

Financial statements of

**Toronto Waterfront
Revitalization Corporation**

(c.o.b. as Waterfront Toronto)

December 31, 2014

(Unaudited)

Toronto Waterfront Revitalization Corporation

December 31, 2014

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Toronto Waterfront Revitalization Corporation

Statement of financial position

as at December 31, 2014

(Unaudited)

| | December 31, 2014 | March 31, 2014 |
|--|----------------------|--------------------|
| | \$ | \$ |
| Assets | | |
| Current assets | | |
| Cash | 17,322,716 | 8,673,954 |
| Short-term investments | 33,038,439 | 63,817,965 |
| Contributions receivable (Note 3) | 14,783,282 | - |
| HST receivable | 1,458,750 | 889,461 |
| Deposits, prepaid expenses, rent receivable and other assets (Note 4) | 8,097,709 | 10,024,704 |
| | 74,700,896 | 83,406,084 |
| Restricted cash (Note 5) | 10,534,929 | 7,385,064 |
| Assets under development (Note 6) | 376,310,089 | 297,723,741 |
| Capital assets (Note 7) | 111,693,955 | 112,652,795 |
| Other assets (Note 8) | 445,718 | 389,673 |
| | 573,685,587 | 501,557,357 |
| Liabilities and net assets | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (Note 9) | 31,816,285 | 17,911,692 |
| Deferred contributions and grants (Note 10) | 53,359,733 | 74,061,090 |
| Other liabilities and settlements (Note 11) | 257,574 | 257,574 |
| | 85,433,592 | 92,230,356 |
| Other liabilities and settlements (Note 11) | 2,387,846 | 2,527,204 |
| | 87,821,438 | 94,757,560 |
| Net assets (Note 12) | 485,864,149 | 406,799,797 |
| | 573,685,587 | 501,557,357 |

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

Toronto Waterfront Revitalization Corporation

Statement of financial activities period ended December 31, 2014

(Unaudited)

| | Three Months ended December 31, 2014 | Nine Months ended December 31, 2014 | Three Months ended December 31, 2013 | Nine Months ended December 31, 2013 |
|--|---|--|---|--|
| | \$ | \$ | \$ | \$ |
| Revenue | | | | |
| Province of Ontario | 2,270,516 | 8,352,378 | 6,086,157 | 42,503,081 |
| City of Toronto | 12,800,749 | 52,440,289 | 8,659,500 | 34,257,581 |
| Other restricted contributions | 6,629,204 | 17,922,968 | 553,825 | 2,436,648 |
| | 21,700,469 | 78,715,635 | 15,299,482 | 79,197,310 |
| Less: Government contributions for land and/or assets under development | (23,602,628) | (78,586,348) | (16,605,677) | (44,476,561) |
| Decrease/(Increase) in deferred contributions for continuing operations related to future periods | 6,684,972 | 20,701,357 | 10,668,721 | (4,913,428) |
| | 4,782,813 | 20,830,644 | 9,362,526 | 29,807,321 |
| Expenses (Note 13) | | | | |
| Waterfront -Wide Initiatives | 4,139,735 | 16,172,656 | 7,254,721 | 24,337,274 |
| East Bayfront | 394,842 | 3,579,406 | 532,721 | 1,570,358 |
| Port Lands | 453,978 | 1,855,876 | 974,672 | 2,353,610 |
| Central Waterfront | 128,155 | 539,580 | 510,210 | 948,573 |
| West Don Lands | 67,685 | 493,153 | 91,087 | 585,888 |
| | 5,184,395 | 22,640,671 | 9,363,410 | 29,795,703 |
| Excess of expenses over revenue before other operating items | (401,582) | (1,810,027) | (885) | 11,619 |
| Net other operating income (Note 16) | 74,255 | 2,333,852 | 640,487 | 1,799,669 |
| Excess of revenue over expenses | (327,327) | 523,825 | 639,602 | 1,811,288 |

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, 2014

(Unaudited)

| | Three Months ended December 31, 2014 | Nine Months ended December 31, 2014 | Three Months ended December 31, 2013 | Nine Months ended December 31, 2013 |
|---|---|--|---|--|
| | \$ | \$ | \$ | \$ |
| Accumulated remeasurement gains, beginning of the period | 99,960 | 124,650 | (92,249) | 85,955 |
| Unrealized losses attributable to: | | | | |
| Short term investments | (21,131) | (45,821) | 117,057 | (61,146) |
| Less: Amounts reclassified to the statement of financial activities: | | | | |
| Gain on sale of short term investments | - | - | (1,925) | - |
| Net remeasurement gains for the period | (21,131) | (45,821) | 117,057 | (61,146) |
| Accumulated remeasurement gains end of the period | 78,829 | 78,829 | 24,809 | 24,809 |

Statement of changes in net assets

period ended December 31, 2014

| | Three Months ended December 31, 2014 | Nine Months ended December 31, 2014 | Three Months ended December 31, 2013 | Nine Months ended December 31, 2013 |
|---|---|--|---|--|
| | \$ | \$ | \$ | \$ |
| Net assets, beginning of the period | 462,609,979 | 406,799,797 | 372,858,452 | 343,994,085 |
| Add: Excess of revenue over expenses | (327,327) | 523,825 | 639,602 | 1,811,288 |
| Less: Unrealized remeasurement losses | (21,131) | (45,821) | 117,057 | (61,146) |
| Add: Government contributions for assets under development | 23,602,628 | 78,586,348 | 16,605,677 | 44,476,561 |
| Net assets, end of the period | 485,864,149 | 485,864,149 | 390,220,788 | 390,220,788 |

Toronto Waterfront Revitalization Corporation

Statement of cash flows

period ended December 31, 2014

(Unaudited)

| | Three Months ended December 31, 2014 \$ | Nine Months ended December 31, 2014 \$ | Three Months ended December 31, 2013 \$ | Nine Months ended December 31, 2013 \$ |
|--|---|--|---|--|
| Cash flows from operating activities | | | | |
| Cash received from: | | | | |
| Government contributions for operating activities | 2,531,962 | 10,381,813 | 18,850,068 | 20,065,784 |
| Other restricted contributions for operating activities | 4,855,429 | 8,207,998 | 214,394 | 1,430,110 |
| Investment income received for operating activities | 71,552 | 132,005 | 56,821 | 196,116 |
| Sales tax rebates | 2,753,067 | 6,717,137 | 1,883,349 | 4,932,804 |
| | 10,212,010 | 25,438,953 | 21,004,632 | 26,624,814 |
| Cash paid for: | | | | |
| Planning and implementation expenses | (2,991,138) | (11,450,066) | (2,012,227) | (21,568,773) |
| Rental operating expenses | - | - | - | - |
| Project support expenses | (1,631,968) | (5,557,667) | (1,748,225) | (5,919,575) |
| Transfer payments | (5,998,546) | (11,290,090) | (7,140,574) | (18,277,623) |
| | (10,621,652) | (28,297,823) | (10,901,027) | (45,765,970) |
| Net cash (paid for) received from operating activities | (409,642) | (2,858,870) | 10,103,605 | (19,141,156) |
| Cash flows from capital activities | | | | |
| Cash received from government contributions for assets under development | | | | |
| | 10,268,787 | 48,140,338 | (4,104,411) | 38,764,284 |
| Cash used to acquire capital assets | (46,556) | (162,014) | (57,192) | (176,848) |
| Cash used to acquire assets under development | (17,213,596) | (64,770,092) | (16,726,953) | (30,438,582) |
| Net cash (paid for) received from capital activities | (6,991,365) | (16,791,768) | (20,888,556) | 8,148,854 |
| Cash flows from investing activities | | | | |
| Cash received from short term investments redemption | | | | |
| | 8,999,073 | 28,299,400 | 10,160,916 | 10,160,916 |
| Cash used to purchase additional security investments | - | - | - | (31,000,000) |
| Net cash (paid for) received from investment activities | 8,999,073 | 28,299,400 | 10,160,916 | (20,839,084) |
| Increase (decrease) in cash | 1,598,066 | 8,648,762 | (624,034) | 1,753,596 |
| Cash, beginning of the period | 15,724,650 | 8,673,954 | 8,980,964 | 6,603,334 |
| Cash, end of the period | 17,322,716 | 17,322,716 | 8,356,930 | 8,356,930 |

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

December 31, 2014

(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, 2014 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. Contributions receivable

| | Dec 31, 2014 | March 31, 2014 |
|--------------------------------|-------------------|-------------------|
| Province of Ontario | \$ 2,270,516 | \$ - |
| Other restricted contributions | 12,512,766 | - |
| | 14,783,282 | - |

Other restricted contributions receivable primarily consists of amounts receivable from the City of Toronto under delivery agreements entered into for the Waterfront Sanitary Servicing Infrastructure as well as the Martin Goodman Trail West and East Bayfront Queens Quay Interim Improvements projects.

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

December 31, 2014

(Unaudited)

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

| | December 31, 2014 | March 31, 2014 |
|---|----------------------|-------------------|
| | \$ | \$ |
| Construction deposits | 5,851,377 | 5,851,903 |
| Developer receivables, rent and other | 1,875,343 | 3,731,934 |
| Prepaid expenses | 338,522 | 408,400 |
| Current portion of prepaid expenses and rent receivables (Note 8) | 32,467 | 32,467 |
| | 8,097,709 | 10,024,704 |

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 2014 - \$2,181,199) are non-interest bearing; and the construction deposits outstanding from Toronto Hydro of \$3,670,179 (March 2014 - \$3,670,179) 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 \$10,534,929 (March 2014 - \$7,385,064) in cash which is subject to restrictions that prevent its use for current purposes. Of this cash balance \$7,873,190 forms part of a security fund set up with the City for infrastructure works being completed by the Corporation in West Don Lands. Under the terms of the agreement, TWRC cannot withdraw funds from the security fund without the authorization of the City and the City can only draw on the security fund subject to certain conditions and providing sufficient and appropriate notice to TWRC. The remaining balance of \$2,661,739 pertains to funds in escrow required to satisfy Waterfront Toronto's future obligations to third party developers.

6. Assets under development

The following table details assets under development by category:

| | December 31, 2014 | March 31, 2014 |
|--------------------------------|----------------------|--------------------|
| | \$ | \$ |
| Roads, public realm, utilities | 313,039,125 | 239,234,380 |
| Parkland | 38,145,894 | 36,378,635 |
| Land under development | 25,125,070 | 22,110,726 |
| | 376,310,089 | 297,723,741 |

The following table details assets under development by precinct:

| | East Bayfront | Central Waterfront | West Don Lands | Total |
|---|--------------------|-----------------------|--------------------|--------------------|
| | \$ | \$ | \$ | \$ |
| Opening balance, March 31, 2014 | 119,296,099 | 75,861,552 | 102,566,090 | 297,723,741 |
| Capital additions | 26,487,402 | 40,541,895 | 5,298,181 | 72,327,478 |
| Direct project management - Note 13 | 1,435,027 | 706,091 | 299,213 | 2,440,331 |
| General and support expenses - Note 13 | 2,237,369 | 1,114,663 | 466,507 | 3,818,539 |
| Closing balance, December 31, 2014 | 149,455,897 | 118,224,201 | 108,629,991 | 376,310,089 |

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

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(Unaudited)

7. Capital assets

| | December 31, 2014 | | March 31, 2014 | |
|---|----------------------|-----------------------------|-------------------|-----------------------------|
| | Cost | Accumulated Amortization | Cost | Accumulated Amortization |
| | \$ | \$ | \$ | \$ |
| Land | 92,588,484 | - | 92,588,484 | - |
| Parking facility | 21,200,569 | 2,906,576 | 21,200,570 | 1,972,319 |
| Computer hardware and software | 2,882,050 | 2,434,251 | 2,759,757 | 2,263,850 |
| Leasehold improvements | 1,177,570 | 971,245 | 1,176,055 | 894,574 |
| Furniture and fixtures | 659,867 | 654,073 | 659,867 | 647,008 |
| Office equipment | 438,345 | 286,785 | 308,580 | 262,767 |
| | 118,946,885 | 7,252,929 | 118,693,313 | 6,040,518 |
| Cost less accumulated amortization | | 111,693,955 | | 112,652,795 |

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 2014 - \$Nil).

8. Other assets

| | December 31, 2014 | March 31, 2014 |
|--------------------------------|----------------------|-------------------|
| | \$ | \$ |
| Prepaid expenses | 443,646 | 360,800 |
| Rent receivable | 34,539 | 61,340 |
| | 478,185 | 422,140 |
| Less: Current portion (Note 4) | 32,467 | 32,467 |
| | 445,718 | 389,673 |

9. Accounts payable and accrued liabilities

| | December 31, 2014 | March 31, 2014 |
|---------------------|----------------------|-------------------|
| | \$ | \$ |
| Accrued liabilities | 11,776,144 | 13,016,248 |
| Accounts payable | 9,793,111 | 707,688 |
| Holdbacks payable | 10,247,030 | 4,187,756 |
| | 31,816,285 | 17,911,692 |

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

December 31, 2014

(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 December 31, 2014, as well as contributions received for the acquisition of capital assets which have yet to be amortized.

| | December 31, 2014 | March 31, 2014 |
|---|----------------------|-------------------|
| | \$ | \$ |
| Expenses of future periods | | |
| Balance, beginning of year | 63,747,419 | 38,306,733 |
| Add: additional contribution received/receivable | (124,286) | 59,961,024 |
| Less: amounts recognized as revenue | (19,618,232) | (34,520,338) |
| Balance, end of period | 44,004,901 | 63,747,419 |
| Capital contributions | | |
| Balance, beginning of year | 10,313,671 | 12,218,630 |
| Add: contributions for acquisition of capital assets and assets under development | 78,839,920 | 60,545,087 |
| Less: direct contribution to net assets | (78,586,348) | (60,747,047) |
| Less: amount amortized to revenue | (1,212,411) | (1,702,999) |
| Balance, end of period | 9,354,832 | 10,313,671 |
| | 53,359,733 | 74,061,090 |

11. Other liabilities and settlements

Other liabilities and settlements at December 31, 2014 total \$2,645,419 (March 2014 - \$2,784,778) largely represent security and developer deposits.

| | December 31, 2014 | March 31, 2014 |
|---------------------------|----------------------|-------------------|
| | \$ | \$ |
| Deposits received | 2,428,517 | 2,567,875 |
| Accrued benefit liability | 216,903 | 216,903 |
| Total other liabilities | 2,645,420 | 2,784,778 |
| Less: current portion | 257,574 | 257,574 |
| | 2,387,846 | 2,527,204 |

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

December 31, 2014

(Unaudited)

12. Net assets

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

| | December 31, 2014 | March 31, 2014 |
|--|----------------------|--------------------|
| | \$ | \$ |
| Invested in capital assets (net of deferred capital contributions) | 102,339,124 | 102,339,124 |
| Invested in assets under development | 376,310,089 | 297,723,741 |
| Unrestricted surplus (Note 12b) | 7,136,107 | 6,612,282 |
| Accumulated re-measurement gains | 78,829 | 124,650 |
| | <u>485,864,149</u> | <u>406,799,797</u> |

b) Unrestricted surplus

| | December 31, 2014 | March 31, 2014 |
|---------------------------------------|----------------------|-------------------|
| | \$ | \$ |
| Unrestricted surplus, opening balance | 6,612,282 | 4,592,312 |
| Excess of revenue over expenses | 523,825 | 2,019,970 |
| Unrestricted surplus, closing balance | <u>7,136,107</u> | <u>6,612,282</u> |

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

December 31, 2014

(Unaudited)

13. Expenses by Precinct and Function

| | Waterfront Wide- Initiatives | East Bayfront | Port Lands | Central Waterfront | West Don Lands | Total Dec 31, 2014 |
|--|---------------------------------|------------------|------------------|-----------------------|-------------------|-----------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| <i>Direct project costs:</i> | | | | | | |
| Transfer payments and grants | 15,433,131 | 383,778 | - | - | - | 15,816,909 |
| Project planning and implementation costs | 333,814 | 2,068,325 | 472,875 | 184,649 | 274,782 | 3,334,446 |
| Amortization | - | 934,256 | - | - | - | 934,256 |
| Project management - salaries, fees and benefits | 158,536 | 1,510,462 | 540,422 | 850,172 | 384,544 | 3,444,136 |
| less Project management - salaries, fees and benefits related to assets under development (Note 6) | - | (1,435,027) | - | (706,091) | (299,213) | (2,440,331) |
| | 15,925,481 | 3,461,795 | 1,013,297 | 328,729 | 360,113 | 21,089,416 |
| <i>General & support expenses:</i> | | | | | | |
| Salaries, fees and benefits | 136,357 | 1,299,148 | 464,817 | 731,233 | 330,746 | 2,962,300 |
| General and office administration | 71,188 | 678,250 | 242,668 | 381,757 | 172,674 | 1,546,536 |
| Communications, marketing and government relations | 17,807 | 169,658 | 60,701 | 95,493 | 43,193 | 386,852 |
| Information Technology | 13,161 | 125,392 | 44,864 | 70,578 | 31,923 | 285,918 |
| Amortization | 8,662 | 82,532 | 29,529 | 46,454 | 21,012 | 188,189 |
| less general & support costs allocated to assets under development (Note 6) | 247,175 | 2,354,980 | 842,579 | 1,325,514 | 599,547 | 5,369,795 |
| | - | (2,237,369) | - | (1,114,663) | (466,507) | (3,818,539) |
| | 16,172,656 | 3,579,406 | 1,855,876 | 539,580 | 493,153 | 22,640,671 |

General and support expenses for the period ending December 31, 2014 have been allocated to precincts using an overhead burden rate of 1.56 (1.61 for the period December 31, 2013) for every \$1 of direct labour (project management - salaries and benefits). Total salaries, fees and benefits for the Corporation were \$6,406,436 for the period ending December 31, 2014 (\$7,008,412 - December 31, 2013) comprising direct project management salaries, fees and benefits of \$3,444,136 (\$3,467,946 - December 31, 2013) and general support salaries, fees and benefits of \$2,962,300 (\$3,540,466 - December 31, 2013).

Waterfront-wide initiatives primarily comprises of Union Station Second Platform costs.

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

December 31, 2014

(Unaudited)

13. Expenses by Precinct and Function (cont.)

| | Waterfront Wide- Initiatives | East Bayfront | Port Lands | Central Waterfront | West Don Lands | Total Dec 31, 2013 |
|---|---------------------------------|------------------|------------|-----------------------|-------------------|-----------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| <i>Direct project costs:</i> | | | | | | |
| Transfer payments and grants | 15,026,830 | 259,843 | - | - | (561,515) | 14,725,158 |
| Project planning and implementation costs | 8,429,396 | 7,273 | 1,402,788 | 510,375 | 823,587 | 11,173,419 |
| Amortization | - | 934,256 | - | - | - | 934,256 |
| Project management - salaries, fees and benefits | 338,040 | 1,344,533 | 364,811 | 884,387 | 536,175 | 3,467,946 |
| less Project management - salaries, fees and benefits related assets under development | - | (1,244,640) | - | (730,906) | (433,266) | (2,408,813) |
| | 23,794,266 | 1,301,265 | 1,767,599 | 663,855 | 364,981 | 27,891,967 |
| <i>General & support expenses:</i> | | | | | | |
| Salaries, fees and benefits | 345,109 | 1,372,649 | 372,440 | 902,881 | 547,387 | 3,540,466 |
| General and office administration | 112,930 | 449,170 | 121,873 | 295,449 | 179,121 | 1,158,542 |
| Communications, marketing and government relations | 44,591 | 177,357 | 48,122 | 116,659 | 70,727 | 457,455 |
| Information technology | 15,183 | 60,391 | 16,386 | 39,723 | 24,083 | 155,766 |
| Amortization | 25,195 | 100,213 | 27,191 | 65,917 | 39,963 | 258,479 |
| | 543,008 | 2,159,780 | 586,011 | 1,420,628 | 861,281 | 5,570,708 |
| less general & support costs allocated to assets under development | - | (1,890,687) | - | (1,135,910) | (640,374) | (3,666,972) |
| | 24,337,274 | 1,570,358 | 2,353,610 | 948,573 | 585,888 | 29,795,703 |

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

December 31, 2014

(Unaudited)

14. Commitments

The Corporation is committed to payments under operating leases for equipment and office space through 2017 in the amount of \$567,917. Annual payments are as follows:

| | |
|------|-------------------|
| 2015 | 96,366 |
| 2016 | 377,988 |
| 2017 | 93,563 |
| | <u>\$ 567,917</u> |

In addition, the Corporation has other commitments of \$77,620,289. 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.

16. Net other operating income

| | December 31, 2014 | | December 31, 2013 | |
|------------------------------------|-------------------|--------------|-------------------|-------------|
| | 3 months | 9 months | 3 months | 9 months |
| Rental, parking and other income | \$ 1,091,518 | \$ 6,030,316 | 965,529 | 3,062,193 |
| Less: operating expenses | (1,292,895) | (4,684,472) | (832,908) | (2,427,459) |
| | (201,377) | 1,345,844 | 132,621 | 634,734 |
| Interest and other income | 274,976 | 959,779 | 509,792 | 1,166,860 |
| Realized investment gains (losses) | 656 | 28,229 | (1,925) | (1,925) |
| Net other operating income | 74,255 | 2,333,852 | 640,487 | 1,799,669 |

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

December 31, 2014

(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.

