

Financial statements of

**Toronto Waterfront
Revitalization Corporation**

(c.o.b. as Waterfront Toronto)

December 31, 2014

(Unaudited)

Toronto Waterfront Revitalization Corporation

December 31, 2014

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Toronto Waterfront Revitalization Corporation

Statement of financial position

as at December 31, 2014

(Unaudited)

	December 31, 2014	March 31, 2014
	\$	\$
Assets		
Current assets		
Cash	17,322,716	8,673,954
Short-term investments	33,038,439	63,817,965
Contributions receivable (Note 3)	14,783,282	-
HST receivable	1,458,750	889,461
Deposits, prepaid expenses, rent receivable and other assets (Note 4)	8,097,709	10,024,704
	74,700,896	83,406,084
Restricted cash (Note 5)	10,534,929	7,385,064
Assets under development (Note 6)	376,310,089	297,723,741
Capital assets (Note 7)	111,693,955	112,652,795
Other assets (Note 8)	445,718	389,673
	573,685,587	501,557,357
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	31,816,285	17,911,692
Deferred contributions and grants (Note 10)	53,359,733	74,061,090
Other liabilities and settlements (Note 11)	257,574	257,574
	85,433,592	92,230,356
Other liabilities and settlements (Note 11)	2,387,846	2,527,204
	87,821,438	94,757,560
Net assets (Note 12)	485,864,149	406,799,797
	573,685,587	501,557,357

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

Toronto Waterfront Revitalization Corporation

Statement of financial activities period ended December 31, 2014

(Unaudited)

	Three Months ended December 31, 2014	Nine Months ended December 31, 2014	Three Months ended December 31, 2013	Nine Months ended December 31, 2013
	\$	\$	\$	\$
Revenue				
Province of Ontario	2,270,516	8,352,378	6,086,157	42,503,081
City of Toronto	12,800,749	52,440,289	8,659,500	34,257,581
Other restricted contributions	6,629,204	17,922,968	553,825	2,436,648
	21,700,469	78,715,635	15,299,482	79,197,310
Less: Government contributions for land and/or assets under development	(23,602,628)	(78,586,348)	(16,605,677)	(44,476,561)
Decrease/(Increase) in deferred contributions for continuing operations related to future periods	6,684,972	20,701,357	10,668,721	(4,913,428)
	4,782,813	20,830,644	9,362,526	29,807,321
Expenses (Note 13)				
Waterfront -Wide Initiatives	4,139,735	16,172,656	7,254,721	24,337,274
East Bayfront	394,842	3,579,406	532,721	1,570,358
Port Lands	453,978	1,855,876	974,672	2,353,610
Central Waterfront	128,155	539,580	510,210	948,573
West Don Lands	67,685	493,153	91,087	585,888
	5,184,395	22,640,671	9,363,410	29,795,703
Excess of expenses over revenue before other operating items	(401,582)	(1,810,027)	(885)	11,619
Net other operating income (Note 16)	74,255	2,333,852	640,487	1,799,669
Excess of revenue over expenses	(327,327)	523,825	639,602	1,811,288

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

Toronto Waterfront Revitalization Corporation

Statement of remeasurement gains and losses

period ended December 31, 2014

(Unaudited)

	Three Months ended December 31, 2014	Nine Months ended December 31, 2014	Three Months ended December 31, 2013	Nine Months ended December 31, 2013
	\$	\$	\$	\$
Accumulated remeasurement gains, beginning of the period	99,960	124,650	(92,249)	85,955
Unrealized losses attributable to:				
Short term investments	(21,131)	(45,821)	117,057	(61,146)
Less: Amounts reclassified to the statement of financial activities:				
Gain on sale of short term investments	-	-	(1,925)	-
Net remeasurement gains for the period	(21,131)	(45,821)	117,057	(61,146)
Accumulated remeasurement gains end of the period	78,829	78,829	24,809	24,809

Statement of changes in net assets

period ended December 31, 2014

	Three Months ended December 31, 2014	Nine Months ended December 31, 2014	Three Months ended December 31, 2013	Nine Months ended December 31, 2013
	\$	\$	\$	\$
Net assets, beginning of the period	462,609,979	406,799,797	372,858,452	343,994,085
Add: Excess of revenue over expenses	(327,327)	523,825	639,602	1,811,288
Less: Unrealized remeasurement losses	(21,131)	(45,821)	117,057	(61,146)
Add: Government contributions for assets under development	23,602,628	78,586,348	16,605,677	44,476,561
Net assets, end of the period	485,864,149	485,864,149	390,220,788	390,220,788

Toronto Waterfront Revitalization Corporation

Statement of cash flows

period ended December 31, 2014

(Unaudited)

	Three Months ended December 31, 2014 \$	Nine Months ended December 31, 2014 \$	Three Months ended December 31, 2013 \$	Nine Months ended December 31, 2013 \$
Cash flows from operating activities				
Cash received from:				
Government contributions for operating activities	2,531,962	10,381,813	18,850,068	20,065,784
Other restricted contributions for operating activities	4,855,429	8,207,998	214,394	1,430,110
Investment income received for operating activities	71,552	132,005	56,821	196,116
Sales tax rebates	2,753,067	6,717,137	1,883,349	4,932,804
	10,212,010	25,438,953	21,004,632	26,624,814
Cash paid for:				
Planning and implementation expenses	(2,991,138)	(11,450,066)	(2,012,227)	(21,568,773)
Rental operating expenses	-	-	-	-
Project support expenses	(1,631,968)	(5,557,667)	(1,748,225)	(5,919,575)
Transfer payments	(5,998,546)	(11,290,090)	(7,140,574)	(18,277,623)
	(10,621,652)	(28,297,823)	(10,901,027)	(45,765,970)
Net cash (paid for) received from operating activities	(409,642)	(2,858,870)	10,103,605	(19,141,156)
Cash flows from capital activities				
Cash received from government contributions for assets under development				
	10,268,787	48,140,338	(4,104,411)	38,764,284
Cash used to acquire capital assets	(46,556)	(162,014)	(57,192)	(176,848)
Cash used to acquire assets under development	(17,213,596)	(64,770,092)	(16,726,953)	(30,438,582)
Net cash (paid for) received from capital activities	(6,991,365)	(16,791,768)	(20,888,556)	8,148,854
Cash flows from investing activities				
Cash received from short term investments redemption	8,999,073	28,299,400	10,160,916	10,160,916
Cash used to purchase additional security investments	-	-	-	(31,000,000)
Net cash (paid for) received from investment activities	8,999,073	28,299,400	10,160,916	(20,839,084)
Increase (decrease) in cash	1,598,066	8,648,762	(624,034)	1,753,596
Cash, beginning of the period	15,724,650	8,673,954	8,980,964	6,603,334
Cash, end of the period	17,322,716	17,322,716	8,356,930	8,356,930

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

December 31, 2014

(Unaudited)

1. Interim financial statements

The unaudited interim financial statements of the Toronto Waterfront Revitalization Corporation (the "Corporation" or "TWRC") have been prepared by management in accordance with Canadian generally accepted accounting principles applicable to interim financial statements and follow the same accounting policies and methods in their applications as the most recent annual financial statements. All disclosure required for annual financial statements has not been included in these financial statements. These financial statements should therefore be read in conjunction with the March 31, 2014 audited financial statements.

2. Description of Corporation

The Toronto Waterfront Revitalization Corporation (the "Corporation" or "TWRC") was initially incorporated on November 1, 2001 under the Ontario Business Corporations Act with the Province of Ontario being its sole shareholder.

Pursuant to the Toronto Waterfront Revitalization Corporation Act, 2002 (the "Act"), the Corporation was continued as a corporation without share capital on May 15, 2003. The Corporation is deemed not to be a Crown Agency within the meaning of the Crown Agency Act.

Under the Act, the Corporation's objects are to:

- (a) implement a plan that enhances the economic, social and cultural value of the land in the designated waterfront area and create an accessible and active waterfront for living, working and recreation and to do so in a fiscally and environmentally responsible manner;
- (b) ensure that ongoing development in the designated waterfront area can continue in a financially self-sustaining manner;
- (c) promote and encourage involvement of the private sector in the development of the designated waterfront area;
- (d) encourage public input into the development of the designated waterfront area; and
- (e) engage in such other activities as may be prescribed by regulation.

3. Contributions receivable

	Dec 31, 2014	March 31, 2014
Province of Ontario	\$ 2,270,516	\$ -
Other restricted contributions	12,512,766	-
	<u>14,783,282</u>	<u>-</u>

Other restricted contributions receivable primarily consists of amounts receivable from the City of Toronto under delivery agreements entered into for the Waterfront Sanitary Servicing Infrastructure as well as the Martin Goodman Trail West and East Bayfront Queens Quay Interim Improvements projects.

Toronto Waterfront Revitalization Corporation

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December 31, 2014

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4. Deposits, prepaid expenses, rent receivable and other assets

	December 31, 2014	March 31, 2014
	\$	\$
Construction deposits	5,851,377	5,851,903
Developer receivables, rent and other	1,875,343	3,731,934
Prepaid expenses	338,522	408,400
Current portion of prepaid expenses and rent receivables (Note 8)	32,467	32,467
	8,097,709	10,024,704

The Corporation has provided the City of Toronto (the "City") and Toronto Hydro with certain construction deposits to guarantee satisfactory performance, completion of work and related obligations required for the construction of municipal and hydro infrastructure by the Corporation. The construction deposits will be released to Waterfront Toronto at the expiration of certain performance and guarantee periods. The construction deposits paid to the City of \$2,181,199 (March 2014 - \$2,181,199) are non-interest bearing; and the construction deposits outstanding from Toronto Hydro of \$3,670,179 (March 2014 - \$3,670,179) will be returned to TWRC including interest at the Prime Business Rate set by the Bank of Canada less two percent.

5. Restricted cash

The Corporation has \$10,534,929 (March 2014 - \$7,385,064) in cash which is subject to restrictions that prevent its use for current purposes. Of this cash balance \$7,873,190 forms part of a security fund set up with the City for infrastructure works being completed by the Corporation in West Don Lands. Under the terms of the agreement, TWRC cannot withdraw funds from the security fund without the authorization of the City and the City can only draw on the security fund subject to certain conditions and providing sufficient and appropriate notice to TWRC. The remaining balance of \$2,661,739 pertains to funds in escrow required to satisfy Waterfront Toronto's future obligations to third party developers.

6. Assets under development

The following table details assets under development by category:

	December 31, 2014	March 31, 2014
	\$	\$
Roads, public realm, utilities	313,039,125	239,234,380
Parkland	38,145,894	36,378,635
Land under development	25,125,070	22,110,726
	376,310,089	297,723,741

The following table details assets under development by precinct:

	East Bayfront	Central Waterfront	West Don Lands	Total
	\$	\$	\$	\$
Opening balance, March 31, 2014	119,296,099	75,861,552	102,566,090	297,723,741
Capital additions	26,487,402	40,541,895	5,298,181	72,327,478
Direct project management - Note 13	1,435,027	706,091	299,213	2,440,331
General and support expenses - Note 13	2,237,369	1,114,663	466,507	3,818,539
Closing balance, December 31, 2014	149,455,897	118,224,201	108,629,991	376,310,089

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

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(Unaudited)

7. Capital assets

	December 31, 2014		March 31, 2014	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	\$	\$	\$	\$
Land	92,588,484	-	92,588,484	-
Parking facility	21,200,569	2,906,576	21,200,570	1,972,319
Computer hardware and software	2,882,050	2,434,251	2,759,757	2,263,850
Leasehold improvements	1,177,570	971,245	1,176,055	894,574
Furniture and fixtures	659,867	654,073	659,867	647,008
Office equipment	438,345	286,785	308,580	262,767
	118,946,885	7,252,929	118,693,313	6,040,518
Cost less accumulated amortization		111,693,955		112,652,795

The Corporation owns land containing environmental contamination. The costs associated with the Corporation's environmental remediation, which depends on the ultimate use of the lands, will be recognized in the period when an obligation arises.

The Corporation owns buildings on a number of its properties. As none of the buildings are intended for use other than on a temporary rental basis and all will ultimately be demolished, they have been recorded at a carrying value of \$Nil (March 2014 - \$Nil).

8. Other assets

	December 31, 2014	March 31, 2014
	\$	\$
Prepaid expenses	443,646	360,800
Rent receivable	34,539	61,340
	478,185	422,140
Less: Current portion (Note 4)	32,467	32,467
	445,718	389,673

9. Accounts payable and accrued liabilities

	December 31, 2014	March 31, 2014
	\$	\$
Accrued liabilities	11,776,144	13,016,248
Accounts payable	9,793,111	707,688
Holdbacks payable	10,247,030	4,187,756
	31,816,285	17,911,692

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

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(Unaudited)

10. Deferred contributions and grants

Deferred contributions and grants represent project specific contributions from Governments which have not been applied to eligible costs at December 31, 2014, as well as contributions received for the acquisition of capital assets which have yet to be amortized.

	December 31, 2014	March 31, 2014
	\$	\$
Expenses of future periods		
Balance, beginning of year	63,747,419	38,306,733
Add: additional contribution received/receivable	(124,286)	59,961,024
Less: amounts recognized as revenue	(19,618,232)	(34,520,338)
Balance, end of period	44,004,901	63,747,419
Capital contributions		
Balance, beginning of year	10,313,671	12,218,630
Add: contributions for acquisition of capital assets and assets under development	78,839,920	60,545,087
Less: direct contribution to net assets	(78,586,348)	(60,747,047)
Less: amount amortized to revenue	(1,212,411)	(1,702,999)
Balance, end of period	9,354,832	10,313,671
	53,359,733	74,061,090

11. Other liabilities and settlements

Other liabilities and settlements at December 31, 2014 total \$2,645,419 (March 2014 - \$2,784,778) largely represent security and developer deposits.

	December 31, 2014	March 31, 2014
	\$	\$
Deposits received	2,428,517	2,567,875
Accrued benefit liability	216,903	216,903
Total other liabilities	2,645,420	2,784,778
Less: current portion	257,574	257,574
	2,387,846	2,527,204

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

December 31, 2014

(Unaudited)

12. Net assets

a) Net assets recorded on the Statement of Financial Position are comprised of the following:

	December 31, 2014	March 31, 2014
	\$	\$
Invested in capital assets (net of deferred capital contributions)	102,339,124	102,339,124
Invested in assets under development	376,310,089	297,723,741
Unrestricted surplus (Note 12b)	7,136,107	6,612,282
Accumulated re-measurement gains	78,829	124,650
	<u>485,864,149</u>	<u>406,799,797</u>

b) Unrestricted surplus

	December 31, 2014	March 31, 2014
	\$	\$
Unrestricted surplus, opening balance	6,612,282	4,592,312
Excess of revenue over expenses	523,825	2,019,970
Unrestricted surplus, closing balance	<u>7,136,107</u>	<u>6,612,282</u>

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

December 31, 2014

(Unaudited)

13. Expenses by Precinct and Function

	Waterfront Wide- Initiatives	East Bayfront	Port Lands	Central Waterfront	West Don Lands	Total Dec 31, 2014
	\$	\$	\$	\$	\$	\$
<i>Direct project costs:</i>						
Transfer payments and grants	15,433,131	383,778	-	-	-	15,816,909
Project planning and implementation costs	333,814	2,068,325	472,875	184,649	274,782	3,334,446
Amortization	-	934,256	-	-	-	934,256
Project management - salaries, fees and benefits	158,536	1,510,462	540,422	850,172	384,544	3,444,136
less Project management - salaries, fees and benefits related to assets under development (Note 6)	-	(1,435,027)	-	(706,091)	(299,213)	(2,440,331)
	15,925,481	3,461,795	1,013,297	328,729	360,113	21,089,416
<i>General & support expenses:</i>						
Salaries, fees and benefits	136,357	1,299,148	464,817	731,233	330,746	2,962,300
General and office administration	71,188	678,250	242,668	381,757	172,674	1,546,536
Communications, marketing and government relations	17,807	169,658	60,701	95,493	43,193	386,852
Information Technology	13,161	125,392	44,864	70,578	31,923	285,918
Amortization	8,662	82,532	29,529	46,454	21,012	188,189
less general & support costs allocated to assets under development (Note 6)	247,175	2,354,980	842,579	1,325,514	599,547	5,369,795
	-	(2,237,369)	-	(1,114,663)	(466,507)	(3,818,539)
	16,172,656	3,579,406	1,855,876	539,580	493,153	22,640,671

General and support expenses for the period ending December 31, 2014 have been allocated to precincts using an overhead burden rate of 1.56 (1.61 for the period December 31, 2013) for every \$1 of direct labour (project management - salaries and benefits). Total salaries, fees and benefits for the Corporation were \$6,406,436 for the period ending December 31, 2014 (\$7,008,412 - December 31, 2013) comprising direct project management salaries, fees and benefits of \$3,444,136 (\$3,467,946 - December 31, 2013) and general support salaries, fees and benefits of \$2,962,300 (\$3,540,466 - December 31, 2013).

Waterfront-wide initiatives primarily comprises of Union Station Second Platform costs.

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

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(Unaudited)

13. Expenses by Precinct and Function (cont.)

	Waterfront Wide- Initiatives	East Bayfront	Port Lands	Central Waterfront	West Don Lands	Total Dec 31, 2013
	\$	\$	\$	\$	\$	\$
<i>Direct project costs:</i>						
Transfer payments and grants	15,026,830	259,843	-	-	(561,515)	14,725,158
Project planning and implementation costs	8,429,396	7,273	1,402,788	510,375	823,587	11,173,419
Amortization	-	934,256	-	-	-	934,256
Project management - salaries, fees and benefits	338,040	1,344,533	364,811	884,387	536,175	3,467,946
less Project management - salaries, fees and benefits related assets under development	-	(1,244,640)	-	(730,906)	(433,266)	(2,408,813)
	23,794,266	1,301,265	1,767,599	663,855	364,981	27,891,967
<i>General & support expenses:</i>						
Salaries, fees and benefits	345,109	1,372,649	372,440	902,881	547,387	3,540,466
General and office administration	112,930	449,170	121,873	295,449	179,121	1,158,542
Communications, marketing and government relations	44,591	177,357	48,122	116,659	70,727	457,455
Information technology	15,183	60,391	16,386	39,723	24,083	155,766
Amortization	25,195	100,213	27,191	65,917	39,963	258,479
	543,008	2,159,780	586,011	1,420,628	861,281	5,570,708
less general & support costs allocated to assets under development	-	(1,890,687)	-	(1,135,910)	(640,374)	(3,666,972)
	24,337,274	1,570,358	2,353,610	948,573	585,888	29,795,703

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14. Commitments

The Corporation is committed to payments under operating leases for equipment and office space through 2017 in the amount of \$567,917. Annual payments are as follows:

2015	96,366
2016	377,988
2017	93,563
	<u>\$ 567,917</u>

In addition, the Corporation has other commitments of \$77,620,289. These commitments comprise contracts directly entered into by the Corporation, and/or Delivery Agreements with Eligible Recipients who are responsible for managing various projects on Toronto's waterfront.

15. Risk disclosures

Credit risk

Credit risk arises from cash and short term investments held with banks and credit exposure to governments and other debtors, including accounts receivable. The maximum exposure to credit risk is equal to the carrying value (net of allowances) of the financial assets. The objective of managing counterparty credit risk is to prevent losses on financial assets. The Corporation assesses the credit quality of funding partners and debtors, taking into account their financial position, past experience and other factors.

Liquidity risk

Liquidity risk is the risk the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's objective in managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its commitments when due, without incurring unacceptable losses or risking damage to the Corporation's reputation. The Corporation manages exposure to liquidity risk by closely monitoring supplier and other liabilities; by focusing on debtor collection; and by requesting government funding in advance.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the fair value of recognized assets and liabilities or future cash flows of the Corporation's operations. The Corporation is exposed to changes in interest rates, which may impact interest revenue on short term investments.

16. Net other operating income

	December 31, 2014		December 31, 2013	
	3 months	9 months	3 months	9 months
Rental, parking and other income	\$ 1,091,518	\$ 6,030,316	965,529	3,062,193
Less: operating expenses	(1,292,895)	(4,684,472)	(832,908)	(2,427,459)
	(201,377)	1,345,844	132,621	634,734
Interest and other income	274,976	959,779	509,792	1,166,860
Realized investment gains (losses)	656	28,229	(1,925)	(1,925)
Net other operating income	74,255	2,333,852	640,487	1,799,669

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17. Comparatives

Certain comparative amounts have been reclassified to conform with the current year's method of presentation.

18. Contingent liabilities

- (a) Under the terms and conditions of the Contribution Agreements, the Corporation provides an indemnity to the City, Province of Ontario and Government of Canada and their respective officers, employees and agents, from and against all claims, losses, damages, costs, expenses, actions and other proceedings related to any injury to or death of a person or damage to or loss of property, infringement of rights or any other loss or damages whatsoever arising directly or indirectly from any willful or negligent act, omission or delay on the part of the Corporation, the Corporation's directors, officers, employees, contractors, agents or Third Party Contractors, in carrying out a project or as a result of the project, except to the extent that the injury, loss or damage has been caused by the City, Province of Ontario and/or Government of Canada or their respective officers, employees or agents.

The Corporation requires all Eligible Recipients to indemnify the Corporation from and against liability on the same basis outlined above.

The Corporation requires most third party contractors to indemnify each level of government and the Corporation, its officers, employees and agents against all claims, liabilities and demands with respect to any injury to persons (including death), damage to, loss or destruction of property or infringement of rights caused by or arising directly from:

- (i) the breach of any term or condition of the contract by the third party contractor or its officers, employees or agents; or
 - (ii) any omission or any willful or negligent act of the third party contractor or its officers, employees or agents in relation to the applicable project.
- (b) Under the Delivery Agreement with each Eligible Recipient respectively, the Corporation provides an indemnity to the Eligible Recipient and its respective officers, employees and agents, from and against any claims with respect to direct loss arising from:
- (i) any breach by the Corporation of the Delivery Agreement or documents or certificates given pursuant to the Agreement, or
 - (ii) any negligent or willful acts or omissions of the Corporation, its officers, directors, employees or agents, in relation to the project.

Management attempts to limit the Corporation's exposure under these indemnifications through the purchase of directors and officers insurance, the allocation of risk to Eligible Recipients and contractors (outlined above) and through enforcing the Corporation's and Eligible Recipients' policies and procedures, as well as intense oversight where appropriate.

- (c) The Corporation has entered into a number of Development Agreements with third party builders with respect to lands located in the West Don Lands and East Bayfront. Under these agreements, the Corporation has provided the builders certain milestone representations based on specific Corporation development obligations. The representations primarily relate to schedule delays. The maximum potential future liability related to these representations is \$7.5 million under one development agreement with one builder and although under the other development agreements the amounts are not determinable, they are limited to the amount up to the respective builder's carrying costs and/or out of pocket expenses incurred on the development. No amount for these representations has been accrued in these financial statements. Management attempts to limit the Corporation's potential exposure under these guarantees through appropriate schedule, cost and scope management practices.
- (d) The Corporation has a municipal access agreement with the City of Toronto for the ongoing maintenance and potential removal of district energy pipes in West Don Lands. Management estimates the maximum potential liability to be \$1,600,000. These costs are currently unfunded.

