases of the specified properties, a first priority general security agreement for all appliances and other personal property located at or used in the operation of the specified properties, an assignment of insurance for any policies affecting the specified properties, and an unlimited guarantee from 1425164 Ontario Ltd. supported by a general security agreement. The term of the mortgage is a five year term ending March 2025 and is amortized over 25 years.

The mortgage is subject to certain financial and non-financial restrictive covenants. At December 31, 2021, the Organization is in compliance with these covenants.

Principal repayments are due as follows:

2022	\$	328,854
2023		341,142
2024		353,892
2025		367,119
2026		380,842
Thereafter		6,569,489
	\$	8,341,338

NON-PROFIT RETIREMENT RESIDENCES OF ELLIOT LAKE INC.

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

Year ended December 31, 2021

8. Government assistance:

As part of the federal response to the COVID-19 pandemic, announcements were made for certain subsidy programs to support businesses by providing financing. Included in the December 31, 2021 financial statements is \$72,792 of revenues and \$4,690 of receivables related to the Canada Emergency Wage Subsidy ("CEWS"). The amount is subject to audit by the Canada Revenue Agency and if any amounts are deemed to be repayable they will be recorded in the period the audit is complete.

9. Investment in capital assets:

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

	2021	2020
Capital assets	\$ 25,939,328	\$ 25,925,302
Amounts financed by:		
Deferred capital contributions	(5,457,376)	(5,945,246)
	<u>\$ 20,481,952</u>	<u>\$ 19,980,056</u>
Net change in investment in capital assets:		
Purchases of capital assets	\$ 2,917,997	\$ 2,223,772
Deferred capital contributions received	-	(57,000)
Disposition of capital assets	(4,017)	-
	<u>\$ 2,913,980</u>	<u>\$ 2,166,772</u>

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

	2021	2020
Purchase of capital assets:		
Elliot Lake Retirement Living	\$ 2,907,902	\$ 2,181,216
NorDev	10,095	42,556
	<u>\$ 2,917,997</u>	<u>\$ 2,223,772</u>
Amortization of capital assets:		
Elliot Lake Retirement Living	\$ 2,871,004	\$ 3,133,945
NorDev	28,950	28,295
	<u>\$ 2,899,954</u>	<u>\$ 3,162,240</u>

NON-PROFIT RETIREMENT RESIDENCES OF ELLIOT LAKE INC.

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

Year ended December 31, 2021

10. Deferred capital contributions:

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

	2021	2020
Balance, beginning of year	\$ 5,945,246	\$ 6,376,116
Amounts amortized to income	(487,870)	(487,870)
Deferred capital contributions received	-	57,000
Balance, end of year	\$ 5,457,376	\$ 5,945,246

11. Taxes, utilities and insurance:

Elliot Lake Retirement Living:

	2021	2020
Property taxes and insurance	\$ 2,273,325	\$ 2,119,083
Gas	219,077	198,957
Water	1,112,246	1,036,843
Hydro	234,295	236,275
	\$ 3,838,943	\$ 3,591,158

NorDev Group:

	2021	2020
Property taxes and insurance	\$ 107,013	\$ 108,429
Heating	51,025	56,025
Water	18,150	17,055
Hydro	8,520	8,524
	\$ 184,708	\$ 190,033
	\$ 4,023,651	\$ 3,781,191

NON-PROFIT RETIREMENT RESIDENCES OF ELLIOT LAKE INC.

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

Year ended December 31, 2021

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.

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 and the continued impact of the COVID-19 pandemic could have an impact on future gross margins and net earnings.

(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 2020.

NON-PROFIT RETIREMENT RESIDENCES OF ELLIOT LAKE INC.

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

Year ended December 31, 2021

14. Financial risks and concentration of risk: (continued):

(d) Other risk:

The Organization's main sources of revenue relate to rent from its affordable housing units and user fees from the hotel. On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This resulted in the federal and provincial governments enacting emergency measures to combat the spread of the virus. The Organization halted in-person activity and closed its facilities to staff for a period of time and moved to delivery of essential services in a virtual environment based on recommendations from Public Health Ontario.

As detailed in note 8, the Organization has applied for assistance under the Canada Emergency Wage Subsidy program amounting to a total of \$72,792 in funding from the federal government.

The impact of COVID-19 is expected to negatively impact operations for a duration that cannot be reasonably predicted. The further overall operational and financial impact is highly dependent on the duration of COVID-19, including the potential occurrence of additional waves of the pandemic, and could be affected by other factors that are currently not known. Management is actively monitoring the effect of the pandemic on its financial condition, liquidity, operations, suppliers and workforce. Given the daily evolution of the pandemic and the global responses to curb its spread, the Organization is not able to fully estimate the effects of the pandemic on its results of operations, financial condition or liquidity at this time.