

## **SECTION 11**

Financial Statements of

**THE CITY OF GREATER SADBURY  
COMMUNITY DEVELOPMENT  
CORPORATION**

Year ended December 31, 2008

## AUDITORS' REPORT

To the Board of Directors of  
The City of Greater Sudbury  
Community Development Corporation

We have audited the statement of financial position of **The City of Greater Sudbury Community Development Corporation** as at December 31, 2008 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

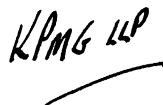
In our opinion, these financial statements presents fairly, in all material respects, the financial position of the Corporation as at December 31, 2008 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.



**COLLINS BARROW, SUDBURY - NIPISSING LLP**  
Chartered Accountants, Licensed Public Accountants



**FREELANDT CALDWELL REILLY LLP**  
Chartered Accountants, Licensed Public Accountants



**KPMG LLP**  
Chartered Accountants, Licensed Public Accountants

Sudbury, Canada  
June 9, 2009

# THE CITY OF GREATER SUDBURY COMMUNITY DEVELOPMENT CORPORATION

Statement of Financial Position

December 31, 2008, with comparative figures for 2007

	2008	2007
<b>Assets</b>		
Cash	\$ 421	64,342
Accounts receivable (note 2)	319,356	207,898
Loans receivable (note 3)	–	1,741,043
Investment (note 4)	–	935,433
	<b>\$ 319,777</b>	<b>2,948,716</b>

## Liabilities and Net Assets

Accounts payable	\$ 43	43
Loans payable (note 5)	–	2,741,043
Net assets	319,734	207,630
Commitments (note 6)		
	<b>\$ 319,777</b>	<b>2,948,716</b>

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# THE CITY OF GREATER SUDBURY COMMUNITY DEVELOPMENT CORPORATION

## Statement of Operations

Year ended December 31, 2008, with comparative figures for 2007

	2008	2007
<b>Revenue</b>		
Northern Ontario Heritage Fund	\$ -	1,163,032
City of Greater Sudbury	852,619	589,470
	852,619	1,752,502
<b>Expenditure</b>		
Grant - Teletech Canada Incorporated	-	1,163,032
Grants - Others	741,161	377,166
Other	-	4,674
	741,161	1,544,872
Excess of revenue over expenditure before undernoted items	111,458	207,630
Loss on write-down of:		
Investments	(879,433)	-
Loans receivable	(1,741,043)	-
Gain on forgiveness of debt	2,621,122	-
<b>Excess of revenue over expenditure</b>	<b>112,104</b>	<b>207,630</b>
Net assets, beginning of year	207,630	-
<b>Net assets, end of year</b>	<b>\$ 319,734</b>	<b>207,630</b>

See accompanying notes to financial statements.

# THE CITY OF GREATER SUDBURY COMMUNITY DEVELOPMENT CORPORATION

## Statement of Cash Flows

Year ended December 31, 2008, with comparative figures for 2007

	2008	2007
<b>Cash flows from operating activities:</b>		
Excess of revenues over expenditure	\$ 112,104	\$ 207,630
Adjustments for:		
Loss on write-down of investments	879,433	-
Loss on write-down of loans receivable	1,741,043	-
Gain on forgiveness of debt	(2,621,122)	-
	<u>111,458</u>	<u>207,630</u>
<b>Change in non-cash operating working capital:</b>		
Increase in accounts receivable	(111,458)	(200,618)
	<u>-</u>	<u>7,012</u>
<b>Cash flows from financing and investing activities:</b>		
Redemption of preferred shares	56,000	-
Repayment on loan payable	(119,921)	-
	<u>(63,921)</u>	<u>-</u>
<b>Net increase (decrease) in cash</b>	<u>(63,921)</u>	<u>7,012</u>
Cash, beginning of year	64,342	57,330
<b>Cash, end of year</b>	<u>\$ 421</u>	<u>\$ 64,342</u>

See accompanying notes to financial statements.

# THE CITY OF GREATER SUDBURY COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2008

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The Corporation is principally involved in the promotion of community economic development in the City of Greater Sudbury with the participation of the community by encouraging, facilitating and supporting community strategic planning and increasing self-reliance, investment and job creation within the community. The Corporation was incorporated without share capital on January 3, 2001 under the laws of the Province of Ontario.

## 1. Basis of presentation:

These financial statements were prepared by management in accordance with Canadian generally accepted accounting principles for non-profit organizations.

### (a) Revenue recognition:

The Corporation follows the deferral method of accounting for contributions which include donations and government grants.

### (b) Financial instruments:

The Corporation accounts for its financial assets and liabilities in accordance with Canadian generally accepted accounting principles.

The financial instruments are classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the statement of financial position at fair value except for loans and receivables, held to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net earnings; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings.

In accordance with the generally accepted accounting principles of Canada the Corporation has undertaken the following:

- (i) Designated cash and cash equivalents as held-for-trading, being measured at fair value.
- (ii) Accounts receivable and loans receivable are classified as loans and receivables, which are measured at amortized cost.
- (iii) Accounts payable and accrued liabilities and payable to the City of Greater Sudbury are classified as other financial liabilities, which are measured at amortized cost.

# THE CITY OF GREATER SUDBURY COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2008

## 1. Basis of presentation (continued):

### (b) Financial instruments (continued):

The Corporation also complies with CICA 3861, "Financial Instruments – Disclosure and Presentation", for the presentation and disclosure of financial instruments and non-financial derivatives.

The Corporation has selected to account for transactions as at the trade date.

## 2. Related party transactions:

Included in accounts receivable is \$209,356 (2007 - \$182,898) due from the City of Greater Sudbury. This amount is unsecured, non-interest bearing and has no specified terms of repayment.

## 3. Loans receivable:

The loans receivable are as follows:

	2008	2007
Chilly Beach II Productions Inc. (a)	\$ 1,500,000	\$ 1,500,000
Maple Shorts I Productions Inc. (b)	241,043	241,043
	1,741,043	1,741,043
Write-down of loans receivable	1,741,043	-
	\$ -	\$ 1,741,043

(a) The loan receivable from Chilly Beach II Productions Inc. is due in annual installments of \$500,000 commencing in 2008, bears interest at the rate of prime plus 2% per annum only in the event of default of the borrower and is secured by the general assets of the borrower subject to a postponement to a third party.

(b) The loan receivable from Maple Shorts I Productions Inc. is due in annual installments of \$50,000 together with interest commencing on the earlier of (i) the last day of the thirty-six month following the last disbursement and (ii) October 31, 2008 bears interest at the rate of 5% per annum and is secured by specified accounts receivable and revenues subject to a postponement to a third party.

Pursuant to an agreement with the Northern Ontario Heritage Fund Corporation ("NOHFC"), the security on these loans has been assigned to NOHFC.

# THE CITY OF GREATER SUDBURY COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2008

#### 4. Investment:

The investment consists of the following shares of Northern Hits Productions Inc.:

	2008	2007
879,413 (2007 - 935,413) Class A, non-voting, non-participating, redeemable preference shares	\$ 879,413	\$ 935,413
2,000 Class C, non-voting participating shares	20	20
	879,433	935,433
Write-down of investment	879,433	-
	\$ -	\$ 935,433

During the year, \$56,000 (2007 - \$Nil) Class A preference shares were redeemed for a cash consideration of \$1 per share.

Pursuant to an agreement with NOHFC, the investment has been assigned to NOHFC.

#### 5. Loans payable:

The loans payable to NOHFC are as follows:

	2008	2007
Loan #1 non-interest bearing, due in annual amounts of \$500,000 commencing on the earlier of the last day of the thirty-sixth month following the last advance and April 30, 2008	\$ -	\$ 1,500,000
Loan #2 non-interest bearing, due in annual amounts of \$200,000 commencing April 1, 2008	-	1,000,000
Loan #3 bearing interest at the rate of 5% per annum, due in annual amounts of \$50,000 plus interest commencing on the earlier of the last day of the thirty-sixth month following the last advance and October 31, 2008 and due on October 31, 2012	-	241,043
	\$ -	\$ 2,741,043

Loan #1 was secured by an assignment of the loan receivable described in note 3(a).

Loan #2 was secured by an assignment of the investment described in note 4.

Loan #3 was secured by an assignment of the loan receivable described in note 3(b).

Effective June 9, 2009, the NOHFC forgave the debt outstanding at December 31, 2008.



# THE CITY OF GREATER SUDBURY COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2008

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## 6. Commitments:

- a) The Corporation has entered into an agreement to lease approximately 33,900 square feet of office space in the City of Greater Sudbury for a term of five years commencing December 18, 2006. The Corporation can, at its option, extend the lease for an additional five years.

Coincidental with this lease agreement, the Corporation entered into a Flow Through Sublease Agreement with Clientlogic Canada Corporation that upon granting of the sublease, the landlord will look solely to Clientlogic Canada Corporation for the performance of the obligation under the lease.

- b) The Corporation entered into an agreement to lease approximately 52,000 square feet of office space in the City of Greater Sudbury for a term of three years commencing January 1, 2006. At December 31, 2008, the lease was extended for an additional one year term.

Coincidental with this lease agreement, the Corporation entered into a Flow Through Sublease Agreement with Teletch Holdings Inc. that upon granting of the sublease, the landlord will look solely to Teletch Holdings Inc. for the performance of the obligation under the lease.

- c) The Board of Directors of the Corporation has approved grants to various organizations. At year end, \$312,185 of grants have been approved but were not distributed.

## 7. Financial instruments:

The carrying values of cash, accounts receivable and accounts payable approximate their fair value due to the relatively short period to maturity of these items.