Financial statements of

Toronto Waterfront Revitalization Corporation

(c.o.b. as Waterfront Toronto)

March 31, 2012

Toronto Waterfront Revitalization Corporation
March 31, 2012

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Management's Responsibility for the Financial Statements

June 27, 2012

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
1 City Centre Drive, Suite 1700
Mississauga ON L5B 1M2 Canada

Independent Auditor's Report

To the Board of Directors of
Toronto Waterfront Revitalization Corporation

We have audited the accompanying financial statements of Toronto Waterfront Revitalization Corporation, which comprise the statement of financial position as at March 31, 2012 and the statements of financial activities and net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Toronto Waterfront Revitalization Corporation as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other Matters

The financial statements of Toronto Waterfront Revitalization Corporation for the year ended March 31, 2011, were audited by another auditor who expressed an unmodified opinion on those statements on June 29, 2011.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants
Mississauga, Ontario
June 27, 2012

Toronto Waterfront Revitalization Corporation

Statement of financial position
as at March 31, 2012

	2012	2011
	$	$
Assets		
Current assets		
Cash	**5,185,152**	33,067,712
Short-term investments	**50,180,555**	59,393,870
Contributions recoverable (Note 4)	**2,906,314**	-
HST receivable	**1,850,114**	2,127,453
Deposits, prepaid expenses, rent receivable and other assets (Note 5)	**12,039,548**	10,140,455
	72,161,683	104,729,490
Restricted cash (Note 6)	**7,297,158**	4,770,156
Capital assets (Note 7)	**93,901,012**	108,471,835
Other assets (Note 8)	**328,305**	287,798
	173,688,158	218,259,279
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	**35,532,642**	54,133,067
Deferred contributions and grants (Note 11)	**38,636,444**	58,449,736
Other liabilities and settlements (Note 10)	**2,880,550**	1,547,154
	77,049,636	114,129,957
Other liabilities and settlements (Note 10)	**1,577,229**	1,063,094
	78,626,865	115,193,051
Commitments (Note 15)		
Net assets (Note 12)	**95,061,293**	103,066,228
	173,688,158	218,259,279

Approved on behalf of the Board:

Director

Director

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

Toronto Waterfront Revitalization Corporation

Statement of financial activities and net assets

year ended March 31, 2012

	2012	2011
	$	$
Revenue		
Province of Ontario	**70,953,653**	60,864,133
City of Toronto	**35,659,415**	4,623,640
Government of Canada	**19,925,992**	47,724,150
Non-government organizations	**5,910,483**	3,256,385
	132,449,543	116,468,308
Add (less):		
Contributions for land acquisition	**2,003**	(23,894)
Decrease in deferred contributions and grants for continuing operations related to future periods	**15,211,078**	22,155,425
	147,662,624	138,599,839
Expenses (Note 13)		
West Don Lands	**52,901,274**	34,879,684
Waterfront-wide Initiatives	**32,493,988**	23,004,697
East Bayfront	**28,706,831**	62,962,628
Central Waterfront	**26,982,394**	10,512,712
Port Lands	**4,970,039**	4,461,656
Land holding expenses	**-**	2,778,462
	146,054,526	138,599,839
Excess of revenue over expenses before other operating items and discontinued operations	**1,608,098**	-
Net other operating income (Note 17)	1,441,047	-
Net loss from discontinued operations (Note 18)	(576,336)	-
Excess of revenue over expenses	**2,472,809**	-
Net assets, beginning of period	**103,066,228**	103,042,334
Add (less): government contributions for land acquisition	**(2,003)**	23,894
Less: transfer of land to governments (Note 7)	**(10,475,741)**	-
Net assets, end of year	**95,061,293**	103,066,228

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

Toronto Waterfront Revitalization Corporation
Statement of cash flows
year ended March 31, 2012

	2012	2011
	$	$
Operating activities		
Excess of revenue over expenses	**2,472,809**	-
Items that do not involve cash:		
Amortization of capital assets	**1,624,471**	1,970,452
Impairment of assets	**2,711,085**	623,183
	6,808,365	2,593,635
Changes in non-cash operating items		
Increase in contributions receivable	**(2,906,314)**	-
Increase in HST receivable	**277,339**	(1,007,855)
Decrease (increase) in deposits and prepaid expenses, rent receivable, and other assets	**(1,939,600)**	1,503,861
Increase (decrease) in accounts payable and accrued liabilities	**(18,600,425)**	26,833,374
Increase in other liabilities and settlements	**1,847,531**	592,431
Decrease in deferred contributions and grants	**(19,813,292)**	(22,155,425)
	(34,326,397)	8,360,021
Investing activities		
Acquisition of capital assets	**(240,474)**	(928,840)
Decrease (increase) in short-term investments	**9,213,315**	(59,393,870)
Increase in restricted cash	**(2,527,002)**	(38,756)
	6,445,839	(60,361,466)
Financing activities		
Government contributions for non-amortized capital assets	**(2,003)**	23,894
Net outflow of cash	**(27,882,560)**	(51,977,551)
Cash, beginning of period	**33,067,712**	85,045,263
Cash, end of period	**5,185,152**	33,067,712

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

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 contained in Part V of the Canadian Institute of Chartered Accountants (CICA) handbook.

(b) Revenue recognition

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

Contributions used for the purchase of amortized capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets. Contributions for the purchase of non-amortized capital assets such as land, 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.

2. Significant accounting policies (continued)

(c) Financial instruments

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

Asset/liability	Category	Measurement
Cash and shot-term investments	Held for trading	Fair value
Contributions receivable	Loans and receivables	Amortized cost
Rent receivable	Held for trading	Fair value
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Other liabilities and settlements	Other financial liabilities	Amortized cost

Short term investments are comprised of guaranteed investment certificates.

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, short-term investments, contributions receivable, rent receivable, accounts payable and accrued liabilities and other liabilities approximate their fair values due to the relatively short term to their maturity.

Other accounts noted on the Statement of Financial Position, such as HST receivable, prepaid expenses and deposits, capital assets, other assets, deferred contributions and grants, and accrued benefit liability are not financial instruments.

The Corporation follows the disclosure requirements of Section 3861 "Financial Instruments – Disclosure and Presentation" of the CICA Handbook.

(d) Recognition of expenditures incurred by Eligible Recipients

The Corporation has entered into agreements with Eligible Recipients responsible for managing various projects on Toronto's Waterfront. Expenditures related to these projects are recorded in the financial statements of the Corporation on an accrual basis based upon actual funding requests and estimated funding requests submitted by the Eligible Recipients in accordance with approved project work plans. Under the terms of the agreements, the Corporation does not assume ownership or ongoing operational responsibility upon project completion.

(e) Capital assets

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

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

Construction in progress, which is not amortized, 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.

2. Significant accounting policies (continued)

(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.

(g) 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.

(h) 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 pro-rated 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.
- 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 the remaining service life.

(i) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. The items subject to the most significant estimates are contributions recoverable, the amortization of capital assets, accrued liabilities, deferred revenue and accrued benefit liability.

3. Accounting changes

In December 2010, the CICA issued a new accounting framework applicable to Not-for-Profit Organizations. Effective for fiscal years beginning on or after January 1, 2012, government Not-for-Profit Organizations must adopt Public Sector Accounting (PSA) Standards as their new underlying accounting framework and will have to choose between (a) the Not-for-Profit accounting standards which are incorporated into the CICA PSA Handbook; or (b) the CICA PSA Handbook without the Not-for-Profit accounting standards. The Corporation plans to apply the Not-for-Profit accounting standards which are incorporated into the CICA PSA Handbook for its fiscal year beginning on April 1, 2012. The impact of transitioning to these new standards has been determined as not significant.

4. Contributions recoverable

	2012	2011
	$	$
Government of Canada	**2,225,000**	-
City of Toronto	**681,314**	-
	2,906,314	-

Contributions recoverable pertain to district energy.

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

	2012	2011
	$	$
Construction deposits	**6,456,997**	7,840,065
Prepaid expenses	**401,176**	145,700
Developer receivables, rent and other	**3,585,720**	559,035
Advance to the Toronto and Region Conservation Authority (the "TRCA") and current portion of environmental liability insurance and rent receivables (Note 8)	**1,595,655**	1,595,655
	12,039,548	10,140,455

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 are non-interest bearing; and the construction deposits outstanding from Toronto Hydro of $4,275,273 (March 31, 2011 - $5,658,866) 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 $7,297,158 (March 31, 2011 - $4,770,156) 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 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. The remaining balance of $2,568,868 pertains to funds in escrow required to satisfy Waterfront Toronto’s future obligations to a third party developer.

7. Capital assets

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
Land	92,588,484	-	92,588,484	103,066,228
Leasehold improvements	611,747	570,401	41,346	97,953
Furniture and fixtures	642,324	603,578	38,746	76,659
Computer hardware and software	2,306,521	1,603,441	703,080	868,164
Office equipment	268,372	197,635	70,737	92,703
District Energy	6,971,690	6,513,071	458,619	4,270,128
	103,389,138	9,488,126	93,901,012	108,471,835

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 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 (March 31, 2011 - $Nil).

During the year ended March 31, 2012, the Corporation transferred land having total cost of $5,126,905 to the Province of Ontario at a nominal value of $1 and land having a total cost of $5,348,836 to the City of Toronto at a nominal value of $1. In accordance with the requirements of Section 4430 "Capital assets held by not-for-profit organizations" of the CICA Handbook, the cost of land transferred has been recorded as a reduction of capital assets and included as a distribution of net assets for the year ended March 31, 2012 in the Statement of Financial Activities and Net Assets. The land transferred to the Province of Ontario was part of the area identified as the site of Athletes' Village for the 2015 Pan American Games, which will be developed by the Province of Ontario in accordance with its West Don Lands Precinct Plan. The land transferred to the City of Toronto is part of Sherbourne Common in East Bayfront.

The balance of accumulated amortization at March 31, 2012 includes an impairment write-down for district energy of $2,711,085 (March 31, 2011 - $Nil). The net book value of district energy assets at March 31, 2012 represents the estimated net realizable value upon disposal.

8. Other assets

	2012	2011
	$	$
Advance to the TRCA	**1,500,000**	1,500,000
Environmental impairment liability insurance	**179,801**	230,562
Rent receivable	**152,891**	152,891
Prepaid expenses	**91,268**	-
Total other assets	**1,923,960**	1,883,453
Less: current portion (Note 5)	**1,595,655**	1,595,655
	328,305	287,798

The advance given to the TRCA was repaid April 30, 2012.

9. Accounts payable and accrued liabilities

	2012	2011
	$	$
Accounts payable	**4,189,813**	4,296,779
Accrued liabilities	**22,518,893**	44,736,856
Holdbacks payable	**8,823,936**	5,099,432
	35,532,642	54,133,067

10. Other liabilities and settlements

Other liabilities and settlements at March 31, 2012 total $4,457,779 (March 31, 2011 - $2,610,248) and represent future obligations related to business relocation as well as government funding received in advance.

	2012	2011
	$	$
Tenant leasehold improvement allowance	**-**	4,021
Accrued benefit liability (Note 14)	**34,096**	65,356
Business relocation future obligations	**1,543,133**	1,543,133
District Energy operating receipts	**-**	997,738
Government funding received in advance	**2,880,550**	-
Total other liabilities	**4,457,779**	2,610,248
Less: current portion	**2,880,550**	1,547,154
	1,577,229	1,063,094

11. Deferred contributions and grants

Deferred contributions and grants represent project specific contributions from Governments and third parties which have not been applied to eligible costs at March 31, 2012, as well as contributions received for the acquisition of capital assets which have yet to be amortized.

	2012	2011
	$	$
Expenses of future periods		
Balance, beginning of period	**53,044,129**	73,530,965
Additional contributions received/receivable	**134,359,189**	121,213,189
Less: amounts recognized as revenue	**(150,079,402)**	(141,700,025)
Balance, end of period	**37,323,916**	53,044,129
Capital contributions		
Balance, beginning of period	**5,405,607**	7,074,196
Contributions for acquisition of capital assets	**240,474**	948,940
Add (less): direct contribution to net assets	**2,003**	(23,894)
Less: amount amortized to revenue	**(4,335,556)**	(2,593,635)
Balance, end of period (Note 12b)	**1,312,528**	5,405,607
	38,636,444	58,449,736

12. Net assets

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

	2012	2011
	$	$
Invested in capital assets (Note 12b)	**92,588,484**	103,066,228
Unrestricted surplus	**2,472,809**	-
	95,061,293	103,066,228

b) Invested in capital assets represents the following:

	2012	2011
	$	$
Capital assets	**93,901,012**	108,471,835
Less:		
Amount financed by deferred capital contributions (Note 11)	**(1,312,528)**	(5,405,607)
	92,588,484	103,066,228

13. Expenses by Precinct and Function

	West Don Lands	Waterfront-wide Initiatives	East Bayfront	Central Waterfront	Port Lands	Sub-total before Other Operating Expenses and Discontinued Operations	Other Operating Expenses (Note 17)	Discontinued Operations - District Energy (Note 18)	Total 2012
	$	$	$	$	$	$	$	$	$
Direct project expenses:									
Construction/ implementation	43,814,601	25,066,546	22,034,441	19,808,754	3,229,182	113,953,524	-	6,225,321	**120,178,845**
Planning, design and approvals	4,049,088	3,923,191	3,722,298	5,053,187	515,882	17,263,646	-	2,925	**17,266,571**
Project management- third party	-	2,808,113	-	33,124	-	2,841,237	-	-	**2,841,237**
Project management - salaries and benefits	1,905,821	263,363	1,116,080	789,679	463,433	4,538,376	7,318	-	**4,545,694**
Amortization	-	-	-	-	-	-	-	1,100,424	**1,100,424**
Land holding expenses			-			-	2,906,983		**2,906,983**
	49,769,510	32,061,213	26,872,819	25,684,744	4,208,497	138,596,783	2,914,301	7,328,670	**148,839,754**
General and support expenses:									
Salaries, fees and benefits	1,994,131	275,567	1,167,794	826,271	484,907	4,748,670	-	-	**4,748,670**
General and office administration	590,053	81,539	345,545	244,489	143,481	1,405,107	-	-	**1,405,107**
Communications, marketing and government relations	233,149	32,218	136,536	96,605	56,694	555,202	-	-	**555,202**
Information technology	94,366	13,040	55,263	39,101	22,947	224,717	-	-	**224,717**
Amortization	220,065	30,411	128,874	91,184	53,513	524,047	-	-	**524,047**
	3,131,764	432,775	1,834,012	1,297,650	761,542	7,457,743	-	-	**7,457,743**
Total Expenses	**52,901,274**	**32,493,988**	**28,706,831**	**26,982,394**	**4,970,039**	**146,054,526**	**2,914,301**	**7,328,670**	**156,297,497**

General and support expenses for 2012 have been allocated to precincts using an overhead burden rate of 1.64 (1.61 in 2011) for every $1 of direct labour (project management - salaries and benefits). Total salaries, fees and benefits for the Corporation were $9,294,366 in 2012 ($9,974,091 - 2011) comprising direct project management salaries, fees and benefits of $4,545,694 ($4,918,832 - 2011) and general support salaries, fees and benefits of $4,748,672 ($5,055,259 - 2011).

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

13. Expenses by Precinct and Function (continued)

	West Don Lands	Waterfront-wide Iniatives	East Bayfront	Central Waterfront	Port Lands	Land holding expenses	Sub-total before discontinued operations	Discontinued Operations - District Energy (Note 18)	Total 2011
Direct project expenses:									
Construction/ implementation	28,011,320	8,206,623	52,720,733	4,446,022	669,663		94,054,361	7,078,029	101,132,390
Planning, design and approvals	996,586	8,235,622	6,503,375	4,273,327	1,857,005	-	21,865,915	363,863	22,229,778
Project management - third party	2,078,915	2,867,093	956,847	297,986	1,158,933		7,359,774	-	7,359,774
Project management - salaries and benefits	1,450,951	1,413,651	1,064,123	572,053	296,878	43,131	4,840,787	78,045	4,918,832
Amortization	-	-	-	-	-		-	1,430,269	1,430,269
Land holding expenses	-	-	-	-	-	2,665,715	2,665,715		2,665,715
	32,537,772	20,722,989	61,245,078	9,589,388	3,982,479	2,708,846	130,786,552	8,950,206	139,736,758
General and support expenses:									
Salaries, fees and benefits	1,515,236	1,476,283	1,111,268	597,398	310,031	45,042	5,055,258	-	5,055,258
General and office administration	440,280	428,962	322,900	173,585	90,085	13,088	1,468,900	-	1,468,900
Communications, marketing and government relations	161,540	157,387	118,473	63,689	33,053	4,802	538,944	-	538,944
Information technology	62,945	61,327	46,164	24,817	12,879	1,871	210,003	-	210,003
Amortization	161,911	157,749	118,745	63,835	33,129	4,813	540,182	-	540,182
	2,341,912	2,281,708	1,717,550	923,324	479,177	69,616	7,813,287	-	7,813,287
Total Expenses	34,879,684	23,004,697	62,962,628	10,512,712	4,461,656	2,778,462	138,599,839	8,950,206	147,550,045

14. Executive pension plan

The Corporation maintains a registered executive defined benefit pension plan. The most recent actuarial update of the Plan was March 31, 2012. A reconciliation of the funded status of the Plan to the amount recorded in the financial statements is as follows:

	2012	2011
	$	$
Accrued benefit obligation	**1,537,228**	1,399,000
Fair value of plan assets	**1,550,590**	1,396,029
Funded status - plan surplus (deficit)	**13,362**	(2,971)
Unamortized net actuarial loss	**(47,457)**	(62,385)
Accrued benefit liability	**(34,095)**	(65,356)

The current service cost expense of the plan is $36,384 (March 31, 2011 - $31,695).

15. Commitments

The Corporation is committed to payments under operating leases for equipment and office space through 2017 in the amount of $ 2,668,999. Annual payments are as follows:

2013	$ 774,771
2014	763,746
2015	662,668
2016	374,251
2017	93,563
	$ 2,668,999

In addition, the Corporation has other commitments of $137,444,000. 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. 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 six months of project implementation and operating costs held in available liquid assets. As at March 31, 2012, the Corporation has met its objective of having sufficient liquid resources to meet its current obligations.

17. Net other operating income

	2012	2011
	$	$
Rental income	2,993,320	-
Less land holding expenses	2,914,301	-
	79,019	-
Interest and other income	1,362,028	-
Net other operating income	1,441,047	-

Effective April 1, 2011, the Corporation began presenting other operating items such as rental income, land holding expenses, interest income and other miscellaneous revenue separately as part of net operating income in the Statement of Financial Activities and Net Assets. Previously these items were presented as part of revenue and expenses. Further, the total net operating income is now recognized as unrestricted surplus within net assets. Previously this was recognized as deferred contributions on the Statement of Financial Position.

18. Discontinued operations

As a result of an agreement entered into on March 31, 2011, the Corporation transferred its current responsibilities and future obligations with respect to the provision of district energy services in East Bayfront to a third party district energy provider on March 9, 2012. Certain interim district energy operations were required as part of an energy services agreement between TWRC and Toronto Economic Development Corporation, which was assigned to the third party district energy provider as part of the transaction. The table below outlines the Corporation's revenues and expenditures related to this discontinued business operation.

	2012	2011
Revenue	$	$
Government contributions:		
Government of Canada	4,602,213	5,834,536
Province of Ontario	558,200	3,115,670
City of Toronto	-	-
	5,160,413	8,950,206
Interim plant operating revenues	1,591,921	-
	6,752,334	8,950,206
Expenses		
Impairment of assets / capital expenditures	3,878,225	4,034,656
Amortization	1,100,424	1,430,269
Transfer payment to third party provider	1,052,800	2,000,000
Interim plant operating expenditures	1,297,221	1,485,281
	7,328,670	8,950,206
Net loss from discontinued operations	(576,336)	-

Interim plant operating revenues of $1,591,921 represents income received from June 15, 2009 to March 8, 2012 which was previously presented as deferred revenue (Other liabilities and settlements) on the Statement of Financial Position.

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 contingent liability related to 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.

20. Comparatives

Certain comparative amounts have been reclassified to conform with the current period's presentation.