

# **Invest Toronto Inc.**

**Financial Statements  
December 31, 2010**

August 16, 2011

## **Independent Auditor's Report**

**To the Shareholder of  
Invest Toronto Inc.**

We have audited the accompanying financial statements of Invest Toronto Inc., which comprise the balance sheet as at December 31, 2010 and the statements of net and comprehensive income (loss) and retained earnings and cash flows for the year then ended, and the related notes, which comprise 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 financial statements present fairly, in all material respects, the financial position of Invest Toronto Inc. 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.

**Other matter**

The financial statements of Invest Toronto Inc. for the year ended December 31, 2009 were audited by another auditor who expressed an unmodified opinion on those statements on May 11, 2010.

*PricewaterhouseCoopers LLP*

**Chartered Accountants, Licensed Public Accountants**

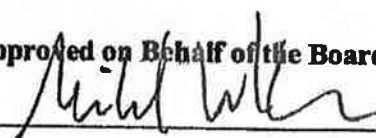
# Invest Toronto Inc.

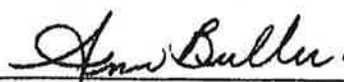
## Balance Sheet

As at December 31, 2010

	2010 \$	2009 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	157,425	156,401
Short-term investments (note 3)	50,371	-
Due from related party (note 5(a))	280,739	12,884
Amounts receivable	95,064	-
Prepaid expenses	22,922	75,771
	<u>606,521</u>	<u>245,056</u>
<b>Office equipment, leasehold improvements and intangible assets (note 4)</b>	<u>303,279</u>	<u>4,818</u>
	<u>909,800</u>	<u>249,874</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	419,607	7,125
Due to related party (note 5(d))	61,912	12,929
Deferred contributions (note 5(b))	125,000	225,000
	<u>606,519</u>	<u>245,054</u>
<b>Deferred capital contributions (note 6)</b>	<u>303,280</u>	<u>-</u>
	<u>909,799</u>	<u>245,054</u>
<b>Shareholder's Equity</b>		
<b>Share capital</b>		
Authorized and issued 1 common share	1	1
<b>Retained earnings</b>	<u>-</u>	<u>4,819</u>
	<u>1</u>	<u>4,820</u>
	<u>909,800</u>	<u>249,874</u>

Approved on Behalf of the Board

  
Director

  
Director

## Invest Toronto Inc.

### Statement of Net and Comprehensive Income (Loss) and Retained Earnings For the year ended December 31, 2010

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	2010 \$	2009 \$
<b>Revenue</b>		
Operating grant from TPLC (note 5(a))	2,413,741	898,390
Amortization of deferred capital contributions	38,590	-
Sponsorship revenue (notes 5, 6 and 7)	125,000	-
Other income	372	-
	<hr/> 2,577,703	<hr/> 898,390
<b>Expenses</b>		
Salaries and employee benefits	1,289,321	382,769
Professional fees and project costs	225,910	299,892
Office	228,846	18,376
Promotion and marketing	347,300	121,163
Office rent	132,633	6,295
Meetings, seminars and conventions	315,103	32,167
Amortization	43,409	952
	<hr/> 2,582,522	<hr/> 861,614
<b>Net and comprehensive income (loss) for the year</b>	(4,819)	36,776
<b>Retained earnings (deficit) - Beginning of year</b>	<hr/> 4,819	<hr/> (31,957)
<b>Retained earnings - End of year</b>	<hr/> -	<hr/> 4,819

**Invest Toronto Inc.**  
**Statement of Cash Flows**  
**For the year ended December 31, 2010**

	2010 \$	2009 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net income (loss) for the year	(4,819)	36,776
Add: Non-cash items		
Amortization of deferred contributions included in sponsorship revenue	(100,000)	-
Amortization of office equipment, leasehold improvements and intangible assets	43,409	952
Amortization of deferred capital contributions	(38,590)	-
	(100,000)	37,728
Change in non-cash working capital balances		
Amounts receivable	(95,064)	-
Prepaid expenses	52,849	(75,771)
Accounts payable and accrued liabilities	374,214	7,125
Due from related party	(267,855)	(12,884)
Due to related party	48,983	(19,027)
	13,127	(62,829)
<b>Financing activities</b>		
Receipt of deferred contributions	-	225,000
Deferred capital contributions received for office equipment, leasehold improvements and intangible assets (note 6)	341,870	-
	341,870	225,000
<b>Investing activities</b>		
Purchase of investments	(50,371)	-
Purchase of office equipment, leasehold improvements and intangible assets	(303,602)	(5,770)
	(353,973)	(5,770)
<b>Increase in cash during the year</b>	<b>1,024</b>	<b>156,401</b>
<b>Cash - Beginning of year</b>	<b>156,401</b>	<b>-</b>
<b>Cash - End of year</b>	<b>157,425</b>	<b>156,401</b>
<b>Supplementary information</b>		
Accrued office equipment	38,268	-

# **Invest Toronto Inc.**

## **Notes to Financial Statements**

**December 31, 2010**

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### **1 Incorporation**

Invest Toronto Inc. (the corporation) was incorporated on November 13, 2008 under the Ontario Business Corporations Act pursuant to S.148 of the City of Toronto Act, 2006 and Ontario Regulation 609/06, City Services Corporations.

The City of Toronto owns the one issued share of Invest Toronto Inc.

As a municipal corporation under Section 149(1) of the Income Tax Act (Canada), the corporation is exempt from income taxes.

### **2 Summary of significant accounting policies**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for profit oriented organizations. The significant accounting policies are as summarized below.

#### **Future accounting policy changes**

In September 2009, the Public Sector Accounting Standards Board approved an amendment to the Introduction to Public Sector Accounting Standards. Under the amendment, government business enterprises will adhere to standards for publicly accountable profit oriented enterprises, meaning the adoption of International Financial Reporting Standards (IFRS), for fiscal periods beginning on or after January 1, 2011. Government business-type organizations (GBTOs) classification in the Public Sector Accounting Handbook would be eliminated and government organizations currently classified as GBTOs may be categorized as other government organizations (OGOs), or government not-for-profit organizations. The corporation has been identified as an OGO and accordingly must determine the appropriate financial reporting framework between Public Sector Accounting Standards of IFRS. Management is currently evaluating the criteria applicable to the corporation's business to determine the appropriate financial reporting framework and an assessment of the impact on the corporation's financial reporting.

#### **Revenue recognition**

Revenue is reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes measurable and collection is reasonably assured.

Contributions received from the City of Toronto that are restricted for specific purposes are recognized as revenue in the year in which related expenses are recognized.

Contributions restricted for the purchase of office equipment and leasehold improvements are deferred and amortized into revenues at a rate corresponding to the amortization rate of the related asset.

# Invest Toronto Inc.

Notes to Financial Statements

December 31, 2010

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## Financial instruments

The following table presents the classification of financial instruments:

Assets	Category	Measurement
Cash	held-for-trading	fair value
Short-term investments	held-to-maturity	amortized cost
Due from related party	loans and receivables	amortized cost
Amounts receivable	loans and receivables	amortized cost
Accounts payable and accrued liabilities	other liabilities	amortized cost
Due to related party	other liabilities	amortized cost

## Short-term investments

Short-term investments are recorded at cost plus accrued investment income, which approximates fair value.

## Office equipment and leasehold improvements

Office equipment and leasehold improvements are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture and fixtures	5 years
Computer equipment	3 years
Leasehold improvements	straight-line over the term of the lease

## Intangible assets

Intangible assets consist of costs incurred to develop the corporation's website. These costs are amortized on a straight-line basis over the estimated useful life of the website, which is estimated to be three years.

## Impairment of long-lived assets

The corporation reviews the valuation of office equipment, leasehold improvements and definite-life intangible assets whenever events or changes in circumstances indicate the carrying amount may not be recoverable. When indicators of impairment of the carrying value of office equipment, leasehold improvements and definite-life intangible assets exist, and the carrying value is greater than the projected undiscounted future net cash flows, an impairment loss is recognized to the extent that the estimated fair value is below the carrying value.

## Office occupancy costs and deferred lease escalations

The corporation entered into an operating lease to occupy its current head office premises. Rent expense is recorded in office occupancy costs on a straight-line basis over the term of the lease. Differences between the straight-line rent expense and the payments, as stipulated under the lease agreement, referred to as deferred lease escalations, are included in accounts payable and accrued liabilities.

# Invest Toronto Inc.

Notes to Financial Statements

December 31, 2010

## Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

## 3 Short-term investments

Short-term investments include government securities with an annual yield of 1.4% and a maturity date of October 2011. This investment has been set aside as security for a revolving credit card facility. The revolving credit card facility has a \$50,000 limit.

## 4 Office equipment, leasehold improvements and intangible assets

			2010	2009
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Computer equipment	50,303	17,729	32,574	4,818
Leasehold improvements	90,646	7,554	83,092	-
Furniture and fixtures	139,936	11,661	128,275	-
Intangible assets - website	66,755	7,417	59,338	-
	<u>347,640</u>	<u>44,361</u>	<u>303,279</u>	<u>4,818</u>

## 5 Related party transactions

- a) The corporation has received a grant from Toronto Port Lands Company (TPLC), an affiliated company, to cover operating and capital expenditures incurred during the year. TPLC has been designated by the City of Toronto Council to support the corporation during the first five years of operation. At the end of the five-year term, the agreement is automatically renewed unless terminated by either party. The total value of the grant provided by TPLC in 2010 is \$2,755,611 (2009 - \$898,390). Of this balance, \$341,870 has been used to fund capital additions and the remaining \$2,413,741 has been used to fund operations. Of the total grant provided, \$280,739 (2009 - \$12,884) remains receivable from TPLC at year-end.
- b) Deferred contributions are amounts received from the City of Toronto Economic Development and Culture (EDC) department of \$125,000 (2009 - \$225,000). These amounts have been provided to fund certain initiatives of the corporation. In 2010, the EDC approved the use of \$100,000 of this funding to promote the City of Toronto at a global property development trade fair. The remaining \$125,000 has been granted to fund a study to be performed in 2011.

# Invest Toronto Inc.

Notes to Financial Statements

December 31, 2010

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- c) During the year, the corporation reimbursed the City of Toronto for certain costs, including \$17,673 for promotion and marketing expenses, \$26,703 for office rent and \$7,899 for costs incurred related to the global property development trade fair identified in note 5(b).
- d) The corporation has agreed with Build Toronto Inc., an affiliated company owned by the City of Toronto, to share certain administrative, accounting and other corporate services on a cost allocation basis. The amount due to related party of \$61,912 (2009 - \$12,929) is owing to Build Toronto Inc. for corporate services used. The transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. There is no set term of repayment for this amount and no interest is being charged by Build Toronto Inc.

## 6 Deferred capital contributions

Deferred capital contributions consist of the following:

	\$
Balance - Beginning of year	-
Contributions received from TPLC	341,870
Amortization	(38,590)
	<hr/>
Balance - End of year	303,280
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## 7 Sponsorship revenue

Sponsorship revenue consists of money received either from third parties or from related parties (note 5b), to promote the City of Toronto at a global property development trade fair.

## 8 Employee benefits

The corporation makes contributions to the Ontario Municipal Employees' Retirement Fund (OMERS), which is a multi-employer pension plan, on behalf of some of its employees. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to the plan.

Since OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees. As a result, the corporation does not recognize any share of the OMERS pension surplus or deficit. The corporation's current service contributions to the OMERS pension plan in 2010, which were expensed, totalled \$58,400 (2009 - \$15,342) and are included in salaries and benefits expense.

# Invest Toronto Inc.

Notes to Financial Statements

December 31, 2010

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## 9 Capital management

In managing capital, the corporation focuses on liquid resources available for operations. The corporation's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget, and in the monitoring of cash flows and actual operating results compared to the budget.

## 10 Financial instruments

### Fair value

The corporation's financial instruments consist of cash, short-term investments, due from related party, amounts receivable, accounts payable and accrued liabilities and due to related party. The carrying values approximate their fair values due to their short-term maturity.

The Canadian Institute of Chartered Accountants (CICA) Handbook Section 3862 requires disclosure of a three-level hierarchy for fair value measurements based on the transparency of inputs to the valuation of an asset or liability as of the financial statement date. The three levels are defined as follows:

- Level 1 - Fair value is based on quoted market prices in active markets for identical assets or liabilities. Level 1 assets and liabilities generally include equity securities traded in an active exchange market.
- Level 2 - Fair value is based on observable inputs other than Level 1 prices, such as quoted market prices for similar (but not identical) assets or liabilities in active markets, quoted market prices for identical assets or liabilities in markets that are not active, and other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange traded instruments and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes mutual and pooled funds, hedge funds, Government of Canada, provincial and other government bonds, Canadian corporate bonds and certain derivative contracts.
- Level 3 - Fair value is based on non-observable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This category generally includes private equity investments and securities that have liquidity restrictions.

As at December 31, 2010, cash of \$157,425 (2009 - \$156,401) is classified as Level 1.

# Invest Toronto Inc.

## Notes to Financial Statements

### December 31, 2010

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#### Risk management

The corporation's operating activities expose it to a range of financial risks. These risks include credit risk, liquidity risk and currency risk, which are described as follows:

- Credit risk

Credit risk on financial instruments is the risk of financial loss occurring as a result of default or insolvency of a counterparty on its obligation to the corporation. The total carrying value of cash, short-term investments and amounts receivable as presented in the balance sheet represents the maximum credit risk exposure at the date of the financial statements.

The cash deposit is held by a Schedule 1 Canadian financial institution, which reduces the corporation's exposure to credit risk.

- Liquidity risk

Liquidity risk is the risk of being unable to settle or meet commitments as they come due. Management believes the corporation's exposure to liquidity risk is low. As at December 31, 2010, all obligations of the corporation are due within one year.

- Currency risk

Virtually all of the corporation's transactions are denominated in Canadian dollars. As at December 31, 2010, the corporation held no financial instruments that were denominated in other than Canadian currency.

#### 11 Commitments

Future commitments for rent of the corporation's premises are as follows:

	\$
2011	109,923
2012	114,894
2013	114,894
2014	114,894
2015	86,171
Thereafter	-
	<hr/>
	540,776

#### 12 Economic dependence

The corporation does not earn sufficient revenues from sources other than TPLC to fund its current operations. As a result, the corporation is economically dependent on TPLC to fund its ongoing operations.