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Financial statements of

**Toronto Waterfront  
Revitalization Corporation  
(c.o.b. as Waterfront Toronto)**

March 31, 2008

# Toronto Waterfront Revitalization Corporation

March 31, 2008

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## **Management's Responsibility for the Financial Statements**

**May 2, 2008**

The integrity and objectivity of the accompanying financial statements of the Toronto Waterfront Revitalization Corporation ("the Corporation") is the responsibility of management. These financial statements have been prepared in compliance with legislation and in accordance with Canadian generally accepted accounting principles for not-for-profit organizations established by the Canadian Institute of Chartered Accountants. Significant accounting policies of the Corporation are described in Note 3 to financial statements.

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Audit Committee and the Corporation's internal auditors.

Management meets with the external auditors, the Audit Committee and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte & Touche LLP, independent external auditors appointed by the Board of Directors. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Corporation's financial statements.

A handwritten signature in black ink, appearing to be "J. E.", written over a horizontal line.

President and CEO

A handwritten signature in black ink, appearing to be "Robert Siddall", written over a horizontal line.

Chief Financial Officer

## Auditors' Report

To the Board of Directors of the  
Toronto Waterfront Revitalization Corporation

We have audited the statement of financial position of the Toronto Waterfront Revitalization Corporation as at March 31, 2008 and the statements of financial activities and net assets and of 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, 2008 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  
Licensed Public Accountants  
May 2, 2008

# Toronto Waterfront Revitalization Corporation

## Statement of financial position

March 31, 2008

|   | 2008              | 2007       |
|---|-------------------|------------|
|   | \$                | \$         |
| <b>Assets</b>                                     |                   |            |
| Current   |                   |            |
| Cash  | 47,893,430        | 36,952,253 |
| Contributions receivable - Province of Ontario    | -                 | 419,989    |
| GST receivable                                    | 1,910,192         | 2,328,495  |
| Prepaid expenses and deposits (Note 15)           | 1,132,709         | 131,860    |
| Accrued interest and other receivables            | 165,544           | 111,945    |
|   | <b>51,101,875</b> | 39,944,542 |
| Capital assets (Note 4)                           | 40,155,868        | 27,071,288 |
| Other assets (Note 5)                             | 192,509           | 108,202    |
|   | <b>91,450,252</b> | 67,124,032 |
| <b>Liabilities and net assets</b>                 |                   |            |
| Current   |                   |            |
| Accounts payable and accrued liabilities (Note 6) | 17,893,200        | 12,754,132 |
| Deferred contributions and grants (Note 8)        | 33,168,475        | 26,641,866 |
| Other liabilities - current (Note 7)              | 22,179            | 104,361    |
|   | <b>51,083,854</b> | 39,500,359 |
| Accrued benefit liability (Note 14)               | 78,768            | 72,686     |
| Other liabilities (Note 7)                        | 1,538,133         | -          |
|   | <b>52,700,755</b> | 39,573,045 |
| Net assets  | <b>38,749,497</b> | 27,550,987 |
|   | <b>91,450,252</b> | 67,124,032 |

### Commitments (Note 15)

Approved by the Board



Director



Director

# Toronto Waterfront Revitalization Corporation

## Statement of financial activities and net assets year ended March 31, 2008

|  | 2008                | 2007         |
|--|---------------------|--------------|
|  | \$                  | \$           |
| <b>Revenue</b>   |                     |              |
| Government contributions   |                     |              |
| Government of Canada   | <b>39,359,368</b>   | 27,648,747   |
| Province of Ontario  | <b>3,096,932</b>    | 23,381,112   |
| City of Toronto (Note 10)  | <b>48,569,714</b>   | 17,398,559   |
|  | <b>91,026,014</b>   | 68,428,418   |
| Less contributions for land acquisition                                      | <b>(11,198,510)</b> | (15,000,000) |
| Less increase in deferred contributions and grants related to future periods | <b>(6,526,609)</b>  | (7,829,598)  |
| Net government contributions (Note 9)  | <b>73,300,895</b>   | 45,598,820   |
| Rent (Note 7)  | <b>1,015,534</b>    | -            |
| Interest and other   | <b>1,260,330</b>    | 1,540,034    |
|  | <b>75,576,759</b>   | 47,138,854   |
| <b>Expenses</b>  |                     |              |
| Construction/implementation  | <b>31,890,188</b>   | 25,304,592   |
| Design and contract management   | <b>11,547,189</b>   | 3,180,959    |
| Business relocation (Note 12)  | <b>10,256,007</b>   | -            |
| Planning and approvals   | <b>6,098,864</b>    | 4,412,029    |
| Project management   | <b>4,562,237</b>    | 4,993,329    |
| Salaries, fees and benefits  | <b>3,987,374</b>    | 4,246,283    |
| Legal fees   | <b>3,178,612</b>    | 2,102,928    |
| Occupancy, IT and office expenses  | <b>2,244,961</b>    | 1,742,896    |
| Audit, finance and other professional fees                                   | <b>1,516,900</b>    | 1,480,124    |
| Amortization   | <b>294,427</b>      | 267,640      |
| Non-recoverable GST  | -                   | (591,926)    |
|  | <b>75,576,759</b>   | 47,138,854   |
| Excess of revenue over expenses  | -                   | -            |
| Net assets, beginning of year  | <b>27,550,987</b>   | 12,550,987   |
| Add government contributions for land acquisition                            | <b>11,198,510</b>   | 15,000,000   |
| <b>Net assets, end of year</b>   | <b>38,749,497</b>   | 27,550,987   |

# Toronto Waterfront Revitalization Corporation

## Statement of cash flows year ended March 31, 2008

|   | <b>2008</b>         | 2007         |
|---|---------------------|--------------|
|   | \$                  | \$           |
| <b>Operating</b>  |                     |              |
| Excess of revenue over expenses   | -                   | -            |
| Amortization which does not involve cash  |                     |              |
| Capital assets  | <b>294,427</b>      | 267,640      |
| Forgone lease revenue   | -                   | 414,567      |
|   | <b>294,427</b>      | 682,207      |
| Changes in non-cash operating items   |                     |              |
| Decrease (increase) in GST receivable   | <b>418,303</b>      | (2,096,451)  |
| Increase in prepaid expenses and deposits,<br>accrued interest and receivables, and<br>other assets | <b>(1,138,755)</b>  | (88,478)     |
| Decrease in contributions receivable  | <b>419,989</b>      | 3,381,438    |
| Increase (decrease) in accounts payable<br>and accrued liabilities                                  | <b>5,139,068</b>    | (2,497,154)  |
| Increase (decrease) in other liabilities  | <b>1,455,951</b>    | (335,074)    |
| Increase in accrued benefit liability   | <b>6,082</b>        | 61,422       |
| Increase in deferred contributions and grants   | <b>6,526,609</b>    | 7,829,598    |
|   | <b>13,121,674</b>   | 6,937,508    |
| <b>Investing and financing</b>  |                     |              |
| Government contributions for non-amortized<br>capital assets  | <b>11,198,510</b>   | 15,000,000   |
| Acquisition of capital assets   | <b>(13,379,007)</b> | (14,473,500) |
|   | <b>(2,180,497)</b>  | 526,500      |
| Net inflow of cash  | <b>10,941,177</b>   | 7,464,008    |
| Cash, beginning of year   | <b>36,952,253</b>   | 29,488,245   |
| <b>Cash, end of year</b>  | <b>47,893,430</b>   | 36,952,253   |

# Toronto Waterfront Revitalization Corporation

## Notes to the financial statements

March 31, 2008

### 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.

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 does not have the capacity to act as an agent of Her Majesty The Queen, in right of Canada ("Government of Canada"), Her Majesty in right of Ontario ("Province of Ontario") or the City of Toronto (collectively, "the Governments"). If the Corporation is given express written authorization by either the Provincial government or city council then under legislation it can act as an agent for either government. The Corporation is deemed not to be a Crown Agency within the meaning of the Crown Agency Act.

Under the Act, the Corporation's objectives 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. Change in accounting policies - Adoption of new accounting standards

In 2006, the Canadian Institute of Chartered Accountants ("CICA") issued new accounting standards concerning financial instruments: Financial Instruments - Recognition and Measurement ("Section 3855") and Financial Instruments - Disclosure and Presentation ("Section 3861"). The standards require prospective applications and that the Corporation apply the new accounting standards at the beginning of its current fiscal year.

#### *Financial assets and liabilities*

Section 3855 establishes standards for recognizing and measuring financial instruments. Under the new standards, all financial assets are classified into one of the following four categories: held for trading, held-to-maturity, loans and receivables, available-for-sale financial assets. All financial liabilities are classified into one of the following two categories: held for trading or other financial liabilities.

The Corporation's financial assets and financial liabilities are classified and measured as follows:

| <u>Asset/ Liability</u>                  | <u>Category</u>             | <u>Measurement</u> |
|--|-----------------------------|--------------------|
| Cash and cash equivalent                 | Held for trading            | Fair value         |
| Contributions receivable                 | Loans and receivables       | Amortized cost     |
| GST receivable                           | Loans and receivables       | Amortized cost     |
| Accrued Interest                         | Held for trading            | Fair value         |
| Accounts payable and accrued liabilities | Other financial liabilities | Amortized cost     |
| Other liabilities                        | Other financial liabilities | Amortized cost     |

Other accounts noted on the Statement of Financial Position, such as prepaid expenses and deposits, capital assets, other assets, deferred contributions and accrued benefit liability are not within the scope of the new accounting standards as they are not financial instruments.



# Toronto Waterfront Revitalization Corporation

## Notes to the financial statements

March 31, 2008

### 2. Change in accounting policies - Adoption of new accounting standards (continued)

#### *Financial assets and liabilities (continued)*

There was no impact on the Corporation's opening balance sheet for fiscal 2007/08 as a result of the application of these new accounting policies because there was no change in the measurement of any of the Corporation's financial assets or liabilities.

The Corporation has not entered into any derivative transactions. In addition, the Corporation does not have any significant embedded features in contractual arrangements that required separate presentation from the related host contract.

The Corporation is not impacted by interest rate, cash flow, market, liquidity, credit or currency risk.

### 3. 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.

#### *(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 only be applied towards payments of Eligible Costs in respect of Project Activities, as defined in the Agreements. Accordingly, all unspent funds are recorded as deferred contributions.

Contributions from the Governments used for the purchase of amortized capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets. Contributions for the purchase of non-amortized capital assets are recognized as a direct contribution to net 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 actual funding requests and estimated funding requests submitted by the Eligible Recipients in accordance with approved project work plans.

# Toronto Waterfront Revitalization Corporation

## Notes to the financial statements

March 31, 2008

### 3. Significant accounting policies (continued)

#### (e) Capital assets

Capital assets are recorded at cost less accumulated amortization. With the exception of land which is not amortized, capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

|                                |         |
|--------------------------------|---------|
| Leasehold improvements         | 5 years |
| Furniture and fixtures         | 5 years |
| Computer hardware and software | 3 years |
| Equipment                      | 5 years |

Construction in progress comprises capital assets under construction, assets not yet placed in service and pre-construction activities related to specific projects expected to be constructed. Betterments, which extend the estimated life of an asset, are capitalized. Repairs and maintenance costs are charged to expense.

Capital costs incurred by the Corporation on assets for which the Corporation does not have legal title are charged to expense.

#### (f) Taxes

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

On March 28, 2007, the Corporation received a ruling from the Canada Revenue Agency which determined the Corporation to be a municipality pursuant to section 123(1)(b) of the Excise Tax Act. This determination is effective February 1, 2004 and results in the Corporation being eligible to claim a 100% rebate of GST for all property and services acquired by the Corporation from February 1, 2004. Prior to this ruling the Corporation was eligible to claim a 50% GST rebate.

#### (g) Executive pension plan

The Corporation accrues its obligations under the President's pension plan and the related costs, net of plan assets. The Corporation has adopted the following policies:

- The cost of pension benefits earned is actuarially determined using the projected unit credit method pro-rated on service and management's best estimate of expected plan performance, salary escalation and retirement age of the President.
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.
- Actuarial gains (losses) arise from the difference between actual long-term rate of return on plan assets for the year or from changes in actuarial assumptions used to determine the accrued benefit obligation. The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over 6 years.

#### (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. The items subject to the most significant estimates are the amortization of capital assets, accrued liabilities, deferred revenue and accrued benefit liability.

# Toronto Waterfront Revitalization Corporation

## Notes to the financial statements

March 31, 2008

### 4. Capital assets

|   |                   |                             | 2008              | 2007              |
|---|-------------------|-----------------------------|-------------------|-------------------|
|   | Cost              | Accumulated<br>amortization | Net book<br>value | Net book<br>value |
|   | \$                | \$                          | \$                | \$                |
| Land  | 38,749,497        | -                           | 38,749,497        | 26,310,536        |
| Leasehold improvements                        | 553,407           | 236,651                     | 316,756           | 220,016           |
| Furniture and fixtures                        | 580,758           | 325,700                     | 255,058           | 238,902           |
| Computer hardware and<br>software             | 719,542           | 434,880                     | 284,662           | 217,779           |
| Office equipment                              | 121,352           | 48,438                      | 72,914            | 84,055            |
| Construction in progress<br>- District Energy | 476,981           | -                           | 476,981           | -                 |
|   | <b>41,201,537</b> | <b>1,045,669</b>            | <b>40,155,868</b> | <b>27,071,288</b> |

The Corporation owns land containing environmental contamination. As the Corporation does not have any legal obligation to remediate the lands, no environmental remediation liability has been recognized in these financial statements. The costs associated with the Corporation's voluntary environmental remediation, which depends on the ultimate use of the lands, will be recognized in the period incurred.

The Corporation owns two properties containing buildings. Both buildings have been recorded at a carrying value of \$nil. At the time of acquisition, one of the buildings is not intended to be used and as such the cost of demolition has been added to the carrying value of the land. The other building is being rented out on an interim basis after which time it will be demolished. The present value of the net operating income and the cost of demolition of the second building is estimated at \$nil.

### 5. Other assets

Other assets of \$192,509 (2006 - \$108,202) represent the portion of environmental impairment liability insurance paid in advance by the Corporation. The Corporation's coverage is for two properties with coverage ending September 22, 2015 and December 21, 2012, respectively. The total cost is being amortized on a straight line basis over the term of the coverage.

|                      | 2008           | 2007           |
|----------------------|----------------|----------------|
|                      | \$             | \$             |
| Total other assets   | 235,635        | 122,672        |
| Less current portion | 43,126         | 14,470         |
| Long-term portion    | <b>192,509</b> | <b>108,202</b> |

# Toronto Waterfront Revitalization Corporation

## Notes to the financial statements

March 31, 2008

### 6. Accounts payable and accrued liabilities

|                      | 2008              | 2007              |
|----------------------|-------------------|-------------------|
|                      | \$                | \$                |
| Accounts payable:    |                   |                   |
| Eligible Recipients  | 2,011,106         | 1,280,099         |
| Other                | 3,956,662         | 2,618,321         |
| Accrued liabilities: |                   |                   |
| Eligible Recipients  | 6,931,878         | 7,468,880         |
| Other                | 4,748,763         | 1,222,053         |
| Holdbacks payable    | 244,791           | 164,779           |
|                      | <b>17,893,200</b> | <b>12,754,132</b> |

Eligible Recipient accrued liabilities include \$4,137,333 (2007 - \$4,408,914) for completion of a property acquisition related to the Front Street extension. Under the terms of the contribution agreement, the Corporation cannot release payment to the Eligible Recipient, City of Toronto, until completion of the Canadian Environmental Assessment Agency approval process or until written permission is received from each level of government.

### 7. Other liabilities

Other liabilities at March 31, 2008 total \$1,560,312 (March 31, 2007 - \$104,361) and represent deposits and/or rent received in advance from tenants or future obligations related to business relocation (Note 12). Other liabilities as at March 31, 2007 represent the unamortized balance of net lease revenue forgone by the Corporation, as well as the balance of the lease liability arising from an exit activity.

|  | 2008             | 2007     |
|--|------------------|----------|
|  | \$               | \$       |
| Lease liability at cease-use date                | -                | 118,553  |
| Lease payments                                   | -                | (97,323) |
| Exit activity lease liability, closing balance   | -                | 21,230   |
| Deposits/rent in advance from tenants            | 22,179           | -        |
| Business relocation future obligations (Note 12) | 1,538,133        | -        |
| Deferred revenue                                 | -                | 83,131   |
| Total other liabilities                          | 1,560,312        | 104,361  |
| Less current portion                             | 22,179           | 104,361  |
|  | <b>1,538,133</b> | <b>-</b> |

#### *Deferred revenue*

For the period from February 22 to June 30, 2007, the Corporation received \$109,268 in rent revenues (March 31, 2007 - \$83,131) that was recorded as deferred revenue. Under Bill 151 Section 3(5), the Corporation is not entitled to raise revenue unless it has the consent of the Government of Canada, the Province of Ontario and the City of Toronto or unless it is authorized to do so by a regulation. The Corporation obtained such consent on July 2, 2007 from the three levels of Government. As such, rent revenues previously recorded as deferred revenue were recognized as revenue for the year ended March 31, 2008.

# Toronto Waterfront Revitalization Corporation

## Notes to the financial statements

March 31, 2008

### 7. Other liabilities (continued)

#### *Exit activity lease liability*

On June 26, 2006 the Corporation moved office locations and ceased using its leased premises at 207 Queens Quay West. The Corporation continued to be responsible for the operating lease of these premises until May 31, 2007. A liability at fair value was recognized at the cease-use date, determined based on the remaining lease rentals reduced by the estimated sub-lease rentals that could be reasonably obtained for the property. This liability was recognized under Other liabilities in the Statement of Financial Position as at March 31, 2007 and was being amortized against the remaining lease payments (included in Occupancy, IT and office expenses in the Statement of Financial Activities and Net Assets). This liability was fully amortized as at May 31, 2007. In addition, the Corporation has fully amortized the leasehold improvements associated with the old premises (included in Capital Assets).

### 8. Deferred contributions and grants

Deferred contributions and grants represent contributions from the Governments which have not been applied to eligible costs at March 31, 2008, as well as contributions received for the purchase of capital assets.

|  | <b>2008</b>         | 2007         |
|--|---------------------|--------------|
|  | \$                  | \$           |
| Expenses of future years               |                     |              |
| Balance, beginning of year             | <b>27,146,433</b>   | 18,083,260   |
| Additional contributions received      | <b>77,641,998</b>   | 54,394,353   |
| Less amounts recognized as revenue     | <b>(73,006,468)</b> | (45,331,180) |
| <b>Balance, end of year</b>            | <b>31,781,963</b>   | 27,146,433   |
| Capital contributions                  |                     |              |
| Balance, beginning of year             | <b>(504,567)</b>    | 729,008      |
| Acquisition of capital assets          | <b>13,384,016</b>   | 14,473,500   |
| Less direct contribution to net assets | <b>(11,198,510)</b> | (15,000,000) |
| Net revenues reimbursed to tenant      | -                   | (24,868)     |
| Less amortization to cost of land      | -                   | (414,567)    |
| Less amount amortized to revenue       | <b>(294,427)</b>    | (267,640)    |
| <b>Balance, end of year</b>            | <b>1,386,512</b>    | (504,567)    |
|  | <b>33,168,475</b>   | 26,641,866   |

# Toronto Waterfront Revitalization Corporation

## Notes to the financial statements

March 31, 2008

### 9. Government contributions

The Government of Canada, the Province of Ontario and the City of Toronto have agreed to provide the Corporation with funds to pay for eligible costs in respect to Project Activities. The table below sets out the Contribution Agreements and grants in place since the inception of the Corporation:

| Contribution Agreement                                 | City of Toronto    | Province of Ontario | Government of Canada | Total              | Expiry Date |
|--|--------------------|---------------------|----------------------|--------------------|-------------|
|  | \$                 | \$                  | \$                   | \$                 |             |
| <b>1 Priority Projects</b>                             |                    |                     |                      |                    |             |
| Development Plan & Business Strategy                   | 1,000,000          | 1,000,000           | 1,000,000            | 3,000,000          | 31-Mar-2008 |
| Front Street Extension                                 | 56,666,666         | 56,666,667          | 56,666,667           | 170,000,000        | 31-Mar-2008 |
| Lower Don River Environmental Assessments              | 1,000,000          | 1,000,000           | 1,000,000            | 3,000,000          | 31-Mar-2008 |
| Portlands Preparation                                  | 20,233,334         | 20,233,333          | 20,233,333           | 60,700,000         | 31-Mar-2008 |
| <b>Total Priority Projects</b>                         | <b>78,900,000</b>  | <b>78,900,000</b>   | <b>78,900,000</b>    | <b>236,700,000</b> |             |
| <b>2 Core Projects - Precinct Planning</b>             | <b>2,352,333</b>   | <b>2,352,333</b>    | <b>2,352,333</b>     | <b>7,057,000</b>   | 31-Mar-2008 |
| <b>3 Commissioners Park Land</b>                       | <b>3,333,333</b>   | <b>3,333,333</b>    | <b>3,333,334</b>     | <b>10,000,000</b>  | 31-Mar-2008 |
| <b>4 Western Beaches Watercourse Facility</b>          | -                  | -                   | <b>200,000</b>       | <b>200,000</b>     | 30-Sep-2004 |
| <b>5 Western Beaches Watercourse Facility</b>          | <b>4,000,000</b>   | <b>4,000,000</b>    | <b>19,000,000</b>    | <b>27,000,000</b>  | Nov-30-2006 |
| <b>6 Shakespeare Works</b>                             | -                  | -                   | <b>1,475,576</b>     | <b>1,475,576</b>   | 31-Mar-2008 |
| <b>7 Tommy Thompson Park</b>                           | -                  | -                   | <b>8,000,000</b>     | <b>8,000,000</b>   | 31-Mar-2008 |
| <b>8 Lake Ontario Park Plan</b>                        | -                  | -                   | <b>1,000,000</b>     | <b>1,000,000</b>   | 31-Mar-2008 |
| <b>9 Port Lands Permanent Beautification</b>           | <b>2,580,000</b>   | <b>2,580,000</b>    | <b>10,000,000</b>    | <b>15,160,000</b>  | 31-Mar-2008 |
| <b>10 West Don Lands Phase 1</b>                       | <b>54,410,000</b>  | <b>24,290,000</b>   | -                    | <b>78,700,000</b>  | 31-Mar-2010 |
| <b>11 University of Peace</b>                          | -                  | -                   | <b>2,938,267</b>     | <b>2,938,267</b>   | 1-Dec-2006  |
| <b>12 Strategic Land Acquisition</b>                   | -                  | -                   | <b>13,237,906</b>    | <b>13,237,906</b>  | 31-Mar-2008 |
| <b>13 Port Lands Interim Sports Fields</b>             | -                  | -                   | <b>5,000,000</b>     | <b>5,000,000</b>   | 31-Mar-2008 |
| <b>14 Don River Park Phase 1 (Design)</b>              | -                  | -                   | <b>2,204,809</b>     | <b>2,204,809</b>   | 31-Mar-2008 |
| <b>15 Port Lands Regional Sports Complex Phase I</b>   | -                  | -                   | <b>200,000</b>       | <b>200,000</b>     | 30-Jun-2006 |
| <b>16 Union Station Second Platform</b>                | <b>40,000,000</b>  | <b>30,000,000</b>   | <b>19,334,000</b>    | <b>89,334,000</b>  | 31-Mar-2012 |
| <b>17 Canada Square Feasibility Study</b>              | -                  | -                   | <b>375,000</b>       | <b>375,000</b>     | 31-Mar-2008 |
| <b>18 Pier 4 Rehabilitation - \$1.5M (superceded)</b>  | -                  | -                   | -                    | -                  |             |
| <b>19 Central Waterfront Public Realm Design</b>       | -                  | -                   | <b>5,725,025</b>     | <b>5,725,025</b>   | 31-Mar-2008 |
| <b>20 Corporate Costs</b>                              | <b>2,707,000</b>   | -                   | <b>8,938,000</b>     | <b>11,645,000</b>  | 31-Mar-2007 |
| <b>21 EBF Parks &amp; Waters Edge Promenade Design</b> | -                  | -                   | <b>8,678,000</b>     | <b>8,678,000</b>   | 31-Mar-2008 |
| <b>22 Project E</b>                                    | -                  | <b>15,000,000</b>   | -                    | <b>15,000,000</b>  | 31-Mar-2008 |
| <b>23 EBF Initial Implementation</b>                   | <b>18,577,750</b>  | <b>6,601,000</b>    | -                    | <b>25,178,750</b>  | 31-Mar-2012 |
| <b>24 District Energy - City agreement</b>             | <b>1,445,000</b>   | -                   | -                    | <b>1,445,000</b>   | 31-Mar-2009 |
| <b>25 Ireland Park</b>                                 | -                  | -                   | <b>500,000</b>       | <b>500,000</b>     | 30-Sep-2007 |
| <b>26 Mimico Park - Province and City</b>              | <b>6,266,000</b>   | <b>2,167,000</b>    | <b>2,167,000</b>     | <b>10,600,000</b>  | 31-Mar-2009 |
| <b>27 Port Union - Province and City</b>               | <b>18,334,000</b>  | <b>5,333,000</b>    | <b>5,333,000</b>     | <b>29,000,000</b>  | 31-Mar-2010 |
| <b>28 Harbourfront Water's Edge</b>                    | <b>6,200,000</b>   | <b>6,200,000</b>    | <b>6,200,000</b>     | <b>18,600,000</b>  | 30-Sep-2006 |
| <b>29 CWPR - Spadina Head of Slip</b>                  | -                  | -                   | <b>4,100,000</b>     | <b>4,100,000</b>   | 31-Mar-2011 |
| <b>30 Pier 4 Rehabilitation (2007)</b>                 | <b>1,500,000</b>   | -                   | -                    | <b>1,500,000</b>   | 31-Mar-2008 |
| <b>31 Strategic Land Acquisition</b>                   | -                  | -                   | <b>9,500,000</b>     | <b>9,500,000</b>   | 31-Mar-2008 |
| <b>32 Lower Don River EA Phase 2</b>                   | -                  | -                   | <b>1,300,000</b>     | <b>1,300,000</b>   | 31-Mar-2011 |
| <b>33 Corporate Cost</b>                               | -                  | -                   | <b>7,519,000</b>     | <b>7,519,000</b>   | 31-Mar-2008 |
| <b>34 Regional Sports Complex</b>                      | -                  | -                   | <b>3,510,996</b>     | <b>3,510,996</b>   | 31-Mar-2011 |
| <b>Grants</b>  |                    |                     |                      |                    |             |
| <b>1 First Waterfront Place</b>                        | <b>12,500,000</b>  | -                   | -                    | <b>12,500,000</b>  | N/A         |
| <b>Total</b>   | <b>253,105,416</b> | <b>180,756,666</b>  | <b>231,022,246</b>   | <b>664,884,329</b> |             |

# Toronto Waterfront Revitalization Corporation

## Notes to the financial statements

March 31, 2008

### 9. Government contributions (continued)

Government contributions are based on each level of government contributing a share of Eligible Costs net of other revenue sources, in accordance with the Contribution Agreements.

|  | 2008                | 2007         |
|--|---------------------|--------------|
|  | \$                  | \$           |
| Government contributions                       |                     |              |
| Government of Canada                           | <b>39,359,368</b>   | 27,648,747   |
| Province of Ontario                            | <b>3,096,932</b>    | 23,381,112   |
| City of Toronto                                | <b>48,569,714</b>   | 17,398,559   |
|  | <b>91,026,014</b>   | 68,428,418   |
| Add opening deferred contributions             |                     |              |
| Government of Canada                           | <b>11,613,854</b>   | 4,709,800    |
| Province of Ontario                            | <b>5,622,836</b>    | 5,546,784    |
| City of Toronto                                | <b>9,405,176</b>    | 8,555,684    |
|  | <b>26,641,866</b>   | 18,812,268   |
| Less contributions for land acquisition        |                     |              |
| Government of Canada                           | <b>(9,797,848)</b>  | -            |
| Province of Ontario                            | <b>87,641</b>       | (15,000,000) |
| City of Toronto                                | <b>(1,488,303)</b>  | -            |
|  | <b>(11,198,510)</b> | (15,000,000) |
| Less closing deferred contributions            |                     |              |
| Government of Canada                           | <b>(9,915,875)</b>  | (11,613,854) |
| Province of Ontario                            | <b>(5,594,887)</b>  | (5,622,836)  |
| City of Toronto                                | <b>(17,657,713)</b> | (9,405,176)  |
|  | <b>(33,168,475)</b> | (26,641,866) |
| Government contributions recognized as revenue |                     |              |
| Government of Canada                           | <b>31,259,499</b>   | 20,744,693   |
| Province of Ontario                            | <b>3,212,522</b>    | 8,305,060    |
| City of Toronto                                | <b>38,828,874</b>   | 16,549,067   |
|  | <b>73,300,895</b>   | 45,598,820   |

### 10. Government grant

Included in contributions from the City of Toronto for the year is a grant of \$12.5 million as a contribution towards the construction of First Waterfront Place in the East Bayfront precinct. First Waterfront Place is being developed by the Toronto Economic Development Corporation (TEDCO). The terms and conditions of the grant required the Corporation to immediately release \$3.5 million to TEDCO towards attainment of LEED Gold certification, with the balance conditional on TEDCO achieving design excellence through participation in Waterfront Toronto's design review process and abiding by recommendations of its Design Review Panel. For the year ended March 31, 2008, the Corporation has recognized a total of \$6.5 million paid to TEDCO as grant revenue and construction/implementation expense in the Statement of Financial Activities. The remaining \$6 million has been recorded as deferred contributions and grants on the Statement of Financial Position as the building design had not been approved by the Corporation's Board of Directors or Design Review Panel as at March 31, 2008.

# Toronto Waterfront Revitalization Corporation

## Notes to the financial statements

March 31, 2008

### 11. Payroll costs

Project management expenses include payroll costs for employees whose activities are directly attributed to specific projects. All other employees' payroll costs are disclosed in "Salaries, fees and benefits" in the Statement of Financial Activities and Net Assets. Total payroll costs for the year ended March 31, 2008 are as follows:

|                                      | <b>2008</b>      | 2007      |
|--------------------------------------|------------------|-----------|
|                                      | \$               | \$        |
| <b>Payroll costs</b>                 |                  |           |
| Included in project management costs | <b>2,822,183</b> | 729,171   |
| Salaries, fees and benefits          | <b>3,987,374</b> | 4,248,181 |
| <b>Total payroll costs</b>           | <b>6,809,557</b> | 4,977,352 |

### 12. Business relocation costs

During the year the Corporation entered into a contractual agreement with the Toronto Economic Development Corporation (TEDCO) to support their relocation of a tenant of TEDCO from its existing location in the Toronto harbour to a new location more suited to the long-term plans to revitalize the Toronto Waterfront.

In agreeing to move to a new location and subject to certain perfunctory conditions to be satisfied prior to the commencement of the new lease, the tenant surrendered its legal right to extend its current leases every 21 years and agreed to vacate the existing property on a date expected to be on or about August 31, 2011. An amount of \$8,268,000 paid by the Corporation is being held in trust by the tenant's solicitors until satisfaction of conditions and delivery of vacant possession of the existing property. This will be repaid to the Corporation if the conditions are not satisfied. The existing leases have been effectively amended to expire three months after the commencement date of the new lease.

Given that the tenant has signed the new lease while not yet vacating the existing location, management is of the view that the essence of the transaction is to end/reduce the term of the existing leases. Management believes that the actual surrender of the property is highly likely, given the provisions of the new agreements including that the tenant is not required to dismantle existing structures. Therefore management considers the condition to vacate perfunctory and has accordingly recorded the Corporation's total obligations of \$10,176,500 in the fiscal year as business relocation expense. Of this amount \$1,538,100 has been recorded in Other Liabilities and is expected to be paid out in August, 2011 when the relocation occurs.



# Toronto Waterfront Revitalization Corporation

## Notes to the financial statements

March 31, 2008

### 13. Eligible recipient costs

The Corporation has agreements with Eligible Recipients who are 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.

The Corporation has paid or accrued eligible costs during the year pursuant to agreements with Eligible Recipients as follows. These costs (recoveries) are exclusive of the Corporation's costs for these projects.

|  | 2008              | 2007              |
|--|-------------------|-------------------|
|  | \$                | \$                |
| <b>City of Toronto</b>                               |                   |                   |
| Front Street Extension                               | (271,581)         | -                 |
| <b>Toronto Transit Commission</b>                    |                   |                   |
| Union Station Second Platform                        | 4,133,600         | 1,988,081         |
| Transit Environmental Assessments                    | 705,028           | 363,859           |
| <b>Toronto and Region Conservation Authority</b>     |                   |                   |
| Lower Don River Environmental Assessments            | 819,023           | 606,423           |
| Mimico Park  | 1,778,997         | 1,388,259         |
| Port Union Waterfront Park                           | 3,015,776         | 3,190,076         |
| Western Beaches Watercourse Facility                 | 199,497           | 2,356,728         |
| Tommy Thompson Park                                  | 895,496           | 410,407           |
| Central Waterfront Public Realm                      | 33,285            | -                 |
| East Bayfront Water's Edge Promenade                 | 23,804            | -                 |
| West Don Lands Bridge Enlargement                    | 5,539,664         | 9,688,231         |
| <b>Toronto Economic Development Corporation</b>      |                   |                   |
| Port Lands Permanent Beautification                  | 922,141           | 1,520,047         |
| Commissioners Park Land                              | 2,278,752         | -                 |
| East Bayfront Risk Assessment/ Risk Management Plan  | 792,382           | -                 |
| East Bayfront Site Preparation                       | 290,150           | -                 |
| East Bayfront Infrastructure Design/ Related Studies | 26,211            | -                 |
| <b>Harbourfront Corporation</b>                      |                   |                   |
| Harbourfront Water's Edge                            | -                 | 2,586,368         |
| Pier 4 Rehabilitation                                | 1,258,376         | -                 |
| <b>Ireland Park Foundation</b>                       |                   |                   |
| Central Waterfront - Ireland Park                    | 500,000           | -                 |
| <b>Shakespeare Works</b>                             | 1,889             | (13,741)          |
| <b>University of Peace</b>                           | -                 | 1,181,432         |
|  | <b>22,942,490</b> | <b>25,266,170</b> |

# Toronto Waterfront Revitalization Corporation

## Notes to the financial statements

March 31, 2008

### 14. Executive pension plan

The Corporation maintains a registered pension plan known as "The Pension Plan for Presidents of TWRC (the Plan)". The Plan is a defined benefit plan and was transferred from the President's previous employer to the Corporation, pursuant to the President's employment contract. The Plan was registered in the Corporation's name April 21, 2003 with no assets or liabilities until January 1, 2005 when a transfer was affected from the President's previous employer. The Plan provides pension benefits based on length of service and final average earnings.

The Corporation measures its accrued benefit obligation and the fair value of plan assets for accounting purposes as at March 31 of each year. The most recent actuarial update of the plan was as of March 31, 2008. The last valuation for funding purposes was as of April 21, 2006.

A reconciliation of the funded status of the Plan to the amount recorded in the financial statements is as follows:

|                                  | 2008            | 2007            |
|----------------------------------|-----------------|-----------------|
|                                  | \$              | \$              |
| Accrued benefit obligation       | 1,297,270       | 1,309,659       |
| Fair value of plan assets        | 1,081,106       | 1,002,504       |
| Funded status - plan deficit     | (216,164)       | (307,155)       |
| Unamortized net actuarial loss   | 137,396         | 234,469         |
| <b>Accrued benefit liability</b> | <b>(78,768)</b> | <b>(72,686)</b> |

Details of the accrued benefit obligation are as follows:

|   | 2008             | 2007             |
|---|------------------|------------------|
|   | \$               | \$               |
| Accrued benefit obligation, beginning of year       | 1,309,659        | 1,136,188        |
| Current service cost                                | 34,470           | 35,751           |
| Interest cost on accrued benefit obligation         | 67,206           | 52,737           |
| Actuarial (gain) loss on accrued benefit obligation | (114,065)        | 84,983           |
| <b>Accrued benefit obligation, end of year</b>      | <b>1,297,270</b> | <b>1,309,659</b> |

The Plan expense for the year is determined as follows:

|   | 2008          | 2007          |
|---|---------------|---------------|
|   | \$            | \$            |
| Current service cost                        | 34,470        | 35,751        |
| Interest cost on accrued benefit obligation | 67,206        | 52,737        |
| Expected return on plan assets              | (51,739)      | (41,588)      |
| Amortization of net actuarial loss          | 20,701        | 14,522        |
| <b>Plan expense</b>                         | <b>70,638</b> | <b>61,422</b> |

# Toronto Waterfront Revitalization Corporation

## Notes to the financial statements

March 31, 2008

### 14. Executive pension plan (continued)

The significant actuarial assumptions adopted in measuring the accrued benefit obligation are as follows:

|  | 2008  | 2007  |
|--|-------|-------|
| Discount rate                                    | 5.00% | 4.50% |
| Expected long-term rate of return on plan assets | 5.00% | 4.50% |
| Rate of salary escalation                        | 2.50% | 2.50% |

### 15. Commitments

The Corporation is committed to payments under operating leases for equipment and office space through 2012 in the amount of \$2,184,000. Annual payments for the next four fiscal years are as follows:

|      | \$               |
|------|------------------|
| 2009 | 671,500          |
| 2010 | 670,000          |
| 2011 | 675,500          |
| 2012 | 167,000          |
|      | <u>2,184,000</u> |

In addition, the Corporation has other commitments of \$35,263,000 (2007 - \$21,843,182). These commitments comprise contracts directly entered into by the Corporation, purchase and sale agreements and/or delivery agreements with Eligible Recipients who are responsible for managing various projects on Toronto's waterfront. Included in prepaid expenses and deposits on the Statement of Financial Position is a deposit of \$1,000,000, for a purchase and sale agreement which is expected to close in the next fiscal year.

### 16. 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:
- (i) a project,
  - (ii) the performance of a contract or breach of any term or condition, or
  - (iii) 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 to indemnify the Corporation from and against liability on the same basis outlined above.

# Toronto Waterfront Revitalization Corporation

## Notes to the financial statements

March 31, 2008

### 16. Guarantees (continued)

#### (a) (continued)

The Corporation requires all third party contractors to indemnify each level of government and the Corporation, its officers, employees and agents against all claims and liabilities caused by or arising 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 negligent or willful act or omission 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.

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.

### 17. Comparative figures

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