centreventure
development corporation

Consolidated Financial Statements
For the year ended December 31, 2010

CENTREVENTURE DEVELOPMENT CORPORATION

Consolidated Financial Statements
For the year ended December 31, 2010

Contents

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Independent Auditor's Report

To the Board of Directors of
CENTREVENTURE DEVELOPMENT CORPORATION

We have audited the accompanying consolidated financial statements of **CENTREVENTURE DEVELOPMENT CORPORATION**, which comprise the consolidated statement of financial position as at December 31, 2010, and the consolidated statement of operations, consolidated statement of changes in net assets and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of CentreVenture Development Corporation as at December 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
February 10, 2011

CENTREVENTURE DEVELOPMENT CORPORATION
Consolidated Statement of Financial Position

December 31	2010	2009
Assets		
Current Assets		
Restricted cash (Note 3)	$ 37,620	$ 223,065
Accounts receivable (Note 4)	4,114,442	1,392,007
Prepaid expenses	11,106	14,812
Property held for resale (Note 5)	2,785,242	1,356,744
Current portion of mortgages receivable (Note 6)	693,957	509,087
Current portion of loans receivable (Note 7)	1,014,847	2,231,513
	8,657,214	5,727,228
Mortgages receivable (Note 6)	928,594	986,447
Loans receivable (Note 7)	3,069,971	3,528,664
Capital assets (Note 8)	4,634,342	2,452,384
	$ 17,290,121	$ 12,694,723
Liabilities and Net Assets		
Current Liabilities		
Bank indebtedness (Note 2)	$ 482,383	$ 76,692
Accounts payable and accrued liabilities	634,976	742,768
Holdbacks payable (Note 3)	37,620	223,065
Deferred grant revenue (Note 9)	746,617	432,661
Current portion of long-term debt (Note 10)	148,908	-
	2,050,504	1,475,186
Long-term debt (Note 10)	4,449,880	-
	6,500,384	1,475,186
Commitments and contingencies (Note 11)		
Net Assets		
Invested in capital assets (Note 14)	1,138,137	1,738,035
General	97,000	97,000
Urban Development Bank	9,554,600	9,384,502
	10,789,737	11,219,537
	$ 17,290,121	$ 12,694,723

Approved on behalf of the Board:

_______________________ Director

_______________________ Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

CENTREVENTURE DEVELOPMENT CORPORATION
Consolidated Statement of Changes in Net Assets

For the year ended December 31

	Invested in Capital Assets	General	Urban Development Bank	2010 Total	2009 Total
Balance, beginning of year	$ 1,738,035	$ 97,000	$ 9,384,502	$ 11,219,537	$ 12,212,653
Excess (deficiency) of revenue over expenditures for the year	(129,645)	110,113	(410,268)	(429,800)	(993,116)
Fund transfers	-	(110,113)	110,113	-	-
Net change in invested in capital assets	(470,253)	-	470,253	-	-
Balance, end of year	$ 1,138,137	$ 97,000	$ 9,554,600	$ 10,789,737	$ 11,219,537

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

CENTREVENTURE DEVELOPMENT CORPORATION
Consolidated Statement of Operations

For the year ended December 31

	2010 General	2010 Urban Development Bank	2010 Total	2009 Total
Revenue				
Grant				
City of Winnipeg	$ 100,000	$ -	$ 100,000	$ 100,000
Designated grants	-	217,616	217,616	880,721
Interest	519,366	-	519,366	466,554
Commissions and development fees	258,382	-	258,382	188,492
Rental	22,116	190,178	212,294	29,527
Sale of properties	-	1,759,684	1,759,684	543,318
	899,864	2,167,478	3,067,342	2,208,612
Expenditures				
Administration	653,534	-	653,534	611,206
Amortization	71,485	58,160	129,645	62,324
Bank charges and interest	25,479	-	25,479	839
Interests on long-term debt	-	15,335	15,335	-
Cost of properties	-	2,072,537	2,072,537	1,260,411
Grants paid out				
Designated revenues	-	217,616	217,616	865,834
General	-	-	-	4,000
Insurance	9,828	-	9,828	11,075
Office	60,899	-	60,899	64,404
Professional fees				
Contract management	-	21,317	21,317	108,518
IT and other	9,006	-	9,006	15,527
Accounting, legal and transaction costs	17,781	97,342	115,123	114,498
Marketing	11,724	17,355	29,079	35,588
Project development	-	80,340	80,340	26,952
Property rental	-	44,404	44,404	9,622
Public destinations	1,500	-	1,500	5,930
Community investment	-	11,500	11,500	5,000
	861,236	2,635,906	3,497,142	3,201,728
Excess (deficiency) of revenue over expenditures for the year	$ 38,628	$ (468,428)	$ (429,800)	$ (993,116)
Allocated to:				
General	$ 110,113	$ -	$ 110,113	$ 30,074
Urban Development Bank	-	(410,268)	(410,268)	(960,866)
Invested in capital assets	(71,485)	(58,160)	(129,645)	(62,324)
Excess (deficiency) of revenue over expenditures for the year	$ 38,628	$ (468,428)	$ (429,800)	$ (993,116)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

CENTREVENTURE DEVELOPMENT CORPORATION
Consolidated Statement of Cash Flows

For the year ended December 31	2010	2009
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenditures for the year	$ (429,800)	$ (993,116)
Adjustments for:		
Amortization of capital assets	129,645	62,324
Gain on disposal of properties	(879,626)	-
Accrued interest on mortgages	1,885	4,846
Accrued interest on loans receivable	2,051	(18,595)
	(1,175,845)	(944,541)
Changes in non-cash working capital balances		
Accounts receivable	(2,722,435)	1,678,052
Prepaid expenses	3,706	(2,541)
Property held for resale	(1,428,498)	761,044
Accounts payable and accrued liabilities	(107,792)	(464,178)
Holdbacks payable	(185,445)	200,577
Deferred grant revenue	313,956	(880,720)
	(4,126,508)	1,292,234
	(5,302,353)	347,693
Cash Flows from Investing Activities		
Purchase of capital assets	(3,181,977)	(1,528,601)
Proceeds on sale of capital assets	1,750,000	-
Advances of mortgages receivable	(433,283)	(149,991)
Receipts from mortgages receivable	304,381	687,725
Advances of loans receivable	(562,438)	(3,885,116)
Receipts from loans receivable	2,235,746	669,888
	112,429	(4,206,095)
Cash Flows from Financing Activities		
Proceeds from long-term debt	4,598,788	-
Decrease in cash and cash equivalents during the year	(591,136)	(3,858,402)
Cash and cash equivalents, beginning of year	146,373	4,004,775
Cash and cash equivalents, end of year	$ (444,763)	$ 146,373
Comprised of		
Bank indebtedness	$ (482,383)	$ (76,692)
Restricted cash	37,620	223,065
	$ (444,763)	$ 146,373

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

CENTREVENTURE DEVELOPMENT CORPORATION
Summary of Significant Accounting Policies

For the year ended December 31, 2010

Principles of Consolidation

These consolidated financial statements include the accounts of CentreVenture Development Corporation ("corporation"), and its wholly-owned subsidiary Centre Village Housing Inc., which operate under common management. Intra-company and inter-company transactions and balances have been eliminated upon consolidation.

Basis of Financial Presentation

The corporation records its financial transactions on the deferred fund accounting basis as follows:

General

General includes transactions related to general operations and administration of the corporation.

Urban Development Bank

The Urban Development Bank was initiated in 1999 through a contribution by the City of Winnipeg. Funds are intended to enable CentreVenture Development Corporation to facilitate economic development initiatives with private and non-profit sectors and provide creative financing options to encourage downtown investment. The assets of the Urban Development Bank are invested in loans, receivables and property held for development.

The Urban Development Bank funds, as defined by Board policy, shall not be used to fund the day-to-day operations of the corporation. The Urban Development Bank is funded by various levels of government and other funding organizations.

Revenue Recognition

CentreVenture Development Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest income and rental revenue is recognized on an accrual basis consistent with the terms of the related mortgages and agreements and collection is reasonably assured. Reasonable assurance is based upon the corporation's past experience with its claims and collections associated with clients and similar transactions.

Revenue Recognition (continued)

Sale proceeds on properties and the related cost of properties are recognized when the risks and rewards of ownership are transferred to the purchaser and collection is reasonably assured. Reasonable assurance is based upon the corporation's past experience with its claims and collections associated with clients and similar transactions. A transaction fee is levied by the corporation on these sales.

Special Projects - Restricted Funding Arrangements

In addition to regular operating revenues, CentreVenture Development Corporation receives grants from time to time for specific programs or initiatives to be administered by CentreVenture Development Corporation which are accounted for through the Urban Development Bank. The following special funding arrangements were ongoing during the year:

Province of Manitoba:
North Main Economic Development Program Grant

The purpose of this grant is to attract business investment to the North Main area of downtown Winnipeg.

City of Winnipeg:
Downtown Housing Strategy

The purpose of this grant is to encourage unique and innovative approaches that support downtown housing developments and result in quality, affordable housing by providing financial assistance to proponents.

City of Winnipeg:
Gail Parvin Hammerquist

The purpose of these grants is to fund innovative measures to attract new investment, occupants and uses for heritage buildings, as well as to conserve the heritage character, architectural elements and detailing of designated buildings.

Mortgages and Loans Receivable

Mortgages and loans are carried at the unpaid principal plus accrued interest, less allowances for doubtful loans. Amounts considered uncollectible are written-off in the year in which the uncollectible amount is determined. Recoveries on mortgages and loans previously written-off are taken into income in the year the income is received.

Allowance for Doubtful Loans

The allowance for doubtful loans is maintained at a level considered adequate to absorb credit losses existing in the corporation's portfolio. The allowance is evaluated on an ongoing basis and increased as deemed necessary, which is charged against income and is reduced by write-offs.

Financial Instruments

The CentreVenture Development Corporation utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the CentreVenture Development Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments and the carrying amounts approximate fair values.

All transactions related to financial instruments are recorded on a settlement date basis.

The CentreVenture Development Corporation classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The CentreVenture Development Corporation's accounting policy for each category is as follows:

Assets/Liability	Category	Measurement
Restricted cash	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Mortgages receivable	Loans and receivables	Amortized cost
Loans receivable	Loans and receivables	Amortized cost
Bank indebtedness	Held for trading	Fair value
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Long-term debt	Other financial liabilities	Amortized cost
Holdbacks payable	Other financial liabilities	Amortized cost

- Held for trading items are carried at fair value, with changes in their fair value recognized in the statement of operations.
- Other financial liabilities are carried at amortized cost, using the effective interest method.
- Loans and receivables are carried at amortized cost, using the effective interest rate method, less any provision for impairment.

Transaction costs are expensed as incurred.

CENTREVENTURE DEVELOPMENT CORPORATION
Summary of Significant Accounting Policies

For the year ended December 31, 2010

Capital Assets

Purchased capital assets are recorded at cost less accumulated amortization. Amortization is provided for on a straight-line basis in accordance with the following estimated useful life of the assets:

Building	25 years
Computer equipment	3 years
Furniture and fixtures	5 years
Leasehold improvements	3 years

The acquisition costs of capital assets which are funded from capital financing sources are charged to operations and matched with the applicable revenue sources in the year of expenditure. Where capital is financed using prior year's equity, the cost will be charged to the related net asset balance. These expenditures are recorded as an addition to assets with a corresponding increase in Invested in Capital Assets.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the corporation, are as follows:

Accounting Standards for Not-for-Profit Organizations (NPO)

In December 2010, the Accounting Standards Board (AcSB) and the Public Sector Accounting Board (PSAB) issued new standards for not-for-profit organizations (NPOs) as follows:

Government (public sector) NPOs they have a choice of :

1. Public Sector Accounting Standards with the current series of NPO-specific standards added with some minor changes; or

2. Public Sector Accounting standards.

The Boards require NPOs to adopt their respective standards for year ends beginning on or after January 1, 2012; early adoption is allowed. Until the date of transition to the new standards, all NPOs will continue to follow the current Canadian Institute of Chartered Accountants Handbook - Accounting Part V - Pre-Changeover Standards.

1. Nature and Purpose of the Corporation

CentreVenture Development Corporation is a non-profit organization incorporated without share capital under the laws of Manitoba on July 9, 1999. The goal of the corporation is to promote and foster economic, residential and cultural growth and development in the downtown district of the City of Winnipeg. The corporation is exempt from income tax by virtue of p.149(1)(e) of the Income Tax Act. The corporation files a corporate tax return and a non-profit organization information return annually as required by the Canada Revenue Agency.

2. Cash and Bank/Bank Indebtedness

The corporation has an approved operating line of credit with the Royal Bank of Canada to a maximum amount of $10,400,000. The line of credit bears interest at Royal Bank prime rate minus 0.75% per annum and is secured by an unconditional and irrevocable guarantee signed by the City of Winnipeg in the amount of $13,000,000 and a general security agreement on all personal property of the corporation. As at December 31, 2010, the line of credit had a balance owing of $557,876 (2009 - $nil). The bank indebtedness of $214,432 at December 31, 2009 was owed to another financial institution.

3. Restricted Cash/Holdbacks Payable

The corporation has a holdback account that is jointly controlled with one of its contractors for a specific project.

4. Accounts Receivable

	2010	2009
Land sale receivable	$ 1,750,000	$ -
Central Park Project	1,564,497	918,138
Other	750,232	350,487
GST receivable	49,713	123,382
	$ 4,114,442	$ 1,392,007

5. Property Held for Resale

Under the asset agreement between CentreVenture Development Corporation and The City of Winnipeg, CentreVenture Development Corporation has the option to acquire an interest in surplus City-owned properties and buildings within the downtown area for the consideration of one dollar or a maximum of three years back property taxes. Any properties obtained under either of these options are recorded at the consideration price. The land inventory available under the asset agreement has been substantially depleted.

Property held for resale also includes properties acquired at fair market value from third parties for the purpose of development and/or resale. Material costs associated with the acquisition, development and resale of these properties are capitalized at cost. Property held for resale at year end consists of the following:

	2010	2009
Property for sale	$ 2,780,101	$ 1,352,891
Property development costs	5,141	3,853
	$ 2,785,242	$ 1,356,744

6. Mortgages Receivable

	2010	2009
Mortgages receivable	$ 1,636,462	$ 1,507,560
Accrued interest receivable	6,089	7,974
Allowance for doubtful loans	(20,000)	(20,000)
	1,622,551	1,495,534
Current portion of mortgages receivable	693,957	509,087
	$ 928,594	$ 986,447

6. Mortgages Receivable (continued)

Mortgages receivable are on various properties in downtown Winnipeg with terms ranging from demand to maturity of 5 years, monthly installments applied to interest first, compounded semi-annually not in advance, and secured by recourse to the related underlying property, personal and corporate guarantees, and other forms of security. Interest rates charged for CentreVenture Development Corporation mortgages range from 5.25% to 8.0% and are both fixed and variable in reference to the bank of Canada's prime rate of lending at the time of loan disbursement.

Mortgage principal receipts are expected as follows:

2011	$ 693,957
2012	592,889
2013	141,636
2014	44,889
2015	163,091
Accrued interest	6,089
	1,642,551
Allowance	(20,000)
	$ 1,622,551

The above schedule lists the expected receipts based on mortgages maturing during the year. Negotiations to renew mortgages may occur as terms expire throughout 2011.

7. Loans Receivable

	2010	2009
Loans receivable	**$ 4,183,822**	$ 5,857,127
Accrued interest receivable	**30,996**	33,050
Allowance for doubtful loans	**(130,000)**	(130,000)
	4,084,818	5,760,177
Current portion of loans receivable	**1,014,847**	2,231,513
	$ 3,069,971	$ 3,528,664

Loans receivable from various borrowers have a maximum term to maturity of 10 years, payable in monthly interest installments plus annual principal payment, and secured by an assignment of Heritage Tax Credits or other forms of security. Interest rates charged, ranging from 5.0% to 8.5%, are both fixed and variable in reference to the Bank of Canada's prime rate of lending at the time of loan disbursement.

7. Loans Receivable (continued)

Loan principal receipts are expected as follows:

2011	$ 1,014,847
2012	740,984
2013	445,660
2014	376,850
2015	299,960
Thereafter	1,305,521
Accrued interest	30,996
	4,214,818
Allowance	(130,000)
	$ 4,084,818

The above schedule lists the expected receipts based on loans maturing during the year. Negotiations to renew loans may occur as terms expire throughout 2011.

8. Capital Assets

	2010			2009		
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Land	$ -	$ -	$ -	$ 870,374	$ -	$ 870,374
Building	4,226,719	29,593	4,197,126	611,029	-	611,029
Computer equipment	97,728	78,770	18,958	70,704	66,265	4,439
Furniture and fixtures	106,200	26,687	79,513	26,037	18,836	7,201
Leasehold improvements	521,059	182,314	338,745	347,610	102,618	244,992
Construction in progress	-	-	-	714,349	-	714,349
	$ 4,951,706	$ 317,364	$ 4,634,342	$ 2,640,103	$ 187,719	$ 2,452,384

9. Deferred Grant Revenue

Deferred grant revenue represents externally restricted funding received from various sources for the operation of the project to which the funding relates.

Deferred grant revenue for externally restricted projects during the year is as follows:

	2010	2009
Gail Parvin Hammerquist 2004	$ 5,747	$ 136,869
Gail Parvin Hammerquist 2005	-	35,544
Gail Parvin Hammerquist 2006/2007	150,050	184,750
Gail Parvin Hammerquist 2008	67,898	72,898
Gail Parvin Hammerquist 2009	520,322	-
North Main Economic Development Program Grant	2,600	2,600
	$ 746,617	$ 432,661

10. Long-term Debt

	2010	2009
Royal Bank of Canada Insurance, term loan payable at the fixed rate of 4.47%, due October 2025, blended yearly payments of $241,597, secured by a general security agreement constituting a first ranking security interest in all personal property, and an unconditional and irrevocable guarantee signed by the City of Winnipeg in the amount of $13,000,000.	$ 2,602,583	$ -
Mortgage payable at the rate of 4.59%, due January 2015, blended monthly payments of $9,565, the balance is unsecured.	1,996,205	-
	4,598,788	-
Current portion of long-term debt	148,908	-
	$ 4,449,880	$ -

10. Long-term Debt (continued)

Principal repayments for the next five years and thereafter are as follows:

2011	$	148,908
2012		155,617
2013		162,627
2014		169,952
2015		2,043,959
Thereafter		1,917,725
	$	4,598,788

11. Commitments and Contingencies

The corporation has made commitments for grants that had not been disbursed by the December 31, 2010 year end in the approximate amount of $941,737 (2009 - $1,003,166).

The corporation has made commitments for loans that had not been disbursed by the December 31, 2010 year end in the approximate amount of $1,309,221 (2009 - $134,221).

The corporation has made commitments for property development and property purchases with the maximum amount committed to be $nil (2009 - $2,686,001) pending the recipient's ability to meet the requirements of the agreement.

The corporation has made commitments for leases for the next three years as follows:

2011	$	21,050
2012		21,050
2013		21,050
2014		1
2015		1

12. Related Party Transactions

The following table summarizes the corporation's related party transactions for the year:

		2010		2009
Revenue				
City of Winnipeg (parent) - operating grant	$	**100,000**	$	100,000
City of Winnipeg (parent) - miscellaneous		**20,125**		21,320
Selling, General and Administrative Expenses				
City of Winnipeg (parent) - Property taxes		**105,376**		68,166
City of Winnipeg (parent) - Property purchases		**-**		1
City of Winnipeg (parent) - Cost of Land		**-**		50,000
Other				
City of Winnipeg (parent) - Assigned Heritage Tax Credits applied against loans receivable		**232,919**		222,598

These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties).

13. Capital Management

The corporation has managed its capital according to the plan approved by the City of Winnipeg for the 2008 to 2010 period. That plan contained the following principles:

- Each year's operations are budgeted on a break-even basis, so that the corporation's equity over the long-term neither grows nor diminishes on account of annual operations.

- The corporation's invested equity includes the land included in "invested in capital assets", as well as its general net assets and the balance of the Urban Development Bank. The corporation uses some of this equity to make community investments in the revitalization of Winnipeg's downtown. The approved plan called for equity of $12 million at the start of the period to be reduced by these investments. At December 31, 2010, the equity level was $10.8 million.

The corporation is in discussions with the City of Winnipeg on its business plan for the 2011 to 2013 period. That plan, which will include continuing community investments, will, once approved, set out the corporation's operational and capital management plan for the next three year period.

14. Invested in Capital Assets

		2010		2009
a) Investment in capital assets is calculated as follows:				
Capital assets	$	4,634,342	$	2,452,384
Amounts to be financed by				
Approved grants and mortgage advances		3,496,205		714,349
	$	1,138,137	$	1,738,035

b) Change in net assets invested in capital assets is calculated as follows:

		2010		2009
Deficiency of revenue over expenditures				
Amortization of capital assets	$	(129,645)	$	(62,324)
Net changes in investment in capital assets				
Purchase of capital assets	$	3,181,977	$	1,528,601
Disposal of asset		(870,374)		-
Amounts to be funded		-		-
Approved grants and mortgage advances		(2,781,856)		(714,349)
	$	(470,253)	$	814,252

15. Fair Value of Financial Instruments

The carrying amount of the corporation's financial assets and liabilities approximate their fair value. In the absence of readily ascertainable market values, management has estimated that fair value would not differ materially from carrying value. Factors considered in this determination include underlying collateral, market conditions, financial data and projections of the borrowers. Because of the inherent uncertainty of valuation, the estimate of fair value may differ significantly from the values that would have been used had a ready market for the assets existed.