

Consolidated Financial Statements of

**CITY OF TORONTO ECONOMIC
DEVELOPMENT CORPORATION
c.o.b. TORONTO PORT LANDS
COMPANY**

And Independent Auditor's Report thereon

Year ended December 31, 2022



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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of City of Toronto Economic Development Corporation
c.o.b. Toronto Port Lands Company

Opinion

We have audited the consolidated financial statements of City of Toronto Economic Development Corporation c.o.b. Toronto Port Lands Company and its subsidiaries (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2022
- the consolidated statement of income and comprehensive income for the year then ended
- the consolidated statement of changes in shareholder's equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standard Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standard Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



Page 3

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

April 24, 2023

CITY OF TORONTO ECONOMIC DEVELOPMENT CORPORATION c.o.b. TORONTO PORT LANDS COMPANY

Consolidated Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents (note 9)	\$ 45,959,743	\$ 36,124,312
Amounts receivable and other assets (note 8)	2,770,679	1,667,197
Due from related parties (notes 13(a) and 13(b))	22,455	1,701,789
<u>Total current assets</u>	<u>48,752,877</u>	<u>39,493,298</u>
Non-current assets:		
Restricted cash and investments (note 10)	12,427,051	12,154,257
Investment properties (note 5)	356,101,649	354,092,119
Furniture, fixtures, equipment and rail lines and infrastructure (note 6)	1,386,982	1,554,043
<u>Other non-current assets (note 7)</u>	<u>7,718,661</u>	<u>5,143,586</u>
<u>Total non-current assets</u>	<u>377,634,343</u>	<u>372,944,005</u>
Total assets	\$ 426,387,220	\$ 412,437,303
Liabilities and Shareholder's Equity		
Current liabilities:		
Amounts payable and accrued liabilities (note 11)	\$ 10,923,116	\$ 9,300,620
Due to related party (note 13(b) and (c))	299,687	2,502
Current portion of tenants' deposits and deferred revenue (note 12)	557,421	726,946
<u>Current portion of City of Toronto loan (note 13(a))</u>	<u>314,546</u>	<u>303,820</u>
<u>Total current liabilities</u>	<u>12,094,770</u>	<u>10,333,888</u>
Non-current liabilities:		
City of Toronto loan (note 13(a))	6,030,940	6,345,486
<u>Tenants' deposits and deferred revenue (note 12)</u>	<u>9,760,923</u>	<u>7,134,465</u>
<u>Total non-current liabilities</u>	<u>15,791,863</u>	<u>13,479,951</u>
<u>Total liabilities</u>	<u>27,886,633</u>	<u>23,813,839</u>
Shareholder's equity	398,500,587	388,623,464
Commitments and contingencies (note 20)		
Total liabilities and shareholder's equity	\$ 426,387,220	\$ 412,437,303

See accompanying notes to consolidated financial statements.

CITY OF TORONTO ECONOMIC DEVELOPMENT CORPORATION c.o.b. TORONTO PORT LANDS COMPANY

Consolidated Statement of Income and Comprehensive Income

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Rental income:		
Rental revenue (note 15)	\$ 18,691,286	\$ 15,861,391
Rental expense (note 16)	5,200,202	4,776,518
	13,491,084	11,084,873
Other income (expenses):		
Interest and investment income	1,313,629	427,857
Interest expense (note 13(a))	(226,546)	(237,028)
Amortization (note 18)	(1,693,166)	(1,551,841)
Project investigative costs (note 19)	–	(292,932)
General and administrative expenses (note 17)	(4,873,755)	(3,986,711)
	(5,479,838)	(5,640,655)
Income before gain on expropriation of investment property	8,011,246	5,444,218
Gain on expropriation of investment property (note 5)	1,865,877	–
Net income and comprehensive income	\$ 9,877,123	\$ 5,444,218

See accompanying notes to consolidated financial statements.

**CITY OF TORONTO ECONOMIC DEVELOPMENT CORPORATION
c.o.b. TORONTO PORT LANDS COMPANY**

Consolidated Statement of Changes in Shareholder's Equity

Year ended December 31, 2022, with comparative information for 2021

	Common share	Retained earnings	Total shareholder's equity
Balance, December 31, 2020	\$ 1	\$ 390,247,181	\$ 390,247,182
Net income		5,444,218	5,444,218
Transfer of land for new parks (note 5)	–	(7,067,936)	(7,067,936)
Balance, December 31, 2021	1	388,623,463	388,623,464
Net income		9,877,123	9,877,123
Balance, December 31, 2022	\$ 1	\$ 398,500,586	\$ 398,500,587

See accompanying notes to consolidated financial statements.

CITY OF TORONTO ECONOMIC DEVELOPMENT CORPORATION c.o.b. TORONTO PORT LANDS COMPANY

Consolidated Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Net income	\$ 9,877,123	\$ 5,444,218
Items not involving cash (note 14(a))	(234,065)	1,361,343
Change in non-cash working capital (note 14(b))	4,952,466	2,548,120
	14,595,524	9,353,681
Financing activities:		
Repayment of City of Toronto loan (note 13(a))	(303,820)	(290,035)
Land improvement grant and other recovery	887,406	–
Interest paid	(230,090)	(240,451)
	353,496	(530,486)
Investing activities:		
Decrease (increase) in restricted cash and investments	(272,794)	5,062,871
Increase in other non-current assets	(3,607,390)	(1,022,337)
Net proceeds from expropriation of investment property (note 5)	2,761,066	–
Additions to investment properties (note 5)	(3,994,471)	(5,866,718)
Additions to furniture, fixtures, equipment and rail lines and infrastructure (note 6)	–	(67,603)
	(5,113,589)	(1,893,787)
Increase in cash and cash equivalents	9,835,431	6,929,408
Cash and cash equivalents, beginning of year	36,124,312	29,194,904
Cash and cash equivalents, end of year	\$ 45,959,743	\$ 36,124,312

See accompanying notes to consolidated financial statements.

CITY OF TORONTO ECONOMIC DEVELOPMENT CORPORATION

c.o.b. TORONTO PORT LANDS COMPANY

Notes to Consolidated Financial Statements

Year ended December 31, 2022

1. Organization:

The City of Toronto Economic Development Corporation (the "Corporation") was incorporated under the Ontario Business Corporations Act on March 21, 1986. The number of shares authorized and the number of shares issued and outstanding is one common share. The Corporation's share capital is all held by the City of Toronto (the "City"). The Corporation now operates as Toronto Port Lands Company ("TPLC"). The Corporation supports CreateTO ("CTO") in the implementation of the City's real estate strategy, develops City buildings and lands for municipal purposes and delivers client-focused real estate solutions to City Divisions, agencies and corporations; as well as supporting the efforts of the City and Waterfront Toronto in the revitalization of the central waterfront areas. As a municipal corporation under Section 149(1) of the Income Tax Act (Canada), the Corporation is exempt from income taxes. The address of its registered office is 61 Front Street West, Union Station, East Wing, 3rd Floor, Toronto, Ontario, Canada.

2. Significant accounting policies:

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on April 24, 2023.

(b) Basis of presentation:

The Corporation has been identified as an other government organization and, accordingly, prepares its consolidated financial statements in accordance with IFRS. The consolidated financial statements have been prepared on a going concern basis and are presented in Canadian dollars, which is the Corporation's functional currency. The consolidated financial statements have been prepared under the historical cost convention. All values are rounded to the nearest dollar, unless otherwise indicated.

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements.

CITY OF TORONTO ECONOMIC DEVELOPMENT CORPORATION c.o.b. TORONTO PORT LANDS COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

2. Significant accounting policies (continued):

(c) Basis of consolidation:

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries at December 31, 2022:

Arrowhead New Toronto East Inc.
Arrowhead New Toronto West Inc.
Arrowhead New Toronto South Inc.

Arrowhead New Toronto East Inc. is inactive. Historically it held title to the properties formally and municipally known as 260 8th Street and 124 Birmingham Street, Etobicoke, Ontario as a nominee corporation pursuant to TPLC's shareholder's direction. These properties were sold in 2019.

Arrowhead New Toronto West Inc. and Arrowhead New Toronto South Inc. are inactive corporations with no assets and have been since their incorporation in 2005.

Subsidiaries are fully consolidated from the date of inception, which is the date on which the Corporation obtains control and continue to be consolidated until the date such control ceases. Control exists when the Corporation is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

All intercompany balances and transactions between these subsidiaries and the Corporation have been eliminated.

CITY OF TORONTO ECONOMIC DEVELOPMENT CORPORATION c.o.b. TORONTO PORT LANDS COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

2. Significant accounting policies (continued):

(d) Real estate assets:

(i) Investment properties:

Investment properties include land, office and other commercial properties held to earn rental income or for capital appreciation or for which future use is uncertain.

The Corporation categorizes its investment properties as income-producing properties. Investment properties are accounted for using the cost model wherein the cost of an income-producing property is allocated to its significant components and is amortized over the useful life of each component as described below.

Investment properties are initially recorded at cost. Cost of investment property includes the acquisition cost of the property, related transaction costs in connection with an asset acquisition, assessment of environmental conditions, site survey, appraisals, direct development and construction costs and property taxes during development.

The Corporation estimates the value of significant components based on the actual cost of the component where available, otherwise on an amortized replacement cost basis. These components are amortized over their respective useful lives. Residual values and useful lives of all components are reviewed and adjusted, if appropriate, at least at each financial year end. Amortization is provided on a straight-line basis designed to amortize the costs of the assets over their expected useful lives as follows:

Base building and structures	8 - 44 years
Elevators	21 - 40 years
Heating, ventilation, air conditioning and cooling systems ("HVAC")	3 - 18 years
Roof	4 - 40 years
Land improvement	19 - 40 years
Paving	5 - 38 years
Dock walls	40 years
Leasing commissions	5 year

CITY OF TORONTO ECONOMIC DEVELOPMENT CORPORATION

c.o.b. TORONTO PORT LANDS COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

2. Significant accounting policies (continued):

(ii) Additions to investment properties:

Extensions and improvements to the productive capacity of leasable area of existing income-producing properties owned by the Corporation require significant ongoing capital expenditures. The Corporation considers its productive capacity maintenance expenditures to be the following:

- (a) Major maintenance costs: Maintenance and repair costs are expensed against operations, while major maintenance costs, which are major items of repair or replacement incurred pursuant to a capital plan that improve productive capacity, are capitalized to income-producing properties. Each item is amortized over the useful life of the significant component to which it relates.
- (b) Tenant improvements: Amounts expended to meet the Corporation's lease obligations are characterized as either tenant improvements, which are owned by the landlord, or tenant incentives. An expenditure is determined to be a tenant improvement when it primarily benefits and/or is owned by the landlord. In such circumstance, the Corporation is considered to have acquired an asset which is accounted for as a component of income-producing properties. Each tenant improvement is amortized over its useful life, which is generally between five and ten years.
- (c) Leasing commissions: Direct third party brokerage fees incurred in the successful negotiation of a lease are amortized on a straight-line basis over the expected terms of the respective leases. The unamortized balance is expensed in full in the event the associated property is sold or the lease is terminated prior to its contractual expiration date. Leasing commissions are included in the carrying value of the investment property.

As a component of an income-producing property is replaced, the net book value of such replaced component is expensed in full, with amortization, to the extent a balance remains.

CITY OF TORONTO ECONOMIC DEVELOPMENT CORPORATION

c.o.b. TORONTO PORT LANDS COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

2. Significant accounting policies (continued):

(iii) Impairment:

At the end of each reporting period, management reviews the Corporation's investment properties to determine whether there is an event or change in circumstance that indicates a possible impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to determine the effect of the impairment loss, if any.

An impairment loss is present if the recoverable amount (determined as the higher of fair value, less costs to sell, and value in use) is less than its carrying value and is measured as the difference between such amounts.

Fair value is determined based on:

- (a) consideration of recent prices of similar properties in similar markets;
- (b) a discounted cash flow analysis, which is based on, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions on the valuation date, less future cash outflows in respect to such leases, discounted generally over a term of ten years; and
- (c) a direct capitalization method, which is based on the conversion of normalized earnings into an expression of fair value. The normalized net income for the year is divided by an overall capitalization rate.

Costs to sell include legal fees, transaction taxes and direct incremental costs to bring an asset to a condition for its sale.

The value in use is calculated as the discounted present value of estimated future cash flows expected to arise from the Corporation's planned use of an asset and from its disposal at the end of its useful life.

CITY OF TORONTO ECONOMIC DEVELOPMENT CORPORATION c.o.b. TORONTO PORT LANDS COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

2. Significant accounting policies (continued):

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the recoverable amount, not to exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset. A reversal of the impairment loss is recognized in the consolidated statement of income and comprehensive income immediately.

For the year ended December 31, 2021, impairment losses were recognized on the Corporation's investment properties as listed in note 19.

There were no impairment losses for 2022.

(e) Other non-current assets:

Other non-current assets include project development costs, rail lines and infrastructure, fencing, furniture, fixtures, straight-line rent receivable, free rent, and office equipment, computer equipment and property maintenance equipment. Other non-current assets, except project development costs, are stated at cost less accumulated amortization and accumulated impairment losses.

Amortization is provided on a basis designed to amortize the costs of the assets over their expected useful lives as follows:

Rail lines and infrastructure	10 - 25 years
Fencing	5 years
Furniture, fixtures and office equipment	5 years
Property maintenance equipment	5 years

Residual values and useful lives of all assets are reviewed and adjusted, if appropriate, at least at each financial year end. Straight-line rent receivable and free rent cost are amortized into income on a straight-line basis.

CITY OF TORONTO ECONOMIC DEVELOPMENT CORPORATION

c.o.b. TORONTO PORT LANDS COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

2. Significant accounting policies (continued):

Cost of other non-current assets includes expenditures that are directly attributable to the acquisition and expenditures for replacing part of the property and equipment when that cost is incurred, if the recognition criteria are met. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost can be measured reliably. All repairs and maintenance are charged to comprehensive income during the financial year in which they are incurred.

Rail lines and infrastructure, fencing, furniture, fixtures and office equipment, computer equipment and property maintenance equipment are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less costs to sell, and value in use. The amount of the loss is recognized in profit or loss. The carrying amount is reduced by the impairment loss directly.

Other non-current assets are derecognized on disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising on derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income and comprehensive income in the year the asset is derecognized.

Project development costs consist of direct costs relating to the commercial development of land owned by the Corporation. These costs are transferred to the appropriate investment property accounts on substantial completion. Amortization of the costs transferred to investment property commences with the commercial use of the property. For projects that are abandoned, costs are immediately expensed.

CITY OF TORONTO ECONOMIC DEVELOPMENT CORPORATION

c.o.b. TORONTO PORT LANDS COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

2. Significant accounting policies (continued):

(f) Revenue from contracts with customers:

Revenue is recognized at a point in time or over time, depending on when the Corporation has satisfied its performance obligation(s) to its customers. Where the Corporation has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the performance to date, revenue is recognized in an amount to which the Corporation has a "right to invoice". The right to invoice represents the fair value of the consideration received or receivable. The following provides a summary of the nature of the various performance obligations within contracts with customers and when performance is recognized on those obligations:

Rental revenue:

The Corporation accounts for tenant leases as operating leases, given that it has retained substantially all of the risks and benefits of ownership of its investment properties. Rental revenue includes base rents, property tax recoveries, lease termination fees, and other rental revenue including recoveries for landlord work and tenant improvement allowances. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the lease; a straight-line rent receivable, which is included in other non-current assets, is recorded for the difference between the rental revenue recognized and the contractual amount received. Property tax recoveries are recognized as revenues in the period in which the corresponding obligation arises and collectability is reasonably assured. The Corporation recognizes recoveries revenue for operating expenses based on actual costs incurred in accordance with the terms of related leases. Recoveries revenue is billed monthly to tenants based on budgeted estimates and adjusted to reflect the actual costs incurred, if necessary, on an annual basis.

CITY OF TORONTO ECONOMIC DEVELOPMENT CORPORATION c.o.b. TORONTO PORT LANDS COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

2. Significant accounting policies (continued):

Revenue from investment properties during free rent periods represents a tenant incentive and is reflected in the consolidated statement of financial position in other non-current assets and recognized as a reduction of rental revenue in the consolidated statement of income and comprehensive income on a straight-line basis over the initial term of the lease. The Corporation accounts for stepped rents on a straight-line basis. Rents recorded in advance of cash received are included in amounts receivable. All other rental revenue is recognized in accordance with each lease.

The Corporation recognizes recoveries revenue for capital expenditures over the asset's expected useful life in accordance with the terms of the related leases. The amount of recoveries revenue is determined by the actual costs incurred and any restrictions in lease agreements. If the services rendered exceed the monthly charges billed, a receivable is recognized; if the monthly charges billed exceed the service rendered, a payable is recognized.

(g) Environment costs:

The Corporation owns and controls lands with varying degrees of environmental contamination. The costs to remediate these lands depend on the timing and final approved use of the sites. Where costs cannot be reasonably determined at this time, a contingent liability exists. The Corporation recognizes a provision for the part of the obligation when a reliable estimate can be made.

The lands are periodically assessed to determine whether an outflow of resources has become probable and can be reliably measured. If it becomes probable that an outflow of resources will be required for an item previously dealt with as a contingent liability, a provision is recognized in the consolidated financial statements in the year in which the change in probability occurs.

CITY OF TORONTO ECONOMIC DEVELOPMENT CORPORATION c.o.b. TORONTO PORT LANDS COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

2. Significant accounting policies (continued):

(h) Property tax rebate programs:

The Corporation is eligible to receive rebates for remediation costs incurred and future property taxes as part of various City incentive programs for new property developments. On successful application and execution of a rebate agreement with the City, the Corporation recognizes these grants annually in income unless the timing of receipt is uncertain.

(i) Financial instruments - classification:

Fair value measurement:

The Corporation categorizes its financial assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs used in the measurement.

- Level 1 - This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date;
- Level 2 - This level includes valuations determined using directly or indirectly observable inputs other than quoted prices included within Level 1. Derivative instruments in this category are valued using models or other standard valuation techniques derived from observable market inputs; and
- Level 3 - This level includes valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the instruments fair value.

CITY OF TORONTO ECONOMIC DEVELOPMENT CORPORATION

c.o.b. TORONTO PORT LANDS COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

2. Significant accounting policies (continued):

The following table summarizes the Corporation's classification and measurement of financial assets and financial liabilities:

	Classification and measurement
Financial assets	
Restricted cash and investments	Amortized cost
Due from related parties	Amortized cost
Amounts receivable and other assets	Amortized cost
Cash and cash equivalents	Amortized cost
Financial liabilities	
City of Toronto loan	Amortized cost
Tenants' deposits and advance rent payments	Amortized cost
Due to related party	Amortized cost
Amounts payable and accrued liabilities	Amortized cost

The Corporation classifies its financial instruments as follows:

(i) Financial assets:

The Corporation classifies its financial assets that give rise to specified payments of principal and interest as amortized costs, unless the Corporation plans to sell the financial asset, which is then classified as fair value through other comprehensive income ("FVOCI"). All other financial assets are classified as fair value through profit and loss ("FVTPL").

Accounts receivable is recognized initially at fair value and subsequently measured at amortized cost, less provision for impairment. Provision for impairment of accounts receivable is established based on previous experience and its assessment of current economic environment. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that a trade receivable is impaired. When a trade receivable is uncollectible, it is written off and it recognized in the consolidated statement of income and comprehensive income. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of income and comprehensive income.

CITY OF TORONTO ECONOMIC DEVELOPMENT CORPORATION

c.o.b. TORONTO PORT LANDS COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

2. Significant accounting policies (continued):

Financial assets are derecognized only when the contractual rights to the cash flows from the financial assets expired or the Corporation transfers substantially all risks and rewards of ownership.

(ii) Financial liabilities:

The Corporation classifies its financial liabilities on initial recognition as either FVTPL or as amortized cost. Financial liabilities are initially recognized at fair value less related transaction costs. Financial liabilities classified as amortized cost are measured using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the financial liabilities are recognized in net income in the consolidated statement of income and comprehensive income over the expected life of the debt. Modifications of financial liabilities carried at amortized costs that do not result in derecognition give rise to a revaluation gain or loss equal to the change in discounted contractual cash flows using the effective interest rate method. This revaluation gain or loss is recognized in the consolidated statement of income and comprehensive income. The Corporation's financial liabilities that are classified as FVTPL are initially recognized at fair value and are subsequently remeasured at fair value each reporting period, with changes in the fair value recognized in the consolidated statement of income and comprehensive income.

(iii) Transactions costs:

Direct and indirect financing costs that are attributable to the issue of financial liabilities classified as other financial liabilities are presented as a reduction from the carrying amount of the related debt and are amortized using the effective interest rate method over the terms of the related debt. These costs include: interest; amortization of discounts or premiums relating to borrowings; fees and commissions paid to lenders, agents and brokers.

CITY OF TORONTO ECONOMIC DEVELOPMENT CORPORATION

c.o.b. TORONTO PORT LANDS COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

2. Significant accounting policies (continued):

(j) Fair value of financial instruments:

The fair value of financial instruments is based upon discounted future cash flows using estimated market rates that reflect current market conditions for instruments with similar terms and risk.

(k) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, balances with banks, short-term deposits and Guaranteed Investments Certificates ("GICs") with maturities at the time of acquisition of three months or less. Bank borrowings are considered to be financing activities.

(l) Short-term investments:

Short-term investments recorded in the consolidated financial statements include GICs with maturities at the time of acquisition between three months and one year.

(m) Restricted cash and investments:

Restricted cash and investments include balances with bank, short-term deposits and GICs. Pursuant to a direction from City Council, these funds, and all accumulating investment income, are to be utilized for the environmental remediation of certain Port Land properties when it undertakes redevelopment at those sites.

(n) Provisions:

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value for the expenditures expected to be required to settle the obligation using a discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. Provisions are re-measured at each consolidated statement of financial position date using the current discount rate. The increase in the provision due to the passage of time is recognized as an interest expense.

CITY OF TORONTO ECONOMIC DEVELOPMENT CORPORATION c.o.b. TORONTO PORT LANDS COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

2. Significant accounting policies (continued):

(o) Critical accounting estimates and assumptions:

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting years. Actual results could differ from the estimate.

(i) Fair value of investment properties:

In determining fair value and the recoverable amount for its investment properties, the assumptions underlying estimated values are limited by the availability of comparable data and the uncertainty of predictions concerning future events. Should the underlying assumptions change, actual results could differ from the estimated amounts.

(ii) Fair value of financial instruments:

Assessing fair value of financial instruments requires significant estimates of future cash flows and appropriate discount rates.

The Corporation's financial instruments, consisting of due from related party, amounts receivable, short-term investments, cash and cash equivalents, restricted cash and investments, amounts payable and accrued liabilities, tenants' deposits, and due to related party are measured at amortized cost which approximates fair value due to their short-term nature. Management has concluded that the carrying amount approximates fair value at December 31, 2022.

(iii) Other:

The estimates also include useful lives of investment properties and the significant components thereof and of infrastructure, furniture, fixtures and equipment used in the calculation of amortization.

CITY OF TORONTO ECONOMIC DEVELOPMENT CORPORATION

c.o.b. TORONTO PORT LANDS COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

2. Significant accounting policies (continued):

(p) Critical judgments in applying accounting policies:

The following are the critical judgments that have been made in applying the Corporation's accounting policies that have the most significant effect on amounts in the consolidated financial statements:

- (i) Selection of accounting standards: The Corporation has been identified as an other government organization since 2018 when the shareholder direction was amended. Management considered various criteria applicable to the Corporation's business in selecting the appropriate accounting standards to follow. These criteria include whether the Corporation: (a) is a separate legal entity with powers to contract in its own name and sue and be sued; (b) has been delegated the financial and operational authority to carry on a business; (c) sells goods and services to individuals and organizations outside of the government reporting entity as its principal activity; and (d) can, in the normal course of its operations, maintain its operations and meet its liabilities from revenues received from sources outside of the government. The Corporation meets all the above criteria and, therefore, follows IFRS.
- (ii) The Corporation's accounting policies relating to investment properties are described in note 2(d)(i). In applying these policies, judgment has been applied in determining whether certain costs are additions to the carrying amount of the property, in distinguishing between tenant incentives and tenant improvements and, for properties under development, identifying the point at which practical completion of the property occurs, identifying the directly attributable borrowing costs to be included in the carrying value of the development property, and determining if there are indications of impairment for non-financial assets.
- (iii) The Corporation feels that in absence of reliable comparable market data, and alternative reliable estimates of fair value, it is not presently possible to reliably measure its investment properties at fair value on a continuing basis and as a result has elected to use the cost basis model (note 5).

CITY OF TORONTO ECONOMIC DEVELOPMENT CORPORATION

c.o.b. TORONTO PORT LANDS COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

2. Significant accounting policies (continued):

- (iv) The Corporation makes judgments in determining whether certain leases, in particular those leases with long contractual terms where the lessee is the sole tenant in a property and long-term ground leases, are operating or finance leases. The Corporation has determined that all of its tenant leases and long-term ground leases are operating leases.
- (v) An asset retirement obligation for environment contamination has not been recognized for accounting purposes as the Corporation has determined that the amount of such obligation cannot be reliably measured at this time (note 21(b)).

3. New accounting standards adopted in 2022:

The implementation of new accounting standards adopted for the year ended December 31, 2022 did not have a significant impact on the consolidated financial statements.

4. Future accounting policy changes:

The following proposed new accounting standards/ amendments have been published by the International Accounting Standard Board ("IASB") but are not effective as at December 31, 2022 and have not been adopted in these financial statements:

Impacts of Amendments to Accounting Standards Issued but not yet Effective:

The following amendments have been issued by the IASB but are not yet effective and have not been early adopted in these consolidated financial statements. Management has assessed that the expected impact of adopting these amendments is not significant.

(a) Effective Date January 1, 2023:

- Disclosure of Accounting Policies (Amendments to International Accounting Standard ("IAS") 1, Presentation of Financial Statements)
- Deferred Tax related to Assets and Liabilities arising from a single transaction (Amendments to IAS 12, Income Taxes);
- Definition of Accounting Estimates (Amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors); and
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1, Presentation of Financial Statements).

CITY OF TORONTO ECONOMIC DEVELOPMENT CORPORATION c.o.b. TORONTO PORT LANDS COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

4. Future accounting policy changes (continued):

(b) Effective Date January 1, 2024:

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16, Leases).

5. Investment properties:

Investment properties consist of the following:

2022	Cost	Accumulated amortization	Net book value
Land	\$ 323,323,692	\$ –	\$ 323,323,692
Base building and structures	20,836,172	6,056,857	14,779,315
Elevators	100,641	36,879	63,762
HVAC	917,295	495,585	421,710
Roof	2,293,175	1,189,470	1,103,705
Land improvement	11,613,277	850,525	10,762,752
Paving	1,048,340	404,206	644,134
Dock walls	4,401,554	152,418	4,249,136
Leasing commissions	405,710	29,951	375,759
Leasing cost	195,435	9,365	186,070
Tenant inducement/allowance	200,000	8,386	191,614
	\$ 365,335,291	\$ 9,233,642	\$ 356,101,649

CITY OF TORONTO ECONOMIC DEVELOPMENT CORPORATION c.o.b. TORONTO PORT LANDS COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

5. Investment properties (continued):

2021	Cost	Accumulated amortization	Net book value
Land	\$ 323,866,948	\$ –	\$ 323,866,948
Base building and structures	21,201,789	5,604,056	15,597,733
Elevators	100,641	31,933	68,708
HVAC	969,562	514,104	455,458
Roof	2,120,609	1,022,455	1,098,154
Land improvement	10,048,625	562,713	9,485,912
Paving	1,191,452	354,717	836,735
Dock walls	2,378,240	67,670	2,310,570
Leasing commissions	380,710	8,809	371,901
	\$ 362,258,576	\$ 8,166,457	\$ 354,092,119

Reconciliation of the carrying amount for investment properties is set out below:

2022:

Balance, December 31, 2021	\$ 354,092,119
Additions and disposals:	
Capital expenditure additions	3,994,471
Transfer from project development costs	275,692
Disposal	(720,635)
Amortization	(1,539,998)
Balance, December 31, 2022	\$ 356,101,649

CITY OF TORONTO ECONOMIC DEVELOPMENT CORPORATION

c.o.b. TORONTO PORT LANDS COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

5. Investment properties (continued):

2021:

Balance, December 31, 2020	\$ 355,351,264
Additions and disposals:	
Capital expenditure additions	5,866,718
Transfer of land to shareholder	(7,067,936)
Government grant received	(362,321)
Transfer from project development costs	1,689,695
Amortization	(1,385,301)
Balance, December 31, 2021	\$ 354,092,119

Gain on expropriation of investment property consists of the following:

	2022	2021
Gross proceeds from expropriation of investment property	\$ 2,778,600	\$ –
Closing costs	(17,534)	–
Net cash proceeds	2,761,066	–
Cost of sale:		
Book costs on disposal of non-current assets	(895,189)	–
Net proceeds from expropriation of investment property	\$ 1,865,877	\$ –

CITY OF TORONTO ECONOMIC DEVELOPMENT CORPORATION c.o.b. TORONTO PORT LANDS COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

6. Furniture, fixtures, equipment and rail lines and infrastructure:

Furniture, fixtures, equipment and rail lines and infrastructure consist of the following:

	Rail lines and infrastructure	Fencing	Furniture, fixtures and office equipment	Computer equipment	Property maintenance equipment	Total
Cost						
Balance, December 31, 2020	\$ 2,114,919	\$ 72,814	\$ 72,034	\$ 33,996	\$ 20,016	\$ 2,313,779
Additions	–	67,603	–	–	–	67,603
Disposals/retirements	–	(1,200)	(12,883)	–	–	(14,083)
Balance, December 31, 2021	2,114,919	139,217	59,151	33,996	20,016	2,367,299
Disposals/retirements/recovery	–	(33,085)	(22,177)	(33,996)	(17,016)	(106,274)
Balance, December 31, 2022	\$ 2,114,919	\$ 106,132	\$ 36,974	\$ –	\$ 3,000	\$ 2,261,025
Accumulated amortization						
Balance, December 31, 2020	\$ 510,648	\$ 42,599	\$ 57,660	\$ 32,478	\$ 17,414	\$ 660,799
Amortization	133,943	19,164	9,613	1,518	2,302	166,540
Disposals/retirements	–	(1,200)	(12,883)	–	–	(14,083)
Balance, December 31, 2021	644,591	60,563	54,390	33,996	19,716	813,256
Amortization	132,999	16,022	3,847	–	300	153,168
Disposals/retirements	–	(19,192)	(22,177)	(33,996)	(17,016)	(92,381)
Balance, December 31, 2022	\$ 777,590	\$ 57,393	\$ 36,060	\$ –	\$ 3,000	\$ 874,043
Carrying amount						
As at December 31, 2021	\$ 1,470,328	\$ 78,654	\$ 4,761	\$ –	\$ 300	\$ 1,554,043
As at December 31, 2022	1,337,329	48,739	914	–	–	1,386,982

7. Other non-current assets:

	2022	2021
Project development costs	\$ 4,959,403	\$ 2,675,773
Straight-line rent receivable	2,447,522	2,332,948
Free rent cost	311,736	134,865
	\$ 7,718,661	\$ 5,143,586

CITY OF TORONTO ECONOMIC DEVELOPMENT CORPORATION c.o.b. TORONTO PORT LANDS COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

8. Amounts receivable and other assets:

	2022	2021
Tenants	\$ 1,898,232	\$ 988,005
Harmonized sales tax refund	–	22,437
Non-tenant accounts receivables	269,573	39,177
Property tax receivable from the City	990,559	1,201,204
	3,158,364	2,250,823
Less expected credit losses (note 22(a))	387,685	583,626
	\$ 2,770,679	\$ 1,667,197

9. Cash and cash equivalents:

Cash and cash equivalents consist of the following:

	2022	2021
High interest savings accounts	\$ 44,440,050	\$ 33,339,138
Cash	1,519,693	2,785,174
	\$ 45,959,743	\$ 36,124,312

10. Restricted cash and investments:

	2022	2021
Restricted cash and investments	\$ 12,427,051	\$ 12,154,257

Certain funds are restricted for remediation of specific sites in the port lands. As these sites are remediated, funds are transferred to operating cash.

CITY OF TORONTO ECONOMIC DEVELOPMENT CORPORATION

c.o.b. TORONTO PORT LANDS COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

11. Amounts payable and accrued liabilities:

Amounts payable and accrued liabilities consist of the following:

	2022	2021
Trade payables	\$ 1,050,141	\$ 674,117
Accrued liabilities	3,279,518	2,520,987
Property tax payables and accruals	1,018,144	864,720
Harmonized sales tax payable	60,013	–
Construction holdbacks	1,143,802	869,298
Rail relocation and improvement cost accrual (note 20(c))	4,371,498	4,371,498
	<u>\$ 10,923,116</u>	<u>\$ 9,300,620</u>

12. Tenants' deposits and deferred revenue:

Tenants' deposits and prepaid rents consist of the following:

	2022	2021
Tenants' deposits	\$ 649,368	\$ 441,051
Deferred revenue	9,668,976	7,420,360
	<u>10,318,344</u>	<u>7,861,411</u>
Less current portion	557,421	726,946
	<u>\$ 9,760,923</u>	<u>\$ 7,134,465</u>

Included in deferred revenue is \$6,518,615.57 (2021 - \$6,693,413.93) of advance rental payments received from a utility tenancy for two 99-year leases expiring in 2094 and advance rental payments from a tenant for a 20-year lease expiring in 2028. In 2022 an advance rental payment in the amount of \$2,600,000 from an assignment transaction was added and will be allocated over a remaining lease term from December 1 2022 with expiry date in August 2053.

CITY OF TORONTO ECONOMIC DEVELOPMENT CORPORATION c.o.b. TORONTO PORT LANDS COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

13. Related party transactions:

In addition to related party transactions and balances discussed elsewhere in the notes, the relationship and transactions with the related parties are discussed below:

Related party	Relationship
CTO	Common control
The City	Parent and shareholder
Build Toronto Inc. ("BTI")	Common control

(a) The City:

The consolidated statement of financial position includes the following balances related to the City:

	2022	2021
Due from related parties	\$ 22,455	\$ 253,059
City of Toronto loan	6,345,486	6,649,306

The City provided the Corporation a 20-year loan of \$7.5 million on May 30, 2018 to finance the purchase of 915 and 945 Lakeshore Boulevard East (note 5) at 3.5% interest per annum. Principal repayment commenced in February 2019, six months after the Corporation entered into a lease with a tenant for the property. The repayment is by semi-annual blended payments of principal and interest of \$266,955 until maturity of the loan on May 30, 2038 when any remaining principal is to be fully repaid. Interest expense to the City during the year was \$226,546 (2021 - \$237,028).

CITY OF TORONTO ECONOMIC DEVELOPMENT CORPORATION c.o.b. TORONTO PORT LANDS COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

13. Related party transactions (continued):

(b) CTO:

The consolidated statement of financial position includes the following balances related to CTO:

	2022	2021
Due from related party	\$ –	\$ 1,448,730
Due to related party	299,687	–

Pursuant to an agreement between CTO and the Corporation entered into in 2017, (note 17(a)), effective January 1, 2018, CTO provides the Corporation services in return for management fees. Due from related parties represents advance service fees to CTO. There is no set term of repayment and no interest is being paid to the Corporation.

For the year ended December 31, 2022, allocations from CTO, which passed through the consolidated statement of income and comprehensive income were as follows:

	2022	2021
General and administrative expenses	\$ 4,595,015	\$ 3,703,532

(c) BTI:

The consolidated statement of financial position includes the following balances related to BTI:

	2022	2021
Due to related parties	\$ –	\$ 2,502

Due to related party represents an amount payable for BTI for expense reimbursement and consulting fees payable. There is no set term of repayment and no interest is being paid to BTI. The 2021 balance has been collected in the current year.

CITY OF TORONTO ECONOMIC DEVELOPMENT CORPORATION c.o.b. TORONTO PORT LANDS COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

14. Consolidated statement of cash flows:

(a) Items not affecting cash and other adjustments:

	2022	2021
Amortization of investment properties and non-current assets	\$ 1,693,166	\$ 1,551,841
Amortization of free rent cost	(176,871)	(17,005)
Gain on expropriation of investment property (note 5)	(1,865,877)	–
Write-off to project investigative costs	–	292,932
Straight-line rent receivable	(114,573)	(703,453)
Interest expense	230,090	237,028
	\$ (234,065)	\$ 1,361,343

(b) Net change in non-cash operating assets and liabilities:

	2022	2021
Due from related parties	\$ 1,679,334	\$ 409,893
Due to related party	297,185	(8,567)
Amounts receivable and other assets	(1,103,482)	5,012,379
Amounts payable and accrued liabilities	1,622,496	(2,952,949)
Tenants' deposits and prepaid rents	2,456,933	87,364
	\$ 4,952,466	\$ 2,548,120

CITY OF TORONTO ECONOMIC DEVELOPMENT CORPORATION

c.o.b. TORONTO PORT LANDS COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

15. Rental revenue:

Gross rentals comprise the following:

	2022	2021
Leases	\$ 11,360,170	\$ 9,096,273
Licenses	3,499,904	3,362,309
Realty taxes recovery	3,193,623	2,635,355
Operating costs recovery	624,551	731,922
Other rental revenue	13,038	35,532
	\$ 18,691,286	\$ 15,861,391

Future minimum rents receivable are as follows:

2023		\$ 14,152,656
2024		11,506,736
2025		10,722,910
2026		8,915,437
2027		6,510,755
Thereafter		166,766,813
		\$ 218,575,307

16. Rental expense:

Rental expense comprises the following:

	2022	2021
Property taxes	\$ 3,742,889	\$ 2,864,523
Repairs and maintenance	739,534	821,771
Utilities	569,515	647,327
Environmental monitoring	32,651	185,010
Loss on tenants amounts receivable	36,684	136,326
Administrative	78,929	121,561
	\$ 5,200,202	\$ 4,776,518

CITY OF TORONTO ECONOMIC DEVELOPMENT CORPORATION

c.o.b. TORONTO PORT LANDS COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

17. General and administrative expenses:

General and administrative expenses comprise the following:

	2022	2021
Management fees to CTO (a)	\$ 4,595,015	\$ 3,703,532
Director's fees and insurance	79,329	48,410
Professional fees	199,411	234,769
	\$ 4,873,755	\$ 3,986,711

(a) Pursuant to a service agreement established between CTO and the Corporation, effective January 1, 2018, the Corporation engaged CTO to provide management services for a mutually agreed upon fee. The services include accounting, risk management, tax, finance, record keeping, financial statement preparation and audit support, legal services; treasury functions; regulatory compliance; information systems; executive management, corporate and other centralized services, and any other services mutually agreed between the two parties. This is an annual arrangement which will be automatically renewed on each anniversary date unless either party terminates it.

18. Amortization:

	2022	2021
Investment properties (note 5)	\$ 1,539,998	\$ 1,385,301
Furniture, fixtures, equipment and rail lines and infrastructure (note 6)	153,168	166,540
	\$ 1,693,166	\$ 1,551,841

19. Project investigative costs:

In 2022, the Corporation expensed nil (2021 - \$292,932) of project investigative costs, capitalized due to a change in zoning which impacted planned future land use.

CITY OF TORONTO ECONOMIC DEVELOPMENT CORPORATION

c.o.b. TORONTO PORT LANDS COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

20. Commitments and contingencies:

- (a) The Corporation is subject to various legal claims arising in the normal course of its operations. The ultimate outcome of these claims cannot be determined at this time. However, the Corporation's management believes the ultimate resolution of these matters will not have a material adverse effect on these consolidated financial statements.
- (b) The Corporation may be required to satisfy an asset retirement obligation for environmental contamination left by tenants or former owners of certain properties in the Port Lands. The obligation to remediate the contamination is contingent on uncertain future events, including contamination levels exceeding acceptable levels, as prescribed by the Ontario Ministry of the Environment. The obligation to remediate the contamination may also result from the Corporation and its parent, the City, agreeing to development plans for the lands. The amount of the asset retirement obligation has been determined to not be reliably measurable given the uncertainty of when or how remediation will take place and the total costs that will be incurred, and accordingly has not been recognized for accounting purposes.
- (c) As part of the site remediation at 675 Commissioners Street, Corporation removed a section of rail from the site and is obligated to relocate and construct a new and improved rail line along an adjacent street. As at December 31, 2022, the railroad relocation and improvement accrual was \$4,371,498 (2021 - \$4,371,498) (note 11).

21. Key management and director compensation:

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. As a result of the City-wide real estate initiative, effective January 1, 2018, the Corporation no longer has its own key management personnel and employees but is managed by CTO for a service fee (note 13(b)).

CITY OF TORONTO ECONOMIC DEVELOPMENT CORPORATION

c.o.b. TORONTO PORT LANDS COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

22. Financial instruments - risk management:

The Corporation's investment and operating activities expose it to a range of financial risks. There has been no significant changes in the risk exposures from prior year. These risks include credit risk, interest rate risk and liquidity risk, which are described as follows:

(a) Credit risk:

Credit risk on financial instruments is the risk of financial loss occurring as a result of default or insolvency of a counterparty on its obligation to the Corporation. The carrying value of the assets as presented in the consolidated statement of financial position represents the maximum credit risk exposure as at the date of the consolidated financial statements.

The Corporation, in the normal course of business, is exposed to credit risk from its tenants. This risk is mitigated by the fact that management believes the Corporation has thorough and rigorous credit approval procedures. The Corporation provides for an allowance for doubtful accounts to absorb potential credit losses.

Cash and cash equivalents, short-term investments and restricted cash and investments consist of deposits with major commercial banks. It is management's assessment that the credit risk associated with these balances is negligible.

Expected credit losses	2022	2021
Opening balance	\$ 583,626	\$ 447,453
Add provision	387,685	272,499
Less collection received	(365,916)	—
Less write-off	(217,710)	(136,326)
Ending balance	\$ 387,685	\$ 583,626

CITY OF TORONTO ECONOMIC DEVELOPMENT CORPORATION

c.o.b. TORONTO PORT LANDS COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

22. Financial instruments - risk management (continued):

Amounts receivable and other assets aging buckets	2022	2021
Less than 30 days	\$ 1,649,651	\$ 631,388
30 - 60 days	(30,052)	70,031
60 - 90 days	47,437	1,236
Greater than 90 days	1,491,328	1,548,168
	3,158,364	2,250,823
Less expected credit losses	387,685	583,626
Ending balance	\$ 2,770,679	\$ 1,667,197

The balance with aging greater than 90 days relates to property tax vacancy rebates receivable from the City and property tax recovery from tenants. Management believes the Corporation's credit risk is low.

(b) Interest rate risk:

Interest rate risk refers to the effect on the fair value or future cash flows of an investment due to fluctuations in interest rates. The Corporation's interest rate exposure arises from its investments in high interest savings accounts (note 9). The City of Toronto loan payable is not subject to interest rate fluctuation as the interest rate is fixed for the entire term of the loan. Management believes the Company's interest rate risk is low.

(c) Liquidity risk:

Liquidity risk is the risk of being unable to settle or meet commitments as they come due. The Corporation has \$12,094,770 of current liabilities, including amounts payable and accrued liabilities, due to related party and current portion of City of Toronto loan, that are due within one year. The corporation has \$15,791,863 of non-current liabilities, including City of Toronto loan, tenant's deposits and deferred revenue. The City of Toronto loan has a fixed term of 20 years at an interest rate of 3.5% per annum, and the deferred revenue relates to advance rental payments and does not require cash to settle. The Corporation has cash and cash equivalents, short-term investments and amounts receivable that are sufficient to satisfy these liabilities. Management believes that the liquidity risk of the Corporation is low.

CITY OF TORONTO ECONOMIC DEVELOPMENT CORPORATION c.o.b. TORONTO PORT LANDS COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

22. Financial instruments - risk management (continued):

An analysis of the Corporation's contractual maturities for its liabilities is set out below:

	2023	2024	2025	2026	2027	Thereafter	Total
Accounts payable and accrued liabilities	\$ 10,923,116	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,923,116
Due to related party	299,687	-	-	-	-	-	299,687
City of Toronto loan	314,546	325,652	337,149	349,053	361,377	4,657,709	6,345,486
Tenants' deposits and deferred revenue	557,421	398,597	423,573	340,420	396,065	8,202,268	10,318,344
Total liabilities	\$ 12,094,770	\$ 724,249	\$ 760,722	\$ 689,473	\$ 757,442	\$ 12,859,977	\$ 27,886,633

23. Capital management:

The Corporation's capital is comprised of a loan from the City and shareholder's equity. The following table summarizes the carrying value of the Corporation's capital as at December 31, 2022 and 2021:

	2022	2021
Shareholder's equity	\$ 398,500,587	\$ 388,623,464
City of Toronto loan (note 13(a))	6,345,486	6,649,306
	\$ 404,846,073	\$ 395,272,770

The Corporation manages its capital by taking into account its long-term business objectives and its mandate of generating revenue for the City and maximizing the value and economic development potential of properties under its management. In managing capital, the Corporation focuses on liquid resources available for operations. The Corporation's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purpose.

As at December 31, 2022, the Corporation has met its objective of having sufficient liquid resources and financing facilities to meet its current obligations.