

*Financial Statements of*

**TORONTO WATERFRONT  
REVITALIZATION CORPORATION**

*March 31, 2004*

## Auditors' Report

To the Board of  
the Toronto Waterfront Revitalization Corporation

We have audited the statement of financial position of the Toronto Waterfront Revitalization Corporation as at March 31, 2004 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Deloitte & Touche LLP*

Chartered Accountants

Toronto, Ontario  
June 15, 2004

# TORONTO WATERFRONT REVITALIZATION CORPORATION

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**TORONTO WATERFRONT REVITALIZATION CORPORATION**  
**Statement of Financial Position**  
**March 31, 2004**

	<b>March 31, 2004</b>	March 31, 2003
<b>ASSETS</b>		
Cash and cash equivalents	\$ 12,713,234	\$ 1,386,335
Contributions receivable (Note 3)	2,057,191	4,293,924
Other assets	4,265	6,672
	<b>14,774,690</b>	5,686,931
Capital assets (Note 4)	464,754	376,196
	<b>\$ 15,239,444</b>	\$ 6,063,127
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued liabilities (Note 5)	\$ 10,452,163	\$ 886,557
Deferred contributions (Note 6)	5,786,916	5,176,560
	<b>16,239,079</b>	6,063,117
Capital stock (Note 1)	-	10
Deficit	(999,635)	-
	<b>\$ 15,239,444</b>	\$ 6,063,127

**COMMITMENTS (Note 12)**

# TORONTO WATERFRONT REVITALIZATION CORPORATION

## Statement of Financial Activities

Year ended March 31, 2004

	Year ended March 31, 2004	Year ended March 31, 2003	Inception to March 31, 2004
<b>REVENUE</b>			
Government contributions (Note 8)	\$ 31,879,501	\$ 11,284,337	\$ 43,802,941
Interest and other	177,040	71,542	266,219
	<b>32,056,541</b>	11,355,879	44,069,160
<b>EXPENSES (Note 9)</b>			
Mandated projects			
Development plan and business strategy	-	2,930,786	3,000,000
Front Street extension	13,913,214	4,869,794	18,783,008
Union station second platform	1,846,188	381,600	2,227,788
Lower Don river	667,842	154,887	822,729
Portlands and West Don Lands:			
Cherry Beach improvements	1,673,328	-	1,673,328
Precinct planning	2,276,918	-	2,276,918
Parks planning	360,778	-	360,778
Strategic studies	1,945,568	749,369	2,694,937
Remediation	246,901	-	246,901
	<b>22,930,737</b>	9,086,436	32,086,387
Core projects			
Harbourfront Water's Edge	3,085,273	-	3,085,273
Mimico Park	508,532	-	508,532
Port Union Waterfront	2,577,769	-	2,577,769
Other	53,086	-	53,086
	<b>6,224,660</b>	-	6,224,660
Corporate costs	3,900,779	2,269,443	6,757,748
	<b>33,056,176</b>	11,355,879	45,068,795
<b>EXCESS OF EXPENSES OVER REVENUE, AND NET ASSETS, END OF PERIOD</b>	<b>\$ (999,635)</b>	<b>\$ -</b>	<b>\$ (999,635)</b>

# TORONTO WATERFRONT REVITALIZATION CORPORATION

## Statement of Cash Flows

Year ended March 31, 2004

	Year ended March 31, 2004	Year ended March 31, 2003
<b>CASH PROVIDED BY (USED IN)</b>		
<b>OPERATING</b>		
Excess of expenses over revenue	\$ (999,635)	\$ -
Amortization which does not involve cash	117,724	87,589
	<b>(881,911)</b>	87,589
Changes in non-cash operating items		
Decrease/ (increase) in other assets	2,407	(1,827)
Decrease/ (increase) in contributions receivable	2,236,733	(4,293,924)
Increase in accounts payable and accrued liabilities	9,565,606	522,732
Increase in deferred contributions related to future periods	610,356	4,315,663
	<b>11,533,191</b>	630,233
<b>INVESTING</b>		
Acquisition of capital assets	(206,282)	(463,785)
<b>FINANCING</b>		
Write-off of share capital	(10)	-
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>11,326,899</b>	166,448
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>1,386,335</b>	1,219,887
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 12,713,234</b>	<b>\$ 1,386,335</b>
<b>CASH AND CASH EQUIVALENTS ARE COMPRISED:</b>		
Cash	\$ 2,713,234	\$ 1,386,335
Short-term investments	10,000,000	-
	<b>\$ 12,713,234</b>	<b>\$ 1,386,335</b>

# TORONTO WATERFRONT REVITALIZATION CORPORATION

## Notes to the Financial Statements

March 31, 2004

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### 1. DESCRIPTION OF THE CORPORATION

The Toronto Waterfront Revitalization Corporation (the "Corporation") was initially incorporated on November 1, 2001 under the Ontario Business Corporations Act with the Province of Ontario being its sole shareholder. The mandate of the Corporation is to develop and implement a long-term plan to environmentally improve and economically rejuvenate Toronto's waterfront. Under the terms of a Contribution Agreement dated July 18, 2001 and subsequent amendments on March 20, 2002, March 31, 2003 and June 10, 2004, Her Majesty The Queen, in right of Canada ("Government of Canada"), Her Majesty The Queen, in right of the Province of Ontario ("Province of Ontario"), City of Toronto (collectively, the "Governments") and the Corporation, the Governments have agreed to provide the Corporation with funds to pay for Eligible Costs in respect of Mandated Activities on specified projects and corporate activities. Funding commitments by the Governments must currently be sought annually.

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.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### (a) *Basis of presentation*

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

#### (b) *Revenue recognition*

The Corporation follows the deferral method of accounting for contributions from the Governments. Under this method, restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

# TORONTO WATERFRONT REVITALIZATION CORPORATION

## Notes to the Financial Statements

March 31, 2004

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (c) *Contributions receivable and deferred contributions*

Annual contribution commitments by the Governments under signed Contribution Agreements which have not been received by the Corporation are recorded as contributions receivable when the amount is determinable and the ultimate collection is likely.

Under the Contribution Agreement, contributions from the Governments can be applied only towards payments of Eligible Costs in respect of Mandated Activities, as defined in the Agreement. Accordingly, all unspent funds are recorded as deferred contributions.

Contributions from the Governments for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

#### (d) *Recognition of expenditures incurred by Eligible Recipients*

The Corporation has entered into agreements with Eligible Recipients responsible for managing various projects on Toronto's Waterfront. Expenditures related to these projects are recorded in the financial statements of the Corporation on an accrual basis based upon funding requests submitted by the Eligible Recipients in accordance with approved project work plans.

#### (e) *Cash and cash equivalents*

Cash and cash equivalents consist of cash and short-term investments with maturity dates of less than 90 days.

#### (f) *Capital assets*

Capital assets are recorded at cost less accumulated amortization. Repairs and maintenance costs are charged to expense. Betterments, which extend the estimated life of an asset, are capitalized.

Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Furniture and fixtures	5 years
Equipment	5 years
Information technology	3 years
Leasehold improvements	5 years

#### (g) *Income taxes*

The Corporation is exempt from income taxes pursuant to paragraph 149(1)(d.3) of the Income Tax Act (Canada).

# TORONTO WATERFRONT REVITALIZATION CORPORATION

## Notes to the Financial Statements

March 31, 2004

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) *Use of estimates*

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

### 3. CONTRIBUTIONS RECEIVABLE

	<u>2004</u>	<u>2003</u>
Government of Canada	\$ 2,057,191	\$ 1,527,257
Province of Ontario	-	1,040,000
City of Toronto	-	1,726,667
	<u>\$ 2,057,191</u>	<u>\$ 4,293,924</u>

Contributions receivable from the Government of Canada were received subsequent to year end.

### 4. CAPITAL ASSETS

	<u>2004</u>			<u>2003</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Leasehold improvements	\$ 139,192	\$ 28,366	\$ 110,826	\$ 48,929
Furniture and fixtures	348,052	115,719	232,333	234,755
Information technology	155,016	52,173	102,843	73,846
Equipment	27,806	9,054	18,752	18,666
	<u>\$ 670,066</u>	<u>\$ 205,312</u>	<u>\$ 464,754</u>	<u>\$ 376,196</u>

### 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2004</u>	<u>2003</u>
Office and administration expenses	\$ 291,035	\$ 38,250
Contracted consultants and professional fees	1,446,523	848,307
Eligible recipient costs	8,714,605	-
	<u>\$ 10,452,163</u>	<u>\$ 886,557</u>

# TORONTO WATERFRONT REVITALIZATION CORPORATION

## Notes to the Financial Statements

March 31, 2004

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### 6. DEFERRED CONTRIBUTIONS

Deferred contributions represent contributions from the Governments which have not been applied to Eligible Costs at March 31, 2004, as well as contributions received for the purchase of capital assets.

	<u>2004</u>	<u>2003</u>
Expenses of Future Periods		
Balance, beginning of period	\$ 4,800,364	\$ 860,897
Amount recognized as revenue	(4,800,364)	(860,897)
Amounts related to future periods	5,322,162	4,800,364
Balance, end of period	<u>5,322,162</u>	<u>4,800,364</u>
Capital Contributions		
Balance, beginning of period	376,196	-
Additional contributions received	206,282	463,785
Less amounts amortized to revenue	(117,724)	(87,589)
Balance, end of period	<u>464,754</u>	<u>376,196</u>
	<u>\$ 5,786,916</u>	<u>\$ 5,176,560</u>

### 7. CONTINGENT ASSET

The Corporation may be entitled to a rebate of 50% of GST incurred on expenses for the period since inception to March 31, 2004. The Corporation has estimated the potential rebate to be approximately \$561,000 at March 31, 2004. This is on the basis that the Corporation is a government funded non-profit organization which does not make taxable supplies for consideration. The Corporation filed a GST return with Canada Revenue Agency (CRA) in March 2004 for the period since inception to December 31, 2003 claiming a rebate of approximately \$446,000. As this rebate is yet to be received and is the first GST return submitted by the Corporation, a receivable has not been recognized at March 31, 2004. The Corporation will record the rebate (if any) in the period it is received.

# TORONTO WATERFRONT REVITALIZATION CORPORATION

## Notes to the Financial Statements

March 31, 2004

### 8. GOVERNMENT CONTRIBUTIONS

Government contributions are based on each level of government contributing a one third equal share of Eligible Costs net of other revenue sources.

	<u>2004</u>	<u>2003</u>	<u>Since Inception</u>
Government contributions			
Government of Canada	\$ 8,234,557	\$ 5,200,000	\$ 13,934,557
Province of Ontario	13,264,300	5,200,000	18,964,300
City of Toronto	10,991,000	5,200,000	16,691,000
	<u>32,489,857</u>	15,600,000	49,589,857
Add opening deferred contributions			
Government of Canada	1,725,520	286,966	1,725,520
Province of Ontario	1,725,520	286,966	1,725,520
City of Toronto	1,725,520	286,965	1,725,520
	<u>5,176,560</u>	860,897	5,176,560
Total available contributions	<u>37,666,417</u>	16,460,897	54,766,417
Less closing deferred contributions			
Government of Canada	-	(1,725,520)	-
Province of Ontario	(4,030,108)	(1,725,520)	(4,030,108)
City of Toronto	(1,756,808)	(1,725,520)	(1,756,808)
	<u>(5,786,916)</u>	(5,176,560)	(5,786,916)
Government contributions recognized as revenue			
Government of Canada	9,960,077	3,761,446	13,934,557
Province of Ontario	10,959,712	3,761,446	14,934,192
City of Toronto	10,959,712	3,761,445	14,934,191
	<u>\$ 31,879,501</u>	\$ 11,284,336	\$ 43,802,940

The balance owing by the Government of Canada to bring its share of contributions to one third has not been recognized by the Corporation as a receivable at March 31, 2004. This is because neither documentation nor precedent exists for such recognition.

The June 10, 2004 amendment to the Contribution Agreement shows the City of Toronto's 2002/2003 contributions as \$3,473,000 reflecting cash received, rather than \$5,200,000 shown above as per the Contribution Agreement prior to the amendment. The total contributions from the City of Toronto since inception to March 31, 2004 are unchanged.

# TORONTO WATERFRONT REVITALIZATION CORPORATION

## Notes to the Financial Statements

March 31, 2004

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### 9. EXPENSES BY OBJECT

	<u>2004</u>	<u>2003</u>	<u>Since Inception</u>
Eligible recipient costs (Note 10)	\$ 22,459,876	\$ 2,530,004	\$ 24,989,880
Professional fees	2,352,475	3,715,218	6,392,133
Program manager fees	3,139,434	2,395,522	5,534,956
Salaries and benefits	1,708,992	447,635	2,342,916
Urban design fees	1,231,841	642,480	1,943,475
Other contracted consultants	878,931	492,532	1,371,463
Occupancy, IT and office expenses	852,829	360,508	1,220,524
Communications	314,074	684,391	1,068,135
Amortization	117,724	87,589	205,313
	<u>\$ 33,056,176</u>	<u>\$ 11,355,879</u>	<u>\$ 45,068,795</u>

Eligible recipient costs for the year and period ended March 31, 2004 include approximately \$4,696,000 of costs accrued but not paid for completion of a property acquisition for the Front Street extension. Payment to the eligible recipient is pending the environmental assessment approval.

### 10. ELIGIBLE RECIPIENT COSTS

During the period, the Corporation entered into agreements with Eligible Recipients responsible for managing various projects on Toronto's waterfront. Under the terms of the agreements, the Corporation does not assume ownership or ongoing operational responsibility upon project completion.

# TORONTO WATERFRONT REVITALIZATION CORPORATION

## Notes to the Financial Statements

March 31, 2004

### 10. ELIGIBLE RECIPIENT COSTS (continued)

The Corporation has paid or accrued Eligible Costs pursuant to agreements with Eligible Recipients as follows. These costs are exclusive of TWRC costs for these projects:

	<u>2004</u>	<u>2003</u>	<u>Since Inception</u>
City of Toronto			
Front Street extension*	\$ 12,970,540	\$ 2,530,004	\$ 15,500,544
Toronto Transit Commission			
Union Station second platform	1,660,418	-	1,660,418
Canada Lands Company			
Cherry Beach improvements	1,491,904	-	1,491,904
Soil remediation framework	30,647	-	30,647
Toronto and Region Conservation Authority			
Lower Don river	558,816	-	558,816
Mimico Park	461,637	-	461,637
Port Union waterfront	2,385,364	-	2,385,364
Harbourfront Corporation			
Harbourfront Water's Edge	2,900,550	-	2,900,550
	<u>\$ 22,459,876</u>	<u>\$ 2,530,004</u>	<u>\$ 24,989,880</u>

\* Includes accrual of \$4,696,000 for completion of property acquisition pending approval of environmental assessment and hence, federal funding.

### 11. REMUNERATION

The Corporation's Board of Directors and senior management team receive annual compensation as follows:

	<u>Salary/ Director Fees</u>	<u>Bonus</u>	<u>Retirement Allowance and Other</u>
Chairman	\$ 150,000	\$ -	\$ -
Chief Executive Officer	\$ 300,000	up to \$ 75,000	\$ 75,000
Chief Financial Officer	\$ 225,000	up to \$ 45,000	\$ -
Board of Directors	\$ 5,000	\$ -	\$ 500 per meeting

In addition, the Chairman, Chief Executive Officer and Chief Financial Officer are entitled to participate in the benefit program sponsored by the Corporation.

# TORONTO WATERFRONT REVITALIZATION CORPORATION

## Notes to the Financial Statements

March 31, 2004

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### 12. COMMITMENTS

The Corporation is committed to payments under operating leases for equipment and office space through 2008 in the amount of approximately \$397,000. Annual payments for the next four fiscal years are as follows:

2005	\$ 132,903
2006	123,885
2007	120,172
2008	20,029
	<hr/>
	\$ 396,989

In addition, the Corporation has committed to approximately \$4,961,000 in additional project costs. These commitments comprise contracts directly entered into by the Corporation, or authorizations for expenditures to the Corporation's Eligible Recipients.

### 13. GUARANTEES

A. Under the Contribution Agreement the Corporation provides an indemnity to the City of Toronto, Province of Ontario and Government of Canada and their respective officers, employees and agents, from and against liability with respect to injury to persons, damage or loss of property, economic loss or infringement of rights arising directly or indirectly from:

- (a) a project,
- (b) the performance of a contract or breach of any term or condition, or
- (c) any omission or willful or negligent act of the Corporation's officers, employees or agents.

The indemnity extends to all costs and liabilities the level of government may incur as a result of appointing members to the board of directors of the Corporation where the Corporation is acting as an agent or incurring obligations on behalf of that level of government.

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

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:

- (a) any breach by the Corporation of the Delivery Agreement or documents or certificates given pursuant to the Agreement, or
- (b) any negligent or willful acts or omissions of the Corporation, its officers, directors, employees or agents, in relation to the project.

# **TORONTO WATERFRONT REVITALIZATION CORPORATION**

## **Notes to the Financial Statements**

**March 31, 2004**

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### **13. GUARANTEES (continued)**

The nature of the indemnifications prevents management of the Corporation from making a reasonable estimate of the maximum potential liability the Corporation could be exposed to. Management, however, 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.

### **14. COMPARATIVE FIGURES**

Certain of the prior years' comparative figures have been reclassified to conform to the current year's financial statement presentation.