Financial statements of

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

March 31, 2009

Toronto Waterfront Revitalization Corporation
March 31, 2009

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Management's Responsibility for the Financial Statements

May 1, 2009

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 2 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.

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 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.

President and CEO

Chief Financial Officer

Deloitte & Touche LLP
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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, 2009 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, 2009 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 1, 2009

Toronto Waterfront Revitalization Corporation

Statement of financial position
as at March 31, 2009

	2009	2008
	$	$
Assets		
Current		
Cash	**35,028,901**	47,893,430
GST receivable	**710,761**	1,910,192
Prepaid expenses and deposits (Note 4)	**2,637,926**	1,132,709
Accrued interest and other receivables	**108,808**	165,544
Contributions receivable - Province of Ontario	**5,250,000**	-
	43,736,396	51,101,875
Capital assets (Note 5)	**100,847,113**	40,155,868
Other assets (Note 6)	**788,774**	192,509
	145,372,283	91,450,252
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities (Note 7)	**20,581,678**	17,893,200
Deferred contributions and grants (Note 9)	**28,672,701**	33,168,475
Other liabilities - current (Note 8)	**16,091**	22,179
	49,270,470	51,083,854
Accrued benefit liability (Note 10)	**100,251**	78,768
Other liabilities (Note 8)	**1,558,238**	1,538,133
	50,928,959	52,700,755
Net assets	**94,443,324**	38,749,497
	145,372,283	91,450,252

Commitments (Note 11)

Approved by the Board

______________________________ Director

______________________________ Director

Toronto Waterfront Revitalization Corporation

Statement of financial activities and net assets
year ended March 31, 2009

	2009	2008
	$	$
Revenue		
Government contributions		
Government of Canada	**77,411,037**	39,359,368
Province of Ontario	**17,033,911**	3,096,932
City of Toronto	**36,316,810**	48,569,714
	130,761,758	91,026,014
Less contributions for land acquisition	**(55,693,827)**	(11,198,510)
(Decrease) increase in deferred contributions and grants related to future periods	**4,495,774**	(6,526,609)
Net government contributions	**79,563,705**	73,300,895
Rent	**1,465,161**	1,015,534
Interest and other	**686,862**	1,260,330
	81,715,728	75,576,759
Expenses		
Construction/implementation	**29,170,636**	31,890,188
Design and contract management	**27,739,932**	11,547,189
Planning and approvals	**6,614,717**	6,098,864
Salaries, fees and benefits	**4,930,531**	3,987,374
Legal fees	**4,504,939**	3,178,612
Project management	**4,507,906**	4,562,237
Occupancy, IT and office expenses	**2,419,738**	2,244,961
Audit, finance and other professional fees	**1,437,269**	1,516,900
Amortization	**390,060**	294,427
Business relocation	**-**	10,256,007
	81,715,728	75,576,759
Excess of revenue over expenses	**-**	-
Net assets, beginning of year	**38,749,497**	27,550,987
Add government contributions for land acquisition	**55,693,827**	11,198,510
Net assets, end of year	**94,443,324**	38,749,497

Toronto Waterfront Revitalization Corporation

Statement of cash flows

year ended March 31, 2009

	2009	2008
	$	$
Operating activities		
Excess of revenue over expenses	**-**	-
Amortization which does not involve cash		
Capital assets	**390,060**	294,427
	390,060	294,427
Changes in non-cash operating items		
(Increase) decrease in contributions receivable	**(5,250,000)**	419,989
Decrease in GST receivable	**1,199,431**	418,303
Increase in prepaid expenses and deposits, accrued interest and other receivables, and other assets	**(2,044,746)**	(1,138,755)
Increase in accounts payable and accrued liabilities	**2,688,478**	5,139,068
Increase in other liabilities	**14,017**	1,455,951
Increase in accrued benefit liability	**21,483**	6,082
(Decrease) increase in deferred contributions and grants	**(4,495,774)**	6,526,609
	(7,477,051)	13,121,674
Investing and financing activities		
Government contributions for land acquisition	**55,693,827**	11,198,510
Acquisition of capital assets	**(61,081,305)**	(13,379,007)
	(5,387,478)	(2,180,497)
Net (outflow) inflow of cash	**(12,864,529)**	10,941,177
Cash, beginning of year	**47,893,430**	36,952,253
Cash, end of year	**35,028,901**	47,893,430

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.

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 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. 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) Financial assets and liabilities

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

Asset/liability	Category	Measurement
Cash	Held for trading	Fair value
Contributions receivable	Loans and receivables	Amortized cost
GST receivable	Loans and receivables	Amortized cost
Accrued interest and other receivables	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 grants, and accrued benefit liability are not financial instruments.

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

March 31, 2009

2. Significant accounting policies (continued)

(d) 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, such as land, are recognized as a direct contribution to net assets.

(e) 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.

(f) 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. Under the terms of the agreements, the Corporation does not assume ownership or ongoing operational responsibility upon project completion.

(g) 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.

(h) 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 100% rebate for GST for property and services acquired pursuant to section 123(1)(b) of the Excise Tax Act

2. Significant accounting policies (continued)

(i) 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 the 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.

(j) 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 of capital assets, accrued liabilities, deferred revenue and accrued benefit liability.

3. Changes in accounting policies

(a) Adoption of accounting policies

Section 1535 - Capital Disclosures

In December 2007, the Canadian Institute of Chartered Accountants ("CICA") issued Section 1535 "Capital Disclosures". On April 1, 2008, the Corporation adopted the requirements of this section. The adoption of this new standard has not resulted in any change in how the Corporation accounts for its transactions, but does require additional disclosure, which is presented in Note 12.

Section 3855 - Financial Instruments - Recognition and Measurement

On April 23, 2008 the CICA amended Section 3855, "Financial Instruments - Recognition and Measurement" of the CICA Handbook. The amended section allows not-for-profit organizations to elect not to account for certain non-financial contracts as derivatives and also not to account for certain derivative features embedded in non-financial contracts, leases and insurance contracts as embedded derivatives. If the Corporation did not elect this option it would be required to account for derivative financial instruments and embedded derivative financial instruments in accordance with the guidance in Section 3855.

The Corporation has elected to adopt these amendments to Section 3855 effective for its fiscal year beginning on April 1, 2008 and has elected not to account for non- financial contracts as derivatives, and not to account for embedded derivatives in non-financial contracts, leases and insurance contracts as embedded derivatives.

3. Changes in accounting policies (continued)

(a) Adoption of accounting policies (continued)

Section 3862 - Financial Instruments - Disclosures, Section 3863 - Financial Instruments - Presentation

On October 15, 2008 the CICA deferred indefinitely the requirement of not-for-profit organizations to implement sections 3862 and 3863. Section 3862 requires the disclosure of information about: (a) the significance of financial instruments for the entity's financial position and performance and (b) the nature and extent of risks arising from the financial instruments to which the Corporation is exposed during the period and at the balance sheet date, and how the Corporation manages those risks. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives.

The Corporation has elected to defer application of these standards and as such continues to follow the disclosure requirements of section 3861 - Financial Instruments - Disclosure and Presentation.

(b) Future accounting changes

Section 4400 - Financial Statement Presentation by Not-For-Profit Organizations

In September 2008, the CICA issued amendments to several of the existing sections in the 4400 series - Financial Statement Presentation by Not-For-Profit Organizations. Changes apply to annual financial statements relating to fiscal years beginning on or after January 1, 2009. Accordingly, the Corporation will have to adopt the amended standards for its fiscal year beginning April 1, 2009. The amendments include a) additional guidance in the applicability of Section 1100, Generally Accepted Accounting Principles; b) removal of the requirement to report separately net assets invested in capital assets; c) requirement to disclose revenues and expenses in accordance with EIC 123, Reporting Revenue Gross as a Principal Versus Net as an Agent; d) requirement to include a statement of cash flows in accordance with Section 1540, Cash Flow Statements; e) requirement to apply Section 1751, Interim Financial Statements, when preparing interim financial statements in accordance with GAAP; f) requirement for non-for-profit Corporations that recognize capital assets to depreciate and assess these capital assets for impairment in the same manner as other entities reporting on a GAAP basis; g) requirement to disclose related party transactions in accordance with Section 3840; Related Party Transactions; and h) new disclosure requirements regarding the allocation of fundraising and general support costs for fundraising organizations.

The Corporation is currently evaluating the impact of these changes on its financial statements.

4. Prepaid expenses and deposits

	2009	2008
	$	$
Construction deposits	**2,181,199**	-
Prepaid expenses	**246,015**	118,239
Deposits in trust - land	**152,500**	1,000,000
Other assets - current portion of Environmental liability Insurance	**58,212**	14,470
	2,637,926	1,132,709

4. Prepaid expenses and deposits (continued)

The Corporation has provided the City of Toronto with a construction deposit to guarantee satisfactory performance, completion of work and related obligations required for the construction of municipal infrastructure by Waterfront Toronto. The construction deposit will be released to Waterfront Toronto at the expiration of all performance and guarantee periods.

5. Capital assets

			2009	2008
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
Land	94,443,324	-	94,443,324	38,749,497
Leasehold improvements	605,572	322,379	283,193	316,756
Furniture and fixtures	605,540	405,168	200,372	255,058
Computer hardware and software	1,041,475	634,640	406,835	284,662
Equipment	161,363	73,543	87,820	72,914
Construction in progress - District Energy System	5,425,569	-	5,425,569	476,981
	102,282,843	1,435,730	100,847,113	40,155,868

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 buildings on six of its properties. As none of the buildings are intended for use other than on a short term rental basis and all will ultimately be demolished, they have been recorded at a carrying value of $Nil (2008 - $Nil). Demolition of the first building commenced March 27, 2009.

6. Other assets

Included in other assets of $788,774 (2008 - $192,509) is an advance given to the Toronto and Region Conservation Authority (2008 - $500,000, 2007 - $Nil) to be applied to various projects expected to continue until 2011 as well as the long term portion of environmental impairment liability insurance ($288,774) paid in advance by the Corporation, and other long term prepaid expenses. The Corporation's environmental insurance policy is for three properties with coverage ending December 21, 2012, September 22, 2015, and March 31, 2018, respectively. The total cost is being amortized on a straight line basis over the term of the coverage.

	2009	2008
	$	$
Total other assets	846,986	235,635
Less current portion	58,212	43,126
Long-term portion	788,774	192,509

7. Accounts payable and accrued liabilities

	2009	2008
	$	$
Accounts payable	**9,976,384**	5,967,768
Accrued liabilities	**9,745,076**	11,680,641
Holdbacks payable	**860,218**	244,791
	20,581,678	17,893,200

8. Other liabilities

Other liabilities at March 31, 2009 total $1,574,329 (2008 - $1,560,312) and represent deposits and/or rent received in advance from tenants, a tenant leasehold improvement allowance or future obligations related to business relocation.

	2009	2008
	$	$
Deposits/rent received in advance from tenants	**-**	22,179
Tenant leasehold improvement allowance	**36,196**	-
Business relocation future obligations	**1,538,133**	1,538,133
Total other liabilities	**1,574,329**	1,560,312
Less current portion	**16,091**	22,179
	1,558,238	1,538,133

9. Deferred contributions and grants

Deferred contributions and grants represent contributions from the Governments which have not been applied to eligible costs at March 31, 2009, as well as contributions received for the purchase of capital assets.

	2009	2008
	$	$
Expenses of future years		
Balance, beginning of year	**31,781,963**	27,146,433
Additional contributions received	**69,680,453**	77,641,998
Less amounts recognized as revenue	**(79,173,645)**	(73,006,468)
Balance, end of year	**22,288,771**	31,781,963
Capital contributions		
Balance, beginning of year	**1,386,512**	(504,567)
Acquisition of capital assets	**61,081,305**	13,384,016
Less direct contribution to net assets	**(55,693,827)**	(11,198,510)
Less amount amortized to revenue	**(390,060)**	(294,427)
Balance, end of year	**6,383,930**	1,386,512
	28,672,701	33,168,475

10. 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, 2009. 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:

	2009	2008
	$	$
Accrued benefit obligation	**1,182,078**	1,297,270
Fair value of plan assets	**1,174,158**	1,081,106
Funded status - plan deficit	**(7,920)**	(216,164)
Unamortized net actuarial (loss) gain	**(92,331)**	137,396
Accrued benefit liability	**(100,251)**	(78,768)

Details of the accrued benefit obligation are as follows:

	2009	2008
	$	$
Accrued benefit obligation, beginning of year	**1,297,270**	1,309,659
Current service cost	**36,021**	34,470
Interest cost on accrued benefit obligation	**66,665**	67,206
Actuarial gain on accrued benefit obligation	**(217,879)**	(114,065)
Accrued benefit obligation, end of year	**1,182,078**	1,297,270

The Plan expense for the year is determined as follows:

	2009	2008
	$	$
Current service cost	**36,021**	34,470
Interest cost on accrued benefit obligation	**66,665**	67,206
Expected return on plan assets	**(54,764)**	(51,739)
Amortization of net actuarial gain	**1,917**	20,701
Plan expense	**49,839**	70,638

10. Executive pension plan (continued)

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

	2009	2008
	%	%
Discount rate	**6.00**	5.00
Expected long-term rate of return on plan assets	**6.00**	5.00
Rate of salary escalation	**2.50**	2.50

11. Commitments

The Corporation is committed to payments under operating leases for equipment and office space through 2012 in the amount of $1,526,300. Annual payments for the next three fiscal years are as follows:

	$
2010	676,200
2011	681,600
2012	168,500
	1,526,300

In addition, the Corporation has other commitments of $55,622,000. 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 ($3,987,000). Included in prepaid expenses and deposits (Note 4) on the Statement of Financial Position are deposits of $152,500, for purchase and sale agreements on two properties expected to close in April 2009 and May 2009 respectively.

12. Capital management

In managing capital, the Corporation focuses on liquid resources available for operations and project implementation. The need for sufficient resources is considered in the preparation of an annual long term expenditure plan ("LTEP") and in the monitoring of cash flows and actual expenditures compared to the LTEP. In addition, the Corporation has established a target of having three months of project implementation and operating costs held in available liquid assets. As at March 31, 2009, the Corporation has met its objective of having sufficient liquid resources to meet its current obligations.

13. Guarantees

(a) Under the terms and conditions of the Contribution Agreements, 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 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 of damage has been caused by the City of Toronto, Province of Ontario and/or Government of Canada or their respective officers, employees or agents.

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

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

(i) the breach of any term or condition of the contract by the third party contractor or its officers, employees or agents; or

(ii) any omission or any willful or negligent act of the third party contractor or its officers, employees or agents in relation to the applicable project.

(b) Under the Delivery Agreement with each Eligible Recipient respectively, the Corporation provides an indemnity to the Eligible Recipient and its respective officers, employees and agents, from and against any claims with respect to direct loss arising from:

(i) any breach by the Corporation of the Delivery Agreement or documents or certificates given pursuant to the Agreement, or

(ii) any negligent or willful acts or omissions of the Corporation, its officers, directors, employees or agents, in relation to the project.

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