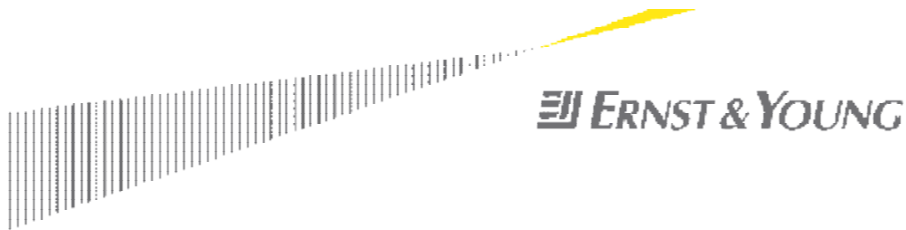




# **Toronto Community Housing Corporation**

**Audit Results – Year Ended December 31, 2008**

Report to the Audit Committee of the Board of Directors



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May 4, 2009

Members of the Audit Committee  
of the Board of Directors of Toronto Community Housing Corporation

Dear Members of the Audit Committee:

We are pleased to present the results of our audit of the consolidated financial statements of Toronto Community Housing Corporation (the "Corporation" or "TCHC").

This report to the Audit Committee summarizes the issues of audit significance discussed with management, the status of our final procedures, and provides the communications required by our professional standards.

Our audit was designed to express an opinion on the December 31, 2008 consolidated financial statements of Toronto Community Housing Corporation. In planning the audit, we held discussions with management, considered current and emerging business needs, performed an assessment of risks that could materially affect the consolidated financial statements, and aligned our audit procedures accordingly. We received the full support and assistance of the organization's personnel in conducting our audit.

This report is intended solely for the use of the Audit Committee, the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties. We disclaim any responsibility to any third party who may rely on it. Further, this report is a by-product of our audit of the December 31, 2008 consolidated financial statements and indicates matters identified during the course of our audit. Our audit did not necessarily identify all matters that may be of interest to the Audit Committee in fulfilling its responsibilities.

We appreciate this opportunity to meet with you to discuss the contents of this report and answer any questions you may have about these or any other audit-related matters.

Very truly yours,

*Ernst & Young LLP*  
**Chartered Accountants**  
**Licensed Public Accountants**

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## Items of Audit Significance Discussed with Management

During the course of planning and executing our audit, the following items/matters of audit significance were discussed with management:

Item	Description	Audit Results and Comments
<b>Realignment of Reporting Functions and Operating Units</b>	<ul style="list-style-type: none"> <li>In our planning package, we noted changes in some of TCHC's reporting functions and the realignment of TCHC's housing projects under newly established Operating Units.</li> </ul>	<ul style="list-style-type: none"> <li>When assessing the effectiveness of internal controls at the entity level, we did not identify any weaknesses in the control environment as a result of the realignment of TCHC's reporting functions and housing projects.</li> <li>There was no impact on our audit strategy.</li> </ul>
<b>Use of Proceeds from the 2007 Debt Offering</b>	<ul style="list-style-type: none"> <li>In 2007, TCHC completed a debt offering through a trust structure in which the trust issued the bonds to investors through a private placement and the proceeds of the issue were lent back to TCHC.</li> <li>The proceeds of the offering are substantially being used for the Regent Park and Don Mount Court development programs and TCHC's capital backlog. As proceeds are used, they are transferred from the debenture loan to project financing. During the year, \$95.6 million was spent and transferred to project financing.</li> <li>Financing costs of \$3.3 million were directly attributable to the issue of these debentures. These costs are presented as a reduction to the carrying value of the related debt and are expensed over the term of the debt. Amortization of deferred financing costs \$46K (2007 - \$31K) was expensed in 2008.</li> </ul>	<ul style="list-style-type: none"> <li>We have considered the additional users of TCHC's consolidated financial statements when assessing audit risk and designing our audit procedures.</li> <li>We confirmed the long-term debt with TCHC's lender as part of our year-end substantive procedures.</li> <li>We have substantively tested any significant redevelopment costs incurred by TCHC during the year and did not identify any exceptions. In conjunction with our work on capital expenditures, we reviewed the bond proceeds used to fund capital expenditures and tested the capitalized interest recorded for proceeds used to finance these expenditures.</li> <li>We have tested the recording of the loan transactions and deferred financing costs and concur with the disclosures in the consolidated financial statements.</li> </ul>

## Items of Audit Significance Discussed with Management (continued)

Item	Description	Audit Results and Comments
<b>Investments</b>	<ul style="list-style-type: none"> <li>TCHC's investments consist of various pooled investment funds, term deposit and cash management funds. The current economic slowdown and credit crisis are affecting most aspects of the global markets and TCHC has incurred substantial unrealized losses on investments at December 31, 2008.</li> <li>Unrealized losses of \$33.8 million are recorded in the consolidated statement of operations. Of these unrealized losses, \$22.2 million have been allocated to internally restricted funds as disclosed in note 15. In addition, \$3.1 million of unrealized losses has been allocated directly to the capital asset replacement reserve on the consolidated balance sheet.</li> </ul>	<ul style="list-style-type: none"> <li>We have reviewed TCHC's investments holdings and concur with the accounting and disclosure of the unrealized losses recorded in the consolidated financial statements.</li> </ul>
<b>New Joint Venture Agreement</b>	<ul style="list-style-type: none"> <li>During the year, through its wholly-owned subsidiary, Toronto Community Housing Enterprise Inc. ("TCHE"), TCHC entered into a joint venture with a utility company for the construction and operation of the heating and cooling plant located within the Regent Park Development Project.</li> <li>TCHE has a 60% interest in the joint venture and proportionately consolidates its interest in the joint venture by recording its share of the assets and liabilities and revenues and expenses in its consolidated financial statements. While TCHE has a 60% interest in the joint venture, it has contractually agreed to share in determining the strategic operating, investing and financing policies of the heating and cooling plant.</li> <li>As part of the joint venture agreement, TCHE sold assets to the utility company's wholly-owned subsidiary and recognized a gain of \$833K. Because TCHE received cash that does not represent a claim on the assets of the joint venture, the full amount of the gain has been recorded in income in the consolidated financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>We reviewed TCHC's joint venture agreement and concur with the accounting and disclosure in the consolidated financial statements.</li> </ul>

## Items of Audit Significance Discussed with Management (continued)

Item	Description	Audit Results and Comments
<b>Co-tenancy Agreement With DPDC</b>	<ul style="list-style-type: none"> <li>TCHC, through its wholly-owned subsidiary corporation Regent Park Development Corporation ["RPDC"], entered into an agreement with a developer for the construction of certain properties in Regent Park in 2007. RPDC and the developer have equal interests in the co-tenancy of the development, which operates through Dundas and Parliament Development Corporation ["DPDC"].</li> <li>As permitted under CICA 4450: Reporting Controlled and Related Entities by Not-for-profit Organizations, TCHC has accounted joint controlled investment using the equity basis of accounting and TCHC records it's proportionate share of income(loss) from DPDC's operations.</li> <li>TCHC entered into a loan receivable agreement with DPDC in 2007 and the balance at December 31, 2008 is \$24.2 million. TCHC also sold land to DPDC in 2008.</li> </ul>	<ul style="list-style-type: none"> <li>The financial statements of DPDC are unaudited, and as a result, we performed audit procedures over any significant balances included in DPDC's financial statements.</li> <li>We concur with TCHC's accounting for the investment and disclosures in the consolidated financial statements.</li> </ul>
<b>Financial Derivative</b>	<ul style="list-style-type: none"> <li>TCHC has a non-revolving 20 year amortizing one-year BA construction bridge term loan of \$47,920,000 at year-end. TCHC's interest exposure on the loan is hedged under a committed 12 year interest rate swap facility. The facility will continue to be available to hedge interest rate exposure on renewals of the loan for the balance of the 12-year term, which matures on February 15, 2018.</li> <li>The financial derivative is recorded at fair value at year-end and TCHC has recorded a loss of \$7.8 million in the consolidated financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>We have tested the fair value of the loss at year-end and concur with the recording and disclosures in the consolidated financial statements.</li> </ul>

## Items of Audit Significance Discussed with Management (continued)

Item	Description	Audit Results and Comments
<b>Significant Estimates – Employee Benefit Costs</b>	<ul style="list-style-type: none"> <li>TCHC sponsors defined benefit plans providing pension and other retirement and post-employment benefits to employees.</li> <li>Actuarial valuations are conducted on a periodic basis, with the last actuarial reviews completed as follows: <ul style="list-style-type: none"> <li>Workers' Safety and Insurance Board obligations at December 31, 2007 and extrapolated to December 31, 2008;</li> <li>Sick leave, severance and termination benefits and other employment and post-employment benefits at December 31, 2006 and extrapolated to December 31, 2008; and</li> <li>Supplementary retirement and pension plan benefits at December 31, 2008.</li> </ul> </li> <li>There were no changes to employee agreements in 2008 that would impact these extrapolations.</li> </ul>	<ul style="list-style-type: none"> <li>We have relied on the work performed by Mercer Human Resources Consulting and Morneau Sobeco in auditing the 2008 consolidated financial statements. We assessed the reasonableness of the assumptions and the data used by Mercer Human Resources Consulting and Morneau Sobeco in compiling their reports.</li> <li>We concur with the accruals made and the information presented within the consolidated financial statements.</li> </ul>
<b>Significant Estimates – Utilities, Salaries Expenses and Provision for Doubtful Accounts</b>	<ul style="list-style-type: none"> <li>TCHC accrues for various utilities based on actual billing experiences of the immediately preceding billing period. However, in some instances, utility bills have not been received in a number of months. As a result, actual utility costs may differ once actual bills are received.</li> <li>TCHC accrues for voluntary exit offers and retirements and other resignations based on amounts offered and accepted by employees. Where terminations are involuntary and offers have not been accepted by employees, management accrues amounts as required.</li> <li>TCHC estimates a provision for doubtful accounts.</li> </ul>	<ul style="list-style-type: none"> <li>We have reviewed these estimates and are comfortable that they are within a zone of reasonableness.</li> </ul>

## Items of Audit Significance Discussed with Management (continued)

Item	Description	Audit Results and Comments
<b>Funding Agreement</b>	<ul style="list-style-type: none"> <li>TCHC has a \$34.7 million grant receivable from the City that is restricted for capital repairs and refurbishments of kitchens and bathrooms. The City received this grant from the Province and the Province had restricted this funding for capital repairs and refurbishments by TCHC.</li> <li>TCHC originally recorded the full \$34.7 million as revenue in 2008.</li> </ul>	<ul style="list-style-type: none"> <li>Due to the capital restrictions attached to this funding, TCHC is required to record these funds as deferred capital contributions. Once capital expenditures are incurred, TCHC will recognize grant revenue in income equal to the depreciation expense recorded on the related capital assets.</li> <li>We recorded the item on our Summary of Audit Differences and TCHC subsequently adjusted the revenue to deferred capital contributions. TCHC has recognized revenue to the extent depreciation has been recorded in the consolidated financial statements.</li> <li>Deferred capital contributions are deducted from the calculation of 'Net Assets Invested in Capital Assets'. Deferred contributions are excluded from this deduction to the extent they are unspent. In 2008, \$8.1 million of contributions are unspent. We concur with TCHC's disclosure of deferred capital contributions and net assets invested in capital assets in consolidated financial statements.</li> </ul>
<b>Future Funding</b>	<ul style="list-style-type: none"> <li>During the year, the City received \$75 million in dividends from Toronto Hydro Corporation as a result of the sale of Toronto Hydro Telecom Inc., a wholly-owned subsidiary of Toronto Hydro Corporation.</li> <li>The funds have been deposited in a discretionary reserve fund of the City named 'TCHC State of Good Repair'.</li> </ul>	<ul style="list-style-type: none"> <li>We understand these funds will begin to flow to TCHC in 2009.</li> </ul>

## Items of Audit Significance Discussed with Management (continued)

Item	Description	Audit Results and Comments
<b>Transactions with the City of Toronto</b>	<ul style="list-style-type: none"> <li>During the year, TCHC purchased a building located at 257 Jarvis Street from the City of Toronto for \$1.2 million.</li> <li>TCHC also entered into land lease agreements with the City of Toronto for 1900 Sheppard Avenue West and 2350 Finch West. Both leases are for a term of 50-years. TCHC originally accounted for these leases as capital leases.</li> <li>TCHC also assumed a housing project at 2350 Finch West from another not-for-profit corporation. As part of the transaction, TCHC assumed a mortgage and a loan due to the City. TCHC was also assigned funding agreements from the province and the City.</li> </ul>	<ul style="list-style-type: none"> <li>We reviewed the purchase agreements and concur with TCHC's accounting for the building purchases.</li> <li>We reviewed the lease agreements and concluded that the leases are operating leases as the benefits and risks incident to ownership have not been substantially transferred to TCHC.</li> <li>As a result of TCHC's recording these leases as capital leases instead of operating leases, we recorded audit differences on our Summary of Audit Differences schedule. These adjustments were subsequently adjusted by management.</li> <li>We reviewed the purchase and funding agreements and concur with TCHC's accounting for this project.</li> </ul>
<b>Amounts Due To and From the City of Toronto</b>	<ul style="list-style-type: none"> <li>We are aware of outstanding balances due to and from the City of Toronto which have been outstanding for a number of years.</li> <li>While the resolution of these outstanding amounts has not yet occurred, progress has continued on resolving these items during the year.</li> </ul>	<ul style="list-style-type: none"> <li>Management has provided us with a reconciliation of the balances outstanding with the City of Toronto and we confirmed all year-end balances with the City. While balances are relatively close, there continue to be disputes in connection with one significant amount. See Amounts Due From the City of Toronto below.</li> <li>We recommend that management continue their efforts in resolving the items in dispute during 2009.</li> </ul>



## Items of Audit Significance Discussed with Management (continued)

Item	Description	Audit Results and Comments
<b>Amounts Due From the City of Toronto</b>	<ul style="list-style-type: none"> <li>The former Toronto Housing Company (“THC”) contributed to reserve funds established by the City of Toronto in order to provide for sick leave and other employment and post-employment benefits.</li> <li>As a result of accounting changes in 2000, employee benefit obligations were recorded (1999 was also restated) in the financial statements of TCHC.</li> <li>In 2001, an amount was recorded as receivable from the City of Toronto (“City”) for sick leave and employment and other post-employment obligations, less amounts internally funded by the organization, as a result of the organization’s contributions to the City’s reserves (2000 was restated).</li> <li>The long-term receivable of \$20,517,000 from the City recorded in 2001 reflected changes in employee benefits obligations from 2000. There have been no changes to the receivable since 2002, as the organization no longer contributes to the City’s reserve funds so the asset from the City was frozen at the time of the change.</li> </ul>	<ul style="list-style-type: none"> <li>We understand the City and TCHC have made progress in 2008 in working towards resolving employee benefits reserves contributions and unfunded employee benefits obligations with respect to past amounts contributed by TCHC.</li> <li>Until resolution of the above occurs, the amount will remain unchanged if there is no basis for the revaluation of this claim. We have consulted with City Finance on this approach who has indicated that the balance should remain until resolution occurs.</li> </ul>
<b>Energy Contracts</b>	<ul style="list-style-type: none"> <li>During 2008, the City of Toronto entered into contracts with various utility providers for the delivery of hydro and gas to the City. Many of the City’s ABC’s have opted to be part of the umbrella agreement with the City for the delivery of their required utilities. TCHC is part of this agreement with the City.</li> </ul>	<ul style="list-style-type: none"> <li>These contracts were examined at the City for the appropriate treatment at the ABC level. For purposes of the audit of TCHC, there are disclosures with respect to the City’s commitment to purchase natural gas and the use of financial derivatives to manage the risk of its electricity costs. TCHC was not a participant in the City’s contract that was outstanding at December 31, 2008.</li> <li>We concur with the disclosures in TCHC’s 2008 consolidated financial statements.</li> </ul>

## Items of Audit Significance Discussed with Management (continued)

Item	Description	Audit Results and Comments
<b>Financial Accounting System Changes</b>	<ul style="list-style-type: none"> <li>During 2008, TCHC added inventory and capital asset modules to its financial accounting system.</li> </ul>	<ul style="list-style-type: none"> <li>We tested TCHC's conversion to Enterprise One in 2007. Given the changes in 2007 and ongoing changes in 2008, we planned not to rely on IT general controls in 2008.</li> <li>We gained an understanding of these new modules in 2008 and tested the completeness of any electronic audit evidence produced from these modules when completing our audit procedures in the current year.</li> </ul>
<b>Changes to Accounting Policies</b>	<ul style="list-style-type: none"> <li>Note 2 sets out details of the changes in accounting policies related to CICA 1535: Capital Disclosures. The adoption of these recommendations only required additional disclosures which are provided in Note 21.</li> <li>Note 2 also sets out new rules that are effective for fiscal 2008 and will be adopted by TCHC next year. The impact will be limited to reclassification of numbers in the consolidated financial statements and additional disclosures.</li> </ul>	<ul style="list-style-type: none"> <li>We concur with the disclosures related to the new accounting standards.</li> <li>We concur with the disclosures related to the new rules not yet adopted.</li> </ul>

## Items of Audit Significance Discussed with Management (continued)

Item	Description	Audit Results and Comments
Changes to the 2008 Financial Statements	<p>In addition to the changes in accounting policies discussed above, the following changes were made to the statements in 2008 (as compared to the 2007 presentation):</p> <ul style="list-style-type: none"> <li>Note 2: Basis of Consolidation, makes reference to Toronto Community Housing Enterprises Inc. ["TCHE"], a new wholly-owned subsidiary of TCHC that was incorporated in 2008.</li> <li>Note 2: Financial instruments, makes reference to the fact that TCHC has chosen to continue to apply the financial instruments section related to disclosures and presentations adopted last year, rather than adopting CICA 3862: Financial Instruments – Disclosures and CICA 3863: Financial Instruments – Presentation.</li> <li>Note 2: Investments and investment income was revised to disclose TCHC's accounting for its investment in a joint venture.</li> <li>Note 5 [b] was added to disclose TCHE's joint venture and the proportionate share of the components of the financial statements of the joint venture</li> <li>Note 16 was renamed 'Program Administration'.</li> </ul>	<ul style="list-style-type: none"> <li>We concur with the changes to the consolidated financial statements.</li> </ul>

## Items of Audit Significance Discussed with Management (continued)

Item	Description	Audit Results and Comments
Accounting Standards in Canada: New Directions	<ul style="list-style-type: none"> <li>In our audit planning package previously presented to the Audit Committee, under "New Developments in Accounting and Auditing Standards", we informed you of the strategic direction for financial reporting adopted by the Accounting Standards Board ("AcSB") in Canada.</li> <li>For publicly accountable entities, Canadian GAAP (the CICA Handbook – Accounting) will be replaced by International Financial Reporting Standards ("IFRS") and cease to exist as a separate, distinct basis of financial reporting for publicly accountable enterprises. Adoption of IFRS is required for years beginning January 1, 2011 (including comparatives for 2010).</li> <li>TCHC is a government not-for-profit organization and is currently directed by the Public Sector Accounting Board (:PSAB") to adhere to the standards in the CICA Handbook – Accounting. As a result, PSAB and the AcSB are considering alternatives for reporting by government not-for-profit organizations in the future.</li> <li>PSAB and the AcSB have issued an Invitation to Comment ("ITC") that sets out alternatives for financial reporting by government not-for-profit organizations. Alternatives presented in the ITC include: <ul style="list-style-type: none"> <li>Considering whether all government not-for-profit organizations should apply the same primary source of GAAP.</li> <li>Applying accounting standards already included in the Public Sector Accounting ("PSA") Handbook.</li> <li>Applying accounting standards already included in the PSA Handbook supplemented by the 4400 series of Sections currently in the CICA Handbook – Accounting.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>The results of the ITC will determine whether amendments to the existing Introduction to Public Sector Accounting Standards are required. Any amendments may change the appropriate source of generally accepted accounting principles used by government not-for-profit organizations, including TCHC.</li> <li>We will provide management with any updates and the impact to TCHC's financial statements as PSAB considers these alternatives.</li> </ul>

## Required Communications

Generally accepted auditing standards in Canada require the auditor to communicate certain matters to the Audit Committee that may assist them in overseeing management's financial reporting and disclosure process. Below we summarize these required communications as they apply to your organization.

Area	Comments
<b>Auditors' Responsibilities Under Generally Accepted Auditing Standards (GAAS)</b>	
As set out in the planning document presented to Audit Committee, we designed our audit to express an opinion on the Corporation's consolidated financial statements.	We anticipate issuing an unqualified audit opinion dated March 27, 2009, upon approval of the financial statements by the Board of Directors and completion of certain outstanding procedures. The following procedures are outstanding: <ul style="list-style-type: none"><li>confirmation from the Board of Directors that there are no areas of concern that have not been addressed in this document;</li><li>signed letter of management representation; and</li><li>final procedures relating to the draft of the financial statements and footnotes.</li></ul>
The financial statements are the responsibility of management. Our audit was designed in accordance with GAAS which provides for reasonable, rather than absolute, assurance that the consolidated financial statements are free from material misstatement.	
As a part of our audit, we obtained a sufficient understanding of the internal control structure to plan our audit and to determine the nature, timing and extent of testing performed.	
<b>Changes to Audit Approach Outlined in Planning Document</b>	
In our planning document, we indicated that we would follow a substantive audit approach with most aspects of the audit except for the purchases/cash disbursements process where controls will be relied upon.	There were no changes to the audit approach outlined in the planning document.
<b>Adoption of, or Changes in, an Accounting Principle , Including Material Alternative Accounting Treatments Discussed with Management and Acceptability of a Particular Policy used by Management</b>	
We determine that the Audit Committee is informed about the initial selection of, and any changes in, significant accounting principles or their application when the accounting principle or its application, including alternative methods of applying the accounting principle, has a material effect on the financial statements.	Refer to "Items of Audit Significance Discussed with Management" section.
In addition, we report to the Audit Committee all alternative accounting treatments within Canadian generally accepted accounting principles (GAAP) for policies and practices related to material items (including recognition, measurement, presentation and disclosure alternatives) that have been discussed with management during the current audit period including acceptability of the policies or methods ultimately selected by management.	

## Required Communications (continued)

Area	Comments
<p><b>Sensitive Accounting Estimates and Disclosures</b></p> <p>The preparation of the financial statements requires the use of accounting estimates. Certain estimates and disclosures are particularly sensitive due to their significance to the financial statements and the possibility that future events may differ significantly from management's current judgments.</p> <p>We determine that the Audit Committee is informed about management's process for formulating particularly sensitive accounting estimates and disclosures and about the basis for our conclusions regarding the reasonableness of those estimates.</p>	<p>There are significant judgments or estimates required to prepare the financial statements where actual amounts are likely to be significantly different from the estimates. We discuss the more significant accounting estimates further within the "Items of Audit Significance Discussed with Management" section.</p>
<p><b>Major Issues Discussed with Management Including Accounting for Significant Unusual Transactions and for Controversial or Emerging Areas</b></p> <p>We determine that the Audit Committee is informed about the methods used to account for significant unusual transactions and the effects of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p>	<p>We are not aware of any significant unusual transactions recorded by TCHC or of any significant accounting policies used by TCHC related to controversial or emerging areas for which there is a lack of authoritative guidance.</p>
<p><b>Significant Audit Adjustments and Unrecorded Audit Differences Considered by Management to be Immaterial</b></p> <p>We provide the Audit Committee with information about adjustments arising from the audit (whether recorded or not) that could in our judgment either individually or in the aggregate have a significant effect on the Corporation's consolidated financial statements.</p> <p>We inform the Audit Committee about unrecorded audit differences accumulated by us (i.e. adjustments either identified by us or brought to our attention by management) during the current audit period and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.</p>	<p>During the course of the audit, we accumulate differences between amounts recorded by the Corporation and amounts that we believe are required to be recorded under generally accepted accounting principles. All accounting differences revealed by the audit are discussed with management to determine whether an adjustment should be recorded.</p> <p>As a result of the audit, there were four entries recorded by the Corporation.</p> <p>There were no unrecorded audit adjustments in 2008 or 2007.</p>
<p><b>Disagreements with Management</b></p>	<p>None.</p>
<p><b>Serious Difficulties Encountered in Dealing with Management when Performing the Audit</b></p>	<p>None.</p>

## Required Communications (continued)

Area	Comments
<b>Significant Weaknesses in Internal Controls</b>	
We communicate all significant weaknesses in internal control over financial reporting that may have been identified during the course of our audit.	No significant weaknesses in internal control were identified.
<b>Fraud and Illegal Acts</b>	
We report to the Audit Committee fraud and illegal acts involving senior management and fraud and illegal acts (whether caused by senior management or other employees) that cause a material misstatement to the financial statements.	We are not aware of any matters that require communication.
We are also required to make inquiries of the Audit Committee related to fraud, including both (1) their views about the risks of fraud, and (2) their knowledge of any actual or suspected fraud.	We would request that the Audit Committee members raise with us any areas of risk not addressed in our communications and that they inform us of their knowledge of any actual or suspected fraud.
<b>Consultation with Other Accountants</b>	Refer to "Items of Audit Significance Discussed with Management" section.
<b>Other Information in Documents Containing Audited Financial Statements</b>	
Our financial statement audit opinion relates only to the financial statements and accompanying notes. However, we also review other information in the Annual Report, such as Management's Discussion and Analysis, for consistency with the audited financial statements.	We are not aware of any other documents prepared by TCHC.
<b>Related Party Transactions</b>	
Related party transactions identified by the auditor that are not in the normal course of operations or that involve significant judgments made by management concerning measurement or disclosure must be disclosed to the Audit Committee.	Related party amounts are with respect to the City of Toronto. There are balances due from and due to the City of Toronto, of which, some balances are in dispute and have been outstanding for a number of years. Refer to "Items of Audit Significance Discussed with Management" section.
<b>Major Issues Discussed with Management in Connection with Initial or Recurring Retention</b>	None.

## Required Communications (continued)

Area	Comments
<p><b>Matters Relating to Component Entities of the Organization</b></p> <p>When the financial statements of an organization (primary entity) include financial information from financial statements of a component entity (a subsidiary, investee (other than a portfolio investment), or joint venture; or an entity whose financial information from financial statements is included with those of the primary entity), the auditor communicates with the Audit Committee those matters relating to the component entities that in the auditor's judgment are of significance in the context of the primary entity (for example, weaknesses in systems of internal control that have resulted, or could result, in material errors in the primary entity's consolidated financial statements).</p>	<p>The financial statements include financial information from the financial statements of Don Mount Development Corporation, 2001064 Ontario Inc., Access Housing Connections Inc., Regent Park Development Corporation, Housing Services Inc. and Toronto Community Housing Enterprises Inc. We are not aware of any matters relating to those entities that could have a significant impact on the Corporation's reporting.</p>
<p><b>Auditors' Independence</b></p> <p>Canadian generally accepted auditing standards (GAAS) require that we communicate at least annually with you regarding all relationships between your organization and Ernst &amp; Young that, in our professional judgment, may reasonably be thought to bear on our independence.</p>	<p>Refer to "Independence Letter" section.</p>



## Required Communications (continued)

Area	Comments																					
Other Audit and Non-Audit Services Provided to Your Organization	<p>We have provided consultations on accounting issues and financial statement disclosures with respect to the Corporation's consolidated financial statements.</p> <p>We have been engaged to report on the financial statements of Housing Services Inc. for the year ended December 31, 2008.</p>																					
Fees	<ul style="list-style-type: none"><li>A summary of our fees is included below for your reference.</li></ul> <table><tr><th></th><th>2008</th><th>2007</th></tr><tr><th></th><th>\$</th><th>\$</th></tr><tr><td>TCHC Annual audit fees (Note 1)</td><td>88,110</td><td>45,000</td></tr><tr><td>Housing Services Inc. Annual audit fees (Note 1)</td><td>45,000</td><td>37,500</td></tr><tr><td>Other audit related fees (Note 2):</td><td></td><td></td></tr><tr><td>    TCHC Consultations</td><td>TBD</td><td>16,250</td></tr><tr><td>    Housing Services Inc. Consultations</td><td>TBD</td><td>16,950</td></tr></table> <p>Note 1: The annual audit fees are in accordance with our two-year contract extension approved by City Council ending with the audit of the December 31, 2009 financial statements.</p> <p>Note 2: These fees were for services in 2008 in addition to our annual audit fees with respect to the consultations during the year are yet to be determined and agreed upon by management.</p>		2008	2007		\$	\$	TCHC Annual audit fees (Note 1)	88,110	45,000	Housing Services Inc. Annual audit fees (Note 1)	45,000	37,500	Other audit related fees (Note 2):			TCHC Consultations	TBD	16,250	Housing Services Inc. Consultations	TBD	16,950
	2008	2007																				
	\$	\$																				
TCHC Annual audit fees (Note 1)	88,110	45,000																				
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Other audit related fees (Note 2):																						
TCHC Consultations	TBD	16,250																				
Housing Services Inc. Consultations	TBD	16,950																				

## Independence Letter

May 4, 2009

Members of the Audit Committee of the Board of Directors of Toronto Community Housing Corporation

We have been engaged to audit the consolidated financial statements of Toronto Community Housing Corporation (the "Corporation") for the year ended December 31, 2008.

Pursuant to Canadian generally accepted auditing standards, we communicate at least annually with you regarding all relationships between Ernst & Young and its related entities and the organization and its related entities that, in our professional judgment, may reasonably be thought to bear on our independence.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since March 28, 2008, the date of our last letter.

We are not aware of any relationships between Ernst & Young and the organization that, in our professional judgment, may reasonably be thought to bear on our independence since March 28, 2008, the date of our last letter.

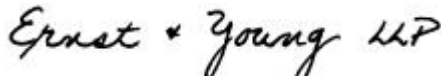
Canadian generally accepted auditing standards require that we confirm our independence to the Board of Directors in the context of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario. Accordingly, we hereby confirm that we are independent with respect to the organization within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario as of March 27, 2009.

The total fees charged to the organization during this period are set out in the Audit Results package.

We are looking forward to discussing with you the matters addressed in this package at our upcoming meeting.


This report is intended solely for the use of the Audit Committee, Board of Directors, management, and others within the Corporation (ultimately the City of Toronto) and should not be used for any other purposes.

Very truly yours,



**Chartered Accountants**  
**Licensed Public Accountants**

Allan Krochmalnek, CA / Kathi Lavoie, CA  
(905) 882-3060 / (905) 882-3056



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