EX16.17

Toronto Community Housing Corporation

Consolidated Financial Statements
December 31, 2019

Independent auditor's report

To the Shareholder of Toronto Community Housing Corporation

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Toronto Community Housing Corporation and its subsidiaries (together, the Entity) as at December 31, 2019 and the results of its operations, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

What we have audited

The Entity's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2019;
- the consolidated statement of operations for the year then ended;
- the consolidated statement of changes in net assets for the year then ended;
- the consolidated statement of remeasurement gains and losses – unrestricted for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

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

Other information

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Entity to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
April 29, 2020

Toronto Community Housing Corporation
Consolidated Statement of Financial Position
As at December 31, 2019

(in thousands of dollars)

	2019 $	2018 $
Assets		
Current assets		
Cash (note 16)	-	33,674
Investments (notes 3,16 and 20)	149,608	147,926
Restricted cash for externally restricted purposes (notes 6(e),12(c) and (e))	6,581	31,535
Accounts receivable (notes 6(a),16 and 20)	94,704	77,639
Grants receivable (note 14(b))	11,272	81,094
Loans receivable (note 5)	5,335	18,928
Prepaid expenses, deposits and other assets	12,555	10,742
	280,055	401,538
Loans receivable (note 5)	55,188	53,511
Grants receivable (note 14(b))	12,186	13,080
Investments in joint ventures (note 4)	15,257	22,285
Capital asset replacement reserve (note 13)	60,644	51,048
Cash for capital expenditures under restrictions with lenders (note 12(e))	135,650	117,448
Receivable from the City of Toronto (note 6(b))	19,325	20,325
Housing projects acquired or developed (note 7)	1,681,823	1,652,961
Improvements to housing projects (note 8)	1,807,770	1,551,643
Assets held-for-sale (note 9)	3,069	4,185
Prepaid lease	801	857
Total assets	4,071,768	3,888,881

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

Toronto Community Housing Corporation
Consolidated Statement of Financial Position ...*continued*
As at December 31, 2019

(in thousands of dollars)

	2019 $	2018 $
Liabilities		
Current liabilities		
Bank loan and bank indebtedness (note 10)	68,917	46,300
Accounts payable and accrued liabilities (notes 6(a) and 7)	248,541	235,713
Tenants' deposits and rents received in advance	16,884	16,494
Deferred revenue	12,643	7,891
Project financing and debenture loans (note 12)	70,434	59,406
	417,419	365,804
Capital asset replacement reserve (note 13)	60,644	51,048
Deferred revenue on long-term leases	1,070	1,166
Deferred revenue on land sale (note 4(d))	14,228	13,348
Employee benefits (note 11)	79,961	79,457
Project financing and debenture loans (note 12)	1,690,826	1,601,345
Deferred capital contributions (note 14(a))	751,952	680,363
Total liabilities	3,016,100	2,792,531
Accumulated Surplus		
Share capital		
Authorized and issued		
100 common shares	1	1
Internally restricted funds (note 16)	186,579	189,951
Contributed surplus	5,136	5,136
Unrestricted surplus	863,952	898,333
Accumulated remeasurement gains	-	2,929
Total net assets	1,055,668	1,096,350
	4,071,768	3,888,881

Contingencies (note 17)
Commitments (note 19)
Subsequent events (note 21)

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

Toronto Community Housing Corporation

Consolidated Statement of Operations

For the year ended December 31, 2019

(in thousands of dollars)

	2019 $	2018 $
Revenue		
Subsidies (note 6(c))	232,474	235,347
Rent		
Residential	340,082	324,854
Commercial	15,932	15,413
Amortization of deferred capital contributions (note 14(a))	58,321	49,402
Parking, laundry and cable fees	18,974	18,368
Investment income	11,472	9,608
Joint venture income (note 4)	2,750	15,057
Gain on sale of housing projects and other capital assets (note 18)	6,230	48,550
Plant and other revenue	6,023	4,389
	692,258	720,988
Expenses		
Operating and maintenance	192,627	172,501
Utilities	125,028	120,628
Municipal taxes	18,489	18,806
Depreciation	198,326	178,419
Interest (note 12)	78,853	77,544
Community safety services	30,676	25,289
Residential services	14,404	13,339
Corporate services	70,376	63,096
Plant and other expenses (note 9)	6,780	2,470
	735,559	672,092
(Deficiency) excess of revenue over expenses for the year	(43,301)	48,896

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

Toronto Community Housing Corporation

Consolidated Statement of Changes in Net Assets

For the year ended December 31, 2019

(in thousands of dollars)

2019

	Share capital $	Internally restricted funds $	Contributed surplus $	Unrestricted surplus $	Accumulated remeasurement gains (losses) $	Total $
Net assets - January 1, 2019	1	189,951	5,136	898,333	2,929	1,096,350
Deficiency of revenue over expenses for the year	-	-	-	(43,301)	-	(43,301)
Re-allocation of unrealized gains attributable to the interest rate swap				5,983	(5,983)	-
Net change in unrealized losses on portfolio investments	-	-	-	-	2,619	2,619
Re-allocation of unrealized gains / losses attributable to portfolio investments held for internally restricted purposes (note 16)	-	2,619	-	(3,054)	435	-
Change in internally restricted funds (note 16)	-	(5,991)	-	5,991	-	-
Net assets - December 31, 2019	1	186,579	5,136	863,952	-	1,055,668

2018

	Share capital $	Internally restricted funds $	Contributed surplus $	Unrestricted surplus $	Accumulated remeasurement gains (losses) $	Total $
Net assets - January 1, 2018	1	205,076	5,136	837,795	3,185	1,051,193
Excess of revenue over expenses for the year	-	-	-	48,896	-	48,896
Net change in unrealized losses on portfolio investments	-	-	-	-	(3,739)	(3,739)
Re-allocation of unrealized gains / losses attributable to portfolio investments held for internally restricted purposes (note 16)	-	(3,483)	-	-	3,483	-
Change in internally restricted funds (note 16)	-	(11,642)	-	11,642	-	-
Net assets - December 31, 2018	1	189,951	5,136	898,333	2,929	1,096,350

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

Toronto Community Housing Corporation

Consolidated Statement of Remeasurement Gains and Losses - Unrestricted

For the year ended December 31, 2019

(in thousands of dollars)

	2019 $	2018 $
Accumulated remeasurement gains - unrestricted - Beginning of year	2,929	3,185
Net change in unrealized gains (losses) attributable to		
Portfolio investments	2,619	(3,739)
Accumulated remeasurement gains (losses) for the year - unrestricted	2,619	(3,739)
Reallocation of unrealized gains (losses) attributable to portfolio investments held for internally restricted purposes (note 16)	435	3,483
Reallocation of unrealized gains attributable to the interest rate swap	(5,983)	-
Accumulated remeasurement gains (losses) for the year - unrestricted	(2,929)	(256)
Accumulated remeasurement gains - unrestricted - End of year	-	2,929

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

Toronto Community Housing Corporation

Consolidated Statement of Cash Flows

For the year ended December 31, 2019

(in thousands of dollars)

	2019 $	2018 $
Cash provided by (used in)		
Operating activities		
(Deficiency) excess of revenue over expenses for the year	(43,301)	48,896
Add (deduct): Items not involving cash		
Amortization of deferred capital contributions (note 14(a))	(58,321)	(49,402)
Depreciation	198,356	179,342
Gain on sale of housing projects and other capital assets (note 18)	(6,230)	(48,550)
Imputed interest on loan (note 12)	40	40
Joint venture income (note 4)	(2,750)	(15,057)
Employee benefit obligations (note 11)	504	(1,377)
Impairment loss (note 9)	3,335	-
Realized gain on interest rate swap	-	(136)
	91,633	113,756
Changes in non-cash working capital balances related to operations		
Accounts receivable	(15,171)	(38,729)
Prepaid expenses	(1,697)	(1,965)
Accounts payable and accrued liabilities	8,413	(9,071)
Tenants' deposits and rents received in advance	390	1,212
Deferred revenue	5,719	5,750
	89,287	70,953
Investing activities		
Receipt of loans receivable	17,916	31,901
Decrease in investments for capital expenditures under restrictions with lenders	-	145,800
Increase in cash for capital expenditures under restrictions with lenders	(18,202)	(117,448)
Increase in capital asset replacement reserve	(8,897)	(4,084)
Decrease in investments	2,171	22,249
Contributions to joint ventures (note 4)	(15)	(1,475)
Distributions from joint ventures (note 4)	9,924	10,170
Decrease (increase) in restricted cash (note 12(e))	24,954	(1,769)
	27,851	85,344
Capital activities		
Acquisition of housing projects	(82,507)	(99,179)
Proceeds on sale of housing projects (note 18)	-	8,060
Proceeds on sale of land (note 18)	183	-
Improvements to housing projects	(398,969)	(319,206)
	(481,293)	(410,325)
Financing activities		
Borrowing of bank loan (note 10)	22,617	46,300
Deferred financing cost (note 12)	(77)	186
New project financing and debenture loans (note 12)	151,499	26,000
Repayment of project financing (note 12)	(50,953)	(46,138)
Contributions for capital asset replacement reserve (note 13)	9,177	9,091
Restricted grants for housing projects	198,218	187,135
	330,481	222,574
Decrease in cash during the year	(33,674)	(31,454)
Cash - Beginning of year	33,674	65,128
Cash - End of year	-	33,674

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

(in thousands of dollars)

Non-cash items:		
Change in accrued capital expenditures	4,415	3,009
Other non-cash capital expenditures	1,255	(455)
Issuance of loans receivables	2,291	41,999

(in thousands of dollars)

1 The corporation and its mission

Toronto Community Housing Corporation was incorporated under the provisions of the Ontario Business Corporations Act on December 14, 2000 as Metro Toronto Housing Corporation. On October 9, 2001, articles of amendment were filed to effect a name change to Toronto Community Housing Corporation (TCHC). TCHC is wholly owned by the City of Toronto (the City). The City includes all organizations that are accountable for administration of their financial affairs and resources to City Council and are controlled by the City. In establishing TCHC, the City approved a Shareholder Direction that set guiding principles, high-level objectives and expected accountability to the City. The Shareholder Direction establishes TCHC as operating at arm's length from the City, under the direction of an independent Board of Directors.

TCHC owns and manages housing for low and moderate income tenants.

TCHC is a municipally-owned corporation as it is owned by the City of Toronto and, as such, is exempt from income taxes under paragraph 149(1)(d.5) of the Income Tax Act (Canada)

Under the Residential Tenancies Act, 2006, rental units located in a not-for-profit housing project, which are developed under a prescribed federal or provincial program, are exempt from residential rent controls.

2 Basis of preparation and summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards (PSAS), including accounting standards that apply to government not-for-profit organizations. The significant accounting policies are summarized below:

Basis of consolidation

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

- Don Mount Court Development Corporation (DMCDC)
- 2001064 Ontario Inc.
- Access Housing Connections Inc. (AHCI)
- Regent Park Development Corporation (RPDC)
- Toronto Community Housing Enterprises Inc. (TCHE)
- Railway Lands Development Corporation (RLDC)
- Allenbury Gardens Development Corporation (AGDC)
- Regent Park Energy Inc. (RPEI)
- Alexandra Park Development Corporation (APDC)
- Leslie Nymark Development Corporation (LNDC)
- Library District Inc. (LDI)

TCHC Issuer Trust is a trust declared as a special purpose entity under the laws of Ontario pursuant to a declaration of trust made as at May 1, 2007 and amended as at December 1, 2007 and was established for the

(in thousands of dollars)

sole purpose of investing in and facilitating the financing of social housing programs and related programs of TCHC and its affiliates through the issuance of debentures under the Trust debenture.

These consolidated financial statements also include TCHC's interest in the following joint ventures, which have been accounted for using the modified equity method:

- Dundas and Parliament Development Corporation (DPDC)
- Parliament and Gerrard Development Corporation (PGDC)
- Library District Inc.
- Allenbury Gardens Revitalization General Partnership (AGP)
- Alexandra Park Phase I Partnership (APPI)
- Leslie Nymark Partnership (LNP)

Under the modified equity method, investments are initially valued at cost and the carrying value is adjusted thereafter to include TCHC's contributions and its pro rata share of net income (loss) less distributions received.

All intercompany transactions and balances have been eliminated.

TCHC significantly influences Regent Park Arts Non-Profit Development Corporation (RPAD) through its membership in RPAD. As it is a non-share not-for-profit organization, RPAD is not consolidated or accounted for using the modified equity method in these consolidated financial statements. Note 4 provides further information on RPAD.

TCHC administers a number of funds pursuant to an agreement with the City of Toronto. As TCHC does not control the use of these funds and is accountable to the City for the use and disposition of fund assets, the funds have not been consolidated in these consolidated financial statements.

Revenue recognition

TCHC follows the deferral method of accounting for contributions. Unrestricted contributions, which include subsidies, are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized unless the contributions are restricted for the purchase of capital assets when they are recognized as revenue on the same basis as the capital assets are amortized. Externally restricted net investment income is deferred in the appropriate reserve and is recognized as revenue on the same basis as externally restricted contributions as the restrictions are met.

Rent, parking, laundry, cable fees and other revenue are recorded when services are provided and collection is reasonably assured.

(in thousands of dollars)

Financial instruments

At initial recognition, TCHC records financial instruments at the transaction price and classifies them in the following categories, depending on the purpose for which the instruments were acquired:

	Category	Measurement
Cash and restricted cash[1]	loans and receivables	amortized cost
Investments	portfolio investments	fair value
Accounts receivable	loans and receivables	amortized cost
Receivable from the City of Toronto	loans and receivables	amortized cost
Loans receivable	loans and receivables	amortized cost
Grants receivable	loans and receivables	amortized cost
Accounts payable and accrued liabilities	financial liabilities	amortized cost
Tenants' deposits	financial liabilities	amortized cost
Bank loan and bank indebtedness	financial liabilities	amortized cost
Project financing and debenture loans	financial liabilities	amortized cost

[1]Cash and restricted cash includes cash for capital asset replacement reserve and cash for capital expenditures under restriction with lenders.

Investments and investment income

The value of investments recorded in the consolidated financial statements is determined as follows:

- short-term notes and treasury bills - cost plus accrued income, which approximates fair value;
- publicly traded bonds - most recent bid prices in an active market; and
- investments in pooled funds - valued at their reported net asset value per unit to reflect fair value.

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

Investment income includes interest, pooled fund distributions and realized gains and losses. Investment income is recognized in the consolidated statement of operations when earned unless it relates to externally restricted funds in which case it is allocated directly to the externally restricted funds on the consolidated statement of financial position. Investment income earned on internally restricted funds is recognized in the consolidated statement of operations and subsequently is allocated to internally restricted funds as disclosed in the consolidated statement of changes in net assets. Unrealized gains or losses are recorded in the consolidated statement of remeasurement gains and losses – unrestricted unless related to externally and internally restricted funds, in which case, the unrealized gains or losses adjust the value of the offsetting reserve recorded on the consolidated statement of financial position.

Investment income and fair value adjustments generated from the investments that were apportioned to various internally restricted funds will be allocated as follows:

(in thousands of dollars)

- investment income and both realized and unrealized gains will be allocated to funds with deficit positions; and
- realized and unrealized losses will be allocated to funds with surplus positions, unless all funds are in deficit positions.

Derivative financial instruments

Derivative contracts are recorded at their fair value as an asset or a liability based on the present value of the estimated future cash flows based on observable Canadian dollar interest rate swap yield curves obtained from dealer quotes with changes in fair value recorded on the consolidated statement of remeasurement gains and losses - unrestricted.

Financing costs

Financing costs of the debenture loans and project financing are presented as a reduction from the carrying value of the related debt and are amortized using the effective interest rate method over the terms of the debt to which they relate.

Housing projects acquired and developed and improvements to housing projects

Housing projects acquired and developed are recorded at cost less accumulated depreciation. Cost includes the original cost of land, buildings, other related costs (including capitalized interest) and net operating expenses during the development period until the asset is substantially complete. The costs of major improvements necessary to renovate and refurbish buildings are also included in housing project costs. Depreciation is calculated using the straight-line method and is based on the estimated useful lives of the buildings up to a maximum of 50 years.

When a capital asset no longer has any long-term service potential to TCHC, the excess of its net carrying value over any residual value is recognized as an expense in the consolidated statement of operations. Any writedowns are not reversed.

Guaranteed equity units consist of rights that include membership in the equity corporation and the right to occupy a particular suite in the building, which were sold to seniors under terms guaranteeing the repurchase of each unit by TCHC at the purchase price plus, for some, an inflation factor related to the consumer price index. This asset is reflected in the consolidated statement of financial position as a housing project, with an associated liability for the repurchase obligation. No gain or loss is recorded on sale or repurchase of a guaranteed equity unit.

Improvements to housing projects are recorded at cost with depreciation calculated using the straight-line method, based on the estimated useful lives of the assets, as follows:

Improvements to land and buildings	4 to 25 years
Furniture and equipment	4 to 15 years
Leasehold improvements	over the term of the lease

(in thousands of dollars)

Deferred capital contributions

Capital contributions for the purpose of acquiring depreciable capital assets are deferred and amortized on the same basis, and over the same periods, as the related capital assets.

Employee related costs

TCHC has adopted the following policies with respect to employee benefit plans:

- TCHC's contributions to a multi-employer, defined benefit pension plan and other post-employment benefit plans are expensed as contributions come due;
- the costs of terminating benefits and compensated absences that do not vest or accumulate are recognized when an event that obligates TCHC occurs; costs include projected future income payments, health-care continuation costs and fees paid to independent administrators of these plans, calculated on a present value basis;
- the costs of other employee benefits are actuarially determined using the projected benefits method pro-rated on service and management's best estimate of retirement ages of employees, salary escalation, expected health-care costs and plan investment performance. Actuarial gains and losses are amortized over the expected average remaining service lives;
- employee future benefit liabilities are discounted using the average expected borrowing rate of TCHC over the period during which benefits are expected to be earned;
- past service costs from plan amendments are expensed as incurred; and
- the costs of workplace safety and insurance obligations are actuarially determined and expensed. Actuarial gains and losses are recognized as incurred.

Use of estimates

The preparation of these consolidated financial statements in accordance with PSAS 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 the reported amounts of revenue and expenses during the reporting period. Significant estimates include determining the amounts for future employee benefits, useful lives for depreciation and amortization, the allowance for uncollectible accounts receivable and contingent liabilities. Actual results could differ from those estimates.

Liability for contaminated sites

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. A liability for remediation of contaminated sites is recognized when: TCHC is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate for the amount can be made. As at December 31, 2019, TCHC has not recorded any liability in the consolidated financial statements as no sites have met the recognition criteria.

(in thousands of dollars)

TCHC will continue to review contaminated sites on an annual basis and when the criteria for recognition have been met, a liability will be recorded.

3 Investments

Current investments consists of $nil (2018 - $1,737) of term deposits and $149,608 (2018 - $146,189) of pooled equity funds and fixed income securities, which are restricted internally for internally restricted funds. The fixed income securities consist of corporate and Canadian government fixed income securities with nominal coupon rates between 1.34% and 5.34% and have maturity dates ranging from 2020 to 2028. These securities are considered to be highly liquid (notes 13 and 16).

(in thousands of dollars)

4 Investments in joint ventures and other interests

							2019
	DPDC (note 4 (a)) **$**	**PGDC** (note 4 (b)) **$**	**LDI** (note 4 (c)) **$**	**AGP** (note 4 (d)) **$**	**APPI** (note 4 (e)) **$**	**LNP** (note 4 (f)) **$**	**Total** **$**
Balance as at January 1, 2019 per joint venture	1,885	1,980	300	16,841	12,238	26,878	60,122
Net income (loss)	241	1,720	14	1,421	107	(503)	3,000
Contributions	15	-	-	-	-	-	15
Distributions	(350)	(3,809)	(165)	(5,600)	-	-	(9,924)
Balance as at December 31, 2019 per joint venture	1,791	(109)	149	12,662	12,345	26,375	53,213
Exchange amount of land transferred to joint venture	(112)	-	-	-	(12,576)	(27,018)	(39,706)
Carrying value of land transferred to joint venture	23	27	-	-	94	300	444
Pre-development costs	-	-	-	236	1,070	-	1,306
Balance as at December 31, 2019 per TCHC	1,702	(82)	149	12,898	933	(343)	15,257
Joint ventures' assets, liabilities and cash flows at 100% share							
Total assets	6,020	16,050	346	102,456	87,520	124,885	
Total liabilities	2,446	17,139	74	84,044	72,982	83,742	
Cash flow from (used in) operating activities	730	5,802	26	(16,631)	(676)	(4,716)	
Cash flow used in investing activities	-	-	-	6,792	-	-	
Cash flow from (used in) financing activities	(641)	(6,685)	-	3,112	-	2,589	
Net income (loss) per joint venture	241	1,720	14	1,421	107	(503)	3,000
Writeoff of pre-development costs associated with market units that have been sold	-	(164)	-	(9)	(77)	-	(250)
Net income (loss) per TCHC	241	1,556	14	1,412	30	(503)	2,750

(in thousands of dollars)

							2018
	DPDC (note 4 (a)) **$**	**PGDC** (note 4 (b)) **$**	**LDI** (note 4 (c)) **$**	**AGP** (note 4 (d)) **$**	**APPI** (note 4 (e)) **$**	**LNP** (note 4 (f)) **$**	**Total** **$**
Balance as at January 1, 2018 per joint venture	2,089	1,948	226	6,991	14,255	-	25,509
Net income (loss)	236	2,472	74	13,290	358	(140)	16,290
Contributions	15	-	-	1,460	-	27,018	28,493
Distributions	(455)	(2,440)	-	(4,900)	(2,375)	-	(10,170)
Balance as at December 31, 2018 per joint venture	1,885	1,980	300	16,841	12,238	26,878	60,122
Exchange amount of land transferred to joint venture	(112)	-	-	-	(12,576)	(27,018)	(39,706)
Carrying value of land transferred to joint venture	23	27	-	-	94	300	444
Pre-development costs	-	139	-	226	1,060	-	1,425
Balance as at December 31, 2018 per TCHC	1,796	2,146	300	17,067	816	160	22,285
Joint ventures' assets, liabilities and cash flows at 100% share							
Total assets	6,173	21,245	674	87,256	55,193	107,950	
Total liabilities	2,411	18,956	129	62,874	40,881	68,894	
Cash flow from (used in) operating activities	997	9,807	(41)	79,832	(3,121)	1,709	
Cash flow used in investing activities	-	-	-	(13,167)	-	-	
Cash flow from (used in) financing activities	(1,150)	(9,510)	-	(55,861)	(4,750)	1,620	
Net income (loss) per joint venture	236	2,472	74	13,290	358	(140)	16,290
Writeoff of pre-development costs associated with market units that have been sold	-	(1,000)	-	(198)	(35)	-	(1,233)
Net income (loss) per TCHC	236	1,472	74	13,092	323	(140)	15,057

a) On October 31, 2006, TCHC's wholly owned subsidiary, Regent Park Development Corporation (RPDC), entered into a co-tenancy agreement with a developer for the construction of certain properties in Regent Park. The co-tenancy operates through a nominee corporation, Dundas and Parliament Development Corporation (DPDC). The value of RPDC's equity investment in DPDC differs from the balance reported by the co-tenant. This difference is due to RPDC recording contributions of land to DPDC at the carrying value of the land whereas DPDC has recorded the contributed land at an exchange amount that has been agreed to by the two co-tenants. The difference between the exchange amount and the carrying value of the land of $89 (2018 - $89) will be recognized on the closing of market units that have been developed by DPDC.

(in thousands of dollars)

b) On January 12, 2009, TCHC's wholly owned subsidiary, RPDC, entered into a co-tenancy agreement with a developer for the construction of certain properties in Regent Park. The co-tenancy of the development operates through a nominee corporation, Parliament Gerrard Development Corporation (PGDC). The value of RPDC's equity investment in PGDC differs from the balance reported by the co-tenant. This difference is due to the value attributed to the land contributed to PGDC whereby RPDC accounts for the contribution of land at its carrying value whereas PGDC accounts for the contribution of land at an exchange amount agreed to by the two co-tenants. Furthermore, RPDC's valuation of the land contributed to PGDC also includes various pre-development costs that PGDC does not recognize as part of the exchange amount of land. As at December 31, 2019, the difference between the exchange amount and the carrying value of the land of $27 (2018 - $27) will be recognized on the sale of market units that have been developed by PGDC. The pre-development costs of $nil (2018 - $139) will be written off in the year market units are closed.

   On December 6, 2016, PGDC entered into a credit agreement with lenders to finance the development and construction costs of a development project. TCHC is the obligor of the PGDC credit agreement in the event of default by PGDC, without securing the credit facility with any of TCHC's assets. TCHC is guaranteeing the lesser of $5,258, and 50% of PDGC's debts plus interest and expenses.

c) On May 22, 2009, TCHC's wholly owned subsidiary, Railway Lands Development Corporation (RLDC), entered into a co-tenancy agreement with a developer for the construction of certain properties. The co-tenancy operates through a nominee corporation, Library District Inc.

d) On February 5, 2013, TCHC's wholly owned subsidiary, Allenbury Gardens Development Corporation (AGDC), entered into a partnership agreement with a developer, thus forming Allenbury Gardens Revitalization General Partnership (AGP) for the revitalization of certain properties in Allenbury Gardens. AGDC and the development partner have equal interest for contributions up to $900, and receive a 70%/30% share of distributions until the point AGDC recovers the development and replacement cost for TCHC's rental units, and receives a 30%/70% interest in the partnership thereafter of no less than $2,550. The 70%/30% interest will reciprocate once TCHC's residential units in the project break even on a cash flow basis. The AGP operates through a nominee, Soul Residences Inc., which holds legal title to the real property as a bare trustee for AGDC and the development partner to whom beneficial ownership of the property is then transferred on closing.

   On March 4, 2016, TCHC transferred land with a carrying value of $80 to Soul Residences Inc. in exchange for a promissory note for $4,854. The note was repayable on realization of sale proceeds of market units and from any other proceeds realized by AGP on the earlier of the final closing of the market units or the termination of the development project. In 2018, sale proceeds of market units have been realized and consequently the promissory note has been repaid.

   On June 14, 2016, TCHC transferred land with a carrying value of $95 to Connect Residences Inc. in exchange for a promissory note for $4,946. The note was repayable on realization of sale proceeds of market units and from any other proceeds realized by AGP on the earlier of the final closing of the market units or the termination of the development project. In 2018, sale proceeds of market units have been realized and consequently the promissory note has been repaid.

(in thousands of dollars)

On April 27, 2018, TCHC transferred land with a carrying value of $92 to Vivo Residences Inc. in exchange for a promissory note for $4,815 (note 5). The note is repayable on realization of sale proceeds of market units and from any other proceeds realized by AGP on the earlier of the final closing of the market units or the termination of the development project. As at December 31, 2019, TCHC recognized deferred revenue on land sale of $4,723, no revenue has been recognized to date.

On August 15, 2018, TCHC transferred land with a carrying value of $108 to Verde Residences Inc. in exchange for a promissory note for $8,155 (note 5). The note is repayable on realization of sale proceeds of market units and from any other proceeds realized by AGP on the earlier of the final closing of the market units or the termination of the development project. As at December 31, 2019, TCHC recognized deferred revenue on land sale of $8,047, no revenue has been recognized to date.

The value of AGDC's equity investment in AGP differs from the balance reported by the co-tenant. As at December 31, 2019, the difference is due to AGDC recording contributed pre-development costs of $236 (2018 - $226), which will be written off in the year market units are closed.

e) On July 19, 2013, TCHC's wholly owned subsidiary, Alexandra Park Development Corporation (APDC), entered into a partnership agreement with a developer, forming Alexandra Park Phase I Partnership (APPI), for the revitalization of certain properties in Alexandra Park. APDC and the developer have equal interests in the partnership, which operates through a nominee corporation, Alexandra Park Condominium Residences Inc. (APCRI), which holds legal title to the real property as a bare trustee for APDC and the development partner to whom beneficial ownership of the property is transferred on closing. The development partner funds 100% of pre-development expenses until the first construction advance, and all costs incurred by the partnership are capitalized in APPI as at December 31, 2019 and 2018.

As at December 31, 2019, the value of APDC's equity investment in APPI differs from the balance reported by the partnership. This difference is due to APDC recording land contributed to APPI at the carrying value of the land whereas APPI has recorded the contributed land at an exchange amount that has been agreed to by the two partners. The difference of $12,482 (2018 - $12,482) between the exchange amount and the carrying value of the land and development costs of $1,070 (2018 - $1,060) will be recognized on the closing of market units that have been developed by APPI.

f) On October 2, 2015, TCHC's wholly owned subsidiary, Leslie Nymark Development Corporation (LNDC), entered into a partnership agreement with a developer, forming Leslie Nymark Partnership (LNP), for the revitalization of certain properties. LNDC and the developer have equal interests in the partnership, which operates through a nominee corporation, Scala Residences Inc. Scala Residences Inc. holds legal title to the real property as a bare trustee for LNDC and the development partner to whom beneficial ownership of the property is transferred on closing. The development partner funds 100% of pre-development expenses until the first construction advance, and all costs incurred by the partnership have been capitalized in LNP as at December 31, 2019 and 2018.

As at December 31, 2019, the value of LNDC's equity investment in LNP differs from the balance reported by the partnership. This difference is due to LNDC recording land contributed to LNP at the carrying value of the land whereas LNP has recorded the contributed land at an exchange amount that has been agreed to by the two partners. The difference of $26,718 (2018 - $26,718) between the exchange amount and the

(in thousands of dollars)

carrying value of the land will be recognized on the closing of market units that have been developed by LNP.

Significantly influenced not-for-profit organizations

TCHC's wholly owned subsidiary, RPDC, and two unrelated parties (the members) each hold equal non-share interests, in the RPAD to construct Daniels Spectrum, which was completed in 2013. TCHC exercises significant influence, but not joint control over RPAD. RPAD is a not-for-profit corporation that is tax exempt.

On August 1, 2012, TCHC entered into a ground lease with RPAD for the land on which Daniels Spectrum has been built for 50 years less a day, for an annual fee of one dollar plus additional rent for taxes and utilities. Beginning on August 1, 2012, Artscape, one of the members of RPAD, leased the premises from RPAD based on the same terms as the ground lease. In turn, Artscape sublets the property to the tenants. Artscape is responsible for the management and operation of Daniels Spectrum.

On December 6, 2013, RPAD entered into a seven-year first leasehold mortgage of $2,750, with a one-year term at a fixed interest rate of 5% per annum and was renewed in December 2016. Security on the loan is the leasehold interest held by RPAD in Daniels Spectrum. TCHC does not provide any security with its assets, except for the assignment of one dollar annual rent to the lender in the event of default. RPAD made an annual payment of $300 toward the first leasehold mortgage during the year ended December 31, 2019, with an outstanding mortgage liability of $250 (2018 - $550).

5 Loans receivable

	2019 $	2018 $
DPDC (notes 5(a) and (e))	2,082	17,134
AGP (note 4(d))	12,970	12,970
Lawrence Heights development partner (notes 5(b) and (f))	11,211	8,904
250 Davenport (note 5(c))	22,512	21,856
Mortgages receivable (note 5(d))	11,748	11,575
Total	60,523	72,439
Less: Current portion	(5,335)	(18,928)
	55,188	53,511

a) On August 31, 2010, TCHC provided a $500 revolving demand facility and a $2,500 non-revolving loan to the co-tenancy, which consists of three credit facilities:

1. Amounts drawn on the $500 revolving demand facility bear interest at a variable interest rate of prime rate plus 0.50% per annum payable five days following the demand for payment.

(in thousands of dollars)

2. Amounts drawn on the $2,000 non-revolving fund loan are payable on the tenth anniversary date of the agreement. The non-revolving fund loan has a fixed interest rate of 6% per annum.

3. Amounts drawn on the $500 non-revolving fund loan are payable on the earlier of: (i) the date of the drawdown of the construction financing for the construction of the condominiums for Block 14 of the Regent Park Revitalization project; and (ii) the tenth anniversary of the agreement. The credit facility bears a fixed interest rate at 6% per annum.

The three credit facilities are secured by the co-tenancy's land and assets and are guaranteed by the co-tenancy partner. As at December 31, 2019, TCHC has advanced $2,082 (2018 - $2,053) to DPDC.

b) On July 11, 2018, TCHC sold land to a developer with a carrying value of $726 and received cash of $2,137 and a loan receivable of $4,986, bearing interest at a rate of 3% per annum with a maturity date of July 11, 2021 and loan receivable of $3,000, bearing no interest with maturity date of March 31, 2023. As at December 31, 2019, TCHC recognized interest receivable of $225 (2018 - $71), which is included in loans receivable.

c) On January 17, 2018, TCHC sold land to a developer with a carrying value of $834 and received cash of $8,750, a letter of credit of $2,000 and a loan receivable of $21,250, bearing interest at a rate of 3% per annum with a maturity date at the earlier of four years from the closing date and the final closing of the sale of all market units. As at December 31, 2019, TCHC recognized interest receivable of $1,262 (2018 - $606), which is included in loans receivable.

d) The mortgage receivable consists of three mortgages, which are related to a sales-type lease from 2010 to 2057 for commercial space in a TCHC building. The first mortgage has a maturity date of May 11, 2037 and bears interest at 4.877%. The other two mortgages have a term starting on May 11, 2037 and ending on May 11, 2057, and the interest rate will be equal to the negotiated debenture coupon rate at the expiry of the Debenture Series A bonds (note 12(f)(i)) that are due on May 11, 2037.

e) On June 8, 2017, TCHC sold land to a developer with a carrying value of $1,845 and received cash of $3,701 and a loan receivable of $14,806, bearing no interest rate for a period of one year and 4.5% per annum thereafter with a maturity date of June 8, 2019. The loan was fully repaid in 2019.

f) On November 14, 2016, TCHC sold land to a developer with a carrying value of $725 and received cash of $1,548 and a loan receivable of $3,610, bearing interest of 3% with a maturity date of November 14, 2019 and loan receivable of $3,000 bearing no interest rate with maturity date of March 31, 2020. As at December 31, 2019, loan amount of $3,610 has been repaid and $3,000 is recorded as current loan receivable.

6 Account balances with the City

a) TCHC enters into transactions with the City in the normal course of business and receives payments for various services and supplies. Included in accounts receivable is $54,643 (2018 - $41,523) receivable from

(in thousands of dollars)

the City and included in accounts payable and accrued liabilities is $5,487 (2018 - $6,449) payable to the City as a result of these transactions.

b) The City has agreed to fund certain employee benefit costs relating to the former Toronto Housing Corporation (THC), as the former company previously contributed to the City's Sick Pay Reserve Fund and Payroll Benefits Plan Reserve Fund. TCHC has recorded a receivable in connection with the expected recoveries of these employee benefit costs from the City.

Included in the long-term receivable from the City is $4,269 (2018 - $4,269) for sick leave benefits (note 11(i)(b)) and $15,056 (2018 - $16,056) for post-retirement (note 11(i)(a)) and disability benefits (note 11(i)(d)).

c) During the year ended December 31, 2019, the City provided gross subsidies of $232,474 (2018 - $235,347), which are reflected on the consolidated statement of operations as revenue. Subsidies revenue consists of the following:

	2019 $	2018 $
Operating expense	102,205	105,795
Mortgage principal and interest expense (note 6(d))	71,377	74,308
Municipal tax expense (note 6(d))	9,716	9,010
Municipal tax exemption (note 6(d))	(4,678)	(4,678)
Educational tax saving	8,683	8,683
Mayor's task force (note 6(f))	4,270	4,175
Rent supplement subsidies for buildings owned (note 6(d))	40,901	38,054
Total subsidies	232,474	235,347

d) Expenditures incurred with the City include $55,192 (2018 - $53,625) for water and waste, $18,489 (2018 - $18,806) for property taxes and $2,772 (2018 - $2,220) for the mortgage interest charges paid to the City.

Other housing program subsidies received from the City are based on mortgage principal and interest and municipal tax payments for housing projects funded under a TCHC Operating Agreement with the City and have been recorded in subsidies revenue. As at December 31, 2019, the municipal tax expense was $9,716 (2018 - $9,010), municipal tax exemption was $4,678 (2018 - $4,678) and the mortgage principal and interest payments were $71,377 (2018 - $74,308). TCHC also received rent supplements of $40,901 (2018 - $38,054) for the buildings it owns, which have been recorded as subsidies revenue.

e) The City provided funds that it received under Section 37 of the Planning Act to TCHC for capital improvements in specific developments, including design work, associated labour costs and capital maintenance. As at December 31, 2019, accumulated grants of $10,026 (2018 - $6,540) were received and the accumulated capital expenditures were $4,601 (2018 - $3,320). The funds available for future capital expenditures are $5,624 (2018 - $3,349), including $199 accumulated interest, invested as restricted cash as at December 31, 2019.

f) In 2019, TCHC received $4,270 (2018 - $4,175) in funding for Mayor's Task Force projects, which was recorded as subsidies.

(in thousands of dollars)

7 Housing projects acquired or developed

Housing projects acquired or developed consist of the following:

	Cost - December 31, 2018 $ (i)	Additions $	Disposals, writeoffs and transfers $ (ii)	Completed during the year $	Cost - December 31, 2019 $	Accumulated depreciation $ (ii)	Net book value - December 31, 2019 $
Land	377,197	72	(1,538)	-	375,731	-	375,731
Buildings	2,038,991	9,904	(3,580)	75,830	2,121,145	(981,270)	1,139,875
Guaranteed equity housing projects	11,266	-	(317)	-	10,949	(6,507)	4,442
Plant	64,439	45	-	-	64,484	(12,671)	51,813
Housing projects under construction	110,800	75,161	(169)	(75,830)	109,962	-	109,962
	2,602,693	85,182	(5,604)	-	2,682,271	(1,000,448)	1,681,823

i) As at December 31, 2018, housing projects acquired or developed were recorded at a cost of $2,602,693 with accumulated depreciation of $949,732.

ii) Included in transfers and accumulated depreciation is the cost and accumulated depreciation of land and buildings transferred to assets held for sale (note 9).

As at December 31, 2019, the additions of housing projects acquired or developed include capitalized interest of $397 (2018 - $402).

During the year ended December 31, 2019, pre-development costs totalling $250 (2018 - $1,233) (note 4) were written off and $1,306 (2018 - $1,425) (note 4) will be written off on closing of the market units in the future. These pre-development costs related to completed housing projects that have been sold by TCHC to third parties.

The guaranteed equity housing project units are repurchased on termination of the project in 2042 or earlier based on the terms of the arrangement. During the year ended December 31, 2019, TCHC repurchased five units and holds forty-nine repurchased units as at December 31, 2019. The associated cost and accumulated depreciation of $475 of the repurchased units was transferred to housing projects acquired or developed and rented at the market rate. As at December 31, 2019, an obligation of $9,669 (2018 - $10,303) for the repurchase of guaranteed equity units has been recorded in accounts payable and accrued liabilities.

(in thousands of dollars)

8 Improvements to housing projects

Improvements to housing projects consist of the following:

	Cost - December 31, 2018 $ (i)	Additions $	Disposals $	Cost - December 31, 2019 $	Accumulated depreciation $	Net book value - December 31, 2019 $
Improvements to land and buildings	2,366,645	369,529	-	2,736,174	(991,503)	1,744,671
Furniture and equipment	193,477	22,988	-	216,465	(163,089)	53,376
Leasehold improvements	3,006	-	-	3,006	(2,951)	55
Other capital work-in-process	691	8,977	-	9,668	-	9,668
	2,563,819	401,494	-	2,965,313	(1,157,543)	1,807,770

i) As at December 31, 2018, improvements to housing projects were recorded at a cost of $2,563,819 with accumulated depreciation of $1,012,176.

Improvements to housing projects include assets under capital leases with a carrying value of $3,200 (2018 - $4,480).

9 Assets held for sale

During 2018, the Board of Directors resolved to transfer the ownership of the TCHC Agency Houses and Uninhabitable Homes portfolio to non-profit corporations as approved by City Council. The transfer price was determined by the City Manager as directed by the City Council.

The transfer price of $3,677 is based on TCHC obtaining proceeds to compensate it for all transactions costs and discounted for the state of repair for all of the Agency Houses and compensate it for outstanding mortgage balances of all Uninhabitable Houses as of June 30, 2019. As at December 31, 2019, TCHC has assessed an impairment loss of $3,335 on twenty-one properties.

The assets which are expected to be transferred within twelve months have been classified as held for sale and are presented separately in the consolidated statement of financial position.

(in thousands of dollars)

As at December 31, 2019, the assets to be transferred are comprised of the following:

	Cost - December 31, 2018 $	Additions $	Cost - December 31, 2019 $	Accumulated depreciation $	Impairment loss $	Net book value - December 31, 2019 $
Land	2,386	1,525	3,911	-	(2,290)	1,621
Building	3,654	1,725	5,379	(2,886)	(1,045)	1,448
	6,040	3,250	9,290	(2,886)	(3,335)	3,069

10 Bank loan and bank indebtedness

TCHC has a committed revolving credit facility of $200,000 (2018 - $200,000) that is available for short-term advances and letters of credit, with standby charges of 0.25%. Short-term advances are available by way of a prime loan at the Canadian prime rate and bankers' acceptances (BAs) at the bank's BA rate plus 1.10%. Short-term advances of $68,600 (2018 - $46,300) have been used and are repayable on or before maturity of December 31, 2020. The amount available under the facility is $129,225, which is net of outstanding letters of credit of $2,175 (2018 - $2,944).

As at December 31, 2019, TCHC has $317 in bank overdraft due to timing of cash in-flows. The overdraft is expected to be replenished in 2020.

11 Employee benefits

TCHC has the following employee benefits plans:

i) Non-pension post-retirement and post-employment benefit plans (other benefits)

The following benefit plan liabilities as at December 31, 2019 are based on the most recent tri-annual actuarial valuation that has been completed as at December 31, 2018:

(a) Post-retirement medical, dental and life insurance benefits

TCHC provides health, dental and life insurance benefits to certain employees. The same health, dental and life insurance benefits are provided to some retirees until age 65 and reduced benefits are provided thereafter.

The former THC participated in a payroll benefits plan reserve fund established by the City to provide for future post-retirement benefits and disability benefits (note 11(i)(d)) to all City employees and retirees. An amount of $15,056 (2018 - $16,056), representing the liability portion relating to the former THC, is recorded as a long-term receivable from the City (note 6(b)).

(in thousands of dollars)

(b) Accumulating sick leave benefits

The accrued benefit obligation is based on the most recent actuarial valuation that was completed as at December 31, 2018. Under the sick leave benefit plan, unused sick leave can accumulate and bargaining unit employees may become entitled to a cash payment when they leave TCHC's employment. The liability for the accumulated sick leave represents both vested and unvested amounts that could be paid to bargaining unit employees on termination. As at December 31, 2019, 1,126 (2018 - 1,126) unionized employees are eligible for sick leave benefits on retirement.

This past service liability was set up as a result of the former THC participation in a reserve fund established by the City. TCHC recorded a receivable from the City equal to the liability of the former THC of $4,678 (2018 - $4,678), less $409 (2018 - $409), which is an amount funded internally by TCHC. At the time of amalgamation of Metropolitan Toronto Housing Corporation, a long-term disability obligation was transferred to TCHC from the City. As at December 31, 2019, the liability was recorded as $621 (2018 - $752).

(c) Accumulating termination benefits

Under the severance/termination plan, weeks accumulate for each year of service and employees may become entitled to a cash payment when they leave TCHC's employment. The liability for these accumulated weeks represents the extent to which the employees have vested and the amounts that could be taken in cash by them on termination.

The following benefit plan liabilities as at December 31, 2019 are based on the most recent annual actuarial valuation that has been completed as at December 31, 2019:

(d) Continuation of medical, dental, life insurance and income replacement benefits to disabled employees

TCHC provides health, dental, life insurance and income replacement benefits to disabled employees.

(e) Self-insured Worker's Safety and Insurance Board (WSIB) obligation

TCHC and its subsidiaries are Schedule 2 employers under the Workplace Safety and Insurance Act and as such assume responsibility for financing their workplace safety insurance costs. The accrued obligation represents the actuarial valuation of claims to the insured based on the history of claims with TCHC employees.

ii) Supplementary employee retirement plan (SERP)

The benefits plan liabilities as at December 31, 2019 are based on the most recent tri-annual actuarial valuation that has been completed as at December 31, 2017.

(in thousands of dollars)

In 2006, TCHC established the SERP for current eligible employees whose pension benefits were frozen in the Public Service Pension Plan or the Ontario Public Service Employees' Union Pension Plan as at January 1, 2001. A current eligible employee is one who was an active employee on February 15, 2006 (the date this benefit was approved by the Board of Directors) and had transferred employment on January 1, 2001 from the Metropolitan Toronto Housing Authority to TCHC and became a member of the Ontario Municipal Employees' Retirement Fund (OMERS). This plan provides a supplementary benefit so that the total pension benefit on retirement would have been the same as that received had the employee been able to transfer his or her pension to OMERS.

iii) Ontario Municipal Employees' Retirement Fund (OMERS)

Employees are members of OMERS, a multi-employer pension plan. The plan is a defined benefit plan and specifies the amount of the retirement benefits to be received by the employees based on length of service and the highest five years' average earnings. Employees and employers contribute jointly to the plan.

In 2019, the OMERS funded ratio stands at 97% (2018 - 96%) and the primary plan ended 2019 with a funding deficit of $3.4 billion (2018 - $4.2 billion). Because OMERS is a multi-employer plan, any pension plan surplus or deficit is the joint responsibility of all Ontario municipalities and their employees. TCHC does not recognize any share of the OMERS pension surplus or deficit.

Depending on the individual's normal retirement age and pensionable earnings, 2019 contribution rates were 9.0% to 14.6% (2018 - 9.0% to 14.6%). Total employee contributions amounted to $13,252 (2018 - $12,333). Total employer contributions amounted to $13,252 (2018 - $12,333).

Employee benefits liabilities of TCHC

	2019 $	2018 $
Post-retirement benefits (note 11(i)(a))	16,528	14,687
Sick leave benefits (note 11(i)(b))	12,688	11,224
Termination benefits (note 11(i)(c))	1,421	1,604
Disability benefits (note 11(i)(d))	5,754	6,331
WSIB obligation (note 11(i)(e))	10,130	10,072
Unamortized actuarial gain	577	2,967
Other benefits	47,098	46,885
SERP (note 11(ii))	32,863	32,572
Employee benefits	79,961	79,457

(in thousands of dollars)

Additional information about TCHC's SERP and other benefit plans as at December 31 is as follows:

	SERP		Other benefits		Total	
	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $
Accrued benefit obligation	37,672	33,470	46,313	43,918	83,985	77,388
Plan assets	(895)	(1,351)	-	-	(895)	(1,351)
Unamortized actuarial gain (loss)	(3,914)	453	785	2,967	(3,129)	3,420
Accrued benefit liability	32,863	32,572	47,098	46,885	79,961	79,457
Period of amortization for actuarial loss (years)	3.5	3.5	13	13		

Continuity of TCHC's accrued benefit liabilities

	SERP		Other benefits		Total	
	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $
Balance - Beginning of year	32,572	32,589	46,885	48,245	79,457	80,834
Current service cost	388	405	1,595	1,525	1,983	1,930
Interest cost	1,167	1,083	895	982	2,062	2,065
Benefits paid	-	-	(2,302)	(2,343)	(2,302)	(2,343)
Actuarial (gain) loss	3,200	(578)	(760)	(4,491)	2,440	(5,069)
Funding contributions	(550)	(1,380)	-	-	(550)	(1,380)
Unamortized actuarial gain (loss)	(3,914)	453	785	2,967	(3,129)	3,420
Balance - End of year	32,863	32,572	47,098	46,885	79,961	79,457

TCHC's employee benefits expense

	SERP		Other benefits		Total	
	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $
Current service cost	388	405	1,595	1,525	1,983	1,930
Interest cost	1,167	1,083	895	982	2,062	2,065
Amortization of actuarial loss (gain)	(714)	(125)	25	(1,524)	(689)	(1,649)
	841	1,363	2,515	983	3,356	2,346

(in thousands of dollars)

Actuarial assumptions

The significant actuarial assumptions adopted in measuring TCHC's accrued benefit obligations and the benefit costs for the SERP and other employment and post-employment benefits are as follows:

	SERP		Other benefits	
	2019 %	**2018 %**	**2019 %**	**2018 %**
Discount rates for benefit obligation				
Post-retirement and sick leave	-	-	2.60	3.20
Post-employment	-	-	2.30	2.80
Pension	2.80	3.50	-	-
Discount rates for benefit costs				
Post-retirement and sick leave	-	-	3.20	2.90
Post-employment	-	-	2.80	2.60
Pension	3.50	3.10	-	-
Rate of compensation increase	2.75	2.75	3.00	3.00
Inflation rate	2.00	2.00	2.00	2.00
Health-care inflation - select	n/a	n/a	5.35	5.39
Health-care inflation - ultimate	n/a	n/a	4.00	4.00
Expected rate of return on plan assets	-	-	n/a	n/a
Actual rate of return on plan assets	0.17	0.60	n/a	n/a

For measurement purposes, a 7.30% annual rate of increase in the per capita cost of covered health-care benefits was assumed. The rate is assumed to decrease gradually to 4.00% by 2040 and remain at that level thereafter.

(in thousands of dollars)

12 Project financing and debenture loans

Project financing consists of mortgages, loans payable to the City, Infrastructure Ontario (IO) and others and debentures. The changes in project financing for the year ended December 31, 2019 are as follows:

						2019
Mortgages and loans payable to	**December 31, 2018 $**	**New project financing $**	**Imputed interest on loans $**	**Mortgages and loans payments $**	**Deferred financing costs $**	**December 31, 2019 $**
Canada Mortgage and Housing Corporation (CMHC) (note 12(a))	132,932	-	-	(10,786)	(8)	122,138
Other mortgages (note 12(b))	128,575	20,000	-	(11,099)	-	137,476
Long-term loans payable to the City (note 12(c))	94,517	18,709	40	(4,303)	5	108,968
Long-term loans payable to others (note 12(d))	23,681	-	-	(2,220)	(14)	21,447
Long-term loans payable to Infrastructure Ontario (IO) (note 12(e))	835,393	112,790	-	(22,545)	(194)	925,444
Debenture loans used in project financing (note 12(f))	445,653	-	-	-	134	445,787
	1,660,751	151,499	40	(50,953)	(77)	1,761,260
Less: Current portion	(59,406)					(70,434)
	1,601,345					1,690,826

(in thousands of dollars)

For the year ended December 31, 2019, interest incurred on long-term debt totalled $79,250 (2018 - $77,946) of which $78,853 (2018 - $77,544) has been recorded as interest expense in the consolidated statement of operations and $397 (2018 - $402) has been capitalized (note 7). All mortgages (notes 12(a), (b) and (d)) and loans payable to the City and IO (notes 12(c) and (e)) and the capital leasing facility (note 12(c)(ii)) have their underlying assets pledged as security. The remaining loans are unsecured.

Principal repayments are due as follows:

	CMHC (a) $	Other mortgages (b) $	City (c) $	Other loans (d) $	IO (e) $	Debenture loans used in project financing (f) $	Total $
2020	11,520	31,838	4,340	2,296	20,440	-	70,434
2021	11,991	12,634	4,637	2,375	21,519	-	53,156
2022	11,837	13,053	5,054	2,457	22,649	-	55,050
2023	12,046	12,438	4,848	2,541	23,492	-	55,365
2024	10,371	11,882	4,687	2,629	24,368	-	53,937
2025 and thereafter	64,381	55,631	85,422	9,163	814,649	450,000	1,479,246
Deferred financing charges on project financing	(8)	-	(20)	(14)	(1,673)	(4,213)	(5,928)
	122,138	137,476	108,968	21,447	925,444	445,787	1,761,260

a) CMHC mortgages bear interest at rates between 1.39% and 11% (2018 - 1.39% and 11%). These mortgages mature between 2020 and 2032.

On December 20, 2019, a financing agreement was signed between TCHC and Canada Mortgage and Housing Corporation (CMHC). TCHC expects to receive loans up to $1,341,057 to fund eligible expenditures under the capital repair program between 2020 to 2027. The amount is based on a current portfolio of 58,860 units and a reduction below the current portfolio will result in a proportionate reduction in the amount. The loans contain a repayable amount up to $813,545 and a forgivable amount up to $527,512. The repayable amount is interest bearing at fixed interest rate determined by the lender at the time of each advance and is amortized over 30 years. The forgivable loan amount is forgivable over a 20-year period subject to TCHC meeting certain terms and conditions as outlined in the financing agreement.

b) Other mortgages bear interest at rates between 2.65% and 12.75% (2018 - 2.11% and 12.75%). These mortgages mature between 2022 and 2048.

i) During 2019, TCHC received a credit facility of $20,000 with Royal Bank of Canada to finance interim construction related to one of TCHC's refurbishment projects. The loan was provided by way of a revolving credit facility at a prime interest rate of 3.45% plus BA fee of 0.62% with maturity date of October 20, 2020.

c) Long-term loans payable to the City consist of the following:

i) TCHC received $5,988 on November 8, 2013 from the City as zero-interest term loans to finance the building renewal and energy retrofit measures of certain properties. The term loans mature on October 1,

(in thousands of dollars)

2022 and October 1, 2023 and are repayable quarterly commencing January 1, 2015. Under the loan agreements, TCHC provided a general security with its assets in the form of a promissory note for $5,988.

ii) TCHC received $52,411 on December 1, 2014 from the City to refinance loans of 37 properties, with a financing cost of $25 related to the origination of the loan. The loans were provided by way of a non-revolving credit facility at a fixed interest rate of 4.5% for a 30-year term. The loans were reduced with a one-time payment of $84 on April 14, 2015 and the outstanding balance of $52,326 is repayable in annual instalments commencing January 1, 2016. Under the agreement, proceeds of $19,801 were used to repay the existing loans and $32,610 was restricted for future capital expenditures for specific properties. As at December 31, 2019, $52 (2018 - $27,153) of the proceeds remain restricted including the net investment income earned since inception of the financing transaction and is included in restricted cash for externally restricted purposes on the consolidated statement of financial position.

iii) During 2019, TCHC received loans of $8,709 (2018 - $26,000) with the City to finance the implementation of nine energy efficiency projects at TCHC facilities. The loans were provided by a way of a non-revolving credit facility at a fixed interest rate of 3.7% for a 20-year term with repayment beginning December 15, 2019.

iv) During 2019, TCHC received loans of $10,000 with the City to finance the implementation of thirty-nine energy efficient generators at TCHC facilities. The loan was provided by way of a non-revolving credit facility at a fixed interest rate of 2.6% for a 20-year term with repayment beginning April 1, 2021.

v) Other loans from the City bear interest at rates between 2.75% and 4.12% (2018 - 2.75% and 4.12%). These loans mature between 2026 and 2042.

d) Long-term loans payable to others primarily consist of the following:

TCHC has a non-revolving, 10-year loan of $21,447 (2018 - $23,456) to assist with the financing of the construction for Phase 1 of its Building Renewal Program, which was completed in 2009. The loan was provided at a fixed interest rate of 3.39% with repayment beginning March 15, 2018.

e) TCHC has entered into a number of arrangements with IO, a Crown agency owned by the Province of Ontario. The loan proceeds are restricted for: (i) payment of maturing mortgages of refinanced properties; (ii) capital expenditures on specific refinanced properties; or (iii) capital expenditures on general portfolio properties. In addition, generally all net investment income earned on the restricted fund and 4% of the aggregate annual effective gross income from the refinanced properties, including any rent supplement income and affordability payments from the Province of Ontario, the City or other municipality, must be added to the capital expenditure reserve. Since December 1, 2013, TCHC has deposited $19,564 (2018 - $14,271) of the aggregate annual effective gross income from the refinanced properties.

TCHC incurred financing costs of $1,987 (2018 - $1,753) related to the origination and maintenance of the IO funding with an unamortized deferred financing cost of $1,673 (2018 - $1,483) as at December 31, 2019.

During the year ended December 31, 2019, TCHC repaid $22,545 (2018 - $17,749) toward the principal of the loans.

(in thousands of dollars)

The IO loans payable do not require security by letters of credit and they are guaranteed by the City in favour of IO. The loans are subject to financial covenants, which are to be tested at the end of each fiscal year.

The details of the IO loans payable and related restricted assets are as follows:

i) On October 18, 2013, TCHC finalized a financing transaction with IO for $154,703 (the 2013 IO financing) consisting of non-revolving loans of $15,500, which has been fully repaid on November 1, 2018, and $139,203 that matures on November 2, 2043. The loan of $15,500 bear's interest at a floating rate determined on a monthly basis by IO and the loan of $139,203 was funded in two instalments of $70,016 and $69,187 at fixed rates of 4.37% and 4.53%, respectively. The loans have monthly principal and interest repayment terms and, as at December 31, 2019, are secured by the 18 refinanced properties.

Proceeds of $60,378 were used to pay out the maturing mortgages of the 18 refinanced properties, $82,504 was restricted for capital expenditures for general properties in TCHC's portfolio and $11,821 was included in reserves held in trust by the lender, which are restricted for investments in capital assets with a useful life of at least 30 years for the refinanced properties.

As at December 31, 2019, $7,453 (2018 - $6,320) is included in cash for capital expenditures under restrictions with lenders in respect of capital expenditures on specific refinanced properties and the funds received for capital expenditure for general properties in TCHC's portfolio were fully spent.

ii) On October 27, 2014, TCHC finalized a financing transaction with IO of $49,710 (the 2014 IO financing), consisting of non-revolving loans of $3,418 at a fixed interest rate of 2.33% for a term of five years and $46,292 at a fixed interest rate of 3.68% for a term of 30 years. Loan proceeds of $19,023 were used to pay out the maturing mortgages of 15 refinanced properties and $30,687 was restricted for investment in future capital assets.

As at December 31, 2019, $1,369 (2018 - $1,088) is included in cash for capital expenditures under restrictions with lenders.

iii) On November 6, 2015, TCHC finalized a financing transaction with IO for $232,000 (the 2015 IO financing), consisting of a non-revolving loan at a fixed interest rate of 3.67% for a term of 30 years. Loan proceeds of $31,919 were used to repay the maturing mortgages of 12 refinanced properties, $26,404 was restricted for capital expenditures for the refinanced properties and $173,677 was used for capital expenditures for the general portfolio.

As at December 31, 2019, $6,116 (2018 - $4,875) is included in cash for capital expenditures under restrictions with lenders.

(in thousands of dollars)

iv) On December 1, 2016, TCHC finalized a financing transaction with IO for $62,161 (the 2016 IO financing), consisting of a non-revolving loan at a fixed interest rate of 3.47% for a term of 30 years. Loan proceeds of $23,132 were used to pay out the maturing mortgages of ten refinanced properties and $39,029 was restricted for capital expenditures for the ten refinanced properties.

As at December 31, 2019, $24,714 (2018 - $23,536) is included in cash for capital expenditures under restrictions with lenders.

v) On February 10, 2017 and June 9, 2017, TCHC finalized a financing transaction with IO for $100,000 and $210,000, respectively (the 2017 IO financing), consisting of a non-revolving loan at a fixed interest rate of 3.66% and 3.20%, respectively, for a term of 30 years. Loan proceeds of $93,600 were reimbursed to TCHC, subsequent to paying out maturing mortgages of 32 refinanced properties in prior periods, $72,159 was restricted for capital expenditures for the 32 refinanced properties and $144,241 is to be used for capital expenditures for the general portfolio.

As at December 31, 2019, $61,062 (2018 - $58,108) is included in cash for capital expenditures under restrictions with lenders.

vi) On February 10, 2017, TCHC finalized a financing transaction with IO for $10,000 (the 2017 IO financing), consisting of a non-revolving loan at a fixed interest rate of 3.66% for a term of 30 years. Loan proceeds of $10,000 were restricted for capital expenditures for the redevelopment of an 11-storey building with 86 midrise units, 32 rental townhouses and one level of underground parking. As at December 31, 2019, TCHC is in compliance of the financial covenants as stipulated in this financing arrangement.

As at December 31, 2019, $146 (2018 - $93) is included in cash for capital expenditures under restrictions with lenders.

vii) On October 20, 2017, TCHC finalized a financing transaction with IO for $64,829 (the 2017 IO financing), consisting of a non-revolving loan at a fixed interest rate of 3.57% for a term of 30 years. Loan proceeds of $25,219 were reimbursed to TCHC, subsequent to paying out maturing mortgages of 22 refinanced properties in prior periods and $39,610 was restricted for capital expenditures for the 22 refinanced properties.

As at December 31, 2019, $24,847 (2018 - $23,428) is included in cash for capital expenditures under restrictions with lenders.

(in thousands of dollars)

viii) On February 7, 2019, TCHC finalized a financing transaction with IO for $76,500 (the 2018 IO financing), consisting of a non-revolving loan at a fixed interest rate of 3.55% for a term of 30 years. Loan proceeds of $19,337 were reimbursed to TCHC, subsequent to paying out maturing mortgages of eight refinanced properties in prior periods, $9,298 was restricted for capital expenditures for the eight refinanced properties and $47,865 was restricted for capital expenditures for TCHC's general residential portfolio.

As at December 31, 2019, $9,943 is included in cash for capital expenditures under restrictions with lenders.

ix) On June 4, 2019, TCHC finalized a financing transaction with IO for up to $40,222. As at December31, 2019, TCHC has drawn on $36,290 consisting of a non-revolving construction loan at a variable interest rate of 2.23% for a two-year term from the date of the first construction loan advance, June30, 2019 or a date the borrower elects to convert to a construction loan. On April 1, 2020, the construction loan will be converted to a non-revolving term loan at a fixed interest rate of 3.48% for a term of 30 years. Loan proceeds of $36,290 were reimbursed to TCHC, subsequent to incurring construction costs related to development of Regent Park project.

The following is a summary of TCHC's restricted assets under its loan agreements:

	Restricted cash for externally restricted purposes $	Cash for capital expenditure under restrictions with lenders $	December 31, 2019 total $	Restricted cash for externally restricted purposes $	Cash for capital expenditure under restrictions with lenders $	December 31, 2018 total $
2013 IO financing	-	7,453	7,453	-	6,320	6,320
2014 IO financing	-	1,369	1,369	-	1,088	1,088
2015 IO financing	-	6,116	6,116	-	4,875	4,875
2016 IO financing	-	24,714	24,714	-	23,536	23,536
2017 IO financing	-	86,055	86,055	-	81,629	81,629
2018 IO financing	-	9,943	9,943			
	-	135,650	135,650	-	117,448	117,448
Externally restricted funds received in 2014 - City of Toronto	52	-	52	27,153	-	27,153
Other externally restricted cash	6,529	-	6,529	4,382	-	4,382
	6,581	135,650	142,231	31,535	117,448	148,983

f) TCHC has entered into a Credit Agreement, dated May 11, 2007, with TCHC Issuer Trust, which in turn entered into an agreement with various agents to issue bonds. TCHC Issuer Trust has advanced all proceeds of the bond offerings to TCHC as a loan having the same interest rate and term as the debenture, pursuant to the Credit Agreement and Master Covenant Agreement between TCHC and TCHC Issuer Trust.

(in thousands of dollars)

Details of the bond issues are as follows:

i) In 2007, $250,000, 4.877% Debentures Series A bonds due on May 11, 2037

TCHC has used $250,000 (2018 - $250,000) of this loan for long-term financings of social housing projects. TCHC incurred financing costs of $3,297, which reduced the carrying value of the related debt and are amortized over the term of the debt. Amortization of $87 (2018 - $83) and interest expense of $12,193 (2018 - $12,193) were recorded.

ii) In 2010, $200,000, 5.395% Debentures Series B bonds due on February 22, 2040

TCHC has used $200,000 (2018 - $200,000) of this loan for long-term financings of social housing projects. TCHC incurred financing costs of $2,121, which reduced the carrying value of the related debt and are amortized over the same term as the debt. Amortization of $44 (2018 - $44) and interest expense of $10,790 (2018 - $10,479) were recorded.

13 Capital asset replacement reserve

Under the terms of an agreement with the Ontario Ministry of Municipal Affairs and Housing, TCHC is required to maintain a reserve for major repairs and maintenance for not-for-profit program buildings and to contribute annually to the reserve from its operations funding received from the City.

Cash and investment for the capital asset replacement reserve of $60,644 (2018 - $51,048) has been set aside to meet this obligation. The interest income earned is restricted and deferred in the reserve until eligible expenditures are incurred.

The changes in the capital asset replacement reserve are due to the following:

	$
December 31, 2018	51,048
Contributions during the year (i)	9,177
Interest income	1,933
Transfer to deferred capital contributions for expenditures (note 14(a))	(1,514)
December 31, 2019	60,644

i) Contributions during the year are recorded as operating and maintenance expenditures.

(in thousands of dollars)

14 Deferred capital contributions and grants receivable

a) Deferred capital contributions represent the unamortized amount of restricted contributions received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the consolidated statement of operations on the same basis as the asset to which they relate is depreciated.

The changes in the deferred capital contributions balance are as follows:

	$
Balance - Beginning of year	680,363
Restricted grants for housing projects	128,398
Transfer from Ontario Ministry of Municipal Affairs and Housing capital asset replacement reserve for approved expenditure (note 13)	1,514
Less: Amortization of deferred capital contributions	(58,321)
Less: Disposal of properties with unamortized deferred capital contributions (note 18)	(2)
Balance - End of year	751,952

b) As at December 31, 2019, the grants receivable comprise:

	2019 $	2018 $
Provincial affordability housing grants (i)	13,081	13,936
Contributions receivable from Province of Ontario (ii)	-	1,340
Contributions receivable from City of Toronto (iii)	10,377	78,898
	23,458	94,174
Less: Current portion	(11,272)	(81,094)
	12,186	13,080

i) Provincial affordability housing grants for the development of five projects are to be paid monthly over 20 years from the date of grant through to various dates in 2029 to 2034. As at December 31, 2019, $13,081 (2018 - $13,936) has been set up as a grant receivable.

ii) On December 22, 2014, the City signed a contribution agreement for funding of $7,050 from the Province of Ontario to TCHC for developing 47 units for a construction project. TCHC received the remaining contribution of $1,340 (2018 - $nil) for eligible work performed in 2019.

iii) On December 22, 2016, the City signed a contribution agreement for funding of $4,910 to TCHC to assist with construction of 33 affordable housing units on Block 17 North. TCHC received the remaining contribution of $1,964 (2018 - $491) for eligible work performed in 2019.

On December 22, 2016, the City signed a contribution agreement for funding of $48,167 to TCHC to assist in the repair and energy and water retrofit of 21 locations. TCHC received $6,551 (2018 -

(in thousands of dollars)

$22,318) in 2019 and expects to receive payment of $4,279 (2018 - $2,339) in 2020 for eligible work performed in 2019.

On December 22, 2016, the City signed a contribution agreement for funding of $28,346 to TCHC for the retrofit of nine apartment buildings with 150 units or more in order to reduce greenhouse gas emissions and improve energy efficiency. TCHC received remaining contribution of $4,465 (2018 - $15,377) in 2019.

On March 20, 2018, the City signed a contribution agreement for funding of $14,238 to TCHC to assist with the renovation of 120 affordable housing units on 389 Church Street for the Home for Good (HFG) Program. TCHC received remaining contribution of $9,965 (2018 - $4,273) in 2019.

In 2018, the City approved funding of $160,000 and $40,000 from the Shelter, Support & Housing Administration (SSHA) to TCHC to address its state of good repair backlog for 2018 and 2019, respectively. TCHC received remaining contribution of $50,096 (2018 - $109,904) in 2019. The balance of $40,000 will be recorded as grants receivable when TCHC incurs eligible costs.

In 2018, the City approved funding of $56,037 and $23,146 from the SSHA to TCHC for existing redevelopment projects for 2018 and 2019, respectively. TCHC received $8,869 (2018 - $29,280) in 2019 and expects to receive payment of $nil in 2020 for eligible work performed in 2019. The balance of $41,034 will be recorded as grants receivable when TCHC incurs eligible costs.

On November 10, 2018, the City signed a contribution agreement for funding of $1,375 to TCHC for the Eviction Prevention program. TCHC received remaining contribution of $1,375 (2018 - $nil) in 2019.

During 2019, the City approved funding of $133,111 to TCHC for the retrofit of 12 apartment buildings with 150 units or more in order to reduce greenhouse gas emissions and improve energy efficiency. TCHC received $57,105 in 2019 and expects to receive payment of $6,098 in 2020 for eligible work performed in 2019. The balance of $69,908 will be recorded as grants receivable when TCHC incurs eligible costs.

15 Funds under administration

The following funds are administered by TCHC on behalf of the City and accordingly have not been included in these consolidated financial statements:

	Net assets under administration			
	December 31, 2019		December 31, 2018	
	Assets $	Liabilities $	Assets $	Liabilities $
Toronto Affordable Housing Fund	10,086	8,269	9,412	8,181

(in thousands of dollars)

The programs provide financial support to qualified individuals to purchase eligible homes. The funding agreement was signed with the City on April 30, 2009, for which principal and interest shall be paid to the City and all outstanding mortgages shall be assigned to the City on April 30, 2029, unless otherwise determined by the City.

16 Internally restricted funds

Internally restricted funds are held for specific purposes as resolved by TCHC's Board of Directors. These funds, and the investment income allocated towards them, are not available for TCHC's general operating expenses.

On May 25, 2015, the Board of Directors approved an investment fund allocation, relating to internally restricted reserves (note 3). Investment income and fair value adjustments generated from the investments that were apportioned to various internally restricted funds will be allocated based on the TCHC accounting policy (note 2).

(in thousands of dollars)

On February 27, 2019, the Board of Directors approved to consolidate TCHC's internally restricted reserve funds of debt service reserve fund to sinking fund of public debentures, development risk reserve fund to capital risk reserve fund and legal contingencies fund to working capital fund. The purpose of the consolidation is to effectively utilize internally restricted cash and investments in the remaining four reserve funds.

As at December 31, 2019, the funds comprise cash of $215 and investments of $150,380 including $772 of accrued investment income recorded in accounts receivable (2018 - cash of $22,970, investments of $147,002 and $813 of accrued investment income).

Internally restricted funds consist of the following:

	Capital risk reserve fund (a) $	State of good repair fund (b) $	Debt service reserve fund (c) $	Sinking fund of public debentures (d) $	Development risk reserve fund (e) $	Working capital reserve fund (f) $	Legal contingencies fund (g) $	2019 Total (note 3) $
January 1, 2019	22,760	28,441	19,991	21,981	44,978	49,977	1,823	189,951
Reserve transfers	44,978	-	(19,991)	19,991	(44,978)	1,823	(1,823)	-
Contributions	-	8,683	-	-	-	-	-	8,683
Net investment income	1,723	-	-	3,039	-	25	-	4,787
Fair value adjustments for investments held	957	-	-	1,649	-	13	-	2,619
Expenditures	(19,306)	28	-	(182)	-	(1)	-	(19,461)
December 31, 2019	51,112	37,152	-	46,478	-	51,837	-	186,579

Internally restricted funds were funded by cash and investments as at December 31, 2019:

	Capital risk reserve fund (a) $	State of good repair fund (b) $	Debt service reserve fund (c) $	Sinking fund of public debentures (d) $	Development risk reserve fund (e) $	Working capital reserve fund (f) $	Legal contingencies fund (g) $	2019 Total (note 3) $
Cash	-	215	-	-	-	-	-	215
Investments (note 3) and accrued investment income	51,112	953	-	46,478	-	51,837	-	150,380
	51,112	1,168	-	46,478	-	51,837	-	150,595

(in thousands of dollars)

As at December 31, 2019, the state of good repair fund has a shortfall of $35,984 (2018 - $19,979). The shortfall can be funded from the Company's revolving credit facilities (note 10) should expenditures relating to the fund arise.

a) Capital risk reserve fund

The purpose of the internally restricted capital risk reserve fund is to mitigate the building capital risk of TCHC.

b) State of good repair fund

The state of good repair fund was established in 2011 to set aside the net proceeds received from the sale of stand-alone housing units or any other capital dispositions, with the exception of assets sold in relation to development initiatives to which such funding is required for development projects, to finance the capital repair needs of existing residential buildings. The state of good repair fund also includes education tax savings, and recovery of development costs that were previously incurred by TCHC to maintain TCHC's housing stock in a state of good repair in accordance with instructions from the City.

Contributions received for the years ended December 31, 2019 and 2018 are as follows:

	2019 $	2018 $
Education tax savings and other	8,683	8,683
Net proceeds received from the sale of stand-alone units (i)	-	1,386
	8,683	10,069

i) Net proceeds transferred to the state of good repair fund were the sale proceeds net of selling costs and mortgage repayments.

c) Debt service reserve fund

The debt service reserve fund is intended to fund debt service requirements for current and future mortgage requirements, in the event of insufficient cash flow from operations.

d) Sinking fund of public debentures

TCHC has entered into a Credit Agreement, dated May 11, 2007, with TCHC Issuer Trust, which in turn entered into an agreement with various agents to issue bonds of $450,000 (note 12(f)), with $250,000 due in 2037, and $200,000 in 2040. The fund is intended to assist with the repayment of the debentures at maturity.

(in thousands of dollars)

e) Development risk reserve fund

The intent of the fund is to have funds in reserve in the event of unanticipated financial risks associated with development projects.

f) Working capital reserve fund

The working capital reserve fund is to address liquidity risk in the event of insufficient funds for short-term expenditures due to a lack of working capital available.

g) Legal contingencies fund

The legal contingencies fund is to address the legal contingencies given the ongoing litigation matters in relation to TCHC.

17 Contingencies

a) TCHC will be liable to repay certain CMHC, federal, provincial and City loans not yet formally forgiven, which are included in deferred capital contributions (note 14), should it fail to adhere to the terms and conditions under which the loans were originally granted. As at December 31, 2019, the amount of forgivable loans is $107,853 (2018 - $98,634).

b) The nature of TCHC's activities is such that there is often litigation pending or in progress. With respect to claims as at December 31, 2019, it is management's position that TCHC has valid defences and appropriate insurance coverage in place. In the unlikely event any claims are successful, such claims are not expected to have a material impact on TCHC's consolidated financial position.

18 Gain on sale of housing projects, land and other capital assets

a) For the year ended December 31, 2019, TCHC disposed of property to Metrolinx under the Expropriation Act and received proceeds of $183. As at December 31, 2019, the net book value associated with the property was $13 and TCHC recognized a gain of $170.

b) On November 15, 2016, TCHC transferred land to a developer with carrying value of $nil and recorded a loan receivable of $3,000, bearing zero interest. As at December 31, 2019, TCHC recognized a net gain on land of $3,000.

c) On July 11, 2018, TCHC transferred land to a developer with carrying value of $nil and recorded a loan receivable of $3,000, bearing zero interest. As at December 31, 2019, TCHC recognized a net gain on land of $3,000.

d) For the year ended December 31, 2019, TCHC disposed of other capital assets and recognized a net gain on sale of $60.

(in thousands of dollars)

e) For the year ended December 31, 2018, TCHC sold and finalized one stand-alone unit transaction for proceeds net of selling costs of $1,386. The net book value associated with the stand-alone units was $181 and the deferred capital contributions liability associated with the stand-alone units was $132. As a result of the sales, TCHC recognized a gain of $1,337 for the year ended December 31, 2018 for transactions that were finalized.

19 Commitments

a) TCHC is obligated under the terms of operating leases and other commitments to the following annual payments:

	Operating lease $	Other (b) $	Total $
2020	1,689	241,511	243,200
2021	1,252	-	1,252
2022	1,168	-	1,168
2023	1,164	-	1,164
2024	1,160	-	1,160
2025 and thereafter	5,465	-	5,465
	11,898	241,511	253,409

b) As at December 31, 2019, TCHC has commitments of $241,511 to vendors for capital repairs and services to be performed over the next 12 months.

20 Fair value and risk management

Fair value measurement

The following classification system is used to describe the basis of the inputs used to measure the fair values of financial instruments in the fair value measurement category:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - market based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate, based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

(in thousands of dollars)

The following table illustrates the classification of TCHC's financial instruments that are measured at fair value within the fair value hierarchy:

				2019
	Level 1 $	Level 2 $	Level 3 $	Total $
Investments and restricted investments	149,608	-	-	149,608
	149,608	-	-	149,608

				2018
	Level 1 $	Level 2 $	Level 3 $	Total $
Investments and restricted investments	147,926	-	-	147,926
	147,926	-	-	147,926

Risk management

TCHC is exposed to a variety of financial risks, including interest rate risk, credit risk and liquidity risk. TCHC's overall financial risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on TCHC's financial performance.

i) Interest rate risk

Interest rate risk is the risk that either future cash flows or the fair value of a financial instrument will fluctuate because of changes in market interest rates. TCHC is exposed to significant interest rate risk as a result of cash balances, fixed rate and floating rate investments carried at fair value, and floating rate debt.

- Fixed income investments

  TCHC is exposed to the risk of fluctuation in the fair value and cash flows from its fixed income investments due to changes in interest rates.

  TCHC mainly invests in debt instruments with terms to maturity of one year or less or other short-term fixed income securities and as such has minimal sensitivity to changes in interest rates since these debt instruments have short maturity profiles and are usually held to maturity. For every 1% increase in the investment rate of return, the investments held by TCHC as at December 31, 2019 would have increased by $1,333. For every 1% decrease in the investment rate of return, the investments held by TCHC as at December 31, 2019 would have decreased by $1,333.

(in thousands of dollars)

TCHC utilizes an investment manager to manage the investment portfolio with the performance of the portfolio being assessed in relation to pre-established benchmarks and the risks associated with the investment portfolio are reviewed on a quarterly basis by TCHC's Investment Advisory Committee, which reports to TCHC's Building Investment, Finance and Audit Committee.

- Floating interest rate risk - project financing

The risk of increases in the floating interest rate on TCHC's project financing, if unmitigated, could lead to decreases in cash flow and excess of expenditures over revenues. As at December 31, 2019, floating rate debt represented 6.84% (2018 - 3.60%) of total debt obligations.

As at December 31, 2019, the effect on unrestricted surplus of a 50 basis point absolute change in the market interest rate of the floating rate debt obligations is $624 (2018 - $299).

ii) Credit risk

- Fixed income credit risk

TCHC has investments in fixed income securities issued by corporations and government entities. TCHC mitigates its risk by limiting its investment portfolio to investments in BBB grade or higher. TCHC conducts the following so as to mitigate credit risk: TCHC's investment portfolio is limited to investments in BBB grade or higher; an investment manager manages the investment portfolio on behalf of TCHC, and investment performance is assessed in relation to pre-established benchmarks; and the performance and risks associated with the investment portfolio are reviewed on a quarterly basis by TCHC's Investment Advisory Committee, which reports to TCHC's Building Investment, Finance and Audit Committee. There are no amounts past due on the fixed income investment portfolio.

- Loans receivable credit risk

Credit risk in the event of non-payment by the development partners is not considered to be significant as agreements outlining repayments are in place and there are no past due balances as at December 31, 2019.

- Accounts receivable from the City credit risk

TCHC recorded the long-term receivable from the City in 2001. TCHC and the City mutually agreed to a repayment schedule. The City acknowledges the amount payable. TCHC believes it is not exposed to significant credit risk as a result of non-payment.

(in thousands of dollars)

- Accounts receivable credit risk

  TCHC is exposed to credit risk in the event of non-payment by tenants.

  As at December 31, 2019, the following is the aging of accounts receivable:

	30 days $	60 days $	90 days $	120 days $	Over 120 days $	Total $
Accounts receivable	90,385	2,445	165	344	1,365	94,704

  Total accounts receivable of $94,704 (2018 - $77,639) comprises the City and other receivables of $86,533 (2018 - $70,442) and tenant accounts receivable, net of allowance for doubtful accounts, of $8,172 (2018 - $7,197).

iii) Liquidity risk

Liquidity risk results from TCHC's potential inability to meet its obligations associated with financial liabilities as they come due. TCHC monitors its operations and cash flows to ensure current and future obligations will be met. TCHC has access to an undrawn revolving credit facility of $129,225 to meet its current and future obligations.

The table below is a maturity analysis of TCHC's financial liabilities as at December 31, 2019:

	Up to 1 year $	More than 1 year up to 5 years $	More than 5 years $	Total - December 31, 2019 $	Total - December 31, 2018 $
Bank loan	68,917	-	-	68,917	46,300
Accounts payable and accrued liabilities	248,541	-	-	248,541	235,713
Tenants' deposits	15,189	-	-	15,189	14,896
Project financing including interest (note 12)	125,438	411,468	1,468,313	2,005,219	1,863,612
	458,085	411,468	1,468,313	2,337,866	2,160,521

(in thousands of dollars)

21 Subsequent events

The following material transactions took place after December 31, 2019:

i) Subsequent to year-end, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. On March 23, 2020, the City declared a state of emergency. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. The impact of COVID-19 pandemic is considered to be a non-adjusting event at the balance sheet date and, accordingly, the TCHC has not reflected these subsequent conditions in the measurements of its assets as at December 31, 2019.

   In response to the economic impact of COVID-19, on March 24, 2020, with the City's approval, TCHC confirmed that rent will be adjusted and/or deferred for both market rent and rent-geared-to-income (RGI) tenants. In addition, TCHC may be negatively impacted by the timing and/or amount of future subsidies from the City and other government, recoverability of amounts receivable and valuation of portfolio investments given the significant volatility and weakness in the equity markets. The duration and impact of the COVID-19 outbreak is unknown at this time. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Corporation in future periods.

ii) Pursuant to the financing arrangement with CMHC (note 12(a)), TCHC submitted a claim and received a total amount in 2020 of $115,756 comprised of a repayable loan amount of $57,878, bearing interest of 1.32% and a forgivable loan of $57,878.