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

Consolidated Financial Statements
Six months ended June 30, 2017

(Unaudited)

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

As at	Notes	June 30, 2017	December 31, 2016
		$	$
ASSETS			
Non-current assets			
Investment properties	5	338,424,372	340,195,847
Restricted cash and investments		16,088,271	15,974,013
Other non-current assets	6	3,140,297	2,890,444
Total non-current assets		357,652,940	359,060,304
Current assets			
Amounts receivable	7, 12(a)	4,014,388	4,611,413
Prepaid expenses		705,393	130,625
Short-term investments	8	14,250,000	7,000,000
Cash and cash equivalents	9	16,599,277	20,615,354
Total current assets		35,569,058	32,357,392
Total assets		393,221,998	391,417,696
LIABILITIES AND SHAREHOLDER'S EQUITY			
Non-current liabilities			
Tenants' deposits and prepaid rents	11	7,967,720	7,967,720
Total non-current liabilities		7,967,720	7,967,720
Current liabilities			
Accounts payable and accrued liabilities	10, 12(a)	4,022,785	5,750,976
Prepaid rents	11	198,928	365,101
Total Current liabilities		4,221,713	6,116,077
Total liabilities		12,189,433	14,083,797
Shareholder's equity		381,032,565	377,333,899
Total liabilities and shareholder's equity		393,221,998	391,417,696
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, 2015		1	1	369,951,765	369,951,766
Net income				14,272,426	14,272,426
Dividend related to the incubator program	12(a), 17			(1,890,293)	(1,890,293)
Dividend				(5,000,000)	(5,000,000)
Balance, as at December 31, 2016		1	1	377,333,898	377,333,899
Net income				3,698,666	3,698,666
Balance, as at June 30, 2017		1	1	381,032,564	381,032,565

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 Statements of Net Income and Comprehensive Income
(Unaudited)

Three and six months ended June 30, 2016 and 2015

	Notes	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
		$	$	$	$
Net property income					
Revenue from investment properties	14	4,399,186	4,168,737	8,374,097	8,345,146
Investment property operating expenses	12(a), 15	1,496,800	1,471,857	2,566,556	2,915,825
		2,902,386	2,696,880	5,807,541	5,429,321
Expenses					
General and administrative	12(c)(ii), 16	765,576	1,232,848	1,578,351	2,115,924
Environmental monitoring		41,221	33,040	47,276	37,486
Amortization		384,522	356,478	784,044	712,962
		1,191,319	1,622,366	2,409,671	2,866,372
Income before the following		1,711,067	1,074,514	3,397,870	2,562,949
Other income (expenses)					
Interest and investment income		150,911	132,052	298,859	256,262
Invest Toronto grant	12(c), 18	-	(636,042)	-	(1,079,656)
		150,911	(503,990)	298,859	(823,394)
Income before gain on sale of investment property		1,861,978	570,524	3,696,729	1,739,555
Gain on sale of investment properties	5	1,937	10,359,365	1,937	10,359,365
Net income and comprehensive income		1,863,915	10,929,889	3,698,666	12,098,920

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

For the three months ended June 30	Notes	2017	2016
		$	$
OPERATING ACTIVITIES			
Net income		3,698,666	12,098,920
Items not affecting cash	13(a)	648,805	(9,503,788)
Net change in operating assets and liabilities	13(b)	(1,705,934)	(1,036,501)
Cash provided by operating activities		2,641,537	1,558,631
INVESTING ACTIVITIES			
(Purchase) of short-term investments		(7,250,000)	-
Increase in restricted cash		(114,258)	(124,428)
Increase in other non-current assets		(362,884)	(422,172)
Net proceeds from sale of investment properties		1,131,287	11,499,985
Additions to investment properties		(61,759)	(366,650)
Cash provided by (used in) investing activities		(6,657,614)	10,586,735
(Decrease) in cash and cash equivalents during the period		(4,016,077)	12,145,366
Cash and cash equivalents, beginning of year		20,615,354	8,822,894
Cash and cash equivalents, end of period	9	16,599,277	20,968,260

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.

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

In May 2017, City Council passed a resolution to establish a new City agency ("Toronto Realty Agency"), and requested the Board of Directors of the Corporation to develop a transition plan to transition to this agency.

Note 2
Summary of significant accounting policies

Basis of presentation and consolidation

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34 interim Financial Reporting (IAS 34) as issued by the International Accounting Standards Board (IASB). **Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the IASB, have been omitted or condensed.**

The Corporation prepared its condensed consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). **Refer to note 2 of the Corporation's annual consolidated financial statements for the year ended December 31, 2016 for a summary of significant accounting policies used in the preparation of these condensed consolidated financial statements.**

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 Government Business Enterprise 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 in note 2 of consolidated financial statements for the year ended December 31, 2016. 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.

- As stated in note 5 of consolidated financial statements for the year ended December 31, 2016, 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 and of infrastructure, furniture, fixtures and equipment 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

IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15")

IFRS 15 provides a comprehensive five-step revenue recognition model for all contracts with customers. The IFRS 15 revenue recognition model requires management to exercise significant judgment and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Corporation is currently evaluating the impact of adopting this standard on the consolidated financial statements.

IFRS 9, “Financial Instruments” (“IFRS 9”)

The final version of IFRS 9, “Financial Instruments” (“IFRS 9”), was issued by the IASB in July 2014 and will replace IAS 39, “Financial Instruments: Recognition and Measurement”. IFRS 9 introduces a model for classification and measurement, a single, forward-looking “expected loss” impairment model and a substantially reformed approach to hedge accounting. The new single, principle-based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of an entity’s own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity’s own credit risk on such liabilities are no longer recognized in profit or loss. The entity’s own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. Lastly, a third measurement category for financial assets – “fair value through other comprehensive income” – will exist. IFRS 9 is effective for annual periods beginning on or after January 1, 2018; however, it is available for early adoption. The Corporation is currently evaluating the impact of adopting this standard on the consolidated financial statements.

IFRS 7, “Financial Instruments: Disclosures” (“IFRS 7”),

IFRS 7 has been amended by the IASB to require additional disclosures on transition from IAS 39 to IFRS 9. The amendment to IFRS 7 is effective for periods beginning on or after January 1, 2018. The Corporation is currently evaluating the impact of adopting this standard on the consolidated financial statements.

IFRS 16, “Leases” (“IFRS 16”)

IFRS 16 sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12 months, unless the underlying asset is of low value. Under IFRS 16 lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15. The Corporation does not expect the amendments to have a material impact on the financial statements.

Note 5
Investment properties

Investment properties consist of the following:

			June 30, 2017
	Cost	Accumulated Amortization	Net
	$	$	$
Land	319,774,714	-	319,774,714
Base building and structure	21,315,640	6,716,015	14,599,625
Elevator	36,125	12,900	23,225
HVAC	1,602,280	954,195	648,085
Roof	2,541,856	922,067	1,619,789
Land improvement	1,337,337	277,626	1,059,711
Paving	940,821	271,775	669,046
Yard work	1,223,225	1,214,636	8,589
Leasing commission costs	30,846	9,258	21,588
	348,802,844	**10,378,472**	**338,424,372**

			December 31, 2016
	Cost	Accumulated Amortization	Net
	$	$	$
Land	320,904,064	-	320,904,064
Base building and structure	21,308,300	6,231,731	15,076,569
Elevator	36,125	12,042	24,083
HVAC	1,602,280	896,529	705,751
Roof	2,487,437	826,775	1,660,662
Land improvement	1,337,337	250,266	1,087,071
Paving	940,821	240,725	700,096
Yard work	1,223,225	1,210,346	12,879
Leasing commission costs	30,846	6,174	24,672
	349,870,435	**9,674,588**	**340,195,847**

Gain on sale of investment properties

On May 12, 2017, the Corporation sold 3.32 acres of the investment property at 260 Eight Street for $2,407,000 resulting in a gain of $1,937.

On June 8, 2016, the Corporation sold the investment properties at 15 Freeland Street and 15 Cooper Street for $11,500,000 resulting in a gain of $10,359,365.

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

	June 30, 2017
	$
Balance as at December 31, 2016	340,195,847
Additions and disposals:	
Capital expenditure	61,759
Disposals	(1,129,350)
Amortization	(703,884)
Balance as at June 30, 2017	**338,424,372**

Note 6
Other non-current assets

Other non-current assets consist of the following:

	June 30, 2017	**December 31, 2016**
	$	**$**
Project development costs	1,236,948	1,156,139
Straight-line rent receivable	497,606	518,585
Free rent cost	41,344	53,236
Infrasturcture, furniture, fixtures and equipment (a)	1,364,399	1,162,484
	3,140,297	**2,890,444**

(a) Infrastructure, furniture, fixtures and equipment consist of the following:

	June 30, 2017			**December 31, 2016**		
	Cost	**Accumulated Amortization**	**Net**	**Cost**	**Accumulated Amortization**	**Net**
	$	**$**	**$**	**$**	**$**	**$**
Rail lines and infrastructure	1,521,475	303,110	1,218,365	1,277,375	257,324	1,020,051
Fencing	806,473	759,865	46,608	803,948	746,509	57,439
Furniture, fixtures and office equipment	390,934	336,580	54,354	367,846	325,930	41,916
Computer equipment	450,617	425,640	24,977	441,255	419,022	22,233
Property maintenance equipment	51,873	31,778	20,095	48,873	28,028	20,845
	3,221,372	**1,856,973**	**1,364,399**	**2,939,297**	**1,776,813**	**1,162,484**

Note 7
Amounts receivable

Amounts receivable consist of the following:

		June 30, 2017 $	December 31, 2016 $
Tenants		854,345	1,111,181
Others		1,349,928	1,533,555
City (property tax related)		2,234,386	2,407,434
Related party	Note 12(c)	703,213	671,727
Allowance for doubtful accounts		(1,127,484)	(1,112,484)
		4,014,388	**4,611,413**

Note 8
Short-term investments

Short term investments consist of the following:

	June 30, 2017 $	December 31, 2016 $
Guaranteed investments certificates	14,250,000	7,000,000

Note 9
Cash and cash equivalents

Cash and cash equivalents consist of the following:

	June 30, 2017 $	December 31, 2016 $
Cash and cash equivalents	5,231,799	2,364,022
Flexible GICs	7,211,531	18,230,491
High interest savings accounts	4,155,947	20,841
	16,599,277	**20,615,354**

Note 10
Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following**:**

	June 30, 2017 $	December 31, 2016 $
Trade payable	1,571,750	2,178,583
Accrued liabilities	525,144	905,908
Property tax related	1,807,339	2,537,790
Other	118,552	115,902
Construction holdbacks	-	12,793
	4,022,785	**5,750,976**

Note 11
Tenants' deposits and prepaid rents

Tenants' deposits and prepaid rents consist of the following:

	June 30, 2017 $	December 31, 2016 $
Tenant deposits	400,315	400,315
Prepaid rents	7,766,333	7,932,506
	8,166,648	8,332,821
Less: current portion	198,928	365,101
	7,967,720	**7,967,720**

Included in prepaid rents is $7,654,805 (December 31, 2016 - $7,742,204) deferred rental revenue from the Toronto Hydro Electric Commission for two 99-year leases and St Mary's Cement Corporation for a 20-year lease.

Note 12
Related party transactions

Refer to note 12 of the Corporation's consolidated financial statements for the year ended December 31, 2016 for a detail description of relationship with related parties.

a) City of Toronto

Included in amounts receivable are amounts due from the City 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 for realty taxes, water and hydro. Included in rental property operating expenses are realty taxes and water & sewage costs paid to the City for the period.

In 2016, the City directed a payment to be made by the Corporation to the incubator program by way of a dividend. The amount is included as a dividend in the statement of equity (note 17).

b) Build Toronto Inc. (BTI)

On May 12, 2017, BTI sold 3.32 acres of 260 Eight Street (Note 5). Pursuant to the consulting agreement entered by the Corporation with BTI described in Note 20(d), the Corporation reimbursed BTI $490,647 of expenses and paid $276,235 for consulting services fee in respect of the sale.

c) Invest Toronto Inc. (ITI)

i) The related party amount included in amounts receivable (note 7) represents amount due from ITI. The Corporation has provided a grant to ITI in 2016 for $2,025,000 to fund its operating and capital expenditures.

ii) 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 period is $31,486 (June 30, 2016 - $68,587).

Note 13
Consolidated statement of cash flows

(a) Items not affecting cash

For the	Six months ended June 30, 2017 $	Six months ended June 30, 2016 $
Amortization of investment properties and tenant improvements	784,044	712,962
Amortization of free rent cost	11,892	11,892
Gain on sale of investment properties	(1,937)	(10,359,365)
Prepaid rents recognized	(166,173)	170,903
Straight-line rent receivable	20,979	(40,180)
	648,805	**(9,503,788)**

(b) Net change in operating assets and liabilities

	2017 $	2016 $
Amounts receivable	597,025	1,945,637
Accounts payable and accrued liabilities	(1,728,191)	(2,666,372)
Prepaid expenses	(574,768)	(326,965)
Tenants deposits	-	11,199
	(1,705,934)	**(1,036,501)**

Note 14
Revenue from investment properties

Investment property rental revenue comprises the following:

	Three months ended June 30,		Six months ended June 30,	
	2017	**2016**	**2017**	**2016**
	$	$	$	$
Leases	2,158,965	2,154,296	4,345,678	4,304,147
Licenses	1,056,244	977,292	2,039,163	1,914,195
Parking and other revenue	116,502	97,018	162,177	191,655
Recoverable operating costs and property taxes	1,067,475	940,131	1,827,079	1,935,149
	4,399,186	**4,168,737**	**8,374,097**	**8,345,146**

Note 15
Investment property operating expenses

Investment property operating expenses comprise the following:

	Three months ended June 30,		Six months ended June 30,	
	2017	**2016**	**2017**	**2016**
	$	$	$	$
Repairs and maintenance	235,570	319,682	421,933	578,807
Property taxes	1,013,917	851,855	1,592,937	1,716,763
Administrative	36,872	36,546	73,760	73,092
Utilities	195,441	257,183	462,926	540,572
Bad debts expense	15,000	6,591	15,000	6,591
	1,496,800	**1,471,857**	**2,566,556**	**2,915,825**

In May 2017, one of the investment properties of the corporation was damaged by fire. The clean-up operation is continuing and the amount of insurance recovery is under negotiation.

Note 16
General and administrative expenses

General and administrative expenses comprise the following:

	Three months ended June 30,		Six months ended June 30,	
	2017	**2016**	**2017**	**2016**
	$	$	$	$
Salaries and employee benefits	672,048	715,359	1,217,355	1,278,331
Professional fees	(114,233)	223,533	(47,617)	326,967
Office services	207,761	293,956	408,613	510,626
	765,576	**1,232,848**	**1,578,351**	**2,115,924**

Note 17
Incubator program grant

Refer to Note 12(a) (iii) of the Corporation's consolidated financial statements for the year ended December 31, 2016 for the description of the grant. The grant agreement has not been renewed since January 1, 2016.

For the six months ended June 30, 2017, no payment was made by the Corporation to the incubator program. In 2016, the City directed a payment of $1,890,293 by way of a dividend which is included in the Corporation's statement of equity.

Note 18
Invest Toronto Inc. (ITI) grant

Refer to Note 12(c) (i) of the Corporation's consolidated financial statements for the year ended December 31, 2016 for the description of the grant. The grant agreement was not renewed from October 1, 2016.

Note 19
Commitments

a) 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. The agreement has been extended to May 31, 2019 at an annual rent of $201,376.

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) Pursuant to a consulting agreement entered by the Corporation with Build Toronto Inc. ("BTI") on January 1, 2014 in connection with the sale of 260 Eight Street and 124 Birmingham Street, 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 June 30, 2017, BTI has reported a net expense of $153,373 (December 31, 2016 - $458,277). Since no sale has been closed on the remaining parcel of 20.7 acres, the expense is not recorded as a payable of the Corporation.

Note 21
Financial instruments

a) Fair value through profit or loss

The Corporation's financial instruments consist of cash and cash equivalents, short-term investments, amounts receivable, restricted cash and investments, amounts payable and accrued liabilities, and tenant deposits. Other than cash and cash equivalents, short- term investments and restricted cash, 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 June 30, 2017, cash and cash equivalents of $16,599,277 (December 31, 2016 - $20,615,354), restricted cash and investments of $16,088,271 (December 31, 2016 - $15,974,013) are classified in the Level 1 category.

Short-term investments are classified as Level 1 financial instruments as they consisted of Guaranteed Investment Certificates.

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 and investments consist of deposits with major commercial banks. 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 $4,022,785 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 Guaranteed Investment Certificates (GICs) and high interest savings accounts (notes 8 and 9). The fixed rate nature of GICs 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.

Note 22
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 June 30, 2017, the Corporation has met its objective of having sufficient liquid resources and financing facilities to meet its current obligations.