CENTREVENTURE DEVELOPMENT CORPORATION

Consolidated Financial Statements

For the year ended December 31, 2014

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Contents

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements are the responsibility of the management of **CENTREVENTURE DEVELOPMENT CORPORATION** and have been prepared in accordance with Canadian public sector accounting standards. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available to February 23, 2015.

Management maintains internal controls to properly safeguard the assets and to provide reasonable assurance that the books and records from which the financial statements are derived accurately reflect all transactions and that established policies and procedures are followed.

The responsibility of the external audit is to express an independent opinion on whether the consolidated financial statements of **CENTREVENTURE DEVELOPMENT CORPORATION** are fairly represented in accordance with Canadian public sector accounting standards. The Independent Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management,
CENTREVENTURE DEVELOPMENT CORPORATION

Angela Mathieson, President & CEO

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BDO Canada LLP
700 - 200 Graham Avenue
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Independent Auditor's Report

To the Board of Directors of
CENTREVENTURE DEVELOPMENT CORPORATION

We have audited the accompanying Schedule of Compensation ("Schedule") of CENTREVENTURE DEVELOPMENT CORPORATION and a summary of significant accounting policies and other explanatory information for the year ended December 31, 2014. This Schedule has been prepared by management based on The Public Sector Compensation Disclosure Act.

Management's Responsibility for the Schedule
Management is responsible for the preparation of the Schedule in accordance with The Public Sector Compensation Disclosure Act and for such internal control as management determines necessary to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on the Schedule 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 Schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the Schedule 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, if any, made by management, as well as evaluating the overall presentation of the Schedule.

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 financial information in the Schedule of Compensation of CENTREVENTURE DEVELOPMENT CORPORATION for the year ended December 31, 2014 is prepared, in all material respects, in accordance with The Public Sector Compensation Disclosure Act.

Basis of Accounting
Without modifying our opinion, we draw attention to the basis of accounting disclosure. The Schedule is prepared to assist the entity to meet the requirements of Section 2 of The Public Sector Compensation Disclosure Act. As a result, the Schedule may not be suitable for another purpose.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
February 23, 2015

CENTREVENTURE DEVELOPMENT CORPORATION
Consolidated Statement of Financial Position

December 31	2014	2013
Assets		
Current Assets		
Cash and bank (Note 2)	$ 3,569,431	$ 5,226,549
Accounts receivable (Note 3)	5,793,061	3,752,513
Prepaid expenses	33,777	38,259
Property held for resale (Note 4)	796,770	796,770
Current portion of mortgages receivable (Note 5)	985,298	1,018,708
Current portion of loans receivable (Note 6)	3,479,283	2,639,830
Current portion of DRDG TIF receivable(Note 7)	165,029	11,705
	14,822,649	13,484,334
Mortgages receivable (Note 5)	1,896,647	2,040,185
Loans receivable (Note 6)	3,294,773	3,807,247
DRDG TIF receivable (Note 7)	2,446,196	192,942
Investment in hotel properties (Note 8)	11,600,951	11,992,106
Capital assets (Note 9)	7,990,552	8,629,529
	$ 42,051,768	$ 40,146,343
Liabilities and Net Assets		
Current Liabilities		
Bank indebtedness (Note 10)	$ 12,893,912	$ 11,680,205
Accounts payable and accrued liabilities	519,551	607,417
Deferred grant revenue (Note 11)	828,668	748,298
Current portion of long-term debt (Note 12)	2,762,060	184,720
	17,004,191	13,220,640
Long-term debt (Note 12)	12,100,705	12,439,305
Deferred government assistance (Note 13)	5,252,753	5,705,300
	34,357,649	31,365,245
Commitments and contingencies (Notes 14)		
Net Assets		
Invested in capital assets (Note 15)	842,779	1,002,087
General operations	(20,189)	97,000
Urban Development Bank	6,871,529	7,682,011
	7,694,119	8,781,098
	$ 42,051,768	$ 40,146,343

Approved on behalf of the Board:

_____ 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 year ended December 31

	Invested in Capital Assets	General Operations	Urban Development Bank	Total
Balance, January 1, 2013	$ 1,033,829	$ 97,000	$ 8,150,560	$ 9,281,389
Excess (deficiency) of revenue over expenditures	(201,083)	6,552	(305,760)	(500,291)
Fund transfers	-	(6,552)	6,552	-
Net change in invested in capital assets	169,341	-	(169,341)	-
Balance, December 31, 2013	**1,002,087**	**97,000**	**7,682,011**	**8,781,098**
Deficiency of revenue over expendituers	**(193,049)**	**(117,189)**	**(776,741)**	**(1,086,979)**
Fund transfers	**-**	**-**	**-**	**-**
Net change in invested in capital assets	**33,741**	**-**	**(33,741)**	**-**
Balance, December 31, 2014	**$ 842,779**	**$ (20,189)**	**$ 6,871,529**	**$ 7,694,119**

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

CENTREVENTURE DEVELOPMENT CORPORATION
Consolidated Statement of Operations

For the year ended December 31			2014	2013
	General Operations	Urban Development Bank	Total	Total
Revenue				
Grants				
City of Winnipeg				
- Operational grant	$ 300,000	$ -	$ 300,000	$ 300,000
- Downtown Residential Development Grant	-	12,978	12,978	15,493
- Homelessness Partnering Project	-	438,384	438,384	-
Province of Manitoba	-	207,551	207,551	255,922
Designated grants	-	244,490	244,490	762,866
Amortization of deferred government assistance	-	452,547	452,547	452,547
Interest	357,787	-	357,787	433,905
Commissions and development fees	309,125	(3)	309,122	225,276
Rental	37,000	615,113	652,113	672,291
Sale of properties	-	-	-	411,700
Other	-	4	4	107,500
Loss from hotel properties operations (Note 8)	-	(391,155)	(391,155)	(27,433)
	1,003,912	1,579,909	2,583,821	3,610,067
Expenditures				
Administration	48,931	2,344	51,275	45,548
Amortization	14,928	630,668	645,596	653,630
Bank charges and interest	2,795	249,350	252,145	198,715
Interest on long-term debt	-	87,657	87,657	88,872
Cost of properties	-	80,364	80,364	298,990
Grants paid out - Designated revenues	-	244,490	244,490	762,866
Wages and Benefits	841,450	-	841,450	746,973
Insurance	18,794	17,449	36,243	33,784
Office	123,587	-	123,587	97,106
Professional fees				
IT and other	13,008	-	13,008	16,518
Accounting, legal and transaction costs	54,585	62,369	116,954	285,809
Marketing	17,951	12,192	30,143	36,087
Project development	-	232,494	232,494	469,766
Rental properties	-	905,394	905,394	363,194
Community investment	-	10,000	10,000	12,500
	1,136,029	2,534,771	3,670,800	4,110,358
Deficiency of revenue over expenditures for the year	$ (132,117)	$ (954,862)	$ (1,086,979)	$ (500,291)
Allocated to:				
General operations	$ (117,189)	$ -	$ (117,189)	$ 6,552
Urban Development Bank	-	(776,741)	(776,741)	(305,760)
Invested in capital assets	(14,928)	(178,121)	(193,049)	(201,083)
Deficiency of revenue over expenditures for the year	$ (132,117)	$ (954,862)	$ (1,086,979)	$ (500,291)

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

CENTREVENTURE DEVELOPMENT CORPORATION
Consolidated Statement of Cash Flows

For the year ended December 31	2014	2013
Cash Flows from Operating Activities		
Deficiency of revenue over expenditures for the year	**$ (1,086,979)**	$ (500,291)
Adjustments for		
Amortization of capital assets	**645,596**	653,630
Accrued interest on mortgages	**176**	164
Accrued interest on loans receivable	**(37)**	8,719
Bad debt expense	**-**	-
Deferred government assistance	**(452,547)**	(452,547)
Income from hotel properties	**391,155**	27,433
	(502,636)	(262,892)
Changes in non-cash working capital balances		
Accounts receivable	**(2,040,548)**	(2,246,592)
Prepaid expenses	**4,482**	(28,335)
Property held for resale	**-**	239,904
Accounts payable and accrued liabilities	**(87,707)**	(38,391)
Deferred grant revenue	**80,370**	72,044
	(2,043,403)	(2,001,370)
	(2,546,039)	(2,264,262)
Cash Flows from Capital Activities		
Purchase of capital assets	**(6,617)**	(143,433)
Cash Flows from Investing Activities		
Purchase of hotel properties	**-**	(12,019,450)
Advances of mortgages receivable	**(98,644)**	(140,761)
Receipts from mortgages receivable	**275,592**	311,348
Advances of loans receivable	**(1,309,179)**	(1,485,539)
Receipts from loans receivable	**982,200**	1,203,245
Advances from DRDG TIF receivable	**(2,406,578)**	(204,647)
	(2,556,609)	(12,335,804)
Cash Flows from Financing Activities		
Proceeds from long-term debt	**2,408,515**	8,514,532
Repayment of long-term debt	**(170,075)**	(182,201)
	2,238,440	8,332,331
Decrease in cash and cash equivalents during the year	**(2,870,825)**	(6,411,168)
Cash and cash equivalents, beginning of year	**(6,453,656)**	(42,488)
Cash and cash equivalents, end of year	**$ (9,324,481)**	$ (6,453,656)
Comprised of		
Cash and bank	**$ 3,569,431**	$ 5,226,549
Bank indebtedness	**(12,893,912)**	(11,680,205)
	$ (9,324,481)	$ (6,453,656)

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 (the "Corporation") are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards for not-for-profit organizations established by the Public Sector Accounting Board.

b. Nature and Purpose of the Corporation

The Corporation is a non-profit organization incorporated without share capital under the laws of the Province of Manitoba (the "Province") 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 "City"). 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 the 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 investments in STR Properties Inc. and CCC Properties Inc. are reported as government business enterprises 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 following basis:

General Operations

General operations includes transactions related to 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 ("UDB") was initiated in 1999 through a contribution by the City. Funds are intended to enable the 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 UDB are invested in loans, receivables and property held for development.

The UDB funds, as defined by Board policy, shall not be used to fund the day-to-day operations of the Corporation. The UDB 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, bank indebtedness 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. Due to the nature of the financial instruments held by the 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

The 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, the Corporation receives grants from time to time for specific programs or initiatives to be administered by the Corporation which are accounted for through the UDB. 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.

City of Winnipeg/Province of Manitoba: Downtown Residential Development Grant ("DRDG")

The purpose of this grant is to promote and support significant improvement projects to revitalize communities and neighbourhoods, encourage economic development, enhance social and cultural development, and preserve heritage properties.

City of Winnipeg/Province of Manitoba: Sports, Hospitality, Entertainment District Grant ("SHED")

The purpose of this grant is to make the SHED a key destination downtown, by providing funds to Corporation to stimulate private and public investment in the District, with the goal of revitalizing Winnipeg's downtown.

1. Summary of Significant Accounting Policies (continued)

h. Special Projects - Restricted Funding Arrangements (continued)

City of Winnipeg: Homelessness Partnering Strategy

The purpose of this grant is to fund renovations at the Bell Hotel which goal is to provide affordable housing to individuals who have experienced extended periods of homelessness.

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.

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. Cash and Bank

The cash held by the Corporation is restricted for the SHED project and the operation of Centre Village Housing Inc.

3. Accounts Receivable

	2014	2013
Trade and other receivables	**$ 776,408**	$ 465,683
GST receivable	**118,133**	47,513
Grants receivable	**149,981**	149,106
SHED Project	**4,748,539**	3,090,211
	$ 5,793,061	$ 3,752,513

The SHED project receivable will be reclassified as a long-term receivable upon final determination of the yearly Tax Increment Financing ("TIF") payment.

4. Property Held for Resale

Under the asset agreement between the Corporation and the City, the 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.

5. Mortgages Receivable

	2014	2013
Mortgages receivable	**$ 2,898,077**	$ 3,074,849
Accrued interest receivable	**3,868**	4,044
Allowance for doubtful loans	**(20,000)**	(20,000)
	2,881,945	3,058,893
Current portion of mortgages receivable	**985,298**	1,018,708
	$ 1,896,647	$ 2,040,185

5. 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 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:

2015	$ 985,298
2016	241,597
2017	241,597
2018	241,597
2019	241,597
Thereafter	946,391
	$ 2,898,077

The above schedule lists the expected receipts based on mortgages maturing during the year. Negotiations to renew mortgages may occur as terms expire throughout 2015.

6. Loans Receivable

	2014	2013
Loans receivable	**$ 6,851,338**	$ 6,524,393
Accrued interest receivable	**27,718**	27,684
Allowance for doubtful loans	**(105,000)**	(105,000)
	6,774,056	6,447,077
Current portion of loans receivable	**3,479,283**	2,639,830
	$ 3,294,773	$ 3,807,247

Loans receivable from various borrowers have a maximum term to maturity of 30 years, payable in monthly interest installments plus annual principal payment, and are 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.

6. Loans Receivable (continued)

Loan principal receipts are expected as follows:

2015	$ 3,479,283
2016	1,913,664
2017	377,719
2018	263,605
2019	248,607
Thereafter	568,460
	$ 6,851,338

The above schedule lists the expected receipts based on loans maturing during the year. Negotiations to renew loans may occur as terms expire throughout 2015.

7. DRDG TIF Receivable

The DRDG Program is funded by the City and Province and provides grants to developers of residential/mixed use projects in the downtown. The grants provided are based upon the annual incremental taxes generated by the development in the first full year following completion. For condominium developments, the developers receive a grant of 10 times the first years' incremental taxes. For rental developments, the developer receives a grant equal to 15 times the first years' incremental taxes. Developers can elect to receive a lump sum payment of the net present value or, receive annual payments. When lump sum payments are elected, the funds are borrowed from a conventional lender and loans are repaid by the annual incremental taxes.

The Corporation administers this program on behalf of the City and Province, which entails the acceptance of applications and monitoring development through to completion. When lump sum grants are payable under the program, the City provides the Corporation with direction to borrow funds and the loans are drawn by the Corporation and guaranteed by the City. The City subsequently provides funding for the annual loan repayments to the Corporation from the annual incremental taxes.

8. Investment in Hotel Properties

STR Properties Inc. is 89% owned by the Corporation, which owns the St. Regis property. CCC Properties Inc. is 89% owned by the Corporation which includes interest in the land and building comprising of the Carlton Inn. These businesses were acquired as part of the Corporation's mission to revitalize downtown Winnipeg.

	STR Properties Inc.	CCC Properties Inc.
Current assets	$ 215,556	$ 188,233
Long-term assets	6,955,449	6,808,773
Total assets	$ 7,171,005	$ 6,997,006
Current liabilities	$ 91,405	$ 374,027
Long-term liabilities	668,252	-
Equity	6,411,348	6,623,279
Total equity and liabilities	$ 7,171,005	$ 6,997,306
Revenues	$ 37,849	$ 19,550
Expenses	130,875	366,024
Loss for the year	$ (93,026)	$ (346,474)

9. Capital Assets

	2014		2013	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Buildings	**$ 9,724,220**	**$ 2,018,879**	$ 9,724,220	$ 1,430,814
Computer equipment	**124,219**	**119,219**	120,118	112,504
Furniture and fixtures	**148,546**	**115,569**	146,029	91,068
Leasehold improvements	**575,219**	**327,985**	575,219	301,671
	$ 10,572,204	**$ 2,581,652**	$ 10,565,586	$ 1,936,057
Cost less accumulated amortization		**$ 7,990,552**		$ 8,629,529

10. 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% (2% as at December 31, 2014) per annum and is secured by an unconditional and irrevocable guarantee signed by the City in the amount of $13,000,000 and a general security agreement on all personal property of the Corporation. As at December 31, 2014, the line of credit had a balance owing of $6,280,744 ($5,077,425 as at December 31, 2013).

The Corporation has an approved line of credit with the Royal Bank of Canada in the amount of $6,600,000 ($6,600,000 as at December 31, 2013). The line of credit bears interest at Royal Bank prime minus 1.00% (2% as at December 31, 2014) and is guaranteed by the City.

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:

	2014	2013
Gail Parvin Hammerquist 2009	**$ 826,068**	$ 745,698
North Main Economic Development Program Grant	**2,600**	2,600
	$ 828,668	$ 748,298

12. Long-term Debt

	2014	2013
Mortgage payable at the rate of 4.59%, due January 2015, blended monthly payments of $9,565, the balance is secured by first mortgage against apartment complex at Kennedy and Balmoral, general security agreement and assignment of rent.	**$ 1,895,021**	$ 1,922,143
Royal Bank of Canada Insurance, term loan #1 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 in the amount of $13,000,000.	**2,063,853**	2,206,806
Term loan #2 at the fixed rate of 3.78%, due October 2027, blended annual equal payments of $19,457, secured by a guarantee signed by the City in the amount of $224,532.	**198,342**	205,076
Term loan #3 at the fixed rate of 3.98%, due October 2029, blended annual equal payments of $349,382 commencing in 2015, secured by a guarantee signed by the City in the amount of $3,890,000.	**3,890,000**	3,890,000
Term loan #4 at the fixed rate of 3.91%, due October 2029, blended annual payments of $393,254 commencing in 2015, secured by a guarantee signed by the City in the amount of $4,400,000.	**4,400,000**	4,400,000
Term loan #5 at the fixed rate of 3.69%, due October 2027, blended annual payments of $150,884, secured by a guarantee signed by the City in the amount of $1,634,862.	**1,529,564**	-
Term loan #6 at the fixed rate of 3.95%, due November 2027, blended annual payments of $88,451, secured by a guarantee signed by the City in the amount of $937,408.	**885,985**	-
	14,862,765	12,624,025
Current portion of long-term debt	**2,762,060**	184,720
	$ 12,100,705	$ 12,439,305

12. Long-term Debt (continued)

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

2015	$ 2,762,060
2016	874,797
2017	888,057
2018	901,866
2019	916,248
Thereafter	8,519,437
	$ 14,862,465

Term loan #1, was incurred to fund a 15 year mortgage loan of an equal amount which the Corporation extended to Youth Centre of Excellence project at 333 King Street. The Corporation receives an annual payment against the mortgage receivable over a 15 year period from the City to cover the annual debt servicing costs (principal and interest) related to Youth Centre of Excellence's loan.

Term loan #2, #5 and #6 were incurred to fund the grants paid out under the DRDG. The Corporation receives an annual payment against this loan over a 15 year period from the City to cover the annual debt servicing costs (principal and interest).

Term loans #3 and #4 were incurred to finance the phase 1 of the SHED project under the Strategic Downtown Investments Funding Agreement. Commencing in 2015, the Corporation will receive an annual payment against this loan over a 15 year period from the Province and the City to cover the annual debt servicing costs (principal and interest). Interests on advances made commencing in 2013 are also covered by the Province and the City.

13. Deferred Government Assistance

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

	2014	2013
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).	**$ 1,950,555**	$ 2,110,555
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).	**2,173,031**	2,365,578
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).	**1,129,167**	1,229,167
	$ 5,252,753	$ 5,705,300

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

2015	$ 452,547
2016	452,547
2017	452,547
2018	452,547
2019	452,547
Thereafter	2,990,018
	$ 5,252,753

At December 31, 2014, 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, 2014 year end in the approximate amount of $270,000 ($244,490 in 2013).

The Corporation has made commitments for loans that had not been disbursed by the December 31, 2014 year end in the approximate amount of $Nil ($2,080,024 in 2013).

The Corporation has made commitments for property development and property purchases with the maximum amount committed to be $Nil ($Nil in 2013) 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:

2015	$	25,149
2016		25,149
2017		25,149
2018		24,596
2019		21,826

15. Invested in Capital Assets

		2014		2013
Investment in capital assets is calculated as follows:				
Capital assets	**$**	**7,990,552**	$	8,629,529
Long-term debt		**7,147,773**		7,627,442
	$	**842,779**	$	1,002,087

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

Deficiency of revenue over expenditures				
Amortization of deferred government assistance	**$**	**452,547**	$	452,547
Amortization of capital assets		**(645,596)**		(653,630)
	$	**(193,049)**	$	(201,083)
Net changes in investment in capital assets				
Purchase of capital assets	**$**	**6,618**	$	143,433
Repayment of long-term debt		**27,123**		25,908
	$	**33,741**	$	169,341

16. Related Party Transactions

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

	2014	2013
Revenue		
City of Winnipeg		
- operating grant	**$ 300,000**	$ 300,000
- miscellaneous	**10,048**	30,549
- Homelessness Partnering Strategy	**431,832**	-
Expenditures		
City of Winnipeg - property taxes	**54,227**	46,425
Other		
City of Winnipeg		
- Assigned Heritage Tax Credits applied against loans receivable	**116,150**	137,816
- DRDG TIF payments	**498,919**	204,629

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, while 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.

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.

17. Financial Instrument Risks (continued)

Interest Rate Risk (continued)

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. 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.

19. The Sports, Hospitality and Entertainment District

The SHED is championed by the Corporation along with our Downtown partners. The SHED is a collaborative initiative and will be a public investment funded by the City and Province. The Corporation will continue to play a key role as a project administrator for the balance of Phase 1 and Phase 2 (currently conditionally approved for $16.6 million).

20. Capital Management

The Corporation manages its capital according to the plan approved by the City. That plan contains several principles:

- General Operations - Each year's operations are budgeted on a break-even basis, so that the Corporation's general operating fund is, over time, neither increased or diminished on account of annual operations and administration. Beginning in 2010, the Corporation transferred the annual excess of the general operating fund over $97,000 to the UDB. From 2010 to 2013, the amount transferred due to positive operating results totaled $181,866.
- UDB – The UDB was established by the City, with an initial $10 million investment and the right to acquire properties included in a "land bank" from the City for $1 each. The net profits from the purchase and sale of all of these properties in downtown development transactions were added to the UDB, increasing it to as high as $13 million in 2006. The "land bank" was exhausted at about that time.
  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 as they are repaid. Investments in capital assets are ultimately sold. The cash realized from these UDB investments is then reinvested in further downtown development activity.
- Community Investment – The Corporation's community investment activities are expensed in the UDB, thereby reducing its equity. The Corporation anticipates community investments of between $500,000 and $1 million annually. Community investment during the year amounted to $969,790 ($506,843 in 2013). In the current year, these activities depleted the UDB to a year-end balance of approximately $7.7 million. This balance is comprised of the total of the equity "invested in capital assets" and the UDB equity balance.
- Borrowings – The Corporation administers certain downtown development programs and strategies such as the SHED redevelopment and the DRDG Program. These programs are sponsored by the City and the Province. These initiatives require the Corporation to invest monies or pay out grants that are funded by long term borrowings that have been expressly authorized by the Council of the City and are guaranteed by the City. These loans are then repaid over their respective terms using annual cash receipts that the Corporation will receive through formal contribution agreements signed with various levels of government for each individual initiative.

21. Comparative Figures

Certain of the comparative figures for the year ended December 31, 2013 have been reclassified to provide better comparison with the current year's presentation.