

Key Elements of Financial Impact Section of Annual General Meeting Report (for reporting year 2025)

Summary of operations for the 2025 fiscal year

Our tenants are at the center of everything we do. In 2024, TCHC developed its five-year strategic plan for 2025-2029. Over the next five years, TCHC aims to provide better services, more housing, and a positive impact on communities across our portfolio.

At the end of 2025, TCHC transferred 992 single units of its scattered portfolio to other non-profit housing providers and community land trusts. This initiative was directed by City Council as part of the City of Toronto's Tenant First Plan in 2018 (EX30.2). TCHC continues to work with the City of Toronto to transfer the remaining 190 units. TCHC owns and operates over 1,300 buildings, including high-rises, mid-rises, low-rises, townhouses, walk-up apartments, single-family homes, and rooming houses. These buildings include more than 43,500 units. TCHC also owns approximately 14,000 units operated by Toronto Seniors Housing Corporation.

The Facilities Management division successfully completed 91.3% of TCHC's planned capital work in 2025, delivering \$347M of the \$380M capital plan. Some of the highlights are:

- 1,029 projects
- 21,104 work orders

TCHC's Conservation team is making significant progress in fulfilling the commitment to reduce energy consumption by 19% by the end of 2028. The team implemented numerous programs aimed at improving our tenant's living experience as well as working conditions for staff.

TCHC's Development division delivers a multi-year, multi-site revitalization and development program. In 2025, TCHC completed construction on Regent Park Phase 3, Lawrence Heights Phase 1 (townhomes), Don Summerville, and Alexandra Park Sites 1 and 2.

In 2026, TCHC has four ongoing revitalizations including Regent Park Phases 4 and 5, Alexandra Park Phase 2, and three revitalizations in

predevelopment including Lawrence Heights Phase 2, Firgrove, and Swansea Mews. In addition, work also continued on new TCHC sites, in partnership with the City of Toronto under the Toronto Builds Framework, including 150 Queens Wharf and 405 Sherbourne. TCHC is actively identifying new development projects.

2025 Highlights

Revitalization Projects

- **Regent** **Park**
TCHC completed construction on the 213-unit 175 Oak St site, the community's final Phase 3 rental replacement building in 2025. TCHC also broke ground on the first building of Phase 4, Regent Park Building 4A.
- **Lawrence** **Heights**
In 2025, key actions were taken on Phase 1 including having the Part Lot Control Exemption By-law and Release of section 118. In addition, key pre-development work was initiated in Phase 2, including applying for an Official Plan Amendment, Zoning By-Law Amendment, Draft Plan of Subdivision and Rental Housing Demolition Application.
- **Alexandra** **Park**
In 2025, TCHC completed the construction of 130 Augusta Avenue (Phase 2A). This project is the new home of the Atkinson Co-operative and is comprised of 99 RGI units, four affordable housing units and a 62-space City-run daycare.
- **Don** **Summerville**
Construction was completed on the Don Summerville Revitalization in 2025. This included 120 replacement units for all returning RGI tenants, in addition to 100 new affordable rental units, 187 new market rental units, and 367 new condominium units.
- **Firgrove**
Initial pre-development work was completed in 2025, including a Request for Proposal ("RFP") to retain Civil Engineering Subdivision Design and Contract Administration Services for municipal roads and infrastructure. TCHC also engaged in conversations with the City's Housing Development office on funding and cost sharing mechanisms.
- **Swansea Mews**
Initial pre-development work was completed in 2025, including most notably City Council approving an Initial Development Proposal ("IDP") for Swansea Mews in April 2025 and the submission of a combined

Official Plan Amendment, Zoning By-law Amendment, and Rental Housing Demolition and Conversion applications in Q4 2025.

City Led Projects

- **150 Queens Wharf**

Initial pre-development work was completed in 2025, including the submission of a Zoning By-law Amendment application in Q4 2025

- **405 Sherbourne**

Initial pre-development work was completed in 2025, including the submission of a Zoning By-law Amendment application in Q4 2025.

Additional Development Division Initiatives

- **Community Economic Development**

In 2025, approximately 260 tenants were engaged and supported to access a Community Economic Development opportunity including training, scholarships, business development, or employment opportunities.

- **Toronto Builds**

At its meeting on May 21 and 22, 2025, Toronto City Council adopted item PH21.4 "[Toronto Builds - A Policy Framework to Build More Affordable Rental Homes on Public Land](#)".

2025 Financial Highlights

Statement of Financial Position

The *Statement of Financial Position* provides an overview of all resources owned by TCHC, as well as the obligations to stakeholders at the end of the reporting period. Significant assets and liabilities and year-over-year changes are highlighted as follows:

Statement of Financial Position	2025	2024	Change	% Change
ASSETS				
Cash	97,836	90,885	6,951	7.6%
Accounts receivable	81,549	100,585	(19,036)	-18.9%
Loans receivable	23,090	88,289	(65,199)	-73.8%
Grants receivable	180,780	19,996	160,784	804.1%
Investments	349,640	309,886	39,754	12.8%
Housing projects acquired or develop	1,840,038	1,807,797	32,241	1.8%
Improvements to housing projects	2,675,018	2,588,356	86,662	3.3%
Other Assets	39,170	45,650	(6,480)	-14.2%
TOTAL ASSETS	5,287,121	5,051,444	235,677	4.7%
LIABILITIES				
Bank loan and bank indebtedness	125,100	18,500	106,600	576.2%
Accounts payable and accrued liability	224,601	265,998	(41,397)	-15.6%
Asset Retirement Obligation	476,616	476,616	-	0.0%
Deferred revenue	61,887	61,076	811	1.3%
Employee benefits	71,288	65,851	5,437	8.3%
Deferred capital contributions	1,839,225	1,671,084	168,141	10.1%
Project financing	1,991,768	1,939,797	51,971	2.7%
Other Liabilities	22,843	22,569	274	1.2%
TOTAL LIABILITIES	4,813,328	4,521,491	291,837	6.5%
NET ASSETS	473,793	529,953	(56,160)	-10.6%

Total assets increased by \$235.7M compared to 2024 primarily due to the:

- \$6.9M increase in cash: which was based on the opening cash balance of \$90.9M, adding the operating activities \$185.4M and financing activities \$286.7M, offset by \$405.8M capital outlay and \$59.4M from investment cash outflow, resulting in a yearend cash balance of \$97.8M.
- \$19.0M decrease in accounts receivable: primarily due to \$18.5M 2024 City capital subsidies received in 2025. All city capital subsidies are recorded in Grant Receivables in 2025.
- \$65.1M decrease in loans receivable is primarily due to:
 - Reduction due to repayment of \$12.0M for Regent Park phase 3 and \$7.7M Lawrence Heights and in 2025, the

building value for Don Summerville was \$58.6M. Throughout construction, TCHC accrued the building value in development accrual. For accounting purposes, TCHC cleared the \$46.0M of loan receivable as described in Note 4 (d) in exchange for removal of related development accrual as noted below and recognized a gain on transfer at the time of project completion.

- \$160.8M increase in grants receivable due to:
 - \$141.5M net increase primarily due to Q4 2025 capital funding from the City of Toronto that was not received until Q1 2026. This includes \$14.5M of City capital subsidies which would have been previously recorded in AR.
 - \$32.2M CMHC forgivable portions were received in Q1 2026 offset
 - Offset by \$11.7M Q4 2024 capital funding from City received in Q1 2025 and \$1.2 million of repayment in other grant receivables.
- \$39.7M increase in investments: includes \$9.0M contribution to the sinking fund, \$6.6M of unrealized gains from higher fair market value of investments and \$24.1M in net investment income which excludes unrealized gains and losses from sold investments reclassified from accumulated remeasurement gains.
- \$32.2M increase in housing projects acquired or developed: \$85.7M of construction projects additions offset by \$53.5M in depreciation & disposals.
- \$86.7M increase in improvements to housing projects: \$324.8M of building capital repairs additions offset by \$238.1M increase of depreciation & disposals.
- \$6.5M decrease in other assets is due to:
 - \$1.5M reduction in investment from joint ventures primarily from \$1.2M net distributions made from Allenbury Gardens Revitalization General Partnership;
 - \$3.3M reduction in prepaid expenses primarily due to the \$1.1M return of security previously paid and \$1.7M settlement of prepaid and;

- \$1.7M decrease due to payment and settlement of long-term receivable from City of Toronto.

Total Liabilities increased by \$291.8M primarily driven by:

- \$106.6M increase in bank loan and bank indebtedness primarily due to TCHC borrowing from the line of credit to meet short term vendor & payroll obligations since payment from funding partners are not received until Q1 2026.
- \$41.4M decrease in accounts payable and accrued liabilities:
 - \$48.7M decrease in development accrual primarily due to the completion of Don Summerville building as noted above;
 - \$33.4M decrease in City payable primarily due to \$29.8M of 2025 City advance funding received in 2024, and \$2.3M payment to Dixon Hall;
 - \$30.6M increase in vendor payable and other are primarily attributed to an implementation 2-factor authentication to Vendor Cafe in Q4 2025 which resulted in delayed receipt of invoices;
 - \$17.0M increase in capital accruals primarily due to higher spend in Q4 2025 compared to Q4 2024 which invoices are received after year end and
 - \$6.9M decrease mainly as a result of water accrued for 2024 represents 124 days and 2025 represents 96 days.
- \$0.8M increase in deferred revenue primarily includes a net increase of \$1.7M for deferred revenue related to Regent Park Block 16 and 17 for advance payment on subsidy for principal and interest offset by \$0.9M in revenue recognition on long term lease.
- \$5.4M increase in employee benefits primarily due to higher accrued benefit obligation of \$3.6M for WSIB mainly driven by higher net monthly benefit payments, \$1.1M for disability benefits mainly driven by increase in claimants & longer duration and \$0.7M for other employee benefits accrual.
- \$168.1M increase in deferred capital contribution: \$263.2M additional funding received from capital projects which includes \$212.6M City & \$50.6M CMHC forgivable loan, partially offset by \$95.1M of amortization to revenue.

- In 2026, an amending agreement has been signed with CMHC and the City of Toronto which updates the special covenants related to waiving accessibility requirements, reducing the required portfolio wide energy saving from 25% to 19% by December 2028, and reducing the minimum unit count requirement from 58,860 to 57,484 to reflect transferred houses through the City of Toronto's direction. As of December 2025, TCHC is expecting to comply with the amended special covenants.
- \$51.9M increase in project financing: \$119.4M of new loans, \$0.3M amortization of deferred financing costs and offset by \$67.8M of debt repayments.

Net Assets decreased by \$56.1M due to:

- \$35.8M operating accounting deficit in 2025 and
- \$20.3M reduction in the total accumulated remeasurement gains and losses as a result of onboarding of OCIO which comprises of:
 - \$31.8M reduction due to transfer from unrealized gain to realized gain (which includes \$26.9M cumulative unrealized gains and losses from 2024 & unrealized gains and losses up to the time sale (July 2025) offset by;
 - \$11.5M increase as a result of unrealized gain from investment for 2025.

Statement of Operations

Statement of Operation	2025	2024	Change	% Change
Subsidies	410,832	342,830	68,002	19.8%
Rent Revenue	413,091	394,850	18,241	4.6%
Amortization of deferred capital contributions	95,143	93,101	2,042	2.2%
Parking, laundry and cable fees	18,009	17,959	50	0.3%
Investment income	55,712	26,108	29,604	113.4%
Gain on sale of housing projects and JV income	12,545	22,253	(9,708)	-43.6%
Plant and Other	18,556	21,166	(2,610)	-12.3%
Total Revenue	1,023,888	918,267	105,621	11.5%
Operating and maintenance	376,810	279,466	97,344	34.8%
Utilities	146,734	134,737	11,997	8.9%
Depreciation	290,542	280,692	9,850	3.5%
Corporate services and Other	245,667	229,873	15,794	6.9%
Total Expense	1,059,753	924,768	134,985	14.6%
Excess of revenue over expenses for the period	(35,865)	(6,501)	(29,364)	451.7%

Total revenue increased by \$105.6M compared to the prior year mainly driven by:

- \$68.0M increase in City operating subsidies: \$30M net increase in operating subsidy revenue and \$38M of capital funding received from the City for minor repairs between \$1,500 to \$5,000 which was immediately recognized as subsidy revenue due to change in capitalization policy as disclosed in Note 1 (k).
- \$18.2M increase in rent revenue:
 - \$11.7M increase in residential revenue resulting from RGI rent review and \$6.1M rent-controlled market rent increase following the Ministry guidelines' increase in 2025 and
 - \$0.4M increase in commercial revenue
- \$2.0M increase in amortization: recognized as a result of increased revenue from deferred capital contribution.
- \$29.6M increase in investment income mainly due to \$31.8M reclassification of unrealized gain and loss to income statement for investments sold as a result of implementing Outsourced Chief Investment Officer.

- \$9.7M decrease primarily due to the gain on transfer recognized in 2025 from Don Summerville is less in comparison to 2024, which includes Lawrence Heights and Regent Park of \$7.4M. Combined with \$2.3M lower income from joint venture mainly due to lower profit distribution from Allenbury Gardens.
- \$2.6M decrease in plant and other was mainly due to gain as a result of work performed to eliminate asset retirement obligation in 2024 related to 3 demolished buildings.

Total expenses increased by \$134.9M:

- \$97.3M increase in operating and maintenance:
 - \$38M of capital funding received from the City for minor repairs between \$1,500 to \$5,000 which was immediately recognized as an expense due to change in capitalization policy as disclosed in Note 1 (k).
 - \$16.3M labor cost increase primarily resulting from wage increases for employees such as 3.95% cost of living for union in 2025 and average headcount increased by 21 in 2025.
 - \$13.3M increased building maintenance and cleaning costs primarily due to increased spending to address critical needs related to facilities management. Higher volume and pricing in 2025 for roofs, boilers, drains, life safety systems, building equipment and supplies.
 - \$9.5M increase in employee benefit costs mainly due to \$5.4M increase in accrued benefit liability and \$4.1M amortization of actuarial gains and losses.
 - \$8.2M increase in TSHC related payments primarily due to:
 - \$4M net increase in TSHC payment which is based on TSHC's revenue collected less expenses paid by TCHC and
 - \$4.2M increase in expenses as TSHC surplus repayment to TCHC was reduced in 2025 in order for TSHC to balance their 2026 Budget Requirement.
 - \$5.1M increase in expense because of a 2024 comprehensive review of accruals which resulted in a one-time reversal of liability.

- \$3.1M increase in bad debt expense primarily due to RGI tenants charged using market rate due to non-return of documents which results in higher arrears and bad debt expense.
- \$2.3M increase mainly due to tenant engagement initiatives such as new local initiative funding for tenant program (LIFT), increase cost for community development, recreation equipment and tenant engagement activities.
- \$1.5M increase in Restoration and Containment due to higher volume & prices primarily related to flood and fire emergencies, as well as drywall/plaster/paint work.
- \$11.9M increase in utilities primarily due to:
 - \$10.0M increase in hydro cost due to \$2.4M discontinuation of rebate and \$7.6M of primarily increase in rates;
 - \$3.7M increase in water due to higher rate and
 - offset by \$2.4M decrease in natural gas expense primarily as a result of carbon tax elimination effective April 1st, 2025.
- \$9.9M increase in depreciation expense: higher value of assets in use to be amortized.
- \$15.8M increase in corporate services and other due to
 - \$5.2M increase in labor cost for corporate services primarily due to annual salary increase and the average headcount has increased by 25 in 2025.
 - \$2.2M increase as a result of procurement transformation project.
 - \$2.5M increase as a result of higher IT related costs primarily due to:
 - \$1M increase in consulting cost to meet workload demands from vacancies;
 - \$0.8M increase mainly due contract escalation for managed IT services and
 - \$0.7M Cybersecurity project (NOVA) consultants performing operational activities that does not meet the definition of a capital asset.
 - \$1.9M increase in third-party security costs, driven by increased demand to address evolving safety and security concerns.

- \$2.1M increased staffing costs from annual increase and higher staff overtime cost driven by constable shortages following the loss of Special Constable status due to the changes in the new *Community Safety and Policing Act (CSPA)*.
- \$1M higher insurance costs due to higher insurance premiums driven by higher building values
- \$0.9M increased other costs.

Impacts to the City's Budget or financial position

The known or anticipated impacts to the City's budget or financial position include updates pertaining to funding support, dividend payments, reserve fund contributions or withdrawals, initiatives or capital project delivery (current and future years).

City's Budget - SOGR Capital Repairs

Though affected by the increasing cost escalations, TCHC continued to deliver the annual SOGR program to address the capital repairs backlog and strives to improve the Facility Condition Index ("FCI").

Financial Position

TCHC used a line of credit to bridge the cash shortfall resulting from the capital repairs programs and operating needs, which reflected the year-end line of credit balance of \$125.1M compared to \$18.5M in 2024. \$106.6M increase in bank loan and bank indebtedness primarily due to TCHC borrowing from the line of credit to meet short term vendor & payroll obligations. Since payment from funding partners were received until Q1 2026, the full line of credit balance was repaid after receipt of funding.

Any concerns with assets

The implications or concerns to TCHC assets include cash balances and flows, uncollectible receivables, impairment of tangible capital assets, and significant Tangible Capital Asset ("TCA") additions or disposals (current and future years).

Capital Assets Funding (SOGR and Development Funding)

- *SOGR Capital Funding:* Quarterly reimbursements from CMHC and the City requires TCHC to use the line of credit to fund capital repairs resulting in higher interest costs. The interest on the line of credit has

been reduced as the City has started funding TCHC 50% quarterly in advance and reconcile spend at the end of the year.

- *Development Capital Funding Shortfall:* The City has funded TCHC about \$15.9M for the 2025 in-flight capital project net shortfalls through interim billings.

Investments

To meet the repayment of the bonds due in 2037 of \$250M and 2040 of \$200M, TCHC contributes \$9M to the sinking fund annually and hired an Outsourced Chief Investment Officer in 2025 to manage TCHC's investment in order to meet repayment targets.

Any liability concerns

The implications or concerns to TCHC liabilities include areas where significant estimates have been applied and any loan payment concerns or financial consequences (current and future years).

Deferred Capital Contribution

\$497,952 (2024 - \$407,506), net of deferred financing costs, related to a financing agreement signed between TCHC and CMHC on December 20, 2019. TCHC expects to receive loans up to \$1,341,058 to fund eligible expenditures under the capital repair program between 2020 and 2027. The loans contain a repayable amount up to \$813,546 and a forgivable amount up to \$527,512. In 2026, an amending agreement has been signed with CMHC and the City of Toronto which updates special covenants related to waiving accessibility requirements, reducing the required portfolio wide energy savings, and reducing the minimum unit number requirement to reflect transferred houses through the City of Toronto's direction.

Results of 2025 Audit

The 2025 Audit Results include the auditor's opinion, significant findings and/or recommendations and plans to address significant findings and/or recommendations.

A summary of the key audit findings is outlined below:

- KPMG proposes to issue a clean audit opinion or an unqualified Independent Auditor's Report on the TCHC's consolidated financial statements for the year ended December 31, 2025.

- There were no control deficiencies nor uncorrected misstatements identified.

The future outlook

The future outlook includes any risks, forecasted challenges, impacts of previous/current year commitments on ongoing operations, and how the Corporation's overall outlook may affect the City's budget in 2025 and subsequent years.

Swansea site maintenance costs are expected to continue until a demolition permit is approved. The demolition expense as well as the rebuild costs will require the insurer to assess the claim.

The 2023 Ernest & Young ("EY") strategic financial sustainability plan includes the roadmap with financial implications and resources estimation. EY's findings and recommendations included key areas of focus as follows:

- To maintain the current service levels, TCHC requires approx. \$1.9B in additional funding for operating needs and Development Capital projects over the next 10 years.
- At expected funding levels, FCI is projected to worsen post CMHC funding in 2028. Despite the continued investment of \$1.8B in City funding to SOGR projects, the accumulated backlog is anticipated to increase from \$1.7B (or 13.4% of total asset value) in 2024 to \$2.5B by 2034, representing 14.4% of the total replacement value estimated to be \$17.7B by 2034
- Implementation of the efficiency opportunities to address long-term financial precarity resulting for structural challenges, misaligned funding, inflationary pressures, cost increases and an evolving operating environment.
- Recognition that despite the ongoing investment from the City, the limited ability to increase revenues requires ongoing city subsidy support and organization-wide cost optimization measures.
- Continued pressure to address increasing complexity in housing and support needs of the tenants by advancing opportunities which ensure services are delivered effectively, efficiently,

compassionately and enable tenants to maintain successful tenancies in health and vibrant communities.

- Advancement of a multi-phase procurement transformation, with work progressing on value-creation opportunities, strengthened vendor-management practices, and enhanced governance practices that support improved financial and operational outcomes.

As part of the EY recommendation, TCHC is currently implementing Data Strategy and an update of key milestones are:

- **Approved and launched TCHC's enterprise Data Strategy.**
Led by the centralized Data Intelligence team in Corporate Services, the Data Strategy was developed through surveys and interviews with over 100 staff across divisions and supported by a cross-divisional Data Strategy Project Team. The strategy establishes a shared understanding of TCHC's data culture, key pain points, and priority use cases. It sets a clear long-term vision and a two-year roadmap to improve how data is collected, managed, and used for decision-making, with the flexibility to evolve as organizational and technological changes occur.
- **Advanced foundational data governance capabilities to support data-based decision making.**
Through the newly established Data Governance unit, began formalizing data roles, accountability, and decision pathways, including identifying Lead Data Stewards across divisions. This work directly addresses key issues identified in the data culture assessment, such as unclear ownership, inconsistent definitions, and limited visibility into data changes.
- **Initiated the procurement process for a Data & Analytics Operating Model.**
Building on the approved Enterprise Data Strategy, launched a competitive procurement process to identify a vendor to design a future-state operating model. This work is intended to clarify roles, governance, delivery models, and ways of working to deliver data and analytics across the organization, enabling more coordinated, scalable, and sustainable analytics capabilities aligned to business priorities.

- **Defining and Indexing Development Health across the TCHC Portfolio.**

As we build the framework and technical ability to integrate data across various sources, this use case aims to provide a comprehensive view of portfolio health at the development and neighborhood level. This will support strategic decision making and enable improved analysis of various factors, such as socio-demographic composition or new programs, and impact to overall portfolio health performance.

- **Optimizing preventative maintenance data within the Facilities Management Division.**

This second use case establishes foundational data governance and management practices alongside targeted initiatives to improve access to quality and reliable data within a structured and centralized environment. In coordination with ongoing ITS system initiatives, it will also seek to better align existing systems with business requirements.

TCHC is working with the City to create a more predictable, multi-year funding model that:

- Reflects true operating costs
- Addresses capital backlog
- Supports long term asset preservation
- Long-Term Funding Strategies include:
 - 3–4-year rolling forecasts
 - Sensitivity/Risk Modeling
 - Funding gap analyses
 - Capital prioritization scoring system
 - Stabilization fund (reserve)
 - Sustainability metrics