

## **SECTION 11**

Financial Statements of

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

Year ended December 31, 2006

## 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, 2006 and the statement of operations 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.

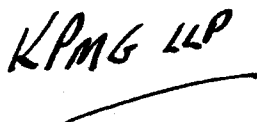
In our opinion, these financial statements presents fairly, in all material respects, the financial position of the Corporation as at December 31, 2006 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.



**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 4, 2007

# THE CITY OF GREATER SUDBURY COMMUNITY DEVELOPMENT CORPORATION

Statement of Financial Position

December 31, 2006, with comparative figures for 2005

	2006	2005
<b>Assets</b>		
Cash	\$ 57,330	-
Accounts receivable	7,280	-
Loans receivable (note 2)	1,741,043	1,741,043
Investment (note 3)	935,433	1,000,020
	<u>\$ 2,741,086</u>	<u>2,741,063</u>

## Liabilities

Accounts payable	\$ 43	20
Loans payable (note 4)	2,741,043	2,741,043
Commitments (note 5)		
	<u>\$ 2,741,086</u>	<u>2,741,063</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, 2006, with comparative figures for 2005

	2006	2005
<b>Revenue</b>		
Northern Ontario Heritage Fund	\$ 204,000	--
<b>Expenditure</b>		
Grant - Teletch Canada Incorporated	204,000	--
	\$ --	--

See accompanying notes to financial statements.

# THE CITY OF GREATER SUDBURY COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2006

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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.

## 2. 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.

## 3. Investment:

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

	2006	2005
935,413 (2005 - 1,000,000) Class A, non-voting, non-participating, redeemable preference shares	\$ 935,413	\$ 1,000,000
2,000 Class C, non-voting participating shares	20	20
	<u>\$ 935,433</u>	<u>\$ 1,000,020</u>

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

# THE CITY OF GREATER SUDBURY COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2006

## 4. Loans payable:

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

	2006	2005
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 2(a).

Loan #2 is secured by an assignment of the investment described in note 3.

Loan #3 is secured by an assignment of the loan receivable described in note 2(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.

## 5. 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.

# THE CITY OF GREATER SUDBURY COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2006

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## 5. Commitments (continued):

- 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.

## 6. Subsequent events:

Subsequent to December 31, 2006 an advance of \$613,463 was received from the Northern Ontario Heritage Fund Corporation ("NOHFC") pursuant to an agreement effective October 11, 2006. Under terms of the agreement the NOHFC may recover any excess funds not expended on eligible project costs.

## 7. Statement of cash flows:

A statement of cash flows has not been presented as it would not provide any additional meaningful information.

## 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.