

Financial statements of

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

March 31, 2013 and 2012

Toronto Waterfront Revitalization Corporation
March 31, 2013 and 2012

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Management's Responsibility for the Financial Statements

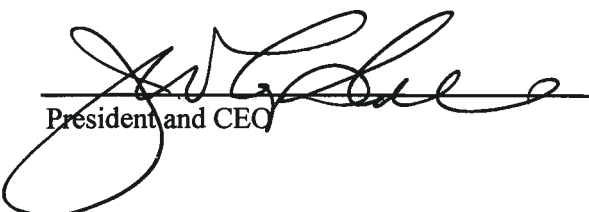
June 26, 2013

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 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 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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BDO Canada LLP
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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 statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, and the statements of financial activities, remeasurement gains and losses, changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 for not-for-profit organizations, 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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, 2013, March 31, 2012, and April 1, 2011 and the results of its operations, its remeasurement gains and losses and its cash flows for the years ended March 31, 2013 and March 31, 2012, in accordance with Canadian public sector accounting standards for not-for-profit organizations.

Chartered Accountants, Licensed Public Accountants
Mississauga, Ontario
June 26, 2013

Toronto Waterfront Revitalization Corporation

Statements of financial position as at March 31, 2013 and 2012

	March 31, 2013	March 31, 2012	April 1, 2011
Assets			
Current assets			
Cash	6,603,334	5,185,152	33,067,712
Short-term investments	32,267,754	50,180,555	59,393,870
Contributions receivable (Note 4)	15,920,635	2,906,314	-
HST receivable	586,723	1,850,114	2,127,453
Deposits, prepaid expenses, rent receivable and other assets (Note 5)	9,240,714	12,039,548	10,140,455
	64,619,160	72,161,683	104,729,490
Restricted cash (Note 6)	8,987,394	7,297,158	4,770,156
Assets under development (Note 7)	236,976,694	203,456,855	152,821,815
Capital assets (Note 8)	114,557,753	93,901,012	108,471,835
Other assets (Note 9)	343,455	328,305	287,798
	425,484,456	377,145,013	371,081,094
Liabilities and net assets			
Current liabilities			
Accounts payable and accrued liabilities (Note 10)	26,529,606	35,532,642	54,133,067
Deferred contributions and grants (Note 11)	50,525,363	50,055,135	69,868,427
Other liabilities and settlements (Note 12)	523,320	2,880,550	1,547,154
	77,578,289	88,468,327	125,548,648
Other liabilities and settlements (Note 12)	3,912,082	1,577,228	1,063,094
	81,490,371	90,045,555	126,611,742
Net assets (Note 13)	343,994,085	287,099,458	244,469,352
	425,484,456	377,145,013	371,081,094

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

Approved on behalf of the Board:

 Director

 Director

Toronto Waterfront Revitalization Corporation

Statements of financial activities years ended March 31, 2013 and 2012

	March 31, 2013	March 31, 2012
	\$	\$
Revenue		
Province of Ontario	60,068,101	71,511,853
City of Toronto	36,093,140	35,659,415
Government of Canada	10,557,005	19,925,992
Non-government organizations	1,498,803	7,502,404
	108,217,049	134,599,664
Add (less):		
Government contributions for land and assets under development	(58,542,300)	(79,228,016)
Decrease (increase) in deferred contributions for continuing operations related to future periods	(470,228)	19,813,292
	49,204,521	75,184,940
Expenses (Note 14)		
Waterfront Wide Initiatives	35,361,555	39,822,658
Port Lands	4,110,688	4,970,040
East Bayfront	3,915,687	2,425,264
West Don Lands	3,197,956	5,401,052
Central Waterfront	1,802,161	21,534,162
	48,388,047	74,153,176
Excess of revenue over expenses before other operating items	816,474	1,031,764
Net other operating income (Note 17)	1,303,029	1,441,047
Excess of revenue over expenses	2,119,503	2,472,811

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

Toronto Waterfront Revitalization Corporation

Statements of remeasurement gains and losses

years ended March 31, 2013 and 2012

	March 31, 2013	March 31, 2012
	\$	\$
Accumulated remeasurement gains, beginning of year	-	-
Add: unrealized gains attributable to:		
Short term investments	85,955	-
Net remeasurement gains for the year	85,955	-
Accumulated remeasurement gains, end of year	85,955	-

Statements of changes in net assets

years ended March 31, 2013 and 2012

	March 31, 2013	March 31, 2012
	\$	\$
Net assets, beginning of year	287,099,458	244,469,352
Add: Excess of revenue over expenses	2,119,503	2,472,811
Add: Unrealized remeasurement gains	85,955	-
Less: Transfer of land and completed assets under development to governments	(3,853,131)	(39,070,720)
Add: Government contributions for land and assets under development	58,542,300	79,228,016
Net assets, end of year	343,994,085	287,099,459

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

Toronto Waterfront Revitalization Corporation

Statements of cash flows

years ended March 31, 2013 and 2012

	March 31, 2013	March 31, 2012
Cash flows from operating activities		
Cash received from:		
Government contributions for operating activities	32,391,395	47,757,870
Non government contributions for operating activities	3,573,182	2,568,303
Investment income received for operating activities	209,464	339,802
Sales tax rebates	7,738,503	8,543,623
	43,912,544	59,209,598
Cash paid for:		
Planning and implementation expenses	(22,440,073)	(39,801,925)
Project support expenses	(7,498,313)	(7,743,929)
Transfer payments	(35,756,061)	(36,058,990)
	(65,694,447)	(83,604,844)
Net cash paid for operating activities	(21,781,903)	(24,395,246)
Cash flows from capital activities		
Cash received from government contributions for assets under development	58,542,300	79,228,016
Cash used to acquire capital assets	(250,593)	(306,825)
Cash used to acquire assets under development	(53,503,370)	(87,525,915)
Net cash received from (paid for) capital activities	4,788,337	(8,604,724)
Cash flows from investing activities		
Cash received from short term investments redemption	30,694,629	30,117,410
Cash used to purchase additional security investments	(12,282,881)	(25,000,000)
Net cash received from investment activities	18,411,748	5,117,410
Increase (decrease) in cash	1,418,182	(27,882,560)
Cash, beginning of year	5,185,152	33,067,712
Cash, end of year	6,603,334	5,185,152

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

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

March 31, 2013 and 2012

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. First-time adoption of Canadian Public Sector Accounting Standards for not-for-profit organizations

Effective April 1, 2012, the Corporation adopted the requirements of the new accounting framework, Canadian Public Sector Accounting Standards for Not-for-Profit Organizations (PSAB for NPOs). These are the Corporation's first financial statements prepared in accordance with this framework and the transitional provisions of Section 2125, First-time Adoption by Government Organizations have been applied. Section 2125 requires retrospective application of the accounting standards with certain elective exemptions and mandatory requirements. The accounting policies set out in Note 3 - Significant Accounting Policies have been applied in preparing the financial statements for the year ended March 31 2013, the comparative information presented in these financial statements for the year ended March 31, 2012 and in the preparation of an opening PSAB for NPOs statement of financial position at the date of transition of April 1, 2011.

The Corporation issued financial statements for the year ended March 31, 2012 using generally accepted accounting principles prescribed by the CICA Handbook - Accounting Part V - Pre-changeover Accounting Standards. The adoption of PSAB for NPOs resulted in no adjustments to the previously reported assets, liabilities, net assets, excess of revenue over expenses and cash flows of the Corporation.

3. Significant accounting policies

- (a) *Basis of presentation*

These financial statements have been prepared with Canadian public sector accounting standards for not-for-profit organizations contained in the Canadian Institute of Chartered Accountants (CICA) handbook.

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

March 31, 2013 and 2012

3. Significant accounting policies (cont.)

(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.

(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.

The Corporation has short-term investments in the fair value category. This item is classified as Level 1 in the fair value hierarchy whereby their fair value is based on quoted prices in active markets for identical assets. There have been no movement from Level 1 to 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.

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

March 31, 2013 and 2012

3. Significant accounting policies (cont.)

(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 during the development stage. Land 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. These 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
Leasehold improvements	5 years
Furniture and fixtures	5 years
Computer hardware and software	3 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.

(i) *Executive pension plan*

The Corporation accrues its obligations under the executive pension plan (the "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 prorated on service and management's best estimate of expected plan performance, salary escalation and retirement age of the executive.
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.

(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 contributions recoverable, the amortization of capital assets, accrued liabilities, deferred revenue and accrued benefit liability.

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

March 31, 2013 and 2012

4. Contributions receivable

	March 31, 2013	March 31, 2012
	\$	\$
Government of Canada	-	2,225,000
City of Toronto	-	681,314
Province of Ontario	15,920,635	-
	15,920,635	2,906,314

5. Deposits, prepaid expenses, rent receivable and other assets

	March 31, 2013	March 31, 2012
	\$	\$
Construction deposits	6,456,997	6,456,997
Developer receivables, rent and other	2,478,420	3,585,720
Prepaid expenses	272,830	401,176
Current portion of prepaid expenses and rent receivables (Note 9)	32,467	1,595,655
	9,240,714	12,039,548

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 (2012 - \$2,181,199) are non-interest bearing; and the construction deposits outstanding from Toronto Hydro of \$4,275,273 (2012 - \$4,275,273) will be returned to TWRC including interest at the Prime Business Rate set by the Bank of Canada less two percent.

6. Restricted cash

The Corporation has \$8,987,394 (2012 - \$7,297,158) in cash which is subject to restrictions that prevent its use for current purposes. Of this cash balance \$4,728,290 forms part of a security fund set up with the City for infrastructure works being completed by the Corporation in West Don Lands. 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. The remaining balance of \$4,259,104 pertains to funds in escrow required to satisfy Waterfront Toronto's future obligations to third party developers.

7. Assets under development

The following table details assets under development by category:

	March 31, 2013	March 31, 2012
	\$	\$
Roads, public realm, utilities	188,010,824	136,932,659
Parkland	33,809,427	31,632,752
Land under development	15,156,443	12,909,859
Parking facility	-	21,981,585
	236,976,694	203,456,855

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

March 31, 2013 and 2012

7. Assets under development (cont.)

The following table details under development by precinct:

	West Don Lands	East Bayfront	Central Waterfront	Total
	\$	\$	\$	\$
Opening Balance March 31, 2012	86,622,168	104,298,775	12,535,912	203,456,855
Capital additions	11,358,806	14,993,647	24,420,015	50,772,468
Direct project management - Note 14	633,620	1,072,846	1,052,728	2,759,194
General and support expenses - Note 14	1,150,717	1,948,062	1,911,858	5,010,637
Transferred to City of Toronto	(3,853,131)	-	-	(3,853,131)
Transferred to capital assets	-	(21,169,329)	-	(21,169,329)
Closing Balance March 31, 2013	95,912,180	101,144,001	39,920,513	236,976,694

	West Don Lands	East Bayfront	Central Waterfront	Total
	\$	\$	\$	\$
Opening Balance April 1, 2011	39,121,947	106,612,188	7,087,680	152,821,815
Capital additions	44,870,733	23,375,664	4,311,351	72,557,748
Direct project management - Note 14	994,789	1,099,362	430,105	2,524,256
General and support expenses Note 14	1,634,699	1,806,541	706,776	4,148,016
Transferred to City of Toronto	-	(28,594,980)	-	(28,594,980)
Closing Balance March 31, 2012	86,622,168	104,298,775	12,535,912	203,456,855

8. Capital assets

	March 31, 2013		March 31, 2012	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	\$	\$	\$	\$
Land	92,588,484	-	92,588,484	-
Parking facility	21,169,329	726,644	-	-
Computer hardware and software	2,538,322	1,964,199	2,306,521	1,603,441
Direct energy assets	6,971,690	6,513,071	6,971,690	6,513,071
Leasehold improvements	1,176,055	780,211	611,747	570,401
Office equipment	308,580	234,037	268,372	197,635
Furniture and fixtures	655,884	632,429	642,324	603,578
	125,408,344	10,850,591	103,389,138	9,488,126
Cost less accumulated amortization		114,557,753		93,901,012

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 (2012 - \$Nil).

The balance of accumulated amortization at March 31, 2013 includes an impairment write-down for district energy of \$\$2,711,085 (2012 - \$2,711,085). The net book value of district energy assets at March 31, 2013 represents the estimated net realizable value upon disposal.

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

March 31, 2013 and 2012

9. Other assets

	March 31, 2013	March 31, 2012
	\$	\$
Advance to TRCA	-	1,500,000
Prepaid expenses	335,359	271,069
Rent receivable	40,563	152,891
	375,922	1,923,960
Less: Current portion (Note 5)	32,467	1,595,655
	343,455	328,305

10. Accounts payable and accrued liabilities

	March 31, 2013	March 31, 2012
	\$	\$
Accrued liabilities	21,857,574	22,518,893
Accounts payable	1,417,485	4,189,813
Holdbacks payable	3,254,547	8,823,936
	26,529,606	35,532,642

11. Deferred contributions and grants

Deferred contributions and grants represent project specific contributions from Governments which have not been applied to eligible costs at March 31, 2013, as well as contributions received for the acquisition of capital assets which have yet to be amortized.

	March 31, 2013	March 31, 2012
	\$	\$
Expenses of future periods		
Balance, beginning of period	37,323,916	53,044,129
Add: additional contribution received/receivable	48,824,873	55,129,169
Less: amounts recognized as revenue	(47,842,056)	(70,849,382)
Balance, end of period	38,306,733	37,323,916
Capital contributions		
Balance, beginning of period	12,731,219	16,824,298
Add: contributions for acquisition of capital assets	59,392,176	79,470,494
Less: direct contribution to net assets	(58,542,300)	(79,228,017)
Less: amount amortized to revenue	(1,362,465)	(4,335,556)
Balance, end of period	12,218,630	12,731,219
	50,525,363	50,055,135

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

March 31, 2013 and 2012

12. Other liabilities and settlements

Other liabilities and settlements at March 31, 2013 total \$4,435,402 (2012 - \$4,457,778) and represent future obligations related to business relocation, revenues received in advance as well as security and developer deposits.

	March 31, 2013	March 31, 2012
	\$	\$
Deposits received	2,978,249	-
Business relocation future obligations	1,281,925	1,543,133
Accrued benefit liability	175,228	34,095
Government funding received in advance	-	2,880,550
Total other liabilities	4,435,402	4,457,778
Less: current portion	523,320	2,880,550
	3,912,082	1,577,228

13. Net assets

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

	March 31, 2013	March 31, 2012
	\$	\$
Invested in capital assets (net of deferred capital contributions)	102,339,124	92,588,484
Invested in assets under development (net of deferred capital contributions)	236,976,694	192,038,165
Unrestricted surplus (Note 13b)	4,592,312	2,472,809
Accumulated re-measurement gain	85,955	-
	343,994,085	287,099,458

b) Unrestricted surplus

	March 31, 2013	March 31, 2012
	\$	\$
Unrestricted surplus, opening balance	2,472,809	-
Excess of revenue over expenses	2,119,503	2,472,809
Unrestricted surplus, closing balance	4,592,312	2,472,809

Toronto Waterfront Revitalization Corporation

Notes to the financial statements
March 31, 2013 and 2012

14. Expenses by precinct and function

	Waterfront Wide- Initiatives	Port Lands	East Bayfront	West Don Lands	Central Waterfront	Total March 31, 2013
	\$	\$	\$	\$	\$	\$
<i>Direct project costs:</i>						
Transfer payments and grants	34,492,698	-	632,647	869,962	-	35,995,307
Project planning and implementation costs	-	2,268,110	2,466,174	1,314,165	1,725,301	7,773,750
Amortization	-	-	726,644	-	-	726,644
Project management - salaries, fees and benefits	308,532	654,302	1,104,766	993,632	1,080,021	4,141,253
less project management - salaries, fees and benefits related to assets under development	-	-	(1,072,846)	(633,620)	(1,052,728)	(2,759,194)
	34,801,230	2,922,412	3,857,385	2,544,139	1,752,594	45,877,760
<i>General & support expenses:</i>						
Salaries, fees and benefits	370,103	784,875	1,325,234	1,191,922	1,295,551	4,967,685
General and office administration	104,348	221,290	373,641	336,055	365,272	1,400,606
Communications, marketing and government relations	41,488	87,983	148,557	133,613	145,229	556,870
Information technology	10,644	22,572	38,112	34,278	37,259	142,865
Amortization	33,742	71,556	120,820	108,666	118,114	452,898
	560,325	1,188,276	2,006,365	1,804,534	1,961,425	7,520,924
less general & support costs allocated to assets under development	-	-	(1,948,062)	(1,150,717)	(1,911,858)	(5,010,637)
	35,361,555	4,110,688	3,915,687	3,197,956	1,802,161	48,388,047

General and support expenses for the year ending March 31, 2013 have been allocated to precincts using an overhead burden rate of 1.81 (2012 - 1.64) for every \$1 of direct labour (project management - salaries and benefits). Total salaries, fees and benefits for the Corporation were \$9,108,938 for the year ending March 31, 2013 (2012 - \$9,287,048) comprising direct project management salaries, fees and benefits of \$4,141,253 (2012 - \$4,538,376) and general support salaries, fees and benefits of \$4,967,685 (2012 - \$4,748,672).

Waterfront-wide initiatives include Union Station Second Platform, Mimico Park and Port Union Waterfront Park. Port Lands include Tommy Thompson Park and Lower Don Lands.

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

March 31, 2013 and 2012

14. Expenses by precinct and function (cont.)

	Waterfront Wide- Initiatives	Port Lands	East Bayfront	West Don Lands	Central Waterfront	Total March 31, 2012
	\$	\$	\$	\$	\$	\$
<i>Direct project costs:</i>						
Transfer payments and grants	25,820,282	-	-	-	-	25,820,282
Project planning and implementation costs	13,306,238	3,745,065	2,381,073	2,992,953	20,583,713	43,009,042
Project management - salaries, fees and benefits	263,363	463,433	1,116,080	1,905,821	789,679	4,538,376
less project management - salaries, fees and benefits related assets under development	-	-	(1,099,362)	(994,789)	(430,105)	-
	39,389,883	4,208,498	2,397,791	3,903,985	20,943,287	70,843,444
<i>General & support expenses:</i>						
Salaries, fees and benefits	275,567	484,907	1,167,796	1,994,132	826,271	4,748,672
General and office administration	81,539	143,482	345,545	590,054	244,489	1,405,109
Communications, marketing and government relations	32,218	56,694	136,536	233,149	96,605	555,202
Information technology	13,040	22,947	55,262	94,366	39,101	224,717
Amortization	30,411	53,512	128,874	220,065	91,184	524,047
	432,775	761,542	1,834,013	3,131,766	1,297,651	7,457,747
less general & support costs allocated to assets under development	-	-	(1,806,540)	(1,634,699)	(706,776)	(4,148,015)
	39,822,658	4,970,040	2,425,264	5,401,052	21,534,162	74,153,176

Toronto Waterfront Revitalization Corporation

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15. Commitments

The Corporation is committed to payments under operating leases for equipment and office space through 2017 in the amount of \$ 1,920,407. Annual payments are as follows:

2014	\$774,957
2015	673,899
2016	377,988
2017	93,563
	<u>\$1,920,407</u>

In addition, the Corporation has other commitments of \$134,528,157. These commitments comprise contracts directly entered into by the Corporation, and/or Delivery Agreements with Eligible Recipients who are responsible for managing various projects on Toronto's waterfront

16. Risk disclosures

Credit risk

Credit risk arises from cash and short term 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.

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.

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. As at March 31, 2013, had prevailing interest rates raised or lowered by 1.0%, with all other variables held constant, excess revenues over expenses would have increased or decreased, respectively, by \$341,000 (2012 - \$218,000).

17. Net other operating income

	March 31, 2013	March 31, 2012
Rental and other income	\$ 3,433,903	\$ 2,993,320
Less: land holding expenses	(3,274,278)	(2,914,301)
	159,625	79,019
Interest and other income	1,133,352	1,362,028
Realized investment income	10,052	-
Net other operating income	<u>1,303,029</u>	<u>1,441,047</u>

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

March 31, 2013 and 2012

18. Comparatives

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

19. 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 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.

- (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.

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20. Change in Accounting Policy

During fiscal 2013 the Corporation changed its accounting policy with respect to assets under development to provide users a more appropriate presentation of these transactions in the Corporation's financial statements. Specifically, certain expenditures which were previously expensed in the statement of financial activities are now recognized as assets under development within the statement of financial position. Contributions associated with these expenditures which were previously recorded as revenue are now recorded as a direct increase to net assets.

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 of during the development stage. Land under development within this category represents all costs associated with getting a parcel of land site ready for development, including costs associated with contracting with a developer, re-zoning, and soil management and treatment.

Upon substantial completion these assets are either sold to a third party, transferred to a respective government or agency who assumes ownership and ongoing operational responsibility, or transferred to capital assets for those assets which the Corporation continues to have actual or beneficial ownership over.

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.

This change in accounting policy has been applied retroactively with restatement of prior periods. The impact on the prior periods is disclosed in the table below:

	Current accounting policy	Previous accounting policy	Increase
Net assets, April 1, 2011	244,469,352	103,066,228	141,403,124
Net assets, March 31, 2012	287,099,458	95,061,293	192,038,165
Excess revenue over expenses, year ended March 31, 2012	2,472,809	2,472,809	-
Assets under development, March 31, 2012	203,456,855	-	203,456,855
Deferred contributions, March 31, 2012	50,055,135	38,636,444	11,418,691