

Financial statements of

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

March 31, 2018

Toronto Waterfront Revitalization Corporation

March 31, 2018

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Management's Responsibility for the Financial Statements


June 28, 2018

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 accordance with Canadian public sector accounting standards established by the Chartered Professional Accountants of Canada (CPA Canada). Significant accounting policies of the Corporation are described in Note 2 to the 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.

Management meets with the external auditors, the Finance, Audit and Risk Management 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 BDO Canada LLP, the independent external auditors appointed by the Board of Directors. The accompanying Independent Auditor's Report outlines Management's responsibilities, the auditor's responsibilities, the scope of its examination and its opinion on the Corporation's financial statements.



President and CEO



Chief Financial Officer



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Independent Auditor's Report

To the Board of Directors of Toronto Waterfront Revitalization Corporation

We have audited the accompanying financial statements of Toronto Waterfront Revitalization Corporation, which comprise the statement of financial position as at March 31, 2018, and the statements of financial activities, remeasurement gains and losses, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Toronto Waterfront Revitalization Corporation as at March 31, 2018, and the results of its operations, its remeasurement gains and losses and its cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

BDO CANADA LLP

Chartered Professional Accountants, Licensed Public Accountants
Mississauga, Ontario
June 28, 2018

Toronto Waterfront Revitalization Corporation

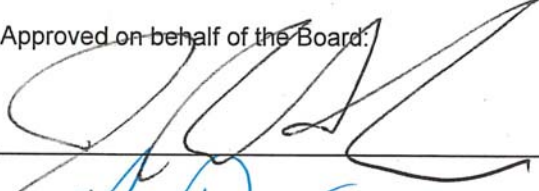
Statement of financial position


as at March 31, 2018

	March 31, 2018	March 31, 2017
	\$	\$
Assets		
Current assets		
Cash (Note 9)	42,189,860	16,966,265
Short-term investments	17,131,766	15,052,356
Receivables (Note 3)	2,181,400	18,072,577
Deposits and prepaid expenses and other assets (Note 4)	7,442,441	4,785,015
	68,945,467	54,876,213
Restricted cash and investments (Note 5)	12,496,396	11,484,278
Assets under development (Note 6)	346,825,441	300,135,354
Capital assets (Note 7)	88,725,244	87,699,936
Other assets (Note 8)	34,181	26,625
	517,026,729	454,222,406
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities (Note 10)	21,848,815	6,700,489
Deferred contributions (Note 11)	57,429,281	45,446,291
Other liabilities and settlements (Note 12)	1,084,505	466,631
	80,362,601	52,613,411
Other liabilities and settlements (Note 12)	4,688,183	5,491,844
	85,050,784	58,105,255
Net assets (Note 13)	431,975,945	396,117,151
	517,026,729	454,222,406

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

Approved on behalf of the Board:


 _____ Director


 _____ Director

Toronto Waterfront Revitalization Corporation
Statement of financial activities
as at March 31, 2018

	March 31, 2018	March 31, 2017
	\$	\$
Revenue		
City of Toronto	49,006,608	5,804,106
Other restricted contributions	3,209,591	4,027,662
Province of Ontario	-	4,000,000
	52,216,199	13,831,768
Less: Government contributions for assets under development	(35,733,103)	(11,471,822)
Increase/(decrease) in deferred contributions for continuing operations related to future periods	(11,982,990)	12,896,550
	4,500,106	15,256,496
Expenses (Note 14)		
Strategic Initiatives	4,110,060	4,882,400
Complete Communities	2,725,101	7,934,825
Eastern Waterfront Transit	1,195,769	827,720
Public Places	467,743	699,530
	8,498,673	14,344,475
(Deficiency)/Excess of revenues over expenses before other items	(3,998,567)	912,021
Net other operating income (Note 17)	2,595,916	2,148,935
Other income from sale of land (Note 18)	1,520,328	3,326,343
Excess of revenues over expenses	117,677	6,387,299

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

Toronto Waterfront Revitalization Corporation
Statement of remeasurement gains and losses
year ended March 31, 2018

	March 31, 2018	March 31, 2017
	\$	\$
Accumulated remeasurement gains, beginning of the year	127,371	1,635
Unrealized gains (losses) attributable to foreign currency transactions	190,043	-
short term investments	(182,029)	125,736
Net remeasurement gains for the year	8,014	125,736
Accumulated remeasurement gains, end of the year	135,385	127,371

Statement of changes in net assets
year ended March 31, 2018

	March 31, 2018	March 31, 2017
	\$	\$
Net assets, beginning of year	396,117,151	404,781,843
Add: Excess of revenue over expenses	117,677	6,387,299
Add: Net remeasurement gains	8,014	125,736
Less: transfer of assets to Government	-	(26,649,549)
Add: Government contributions for assets under development	35,733,103	11,471,822
Net assets, end of the year	431,975,945	396,117,151

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

Toronto Waterfront Revitalization Corporation
Statement of cash flows
year ended March 31, 2018

	March 31, 2018	March 31, 2017
	\$	\$
Cash flows from operating activities		
Cash received from:		
Unrestricted contributions for operating activities	17,797,717	12,063,680
Government and other restricted contributions for operating activities	7,311,432	13,339,336
Sales tax rebates	2,137,055	2,844,370
Net rental income received for operating activities	1,754,451	2,276,602
Investment income received for operating activities	294,074	116,685
	29,294,729	30,640,673
Cash paid for:		
Planning and implementation expenses	(18,061,049)	(11,843,197)
Project support expenses	(8,703,568)	(8,105,228)
Transfer payments	(540,730)	(788,500)
	(27,305,347)	(20,736,925)
Net cash received from operating activities	1,989,382	9,903,748
Cash flows from capital activities		
Cash received from government contributions for assets under development	46,717,433	16,962,658
Cash used to acquire assets under development	(20,481,855)	(15,210,574)
Cash used to acquire capital assets	(602,433)	(321,717)
Net cash received for capital activities	25,633,145	1,430,367
Cash flows from investing activities		
Cash used to purchase additional security investments	(2,389,564)	(1,621,362)
Invested in restricted cash	(9,368)	86,430
Cash received from short term investments redemption	-	1,000,000
Net cash paid from investment activities	(2,398,932)	(534,932)
Increase in cash	25,223,595	10,799,183
Cash, beginning of the year	16,966,265	6,167,082
Cash, end of the year	42,189,860	16,966,265

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

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

March 31, 2018

1. 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.

2. Significant accounting policies

(a) Basis of presentation

These financial statements have been prepared in accordance Canadian public sector accounting standards for not-for-profit organizations including the 4200 series of standards contained in the Chartered Professional Accountants (CPA) handbook.

(b) Revenue recognition

The Corporation follows the deferral method of accounting for restricted contributions. Under this method, restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Restricted contributions for which the related restrictions remain unfulfilled are accumulated as deferred contributions.

Contributions 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 such as land as well as assets under development which will be transferred to government(s) upon completion are recognized as a direct contribution to net assets.

Under the Contribution Agreements, contributions from the Governments can only be applied towards payments of eligible costs in respect of project activities, as defined in the Contribution Agreements. Unrestricted contributions such as other operating items are recognized as revenue in the current period.

In addition to contributions, the Corporation has several other revenue streams, which it accounts for as follows:

(i) Property Operations: Property revenues primarily consist of rental revenues from leasing activities and parking operations. Revenues from parking operations are recognized at the point of service on a cash basis. Property rental income is recognized as it is earned over the course of a tenants lease. Waterfront Toronto has retained substantially all of the risks and benefits of ownership of the properties which it rents out and therefore accounts for leases with its tenants as operating leases. Rental revenue includes recoveries of operating expenses, including property, capital and similar taxes. Operating expense recoveries are recognized in the period that they are chargeable to tenants.

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

March 31, 2018

2. Significant accounting policies (con't)

(ii) **Land Sales:** The gain or loss from the sale of real property owned by TWRC is recognized when title passes to the purchaser (control is transferred) upon closing at which time all or substantially all of the funds are receivable, or have been received, and the conditions of the sale have been completed.

(iii) **Delivery Agreements:** The Corporation has entered into certain agreements to deliver construction management and development services. Under these agreements, TWRC bills eligible costs to clients as they are incurred. Revenue from delivery agreements is recognized at the time of billing, when the costs become measurable and collection is reasonably assured.

(c) Financial instruments

Financial instruments are recorded at cost when acquired, except for contributions that are recorded at fair value. In subsequent periods, investments traded in an active market are reported at fair value, with any unrealized gains and losses reported in the statement of remeasurement gains and losses. All other financial instruments are recorded at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost.

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

(i) **Level 1:** Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;

(ii) **Level 2:** Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(iii) **Level 3:** Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Short-term investments consist of guaranteed investment certificates (GICs) and cashable bonds, which mature in December 2019. GICs are classified as Level 1 in the fair value hierarchy whereby their fair value is based on quoted prices in active markets for identical assets. Cashable bonds are classified as level 2 in the fair value hierarchy whereby their fair value is based on inputs other than quoted prices included in level 1 that are observable for the asset either directly or indirectly. There have been no transfers from Level 1, Level 2 or Level 3.

(d) Transfer payments and grants

The Corporation has entered into agreements with third parties who are responsible for managing various projects on Toronto's Waterfront. Expenditures related to these projects are recorded in the statement of financial activities as transfer payments and grants. Under the terms of the agreements, the Corporation does not assume ownership or ongoing operational responsibility during development or upon project completion.

(e) Allocation of general support expenses

The Corporation incurs a number of general support expenses that are common to the administration of the organization and each of its projects. General support expenses are incurred to support the functional areas of construction/implementation, planning, design and approvals, and project management. The expenses are allocated using a burden rate based on general support expenses as a proportion of direct labour costs.

(f) Taxes

The Corporation is exempt from income taxes pursuant to paragraph 149(1) (d.3) of the Income Tax Act (Canada) and is eligible to claim a rebate of approximately 86.5% for HST paid on property and services acquired pursuant to section 123(1)(b) of the Excise Tax Act. TWRC is registered with the Canada Revenue Agency as a qualified donee and is eligible to issue official donation receipts and receive gifts from registered charities.

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

March 31, 2018

2. Significant accounting policies (con't)

(g) Assets under development

Assets under development represent those investments in assets which the Corporation has been directed to develop under an executed agreement and the Corporation has actual or beneficial ownership over during the development stage. Land under development under this category represents all costs associated with getting a parcel of land site ready for development, including costs associated with contracting with a developer, rezoning, and soil management and treatment.

Upon substantial completion these assets are either transferred to a respective government who assumes ownership and ongoing operational responsibility, transferred to capital assets for those assets the Corporation continues to have actual or beneficial ownership over, or sold to a third party. The assets transferred to a respective government are considered a related party transaction and the difference between cost and proceeds is recorded directly to net assets. Any gain or loss on assets sold to a third party is recorded through the statement of financial activities.

Assets under development are recognized at cost, are not amortized and include both direct project costs as well as overhead costs directly attributable to the asset under development.

(h) Capital assets

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

Parking facility	10 years
Computer hardware and software	3 years
Leasehold improvements	5 years
Furniture and fixtures	5 years
Office equipment	5 years

The cost incurred to enhance the service potential of a capital asset, including land, is a betterment and capitalized to the asset. Repairs and maintenance costs are charged to expense. When a capital asset no longer contributes to the Corporation's ability to provide services or the value of future economic benefits associated with the capital asset is less than its net book value, the carrying value of the capital asset is reduced to reflect the decline in the asset's value.

(i) Use of estimates

The preparation of financial statements 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 and impairment of capital assets, accrued liabilities, deferred revenue and accrued benefit liability.

(j) Trusts under administration

Trusts administered by TWRC are not consolidated in the financial statements as they are not controlled by the Corporation.

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

March 31, 2018

3. Receivables

	March 31, 2018	March 31, 2017
	\$	\$
HST receivable	1,182,501	162,480
Rent and other receivables	998,899	1,787,386
Sale of parking facility (Note 18)	-	11,687,382
Developer receivables	-	4,000,000
City of Toronto	-	435,329
	2,181,400	18,072,577

4. Deposits and prepaid expenses

	March 31, 2018	March 31, 2017
	\$	\$
Construction deposits	4,464,939	4,464,939
Prepaid expenses	2,959,506	287,610
Current portion of prepaid expenses and rent receivables (Note 8)	17,996	32,467
	7,442,441	4,785,015

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 (2017 - \$2,181,199) are non-interest bearing; and the construction deposits outstanding from Toronto Hydro of \$2,283,740 (2017 - \$2,283,740) will be returned to TWRC including interest at the Prime Business Rate set by the Bank of Canada less two percent.

5. Restricted cash and investments

The Corporation has received deposits that are subject to restrictions that prevent its use for operating purposes, as outlined below:

	March 31, 2018	March 31, 2017
	\$	\$
East Bayfront public art	3,174,803	3,130,500
Deposit - Broadband services	2,803,370	2,803,370
Deposit - Bayside project agreement	2,155,938	2,125,852
West Don Lands security fund	1,574,638	1,574,638
East Bayfront child care facility	1,468,641	1,448,147
Holdbacks payable (including HST)	1,101,631	110,129
Escrow Account - River city development	217,375	291,642
	12,496,396	11,484,278

West Don Lands Security funds of \$1,574,638 represent financial security for municipal infrastructure necessary for West Don Lands Phase 1 development to be released to Waterfront Toronto in fiscal year 2018/19.

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

March 31, 2018

6. Assets under development

The following table details assets under development by category:

	March 31, 2018	March 31, 2017
	\$	\$
Roads, public realm, utilities	255,207,795	244,640,810
Land under development	73,929,074	39,838,237
Parkland	17,688,572	15,656,307
	346,825,441	300,135,354

The following table details assets under development by precinct:

	Complete Communities	The Port Lands	Public Places	Quayside	Total
	\$	\$	\$	\$	\$
Opening balance, April 1, 2017	288,445,905	1,464,729	8,952,201	1,272,519	300,135,354
Capital additions	9,891,719	27,637,370	1,155,877	882,711	39,567,676
Direct project management - Note 14	1,102,710	829,300	247,336	783,194	2,962,540
General and support expenses - Note 14	1,498,725	1,299,854	326,722	1,034,570	4,159,871
Balance, March 31, 2018	300,939,059	31,231,253	10,682,136	3,972,994	346,825,441

There were no transfers of completed assets during the year ended March 31, 2018.

7. Capital assets

	March 31, 2018		March 31, 2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	\$	\$	\$	\$
Land	87,305,565	-	87,305,565	-
Computer hardware and software	4,178,438	3,033,392	3,224,739	2,874,875
Leasehold improvements	963,034	698,138	720,569	681,895
Furniture and fixtures	669,843	660,215	665,537	660,040
Office equipment	269,054	268,945	269,054	268,718
	93,385,934	4,660,690	92,185,464	4,485,528
Cost less accumulated amortization		88,725,244		87,699,936

Land is recorded at cost in accordance with the significant accounting policy. Certain land, known as Quayside, has approximately 2,700,000 square feet zoned for development.

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 (2017 - \$Nil).

8. Other assets

	March 31, 2018	March 31, 2017
	\$	\$
Developer receivable	-	26,625
Prepaid expenses and rent receivables	52,177	32,467
	52,177	59,092
Less: current portion (Note 4)	(17,996)	(32,467)
	34,181	26,625

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

March 31, 2018

9. Credit facility

In 2015, the Corporation secured a revolving credit facility which provides for a maximum borrowing amount of \$40 million. The facility bears interest at the Canadian Prime less 0.25%. The interest rate was 3.20% at March 31, 2018 (2017 - 2.45%). The facility is secured by a first lien interest over several of the Corporation's real properties in the City of Toronto and a General Security Agreement creating a first priority interest over property of the Corporation not obtained through a contribution agreement, including accounts receivable. At March 31, 2018, the available borrowing limit is \$37 million as a result of a Letter of Credit issued by Waterfront Toronto during the year to the Department of Fisheries and Oceans for the Cherry Street Stormwater and Lakefilling project.

Under the current financing agreement, the Corporation is subject to a financial covenant. The revolving credit facility stipulates that the Corporation must ensure that the most recent appraised value of the properties which secure the facility at all times provide a minimum of 150% coverage for the outstanding amount of credit. As at March 31, 2018, the Corporation is in compliance with this covenant and expects to be in compliance for the next 12 months.

10. Accounts payable and accrued liabilities

	March 31, 2018	March 31, 2017
	\$	\$
Accrued liabilities	17,946,776	5,555,936
Accounts payable	2,905,404	1,047,093
Holdbacks payable	996,635	97,460
	21,848,815	6,700,489

11. Deferred contributions

Deferred contributions represent project specific contributions from Governments which have not been applied to eligible costs at March 31, 2018, as well as contributions received for the acquisition of capital assets which have yet to be amortized.

	March 31, 2018	March 31, 2017
	\$	\$
Expenditures of future periods		
Balance, beginning of year	45,051,919	50,925,223
Additional contributions	16,658,257	2,235,715
Less: amounts recognized as revenue	(4,324,944)	(8,109,019)
Balance, end of year	57,385,232	45,051,919
Capital contributions		
Balance, beginning of year	394,372	7,417,618
Add: contributions for acquisition of capital assets and assets under development	35,557,942	11,596,053
Less: direct contribution to net assets	(35,733,103)	(11,471,822)
Less: amount amortized to revenue	(175,162)	(7,147,477)
Balance, end of year	44,049	394,372
	57,429,281	45,446,291

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

March 31, 2018

12. Other liabilities and settlements

Other liabilities and settlements largely represent security and developer deposits.

	March 31, 2018	March 31, 2017
	\$	\$
Deposit - broadband services	2,525,038	2,989,064
Deposit - Bayside project agreement	2,163,145	2,131,658
Deposit - rent and other	1,084,505	466,631
Accrued benefit liability	-	371,122
Total other liabilities	5,772,688	5,958,475
Less: current portion	(1,084,505)	(466,631)
	4,688,183	5,491,844

13. Net assets

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

	March 31, 2018	March 31, 2017
	\$	\$
Invested in capital assets (net of deferred capital contributions)	87,305,565	87,305,565
Invested in assets under development	346,825,441	300,135,354
Unrestricted (deficit)/surplus (Note 13b)	(2,290,446)	8,548,861
Accumulated re-measurement gains	135,385	127,371
	431,975,945	396,117,151

b) Unrestricted surplus/(deficit)

	March 31, 2018	March 31, 2017
	\$	\$
Unrestricted surplus/(deficit), opening balance	8,548,861	(1,390,549)
Excess of revenue over expenses	117,677	6,387,299
Contributed capital for parking facility	-	9,750,638
Transfer to assets under development	(10,956,984)	(6,198,527)
Unrestricted (deficit)/surplus, closing balance	(2,290,446)	8,548,861

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

March 31, 2018

14. Expenses by Precinct and Function

	Strategic Initiatives	Complete Communities	Eastern Waterfront Transit	Public Places	Quayside	The Port Lands	Total March 31, 2018
<i>Direct project costs:</i>	\$	\$	\$	\$	\$	\$	\$
Transfer payments and grants	-	-	-	58,318	-	-	58,318
Project planning and implementation costs	104,537	1,511,521	728,963	315,929	(30)	(154,758)	2,506,161
Project management - salaries, fees and benefits	1,725,775	1,643,695	201,123	287,615	783,194	984,021	5,625,423
Less project management - salaries, fees and benefits related to assets under development (Note 6)	-	(1,102,710)	-	(247,336)	(783,194)	(829,300)	(2,962,540)
	1,830,312	2,052,506	930,086	414,526	(30)	(37)	5,227,362
<i>General expenses:</i>							
Salaries, fees and benefits	1,421,395	1,353,792	165,650	236,888	645,060	810,467	4,633,252
General and office administration	476,551	453,886	55,538	79,421	216,269	271,725	1,553,390
Communications, marketing and government relations	196,576	187,227	22,909	32,761	89,212	112,086	640,771
Information technology	185,226	176,415	21,586	30,869	84,059	105,614	603,769
Less general & support costs allocated to assets under development (Note 6)	2,279,748	2,171,320	265,683	379,939	1,034,600	1,299,892	7,431,182
	(1,498,725)	(1,498,725)	(326,722)	(1,034,570)	(1,299,855)	(4,159,871)	
	4,110,060	2,725,101	1,195,769	467,743	-	-	8,498,673

General expenses for the year ending March 31, 2018 have been allocated to precincts using an overhead burden rate of 1.32 (2017 - 1.66) for every \$1 of direct labour (project management - salaries and benefits). Total salaries, fees and benefits for the Corporation were \$10,258,675 for the year ending March 31, 2018 (2017 - \$10,411,361) comprising direct project management salaries, fees and benefits of \$5,625,423 (2017 - \$4,730,644) and general salaries, fees and benefits of \$4,633,252 (2017 - \$5,680,718).

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

March 31, 2018

14. Expenses by Precinct and Function (Cont.)

	Strategic Initiatives	Complete Communities	Eastern Waterfront Transit	Public Places	Quayside	The Port Lands	Total March 31, 2017
	\$	\$	\$	\$	\$	\$	\$
<i>Direct project costs:</i>							
Transfer payments and grants	-	-	-	552,426	-	-	552,426
Project planning and implementation costs	268,059	3,665,110	409,881	(6,449)	(6,758)	(500,772)	3,829,071
Amortization	-	1,245,675	-	-	-	-	1,245,675
Project management - salaries, fees and benefits	1,731,787	2,296,457	159,265	138,129	217,064	187,942	4,730,644
Less Project management - salaries, fees and benefits related to assets under development (Note 6)	-	(1,185,506)	(6,523)	(100,416)	(217,064)	(312,830)	(1,509,509)
	1,999,846	6,021,736	562,623	583,690	(6,758)	(312,830)	8,848,307
<i>General expenses:</i>							
Salaries, fees and benefits	2,079,589	2,757,663	191,251	165,870	260,657	225,688	5,680,718
General and office administration	383,878	509,047	35,304	30,619	48,116	41,661	1,048,625
Communications, marketing and government relations	216,470	287,052	19,908	17,266	27,134	23,492	591,322
Information Technology	202,617	268,683	18,634	16,161	25,396	21,989	553,480
Less general & support costs allocated to assets under development (Note 6)	2,882,554	3,822,445	265,097	229,916	361,303	312,830	7,874,145
	-	(1,909,356)	(114,076)	(354,545)	-	-	(2,377,977)
	4,882,400	7,934,825	827,720	699,530	-	-	14,344,475

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

March 31, 2018

15. Commitments

The Corporation has corporate lease commitments of \$4,894,563 until March 31, 2023.

16. Risk disclosures

(i) Credit risk:

Credit risk arises from cash, short term investments, restricted cash and 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.

(ii) 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.

(iii) 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. At March 31, 2018 had prevailing interest rates raised or lowered by 1% with all other variables held constant excess revenues over expenses would have increased or decreased by \$151,665 (2017 - \$84,098).

(iv) Currency risk: The Corporation has cash denominated in U.S. dollars and is exposed to currency risk. Included in the statement of financial position is \$4,638,905 of cash which has been translated from its U.S. denominated amount.

17. Net other operating income

	March 31, 2018	March 31, 2017
	\$	\$
Rental, parking and other income	4,382,644	4,450,962
Less: operating expenses	(2,850,393)	(3,125,628)
	1,532,251	1,325,334
Interest	841,504	506,835
Other Income	222,161	316,766
Net other operating income	2,595,916	2,148,935

18. Other income from sale of land

During the year ended March 31, 2018, the Corporation received \$1,520,328 as a closing payment associated with the sale of a parcel of land in East Bayfront owned by the City of Toronto.

	March 31, 2018	March 31, 2017
	\$	\$
Sale of parking facility proceeds from sale	-	11,687,382
Less: Net book value	-	(15,679,992)
Less: Costs associated with the sale	-	(381,047)
Loss on sale of parking facility	-	(4,373,657)
Sale of East Bayfront land	1,520,328	7,700,000
Net gain on sale of land and parking facility	1,520,328	3,326,343

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Notes to the financial statements

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19. Trust under administration

In February of 2016, the Corporation became the administrator of the Project Under Gardiner fund (The Bentway). Based on the Memorandum of Understanding dated December 22, 2015, the total cost of the Project Under Gardiner is expected to total \$25,000,000, of which \$23,500,000 will flow to the Corporation from the City of Toronto to be used towards the execution of the project. The current estimated cost of the project is \$26,563,159 due to additional scope pursuant to the delivery agreement between the Corporation and the City of Toronto for the Events Dock and Garisson project and the Bentway Conservancy project agreement. Up until March 31, 2018 the Corporation has received \$25,078,515.

During the year ended March 31, 2018, the total cost to the Corporation for management of the Project Under Gardiner was \$237,196 in direct payroll charges, of which \$180,000 was charged to the fund (see project management fees below), the balance of \$57,196 being in-kind contributions.

The trust is entitled to any interest earned on the balance of funds. A summary of the trust's financial position, as at March 31, 2018, is as follows:

Financial Position as at March 31, 2018

	March 31, 2018	March 31, 2017
	\$	\$
Cash and accounts receivable	6,138,175	17,405,555
Assets under development	21,414,727	3,371,952
Total assets	27,552,902	20,777,507
Accounts payable and accrued liabilities	(2,325,348)	(250,816)
Net assets	25,227,554	20,526,691

Revenues and expenditures as of March 31, 2018

	March 31, 2018	March 31, 2017
	\$	\$
Revenues		
Philanthropic revenue	3,801,887	17,500,000
Restricted revenue	776,628	-
Total revenues	4,578,515	17,500,000
Cumulative revenues (from inception of trust)	25,078,515	20,500,000
	March 31, 2018	March 31, 2017
Direct Project Costs	\$	\$
Planning and implementation	1,324,033	2,452,678
Implementation and construction	16,538,742	-
Public consultation and marketing	-	119,678
Project management fees	180,000	180,000
Total expenditures	18,042,775	2,752,356
Cumulative expenditure (from inception of trust)	21,414,727	3,371,952

20. Qualified Donee Status

During the year, TWRC was registered with the Canada Revenue Agency as a qualified donee and is now eligible to issue official donation receipts and receive gifts from registered charities. The status is effective June 24, 2016 and as at March 31, 2018, the Corporation had not received any donation or gifts.

Toronto Waterfront Revitalization Corporation

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21. 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
 - (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.

22. Comparatives

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