

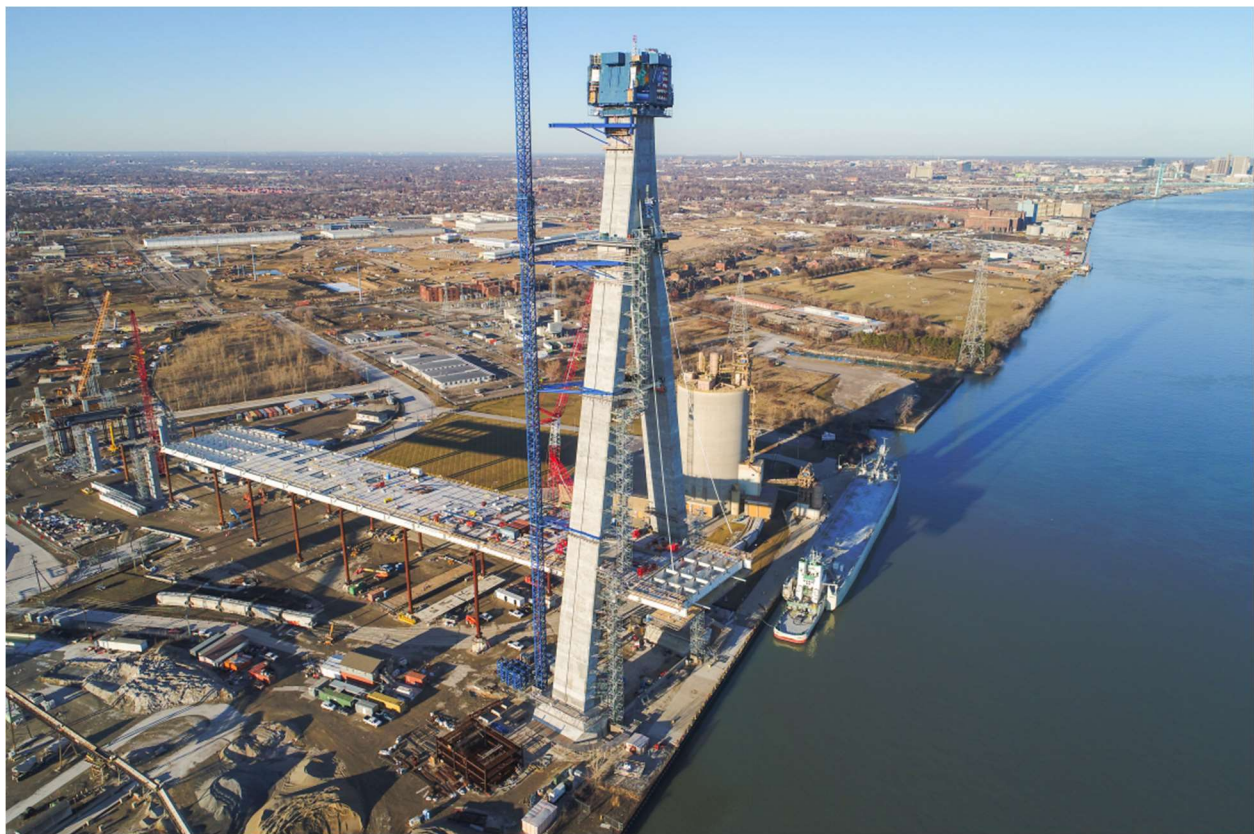


Windsor-Detroit Bridge Authority

Quarterly Financial Report for the Period Ended

December 31, 2022

Unaudited





MANDATE

The Windsor-Detroit Bridge Authority (WDBA) established on October 9, 2012, by Letters Patent pursuant to the International Bridges and Tunnels Act, is a Schedule III, Part I non-agent parent Crown Corporation responsible for carrying out the obligations of the Crossing Authority as a party to the 2012 Canada-Michigan Crossing Agreement. Its mandate is to construct and operate the Gordie Howe International Bridge Project (formerly known as the New International Trade Crossing and the Detroit River International Crossing), and to do so directly or under one or more public-private partnership (P3) agreements with one or more private sector concessionaires procured through a competitive procurement process as contemplated by the Crossing Agreement.

In June 2012, the Government of Canada and Michigan set out the governance framework for WDBA and outlined the roles and responsibilities of the key parties involved in the Gordie Howe International Bridge Project. The Crossing Agreement signed between Canada, WDBA and Michigan (the State of Michigan, the Michigan Department of Transportation, and the Michigan Strategic Fund) stipulates that Canada will fund the entire Project.

The Crossing Agreement also established the International Authority (IA), a legal entity separate and distinct from WDBA. The IA was responsible for the approval of land acquisitions in the State of Michigan, leases of land in Michigan, as well as the Request for Qualifications, Request for Proposal, and the Public-Private Agreement with respect to the Gordie Howe International Bridge Project. These responsibilities having been discharged, the IA is now responsible for monitoring compliance by WDBA with the Crossing Agreement and the Concessionaire with the Public-Private Agreement. WDBA is required by the Crossing Agreement to fund the activities of the IA.



OVERVIEW OF THE GORDIE HOWE INTERNATIONAL BRIDGE PROJECT

The Windsor-Detroit trade corridor is the busiest border crossing between the U.S. and Canada. The Gordie Howe International Bridge Project will address current constraints with existing crossing capacity and will accommodate future trade and travel demand to provide needed capacity as well as system redundancy (i.e., overflow capacity and choice of crossings) in the Windsor-Detroit Region, and flexibility to stream traffic to improve border processing. The Project has four major components:

- Bridge – a six-lane cable-stayed bridge with a span of 850 meters across the Detroit River.
- Canadian Port of Entry (POE) – a 53-hectare site that will house passenger, commercial and animal customs and border processing, tolling, and maintenance facilities.
- U.S. POE – a 68-hectare site of similar scale to the Canadian Port of Entry, but without toll collection facilities.
- Michigan Interchange with Interstate 75 (I-75) – consists of the primary connecting overpasses and ramps to and from the U.S. Port of Entry and associated local road improvements.

The Project is being delivered through a public-private partnership (P3), using the design, build, finance, operate and maintain (DBFOM) model. WDBA’s private sector partner is Bridging North America (BNA). BNA is a consortium consisting of:

- ACS Infrastructure Canada Inc. (ACSIC), which is the Canadian subsidiary of ACS Group
- Fluor Canada Ltd., a subsidiary of Fluor Corporation, and
- Aecon Group Inc.



OBJECTIVES, ACTIVITIES, AND EXPECTED RESULTS FOR 2022-23

WDBA's strategic objectives, deliverables and expected results, for FY 2022-23, represent a more consolidated approach to presenting WDBA's areas of focus. The following includes WDBA's strategic objectives as well as a summary of progress:

1. To achieve Project objectives and transition to operations, WDBA will effectively manage the P3 partnership.
 - WDBA continues to work with its private-sector partner, BNA, for the successful delivery of the Gordie Howe International Bridge Project.
 - Design and construction work is progressing on all four components of the Project. Over 2022-23, construction continues to progress. WDBA is also continuing to prepare for the operations phase of the Gordie Howe International Bridge Project by implementing its Operational Readiness Plan.

2. To maintain support, WDBA will effectively manage relationships with the shareholder and stakeholders.
 - WDBA continues to build upon its strong reputation as a reliable and trusted community member.
 - WDBA also maintains regular engagement with the Government of Canada.

3. To fulfill its mandate, WDBA will effectively manage itself as a Crown corporation of the Government of Canada.
 - In FY 2022-23, WDBA is prioritizing the following corporate deliverables:
 - Growing corporate culture and employee engagement, with a focus on recruitment and retention, valuing diversity, equity, and inclusion, as well as promoting employee wellness.
 - The responsible management of public resources by monitoring Project finances to ensure value for money for the Canadian taxpayer.
 - Delivering results and benefits at the local, provincial/state, and national levels so that socio-economic benefits (via delivery of the Community Benefits Plan) and environmental benefits (via WDBA's Sustainability Framework) can be leveraged.



FINANCIAL ANALYSIS

SUMMARY

At the end of third quarter of 2022-23, net results of operations at WDBA reflect a surplus of \$436.1 million (2021-22: \$234.3 million). The surplus is mostly due to the timing of appropriations and expenditures on capital assets.

Compared to the 2022 fiscal year-end results, WDBA's net debt increased to \$895.1 million, a change of \$62.5 million (2021-22: \$832.6 million). Non-financial assets increased by \$505.9 million to \$3,043.9 million (2021-22: \$2,538.0 million). The increases are mainly due to continuing BNA construction activities and expenditures for the I-75 Interchange portion of the Project in Michigan.

STATEMENT OF OPERATIONS

APPROPRIATIONS

WDBA received \$205.0 million in appropriations in the third quarter of 2022-23, for a total of \$595.0 million through December 31, compared to \$130.0 million and \$368.0 million respectively in the prior year. WDBA returned \$15.7 million of the prior year's appropriations (2021-22: \$25.0 million), which represented cash surplus to requirements. WDBA ended the third quarter of 2022-23 with a net surplus of \$436.1 million, compared to \$234.3 million in the prior year. The surplus is mostly due to the timing of appropriations and expenditures on capital assets.

The appropriations were used to fund BNA's activities, Michigan activities, design and engineering costs, and WDBA operations.

EXPENSES

COMPARED TO BUDGET

Based on the submitted Corporate Plan, actual spending is lower than budgeted. This is primarily due to BNA's progress and WDBA's corresponding payments being slower than originally planned.

COMPARED TO PRIOR YEAR

WDBA incurred \$56.0 million of direct expenses in the third quarter of 2022-23, for a total of \$141.8 million as of December 31, compared to \$30.5 million and \$97.8 million respectively in the prior year. As shown in the accompanying table, expenses are higher in the current year primarily due to an increase in construction work on the I-75 interchange, progress on elements of the Community Benefits Plan, and legal services.

Internal services costs, as shown in the Statement of Operations, reflect expenses to support the Gordie Howe International Bridge Project, and consist primarily of salaries and benefits of employees not directly involved in the Project. WDBA incurred \$2.9 million of internal services costs in the third quarter of 2022-23 for a total of \$8.6 million through December 31, compared to \$3.0 million and \$12.8 million respectively in the prior year. Prior year results included foreign exchange losses of \$0.54 million for the third quarter, and \$5.4 million for the first six months.



The table below provides a breakdown of the expenses by type:

(thousands of dollars)

| | Three Months ended | | Nine Months ended | |
|--------------------------------------|--------------------|---------------|-------------------|----------------|
| | December 31, | December 31, | December 31, | December 31, |
| | 2022 | 2021 | 2022 | 2021 |
| I-75 Costs | 43,722 | 20,760 | 106,874 | 66,609 |
| Payroll and Benefits | 3,938 | 3,911 | 11,493 | 11,661 |
| Amortization | 3,117 | 3,079 | 9,323 | 9,176 |
| Legal Services | 2,631 | 1,500 | 7,498 | 5,993 |
| Insurance | 1,222 | 1,268 | 3,761 | 3,815 |
| Professional Services | 1,261 | 1,667 | 3,445 | 3,348 |
| Community Benefits | 999 | - | 2,198 | 2 |
| Local Road Improvements | 521 | 432 | 1,421 | 1,385 |
| Office and Maintenance | 429 | 307 | 936 | 638 |
| Rent | 264 | 261 | 788 | 754 |
| Other | 226 | 10 | 652 | 76 |
| Foreign Exchange Loss | 287 | 540 | 599 | 5,448 |
| Transfers to International Authority | 1 | - | 563 | 270 |
| Claim Settlements | - | - | 265 | - |
| Property Taxes | 86 | 104 | 257 | 271 |
| Travel Expenses | 77 | 39 | 182 | 66 |
| Repairs and Maintenance | 36 | 26 | 113 | 62 |
| Michigan Land | - | 88 | - | 129 |
| Impairment Loss | - | (517) | - | 913 |
| | 58,817 | 33,475 | 150,368 | 110,616 |

Apart from I-75 Costs, Community Benefits, and Legal services, expenses are consistent with the prior year.

As the I-75 interchange will be turned over to the State of Michigan upon completion of the Project, all costs associated with the I-75 interchange are expensed as incurred. I-75 Costs are primarily for BNA's construction costs, utility work, demolition, environmental work, and professional services related to the design and engineering of the I-75 Interchange. The increase over the prior year reflects increased construction work on this element of the Project.

Community benefits expenditures have increased as BNA executes on the Community Benefits Plan. Legal services have increased over the prior year as BNA has provided several Notices claiming entitlement to compensation and relief under the Project Agreement.

In the prior year, WDBA recognized impairment losses to write down damaged assets in construction in progress to their net realizable values. Due to physical damage to the assets, WDBA determined that the assets provided no future benefit to WDBA.



STATEMENT OF FINANCIAL POSITION

COMPARED TO BUDGET

Based on the submitted Corporate Plan, assets under construction are lower than budgeted, with commensurate decreases in liabilities. This is due to BNA's progress and WDBA's corresponding payments being slower than originally planned.

COMPARED TO PRIOR YEAR

FINANCIAL ASSETS

Financial assets of \$133.0 million (March 31, 2022: \$118.1 million) consisted of \$127.8 million in cash and \$5.2 million in accounts receivable and deposits (March 31, 2022: \$115.2 million and \$2.8 million), are offset by \$1,028.1 million in liabilities (March 31, 2022: \$950.7 million).

On December 31, 2022, WDBA had a restricted cash balance of \$90.5 million in an escrow account (March 31, 2022: \$86.3 million). These funds are held in a US dollar escrow account to fund U.S. property acquisitions and other Michigan activities carried out by MDOT. WDBA is required to fund MDOT's Michigan activities at the beginning of each quarter through the escrow account.

Accounts receivable consists mainly of recoverable HST. WDBA expects to recover 100% of the HST on expenditures directly related to construction (including design, engineering, plaza fill, utility relocation, etc.), and approximately 70% of the HST for expenditures related to WDBA's operating expenses.

LIABILITIES

On December 31, 2022, WDBA's liabilities were \$1,028.1 million (March 31, 2022: \$950.7 million). Liabilities consist mainly of BNA's 15% contribution to the Project, holdbacks, accounts payable and accruals for WDBA's suppliers, and a liability for environmental remediation.

Accounts payable and accrued liabilities of \$64.6 million (March 31, 2022: \$85.8 million) consist primarily of amounts for BNA activities, the Owner's Engineer, Michigan activities, legal fees, and professional fees.

NON-FINANCIAL ASSETS

WDBA held \$3,040.2 million of tangible capital assets at the end of the third quarter of 2022-23, compared to \$2,530.8 million at the end of the prior year. These consist primarily of capitalized costs incurred related to the Gordie Howe International Bridge Project (Construction in Progress), leased property in Canada and Michigan, and the Perimeter Access Road (PAR).

Construction in Progress of \$2,688.3 million on December 31, 2022 (March 31, 2022: \$2,176.5 million) includes costs related to the building of the Bridge and the Canadian and U.S. POEs. Given that the Project is in the construction phase, most of the capitalized costs are related to construction costs, BNA's start-up, design, and procurement, the Early Works, utility relocation, professional services, and environmental remediation.



The table below provides a breakdown of the Construction in Progress:

(thousands of dollars)

| | December 31, 2022 | March 31, 2022 |
|------------------------|--------------------------|----------------|
| Bridge | 1,099,798 | 919,960 |
| US Port of Entry | 855,091 | 659,247 |
| Canadian Port of Entry | 733,426 | 597,269 |
| | 2,688,315 | 2,176,476 |

Prepaid expenses of \$3.7 million (March 31, 2022: \$7.2 million) consists primarily of \$3.6 million of prepaid insurance (March 31, 2022: \$7.0 million) related mainly to WDBA's owner-controlled insurance program for insurance related to the construction of the Project.



WDBA QUARTERLY FINANCIAL STATEMENTS FOR THE THIRD QUARTER 2022-2023

STATEMENT OF MANAGEMENT RESPONSIBILITY

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada’s Directive on Accounting Standards: GC5200 Crown Corporations Quarterly Financial Reports, and for such internal controls as management determines is necessary to enable the preparation of quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring that all other information in the quarterly financial report is consistent, where appropriate, with the quarterly financial statements.

Based on our knowledge, these unaudited quarterly financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the corporation, as at the date of and for the periods presented in the quarterly financial statements.

Handwritten signature of Vicky Tuquero in black ink.

Vicky Tuquero
General Counsel

Handwritten signature of Kevin Wilkinson in black ink.

Kevin Wilkinson, CPA, CA
Interim Chief Financial Officer

Handwritten signature of Heather Grondin in blue ink.

Heather Grondin
Vice President, Corporate Affairs and External Relations

Windsor, Canada
February 24, 2023



Windsor-Detroit Bridge Authority
Quarterly Statement of Financial Position
As at December 31, 2022
(thousands of dollars)

(Unaudited)

| | December 31, 2022 | March 31, 2022 |
|--|----------------------|-------------------|
| FINANCIAL ASSETS | | |
| Cash | 37,314 | 28,892 |
| Restricted cash (Note 3) | 90,497 | 86,318 |
| Accounts receivable | 5,096 | 2,761 |
| Deposits | 82 | 84 |
| Total Financial Assets | 132,989 | 118,055 |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | 64,559 | 85,787 |
| Accrued employee benefits | 1,140 | 1,569 |
| Environmental liability (Note 4) | 8,856 | 8,856 |
| Holdback (Note 5) | 297,312 | 213,747 |
| Due to private partner (Note 6) | 656,238 | 640,731 |
| Total Liabilities | 1,028,105 | 950,690 |
| Net Debt | 895,116 | 832,635 |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets (Note 7) | 3,040,198 | 2,530,771 |
| Prepaid expenses | 3,711 | 7,199 |
| Total Non-Financial Assets | 3,043,909 | 2,537,970 |
| Accumulated Surplus | 2,148,793 | 1,705,335 |
| Accumulated surplus is comprised of: | | |
| Accumulated operating surplus | 2,146,417 | 1,710,339 |
| Accumulated remeasurement gains (losses) | 2,376 | (5,004) |
| | 2,148,793 | 1,705,335 |

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



Windsor-Detroit Bridge Authority
Quarterly Statement of Operations
for the nine months ended December 31, 2022
(thousands of dollars)

(Unaudited)

| | Twelve Months Ended | Three Months ended | | Nine Months ended | |
|---|---------------------|--------------------|-----------------|-------------------|------------------|
| | March 31, 2023 | December | December | December | December |
| | Budget | 31, 2022 | 31, 2021 | 31, 2022 | 31, 2021 |
| | | Actual | Actual | Actual | Actual |
| REVENUE | | | | | |
| Revenue from operations | - | 1,786 | 1,126 | 4,721 | 1,691 |
| Interest | - | 1,303 | 70 | 2,436 | 210 |
| Total Revenue | - | 3,089 | 1,196 | 7,157 | 1,901 |
| EXPENSES (Note 9) | | | | | |
| Gordie Howe International Bridge Project | 205,903 | 55,956 | 30,498 | 141,814 | 97,779 |
| Internal services | 29,293 | 2,861 | 2,977 | 8,554 | 12,837 |
| Total Expenses | 235,196 | 58,817 | 33,475 | 150,368 | 110,616 |
| Deficit before Government funding | (235,196) | (55,728) | (32,279) | (143,211) | (108,715) |
| Government transfers - appropriations | 961,830 | 205,000 | 130,000 | 595,000 | 368,000 |
| Reimbursement of appropriations (Note 10) | - | - | - | (15,712) | (25,026) |
| | 961,830 | 205,000 | 130,000 | 579,288 | 342,974 |
| Operating surplus | 726,634 | 149,272 | 97,721 | 436,077 | 234,259 |
| Accumulated operating surplus, beginning of period | 1,833,916 | 1,997,145 | 1,570,111 | 1,710,340 | 1,433,573 |
| Accumulated operating surplus, end of period | 2,560,549 | 2,146,417 | 1,667,832 | 2,146,417 | 1,667,832 |

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



Windsor-Detroit Bridge Authority
Quarterly Statement of Remeasurement Gains and Losses
for the nine months ended December 31, 2022
(thousands of dollars)

(Unaudited)

| | December 31, 2022 | December 31, 2021 |
|--|------------------------------|----------------------|
| Accumulated remeasurement losses beginning of period | (5,005) | (10,380) |
| Unrealized gains attributable to: | | |
| Foreign exchange | 6,925 | 635 |
| Amounts reclassified to the Statement of Operations: | | |
| Foreign exchange | 456 | 5,448 |
| Net remeasurement gains for the period | 7,381 | 6,083 |
| Accumulated remeasurement gains (losses) end of period | 2,376 | (4,297) |

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



Windsor-Detroit Bridge Authority
Quarterly Statement of Change in Net Financial Assets (Net Debt)
for the nine months ended December 31, 2022
(thousands of dollars)

(Unaudited)

| | March 31, 2023 Budget | December 31, 2022 Actual | December 31, 2021 Actual |
|---|--------------------------|--------------------------------|--------------------------------|
| Operating surplus | 726,634 | 436,077 | 234,259 |
| Acquisition of tangible capital assets | (913,886) | (518,750) | (331,156) |
| Amortization of tangible capital assets | 12,252 | 9,323 | 9,176 |
| Impairment of tangible capital assets | - | - | 913 |
| | (175,000) | (73,350) | (86,808) |
| Changes in other non-financial assets | | | |
| Net change in prepaid expenses | 3,620 | 3,488 | 3,705 |
| | 3,620 | 3,488 | 3,705 |
| Net remeasurement gains for the period | - | 7,381 | 6,083 |
| Change in net debt | (171,380) | (62,481) | (77,020) |
| Net debt beginning of period | (813,048) | (832,635) | (662,294) |
| Net debt end of period | (984,428) | (895,116) | (739,314) |

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



Windsor-Detroit Bridge Authority
Quarterly Statement of Cash Flow
for the period ended December 31, 2022
(thousands of dollars)

(Unaudited)

| | Nine Months Ended | |
|---|----------------------|----------------------|
| | December 31, 2022 | December 31, 2021 |
| OPERATING TRANSACTIONS | | |
| Cash receipts from Government transfers | 579,288 | 368,000 |
| Interest received | 646 | 214 |
| Other cash receipts | 1,673 | 1,811 |
| Cash payments to suppliers | (106,705) | (73,653) |
| Return of Parliamentary appropriations | - | (28,126) |
| Cash payments to and on behalf of employees | (11,867) | (11,698) |
| Transfers to International Authority | (315) | (270) |
| CASH PROVIDED BY OPERATING TRANSACTIONS | 462,720 | 256,278 |
| CAPITAL TRANSACTIONS | | |
| Cash used to acquire tangible capital assets | (457,488) | (275,093) |
| CASH APPLIED TO CAPITAL TRANSACTIONS | (457,488) | (275,093) |
| Effect of exchange rate changes on cash | 7,368 | 725 |
| Increase (decrease) in cash and cash equivalents | 12,600 | (18,090) |
| Cash and cash equivalents at beginning of period | 115,211 | 133,693 |
| Cash and cash equivalents at end of period | 127,811 | 115,603 |
| Cash is composed of: | | |
| Cash | 37,314 | 23,829 |
| Restricted cash | 90,497 | 91,774 |
| | 127,811 | 115,603 |

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



SELECTED NOTES TO THE QUARTERLY UNAUDITED FINANCIAL STATEMENTS

(All dollar amounts in thousands)

1. AUTHORITY AND ACTIVITIES

The Windsor-Detroit Bridge Authority (WDBA) incorporated on October 9, 2012, under Order in Council P.C. 2012-1350, is a Crown Corporation listed under Schedule III Part I of the *Financial Administration Act (FAA)* and is not subject to income tax under the provisions of the *Income Tax Act*.

WDBA was established in accordance with the Crossing Agreement signed by the Government of Canada and the State of Michigan on June 15, 2012. The mandate of WDBA is to design, construct, finance, operate and maintain a new international crossing between Windsor, Ontario and Detroit, Michigan through a Public-Private Partnership.

In the early stages of the Gordie Howe International Bridge Project (Project), the international crossing was designated the Detroit River International Crossing; on May 14, 2015, the international crossing was officially named the Gordie Howe International Bridge.

WDBA is also mandated to design, construct and finance the interchange between the Gordie Howe International Bridge and the Interstate 75 (I-75), a highway that is part of the United States' Interstate Highway System. In accordance with the Crossing Agreement, the interchange shall also be a part of the Interstate Highway System. Once the construction of the interchange has been completed it will be turned over to the Michigan Department of Transportation (MDOT). MDOT will be responsible for maintaining the interchange; WDBA will have no further responsibility for or involvement with the interchange.

The Crossing Agreement also established the International Authority, a legal entity separate and distinct from WDBA. The International Authority is empowered to approve land acquisitions in the State of Michigan, leases of land in Michigan, as well as the Request for Qualifications, Request for Proposal, and the Public-Private Partnership Agreement with respect to the Project. The International Authority also has certain oversight responsibilities. These are to maintain on-going monitoring of compliance by WDBA with the Crossing Agreement and the Concessionaire with the Public-Private Partnership Agreement.

The International Authority is governed by a board consisting of six members. Two of the members are appointed by the Government of Canada, one member by WDBA, and three members appointed by the State of Michigan. All costs of the International Authority are funded by WDBA.

WDBA depends on funding from the Government of Canada for its operations and to partially fund the construction of the international crossing. After completion of the international crossing, WDBA will continue to depend on funding from the Government of Canada to finance operations until the international crossing operations generate surplus cash flow.

On September 28, 2018, WDBA entered into a Public-Private Partnership Agreement (Project Agreement) with Bridging North America (BNA) to design, build, partially finance, operate and maintain the Project. Specifically, the Project Agreement covers BNA's responsibilities to design, construct,



partially finance, operate and maintain the Facility; and to design, construct and partially finance the Interstate 75 Interchange (I-75 Interchange). The components of the Facility are the Bridge, the Canadian Port of Entry, and the US Port of Entry. The Project Agreement will expire in 2054. BNA is responsible for financing the Facility and the I-75 Interchange to an amount equal to 15% of design and build costs. BNA contributed these funds prior to WDBA contributing its own funds to the Project. BNA contributions will be repaid through Capital Payments.

There have been no changes in the terms of the Project Agreement since its commencement date.

By Order in Council P.C. 2014-1382 dated December 10, 2014, WDBA is also subject to a directive pursuant to Section 89 of the Financial Administration Act as follows:

- (a) To ensure that the pension plans will provide:
 - i. A 50:50 current service cost-sharing ratio between employee and employer for pension contributions, to be phased in for all members by December 31, 2017, and,
 - ii. For any employee hired on or after January 1, 2015, that the normal age of retirement is raised to 65 years and that the age at which retirement benefits are available, other than those received at the normal age of retirement, corresponds with the age at which they are available under the Public Service Pension Plan; and
- (b) To outline its implementation strategies with respect to the commitments set out in paragraph (a) in its next corporate plan and subsequent corporate plans until the commitments are fully implemented.

WDBA implemented this directive effective December 31, 2017.

In July 2015, WDBA was issued a directive (P.C. 2015-1114) pursuant to section 89 of the *Financial Administration Act* to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference, and event expenditures in a manner that is consistent with their legal obligations and to report on the implementation of the directive in WDBA's corporate plan. WDBA has implemented this directive effective August 7, 2015.

The financial statements were approved and authorized for issuance by the Board of Directors on August 25, 2022.

These unaudited interim financial statements have been prepared by management in accordance with the Treasury Board of Canada's Standard on Quarterly Financial Reports for Crown Corporations. The basis of accounting used is Canadian Public Sector Accounting Standards. The same accounting policies and methods of computation are followed in the quarterly financial statements as compared with the most recent annual financial statements. These interim financial statements do not include all the disclosures provided in WDBA's annual audited financial statements. The disclosures provided below are incremental to those included with the annual financial statements. The interim financial statements should be read in conjunction with the financial statements and the notes thereto for the year ended March 31, 2022.



2. SIGNIFICANT ACCOUNTING POLICIES

a. BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAS).

b. PUBLIC-PRIVATE PARTNERSHIP

The substance of the Project Agreement is that the ownership of the land and infrastructure remains with WDBA during the Project term, though BNA is granted rights of use and access to the site to carry out Project work. BNA also bears the performance risk related to the scope of work to design, build, partially finance, operate and maintain the international crossing.

WDBA accounts for the Public-Private Partnership to reflect the terms of the Project Agreement in accordance with Canadian PSAS. In accordance with the terms of the Project Agreement, WDBA is required to make various payments to BNA during the construction period, including Progress Payments, Handover Payments, Interim Operating and Maintenance Payments, Public Art Payments, Community Benefit Payments, Large Scale Imaging equipment (LSI) payments and the Substantial Completion. Throughout the construction period progress payments are paid to BNA based on completed milestones which are certified by the Independent Certifier.

Eligible costs incurred by BNA related to the Facility are recognized as tangible capital assets, as the Facility is constructed. These costs include design and build costs, interest costs incurred prior to assets being ready for productive use, as well as rehabilitation payments which are determined to be a betterment. Eligible costs related to the I-75 Interchange are recognized as expenses as they are incurred given that this component will be turned over to MDOT upon completion. At this point, WDBA will have no further responsibility for or involvement with the I-75 Interchange.

WDBA recognizes the associated liability of the Public-Private Partnership for the first 15% of the design and build costs as Due to Private Partner, representing the Threshold Amount. The Threshold Amount was achieved during March 2019. A 15% holdback is also recorded as a liability for each subsequent invoice of the design and build costs, which will be due upon substantial completion of the Facility.

The accounting for the Project Agreement infrastructure includes an estimate for the measurement of construction-in-progress based on the Progress Measurement Technique (PMT) established by BNA and agreed with the Independent Certifier, as specified in the Project Agreement. The PMT measures progress based on completed milestones. Progress is calculated against the Schedule of Values in the Project Agreement and is verified by the Independent Certifier as part of the certification process. In management's view, the PMT is an appropriate method to measure progress based on reliable information. The PMT does not include a measure for partially completed milestones, since there is insufficient information available to make a reasonable estimate of the amount before a milestone is completed and verifiable by the Independent Certifier.

c. REVENUE

WDBA recognizes revenue when the transactions or events giving rise to the revenues occur. Normally, revenues are recognized when persuasive evidence of an arrangement exists, services have been



provided or goods have been delivered, the amount is fixed and determinable, and collection is reasonably assured.

d. INTEREST

Interest on cash deposits is recorded in the period in which it is earned.

e. PROCEEDS FROM INSURANCE CLAIMS

Proceeds from insurance claims are recognized in the period in which they are confirmed.

f. EXPENSE RECOGNITION

All expenses are recognized in the period in which they are incurred. Estimates for accruals are made at the end of each period.

g. GOVERNMENT TRANSFERS – APPROPRIATIONS

Government transfers are recognized as revenue when the transfer is authorized and eligibility criteria are met, except to the extent that stipulations give rise to an obligation that meets the definition of a liability. Transfers received are recognized as deferred revenue when stipulations give rise to a liability.

For government transfers initially recognized as deferred revenue, revenue is recognized in the statement of operations as the stipulations are met. Any portion of government transfers to which WDBA is entitled to but has not received is recognized under Accounts Receivable from the Government of Canada.

h. CASH AND RESTRICTED CASH

Cash and restricted cash consist of cash held in WDBA's bank accounts.

i. ACCOUNTS RECEIVABLE

Accounts receivable are recorded and carried at cost. Accounts receivable are reviewed at each financial statement date by WDBA for impairment. Accounts receivable consist primarily of HST receivable.

j. DEPOSITS

Deposits with other entities are recorded and carried at cost. Deposits represent amounts held by third parties under the terms of their contracts with WDBA.

k. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable are recorded and carried at cost. Accounts payable consist primarily of amounts related to the ongoing construction activities of the Project.

l. ENVIRONMENTAL OBLIGATIONS

Whenever WDBA accepts responsibility or has direct responsibility for sites where contamination exceeds environmental standards, plans to abandon future economic benefits to remediate the property, and where the amount involved can be reasonably estimated, an obligation for the clean-up of the contaminated sites is recorded as a liability in the Statement of Financial Position. The estimate includes costs directly attributable to remediation activities, post-remediation operations, and maintenance and monitoring activities that are an integral part of the remediation strategy. The estimated future costs are recorded as a liability and are based on management's best estimate of the



costs that are most likely to be incurred. If it proves impossible to make a reasonable estimate of the amount or it is not expected that remediation will occur, the situation will be disclosed through a note to the Financial Statements.

m. DUE TO PRIVATE PARTNER

The amount due to Private partners consists of the obligation to BNA for the first 15% of the design and build costs. The obligation is measured at amortized cost based on the effective interest rate, which is represented by the rate implicit within the contract. Capital payments commence upon handover of the Canadian Port of Entry and expire after 30 years, which include both principal and interest payments.

n. TANGIBLE CAPITAL ASSETS

Tangible capital assets are recorded at cost. Replacements, major improvements, and costs which extend the useful service lives of existing assets or increase their capacity, are capitalized. Repairs and maintenance are charged to the Statement of Operations as incurred.

Leased property is recognized when properties are turned over to WDBA by Michigan under a master lease agreement between Michigan and WDBA. Properties are first recognized in Prepaid Expenses, and upon entering the master lease agreement properties are reclassified to tangible capital assets and amortized over the lesser of the term of the lease agreement or their individual useful lives.

Amounts included in construction in progress are not amortized until transferred to the appropriate capital asset classification. The amounts are transferred when the assets are ready for productive use in accordance with WDBA's policies.

Tangible capital assets are amortized over their estimated useful lives using the straight-line method, over the following periods:

| | |
|--------------------------------|-------------------------|
| Office equipment and furniture | between 3 and 10 years |
| Roads | between 4 and 6 years |
| Leased property | between 92 and 94 years |
| Leasehold improvements | between 3 and 5 years |

When conditions indicate that a tangible capital asset no longer contributes to the ability of WDBA to provide services, or that the value of future economic benefits associated with a tangible capital asset is less than its net carrying value, the cost of the tangible capital asset is reduced to reflect the impairment. Net write-downs on tangible capital assets are recorded as expenses in the Statement of Operations. Assessments of whether such conditions exist are made, at a minimum, at each financial statement date.

o. PREPAID EXPENSES

Payments made prior to the related services being rendered are recorded as prepaid expenses. Prepaid expenses are recognized in expense as the related services are rendered.

p. CONTINGENT LIABILITIES

Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. If the future event is likely to occur, and a reasonable estimate of the loss can be made, an estimated liability is recognized, and an expense recorded. If the likelihood is



not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

q. PENSION AND BENEFIT PLANS

WDBA offers a defined contribution pension plan, a non-registered savings plan, and a group benefit plan to its employees; expenses related to these plans are recognized in the period in which they are incurred.

r. FINANCIAL INSTRUMENTS

WDBA identifies, assesses, and manages financial risks to minimize their impact on its results and financial position. Financial risks are managed in accordance with specific criteria. WDBA does not engage in speculative transactions or the use of derivatives.

The measurement of financial instruments depends on their classification as follows:

| Categories | Financial instruments | Measurement |
|-----------------------|--|--------------------|
| Financial assets | Cash | Cost |
| | Restricted cash | Cost |
| | Deposits | Cost |
| Financial liabilities | Accounts payable and accrued liabilities | Cost |
| | Holdback | Cost |
| | Due to private partner | Amortized cost |

s. FOREIGN CURRENCY TRANSLATION

Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates in effect at the time of those transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the rate at the end of each year. Until an item is settled, gains and losses arising because of remeasurement are reported in the Statement of Remeasurement Gains and Losses. When the item is settled, the exchange gains and losses are recorded in the Statement of Operations.

t. MEASUREMENT UNCERTAINTY

The preparation of financial statements in accordance with PSAS requires management to make estimates and assumptions that affect the reported amounts and presentation of assets and liabilities at the financial statements date and the reported amounts of revenues and expenses during the reporting period. The measurement of construction-in-progress, the amount of GST/HST recoverable, the estimated useful life of tangible capital assets, accrued liabilities, environmental liabilities, impairments, and contingencies are the most significant items where estimates are used. Actual results could differ significantly from those estimates.

u. BUDGET FIGURES

Budget figures included in the Financial Statements were provided for comparison. These figures are from WDBA's Corporate Plan which was approved by WDBA's Board of Directors and submitted to the Treasury Board Secretariat.



V. STANDARDS ISSUED TO BE ADOPTED AT A LATER DATE

The following standard has been issued by the PSAB:

PS 3280 Asset Retirement Obligation: This new Section establishes standards on when and how to account for an asset retirement obligation.

This Section was issued by PSAB in August 2018 and will be effective for fiscal years beginning on or after April 1, 2022. WDBA intends to adopt this standard when it becomes applicable and is currently evaluating the impact of adopting this standard on its financial statements.

3. RESTRICTED CASH

Restricted cash consists of funds deposited into an escrow account. The cash in the escrow account is used to fund the Project activities in Michigan, including property acquisition and related costs, planning and engineering costs.

WDBA is required by the Michigan Activities Funding Acknowledgement to utilize an escrow account to hold and disburse the funds for these activities. The Michigan Activities Funding Acknowledgement outlines the processes, roles and responsibilities surrounding the acquisition of property in Michigan by the Michigan Parties (MDOT and the Michigan Strategic Fund (MSF)) and other Project activities in Michigan. The escrow account is funded by WDBA on a quarterly basis.

4. ENVIRONMENTAL LIABILITY

WDBA recognizes a provision for environmental cleanup when all the following conditions are satisfied: an environmental standard exists; the level of contamination has been determined to exceed the environmental standard; WDBA is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made at that time.

WDBA is responsible for the land required for the Project. In Canada, this consists of land contributed by the Government of Canada to WDBA for use in the Project. The Michigan land required for the Project is purchased by the State of Michigan; these purchases are funded by WDBA. It has been determined that certain parcels of land contain levels of contamination above acceptable environmental standards. WDBA expects that future economic benefits will be given up remediating the contamination; remediation will be performed as part of the activities to prepare the site for the construction of the Project.

The contamination is the result of prior owners' use of the land. Remediation will require the excavation and disposal of contaminated soil. The remediation activity on the Canadian land has been completed leaving \$8,856 of remediation work to be performed in Michigan (\$8,856 for March 31, 2022).

This amount was recorded as an environmental liability in the Statement of Financial Position.

5. HOLDBACK

WDBA temporarily retains an amount on the total due to contractors to ensure that the latter fulfill their obligations. The contracts call for WDBA to pay holdbacks upon substantial completion of the individual contracts.



6. DUE TO PRIVATE PARTNER

BNA is responsible for financing the Project to an amount equal to 15% of design and build costs, (the Threshold Amount \$574,803), prior to WDBA contributing its own funds to the Project. The Threshold Amount was achieved during March 2019, with the liability presented as the present value of expected future cash flows, discounted at the implied effective interest rate of 3.24%.

This liability will be discharged by WDBA through Capital Payments, which commence upon the handover of the Canadian Port of Entry to WDBA and expire 30 years after that date. Estimated repayments for the next five years and thereafter are as follows:

(thousands of dollars)

| | |
|------------------------------|-----------|
| Capital Payments: | |
| 2024 Through 2026 | 11,683 |
| 2027 | 35,048 |
| 2028 | 35,048 |
| 2029 and Thereafter | 969,672 |
| Less: Total Interest | (476,649) |
| Private Partner Contribution | 574,802 |
| Capitalized Interest To Date | 65,964 |
| Expensed Interest To Date | 15,473 |
| Liability | 656,238 |



7. TANGIBLE CAPITAL ASSETS

(thousands of dollars)

| | Leasehold Improvements | Computer and Office Equipment | Construction in Progress | Land | Roads | Leased Property | Total |
|---------------------------------|---------------------------|-------------------------------------|-----------------------------|---------------|---------------|--------------------|------------------|
| Cost | | | | | | | |
| April 1, 2021 | 1,193 | 713 | 1,715,688 | 64,886 | 46,010 | 262,459 | 2,090,949 |
| Acquisitions | - | 114 | 461,714 | - | - | 8,303 | 470,131 |
| Impairments | - | - | (587) | - | - | - | (587) |
| Transfers | - | 339 | (339) | - | - | - | - |
| March 31, 2022 | 1,193 | 1,166 | 2,176,476 | 64,886 | 46,010 | 270,762 | 2,560,493 |
| April 1, 2022 | 1,193 | 1,166 | 2,176,476 | 64,886 | 46,010 | 270,762 | 2,560,493 |
| Acquisitions | - | 95 | 511,839 | - | (240) | 7,056 | 518,750 |
| December 31, 2022 | 1,193 | 1,261 | 2,688,315 | 64,886 | 45,770 | 277,818 | 3,079,243 |
| Accumulated Amortization | | | | | | | |
| April 1, 2021 | 730 | 450 | - | - | 12,711 | 3,562 | 17,453 |
| Amortization | 117 | 205 | - | - | 9,082 | 2,865 | 12,269 |
| March 31, 2022 | 847 | 655 | - | - | 21,793 | 6,427 | 29,722 |
| April 1, 2022 | 847 | 655 | - | - | 21,793 | 6,427 | 29,722 |
| Amortization | 88 | 203 | - | - | 6,811 | 2,221 | 9,323 |
| December 31, 2022 | 935 | 858 | - | - | 28,604 | 8,648 | 39,045 |
| Net Book Value | | | | | | | |
| March 31, 2022 | 346 | 511 | 2,176,476 | 64,886 | 24,217 | 264,335 | 2,530,771 |
| December 31, 2022 | 258 | 403 | 2,688,315 | 64,886 | 17,166 | 269,170 | 3,040,198 |

On December 31, 2022, WDBA recognized construction in progress of \$2,688,315 (2022: \$2,176,476) for the Project based on eligible costs incurred to date, including capitalized interest of \$65,964 (2022: \$53,403). The Project components will be amortized over their estimated useful lives once they are entered into operation and commence rendering service.

Tangible Capital Assets acquired during the period include an amount of \$46,495 (2022: \$106,667) for capital items and holdbacks that remain to be paid for as of December 31, 2022. These items are not included in the Statement of Cash Flow.

8. CONTINGENCIES

In the normal course of its activities, WDBA is the claimant or defendant or is involved in certain pending claims or lawsuits. To the extent that a future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued, and an expense is recorded in the financial statements. Where the outcome of a claim is not yet determinable, any settlement will be recorded when it is determined that a claim is likely to be settled and the amount is determinable.



9. EXPENSES BY TYPE

(thousands of dollars)

| | Three Months ended | | Nine Months ended | |
|--------------------------------------|----------------------|----------------------|----------------------|----------------------|
| | December 31, 2022 | December 31, 2021 | December 31, 2022 | December 31, 2021 |
| I-75 Costs | 43,722 | 20,760 | 106,874 | 66,609 |
| Payroll and Benefits | 3,938 | 3,911 | 11,493 | 11,661 |
| Amortization | 3,117 | 3,079 | 9,323 | 9,176 |
| Legal Services | 2,631 | 1,500 | 7,498 | 5,993 |
| Insurance | 1,222 | 1,268 | 3,761 | 3,815 |
| Professional Services | 1,261 | 1,667 | 3,445 | 3,348 |
| Community Benefits | 999 | - | 2,198 | 2 |
| Local Road Improvements | 521 | 432 | 1,421 | 1,385 |
| Office and Maintenance | 429 | 307 | 936 | 638 |
| Rent | 264 | 261 | 788 | 754 |
| Other | 226 | 10 | 652 | 76 |
| Foreign Exchange Loss | 287 | 540 | 599 | 5,448 |
| Transfers to International Authority | 1 | - | 563 | 270 |
| Claim Settlements | - | - | 265 | - |
| Property Taxes | 86 | 104 | 257 | 271 |
| Travel expenses | 77 | 39 | 182 | 66 |
| Repairs and Maintenance | 36 | 26 | 113 | 62 |
| Michigan Land | - | 88 | - | 129 |
| Impairment Loss | - | (517) | - | 913 |
| | 58,817 | 33,475 | 150,368 | 110,616 |

10. REIMBURSEMENT OF APPROPRIATIONS

During the year, the Government of Canada requested that WDBA reimburse \$15.7 of appropriations (2021-22: \$25.0) it had already received, but not drawn, as actual expenditures were lower than estimated. This reimbursement occurred during the first quarter of the year.

11. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.