

Summary

Statement of Financial Position:

- Net Assets: The Corporation's net assets have increased \$24M (from \$521M at March 31, 2015 to \$545M at June 30, 2015) as a result of continued investment in roads, public realm and utilities infrastructure (primarily construction of Queens Quay and Bayside Sanitary Servicing).
- Receivables: The total receivables of \$32M consists of approximately \$26.5M receivable from the City of Toronto, the majority of which pertains to a delivery agreement entered into for the Waterfront Sanitary Servicing project. Of the total, approximately \$9M has been collected subsequent to the date of this report and the City is in the process of reviewing the balance.
- Accounts Payable and Accrued Liabilities: Of the total of \$35.7M, approximately \$20M relates to accruals (including holdbacks) for Queens Quay Revitalization and Union Station Second Platform.

Board of Directors Action Required

Approval of the June 30, 2015 unaudited, interim financial statements.

Proposed Motion

The Board of Directors hereby approve for recommendation to the Board, the unaudited, interim financial statements for the period ended June 30, 2015.

Financial statements of

**Toronto Waterfront
Revitalization Corporation**

(c.o.b. as Waterfront Toronto)

June 30, 2015

(Unaudited)

Toronto Waterfront Revitalization Corporation

June 30, 2015

(Unaudited)

Table of contents

Management's Responsibility for the Financial Statements.....	1
Statement of financial position	3
Statement of financial activities	4
Statement of remeasurement gains and losses	5
Statement of changes in net assets	5
Statement of cash flows	6
Notes to the financial statements	7-15

Toronto Waterfront Revitalization Corporation

Statement of financial position

as at June 30, 2015

(Unaudited)

	June 30, 2015	March 31, 2015
	\$	\$
Assets		
Current assets		
Cash	4,024,976	8,810,690
Short-term investments	33,527,147	46,087,847
Receivables (Note 3)	32,092,415	23,653,033
Deposits, prepaid expenses, rent receivable and other assets (Note 4)	9,933,641	9,441,035
	79,578,179	87,992,605
Restricted cash (Note 5)	11,774,069	11,755,821
Assets under development (Note 6)	419,869,359	391,734,680
Capital assets (Note 7)	105,732,567	106,119,033
Other assets (Note 8)	8,346,431	8,369,275
	625,300,605	605,971,414
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	35,735,680	31,130,219
Deferred contributions and grants (Note 10)	41,026,796	50,608,189
Other liabilities and settlements (Note 11)	257,574	257,574
	77,020,050	81,995,982
Other liabilities and settlements (Note 11)	2,529,507	2,544,981
	79,549,557	84,540,963
Net assets (Note 12)	545,751,048	521,430,451
	625,300,605	605,971,414

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

Toronto Waterfront Revitalization Corporation

Statement of financial activities

period ended June 30, 2015

(Unaudited)

	Three Months ended June 30, 2015	Three Months ended June 30, 2014
	\$	\$
Revenue		
Province of Ontario	5,000,000	2,500,000
City of Toronto	8,751,360	24,421,397
Other restricted contributions	8,753,077	2,098,197
	22,504,437	29,019,594
Less: Government contributions for land and/or assets under development	(24,893,750)	(26,622,732)
Decrease/(increase) in deferred contributions for continuing operations related to future periods	9,581,393	8,551,586
	7,192,080	10,948,448
Expenses (Note 13)		
Waterfront-Wide Initiatives	6,446,838	7,126,313
Port Lands	787,523	948,433
East Bayfront	765,479	2,776,548
West Don Lands	202,522	137,071
Central Waterfront	96,512	177,949
	8,298,874	11,166,313
Excess of expenses over revenues before other items	(1,106,794)	(217,865)
Net other operating income (Note 16)	548,318	1,129,037
Excess of expenses over revenues	(558,476)	911,172

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

Toronto Waterfront Revitalization Corporation

Statement of remeasurement gains and losses

period ended June 30, 2015

(Unaudited)

	Three Months ended June 30, 2015	Three Months ended June 30, 2014
	\$	\$
Accumulated remeasurement gains, beginning of the year	101,770	124,650
Unrealized (losses) gains attributable to: Short term investments	(14,677)	(19,480)
Net remeasurement (losses) gains for the period	(14,677)	(19,480)
Accumulated remeasurement gains, end of the period	87,093	105,170

Statement of changes in net assets

period ended June 30, 2015

(Unaudited)

	Three Months ended June 30, 2015	Three Months ended June 30, 2014
	\$	\$
Net assets, beginning of the year	521,430,451	406,799,797
Add: Excess of revenue over expenses	(558,476)	911,172
Less: Unrealized remeasurement (losses) gains	(14,677)	(19,480)
Add: Government contributions for assets under development	24,893,750	26,622,732
Net assets, end of the period	545,751,048	434,314,221

Toronto Waterfront Revitalization Corporation

Statement of cash flows

period ended June 30, 2015

(Unaudited)

	June 30, 2015	June 30, 2014
	\$	\$
Cash flows from operating activities		
Cash received from:		
Government contributions for operating activities	6,343,784	4,785,311
Other restricted contributions for operating activities	862,529	1,979,383
Investment income received for operating activities	37,497	690
Sales tax rebates	1,497,239	1,614,474
	8,741,049	8,379,858
Cash paid for:		
Planning and implementation expenses	(1,532,552)	(18,369,054)
Project support expenses	(2,330,704)	(2,262,445)
Transfer payments	(8,355,926)	(1,623,955)
	(12,219,182)	(22,255,454)
Net cash (paid for)/ received from operating activities	(3,478,134)	(13,875,596)
Cash flows from capital activities		
Cash received from government contributions for assets under development	7,407,577	22,136,086
Cash used to acquire capital assets	(27,733)	(46,051)
Cash used to acquire assets under development	(21,307,762)	(3,662,998)
Net cash (paid for) received from capital activities	(13,927,918)	18,427,037
Cash flows from investing activities		
Cash received from short term investments redemption	12,620,338	7,454,789
Net cash received from (paid for) investment activities	12,620,338	7,454,789
Increase/ (Decrease) in cash	(4,785,714)	12,006,231
Cash, beginning of the period	8,810,690	8,673,954
Cash, end of the period	4,024,976	20,680,185

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

June 30, 2015

(Unaudited)

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, 2015 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 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.

3. Receivables

	June 30, 2015	March 31, 2015
	\$	\$
City of Toronto	26,560,633	18,425,497
HST receivable	1,531,782	929,796
Other receivables/receivable from sale of land	4,000,000	4,297,740
	32,092,415	23,653,033

Contributions receivable primarily consists of amounts receivable from the City of Toronto under delivery agreements entered into for the Waterfront Sanitary Servicing Infrastructure, the Martin Goodman Trail West and East Bayfront Queens Quay Interim Improvements projects. Other receivables primarily relate to the sale of land, are non-interest bearing and are collectible on March 31, 2016. Other receivables are secured by an irrevocable letter of credit.

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

June 30, 2015

(Unaudited)

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

	June 30, 2015	March 31, 2015
	\$	\$
Construction deposits	7,932,770	7,932,770
Developer receivables, rent and other	1,454,516	1,064,925
Prepaid expenses	513,888	410,873
Current portion of prepaid expenses and rent receivables (Note 8)	32,467	32,467
	9,933,641	9,441,035

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 2015 - \$2,181,199) are non-interest bearing; and the construction deposits outstanding from Toronto Hydro of \$5,751,571 (March 2015 - \$5,751,571) will be returned to TWRC including interest at the Prime Business Rate set by the Bank of Canada less two percent.

5. Restricted cash

The Corporation has \$11,774,069 (March 2015 - \$11,755,821) in cash which is subject to restrictions that prevent its use for current purposes. Of this cash balance \$7,917,897 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. Of the remaining balance, \$2,436,172 pertains to funds in escrow required to satisfy Waterfront Toronto's future obligations to third party developers and \$1,420,000 relate to funds restricted for the construction of child care facility in East Bayfront.

6. Assets under development

The following table details assets under development by category:

	June 30, 2015	March 31, 2015
	\$	\$
Roads, public realm, utilities	352,514,429	326,868,745
Parkland	39,390,639	38,669,694
Land under development	27,964,291	26,196,241
	419,869,359	391,734,680

The following table details assets under development by precinct:

	East Bayfront	Central Waterfront	West Don Lands	Total
	\$	\$	\$	\$
Opening balance, March 31, 2015	156,042,361	125,656,281	110,036,038	391,734,680
Capital additions	12,059,679	12,973,559	1,051,931	26,085,169
Direct project management - Note 13	494,288	241,712	122,462	858,462
General and support expenses - Note 13	685,785	335,357	169,906	1,191,048
Closing balance, June 30, 2015	169,282,113	139,206,909	111,380,337	419,869,359

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

June 30, 2015

(Unaudited)

7. Capital assets

	June 30, 2015		March 31, 2015	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	\$	\$	\$	\$
Land	87,305,565	-	87,305,565	-
Parking facility	21,200,570	3,530,185	21,200,570	3,218,766
Computer hardware and software	3,007,383	2,536,781	2,992,309	2,485,192
Leasehold improvements	1,177,570	1,022,130	1,177,570	996,688
Furniture and fixtures	659,867	657,297	659,867	655,984
Office equipment	438,345	310,340	438,345	298,562
	113,789,300	8,056,733	113,774,225	7,655,192
Cost less accumulated amortization		105,732,567		106,119,033

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 (March 2015 - \$Nil).

8. Other assets

	June 31, 2015	March 31, 2014
	\$	\$
Prepaid expenses	352,273	375,117
Rent receivable/receivable from sale of land	8,026,625	8,026,625
	8,378,898	8,401,742
Less: Current portion (Note 4)	32,467	32,467
	8,346,431	8,369,275

Receivables from the sale of land represents the long term portion that is collectible in two equal instalments (\$4M each on March 31, 2017 and March 31, 2018 respectively and are non-interest bearing). These are secured by an irrevocable letter of credit.

9. Accounts payable and accrued liabilities

	June 30, 2015	March 31, 2015
	\$	\$
Accrued liabilities	20,613,696	17,552,305
Accounts payable	2,281,035	2,102,839
Holdbacks payable	12,840,949	11,475,074
	35,735,680	31,130,219

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

June 30, 2015

(Unaudited)

10. Deferred contributions and grants

Deferred contributions and grants represent project specific contributions from Governments which have not been applied to eligible costs at June 30, 2015, as well as contributions received for the acquisition of capital assets which have yet to be amortized.

	June 30, 2015	March 31, 2015
	\$	\$
Expenditures of future periods		
Balance, beginning of year	41,545,360	63,747,419
Less: (Drawdown)/additional contributions	(2,404,388)	5,324,202
Less: amounts recognized as revenue	(6,790,539)	(27,526,261)
Balance, end of period	32,350,433	41,545,360
Capital contributions		
Balance, beginning of year	9,062,829	10,313,671
Add: contributions for acquisition of capital assets and assets under development	24,908,825	94,374,770
Less: direct contribution to net assets	(24,893,750)	(94,010,939)
Less: amount amortized to revenue	(401,541)	(1,614,673)
Balance, end of period	8,676,363	9,062,829
	41,026,796	50,608,189

11. Other liabilities and settlements

Other liabilities and settlements largely represent security and developer deposits.

	June 30, 2015	March 31, 2015
	\$	\$
Deposits received	2,415,959	2,431,432
Accrued benefit liability	371,122	371,122
Total other liabilities	2,787,081	2,802,554
Less: current portion	257,574	257,574
	2,529,507	2,544,981

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

June 30, 2015

(Unaudited)

12. Net assets

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

	June 30, 2015	March 31, 2015
	\$	\$
Invested in capital assets (net of deferred capital contributions)	97,056,205	97,056,205
Invested in assets under development	419,869,359	391,734,680
Unrestricted surplus (Note 12b)	28,738,392	32,537,796
Accumulated re-measurement gains	87,092	101,770
	545,751,048	521,430,451

b) Unrestricted surplus

	June 30, 2015	March 31, 2015
	\$	\$
Unrestricted surplus, opening balance	32,537,796	6,612,282
Transfer from invested in capital assets	-	5,282,919
Excess of revenue over expenses	(558,476)	20,642,595
Transfer to assets under development	(3,240,928)	-
Unrestricted surplus, closing balance	28,738,392	32,537,796

Toronto Waterfront Revitalization Corporation

Notes to the financial statements
June 30, 2015
(Unaudited)

13. Expenses by Precinct and Function

	Waterfront Wide- Initiatives	Port Lands	East Bayfront	West Don Lands	Central Waterfront	Total Jun 30, 2015
	\$	\$	\$	\$	\$	\$
<i>Direct project costs:</i>						
Transfer payments and grants	5,771,173	-	4,864	42,409	-	5,818,446
Project planning and implementation costs	433,220	190,072	427,165	34,327	1,270	1,086,056
Amortization	-	-	311,419	-	-	311,419
Project management - salaries, fees and benefits	101,554	250,257	503,531	175,154	281,614	1,312,110
Less Project management - salaries, fees and benefits related to assets under development (Note 6)	-	-	(494,288)	(122,462)	(241,712)	(858,462)
	6,305,947	440,329	752,691	129,428	41,172	7,669,569
<i>General expenses:</i>						
Salaries, fees and benefits	80,624	198,679	399,752	139,054	223,573	1,041,682
General and office administration	37,722	92,957	187,035	65,060	104,604	487,378
Communications, marketing and government relations	12,885	31,752	63,887	22,223	35,731	166,479
Information Technology	5,536	13,643	27,451	9,549	15,353	71,533
Amortization	4,124	10,162	20,447	7,112	11,436	53,281
	140,891	347,194	698,573	243,000	390,697	1,820,353
Less general & support costs allocated to assets under development (Note 6)	-	-	(685,785)	(169,906)	(335,357)	(1,191,048)
	6,446,838	787,523	765,479	202,522	96,512	8,298,874

General expenses for the period ending June 30, 2015 have been allocated to precincts using an overhead burden rate of 1.39 (0.85 for the period June 30, 2014) for every \$1 of direct labour (project management - salaries and benefits). Total salaries, fees and benefits for the Corporation were \$2,353,792 for the period ending June 30, 2015 (\$2,169,312 - June 30, 2014) comprising direct project management salaries, fees and benefits of \$1,312,110 (\$1,589,122 - June 30, 2014) and general salaries, fees and benefits of \$1,041,682 (\$580,190 - June 30, 2014).

Waterfront-wide initiatives include Union Station Second Platform, Mimico Park, Port Union Waterfront Park and Port Lands Flood Protection Due Diligence and Project Planning.

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

June 30, 2015

(Unaudited)

13 Expenses by Precinct and Function (Cont.)

	Waterfront	Port	East	West Don	Central	Total
	Wide-	Lands	Bayfront	Lands	Waterfront	Jun 30, 2014
	Initiatives	Lands	Bayfront	Lands	Waterfront	Jun 30, 2014
	\$	\$	\$	\$	\$	\$
<i>Direct project costs:</i>						
Transfer payments and grants	6,842,876	-	294,357	2,096	-	7,139,329
Project planning and implementation costs	130,838	324,684	2,074,719	59,525	46,833	2,636,599
Amortization	-	-	311,419	-	-	311,419
Project management - salaries, fees and benefits	82,359	336,646	628,821	169,520	371,776	1,589,122
less Project management - salaries, fees and benefits related to assets under development	-	-	(576,983)	(128,799)	(296,942)	(1,002,724)
	7,056,073	661,330	2,732,333	102,342	121,667	10,673,745
<i>General expenses:</i>						
Salaries, fees and benefits	30,069	122,910	229,583	61,892	135,736	580,190
General and office administration	24,757	101,195	189,023	50,958	111,755	477,688
Communications, marketing and government relations	6,427	26,272	49,074	13,230	29,014	124,018
Information Technology	5,643	23,064	43,082	11,614	25,471	108,874
Amortization	3,342	13,661	25,518	6,879	15,087	64,488
	70,239	287,103	536,280	144,573	317,063	1,355,258
less general & support costs allocated to assets under development	-	-	(492,065)	(109,844)	(260,781)	(862,690)
	7,126,312	948,433	2,776,548	137,071	177,949	11,166,313

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

June 30, 2015

(Unaudited)

14. Commitments

The Corporation is committed to payments under operating leases for equipment and office space through 2017 in the amount of \$377,054. Annual payments are as follows:

2016	283,491
2017	93,563
	<u>\$ 377,054</u>

In addition, the Corporation has other commitments of \$41,196,298. 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.

15. 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 March 31, 2015 had prevailing interest rates raised or lowered by 1% with all other variables held constant excess revenues over expenses would have increased or decreased, respectively by \$217,778 (2014 - \$394,069).

16. Net other operating income

	June 30, 2015	June 30, 2014
Rental, parking and other income	\$ 1,132,791	\$ 3,058,713
Less: operating expenses	(794,857)	(2,342,529)
	<u>337,934</u>	<u>716,184</u>
Interest and other income	230,761	402,180
Realized investment gains (losses)	(20,377)	10,673
Net other operating income	<u>548,318</u>	<u>1,129,037</u>

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

June 30, 2015

(Unaudited)

17. Comparatives

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

18. 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.