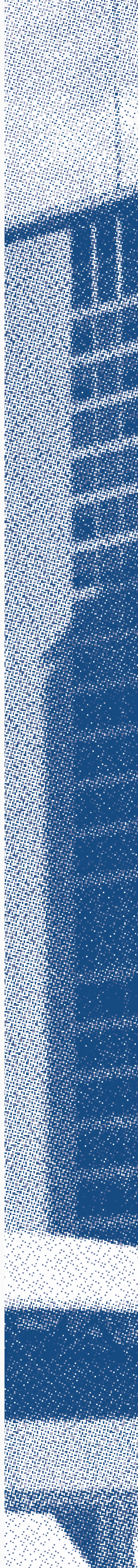
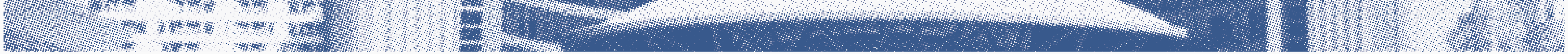
Photo: Setaj Ladd

INVEST TORONTO 2015 AUDITED FINANCIAL STATEMENTS





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 statement of financial position as at December 31, 2015 and the statements of operations, changes in net debt 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 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 financial statements present fairly, in all material respects, the financial position of Invest Toronto Inc. as at December 31, 2015 and the results of its operations, re-measurement gains and losses, changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants,
Licensed Public Accountants

Toronto, Ontario
May 6, 2016

INVEST TORONTO INC.
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2015

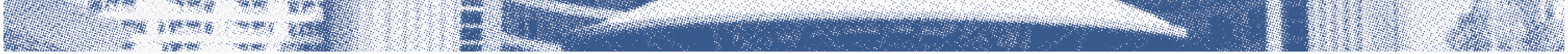
	Note	December 31, 2015	December 31, 2014
		$	$
Financial assets			
Cash	10	343,809	443,503
Restricted investments	3	50,058	50,078
Amounts receivable		133,995	85,573
		527,862	579,154
Liabilities			
Accounts payable and accrued liabilities	4c	273,344	188,212
Due to related parties	4b	299,216	482,547
Deferred capital contributions	6	51,516	55,094
		624,076	725,853
Share capital			
Authorized and issued			
1 common share		1	1
		624,077	725,854
Net debt		(96,215)	(146,700)
Non-financial assets			
Tangible capital assets	5	51,516	55,094
Prepaid expenses		44,699	91,606
		96,215	146,700
Accumulated surplus		–	–

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

Approved on Behalf of the Board

Director

Director



INVEST TORONTO INC.
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	Budget	2015	2014
		(Note 13)		
		$	$	$
Revenues				
Operating grant from TPLC	4a	2,610,500	2,336,123	2,642,299
Amortization of deferred capital contributions	6	70,000	48,089	51,463
Sponsorship revenue	7	–	–	125,000
ICCI contribution	8	52,500	116,203	65,000
Other income		4,500	3,121	5,660
Total revenue		2,737,500	2,503,536	2,889,422
Expenses	4b			
Salaries and benefits	9	1,592,500	1,418,051	1,787,166
Professional fees and project costs		215,000	295,709	84,434
Office expenses		233,780	175,572	216,674
Promotion and marketing		214,500	197,188	359,312
Office rent		274,320	269,544	268,303
Meetings, seminars and conventions		137,400	99,383	122,070
Amortization of tangible capital assets		70,000	48,089	51,463
Total expenses		2,737,500	2,503,536	2,889,422
Operating surplus/loss		–	–	–

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

INVEST TORONTO INC.
STATEMENT OF CHANGES IN NET DEBT
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budget	2015	2014
	(Note 13)		
	$	$	$
Operating surplus/loss	–	–	–
Write off of tangible capital assets	–	–	12,349
Acquisition of tangible capital assets	(85,000)	(44,511)	(30,031)
Amortization of tangible capital assets	70,000	48,089	51,463
	(15,000)	3,578	33,781
Acquisition of prepaid expenses	–	(44,699)	(91,606)
Use of prepaid expenses	–	91,606	159,023
	–	46,907	67,417
(Increase) decrease in net debt	(15,000)	50,485	101,198
Net debt at beginning of year	(139,023)	(146,700)	(247,898)
Net debt at end of year	(154,023)	(96,215)	(146,700)

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

INVEST TORONTO INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

	2015	2014
	$	$
Operating transactions		
Operating surplus/loss	–	–
Deferred contribution recorded in sponsorship revenue	–	(125,000)
Amortization of tangible capital assets	48,089	51,463
Amortization of deferred capital contributions	(48,089)	(51,463)
Write off of tangible capital assets	–	12,349
Adjustment to deferred capital contribution	–	(12,349)
Straight-line rent adjustment	663	(1,123)
	663	(126,123)
Change in non-cash working capital balances		
Accrual of interest on restricted investments	20	–
Amounts receivable	(48,422)	103,233
Prepaid expenses	46,907	67,417
Accounts payable and accrued liabilities	84,469	(149,670)
Due to related parties	(183,331)	308,033
	(100,357)	329,013
Cash provided by (used in) operating transactions	(99,694)	202,890
Financing transactions		
Deferred capital contributions received for tangible capital assets	44,511	30,031
Cash provided by financing transactions	44,511	30,031
Capital transactions		
Acquisition of tangible capital assets	(44,511)	(30,031)
Cash applied to capital transactions	(44,511)	(30,031)
Increase (decrease) in cash during the year	(99,694)	202,890
Cash at beginning of year	443,503	240,613
Cash at end of year	343,809	443,503

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

INVEST TORONTO INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

INVEST TORONTO INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

1. Nature of operations

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

The City of Toronto owns the one issued common share of the Corporation. The mandate of the Corporation is to engage in promotional activities and services to encourage economic development to and in the City of Toronto and all ancillary and collateral matters relating thereto (see Note 12). The Corporation has been classified as an other governmental organization.

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

Basis of accounting
These financial statements have been prepared by management in accordance with Canadian public sector accounting standards (PSAS). The significant accounting policies are as summarized below.

Share capital
The Corporation's one issued common share is recognized as debt and presented separately in the statement of financial position.

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.

The Corporation receives transfers of funds from the Government of Canada, the City of Toronto and the Toronto Port Lands Company (TPLC), which have certain stipulations associated with the use of the funds. These transfers are recognized as revenue in the year in which these stipulations have been met, except to the extent that the transfers give rise to a liability. A liability recognized in this manner is reduced and an equivalent amount of revenue is recognized as the liability is settled.

Transfers used for the purchase of tangible capital assets are deferred and amortized into revenues at a rate corresponding to the amortization rate of the related asset.

Financial instruments
The following table presents the classification of financial instruments:

Assets/Liabilities	Measurement
Cash	fair value
Restricted investments	amortized cost
Due to related party	amortized cost
Amounts receivable	amortized cost
Accounts payable and accrued liabilities	amortized cost

Restricted investments
Restricted investments are investments set aside as security for the use of a credit facility.

Tangible capital assets
Tangible capital assets 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 basis over the term of the lease

Impairment of tangible capital assets
The Corporation reviews the valuation of tangible capital assets whenever events or changes in circumstances indicate the carrying value may not be recoverable. When indicators of impairment of tangible capital assets exist, a writedown of the residual value is recognized in the statement of financial position. Writedowns are not reversed.

Office occupancy costs and deferred lease escalations
The Corporation has renewed its 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 lease escalations, are included in accounts payable and accrued liabilities.

Use of estimates
The preparation of financial statements in accordance with PSAS 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. Estimates are based on the information available at the date of preparation and reviewed annually to reflect new information as it is available. Measurement uncertainty exists in the financial statements primarily related to impairment in accounts receivable and tangible capital assets. Actual results could differ from those estimates.

3. Restricted investments

Restricted investments include a guaranteed investment certificate (GIC) of $50,000, which has been set aside as a security for a revolving credit card facility. This investment certificate has an annual yield of 0.6% (December 31, 2014 – 0.8%), and a maturity date of October 22, 2016, with a provision for redemption after 30 days of acquisition. The revolving credit card facility has a $50,000 limit, and $6,336 (December 31, 2014 – $1,207) has been drawn on it as at December 31, 2015, which is included in accounts payable and accrued liabilities.

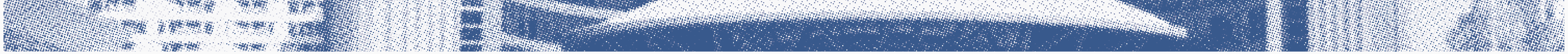
4. Related party transactions

a) The Corporation has received a grant from TPLC, an affiliated company owned by the City of Toronto, to cover operating and capital expenditures incurred during the year. This is pursuant to a Grant agreement entered into by the two corporations for a five-year period starting in 2009, with a provision for an automatic renewal for subsequent periods of one year each until terminated by either party. At the end of the five-year term ended December 31, 2013, the agreement was automatically renewed for two additional one-year periods for a grant amount agreed to by the Board of Directors of both companies (see Note 12). The total value of the grant provided by TPLC as at December 31, 2015 is $2,380,634 (December 31, 2014 - $2,672,330). Of this, $2,336,123 (December 31, 2014 - $2,642,299) has been used to fund operations and $44,511 (December 31, 2014 - $30,031) has been used to fund capital additions.

b) The due to related parties amount of $299,216 (December 31, 2014 - $482,547) is the amount to be reimbursed by the Corporation to TPLC for funds advanced for operations. There is no set term of repayment for these amounts and no interest is being charged by TPLC. The Corporation has agreed with TPLC to share certain administrative, accounting and other corporate services on a cost allocation basis. During the period, the Corporation has paid to TPLC $124,528 (December 31, 2014 - $115,118) as shared services costs.

The transactions for shared corporate services are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

c) Accounts payable and accrued liabilities include $12,960 received from the Economic Development and Culture department, a division of the City of Toronto, to fund the design and development of City's Start-up Eco-system online portal, which the Corporation is engaged to complete on City's behalf. This project will be completed in 2016.



INVEST TORONTO INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

5. Tangible capital assets

			2015
	Cost	**Accumulated amortization**	**Net**
	$	$	$
Computer equipment	119,977	80,461	39,516
Leasehold improvements	91,936	91,936	–
Furniture and fixtures	151,936	139,936	12,000
	363,849	312,333	51,516

			2014
	Cost	**Accumulated amortization**	**Net**
	$	$	$
Computer equipment	87,466	59,611	27,855
Leasehold improvements	91,936	81,035	10,901
Furniture and fixtures	139,936	123,598	16,338
	319,338	264,244	55,094

6. Deferred capital contributions

Deferred capital contributions consist of the following:

	2015	2014
	$	$
Balance – Beginning of year	55,094	88,875
Contributions received from TPLC (Note 4a)	44,511	30,031
Adjustment during the year	–	(12,349)
Amortization	(48,089)	(51,463)
Balance – End of year	51,516	55,094

INVEST TORONTO INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

7. Sponsorship revenue

The Corporation recognized sponsorship revenue in the year ended December 31, 2014 relating to money received in a prior year from related parties which was used for a marketing initiative on behalf of the City of Toronto that satisfied the stipulations associated with the use of the funds. For the year ended December 31, 2015, $Nil was received.

8. ICCI contribution

The Corporation received a contribution of $116,203 (December 31, 2014 - $65,000) from the Government of Canada toward eligible expenditures incurred pursuant to the Invest Canada-Community Initiatives (ICCI) of the Global Commerce Support Program.

9. Salaries and employee benefits

Included in the salaries and benefits expense are the Corporation's current service contributions to the OMERS pension plan totalling $91,603 (December 31, 2014 - $121,632).

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.

10. Financial instruments

Fair value
The Corporation's financial instruments consist of cash, restricted investments, amounts receivable, accounts payable and accrued liabilities and due to related parties. The carrying values approximate their fair values due to their short-term maturity.

The Chartered Professionals Accountants of Canada Public Sector Accounting Handbook Section 3450 requires disclosure of a three-level hierarchy for fair value measurements based on the transparency of inputs to the valuation of a financial asset or a financial liability at 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 financial assets or financial liabilities.
- Level 2 - Fair value is based on observable inputs other than Level 1 prices, such as quoted market prices for similar (but not identical) financial assets or financial liabilities in markets that are not active, and other inputs that are observable or can be corroborated by observable market data for sustainability over the full term of the financial assets or financial liabilities.
- 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 financial assets or financial liabilities.

As at December 31, 2015, cash of $343,809 (December 31, 2014 - $443,503) is classified as Level 1.

INVEST TORONTO INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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 a 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, restricted investments and amounts receivable as presented in the statement of financial position represents the maximum credit risk exposure as at the date of the financial statements.

  The cash deposit and GIC are held by a Schedule 1 Canadian financial institution, which reduces the Corporation's exposure to credit risk. Of the amounts receivable, $116,416 has been received subsequent to December 31, 2015.

- Liquidity risk

  Liquidity risk is the risk of being unable to settle or meet commitments as they come due. As at December 31, 2015, the Corporation expects it will meet all obligations due within one year which will be met through cash and other resources, together with funding from TPLC (Note 12).

- Currency risk

  Virtually all of the Corporation's transactions are denominated in Canadian dollars. As at December 31, 2015, the Corporation held no financial instruments that were denominated in currencies other than the Canadian dollar.

11. Commitments

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

	$
2016	114,894
2017	115,999
2018	119,313
2019	119,313
2020	89,485
	559,004

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.

The Corporation and TPLC entered into a Grant agreement for a five-year period starting in 2009, with a provision for an automatic renewal for subsequent periods of one year each until terminated by either party. At the end of the five-year term ended December 31, 2013, the agreement was automatically renewed for two additional one-year periods for a grant amount agreed to by the Board of Directors of both companies. This agreement was terminated by TPLC effective January 1, 2016 pursuant to the City's decision to create a regional foreign direct investment agency and the possible merger of the corporation into the same.

A short term grant agreement has been entered into by the two corporations for a period of two quarters ending June 30, 2016, for a grant amount agreed to by the Board of Directors of both companies as a transitional funding arrangement until such time that the regional agency is fully functional.

13. Budgeted figures

Budgeted figures have been provided for comparison purposes, and have been derived from the estimates prepared predominantly on an accrual basis and approved by the Board of Directors of the Corporation.

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