

## **SECTION 11**

Financial Statements of

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

Year ended December 31, 2007

Financial Statements of

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

Year ended December 31, 2007

## 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, 2007 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.

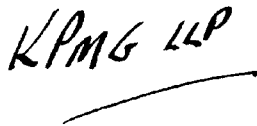
In our opinion, these financial statements presents fairly, in all material respects, the financial position of the Corporation as at December 31, 2007 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.



**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  
May 7, 2008

# THE CITY OF GREATER SUDBURY COMMUNITY DEVELOPMENT CORPORATION

Statement of Financial Position

December 31, 2007, with comparative figures for 2006

	2007	2006
<b>Assets</b>		
Cash	\$ 64,342	57,330
Accounts receivable (note 2)	207,898	7,280
Loans receivable (note 3)	1,741,043	1,741,043
Investment (note 4)	935,433	935,433
	<u>\$ 2,948,716</u>	<u>2,741,086</u>
<b>Liabilities</b>		
Accounts payable	\$ 43	43
Loans payable (note 5)	2,741,043	2,741,043
Net assets	207,630	-
Commitments (note 6)		
	<u>\$ 2,948,716</u>	<u>2,741,086</u>

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, 2007, with comparative figures for 2006

	2007	2006
<b>Revenue</b>		
Grants:		
- Northern Ontario Heritage Fund	\$ 1,163,032	204,000
- City of Greater Sudbury	589,470	-
	<u>1,752,502</u>	<u>204,000</u>
<b>Expenditure</b>		
Grants:		
- Teletech Canada Incorporated	1,163,032	204,000
- Others	377,166	-
Other	4,674	-
	<u>1,544,872</u>	<u>204,000</u>
<b>Excess of revenue over expenditure</b>	<b>\$ 207,630</b>	<b>-</b>

See accompanying notes to financial statements.

# THE CITY OF GREATER SUDBURY COMMUNITY DEVELOPMENT CORPORATION

## Statement of Cash Flows

Year ended December 31, 2007, with comparative figures for 2006

	2007	2006
Cash flows from operating activities:		
Excess of revenue over expenditure	\$ 207,630	–
Adjustments for:		
Change in non-cash operating working capital	(200,618)	(7,257)
	7,012	(7,257)
Cash flows from financing and investing activities:		
Redemption of preferred shares	–	64,587
Net increase in cash	7,012	57,330
Cash, beginning of year	57,330	–
Cash, end of year	\$ 64,342	57,330

See accompanying notes to financial statements.

# THE CITY OF GREATER SUDBURY COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2007

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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 government grants.

### (b) Investments:

Investments are recorded at cost. If the market value of investments becomes lower than cost and this decline in value is considered to be other than temporary, the investments are written down to market value.

## 2. Related party transactions:

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

## 3. Loans receivable:

(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 1 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.

# THE CITY OF GREATER SUDBURY COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2007

#### 4. Investment:

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

	2007	2006
935,413 (2006 - 935,413) Class A, non-voting, non-participating, redeemable preference shares	\$ 935,413	935,413
2,000 Class C, non-voting participating shares	20	20
	<u>\$ 935,433</u>	<u>935,433</u>

During the year, Nil (2006 - 64,587) Class A preference shares were redeemed for a cash consideration of \$1 per share.

#### 5. Loans payable:

The loans payable to Northern Ontario Heritage Fund Corporation (the "NOHFC") are as follows:

	2007	2006
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	1,500,000
Loan #2 non-interest bearing, due in annual amounts of \$200,000 commencing April 1, 2008	1,000,000	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	241,043
	<u>\$ 2,741,043</u>	<u>2,741,043</u>

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

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

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

Pursuant to the loan agreements with NOHFC the Corporation may in certain circumstances be considered in default. Should the Corporation be considered in default, action may be taken which could result in a demand for immediate loan repayment.



# THE CITY OF GREATER SUDBURY COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2007

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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. 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 Teletech Holdings Inc. that upon granting of the sublease, the landlord will look solely to Teletech Holdings Inc. for the performance of the obligation under the lease.

## 7. Subsequent events:

- a) The first payment from Chilly Beach II Productions Inc. was due April 30, 2008. This payment was not received by the Corporation; therefore the loan is in default as at the date of these financial statements.

Consequently, the reciprocal loan payment to the NOHFC with respect to Loan #1 due April 30, 2008 was not made thus the debt is in default.

Management has indicated that it intends to renegotiate the repayment schedule with Chilly Beach II Productions Inc. and the NOHFC terms and conditions of which have not yet been determined.

NOHFC has indicated that it is in the process of evaluating the issue and that a course of action has not yet been determined.

- b) The Corporation is also in default with respect to NOHFC Loan #2. The first payment was due April 1, 2008 and as at the date of these financial statements, had not been made.

Management has indicated that it is in the process of renegotiating a repayment schedule with the NOHFC terms and conditions of which have not yet been determined.

NOHFC has indicated that it is in the process of evaluating the issue and that a course of action has not yet been determined.

# THE CITY OF GREATER SUDBURY COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2007

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## **8. 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.

It is not practicable to determine the fair value of the loans receivable, investment or loans payable due to the limited amount of market information available.

## **9. Accounting changes:**

The Canadian Institute of Chartered Accountants ("CICA") has issued several new standards which are effective for the Corporation for the reporting period beginning on January 1, 2008. The following accounting standards relate to financial instruments: Section 3855, Financial Instruments - Recognition and Measurement, Section 3862, Financial Instruments - Disclosures, Section 3863, Financial Instruments - Presentation, Section 3865, Hedges and Section 1535, Capital Disclosure. In addition, there is a new accounting standard related to inventories: Section 3031, Inventories.

The Corporation is currently assessing the impact of these new accounting standards on its financial statements.