

Background

The Corporation prepares its financial statements in accordance with Canadian public sector accounting standards for not for profit organizations. The attached statements are interim statements at December 31, 2016 and hence do not include the full set of accounting policies that accompany the year-end statements. Some of the significant accounting policies are as follows:

- **Assets under Development:** The Corporation capitalizes as “Assets under Development” infrastructure investments such as parkland, utilities, roads and public realm, that the Corporation has been mandated to develop and has actual or beneficial ownership over during their development. Such assets are typically transferred to the City of Toronto upon project completion.
- **Deferred Contributions:** The Corporation follows a deferral method of accounting for restricted contributions. Under this method, restricted contributions (such as those received from governments) are recognized as revenue in the year in which the expenditures are incurred. Funding which has been received but not yet expensed is recorded as deferred contributions – a liability on the Statement of Financial Position.
- **Restricted Cash:** Certain cash balances held by the Corporation are subject to restrictions that prevent its use for general operating purposes and such funds are classified as Restricted Cash and Investments on the Statement of Financial Position i.e. construction holdbacks, deposits received for Broadband services, public art contributions etc.
- **The Bentway:** The Corporation is the administrator of a trust created for The Bentway. Although the financial statements of the trust are not consolidated with those of the Corporation, details regarding the financial position of the trust are provided in Note 18 of the financial statements.

Summary of significant items for nine months ended December 31, 2016

- During the 9 month period ended December 31, 2016, Waterfront Toronto continued to deliver on its mandate, investing a total of \$23.6M of which:
 - \$12.4M was on projects that were capitalized - primarily Bayside Phase 2, East Bayfront Soil and Environmental Management, and Stormwater Infrastructure and External Sanitary Servicing; and
 - \$11.2M was spent on projects that were not capitalized, namely Port Lands Due Diligence and Project Planning, Lower Yonge Precinct Plan, Mimico Park and Queens Quay.
- Statement of Financial Position: The decrease of \$20M in net assets is primarily driven by the substantial completion and transfer of Corktown Common to the City costing \$27M partly offset by the continuing investment of approximately \$7M in roads, public realm, utilities and infrastructure (primarily Bayside).

- Statement of Financial Activities: The key components are summarized below:
 - Revenue: Revenue for the 9 months ending December 31, 2016 decreased by \$24M to \$9.8M from 2015/16 as a result of diminishing Government contributions; and
 - Excess of expenses over revenues: The excess of expenses over revenues of \$2.7M before other items at December 31, 2016 represent those costs intended to be funded from a land sale transaction expected to close in Q4 2016/17.

Committee Action Required

Approval of the December 31, 2016 unaudited interim financial statements.

Proposed Motion

ON MOTION, duly made, seconded and carried, be it **RESOLVED** that the Finance, Audit and Risk Management Committee hereby approve the December 31, 2016 unaudited interim financial statements, for recommendation to the Board of Directors.



Financial statements of

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

December 31, 2016

Toronto Waterfront Revitalization Corporation

December 31, 2016

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Toronto Waterfront Revitalization Corporation

Statement of financial position

as at December 31, 2016

(Unaudited)

	December 31, 2016	March 31, 2016
	\$	\$
Assets		
Current assets		
Cash	4,712,239	6,167,082
Short-term investments	11,839,253	7,872,765
Receivables (Note 3)	6,586,757	23,311,093
Deposits, prepaid expenses, rent receivable and other assets (Note 4)	4,802,731	4,739,984
	27,940,980	42,090,924
Restricted cash & short-term investments (Note 5)	17,504,069	16,691,071
Assets under development (Note 6)	294,881,900	309,114,553
Capital assets (Note 7)	103,703,373	104,473,822
Other assets (Note 8)	4,026,625	4,095,155
	448,056,947	476,465,525
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities (Note 10)	6,226,006	8,004,294
Deferred contributions and grants (Note 11)	51,262,972	58,342,841
Other liabilities and settlements (Note 12)	450,765	267,151
	57,939,743	66,614,286
Other liabilities and settlements (Note 12)	4,933,082	5,069,396
	62,872,825	71,683,682
Net assets (Note 13)	385,184,122	404,781,843
	448,056,947	476,465,525

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

Toronto Waterfront Revitalization Corporation

Statement of financial activities

period ended December 31, 2016

(Unaudited)

	Three Months ended December 31, 2016	Nine Months ended December 31, 2016	Three Months ended December 31, 2015	Nine Months ended December 31, 2015
	\$	\$	\$	\$
Revenue				
Province of Ontario	-	-	-	5,000,000
City of Toronto	915,615	2,406,597	3,829,155	17,851,277
Other restricted contributions	4,150,812	7,425,032	3,094,274	10,930,630
	5,066,427	9,831,629	6,923,429	33,781,907
Less: Government contributions for land and/or assets under development	(1,353,799)	(8,414,269)	(4,163,046)	(32,865,839)
Decrease/(increase) in deferred contributions for continuing operations related to future periods	(1,292,604)	7,079,869	1,350,088	13,857,876
	2,420,024	8,497,229	4,110,471	14,773,944
Expenses (Note 14)				
Waterfront-Wide Initiatives	1,216,423	4,416,470	594,672	13,075,124
Port Lands	1,084,633	3,011,877	1,895,439	5,188,812
Central Waterfront	253,797	1,571,970	2,373,252	2,604,637
East Bayfront	450,834	1,489,151	22,728	1,152,203
West Don Lands	471,640	755,493	287,064	649,683
	3,477,327	11,244,961	5,173,155	22,670,459
Excess (Deficiency) of expenses over revenues before other items	(1,057,303)	(2,747,732)	(1,062,684)	(7,896,515)
Net other operating income (Note 17)	489,670	1,427,688	127,922	1,470,141
Excess of expenses over revenues	(567,633)	(1,320,044)	(934,762)	(6,426,374)

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

Toronto Waterfront Revitalization Corporation

Statement of remeasurement gains and losses

period ended December 31, 2016

(Unaudited)

	Three Months ended December 31, 2016	Nine Months ended December 31, 2016	Three Months ended December 31, 2015	Nine Months ended December 31, 2015
	\$	\$		\$
Accumulated remeasurement gains, beginning of the period	(1,027)	1,635	89,441	101,770
Unrealized (losses)/gains attributable to:				
Short term investments	(39,734)	(41,144)	(3,089)	(15,418)
Net remeasurement (losses)/gains for the period	(39,734)	(41,144)	(3,089)	(15,418)
Amounts reclassified to the statement of financial activities	-	(1,252)	(81,173)	(81,173)
Accumulated remeasurement (losses)/gains, end of the period	(40,761)	(40,761)	5,179	5,179

Statement of changes in net assets

period ended December 31, 2016

(Unaudited)

	Three Months ended December 31, 2016	Nine Months ended December 31, 2016	Three Months ended December 31, 2015	Nine Months ended December 31, 2015
	\$	\$	\$	\$
Net assets, beginning of period	411,087,239	404,781,843	541,528,336	521,430,451
Add: Excess of revenue over expenses	(567,633)	(1,320,044)	(934,762)	(6,426,374)
Add: Net remeasurement gains (losses)	(39,734)	(41,144)	(3,089)	(15,418)
Less: Remeasurement gains or losses reclassified to the statement of financial activities	-	(1,252)	(81,173)	(81,173)
Less: transfer of assets to Government (Note 6)	(26,649,549)	(26,649,549)	(127,506,428)	(130,607,395)
Add: Government contributions for assets under development	1,353,799	8,414,268	4,163,046	32,865,839
Net assets, end of the period	385,184,122	385,184,122	417,165,930	417,165,930

Toronto Waterfront Revitalization Corporation

Statement of cash flows

period ended December 31, 2016

(Unaudited)

	Three Months ended December 31, 2016 \$	Nine Months ended December 31, 2016 \$	Three Months ended December 31, 2015 \$	Six Months ended December 31, 2015 \$
Cash flows from operating activities				
Cash received from:				
Government contributions for operating activities	857,667	2,443,940	2,908,972	13,004,804
Other restricted contributions for operating activities	1,864,815	8,618,074	17,846,398	28,175,718
Investment income received for operating activities	23,569	95,090	22,019	82,447
Sales tax rebates	692,906	1,570,333	760,324	5,192,210
Rental income received for operating activities	751,868	1,676,872		
	4,190,825	14,404,309	21,537,713	46,455,179
Cash paid for:				
Planning and implementation expenses	(4,580,346)	(9,409,456)	(11,793,062)	(18,079,839)
Project support expenses	(1,831,707)	(6,421,570)	(1,662,719)	(5,635,378)
Transfer payments	(203,689)	(696,811)	(2,471,374)	(19,287,899)
	(6,615,742)	(16,527,837)	(15,927,155)	(43,003,116)
Net cash (paid for)/ received from operating activities	(2,424,917)	(2,123,528)	5,610,558	3,452,063
Cash flows from capital activities				
Cash received from government contributions for assets under development				
	57,948	14,462,657	920,183	9,846,473
Cash used to acquire capital assets	(211,814)	(211,814)	(16,462)	(64,298)
Cash used to acquire assets under development	(2,967,958)	(12,117,702)	(5,708,113)	(46,903,710)
Net cash (paid for) received from capital activities	(3,121,824)	2,133,141	(4,804,392)	(37,121,535)
Cash flows from investing activities				
Cash received from short term investments redemption				
	-	-	6,839,961	30,504,105
Cash used to purchase additional security investments	152,868	(2,200,000)		
Transfer to/from restricted cash	861,591	735,542		
Cash paid for borrowings costs	-	-	(22,317)	(22,317)
Net cash received from (paid for) investment activities	1,014,459	(1,464,458)	6,817,644	30,481,788
Increase/ (Decrease) in cash	(4,532,280)	(1,454,843)	7,623,810	(3,187,685)
Cash / (Bank indebtedness - Note 9), beginning of the period	9,244,519	6,167,082	(2,000,805)	8,810,690
Cash / (Bank indebtedness - Note 9) , end of the period	4,712,239	4,712,239	5,623,005	5,623,005

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

December 31, 2016

1. Interim financial statements

The unaudited interim financial statements of the Toronto Waterfront Revitalization Corporation (the "Corporation" or "TWRC") have been prepared by management in accordance with Canadian generally accepted accounting principles applicable to interim financial statements and follow the same accounting policies and methods in their applications as the most recent annual financial statements. All disclosure required for annual financial statements has not been included in these financial statements. These financial statements should therefore be read in conjunction with the March 31, 2016 audited financial statements.

2. 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 objectives are to:

- (a) implement a plan that enhances the economic, social and cultural value of the land in the designated waterfront area and create an accessible and active waterfront for living, working and recreation and to do so in a fiscally and environmentally responsible manner;
- (b) ensure that ongoing development in the designated waterfront area can continue in a financially self-sustaining manner;
- (c) promote and encourage involvement of the private sector in the development of the designated waterfront area;
- (d) encourage public input into the development of the designated waterfront area; and
- (e) engage in such other activities as may be prescribed by regulation.

3. Receivables

	December 31, 2016	March 31, 2016
Province of Ontario	\$ -	\$ 14,500,000
Developer receivables	4,000,000	4,000,000
Rent and other receivables	1,534,531	1,474,556
HST receivable	156,052	-
City of Toronto	896,174	3,336,537
	6,586,757	23,311,093

Developer receivables primarily relate to the sale of land, are non-interest bearing and are collectible on March 31, 2017. This receivable is secured by an irrevocable letter of credit.

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

December 31, 2016

4. Deposits and prepaid expenses

	December 31, 2016	March 31, 2016
	\$	\$
Construction deposits	4,465,483	4,414,057
Prepaid expenses	304,781	293,460
Current portion of prepaid expenses and rent receivables (Note 8)	32,467	32,467
	4,802,731	4,739,984

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 (March 2016 - \$2,181,199) are non-interest bearing; and the construction deposits outstanding from Toronto Hydro of \$2,284,284 (March 2016 - \$2,232,858) will be returned to TWRC including interest at the Prime Business Rate set by the Bank of Canada less two percent.

5. Restricted cash and investments

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

	December 31, 2016	March 31, 2016
	\$	\$
West Don Lands security fund	5,549,830	7,873,190
East Bayfront public art	3,122,025	-
Deposit - Broadband services	2,803,370	2,803,370
Holdbacks payable (including HST)	2,172,879	2,124,267
Deposit - Bayside project agreement	2,120,097	2,098,817
East Bayfront child care facility	1,444,226	1,431,491
Escrow Account - River City development	291,642	359,935
	17,504,069	16,691,071

WDL Security funds of \$5,549,830 represents financial security for municipal infrastructure necessary for WDL Phase 1 development to be released to Waterfront Toronto by FY 2017/18

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

December 31, 2016

6. Assets under development

The following table details assets under development by category:

	December 31, 2016	March 31, 2016
	\$	\$
Roads, public realm, utilities	242,363,860	235,387,536
Parkland	15,544,049	41,643,663
Land under development	36,973,991	32,083,354
	294,881,900	309,114,553

The following table details assets under development by precinct:

	East Bayfront	Central Waterfront	West Don Lands	Total
	\$	\$	\$	\$
Opening balance, March 31, 2016	183,150,894	10,558,967	115,404,692	309,114,553
Capital additions	8,869,848	86,398	614,981	9,571,227
Direct project management - Note 14	912,577	63,625	130,579	1,106,781
General and support expenses - Note 14	1,433,556	100,667	204,665	1,738,888
Transfers of completed assets to Government	-	-	(26,649,549)	(26,649,549)
Closing balance, December 31, 2016	194,366,875	10,809,657	89,705,368	294,881,900

During the period ended December 31, 2016 construction was substantially completed on portions of Corktown Common in the West Don Lands. Pursuant to the execution of the relevant acceptance documents, these assets, costing \$26,649,549, were formally transferred to the City of Toronto. This transfer has been recorded as a reduction to assets under development and included as a distribution of net assets in the statement of changes in net assets.

7. Capital assets

	December 31, 2016		March 31, 2016	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	\$	\$	\$	\$
Land	87,305,565	-	87,305,565	-
Parking facility	21,394,409	5,399,139	21,200,570	4,464,883
Computer hardware and software	3,194,059	2,828,774	3,124,283	2,693,938
Leasehold improvements	715,169	678,510	676,298	675,569
Furniture and fixtures	659,867	659,665	659,867	658,933
Office equipment	269,053	268,661	269,053	268,491
	113,538,122	9,834,749	113,235,636	8,761,814
Cost less accumulated amortization		103,703,373		104,473,822

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 (2015 - \$Nil).

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

December 31, 2016

8. Other assets

	December 31, 2016	March 31, 2016
	\$	\$
Developer receivable	4,026,625	4,026,625
Prepaid expenses and rent receivables	32,467	100,997
	4,059,092	4,127,622
Less: current portion (Note 4)	(32,467)	(32,467)
	4,026,625	4,095,155

Developer receivable from the sale of land represents the long term portion that is collectible on March 31, 2018 and is non-interest bearing. This is secured by an irrevocable letter of credit.

9. Credit facility

In 2015, the Corporation secured a revolving credit facility which provides for a maximum borrowing amount of \$40 million. The facility bears interest at the Canadian Prime less 0.25%. The interest rate was 2.45% at December 31, 2016 (March 2016 - 2.45%). The facility is secured by a first lien interest over several of the Corporation's real properties in the City of Toronto and a General Security Agreement creating a first priority interest over property of the Corporation not obtained through a contribution agreement, including accounts receivable. At December 31, 2016 the Corporation had not drawn on the Facility and the full \$40,000,000 remained available.

Under the current financing agreement, the Corporation is subject to a financial covenant. The revolving credit facility stipulates that the Corporation must ensure that the most recent appraised value of the properties which secure the facility at all times provide a minimum of 150% coverage for the outstanding amount of credit. As at December 31, 2016, the Corporation is in compliance with this covenant, and expects to be in compliance for the next 12 months.

10. Accounts payable and accrued liabilities

	December 31, 2016	March 31, 2016
	\$	\$
Accrued liabilities	3,501,566	5,373,463
Holdbacks payable	1,922,902	1,879,883
Accounts payable	801,538	637,227
HST payable	-	113,721
	6,226,006	8,004,294

11. Deferred contributions and grants

Deferred contributions and grants represent project specific contributions from Governments which have not been applied to eligible costs at December 31, 2016, as well as contributions received for the acquisition of capital assets which have yet to be amortized.

	December 31, 2016	March 31, 2016
	\$	\$
Expenditures of future periods		
Balance, beginning of year	50,925,223	41,545,360
Additional contributions	1,114,873	33,158,903
Less: amounts recognized as revenue	(7,424,293)	(23,779,040)
Balance, end of period	44,615,803	50,925,223
Capital contributions		
Balance, beginning of year	7,417,618	9,062,829
Add: contributions for acquisition of capital assets and assets under development	8,716,756	19,402,723
Less: direct contribution to net assets	(8,414,269)	(19,941,312)
Less: amount amortized to revenue	(1,072,936)	(1,106,622)
Balance, end of period	6,647,169	7,417,618
	51,262,972	58,342,841

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

December 31, 2016

12. Other liabilities and settlements

Other liabilities and settlements largely represent security and developer deposits.

	December 31, 2016	March 31, 2016
	\$	\$
Deposit - broadband services	2,441,863	2,465,222
Deposit - Bayside project agreement	2,120,097	2,098,817
Deposit - rent and other	450,765	401,386
Accrued benefit liability	371,122	371,122
Total other liabilities	5,383,847	5,336,547
Less: current portion	(450,765)	(267,151)
	<u>4,933,082</u>	<u>5,069,396</u>

13. Net assets

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

	December 31, 2016	March 31, 2016
	\$	\$
Invested in capital assets (net of deferred capital contributions)	97,056,203.78	97,056,204
Invested in assets under development	294,881,900	309,114,553
Unrestricted surplus/(deficit) (Note 13b)	(6,713,221)	(1,390,549)
Accumulated re-measurement gains/(losses)	(40,761)	1,635
	<u>385,184,122</u>	<u>404,781,843</u>

b) Unrestricted surplus/(deficit)

	December 31, 2016	March 31, 2016
	\$	\$
Unrestricted surplus/(deficit), opening balance	(1,390,549)	32,619,716
Excess (deficiency) of revenue over expenses	(1,320,044)	(3,893,423)
Transfer to assets under development	(4,002,628)	(30,116,842)
Unrestricted surplus/(deficit), closing balance	<u>(6,713,221)</u>	<u>(1,390,549)</u>

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

December 31, 2016

14. Expenses by Precinct and Function

	Waterfront Wide- Initiatives	Port Lands	Central Waterfront	East Bayfront	West Don Lands	Total Dec 31, 2016
	\$	\$	\$	\$	\$	\$
<i>Direct project costs:</i>						
Transfer payments and grants	549,554	-	-	-	-	549,554
Project planning and implementation costs	527,827	1,124,622	980,321	223,972	483,213	3,339,954
Amortization	-	-	-	934,256	-	934,256
Project management - salaries, fees and benefits	1,265,891	715,482	286,587	1,014,905	230,320	3,513,185
Less project management - salaries, fees and benefits related to assets under development (Note 6)	-	-	(63,625)	(912,577)	(130,579)	(1,106,781)
	2,343,272	1,840,104	1,203,283	1,260,557	582,954	7,230,168
<i>General expenses:</i>						
Salaries, fees and benefits	1,338,694	756,630	303,069	1,073,274	243,566	3,715,233
General and office administration	472,849	267,254	107,049	379,098	86,031	1,312,281
Communications, marketing and government relations	113,727	64,278	25,747	91,178	20,692	315,622
Information technology	98,323	55,572	22,259	78,829	17,889	272,872
Amortization	49,607	28,038	11,231	39,772	9,026	137,674
	2,073,199	1,171,773	469,355	1,662,150	377,204	5,753,681
Less general & support costs allocated to assets under development (Note 6)	-	-	(100,667)	(1,433,556)	(204,665)	(1,738,888)
	4,416,470	3,011,877	1,571,970	1,489,151	755,493	11,244,961

General expenses for the period ending December 31, 2016 have been allocated to precincts using an overhead burden rate of 1.64 (1.71 for the period December 31, 2015) for every \$1 of direct labour (project management - salaries and benefits). Total salaries, fees and benefits for the Corporation were \$7,228,418 for the period ending December 31, 2016 (\$6,583,004 - December 31, 2015) comprising direct project management salaries, fees and benefits of \$3,513,185 (\$3,183,311 - December 31, 2015) and general salaries, fees and benefits of \$3,715,233 (\$3,399,693 - December 31, 2015).

Waterfront-wide initiatives include Gardiner/Lakeshore, Mimico Park, Port Union Waterfront Park.

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

December 31, 2016

14. Expenses by Precinct and Function (Cont.)

	Waterfront Wide- Initiatives	Port Lands	Central Waterfront	East Bayfront	West Don Lands	Total Dec 31, 2015
	\$	\$	\$	\$	\$	\$
<i>Direct project costs:</i>						
Transfer payments and grants	11,481,278	-	-	20,432	42,409	11,544,119
Project planning and implementation costs	974,932	2,883,528	1,496,569	126,484	276,840	5,758,353
Amortization	-	-	-	934,256	-	934,256
Project management - salaries, fees and benefits	218,996	815,700	595,300	1,142,061	411,254	3,183,311
Less Project management - salaries, fees and benefits related to assets under development (Note 6)	-	-	(433,181)	(1,124,608)	(294,333)	(1,852,122)
	12,675,206	3,699,228	1,658,688	1,098,625	436,170	19,567,917
<i>General expenses:</i>						
Salaries, fees and benefits	233,882	871,146	635,765	1,219,691	439,209	3,399,693
General and office administration	111,967	417,048	304,363	583,908	210,264	1,627,550
Communications, marketing and government relations	26,898	100,186	73,116	140,271	50,511	390,982
Information Technology	16,158	60,185	43,923	84,265	30,344	234,876
Amortization	11,012	41,018	29,935	57,430	20,680	160,076
	399,918	1,489,584	1,087,102	2,085,565	751,008	5,813,177
Less general & support costs allocated to assets under development (Note 6)	-	-	(141,153)	(2,031,987)	(537,495)	(2,710,635)
	13,075,124	5,188,812	2,604,637	1,152,203	649,683	22,670,459

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

December 31, 2016

15. Commitments

The Corporation has commitments of \$15,160,864 of which Project Commitments total \$ 10,150,720 and Corporate commitments total \$5,010,144 until March 31, 2023.

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. At December 31, 2016 had prevailing interest rates raised or lowered by 1% with all other variables held constant excess revenues over expenses would have increased or decreased by \$ 173,891 (2015 - \$217,778).

17. Net other operating income

	December 31, 2016		December 31, 2015	
	3 months	9 months	3 months	6 months
Rental, parking and other income	1,057,017	3,368,785	\$ 1,036,644	\$ 3,664,895
Less: operating expenses	(790,205)	(2,503,068)	(992,812)	(2,612,987)
	266,812	865,717	43,832	1,051,908
Interest and other income	222,858	560,719	39,667	418,093
Realized investment gains (losses)	-	1,252	44,423	140
Net other operating income	489,670	1,427,688	127,922	1,470,141

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

December 31, 2016

18. Trust under administration

In February of 2016, the Corporation became the administrator of the Project Under Gardiner fund (The Bentway). Based on the Memorandum of Understanding dated December 22, 2015, the total cost of the Project Under Gardiner is expected to total \$25,000,000, of which \$23,500,000 will flow to the Corporation to be used towards the execution of the project. Up until December 31, 2016, the Corporation has received \$5,000,000.

During nine month period ended December 31, 2016, the total cost to the Corporation for management of the Project Under Gardiner was \$319,137 in direct payroll charges, of which \$135,000 was charged to the fund (see project management fees below), the balance of \$184,137 being in-kind contributions.

The trust is entitled to any interest earned on the balance of funds. A summary of the trust's financial position, as at December 31, 2016, is as follows:

Financial Position as at December 31, 2016	December 31, 2016	March 31, 2016
	\$	\$
Cash and accounts receivable	2,524,346	2,961,429
Assets under development	2,914,236	619,596
Total assets	5,438,582	3,581,025
Accounts payable and accrued liabilities	(423,594)	(578,752)
Net assets	5,014,988	3,002,273

Expenditures for the period ended December 31, 2016	December 31, 2016	February 17 to March 31, 2016
<i>Direct Project Costs</i>	\$	\$
Planning and implementation	2,025,445	524,661
Public consultation and marketing	134,195	49,934
Project management fees	135,000	45,000
Total expenditures	2,294,640	619,596
Cumulative expenditure (from inception of trust)	2,914,236	619,596

19. Comparatives

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

20. 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.

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

December 31, 2016

20. Contingent liabilities (con't)

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.