Financial statements of

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

March 31, 2010

Toronto Waterfront Revitalization Corporation

March 31, 2010

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Management's Responsibility for the Financial Statements

May 7, 2010

The integrity and objectivity of the accompanying financial statements of the Toronto Waterfront Revitalization Corporation (ñthe Corporationò) 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 Auditorsô Report outlines their responsibilities, the scope of their examination and their opinion on the Corporationôs financial statements.

President and CEO	Interim Corporate Controller

Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

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, 2010 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, 2010 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 7, 2010

Toronto Waterfront Revitalization Corporation

Statement of financial position
as at March 31, 2010

	2010	2009
	$	$
Assets		
Current		
Cash	**85,045,263**	35,028,901
Contributions receivable - Province of Ontario	**-**	5,250,000
GST receivable	**1,119,598**	710,761
Accrued interest and other receivables	**825,846**	108,808
Prepaid expenses and deposits (Note 4)	**8,063,454**	2,637,926
	95,054,161	43,736,396
Restricted cash (Note 5)	**4,731,400**	-
Capital assets (Note 6)	**110,136,630**	100,847,113
Other assets (Note 7)	**3,042,814**	788,774
	212,965,005	145,372,283
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities (Note 8)	**27,299,693**	20,581,678
Deferred contributions and grants (Note 10)	**80,605,161**	28,672,701
Other liabilities - current (Note 9)	**16,091**	16,091
	107,920,945	49,270,470
Accrued benefit liability (Note 11)	**103,001**	100,251
Other liabilities (Note 9)	**1,898,725**	1,558,238
	109,922,671	50,928,959
Net assets (Note 12)	**103,042,334**	94,443,324
	212,965,005	145,372,283

Commitments (Note 13)

Approved by the Board

_______________________________ Director

_______________________________ Director

Toronto Waterfront Revitalization Corporation

Statement of financial activities and net assets
year ended March 31, 2010

	2010	2009
	$	$
Revenue		
Government contributions		
Government of Canada	**107,724,351**	77,411,037
Province of Ontario	**13,840,237**	17,033,911
City of Toronto	**34,373,817**	36,316,810
	155,938,405	130,761,758
Less contributions for land acquisition	**(8,599,010)**	(55,693,827)
Less increase in deferred contributions and grants related to future periods	**(51,932,460)**	4,495,774
Net government contributions	**95,406,935**	79,563,705
Rent	**3,005,599**	1,465,161
Interest and other	**126,642**	686,862
	98,539,176	81,715,728
Expenses		
Construction/implementation	**56,336,602**	29,170,636
Design and contract management	**15,452,952**	27,739,932
Planning and approvals	**6,740,444**	6,614,717
Project management	**5,920,132**	4,507,906
Salaries, fees and benefits	**5,030,392**	4,930,531
Occupancy, IT and office expenses	**4,002,057**	2,419,738
Legal fees	**2,569,393**	4,504,939
Amortization	**1,746,388**	390,060
Audit, finance and other professional fees	**740,816**	1,437,269
	98,539,176	81,715,728
Excess of revenue over expenses	**-**	-
Net assets, beginning of year	**94,443,324**	38,749,497
Add government contributions for land acquisition	**8,599,010**	55,693,827
Net assets, end of year	**103,042,334**	94,443,324

Toronto Waterfront Revitalization Corporation
Statement of cash flows
year ended March 31, 2010

	2010	2009
	$	$
Operating activities		
Excess of revenue over expenses	**-**	-
Amortization which does not involve cash		
Capital assets	**1,746,388**	390,060
	1,746,388	390,060
Changes in non-cash operating items		
Decrease (increase) in contributions receivable	**5,250,000**	(5,250,000)
(Increase) decrease in GST receivable	**(408,837)**	1,199,431
Increase in prepaid expenses and deposits, accrued interest and other receivables, and other assets	**(8,396,606)**	(2,044,746)
Increase in accounts payable and accrued liabilities	**6,697,915**	2,688,478
Increase in other liabilities	**340,487**	14,017
Increase in accrued benefit liability	**2,750**	21,483
Increase (decrease) in deferred contributions and grants	**51,932,460**	(4,495,774)
	57,164,557	(7,477,051)
Investing activities		
Acquisition of capital assets	**(11,015,805)**	(61,081,305)
Increase in restricted cash	**(4,731,400)**	-
	(15,747,205)	(61,081,305)
Financing activities		
Government contributions for non-amortized capital assets	**8,599,010**	55,693,827
Net inflow (outflow) of cash	**50,016,362**	(12,864,530)
Cash, beginning of year	**35,028,901**	47,893,430
Cash, end of year	**85,045,263**	35,028,901

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 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 instruments

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

Held for trading items are measured at fair value, with changes in their fair value recognized in the Statement of Financial Activities and Net Assets in the current period. Loans and receivables are measured at amortized cost, using the effective interest method, net of any impairment. Other financial liabilities are measured at amortized cost, using the effective interest method.

The carrying value of cash, contributions receivable, GST receivable, accrued interest and other receivables, accounts payable and accrued liabilities and other liabilities approximate their fair values due to the relatively short term maturity.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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.

As allowed under Section 3855 ñFinancial Instruments ï Recognition and Measurementò, the Corporation 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.

The Corporation has elected to follow the disclosure requirements of Section 3861 ñFinancial Instruments ï Disclosure and Presentationò of the CICA Handbook.

(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 employeesô payroll costs are disclosed in ñSalaries, fees and benefitsò 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
Office equipment	5 years
District Energy ï Interim Plant	3 years
ï Energy Transfer Stations	25 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.

2. Significant accounting policies (continued)

(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.

(i) Executive pension plan

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

ð The cost of pension benefits earned is actuarially determined using the projected unit credit method pro-rated on service and managementõs best estimate of expected plan performance, salary escalation and retirement age of the President.

ð For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.

ð 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 accrued liabilities, deferred revenue, and accrued benefit liability and the amortization of capital assets.

3. Change in accounting policies

Adoption of accounting policies

Series of Sections 4400 – Not-for-profit organizations

In September 2008, the Canadian Institute of Chartered Accountants (ôCICAö) issued amendments to several of the existing sections on accounting, measurement and financial reporting by Not-for-profit organizations contained in the 4400 series of Sections of the CICA Handbook.

Section 1000 – Financial statement concepts

On April 1, 2009, the Corporation adopted the amendments made to Section 1000 ôFinancial statement conceptsö. The amended section requires an entity to demonstrate that any expenditure that it wishes to present as an asset meets the conceptual definition of an asset or is permitted to be recorded as an asset under specific CICA Handbook sections.

The adoption of these amendments did not result in any change in how the Corporation accounted for its transactions and balances in its financial statements.

4. Prepaid expenses and deposits

	2010	2009
	$	$
Construction deposits	**7,840,065**	2,181,199
Prepaid expenses	**165,177**	246,015
Deposits in trust - land	**-**	152,500
Other assets - current portion of environmental liability Insurance (Note 7)	**58,212**	58,212
	8,063,454	2,637,926

The Corporation has provided the City of Toronto 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 all performance and guarantee periods.

5. Restricted cash

The Corporation has $4,731,400 (March 31, 2009 - $Nil) in cash which is subject to restrictions that prevent its use for current purposes. This cash balance forms part of a security fund set up with the City of Toronto (the "City") for a TWRC development initiative. Under the terms of the agreement, TWRC cannot withdraw funds from the security fund without the authorization of the City and the City can only draw on the security fund subject to certain conditions and providing sufficient and appropriate notice to TWRC.

6. Capital assets

			2010	2009
	Cost	**Accumulated amortization**	**Net book value**	Net book value
	$	**$**	**$**	$
Land	**103,042,334**	**-**	**103,042,334**	94,443,324
Leasehold improvements	**611,747**	**417,983**	**193,764**	283,193
Furniture and fixtures	**637,698**	**482,256**	**155,442**	200,372
Computer hardware and software	**1,626,117**	**896,799**	**729,318**	406,835
Office equipment	**253,267**	**113,763**	**139,504**	87,820
District Energy				
- Interim Plant	**5,548,078**	**1,257,004**	**4,291,074**	-
- Energy Transfer Stations	**547,349**	**14,289**	**533,060**	-
- Construction in progress	**1,052,134**	**-**	**1,052,134**	5,425,569
	113,318,725	**3,182,094**	**110,136,630**	100,847,113

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 a number 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 (March 31, 2009 - $Nil).

7. Other assets

Included in other assets of $3,101,026 (March 31, 2009 - $846,986) is an advance given to the Toronto and Region Conservation Authority (March 31, 2010 - $2,650,000, March 31, 2009 - $500,000) to be applied to various projects expected to continue until December 2011, long term portion of environmental impairment liability insurance (March 31, 2010 - $230,562, March 31, 2009 - $288,774) paid in advance by the Corporation and the long term portion of rent receivable from tenants (March 31, 2010 - $162,252, March 31, 2009 - $Nil). 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.

	2010	2009
	$	$
Total other assets	**3,101,026**	846,986
Less current portion (Note 4)	**58,212**	58,212
Long-term portion	**3,042,814**	788,774

8. Accounts payable and accrued liabilities

	2010	2009
	$	$
Accounts payable	**4,898,736**	9,976,384
Accrued liabilities	**18,540,504**	9,745,076
Holdbacks payable	**3,860,453**	860,218
	27,299,693	20,581,678

9. Other liabilities

Other liabilities at March 31, 2010 total $1,914,816 (March 31, 2009 - $1,574,329) and represent a tenants leasehold improvement allowance, future obligations related to business relocation, rents received in advance from tenants and deferred district energy operating revenues for which the Corporation does not yet have the authority to earn and therefore cannot yet recognize as revenue.

	2010	2009
	$	$
Tenant leasehold improvement allowance	**20,105**	36,196
Business relocation future obligations	**1,543,133**	1,538,133
Rent received in advance and deferred revenues	**351,578**	-
Total other liabilities	**1,914,816**	1,574,329
Less current portion	**16,091**	16,091
	1,898,725	1,558,238

10. Deferred contributions and grants

Deferred contributions and grants represent contributions from the Governments which have not been applied to eligible costs at March 31, 2010, as well as contributions received for the purchase of capital assets.

	2010	2009
	$	$
Expenses of future periods		
Balance, beginning of year	**22,268,912**	31,762,104
Additional contributions received/receivable	**144,922,600**	69,680,453
Less amounts recognized as revenue	**(93,660,547)**	(79,173,645)
Balance, end of year	**73,530,965**	22,268,912
Capital contributions		
Balance, beginning of year	**6,403,789**	1,406,371
Acquisition of capital assets	**11,015,805**	61,081,305
Less direct contribution to net assets	**(8,599,010)**	(55,693,827)
Less amount amortized to revenue	**(1,746,388)**	(390,060)
Balance, end of year (Note12b)	**7,074,196**	6,403,789
	80,605,161	28,672,701

11. Executive pension plan

The Corporation maintains a registered pension plan known as ñThe Pension Plan for Presidents of TWRCò (the Plan). The Plan is a defined benefit plan and was transferred from the Presidentõs previous employer to the Corporation, pursuant to the Presidentõs employment contract. The Plan was registered in the Corporationõs name April 21, 2003 with no assets or liabilities until January 1, 2005 when a transfer was affected from the Presidentõs 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, 2010. The last valuation for funding purposes was as January 1, 2009.

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

	2010	2009
	$	$
Accrued benefit obligation	**1,256,275**	1,182,078
Fair value of plan assets	**1,281,481**	1,174,158
Funded status - plan surplus (deficit)	**25,206**	(7,920)
Unamortized net actuarial gain	**(128,207)**	(92,331)
Accrued benefit liability	**(103,001)**	(100,251)

11. Executive pension plan (continued)

Details of the accrued benefit obligation are as follows:

	2010	2009
	$	$
Accrued benefit obligation, beginning of year	**1,182,078**	1,297,270
Current service cost	**30,595**	36,021
Interest cost on accrued benefit obligation	**72,760**	66,665
Actuarial gain on accrued benefit obligation	**(29,158)**	(217,879)
Accrued benefit obligation, end of year	**1,256,275**	1,182,077

The Plan expense for the year is determined as follows:

	2010	2009
	$	$
Current service cost	**30,595**	36,021
Interest cost on accrued benefit obligation	**72,760**	66,665
Expected return on plan assets	**(71,328)**	(54,764)
Amortization of net actuarial gain	**-**	1,917
Plan expense	**32,027**	49,839

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

	2010	2009
	%	%
Discount rate	**6.00**	6.00
Expected long-term rate of return on plan assets	**6.00**	6.00
Rate of salary escalation	**2.50**	2.50

12. Net assets

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

	2010	2009
	$	$
Invested in capital assets (Note 12b)	**103,042,334**	94,443,324
Unrestricted	**-**	-
	103,042,334	94,443,324

12. Net assets (continued)

b) Invested in capital assets represents the following:

	2010	2009
	$	$
Capital assets	**110,136,630**	100,847,113
Less amount financed by deferred capital contributions (Note 10)	**(7,074,196)**	(6,403,789)
Less amount financed by accounts payable and accrued liabilities	**(20,100)**	-
	103,042,334	94,443,324

13. Commitments

The Corporation is committed to payments under operating leases for equipment and office space through 2013 in the amount of $892,468. Annual payments for the next three fiscal years are as follows:

	$
2011	700,402
2012	187,357
2013	4,709
	892,468

In addition, the Corporation has other commitments of $94,888,639. These commitments comprise contracts directly entered into by the Corporation, purchase and sale agreements, ñcommitments under Development Agreements,ò and/or delivery agreements with Eligible Recipients who are responsible for managing various projects on Torontoõs waterfront, and a commitment to the City of Toronto for road realignment.

14. 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 (ñLTEPò) 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, 2010, the Corporation has met its objective of having sufficient liquid resources to meet its current obligations.

15. 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 Corporationõs 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 Corporationõs and Eligible Recipientsô policies and procedures, as well as intense oversight where appropriate.

(c) The Corporation has entered into three Development Agreements with three 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 guarantees based on specific Corporation development obligations. The guarantees primarily relate to schedule delays. The maximum potential future payment related to these guarantees is $7.5 million under one development agreement and although under the other two 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. Management attempts to limit the Corporation's potential exposure under these guarantees through appropriate schedule, cost and scope management practices.