Attachment 2

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

Consolidated Financial Statements
December 31, 2013

May 2, 2014

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of the City of Toronto Economic Development Corporation c.o.b. Toronto Port Lands Company, which comprise the consolidated balance sheet as at December 31, 2013 and the consolidated statements of shareholder's equity, net income and comprehensive income and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of City of Toronto Economic Development Corporation c.o.b. Toronto Port Lands Company as at December 31, 2013 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

City of Toronto Economic Development Corporation
c.o.b. Toronto Port Lands Company
Consolidated Balance Sheet

As at	Notes	December 31, 2013	December 31, 2012
		$	$
ASSETS			
Non-current assets			
Investment properties	5	326,841,354	335,927,706
Restricted cash and investments		15,324,457	233,418
Other non-current assets	6	1,219,711	1,422,853
Non-current assets		343,385,522	337,583,977
Current assets			
Amounts receivable	7, 13	11,938,897	9,803,886
Prepaid expenses		101,680	105,427
Short-term investments	9	-	4,025,455
Cash and cash equivalents	8	19,848,988	30,742,060
Current assets		31,889,565	44,676,828
Asset held-for-sale	10	7,980,036	-
Total assets		383,255,123	382,260,805
LIABILITIES AND SHAREHOLDER'S EQUITY			
Non-current liabilities			
Tenants' deposits and prepaid rents	12	8,363,452	8,538,250
Non-current liabilities		8,363,452	8,538,250
Current liabilities			
Accounts payable and accrued liabilities	11, 13	7,655,515	8,186,433
Prepaid rents	12	189,925	281,794
Current liabilities		7,845,440	8,468,227
Total liabilities		16,208,892	17,006,477
SHAREHOLDER'S EQUITY		367,046,231	365,254,328
Total liabilities and shareholder's equity		383,255,123	382,260,805
Commitments and contingencies	19, 20		

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board of Directors

_________________ Director _________________ Director

City of Toronto Economic Development Corporation
c.o.b. Toronto Port Lands Company
Consolidated Statement of Shareholder's Equity

	Notes	Number of Shares	Capital	Retained Earnings	Total Shareholder's Equity
			$ (note 1)	$	$
Balance, as at December 31, 2011		1	1	368,185,650	368,185,651
Net income		-	-	40,872,527	40,872,527
Distributions		-	-	(40,000,000)	(40,000,000)
Transfer of assets to Build Toronto Inc.	13(b)(i)	-	-	(2,903,876)	(2,903,876)
Reserve for future transfer of assets to Build Toronto Inc.	13(b)(iv)	-	-	(899,974)	(899,974)
Balance, as at December 31, 2012		1	1	365,254,327	365,254,328
Net income				1,913,339	1,913,339
Reserve for future transfer of assets to Build Toronto Inc.	13(b)(iv)			(121,436)	(121,436)
Balance, as at December 31, 2013		1	1	367,046,230	367,046,231

The accompanying notes are an integral part of these consolidated financial statements.

City of Toronto Economic Development Corporation
c.o.b. Toronto Port Lands Company
Consolidated Statement of Net Income and Comprehensive Income

For the year ended December 31	**Notes**	**2013**	**2012**
		$	$
Revenue from investment properties	15	15,968,419	19,021,129
Investment property operating expenses	16, 13(a)(ii)	6,856,596	8,123,203
Net property income		9,111,823	10,897,926
Expenses			
General and administrative	17, 13(b&c)(iii)	3,440,297	3,628,068
Environmental monitoring		120,007	122,715
Amortization	18	1,573,482	1,579,922
		5,133,786	5,330,705
Income before the following		3,978,037	5,567,221
Other income (expenses)			
Non-recurring income	15 (a)	1,075,678	-
Interest and investment income		618,240	648,825
Incubator program funding	13 (a) (iii)	(1,355,449)	(1,346,027)
Invest Toronto grant	13 (c) (i)	(2,524,603)	(2,471,978)
Interest		-	(1,157,131)
		(2,186,134)	(4,326,311)
Income before gain on sale of investment properties		1,791,903	1,240,910
Gain on sale of investment properties	5	121,436	39,631,617
Net income and comprehensive income		1,913,339	40,872,527

The accompanying notes are an integral part of these consolidated financial statements.

City of Toronto Economic Development Corporation
c.o.b Toronto Port Lands Company
Consolidated Statement of Cash Flows

For the year ended December 31,	Notes	2013	2012
		$	$
OPERATING ACTIVITIES			
Net income		1,913,339	40,872,527
Item not affecting cash	14(a)	1,295,967	(38,836,534)
Net change in operating assets and liabilities	14(b)	(2,676,382)	(3,597,007)
Cash provided by (used in) operating activities		532,924	(1,561,014)
FINANCING ACTIVITIES			
Decrease in City of Toronto loans		-	(128,500,020)
Distributions to shareholder		-	(40,000,000)
Cash used in financing activities		-	(168,500,020)
INVESTING ACTIVITIES			
Purchase of short-term investments		-	(4,025,455)
Sale of short-term investments		4,025,455	9,751,963
Increase in restricted cash		(15,091,039)	-
Net proceeds from sale of investment properties		-	184,186,666
Increase in other non-current assets		(94,903)	(385,080)
Additions to asset-held-for-sale		-	(187,191)
Additions to investment properties		(265,509)	(498,859)
Cash provided by (used in) investing activities		(11,425,996)	188,842,044
Increase (decrease) in cash and cash equivalents during the year		(10,893,072)	18,781,010
Cash and cash equivalents, beginning of year		30,742,060	11,961,050
Cash and cash equivalents, end of year	8	19,848,988	30,742,060

The accompanying notes are as integral part of these consolidated financial statements.

Note 1
Nature and description of the Corporation

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") and generates revenues for the City by maximizing the value and economic development potential of properties under its management.

The Corporation has been designated as a Government Business Enterprise ("GBE").

As a municipal corporation under Section 149(1) of the *Income Tax Act* (Canada), the Corporation is exempt from income taxes.

The Corporation's consolidated financial statements for the year ended December 31, 2013 were authorized for issue by the Board of Directors on May 2, 2014, after which the consolidated financial statements may only be amended with the Board's approval.

Note 2
Summary of significant accounting policies

The significant accounting policies used in the preparation of these consolidated financial statements are described below.

New accounting standards adopted in 2013

The Corporation has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

IFRS 7, "Financial Instruments: Disclosures," relates to financial assets and financial liabilities offsetting and was amended to include additional disclosures to enable users of financial statements to evaluate the effect or potential effect of netting arrangements. The Corporation's adoption of this amendment did not result in a material impact to the consolidated financial statements.

IFRS 10, "Consolidated Financial Statements," builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent corporation. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Corporation's adoption of this standard did not result in a material impact to the consolidated financial statements.

IFRS 11, "Joint Arrangements," focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. The Corporation does not have any joint arrangements.

IFRS 12, "Disclosures of Interests in Other Entities," includes the disclosure requirements for all forms of interests in other entities including subsidiaries, joint arrangements (i.e., joint operations or joint ventures), associates and/or unconsolidated structured entities. The Corporation's adoption of this standard did not result in a material impact to the consolidated financial statements.

IFRS 13, "Fair Value Measurement," provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Corporation adopted IFRS 13 on January 1, 2013, on a prospective basis. The adoption of IFRS 13 did not result in any measurement adjustments as at January 1, 2013. Refer to note 22 for further details on the fair value of financial instruments. The Corporation's adoption of this standard did not result in a material impact to the consolidated financial statements

IAS 1, "Presentation of Items of Other Comprehensive Income," effective January 1, 2013, required the Corporation to group other comprehensive income items by those that will be reclassified subsequently to the consolidated statement of net income and comprehensive income and those that will not be reclassified. These changes did not result in any adjustments to other comprehensive income ("OCI").

Basis of presentation and consolidation, and statement of compliance

The Corporation prepared its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

The consolidated financial statements include the assets, liabilities and results of operations of the Corporation and its wholly owned subsidiaries:

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

Arrowhead New Toronto East Inc. holds title to the properties formally and municipally known as 260 Eighth Street and 124 Birmingham Street, Etobicoke, as a nominee corporation pursuant to TPLC's shareholder's direction.

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.

Accounting policies of the subsidiaries have been changed to ensure consistency with the policies adopted by the Corporation.

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.

Basis of measurement

The Corporation's consolidated financial statements are prepared on a going concern basis.

The consolidated financial statements have been prepared under the historical cost convention except for certain financial assets, which are measured at fair value.

The consolidated financial statements are presented in Canadian dollars, which is the Corporation's presentation currency.

Real estate properties

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, including 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. Generally, the significant components of a property and related useful lives are:

Significant Components	Useful Life (years)
Base building and structure	8 - 44
Roof	4 - 40
Heating, ventilation, air conditioning and cooling systems ("HVAC")	3 - 18
Elevators	21 - 40
Paving	10 - 38
Land improvement	19
Yard work	5

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:

- 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.

- 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.

- 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.

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:

1) consideration of recent prices of similar properties in similar markets;
2) 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
3) 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.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the reversible 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 net income and comprehensive income immediately.

For the year ended December 31, 2013, there were no impairment losses recognized on the Corporation's investment properties.

Other non-current assets

Other non-current assets include project development costs, rail lines, fencing, furniture, fixtures, office, computer and property equipment. Rail lines, fencing, furniture, fixtures, office, computer and property equipment 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:

	Useful life (years)
Furniture, fixtures and office equipment	5
Computer equipment	3
Rail lines	25
Fencing	5
Property equipment	5

Residual values and useful lives of all assets are reviewed and adjusted, if appropriate, at least at each financial year-end.

Cost 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 recognized 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 period in which they are incurred.

Rail lines, fencing, furniture, fixtures, office, computer and property 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. There were no impairment losses recognized during the year ended December 31, 2013.

Rail lines, fencing, furniture, fixtures, office, computer and property equipment 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 net 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 or to properties held-for-sale where the Corporation's intent is to dispose of the developed property. 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.

Cash and cash equivalents

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

Restricted cash and investments

Restricted cash includes balances with bank, short-term deposits and Guaranteed Investment Certificates. Pursuant to a direction from City Council, these funds, and all accumulating investment income, are to be utilized for the environmental remediation of its Port Land properties when it undertakes redevelopment at those sites. There is no formal redevelopment plan in place as at December 31, 2013.

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 and 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 balance sheet date using the current discount rate. The increase in the provision due to the passage of time is recognized as an interest expense.

Revenue recognition

Revenue from investment properties includes rents from tenants under leases, percentage participation rents, property tax and operating cost recoveries, lease cancellation fees, leasing concessions, parking income and incidental income.

The Corporation has retained substantially all of the risks and benefits of ownership of its real estate properties and, therefore, accounts for leases with its tenants as operating leases. Percentage participation rents are accrued based on sales estimates submitted by tenants if tenants anticipate attaining the minimum sales level stipulated in the tenant lease.

Revenue from investment properties during free rent periods represents a tenant incentive and is reflected in the consolidated balance sheet in other non-current assets and recognized in the consolidated statement of net 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. Tenant incentive receivables are included in other non-current assets and are deducted from rental revenue on a straight-line basis over the term of the tenant's lease. All other rental revenue is recognized in accordance with each lease.

Short-term investments and investment income

Investments recorded in the consolidated financial statements include short-term notes, bankers' acceptances and treasury bills.

Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Investment income includes interest and realized gains and losses.

Assets held-for-sale

Non-current assets and groups of assets and liabilities that comprise disposal groups are categorized as assets held-for-sale when the asset or disposal group is available-for-sale in its present condition and the sale is highly probable. For this purpose, a sale is highly probable if: management is committed to a plan to achieve the sale; there is an active program to find a buyer; the non-current assets or disposal group is being actively marketed at a reasonable price; the sale is anticipated to be completed within one year from the date of classification; and changes to the plan are unlikely.

Assets held-for-sale are measured at the lower of the carrying cost and fair value and are not amortized while classified as held-for-sale.

Comprehensive income

Comprehensive income is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income. Accordingly, the Corporation prepares a consolidated statement of net income and comprehensive income and includes accumulated other comprehensive income as a component of shareholder's equity within the consolidated balance sheet.

Environmental 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 for which an outflow of resources embodying economic benefits is probable, and when a reliable estimate can be made.

The lands are periodically assessed to determine whether an outflow of resources embodying economic benefits has become probable and can be reliably measured. If it becomes probable that an outflow of future economic benefits 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.

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.

Financial instruments

Recognition and measurement of financial instruments

Financial assets must be classified into one of the following categories: held-to-maturity, loans and receivables, fair value through profit or loss ("FVTPL") or available-for-sale assets. Financial liabilities are classified as other financial liabilities or FVTPL. All financial instruments are measured in the consolidated balance sheet at fair value, except for loans and receivables, held-to-maturity financial assets and other financial liabilities that are measured at amortized cost using the effective interest rate method.

The Corporation has designated its cash and cash equivalents, restricted cash and short-term investments as FVTPL, which are measured at fair value. Amounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, tenant deposits are classified as other financial liabilities, which are measured at amortized cost.

Transaction 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, brokers and advisers; and transfer taxes and duties that are incurred in connection with the arrangement of borrowings.

Fair value

The fair value of a financial instrument is the amount that would be received to sell a financial asset or transfer a liability in an orderly transaction between market participants. Fair value may be based on other observable current market transactions in the same instrument, without modification, or on a valuation technique using market-based inputs. The carrying values of the Corporation's financial assets and financial liabilities approximate their fair values because of the short period of time until the receipt or payment of cash, except where separately disclosed in the notes to the consolidated financial statements.

Impairment

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated statement of net income and comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

When a loan or receivable is impaired, the Corporation reduces the carrying amount to its recoverable amount, which is the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognized using the original effective interest rate.

An allowance is provided for when collection is no longer reasonably assured, including bankruptcy, abandonment by tenants and in certain tenant disputes.

The allowance for doubtful accounts as at December 31, 2013 was $1,544,238 (2012 - $1,510,593).

Note 3
Critical accounting judgments, estimates and assumptions in applying accounting policies

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:

- Selection of accounting standards: The Corporation has been identified as a GBE and accordingly 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.

- The Corporation's accounting policies relating to investment properties are described above. 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 and identifying the directly attributable borrowing costs to be included in the carrying value of the development property.

- The Corporation feels that in absence of reliable comparable market data, and alternative reliable estimates of fair value, it will not be 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.

- 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.

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 periods.

In determining fair value and the recoverable amount for its real estate assets, 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. In addition, the computation of cost reimbursements from tenants for realty taxes, insurance and common area maintenance charges is complex and involves a number of estimates, including the interpretation of terms and other tenant lease provisions. Tenant leases are not consistent in dealing with such cost reimbursements and variations in computations can exist. Adjustments are made throughout the year to these cost recovery revenues based on the Corporation's best estimate of the final amounts to be billed and collected.

The estimates also include: (i) impairment of investment properties and financial instruments; (ii) useful lives of investment properties and the significant components thereof used in the calculation of amortization; (iii) fair value of financial instruments; (iv) allowances for doubtful accounts; and (v) measurement of environmental provisions.

Note 4
Future accounting policy changes

IAS 32, Financial Instruments: Presentation ("IAS 32")

In December 2011, IAS 32 was amended to address inconsistencies in practice when applying the current criteria for offsetting financial instruments by clarifying the meaning of 'currently has a legally enforceable right to set-off,' and clarifying that some gross settlement systems may be considered equivalent to net settlement. The amendments are effective for annual periods beginning on or after January 1, 2014 and are required to be applied retrospectively. The Corporation is currently evaluating the impact of IAS 32 on its consolidated financial statements and no material impact is expected.

IAS 36, Impairment of Assets ("IAS 36")

This standard was amended to remove certain disclosures of the recoverable amount of cash generating units that had been included in IAS 36 by the issue of IFRS 13. The amendments are effective for annual periods beginning on or after January 1, 2014. The Corporation is currently evaluating the impact of IAS 36 on its consolidated financial statements and no material impact is expected.

IFRS 7, Financial Instruments: Disclosures ("IFRS 7")

In October 2010, IFRS 7 was amended to enhance disclosure requirements to aid financial statement users in evaluating the nature of, and risks associated with an entity's continuing involvement in derecognized financial assets and the offsetting of financial assets and financial liabilities. The amendments are effective for annual periods beginning on or after January 1, 2015 and are required to be applied in accordance with the standard. The Corporation is currently evaluating the impact of IFRS 7 on its consolidated financial statements and no material impact is expected.

IFRS 9, Financial Instruments ("IFRS 9")

In November 2009, the IASB issued IFRS 9, as its first step in replacing IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 will be issued in three phases. The first phase, which has already been issued, addresses the accounting for financial assets and financial liabilities. The second phase will address impairment of financial instruments, while the third phase will address hedge accounting.

IFRS 9 establishes two primary measurement categories for financial assets: (i) amortized cost; and (ii) fair value. Classification is based on how an entity manages its financial instruments in the context of its business model, as well as the contractual cash flow characteristics of the financial assets. Classification is made at the time the financial asset is initially recognized.

Although the classification criteria for financial liabilities will not change under IFRS 9, the fair value option will require fair value changes due to credit risk for liabilities designated at fair value through profit and loss generally to be recorded in OCI.

IFRS 9 amends some of the requirements of IFRS 7 including added disclosures on equity securities measured at fair value through OCI, and guidance on financial liabilities and derecognition of financial instruments. This standard is effective for annual periods beginning on or after January 1, 2015, with early adoption permitted. The Corporation is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

Note 5
Investment properties

The Corporation feels that in absence of reliable comparable market data, alternative reliable estimates of fair value, and significant uncertainties relating to the timing, cost, infrastructure requirements and eventual use of the properties, it is not 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. In addition, no fair value disclosures have been provided for the investment properties for the same reason.

During the year, the Corporation acquired an investment property at 450 Commissioners Street, Toronto, Ontario for $234,779.

The allocation of the acquisition cost to the components is as follows:

	$
Building	71,804
Land	143,275
Roof	7,200
HVAC	2,500
Yardwork	10,000
	234,779

Investment properties consist of the following:

			2013
	Cost	**Accumulated Amortization**	**Net**
	$	$	$
Land	306,039,968	-	306,039,968
Base building and structure	20,584,977	3,513,236	17,071,741
Elevator	36,125	6,881	29,244
HVAC	1,551,491	519,105	1,032,386
Roof	1,845,044	449,484	1,395,560
Land improvement	513,514	96,406	417,108
Paving	660,991	100,013	560,978
Yard work	1,223,225	940,208	283,017
Leasing commission costs	28,384	17,032	11,352
	332,483,719	**5,642,365**	**326,841,354**

			2012
	Cost	**Accumulated Amortization**	**Net**
	$	$	$
Land	313,878,924	-	313,878,924
Base building and structure	20,513,173	2,622,681	17,890,492
Elevator	36,125	5,160	30,965
HVAC	1,548,991	384,482	1,164,509
Roof	1,837,844	335,869	1,501,975
Land improvement	440,611	69,570	371,041
Paving	660,991	73,050	587,941
Yard work	1,180,300	695,470	484,830
Leasing commission costs	38,468	21,439	17,029
	340,135,427	**4,207,721**	**335,927,706**

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

			2013
	Income-producing Properties	**Asset Held-for-sale**	**Total**
	$	$	$
Balance as at December 31, 2012	335,927,706	-	335,927,706
Additions:			
Capital expenditure	30,730	-	30,730
Acquisitions	234,779	-	234,779
Transfers to asset held for sale (Note 10)	(7,980,036)	7,980,036	-
Transfers from non-current assets	72,903	-	72,903
Amortization	(1,444,728)	-	(1,444,728)
Balance as at December 31, 2013	**326,841,354**	**7,980,036**	**334,821,390**

			2012
	Income-producing Properties	**Asset Held-for-sale**	**Total**
	$	$	$
Balance as at December 31, 2011	339,803,378	140,741,188	480,544,566
Additions:			
Capital expenditure	57,240	-	57,240
Acquisitions	441,619	-	441,619
Transfers	(2,903,876)	-	(2,903,876)
Disposition	-	(140,741,188)	(140,741,188)
Amortization	(1,470,655)	-	(1,470,655)
Balance as at December 31, 2012	**335,927,706**	-	**335,927,706**

Gain on sale of investment properties

On January 31, 2008, the Corporation sold 12.92 acres of the land at Midland and St. Clair Avenue, Toronto, to a residential developer, which included a profit-sharing agreement, the effect of which is to be determined on completion of the project. During the year, an additional gain on sale of this property was recorded after adjusting for the revised estimated cost to complete for a total of $121,436 (2012 - $899,974).

The investment property at 25 Dockside Drive, Toronto, designated in 2011 as an asset held for sale was sold in 2012 for $186,000,000 resulting in a net gain of $38,731,643.

Note 6
Other non-current assets

Other non-current assets consist of the following:

	2013	2012
	$	$
Project development costs	569,534	562,619
Straight-line rent receivable	223,532	239,400
Free rent cost	73,178	153,698
Furniture, fixtures and equipment (a)	353,467	467,136
	1,219,711	1,422,853

(a) Furniture, fixtures and equipment

	2013			2012		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
	$	$	$	$	$	$
Rail lines	292,358	185,490	106,868	292,358	173,795	118,563
Fencing	733,922	657,354	76,568	729,297	619,880	109,417
Furniture, fixtures and office equipment	334,011	234,677	99,334	327,298	199,940	127,358
Computer equipment	404,784	353,227	51,557	401,037	313,848	87,189
Property equipment	27,343	8,203	19,140	27,343	2,734	24,609
	1,792,418	**1,438,951**	**353,467**	**1,777,333**	**1,310,197**	**467,136**

Note 7
Amounts receivable

Amounts receivable consist of following:

	2013	2012
	$	$
Tenants	2,097,916	497,679
Others	2,359,763	3,418,590
City (property tax related)	4,149,910	2,444,000
Related parties	4,835,762	4,711,171
Harbour remediation and transfer loan receivable	39,784	192,026
HST	-	51,013
Allowance for doubtful accounts	(1,544,238)	(1,510,593)
	11,938,897	**9,803,886**

During the year, the Corporation received payments of $161,040 (2012 - $161,040), which reduced the loan receivable from Harbour Remediation and Transfer ("HRT") and allowance for doubtful loans by $152,242 (2012 - $141,779). Interest income of $8,798 (2012 - $19,261) was recorded in the consolidated statement of net income and comprehensive income.

Credit risk related to amounts receivable arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. Refer to note 22 for the Corporation's assessment of the credit risks and action taken to mitigate such risks.

Note 8
Cash and cash equivalents

Cash and cash equivalents consist of the following:

	2013	2012
	$	$
Cash and cash equilvalents	3,199,712	18,730,861
Flexi GICs	1,614,506	1,601,880
High interest savings accounts	15,034,770	10,409,319
	19,848,988	**30,742,060**

Note 9
Short-term investments

Short-term investments consist of the following:

	2013	2012
	$	$
Canada Savings Bonds, bankers' acceptances and discount notes	-	4,025,455

Note 10
Asset classified as held-for-sale and related liabilities

The asset held-for-sale at December 31, 2013 included lands located at 260 Eighth Street and 124 Birmingham Street, Toronto. The properties are registered in the name of Arrowhead New Toronto East Inc., a subsidiary of the Corporation.

Pursuant to the Corporation's Board of Directors' resolution dated November 20, 2013, and a consulting agreement between the Corporation and BTI, marketing efforts for the sale of the above properties were initiated by BTI.

The asset held-for-sale consists of the following:

	2013	2012
	$	$
Investment properties	**7,980,036**	-

There are no liabilities, revenue and expenses related to the asset held-for-sale.

Note 11
Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

	2013	2012
	$	$
Trade payable	2,059,623	2,354,818
Accrued liabilities	980,344	2,667,601
Property tax related	3,102,559	1,806,110
Related party	1,402,160	1,241,312
Other	110,829	114,052
Construction holdbacks	-	2,540
	7,655,515	**8,186,433**

Note 12
Tenant deposits and prepaid rents

Tenant deposits and prepaid rents consist of the following:

	2013	2012
	$	$
Tenant deposits	271,652	271,652
Prepaid rents	8,281,725	8,548,392
	8,553,377	8,820,044
Less current portion	189,925	281,794
	8,363,452	**8,538,250**

Prepaid rents of $8,281,725 (2012 - $8,548,392) include $8,266,598 rental payments received from the Toronto Hydro Electric Commission for two 99-year leases and St Mary's Cement Corporation for a 20-year lease.

Note 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
City of Toronto ("City")	parent and shareholder
Build Toronto Inc. ("BTI")	same parent
Build Toronto Holdings One Inc. ("BTHOI"), subsidiary of BTI	same parent
Build Toronto Holdings Harbour Inc. ("BTHHI"), subsidiary of BTI	same parent
Invest Toronto Inc. ("ITI")	same parent

a) City of Toronto

i) Included in amounts receivable are amounts due from the City of $4,666,523 (2012 - $2,960,154) for rent, hydro, realty tax adjustments and the City's share of project study costs. Included in accounts payable and accrued liabilities are amounts due to the City of $3,437,321 (2012 - $1,776,949), which have arisen as a result of charges for realty taxes, hydro and incubator grant.

ii) Included in rental property operating expenses are realty taxes of $5,759,780 (2012 - $5,562,643) and hydro costs of $ nil (2012 - $357,006) paid to the City.

iii) The Corporation previously carried out the activities and staffing of the incubator program. Subject to a City Council decision in October 2008 effective January 1, 2009, the Corporation's incubator program will be managed by the City within its Economic Development and Culture Division. The City and the Corporation entered into a grant agreement for an initial term of two years, which is automatically renewed unless the City elects not to renew the agreement for an additional term. This grant is included in the consolidated statement of net income and comprehensive income.

The Corporation paid an amount of $1,355,449 (2012 - $1,346,027) during the year to the City as a grant toward their incubator program.

b) Build Toronto Inc.

i) As per City Council direction, the Corporation transferred an investment property at 60 Atlantic Avenue to BTI on April 30, 2012. The transaction was measured at the Corporation's carrying amount. The net book value of the property at the date of transfer, including related working capital, was $2,903,876.

ii) On June 22, 2011, the Corporation provided a loan to BTHOI in the amount of $3,660,917. The loan bears interest at 6% per annum, with interest calculated in arrears annually, and matures on June 23, 2014. The loan balance including accrued interest of $3,776,461 (2012 - $3,776,145) is included in amounts receivable.

iii) During 2013 the Corporation had an arrangement whereby certain office services and staffing costs were shared with BTI. The allocation of these costs from BTI for the year is $38,628 (2012 - $119,508). These costs are part of the general and administrative costs.

iv) Pursuant to City Council Report EX32.5, City Council directed TPLC to assign to BTI its entitlement in respect of the Midland and St. Clair property. During 2011, pursuant to shareholder direction, the Corporation's Board approved payment of the estimated net proceeds of the 2009 and 2010 sale of lots in Midland and St. Clair property in the amount of $10,774,426 to BTI, through a reduction of the intercompany amount receivable from BTI. In 2012, the Corporation's Board authorized a reserve in the amount of $899,974 for additional amounts due to BTI based on additional proceeds received to date and adjustments to the estimated cost to complete as at December 31, 2012 in respect of obligations in connection with the sale, which is included in accounts payable and accrued liabilities. In 2013, an additional reserve of $121,436 was set up. The final amount ultimately to be transferred to BTI may change if further additional proceeds are received or as a result of further adjustments to the estimated cost to complete. There are no set terms of repayment of this amount and no interest is being accrued by the Corporation.

c) Invest Toronto Inc.

i) Subject to a City council report in October 2008, the Corporation was directed to assist and support the start-up of two new municipal corporations, ITI and BTI. As a result, a five-year grant agreement effective January 1, 2009 was executed with ITI to provide funding up to specified funding maximums identified in the grant agreement. At the end of the five-year term ended December 31, 2013, the grant agreement was automatically renewed for a one-year period, for a grant amount agreed to by the board of directors of both Corporations. This grant is included in the consolidated statement of net income and comprehensive income.

In 2013, the Corporation has provided a grant of $2,524,603 (2012 - $2,471,978) to ITI to fund its operating and capital expenditures.

ii) Included in amounts receivable is an amount of $174,514 (2012 - $51,023) due from ITI relating to timing of funds advanced for its operating and capital expenditures.

iii) The Corporation has agreed with ITI to share certain administrative, accounting and other corporate services on a cost allocation basis. The allocation of these costs to ITI for the year is $112,150 (2012 - $111,870).

Note 14
Consolidated statement of cash flows

(a) Items not affecting cash

For the years ended December 31	2013	2012
	$	$
Amortization of investment properties and tenant improvements	1,573,482	1,579,922
Amortization of free rent cost	80,520	82,336
Free rent revenue	-	(17,172)
Gain on sale of investment properties	(121,436)	(39,631,617)
Prepaid rents recognized	(266,667)	(184,422)
Straight-line rent receivable	15,868	(648,205)
Deferred cost	-	2,275
Accrued interest income	14,200	(19,651)
	1,295,967	**(38,836,534)**

(b) Net change in operating assets and liabilities

For the years ended December 31	2013	2012
	$	$
Amounts receivable	(2,149,211)	3,270,647
Accounts payable and accrued liabilities	(530,918)	(6,902,654)
Prepaid expenses	3,747	17,986
Tenant deposits	-	17,014
	(2,676,382)	**(3,597,007)**

Note 15

Revenue from investment properties

Investment property rental revenue comprises the following:

For the years ended December 31	2013	2012
	$	$
Leases	6,843,328	8,795,954
Licences	3,983,010	3,915,312
Parking and other revenue	8,008	29,419
Recoverable operating costs and property taxes	5,134,073	6,280,444
	15,968,419	**19,021,129**

Future minimum rents receivable are as follows:

	$
2014	7,793,839
2015	5,422,492
2016	4,228,440
2017	3,768,347
2018	3,161,372
Thereafter	93,432,225
	117,806,715

a) During the year, the Corporation received $1,075,678 representing payment of lost rent for termination of a lease originally ending in 2022. The payment is included in other income as non-recurring income.

Note 16
Investment property operating expenses

Investment property operating expenses comprise the following:

For the years ended December 31	2013	2012
	$	$
Repairs and maintenance	956,018	1,304,099
Property taxes	4,832,113	5,149,174
Administrative	119,171	502,070
Utilities	926,149	1,254,498
Bad debts	23,145	(86,638)
	6,856,596	**8,123,203**

Note 17
General and administrative expenses

General and administrative expenses comprise the following:

For the years ended December 31	2013	2012
	$	$
Salaries and expenses	2,414,423	2,510,501
Professional fees	388,916	433,574
Office services	636,958	683,993
	3,440,297	**3,628,068**

Note 18
Amortization

For the years ended December 31	2013	2012
	$	$
Investment properties (note 5)	1,439,051	1,464,977
Other non-current assets	49,169	50,892
Computers, office property and equipment	79,585	58,375
	1,567,805	**1,574,244**
Leasing commission (note 5)	5,677	5,678
	1,573,482	**1,579,922**

Note 19
Commitments

a) The Corporation has a project management agreement with a developer to fund the cost to complete the servicing of the residential land at Midland and St. Clair sold in 2008. The estimated cost expected to be incurred over the three-year period starting in 2010 was approximately $3,414,000. During the year, $345,274 (2012 - $1,262,981) was incurred and pursuant to a revision in the estimated cost to complete (note 5), the revised estimated cost to complete as at December 31, 2013 is $ 209,294.

b) In 2011, the Corporation's Board of Directors approved a resolution granting the transfer of beneficial interest in the sale of the land at Midland and St. Clair to BTI. In 2013, an amount of $121,436 (2012 - $899,974) was recorded as an additional gain on sale on Midland and St. Clair (note 5). This amount and all future benefits from this sale will be transferred to BTI on the approval of the Corporation's Board of Directors.

c) Effective June 1, 2012, the Corporation entered into an operating lease with Oxford Properties Group Inc. for a period of five years expiring May 31, 2017, at an annual rent of $195,909.

Note 20
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) Pursuant to an agreement to provide support to Medical and Related Science Discovery District ("MaRS") related to its facility in a heritage designated building, the Corporation has provided a $500,000 undertaking to the City for the successful completion of the facility.

c) 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 remedy 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 remedy the contamination may also result from the Corporation and its parent, the City, agreeing to development plans for the lands. The valuation of the asset retirement obligation has been estimated at $47,600,000 at most, but given the uncertainty of when remediation will take place or the total costs expected to actually be incurred, this provision has been determined to not be reliably measurable and, accordingly, has not been recognized for accounting purposes.

d) The Corporation has been advised of a legal matter related to a tax abatement program for a property where the grants received and accrued to date of approximately $899,024 may be repayable under certain default conditions. The property had been sold to a third party in 2006 and the Corporation is seeking to provide an indemnity to the City should a default condition arise until the expiry of the program in 2018.

e) Pursuant to a consulting agreement entered by the Corporation with BTI on January 1, 2014 in connection with the sale of 260 Eight Street and 124 Birmingham Street (note10), the Corporation will pay BTI all reasonable third party expenses from August 1, 2013 and after, subject to providing sufficient information and submission for the Corporation's Board approval. All expenses shall be paid out of the closing proceeds of sale. Net proceeds, after deducting all third party expenses and BTI's out-of-pocket expenses will be distributed, with the Corporation receiving 80% and BTI 20%. As at December 31, 2013, BTI has submitted an expense claim in the amount of $102,845 to be approved by the Board of the Corporation. Since no sale has been closed, the expense claim is not recorded as a liability of the Corporation.

Note 21
Employee benefits

Post-employment benefits

The Corporation makes contributions to the Ontario Municipal Employees' Retirement Fund ("OMERS"), which is a multi-employer pension plan, on behalf of some of its employees. This pension plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to this pension plan.

Since OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees. As a result, the Corporation does not recognize any share of the OMERS pension surplus or deficit. The Corporation's current service contributions to the OMERS pension plan in 2013, which were expensed, totalled $231,983 (2012 - $181,616) and are included in salaries and employee benefits expense on the consolidated statement of net income and comprehensive income.

Key management compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. The Corporation's key management personnel include the President and Chief Executive Officer, Chief Financial Officer, General Counsel and Corporate

Secretary and directors. The compensation paid or payable to key management for employee services is shown below:

For the years ended December 31	2013	2012
	$	$
Salaries and other short-term employee benefits	739,580	722,502
Directors' fees	-	-
	739,580	**722,502**

In 2013, $5,940 was allocated to ITI as part of shared services. $733,640 is the net balance.

Note 22
Financial instruments

a) Fair value

The Corporation's financial instruments consist of cash and cash equivalents, short-term investments, amounts receivable, restricted cash, amounts payable and accrued liabilities, deposits on property and tenant deposits. Other than cash and cash equivalents, restricted cash and short-term investments, these financial instruments are carried at cost, which approximates fair value due to their short-term nature.

IFRS requires disclosure of a three-level hierarchy for fair value measurements based on the transparency of inputs to the valuation of a financial asset or financial liability as at the consolidated financial statement date. The three levels are defined as follows:

- Level 1 - Fair value is based on quoted market prices in active markets for identical assets or liabilities.
- Level 2 - Fair value is based on observable inputs other than Level 1 prices, such as quoted market prices for similar (but not identical) assets or liabilities in active markets, quoted market prices for identical assets or liabilities in markets that are not active, and other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange traded instruments and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data.
- Level 3 - Fair value is based on non-observable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

As at December 31, 2013, the Corporation has no short-term investments. The short-term investments in 2012 are classified as Level 2 financial instruments as they mainly consisted of short-term bankers' acceptances and deposits.

As at December 31, 2013, cash and cash equivalents of $19,848,988 (2012 - $30,742,060), restricted cash of $15,324,457 (2012 - $233,418) are classified in the Level 1 category.

b) Risk management

The Corporation's investment and operating activities expose it to a range of financial risks. These risks include credit risk, market risk, liquidity risk and interest rate risk, which are described as follows:

- 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 balance sheet 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 consist of deposits with a major commercial bank. It is management's assessment that the credit risk associated with these balances is negligible.

Management believes the Corporation's credit risk is low.

- Market risk

The Corporation is exposed to changes in electricity prices associated with the wholesale spot market for electricity in Ontario. The Corporation has addressed the commodity price risk exposure associated with changes in the wholesale price of electricity by entering into energy related purchase and sales contracts, through its participation in an agreement entered into by the City that fixes a portion of the wholesale price over the term of the contract.

- Liquidity risk

Liquidity risk is the risk of being unable to settle or meet commitments as they come due. The Corporation has $7,655,515 of accounts payable and accrued liabilities that are due within one year. The Corporation has cash and cash equivalents, short term investments and amounts receivable that are sufficient to satisfy these liabilities.

- 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 bankers' acceptances and government securities (notes 8 and 9). The fixed rate nature of these investments reduces the risk of interest rate fluctuations over the term of the investments and therefore a change in interest rates at the year-end would not impact income.

The loan receivable (note 7) is not subject to interest rate risk, as it is interest free for the first nine months and management expects to have collected a majority of the mortgage amount by the time the interest-free period expires.

Note 23
Capital management

The Corporation's capital comprises shareholder's equity.

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 purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to budget. As at December 31, 2013, the Corporation has met its objective of having sufficient liquid resources and financing facilities to meet its current obligations.

Note 24
Subsequent events

By an agreement dated June 24, 2009, as amended by agreement dated December 9, 2011 and November 27, 2012 (collectively the "Option Agreement"); the Corporation granted an option to lease certain lands within the Port Lands area of the City of Toronto ("Option Lands").

Subsequent to year-end, and pursuant to the Board of Directors' Resolution dated December 31, 2013, the owner of the interest in the Option Agreement surrendered its rights relating to a portion of the Option Lands, for a consideration paid by the Corporation of $8,019,863.