Consolidated Financial Statements of

NON-PROFIT RETIREMENT RESIDENCES OF ELLIOT LAKE INC.

(OPERATING AS ELLIOT LAKE RETIREMENT LIVING)

And Independent Auditor's Report thereon

Year ended December 31, 2025

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INDEPENDENT AUDITOR'S 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, 2025
- 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, 2025 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 ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's 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 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.

Auditor's 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 auditor's 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.

KPMG

- 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's 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.
- 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

May 27, 2026

NON-PROFIT RETIREMENT RESIDENCES OF ELLIOT LAKE INC.

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

December 31, 2025, with comparative information for 2024

	2025	2024
Assets		
Current assets:		
Cash	$ 4,883,432	$ 5,301,003
Accounts receivable	193,183	139,547
Short-term investments (note 2)	4,468,398	3,991,816
Inventories	207,581	187,321
Prepaid expenses and deposits	975,200	631,554
	10,727,794	10,251,241
Capital assets: (note 3)		
Cost	90,971,460	85,478,895
Less accumulated amortization	59,201,383	56,551,238
	31,770,077	28,927,657
Intangible assets (note 4)	8,923	11,464
Investments (note 2)	6,378,729	6,198,867
Golf course (note 5)	285,840	151,631
	6,673,492	6,361,962
	$ 49,171,363	$ 45,540,860
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	$ 1,490,267	$ 1,754,496
Tenant deposits (note 8)	1,145,565	1,093,922
Deferred revenue	128,266	129,971
Current portion of long-term debt	-	114,000
Current portion of mortgage payable (note 7)	446,312	4,004,565
	3,210,410	7,096,954
Mortgage payable (note 7)	16,998,581	11,301,807
Deferred capital contributions (note 10)	3,505,896	3,993,766
	23,714,887	22,392,527
Net assets:		
Investment in capital assets (note 9)	28,264,181	24,933,891
Unrestricted	(2,807,705)	(1,785,558)
	25,456,476	23,148,333
Subsequent event (note 12)		
	$ 49,171,363	$ 45,540,860

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, 2025, with comparative information for 2024

	2025	2024
Revenue:		
Rental income	$ 16,469,724	$ 15,985,502
Other income	106,114	129,877
Government grants	1,862	12,061
	16,577,700	16,127,440
Expenses:		
Taxes, utilities and insurance (note 11)	5,220,200	4,967,565
Salaries and benefits	3,509,452	3,267,342
Repairs and maintenance	649,016	648,885
Ground maintenance	477,344	402,407
Office and general	389,727	445,378
Franchise	330,510	330,900
Preparation of units	322,697	382,132
Service contracts	319,026	312,057
Professional fees	240,300	142,831
Materials and supplies	187,539	182,251
Physical office	143,834	161,520
Advertising	108,992	184,936
Tenant administration	79,181	104,463
Vehicles	69,890	64,902
Community grants and donations	41,986	64,754
Furnished units	26,450	24,845
Superintendent services	9,903	11,187
Customer services	1,977	4,822
	12,128,024	11,703,177
Earnings before the undernoted items	4,449,676	4,424,263
Other expenses (income):		
Amortization of capital assets and intangible assets	2,652,686	2,460,891
Interest on long-term debt	682,515	677,722
Golf course (note 5)	(144,619)	14,897
Amortization of deferred capital contributions	(487,870)	(487,870)
Investment income	(561,179)	(732,087)
	2,141,533	1,933,553
Excess of revenue over expenses	$ 2,308,143	$ 2,490,710

See accompanying notes to consolidated financial statements.

NON-PROFIT RETIREMENT RESIDENCES OF ELLIOT LAKE INC.

(OPERATING AS ELLIOT LAKE RETIREMENT LIVING)
Consolidated Statement of Changes in Net Assets (Deficiency)

Year ended December 31, 2025, with comparative information for 2024

	Invested in capital assets	Unrestricted	Total 2025	Total 2024
Balance, beginning of year	$ 24,933,891	$ (1,785,558)	$ 23,148,333	$ 20,657,623
Excess (deficiency) of revenue over expenses	(2,162,275)	4,470,418	2,308,143	2,490,710
Net change in investment in capital assets (note 9 (b))	5,492,565	(5,492,565)	-	-
Balance, end of year	$ 28,264,181	$ (2,807,705)	$ 25,456,476	$ 23,148,333

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, 2025, with comparative information for 2024

	2025	2024
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	$ 2,308,143	$ 2,490,710
Items not involving cash:		
Amortization of capital assets and intangible assets	2,652,686	2,460,891
Amortization of deferred capital contributions	(487,870)	(487,870)
	4,472,959	4,463,731
Changes in non-cash operating working capital:		
Increase in accounts receivable	(53,636)	(2,251)
Increase in inventories	(20,260)	(25,036)
Increase in prepaid expenses and deposits	(343,646)	(61,405)
(Decrease) increase in accounts payable and accrued liabilities	(264,229)	69,916
Increase in tenant deposits	51,643	58,641
(Decrease) increase in deferred revenue	(1,705)	14,186
	3,841,126	4,517,782
Financing:		
Repayment of mortgage payable	(450,370)	(448,004)
Repayment of long-term debt	(114,000)	-
Proceeds of issuance of mortgage payable	2,588,891	-
	2,024,521	(448,004)
Investing:		
Purchase of capital assets	(5,492,565)	(4,023,008)
(Increase) decrease in investments	(656,444)	289,152
Contributions (to) from golf course	(134,209)	2,591
	(6,283,218)	(3,731,265)
(Decrease) increase in cash	(417,571)	338,513
Cash, beginning of year	5,301,003	4,962,490
Cash, end of year	$ 4,883,432	$ 5,301,003

See accompanying notes to consolidated financial statements.

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

Construction is progress assets are not amortized until they are put in use. Amortization is taken at 50% of the above rates once the asset is ready for use.

1. Significant accounting policies (continued):

(c) Capital assets (continued):

The carrying amount of a capital asset is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount is not recoverable and exceeds its fair value.

(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) 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, included as rental income within the financial statements, includes rent from tenants under lease agreement, hotel revenues, 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.

(f) 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.

1. Significant accounting policies (continued):

(g) Financial instruments:

Financial instruments are classified into three categories: fair value, amortized cost or cost. The following chart shows the remeasurement method for each type of financial instrument:

Financial instrument	Measurement method
Cash	Cost
Trade receivables	Amortized cost
Investments	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Mortgage payable	Amortized cost

<u>Amortized cost</u>

Amounts are measured using the effective interest rate method. The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period, based on the effective interest rate. It is applied to financial assets or financial liabilities that are not in the fair value category and is now the method that must be used to calculate amortized cost.

<u>Cost</u>

Amounts are measured at cost less any amount for valuation allowance. Valuation allowances are made when collection is in doubt.

<u>Fair value</u>

The Organization manages and reports performance for groups of financial assets on a fair-value basis. Investments traded in an active market are reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are recorded as an expense. Unrealized gains and losses on financial assets and realized gains and losses are recognized in the Statement of Operations.

1. Significant accounting policies (continued):

(g) Financial instruments (continued):

Establishing Fair Value

The fair value of guarantees and letters of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reported borrowing date. In situations in which there is no market for these guarantees, and they were issued without explicit costs, it is not practicable to determine their fair value with sufficient reliability (if applicable).

Impairment

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.

Fair value hierarchy

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) inactive markets for identical assets or liabilities.
Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

1. Significant accounting policies (continued):

(h) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets. Actual results could differ from those estimates.

2. Investments:

The Organization's investments are comprised of corporate bonds with maturities that range between January 2026 and August 2028. Short-term investments are comprised of those investments with maturities of one year or less from the reporting date.

	2025	2024
Corporate Bonds	$ 10,847,127	$ 10,190,683
Less: short-term investments	(4,468,398)	(3,991,816)
Long-term investments	$ 6,378,729	$ 6,198,867

3. Capital assets:

	Cost	Accumulated amortization	2025 Net book value
Elliot Lake Retirement Living:			
Revenue-producing properties	$ 14,346,924	$ 12,366,739	$ 1,980,185
Housing improvements	51,217,016	32,522,298	18,694,718
Furniture and fixtures	2,846,421	2,508,120	338,301
Equipment	4,354,311	2,486,615	1,867,696
Vehicles	838,466	746,477	91,989
Leasehold improvements	297,602	297,602	-
Computer equipment	731,808	712,023	19,785
Hotel development	13,118,621	6,520,149	6,598,472
Condominium development	1,509,582	-	1,509,582
Construction in progress	126,108	-	126,108
NorDev Group:			
Leasehold improvements	102,422	52,387	50,035
Equipment	416,227	295,793	120,434
Furniture and fixtures	793,188	693,180	100,008
Construction in progress	272,764	-	272,764
	$ 90,971,460	$ 59,201,383	$ 31,770,077

3. Capital assets (continued):

	Cost	Accumulated amortization	2024 Net book value
Elliot Lake Retirement Living:			
Revenue-producing properties	$ 14,346,924	$ 11,943,111	$ 2,403,813
Housing improvements	46,564,037	31,158,411	15,405,626
Furniture and fixtures	2,725,346	2,378,678	346,668
Equipment	4,262,167	2,274,906	1,987,261
Vehicles	813,288	716,580	96,708
Leasehold improvements	297,602	297,602	-
Computer equipment	725,602	701,563	24,039
Hotel development	12,918,127	6,092,903	6,825,224
Condominium development	1,493,197	-	1,493,197
NorDev Group:			
Leasehold improvements	102,422	46,499	55,923
Equipment	393,245	273,854	119,391
Furniture and fixtures	793,188	667,131	126,057
Construction in progress	43,750	-	43,750
	$ 85,478,895	$ 56,551,238	$ 28,927,657

The condominium development is considered a construction in progress asset and amortization will commence upon completion of project.

4. Intangible assets:

	2025	2024
Franchise rights	$ 50,830	$ 50,830
Accumulated amortization	(41,907)	(39,366)
	$ 8,923	$ 11,464

5. 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, 2025.

	2025	2024
Inventories	$ 36,035	$ 40,516
Capital assets	249,805	111,115
	$ 285,840	$ 151,631

	2025	2024
Revenues	$ 1,655,781	$ 1,442,957
Expenses	(1,511,162)	(1,457,854)
Excess (deficiency) of revenue over expenses	$ 144,619	$ (14,897)

6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $8,568 (2024 - $51,066), which includes amounts payable for HST.

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, 2025, there are no amounts drawn on this facility (2024 - $Nil).

ii) Mortgages payable:

	2025	2024
Mortgage payable #1	$ 11,301,786	$ 11,586,911
Mortgage payable #2	6,143,107	3,719,461
	17,444,893	15,306,372
Less: current portion	(446,312)	(4,004,565)
	$ 16,998,581	$ 11,301,807

Mortgage payable #1 is payable in monthly instalments of $66,860, including interest at 4.557%. The term of the mortgage is 10 years ending May 2033 and is being amortized over 25 years. The mortgage is secured by a blanket first mortgage on specified properties with a carrying value of $5,347,992 as at December 31, 2025, 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.

Mortgage payable #2 is payable in monthly instalments of $32,477, including interest at 4.011%. The term of the mortgage is 10 years ending October 2035 and is being amortized over 25 years. The mortgage is secured by a blanket first mortgage on specified properties with a carrying value of $908,358 as at December 31, 2025, a first priority general assignment of rents and leases of the specified properties, a first priority general security agreement for all appliances and all other personal property located at or used in the operation of the specified properties, and assignment of insurance with the lender listed as first loss payee under any insurance policies affecting the property.

Mortgage payable #1 and #2 are subject to social outcome, non-financial restrictive covenants. At December 31, 2025, the Organization is in compliance with these covenants.

7. Mortgage payable (continued):

Principal repayments are due as follows:

2026	$ 446,312
2027	466,057
2028	486,678
2029	508,215
2030	530,708
Thereafter	15,006,923
	$ 17,444,893

8. Tenant deposits:

Tenant deposits represent amounts collected from tenants at the commencement of their occupancy and consist of last month's rent. These amounts are held by the Organization as security against the tenant's final rental obligation and do not represent revenue when received.

Under the terms of the rental agreements, tenants are generally required to provide a minimum of 60 days written notice prior to vacating a unit. In certain circumstances, including death or relocation to a long-term care facility, 30 days notice is required. Upon receipt of valid notice to vacate, the tenant's deposit is applied to the final month's rent owing. In instances where a tenant separately pays their final month's rent, the deposit is refunded to the tenant.

Tenant deposits are recognized as a liability until such time as they are applied against rent owing or refunded to the tenant.

9. Investment in capital assets:

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

	2025	2024
Capital assets	$ 31,770,077	$ 28,927,657
Amounts financed by:		
Deferred capital contributions	(3,505,896)	(3,993,766)
	$ 28,264,181	$ 24,933,891

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

	2025	2024
Purchase of capital assets:		
Elliot Lake Retirement Living	$ 5,240,569	$ 3,947,309
NorDev Group	251,996	75,699
	$ 5,492,565	$ 4,023,008

	2024	2023
Excess of revenue over expenses		
Elliot Lake Retirement Living:		
Amortization of deferred capital contributions	$ 487,870	$ 487,870
Amortization of capital assets	(2,596,269)	(2,411,096)
	(2,108,399)	(1,923,226)
NorDev Group:		
Amortization of capital assets	(53,876)	(47,253)
	$ (2,162,275)	$ (1,970,479)

10. Deferred capital contributions:

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

		2025		2024
Balance, beginning of year	$	3,993,766	$	4,481,636
Amounts amortized to income		(487,870)		(487,870)
Balance, end of year	$	3,505,896	$	3,993,766

11. Taxes, utilities and insurance:

Elliot Lake Retirement Living:

		2025		2024
Property taxes and insurance	$	3,067,566	$	2,918,709
Gas		246,915		221,323
Water		1,447,952		1,356,913
Hydro		211,064		238,966
	$	4,973,497	$	4,735,911

NorDev Group:

		2025		2024
Property taxes and insurance	$	140,796	$	135,574
Heating		14,325		16,150
Water		11,832		10,980
Hydro		79,750		68,950
	$	246,703	$	231,654

	$	5,220,200	$	4,967,565

12. Subsequent event:

Subsequent to year-end, the Organization finalized a settlement in respect of a legal claim in which it was named a defendant relating to the collapse of the Algo Mall.

The matter was resolved through a settlement agreement executed after the reporting date. The total settlement amount was fully covered by the Organization's insurance policy and, accordingly, there was no net financial impact to 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 excess of revenue over expenses.

14. Financial risks and concentration of risk:

(a) Interest rate risk:

Interest rate risk refers to the risk that changes in market interest rates will affect the Organization's financial position or results of operations. The Organization's mortgages payable bear fixed rates of interest. As a result, the Organization is not exposed to significant cash flow interest rate risk related to its debt. The Organization is exposed to limited interest rate risk through its investments, which consists of bonds issued by publicly traded corporations and Canadian financial institutions and is held for the purpose of earning interest income.

The Organization monitors interest rate trends and manages this exposure through a conservative investment strategy and by aligning debt maturities with expected cash flows from rental operations.

(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 tenants through credit rating reviews and holds tenant deposits to mitigate credit risk.

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

(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 2024.

(d) Currency risk:

The Organization is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the Organization pays franchise fees, and purchases revenue-producing property denominated in U.S. dollars. The Organization does not currently enter into forward contracts to mitigate this risk. Throughout 2025 the Organization entered into additional U.S. dollar transactions given the renovation activities underway at the hotel. The renovations and related U.S. dollar purchases will continue into 2026 resulting in an increased exposure to exchange rate fluctuations.

(e) Market risk:

The Organization's hotel revenue is derived from guest room and meeting room rentals. The introduction of another hotel in the community could have an impact on future margins and excess of revenue over expenses.

Concentration of risk:

(a) A substantial portion of the Organization's revenue is derived from rental income earned from residential properties and the hotel in Elliot Lake. As a result, the Organization is exposed to concentration of risk related to changes in local economic conditions, occupancy levels, and demand for housing, hotel and meeting rooms. The Organization believes this risk is mitigated by stable historical occupancy, limited local competition, and the essential nature of the housing provided.