CENTREVENTURE DEVELOPMENT CORPORATION

Consolidated Financial Statements

For the years ended December 31, 2012 and 2011

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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 statements of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011, and the consolidated statements of operations, changes in net assets and cash flows for the years ended December 31, 2012 and December 31, 2011, 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 public sector accounting standards, 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, 2012, December 31, 2011 and January 1, 2011 and the results of its operations and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
February 28, 2013

CENTREVENTURE DEVELOPMENT CORPORATION
Consolidated Statement of Financial Position

	December 31 2012	December 31 2011	January 1 2011
Assets			
Current Assets			
Cash and bank (Note 3)	$ -	$ 142,526	$ -
Restricted cash (Note 4)	-	1,762	37,620
Cash held in trust	6,785,000	-	-
Accounts receivable (Note 5)	1,505,921	1,537,379	4,114,442
Prepaid expenses	9,924	9,206	11,106
Property held for resale (Note 6)	1,036,674	2,495,733	2,785,242
Current portion of mortgages receivable (Note 7)	898,342	752,511	693,957
Current portion of loans receivable (Note 8)	3,310,176	1,025,823	1,014,847
	13,546,037	5,964,940	8,657,214
Mortgages receivable (Note 7)	2,331,302	2,903,993	928,594
Loans receivable (Note 8)	2,863,325	3,802,345	3,069,971
Investment in government business (Note 9)	89	-	-
Capital assets (Note 10)	9,139,726	9,777,167	5,398,819
	$ 27,880,479	$ 22,448,445	$ 18,054,598
Liabilities and Net Assets			
Current Liabilities			
Bank indebtedness (Note 3)	$ 6,827,488	$ -	$ 482,383
Accounts payable and accrued liabilities	645,808	490,825	634,976
Deferred grant revenue (Note 11)	676,254	679,794	746,617
Holdbacks payable	-	1,762	37,620
Current portion of long-term debt (Note 12)	162,741	155,737	148,908
	8,312,291	1,328,118	2,050,504
Long-term debt (Note 12)	4,128,952	4,291,440	4,449,880
Deferred government assistance (Note 13)	6,157,847	6,610,394	764,477
	18,599,090	12,229,952	7,264,861
Commitments and contingencies (Notes 14)			
Net Assets			
Invested in capital assets (Note 15)	1,033,829	1,194,219	1,138,137
General	97,000	97,000	97,000
Urban Development Bank	8,150,560	8,927,274	9,554,600
	9,281,389	10,218,493	10,789,737
	$ 27,880,479	$ 22,448,445	$ 18,054,598

Subsequent event (Note 18)

Approved on behalf of the Board:

Curt Vossen

_______________________ Director

_______________________ Director

The accompanying notes are an integral part of these financial statements.

CENTREVENTURE DEVELOPMENT CORPORATION
Consolidated Statement of Changes in Net Assets

For the years ended December 31

	Invested in Capital Assets	General	Urban Development Bank	2012
Balance, beginning of year	$ 1,194,219	$ 97,000	$ 8,927,274	$ 10,218,493
Excess (deficiency) of revenue over expenditures for the year	(207,427)	31,352	(761,029)	(937,104)
Fund transfers	-	(31,352)	31,352	-
Net change in invested in capital assets	47,037	-	(47,037)	-
Balance, end of year	$ 1,033,829	$ 97,000	$ 8,150,560	$ 9,281,389

	Invested in Capital Assets	General	Urban Development Bank	2011
Balance, beginning of year	$ 1,138,137	$ 97,000	$ 9,554,600	$ 10,789,737
Excess (deficiency) of revenue over expenditures for the year	(164,809)	33,849	(440,284)	(571,244)
Fund transfers	-	(33,849)	33,849	-
Net change in invested in capital assets	220,891	-	(220,891)	-
Balance, end of year	$ 1,194,219	$ 97,000	$ 8,927,274	$ 10,218,493

The accompanying notes are an integral part of these financial statements.

CENTREVENTURE DEVELOPMENT CORPORATION
Consolidated Statement of Operations

For the year ended December 31

	General	Urban Development Bank	2012
Revenue			
Grant			
City of Winnipeg	$ 300,000	$ -	$ 300,000
Province of Manitoba	-	52,710	52,710
Designated grants	-	747,865	747,865
Interest	494,477	-	494,477
Commissions and development fees	59,707	-	59,707
Rental	28,000	630,139	658,139
Sale of properties	-	1,525,000	1,525,000
Other	-	139,978	139,978
	882,184	3,095,692	3,977,876
Expenditures			
Administration	700,194	2,180	702,374
Amortization	34,300	625,674	659,974
Bank charges and interest	1,974	217	2,191
Interests on long-term debt	-	90,277	90,277
Cost of properties	-	1,911,943	1,911,943
Grants paid out			
Designated revenues	-	280,406	280,406
Insurance	9,655	16,205	25,860
Office	78,726	-	78,726
Professional fees			
Contract management	-	210,400	210,400
IT and other	11,255	-	11,255
Accounting, legal and transaction costs	20,432	446,336	466,768
Marketing	28,596	20,295	48,891
Project development	-	33,384	33,384
Property rental	-	345,065	345,065
Bad debt	-	35,466	35,466
Community investment	-	12,000	12,000
	885,132	4,029,848	4,914,980
Deficiency of revenue over expenditures for the year	$ (2,948)	$ (934,156)	$ (937,104)
Allocated to			
General	$ 31,352	$ -	$ 31,352
Urban Development Bank	-	(761,029)	(761,029)
Invested in capital assets	(34,300)	(173,127)	(207,427)
Deficiency of revenue over expenditures for the year	$ (2,948)	$ (934,156)	$ (937,104)

The accompanying notes are an integral part of these financial statements.

CENTREVENTURE DEVELOPMENT CORPORATION
Consolidated Statement of Operations

For the year ended December 31

	General	Urban Development Bank	2011
Revenue			
Grant			
City of Winnipeg	$ 293,156	$ -	$ 293,156
Province of Manitoba	-	51,000	51,000
Designated grants	-	589,312	589,312
Interest	468,691	-	468,691
Commissions and development fees	81,781	65	81,846
Rental	24,000	522,281	546,281
Sale of properties	-	891,325	891,325
	867,628	2,053,983	2,921,611
Expenditures			
Administration	663,286	1,964	665,250
Amortization	33,070	272,017	305,087
Bank charges and interest	1,567	208	1,775
Interests on long-term debt	-	91,129	91,129
Cost of properties	-	643,118	643,118
Grants paid out			
Designated revenues	-	433,333	433,333
Insurance	8,531	14,182	22,713
Office	80,237	-	80,237
Professional fees			
Contract management	-	103,806	103,806
IT and other	18,143	-	18,143
Accounting, legal and transaction costs	37,438	108,777	146,215
Marketing	24,577	5,408	29,985
Project development	-	230,893	230,893
Property rental	-	211,671	211,671
Community investment	-	509,500	509,500
	866,849	2,626,006	3,492,855
Deficiency of revenue over expenditures for the year	$ 779	$ (572,023)	$ (571,244)
Allocated to			
General	$ 33,849	$ -	$ 33,849
Urban Development Bank	-	(440,284)	(440,284)
Invested in capital assets	(33,070)	(131,739)	(164,809)
Deficiency of revenue over expenditures for the year	$ 779	$ (572,023)	$ (571,244)

The accompanying notes are an integral part of these financial statements.

CENTREVENTURE DEVELOPMENT CORPORATION
Consolidated Statement of Cash Flows

For the years ended December 31	2012	2011
Cash Flows from Operating Activities		
Deficiency of revenue over expenditures for the year	$ (937,104)	$ (571,244)
Adjustments for		
Amortization of capital assets	659,974	305,087
Accrued interest on mortgages	1,687	197
Accrued interest on loans receivable	(6,961)	1,545
Bad debt expense	35,466	-
	(246,938)	(264,415)
Changes in non-cash working capital balances		
Accounts receivable	31,458	2,577,063
Prepaid expenses	(718)	1,900
Property held for resale	1,459,059	289,509
Accounts payable and accrued liabilities	154,983	(144,151)
Holdbacks payable	(1,762)	(35,858)
Deferred grant revenue	(3,540)	(66,823)
Deferred government assistance	(452,547)	5,845,917
	1,186,933	8,467,557
	939,995	8,203,142
Cash Flows from Capital Activities		
Purchase of capital assets	(22,534)	(4,683,436)
Cash Flows from Investing Activities		
Advances of mortgages receivable	(1,497,192)	(2,077,632)
Receipts from mortgages receivable	1,922,277	43,485
Advances of loans receivable	(2,075,118)	(1,346,500)
Receipts from loans receivable	701,280	601,602
	(948,753)	(2,779,045)
Cash Flows from Financing Activities		
Repayment of long-term debt	(155,484)	(151,610)
Increase (decrease) in cash and cash equivalents during the year	(186,776)	589,051
Cash and cash equivalents, beginning of year	144,288	(444,763)
Cash and cash equivalents, end of year	$ (42,488)	$ 144,288
Comprised of		
Cash and bank	$ -	$ 142,526
Bank indebtedness	(6,827,488)	-
Restricted cash	-	1,762
Cash held in trust	6,785,000	-
	$ (42,488)	$ 144,288

The accompanying notes are an integral part of these financial statements.

1. Summary of Significant Accounting Policies

a. Management's Responsibility for the Financial Statements

These consolidated financial statements of CentreVenture Development Corporation ("corporation") are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board.

b. 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.

c. Basis of Consolidation

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

The investment in StR Properties Inc. is reported as government business enterprise and accounted for using the modified equity method. Under this method, the government business accounting principles are not adjusted to conform with those of the corporation and inter-company transactions are not eliminated.

d. 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.

1. Summary of Significant Accounting Policies (continued)

d. Basis of Financial Presentation (continued)

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.

e. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, restricted cash and cash held in trust.

f. Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. Restricted cash, bank indebtedness and cash held in trust have been designated to be in the fair value category. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost. Do to the nature of the financial instruments held by CentreVenture Development Corporation, there are no unrealized gains or losses, and therefore a statement of remeasurement gains and losses are not required for these financial statements.

g. 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.

1. Summary of Significant Accounting Policies (continued)

g. 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.

h. 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:

<u>Province of Manitoba: North Main Economic Development Program Grant</u>

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

<u>City of Winnipeg: Downtown Housing Strategy</u>

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.

<u>City of Winnipeg: Gail Parvin Hammerquist</u>

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.

i. 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.

j. 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.

1. Summary of Significant Accounting Policies (continued)

k. Capital Assets

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

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

l. Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards for not-for-profit organizations 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.

2. First-time Adoption

Effective January 1, 2012, the corporation adopted the requirements of the new accounting framework, Canadian Public Sector Accounting Standards for Not-for-Profit Organizations (PSAB for NPOs). These are the corporation's first financial statements prepared in accordance with this framework and the transitional provisions of Section 2125, First-time Adoption by Government Organizations have been applied. Section 2125 requires retrospective application of the accounting standards with certain elective exemptions and mandatory exceptions. The accounting policies set out in the Summary of Significant Accounting Policies have been applied in preparing the financial statements for the year ended December 31, 2012, the comparative information presented in these financial statements for the year ended December 31, 2011 and in the preparation of an opening PSAB for NPOs statement of financial position at the date of transition of January 1, 2011.

The corporation issued financial statements for the year ended December 31, 2011 using generally accepted accounting principles prescribed by the CICA Handbook - Accounting Part V - Pre-changeover Accounting Standards.

The following reconciliations and explanatory notes provide a description of the effect of the transition from pre-changeover Canadian GAAP to PSAB for NPOs.

2. First-time Adoption (continued)

Statement of Financial Position as at January 1, 2011 – Transition Date

	Sub-note	Pre-changeover Canadian GAAP	Adjustments	PSAB for NPOs
Assets				
Restricted cash		37,620	-	37,620
Accounts receivable		4,114,442	-	4,114,442
Prepaid expenses		11,106	-	11,106
Property held for resale		2,785,242	-	2,785,242
Current portion of mortgages receivable		693,957	-	693,957
Current portion of loans receivable		1,014,847	-	1,014,847
Mortgages receivable		928,594	-	928,594
Loans receivable		3,069,971	-	3,069,971
Capital assets	(i)	4,634,342	764,477	5,398,819
		17,290,121	764,477	18,054,598
Liabilities				
Bank indebtedness		482,383	-	482,383
Accounts payable and accrued liabilities		634,976	-	634,976
Deferred government assistance	(i)	-	764,477	764,477
Deferred grant revenue		746,617	-	746,617
Holdbacks payable		37,620	-	37,620
Current portion of long-term debt		148,908	-	148,908
		4,449,880	-	4,449,880
		6,500,384	764,477	7,264,861
Net Assets				
Invested in capital assets		1,138,137	-	1,138,137
General		97,000	-	97,000
Urban Development Bank		9,554,600	-	9,554,600
		$ 17,290,121	$ 764,477	$ 18,054,598

2. First-time Adoption (continued)

Statement of Financial Position as at December 31, 2011

	Sub-note	Pre-changeover Canadian GAAP	Adjustments	PSAB for NPOs
Assets				
Cash and bank		$ 142,526	$ -	$ 142,526
Restricted cash		1,762	-	1,762
Accounts receivable		1,537,379	-	1,537,379
Prepaid expenses		9,206	-	9,206
Property held for resale		2,495,733	-	2,495,733
Current portion of mortgages receivable		752,511	-	752,511
Current portion of loans receivable		1,025,823	-	1,025,823
Mortgages receivable		2,903,993	-	2,903,993
Loans receivable		3,802,345	-	3,802,345
Capital assets	(i)	3,166,773	6,610,394	9,777,167
		15,838,051	6,610,394	22,448,445
Liabilities				
Accounts payable and accrued liabilities		490,825	-	490,825
Deferred government assistance	(i)	-	6,610,394	6,610,394
Deferred grant revenue		679,794	-	679,794
Holdbacks payable		1,762	-	1,762
Current portion of long-term debt		155,737	-	155,737
Long-term debt		4,291,440	-	4,291,440
		5,619,558	6,610,394	12,229,952
Net Assets				
Invested in capital assets		1,194,219	-	1,194,219
General		97,000	-	97,000
Urban Development Bank		8,927,274	-	8,927,274
		$ 15,838,051	$ 6,610,394	$ 22,448,445

2. First-time Adoption (continued)

Statement of Operations for the Year ended December 31, 2011

	Sub-note	Pre-changeover Canadian GAAP	Adjustments	PSAB for NPOs
Revenue				
Grant				
City of Winnipeg		293,156	-	293,156
Province of Manitoba		51,000	-	51,000
Designated grants	(ii)	449,034	140,278	589,312
Interest		468,691	-	468,691
Commissions and development fees		81,846	-	81,846
Rental		546,281	-	546,281
Sale of properties		891,325	-	891,325
		2,781,333	140,278	2,921,611
Expenditures				
Administration		665,250	-	665,250
Amortization	(ii)	164,809	140,278	305,087
Bank charges and interest		1,775	-	1,775
Interests on long-term debt		91,129	-	91,129
Cost of properties		643,118	-	643,118
Designated revenues		433,333	-	433,333
Insurance		22,713	-	22,713
Office		80,237	-	80,237
Contract management		103,806	-	103,806
IT and other		18,143	-	18,143
Accounting, legal and transaction costs		146,215	-	146,215
Marketing		29,985	-	29,985
Project development		230,893	-	230,893
Property rental		211,671	-	211,671
Community investment		509,500	-	509,500
		3,352,577	140,278	3,492,855
Deficiency of revenue over expenditures for the year		$ (571,244)	$ -	$ (571,244)

2. First-time Adoption (continued)

Statement of Cash Flows for the Year Ended December 31, 2011

	Sub-note (iii)	Pre-changeover Canadian GAAP	Adjustments	PSAB for NPOs
Cash flows from operating activities	(a), (b)	$ 2,216,947	$ 5,986,195	$ 8,203,142
Cash flows from capital activities	(b)	-	(4,683,436)	(4,683,436)
Cash flows from investing activities	(b)	(7,679,500)	4,900,455	(2,779,045)
Cash flows from financing activities	(b)	6,051,604	(6,203,214)	(151,610)
Net increase in cash and cash equivalents		589,051	-	589,051
Cash and cash equivalents, beginning of year		(444,763)	-	(444,763)
Cash and cash equivalents, end of year		$ 144,288	$ -	$ 144,288

Explanations for the adjustments are as follows:

(i) Capital assets

Under pre-changeover Canadian GAAP the Corporation presented the cost of capital assets net of government assistance received from various levels of government. PSAB for NPOs does not allow that capital grants be netted against the cost of the related tangible capital asset. Capital grants are now presented as deferred government assistance and amortized to income based on the terms of the forgivable loans. As a result, an increase of $764,477 at January 1, 2011 (increase of $6,610,394 at December 31, 2011) was required to capital assets. Deferred government assistance in the amount of $764,477 at January 1, 2011 ($6,610,394 at December 31, 2011) was also recognized in accordance with PSAB for NPOs.

(ii) Designated grants and amortization

As a result of a change in accounting policy for capital assets, $140,278 from deferred government assistance was amortized into revenue at December 31, 2011, and the same amount as amortization expenditure.

(iii) Statement of Cash Flows

a) The change in deficiency of revenues over expenditures for the year ended December 31, 2011 has been offset by adjustments to grants and amortization.

b) Net increase in deferred government assistance of $5,845,917 has been presented as operating activities instead of investing and financing activities.

2. First-time Adoption (continued)

Financial Instruments

On January 1, 2011, the corporation early adopted the Public Sector Accounting Handbook Section 3450 - Financial Instruments, and 1201 - Financial Statement Presentation. The new standards address the classification, recognition and measurement of financial instruments and is effective for years beginning on or after January 1, 2012, however, early adoption is permitted. The accounting change did not result in any adjustments. These sections have been applied prospectively; as a result, comparative amounts are presented in accordance with the accounting policies applied by the NPO immediately preceding it adoption of PSAB for NPOs.

3. 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 1.00% 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, 2012, the line of credit had a balance owing of $6,415,608 ($nil as at December 31, 2011). After year end, the City of Winnipeg approved additional borrowing in the amount of $6,600,000.

4. Restricted Cash/Holdbacks Payable

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

5. Accounts Receivable

	2012	2011
Central Park Project	$ -	$ 710,768
Other	437,205	517,444
GST receivable	69,122	149,817
Grants receivable	149,933	159,350
SHED Project	849,661	-
	$ 1,505,921	$ 1,537,379

6. 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:

	2012	2011
Property for sale	$ 796,770	$ 2,349,829
Property development costs	239,904	145,904
	$ 1,036,674	$ 2,495,733

7. Mortgages Receivable

	2012	2011
Mortgages receivable	$ 3,245,436	$ 3,670,609
Accrued interest receivable	4,208	5,895
Allowance for doubtful loans	(20,000)	(20,000)
	3,229,644	3,656,504
Current portion of mortgages receivable	898,342	752,511
	$ 2,331,302	$ 2,903,993

The sale agreement for one of the mortgaged properties contains a clause which would require the CentreVenture Development Corporation to forgive $30,000 of the mortgage held provided that terms of the agreement are met. Subsequent to the year end, these terms have been met and the forgivable amount will be deducted from the amount owing by the borrower.

7. Mortgages Receivable (continued)

Mortgages receivable are on various properties in downtown Winnipeg with terms ranging from demand to maturity of 25 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:

2013	$ 898,342
2014	395,714
2015	241,597
2016	241,597
2017	241,597
Thereafter	1,226,589
Accrued interest	4,208
	3,249,644
Allowance	(20,000)
	$ 3,229,644

The above schedule lists the expected receipts based on mortgages maturing during the year. Negotiations to renew mortgages may occur as terms expire throughout 2013.

8. Loans Receivable

	2012	2011
Loans receivable	**$ 6,242,095**	$ 4,928,720
Accrued interest receivable	**36,406**	29,448
Allowance for doubtful loans	**(105,000)**	(130,000)
	6,173,501	4,828,168
Current portion of loans receivable	**3,310,176**	1,025,823
	$ 2,863,325	$ 3,802,345

Loans receivable from various borrowers have a maximum term to maturity of 30 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.

8. Loans Receivable (continued)

Loan principal receipts are expected as follows:

2013	$ 3,310,176
2014	1,042,866
2015	302,329
2016	205,619
2017	180,060
Thereafter	1,201,045
Accrued interest	36,406
	6,278,501
Allowance	(105,000)
	$ 6,173,501

The above schedule lists the expected receipts based on loans maturing during the year. Negotiations to renew loans may occur as terms expire throughout 2013.

9. Investment in Government Business

StR Properties Inc. is a government business enterprise that is 89% owned by the corporation. This government business was acquired as part of the corporation's mission to revitalize downtown Winnipeg in December 2012.

10. Capital Assets

	2012		2011	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Buildings	**9,609,320**	**842,749**	9,609,320	259,679
Computer equipment	**113,321**	**105,041**	104,073	90,835
Furniture and fixtures	**124,293**	**66,933**	111,007	47,144
Leasehold improvements	**575,219**	**267,704**	575,219	224,794
	$ 10,422,153	**$ 1,282,427**	$ 10,399,619	$ 622,452
Cost less accumulated amortization		**$ 9,139,726**		$ 9,777,167

11. 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:

	2012	2011
Gail Parvin Hammerquist 2009	$ 673,654	$ 677,194
North Main Economic Development Program Grant	2,600	2,600
	$ 676,254	$ 679,794

12. Long-term Debt

	2012	2011
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.	$ 2,343,642	$ 2,474,623
Mortgage payable at the rate of 4.59%, due January 2015, blended monthly payments of $9,565, the balance is unsecured.	1,948,051	1,972,554
	4,291,693	4,447,177
Current portion of long-term debt	162,741	155,737
	$ 4,128,952	$ 4,291,440

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

2013	$ 162,741
2014	170,072
2015	2,044,370
2016	156,018
2017	162,992
Thereafter	1,595,500
	$ 4,291,693

12. Long-term Debt (continued)

The term loan payable of $2,343,642 noted above, was incurred to fund a 15 year mortgage loan of an equal amount which CentreVenture extended to Youth Centre of Excellence project at 333 King Street. CentreVenture receives an annual payment against the mortgage receivable over a 15 year period from the City of Winnipeg to cover the annual debt servicing costs (principal and interest) related to Youth Centre of Excellence's loan.

13. Deferred Government Assistance

The details of government assistance outstanding on forgivable loans are as follows:

	2012	2011
Bell Hotel		
Province of Manitoba (15 year term loan, with maturity date set at August 1, 2026. Payments are not required as long as the property operates as an affordable housing complex).	$ **2,270,555**	$ 2,430,555
Government of Canada (15 year term loan with maturity date set at August 1, 2026. Payments are not required as long as the property offers services for the homeless approved by the Government of Canada).	**2,558,125**	2,750,672
Centre Village Housing Inc.		
Province of Manitoba (15 year term loan with maturity date set at July 1, 2025. Payments are not required as long as the property operates as an affordable housing complex).	**1,329,167**	1,429,167
	$ **6,157,847**	$ 6,610,394

The five year forgiveness schedule for the forgivable loans is as follows:

2013	$ 459,214
2014	459,214
2015	459,214
2016	459,214
2017	459,214
Thereafter	3,861,777
	$ 6,157,847

At December 31, 2012, the corporation has met all requirements during the year relating to the terms of the forgivable loans.

14. Commitments and Contingencies

The corporation has made commitments for grants that had not been disbursed by the December 31, 2012 year end in the approximate amount of $480,000 ($450,000 in 2011).

The corporation has made commitments for loans that had not been disbursed by the December 31, 2012 year end in the approximate amount of $1,601,146 ($2,045,731 in 2011).

The corporation has made commitments for property development and property purchases with the maximum amount committed to be $nil ($nil in 2011) pending the recipient's ability to meet the requirements of the agreement.

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

2013	$ 11,542
2014	1
2015	1
2016	1
2017	1

15. Invested in Capital Assets

Investment in capital assets is calculated as follows:

	2012	2011
Capital assets	**$ 9,139,726**	$ 9,777,167
Amounts to be financed by approved grants and mortgage advances	**8,105,897**	8,582,948
	$ 1,033,829	$ 1,194,219

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

	2012	2011
Deficiency of revenue over expenditures		
Amortization of capital assets	**$ (659,974)**	$ (305,087)
Net changes in investment in capital assets		
Purchase of capital assets	**$ 22,534**	$ 4,900,455
Amounts to be funded by approved grants and mortgage advances	**-**	(4,703,214)
Repayment of long-term debt	**24,503**	23,650
	$ 47,037	$ 220,891

16. Related Party Transactions

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

	2012	2011
Revenue		
City of Winnipeg (parent) - operating grant	$ 300,000	$ 293,156
City of Winnipeg (parent) - miscellaneous	26,407	5,250
Selling, General and Administrative Expenses		
City of Winnipeg (parent) - Property taxes	76,393	95,839
City of Winnipeg (parent) - Property purchases	-	1
Other		
City of Winnipeg (parent) - Assigned Heritage Tax Credits applied against loans receivable	154,334	761,749

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).

17. Financial Instrument Risks

General Objectives, Policies, and Processes

The Board of Directors has overall responsibility for the determination of the corporation's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the corporation's President and Chief Executive Officer. The Board of Directors receives monthly reports from the corporation's President and Chief Executive Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The corporation's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk and liquidity risk.

There have been no significant changes from the previous year in the exposure to risk, policies or procedures used to manage financial instrument risks.

Interest Rate Risk

The corporation is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the cash flows related to its mortgages and loans receivable, and long term debt. The corporation's objective is to minimize interest rate risk by locking in fixed rates on its mortgages and loans receivable, and its long-term debt.

17. Financial Instrument Risks (continued)

Interest Rate Risk (continued)

The corporation is exposed to interest rate risk through its line of credit, which bears interest at prime minus one percent. These funds are used as interim financing until permanent financing, with a fixed rate, can be put in place.

The corporation's financial instruments subject to interest rate risk are subject to fixed rates of interest and will not be renewed within the next twelve months, therefore are not subject to interest rate risk. The line of credit is not subject to interest rate risk as it is as a market rate and the funds are usually used for a period of less than twelve months.

Credit Risk

The corporation is exposed to credit risk through the possibility of non-collection of its accounts receivable. The majority of the corporation's receivables are from government entities which minimizes the risk of non-collection. The corporation also makes sure it meets all the eligibility criteria for the amounts to ensure they will collect the amounts outstanding.

The corporation is also exposed to credit risk through the possibility of non-collection of its mortgages and loans receivable. The corporation's loan guidelines set out the minimum requirements for management of credit risk. The corporation's loan guideline include policies regarding the approval of lending, eligibility for loans, lending limits, and loan collateral security

With respect to credit risk, the Board of Directors receives details of new loans and delinquent loans. The corporation's maximum exposure to the credit risk is limited to the amount presented on the face of the balance sheet for accounts receivable, mortgages and loans receivable.

Liquidity Risk

Liquidity risk is the risk that the corporation will not be able to meet its financial obligations as they fall due. The corporation has a planning and budgeting process in place to help determine the funds required to support the corporation's normal operating requirements on an ongoing basis. The corporation ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

18. Subsequent Event

The corporation through its investment in StR Properties Inc., purchased on February 1, 2013 all of the issued and outstanding shares of 5011247 Manitoba Ltd. ("247") and 5101255 Manitoba Ltd. ("255"). 247 and 255 each own an undivided one-half interest in the land, building and chattels of the St. Regis Hotel, Winnipeg, Manitoba. The corporation's share of the purchase price is $6,007,500.

19. 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.

20. The Sports, Hospitality and Entertainment District

The Sports, Hospitality and Entertainment District (S.H.E.D.) has been championed by CentreVenture Development Corporation along with our Downtown partners. The S.H.E.D. is a collaborative initiative and will be a public investment funded by the City of Winnipeg and Province of Manitoba. CentreVenture will continue to play a key role as a project administrator and will act as a conduit in the receipt and disbursement of funds. As of December 31, 2012, the amount disbursed and receivable is $849,661 which is recorded in the other receivable category in the current year.

21. Capital Management

The corporation manages its capital according to the plan approved by the City of Winnipeg. That plan contains several 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. In the current year and each of the two prior years, the corporation's net assets have increased based on the operating result. In each of these years, general unrestricted assets in excess of a minimum base of $97,000 have been transferred to the Urban Development Bank.

- The Urban Development Bank (UDB) was established by the City of Winnipeg, with an initial $10,000,000 investment and the right for the corporation to acquire certain properties from the City for $1 each. The net profits from the purchase and sale of these properties in downtown development transactions were added to the UDB increasing it to a maximum of almost $14,000,000 by the time all available properties had been sold. This land bank is now exhausted.

The UDB's assets are used to make investments in mortgages and loans receivable as well as in capital assets to facilitate downtown development. The loans and mortgages are recovered by repayment. Investments in capital assets are ultimately sold. The cash realized from these UDB investments is then reinvested in further downtown development activity.

In addition, the corporation's community investment activities are expensed in the Urban Development Bank, thereby reducing its equity. The corporation anticipates annual community investments of $500,000 to 1,000,000. In the current year, these activities depleted the Urban Development Bank to a year-end balance of approximately $9,200,000. This balance is comprised of the total of the equity "invested in capital assets" and the UDB equity balance.