



Board Meeting – September 14, 2016
Committee Chair Reports
Item 5a – June 30, 2016 Interim Financial Statements
David Johnson

Summary

The June 30, 2016 financial statements were presented to the August 24, 2016 meeting of the Finance Audit and Risk Management (FARM) Committee, when it was recommended to be sent to the Board of Directors for approval.

Significant Items

- During the period ended June 30, 2016, Waterfront Toronto continued to deliver on its mandate, investing a total of \$4.2M in land, roads, public realm and utilities infrastructure to support the revitalization of the waterfront. Investment was primarily focused in East Bayfront.
- Note 18 – Trust under administration (the Bentway project) has been expanded to provide further information regarding project expenditures, including Waterfront Toronto contributions.

Statement of Financial Position

- Receivables - Collection of receivables continued to improve throughout the quarter with the overall balance decreasing to \$5M as at June 30, 2016, down from \$22M at March 31, 2016.

Statement of Financial Activities

- Revenues - Revenue for the same period in 2015/16 decreased from \$22M to \$2M in 2016/17 as a result of diminishing Government contributions.

Committee Action Required

Approval of the June 30, 2016 unaudited financial statements.

Proposed Motion

ON MOTION duly made, seconded and carried, be it **RESOLVED** that the Board of Directors hereby approve the unaudited financial statements for the period ended June 30, 2016.

Financial statements of

**Toronto Waterfront
Revitalization Corporation**

(c.o.b. as Waterfront Toronto)

June 30, 2016

Toronto Waterfront Revitalization Corporation

June 30, 2016

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Toronto Waterfront Revitalization Corporation

Statement of financial position

as at June 30, 2016

	June 30, 2016	March 31, 2016
	\$	\$
Assets		
Current assets		
Cash (Note 9)	14,295,989	6,167,082
Short-term investments	10,088,451	7,872,765
Receivables (Note 3)	5,360,929	21,836,537
Deposits, prepaid expenses, rent receivable and other assets (Note 4)	6,690,549	6,214,540
	36,435,918	42,090,924
Restricted cash & investments (Note 5)	16,830,037	16,691,071
Assets under development (Note 6)	313,299,132	309,114,553
Capital assets (Note 7)	104,115,457	104,473,822
Other assets (Note 8)	4,026,625	4,095,155
	474,707,169	476,465,525
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities (Note 10)	7,632,476	8,004,294
Deferred contributions and grants (Note 11)	54,372,787	58,342,841
Other liabilities and settlements (Note 12)	74,051	267,151
	62,079,314	66,614,286
Other liabilities and settlements (Note 12)	5,282,936	5,069,396
	67,362,250	71,683,682
Net assets (Note 13)	407,344,919	404,781,843
	474,707,169	476,465,525

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

Approved on behalf of the Board:

Director

Director

Toronto Waterfront Revitalization Corporation

Statement of financial activities

period ended June 30, 2016

	Three Months ended June 30, 2016	Three Months ended June 30, 2015
	\$	\$
Revenue		
Province of Ontario	-	5,000,000
City of Toronto	-	8,751,360
Other restricted contributions	1,966,450	8,753,077
	1,966,450	22,504,437
Less: Government contributions for land and/or assets under development	(3,523,576)	(24,893,750)
Decrease/(increase) in deferred contributions for continuing operations related to future periods	3,970,054	9,581,393
	2,412,928	7,192,080
Expenses (Note 14)		
Waterfront-Wide Initiatives	1,708,054	6,446,838
Port Lands	982,659	787,523
Central Waterfront	752,403	96,512
East Bayfront	408,386	765,479
West Don Lands	178,132	202,522
	4,029,634	8,298,874
Excess of expenses over revenues before other items	(1,616,704)	(1,106,794)
Net other operating income (Note 17)	690,112	548,318
Excess of expenses over revenues	(926,592)	(558,476)

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, 2016

(Unaudited)

	Three months ended June 30, 2016	Three Months ended June 30, 2015
	\$	\$
Accumulated remeasurement gains, beginning of the year	1,635	19,850
Unrealized losses attributable to: Short term investments	(33,949)	(14,677)
Net remeasurement losses for the year	(33,949)	(14,677)
Amounts reclassified to the statement of financial activities	41	-
Accumulated remeasurement gains, end of the period	(32,273)	5,173

Statement of changes in net assets

period ended June 30, 2016

	Three months ended June 30, 2016	Three Months ended June 30, 2015
	\$	\$
Net assets, beginning of year	404,781,843	521,430,451
Add: Excess (deficiency) of revenue over expenses	(926,592)	(558,476)
Add: Net remeasurement losses	(33,949)	(14,677)
Less: Remeasurement gains reclassified to the statement of financial activities	41	-
Add: Government contributions for assets under development	3,523,576	24,893,750
Net assets, end of the period	407,344,919	545,751,048

Toronto Waterfront Revitalization Corporation

Statement of cash flows

period ended June 30, 2016

	June 30, 2016	June 30, 2015
	\$	\$
Cash flows from operating activities		
Cash received from:		
Government contributions for operating activities	-	6,343,784
Other restricted contributions for operating activities	4,449,607	862,529
Investment income received for operating activities	33,890	37,497
Sales tax rebates	206,289	1,497,239
Net rental income received for operating activities	330,356	-
	5,020,142	8,741,049
Cash paid for:		
Planning and implementation expenses	(2,400,219)	(1,532,552)
Project support expenses	(1,988,066)	(2,330,704)
Transfer payments	(493,122)	(8,355,926)
	(4,881,407)	(12,219,182)
Net cash received/ (paid for) from operating activities	138,734	(3,478,134)
Cash flows from capital activities		
Cash received from government contributions for assets under development	14,500,000	7,407,577
Cash used to acquire capital assets	-	(27,733)
Cash used to acquire assets under development	(4,143,609)	(21,307,762)
Net cash received/ (paid for) from capital activities	10,356,391	(13,927,918)
Cash flows from investing activities		
Cash received from short term investments redemption	-	12,620,338
Cash used to purchase additional security investments	(2,200,000)	-
Invested in restricted cash	(166,218)	-
Net cash (paid for)/ received from investment activities	(2,366,218)	12,620,338
Increase (decrease) in cash	8,128,907	(4,785,714)
Cash , beginning of the period	6,167,082	8,810,690
Cash , end of period	14,295,989	4,024,976

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

June 30, 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 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, 2016	March 31, 2016
Province of Ontario	\$ -	\$ 14,500,000
City of Toronto	1,204,254	3,336,537
HST receivable	156,675	-
Other receivables/receivable from sale of land	4,000,000	4,000,000
	5,360,929	21,836,537

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

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

June 30, 2016

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

	June 30, 2016	March 31, 2016
Construction deposits	\$ 4,414,057	\$ 4,414,057
Developer receivables, rent and other	1,866,709	1,474,556
Prepaid expenses	377,316	293,460
Current portion of prepaid expenses and rent receivables (Note 8)	32,467	32,467
	6,690,549	6,214,540

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 \$2,232,858 (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 & investments

The Corporation has cash which is subject to restrictions imposed by external third parties that prevent its use for operating purposes, as outlined below:

	June 30, 2016	March 31, 2016
West Don Lands security fund	\$ 7,873,190	\$ 7,873,190
Funds restricted for holdbacks payable (including HST)	2,318,130	2,124,267
Funds in escrow	2,399,059	2,458,753
Funds restricted for East Bayfront child care facility	1,436,288	1,431,491
Intelligent Communities restricted funds (including HST)	2,803,370	2,803,370
	16,830,037	16,691,071

6. Assets under development

The following table details assets under development by category:

	June 30, 2016	March 31, 2016
Roads, public realm, utilities	\$ 237,402,231	\$ 235,387,536
Parkland	41,555,354	41,643,663
Land under development	34,341,547	32,083,354
	313,299,132	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	3,262,845	29,200	(73,192)	3,218,853
Direct project management - Note 14	267,120	19,473	41,351	327,944
General and support expenses - Note 14	519,069	38,787	79,926	637,782
Closing balance, June 30, 2016	187,199,928	10,646,427	115,452,777	313,299,132

There were no transfers of completed assets during the period ended June 30, 2016.

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

June 30, 2016

7. Capital assets

	June 30, 2016		March 31, 2016	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	\$	\$	\$	\$
Land	87,305,565	-	87,305,565	-
Parking facility	21,200,570	4,776,301	21,200,570	4,464,883
Computer hardware and software	3,124,283	2,740,436	3,124,283	2,693,938
Leasehold improvements	676,298	675,695	676,298	675,569
Furniture and fixtures	659,867	659,200	659,867	658,933
Office equipment	269,053	268,546	269,053	268,491
	113,235,636	9,120,179	113,235,636	8,761,814
Cost less accumulated amortization		104,115,457		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).

8. Other assets

	June 30, 2016	March 31, 2016
	\$	\$
Prepaid expenses	32,467	100,997
Rent receivable/receivable from sale of land	4,026,625	4,026,625
	4,059,092	4,127,622
Less: Current portion (Note 4)	32,467	32,467
	4,026,625	4,095,155

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

9. Credit facility

On September 25, 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 June 30, 2016. 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 June 30, 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 June 30, 2016, the Corporation is in compliance with this covenant, and expects to be in compliance for the next 12 months.

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

June 30, 2016

10. Accounts payable and accrued liabilities

	June 30, 2016	March 31, 2016
	\$	\$
Accrued liabilities	3,859,796	5,373,463
Accounts payable	1,721,238	637,227
Holdbacks payable	2,051,442	1,879,883
HST payable	-	113,721
	7,632,476	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 June 30, 2016, as well as contributions received for the acquisition of capital assets which have yet to be amortized.

	June 30, 2016	March 31, 2016
	\$	\$
Expenditures of future periods		
Balance, beginning of year	50,925,223	41,545,360
Additional contributions (Drawdown)	-	33,158,903
Less: amounts recognized as revenue	(3,611,690)	(23,779,040)
Balance, end of period	47,313,533	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	3,523,577	19,402,723
Less: direct contribution to net assets	(3,523,576)	(19,941,312)
Less: amount amortized to revenue	(358,365)	(1,106,622)
Balance, end of period	7,059,254	7,417,618
	54,372,787	58,342,841

12. Other liabilities and settlements

Other liabilities and settlements largely represent security and developer deposits.

	June 30, 2016	March 31, 2016
	\$	\$
Deposits received	4,985,865	4,965,425
Accrued benefit liability	371,122	371,122
Total other liabilities	5,356,987	5,336,547
Less: current portion	(74,051)	(267,151)
	5,282,936	5,069,396

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

June 30, 2016

13. Net assets

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

	June 30, 2016	March 31, 2016
	\$	\$
Invested in capital assets (net of deferred capital contributions)	97,056,203	97,056,205
Invested in assets under development	313,299,132	309,114,553
Unrestricted surplus (deficit) (Note 13b)	(2,978,143)	(1,390,549)
Accumulated re-measurement gains (losses)	(32,273)	1,635
	407,344,919	404,781,843

b) Unrestricted surplus

	June 30, 2016	March 31, 2015
	\$	\$
Unrestricted surplus, opening balance	(1,390,549)	32,619,716
Transfer from invested in capital assets	-	-
Excess (deficiency) of revenue over expenses	(926,592)	(3,893,423)
Transfer to assets under development	(661,002)	(30,116,842)
Unrestricted surplus (deficit), closing balance	(2,978,143)	(1,390,549)

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

March 31, 2016

14. Expenses by Precinct and Function

	Waterfront Wide- Initiatives	Port Lands	Central Waterfront	East Bayfront	West Don Lands	Total Jun 30, 2016
	\$	\$	\$	\$	\$	\$
<i>Direct project costs:</i>						
Transfer payments and grants	398,446	-	-	50,233	-	448,679
Project planning and implementation costs	156,891	302,052	461,759	(13,035)	90,392	998,060
Amortization	-	-	-	311,419	-	311,419
Project management - salaries, fees and benefits	377,085	222,645	114,136	276,736	68,375	1,058,977
Less project management - salaries, fees and benefits related to assets under development (Note 6)	-	-	(19,473)	(267,120)	(41,351)	(327,944)
	932,422	524,697	556,422	358,233	117,416	2,489,191
<i>General expenses:</i>						
Salaries, fees and benefits	536,128	316,550	162,275	393,455	97,213	1,505,621
General and office administration	133,675	78,927	40,461	98,102	24,239	375,403
Communications, marketing and government relations	66,993	39,555	20,278	49,165	12,148	188,139
Information technology	35,131	20,743	10,634	25,782	6,370	98,660
Amortization	3,704	2,187	1,121	2,718	672	10,402
	775,632	457,962	234,768	569,222	140,642	2,178,225
Less general & support costs allocated to assets under development (Note 6)	-	-	(38,787)	(519,069)	(79,926)	(637,782)
	1,708,054	982,659	752,403	408,386	178,132	4,029,634

General expenses for the period ending June 30, 2016 have been allocated to precincts using an overhead burden rate of 2.06 (1.39 for the period June 30, 2015) for every \$1 of direct labour (project management - salaries and benefits). Total salaries, fees and benefits for the Corporation were \$2,564,598 for the period ending June 30, 2016 (\$2,353,972 - June 30, 2015) comprising direct project management salaries, fees and benefits of \$1,058,977 (\$1,312,110 - June 30, 2015) and general salaries, fees and benefits of \$1,505,621 (\$1,041,682 - June 30, 2016).

Waterfront-wide initiatives include Gardiner/Lakeshore, Mimico Park, Port Union Waterfront Park and Non-Project Specific.

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

March 31, 2016

14. Expenses by Precinct and Function (Cont.)

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

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

June 30, 2016

15. Commitments

The Corporation has commitments of \$31,789,311 of which Project Commitments total \$ 25,484,978 and Corporate commitments total \$6,304,333 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 March 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 \$ nil (2015 - \$217,778).

17. Net other operating income

	June 30, 2016	June 30, 2015
Rental, parking and other income	\$ 1,229,668	\$ 1,132,791
Less: operating expenses	(662,081)	(794,857)
Interest and other income	567,587	337,934
Realized investment gains (losses)	122,525	230,761
	-	(20,377)
Net other operating income	690,112	548,318

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

June 30, 2016

18. Trust under administration

In February of 2016, the Corporation became the administrator of the Project Under Gardiner fund. 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. To date, the Corporation has received \$3,000,000.

During the period ended June 30, 2016, the total cost to the Corporation for management of the Project Under Gardiner was \$96,072 in direct payroll charges, of which \$45,000 was charged to the fund (see project management fees below), the balance of \$51,072 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 June 30, 2016, is as follows:

Financial Position as at June 30, 2016	June 30, 2016	March 31, 2016
Cash and accounts receivable	\$ 2,021,376	\$ 2,961,429
Assets under development	1,284,012	619,596
Total assets	3,305,388	3,581,025
Accounts payable and accrued liabilities	(299,482)	(578,752)
Net assets	3,005,906	3,002,273

Expenditures for the period ended June 30, 2016	June 30, 2016	February 17 to March 31, 2016
<i>Direct Project Costs</i>	\$	\$
Planning and implementation	536,053	524,661
Public consultation and marketing	83,363	49,934
Project management fees	45,000	45,000
Total expenditure	664,416	619,596
Cumulative expenditure (from inception of trust)	1,284,012	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

June 30, 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.