DRAFT #9
April 14, 2022

Consolidated Financial Statements of

TORONTO COMMUNITY HOUSING CORPORATION

And Independent Auditors' Report thereon

Year ended December 31, 2021

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Toronto Community Housing Corporation

Opinion

We have audited the consolidated financial statements of Toronto Community Housing Corporation (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2021
- 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 cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2021, and its consolidated results of operations, its consolidated changes in net assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

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

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

Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and our auditors' report thereon, included in the annual report.

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

In connection with our audit of the 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 financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the annual report as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the 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 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 auditors' report to the related disclosures in the 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 auditors' 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

DRAFT

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

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TORONTO COMMUNITY HOUSING CORPORATION

DRAFT Consolidated Statement of Financial Position
(In thousands of dollars)

December 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash (note 14)	$ 64,609	$ 134,824
Investments (notes 2, 14 and 19)	244,594	219,608
Restricted cash for externally restricted purposes (notes 5(d), 11(c) and (e))	5,852	6,266
Accounts receivable (notes 5(a), and 19)	87,002	62,318
Loans receivable (note 4)	50,190	12,029
Grants receivable (note 12(b))	81,228	68,292
Prepaid expenses, deposits and other assets	14,270	14,781
	547,745	518,118
Loans receivable (note 4)	26,496	59,947
Grants receivable (note 12(b))	10,270	11,250
Investments in joint ventures (note 3)	11,814	13,234
Receivable from the City of Toronto (note 5(b))	18,325	19,325
Housing projects acquired or developed (note 6)	1,684,434	1,694,018
Improvements to housing projects (note 7)	2,183,376	2,003,447
Assets held for sale or transfer (note 8)	6,135	2,790
Prepaid lease	690	745
	$ 4,489,285	$ 4,322,874

	2021	2020

Liabilities and Accumulated Surplus

	2021	2020
Current liabilities:		
Bank loan and bank indebtedness (note 9)	$ 42,700	$ –
Accounts payable and accrued liabilities (notes 5(a) and 19)	206,598	230,737
Tenants' deposits and rents received in advance (note 19)	17,673	17,577
Deferred revenue	24,032	18,643
Project financing and debenture loans (note 11)	60,478	82,448
	351,481	349,405
Deferred revenue on long-term leases	24,853	1,670
Deferred revenue on land sale (note 3(d))	17,358	16,728
Employee benefits (note 10)	84,921	82,398
Project financing and debentures loans (note 11)	1,767,092	1,736,011
Deferred capital contributions (note 12(a))	1,242,998	1,062,088
	3,488,703	3,248,300
Accumulated surplus:		
Share capital:		
Authorized and issued:		
100 common shares	1	1
Internally restricted funds (note 14)	268,470	245,884
Contributed surplus	5,136	5,136
Unrestricted surplus	726,975	823,553
	1,000,582	1,074,574
Contingencies (note 15)		
Commitments (note 18)		
Subsequent events (note 21)		
	$ 4,489,285	$ 4,322,874

See accompanying notes to consolidated financial statements.

TORONTO COMMUNITY HOUSING CORPORATION

DRAFT Consolidated Statement of Operations
(In thousands of dollars)

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Revenue:		
Subsidies (note 5(c))	$ 246,392	$ 244,960
Rent:		
Residential	339,500	349,431
Commercial	18,311	16,949
Amortization of deferred capital contributions (note 12(a))	68,862	59,849
Parking, laundry and cable fees	18,447	18,489
Investment income	9,107	9,308
Joint venture (note 3)	915	4,371
Safe Restart program (note 5)	34,182	9,877
Gain on sale of housing projects, land and other capital assets (note 16)	5,549	29,951
Capital asset replacement reserve	–	61,518
Plant and other	5,917	7,840
	747,182	812,543
Expenses:		
Operating and maintenance (note 17)	255,064	248,785
Utilities	130,582	129,404
Municipal taxes	18,917	19,339
Depreciation	233,273	213,356
Interest (note 11)	75,539	78,410
Community safety services	36,383	35,086
Corporate services	66,200	61,421
Plant and other (note 8)	12,762	9,636
	828,720	795,437
Excess (deficiency) of revenue over expenses	$ (81,538)	$ 17,106

See accompanying notes to consolidated financial statements.

TORONTO COMMUNITY HOUSING CORPORATION

DRAFT Consolidated Statement of Changes in Net Assets
(In thousands of dollars)

Year ended December 31, 2021, with comparative information for 2020

2021	Share capital	Internally restricted funds	Contributed surplus	Unrestricted surplus	Accumulated Remeasurement gains (loss)	Total
Net assets, January 1, 2021	$ 1	$ 245,884	$ 5,136	$ 823,553	$ –	$ 1,074,574
Deficiency of revenue over expenses	–	–	–	(81,538)	–	(81,538)
Net change in unrealized gains on portfolio investments	–	–	–		7,546	7,546
Reallocation of unrealized gains (losses) attributable to portfolio investments held for internally restricted purposes (note 14)	–	7,546	–	–	(7,546)	–
Change in internally restricted funds (note 14)	–	15,040	–	(15,040)	–	–
Net assets, December 31, 2021	$ 1	$ 268,470	$ 5,136	$ 726,975	$ –	$ 1,000,582

2020	Share capital	Internally restricted funds	Contributed surplus	Unrestricted surplus	Accumulated Remeasurement gains (loss)	Total
Net assets, January 1, 2020	$ 1	$ 186,579	$ 5,136	$ 863,952	$ –	$ 1,055,668
Excess of revenue over expenses	–	–	–	17,106	–	17,106
Net change in unrealized gains on portfolio investments	–	–	–	–	1,800	1,800
Reallocation of unrealized gains (losses) attributable to portfolio investments held for internally restricted purposes (note 14)	–	1,800	–	–	(1,800)	–
Capital asset replacement reserve	–	61,518	–	(61,518)	–	–
Educational tax savings	–	(17,366)	–	17,366	–	–
Change in internally restricted funds (note 14)	–	13,353	–	(13,353)	–	–
Net assets, December 31, 2020	$ 1	$ 245,884	$ 5,136	$ 823,553	$ –	$ 1,074,574

See accompanying notes to consolidated financial statements.

TORONTO COMMUNITY HOUSING CORPORATION

DRAFT Consolidated Statement of Cash Flows
(In thousands of dollars)

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	$ (81,538)	$ 17,106
Items not involving cash:		
Amortization of deferred capital contributions (note 12(a))	(68,862)	(59,849)
Depreciation	233,273	213,356
Gain on sale of housing projects, land and other capital assets (note 16)	(5,549)	(29,951)
Imputed interest on loan (note 11)	40	40
Joint venture income (note 3)	(915)	(4,371)
Employee benefit obligations (note 10)	2,523	2,437
Capital asset replacement reserve	–	(61,518)
Impairment loss (note 8)	8,031	5,323
Changes in non-cash operating working capital:		
Accounts receivable	(21,490)	43,466
Prepaid expenses	666	(1,455)
Accounts payable and accrued liabilities	(27,030)	35,537
Tenants' deposits and rents received in advance	96	693
Deferred revenue	3,573	9,100
	42,818	169,914
Financing activities:		
Borrowing of bank loan (note 9)	42,700	(68,917)
Decrease in long term receivable	1,000	–
Deferred financing cost (note 11)	221	167
New project financing and debenture loans (note 11)	94,293	100,159
Repayment of project financing (note 11)	(85,442)	(43,167)
Restricted grants for housing projects	229,908	318,058
	282,680	306,300
Capital activities:		
Acquisition of housing projects	(40,352)	(130,897)
Proceeds on sale of housing projects (note 16)	194	524
Proceeds on sale of land (note 16)	2,361	20,059
Improvements to housing projects	(368,095)	(370,758)
	(405,892)	(481,072)
Investing activities:		
Receipt of loans receivable	(130)	2,749
Decrease in cash for capital expenditures under restrictions with lenders	–	135,650
Payment received on long term lease	25,000	–
Increase in investments	(17,441)	(5,343)
Contributions to joint ventures and shared costs (note 3)	171	(15)
Distributions from joint ventures (note 3)	2,165	6,326
Decrease in restricted cash (note 11(e))	414	315
	10,179	139,682
Increase (decrease) in cash	(70,215)	134,824
Cash, beginning of year	134,824	–
Cash, end of year	$ 64,609	$ 134,824
Supplemental cash flow information:		
Change in accrued capital expenditures	$ 7,708	$ (65,692)
Other non-cash expenditures	420	879
Issuance of loans receivable (note 4(c))	4,039	14,202

See accompanying notes to consolidated financial statements.

TORONTO COMMUNITY HOUSING CORPORATION

DRAFT Notes to Consolidated Financial Statements
(In thousands of dollars)

Year ended December 31, 2021

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 affect 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.

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. Since the first quarter of 2020, the COVID-19 pandemic has impacted the global economy environment due to government-imposed lockdowns and social distancing requirements. The economic conditions and TCHC's response to the COVID-19 pandemic has an operational and financial impact on TCHC. The extent of COVID-19 impact on the consolidated financial statements is stated in note 17.

1. **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:

(a) Basis of consolidation:

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

- 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")

All intercompany transactions and balances have been eliminated.

TCHC Issuer Trust (the "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 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.

1. Significant accounting policies (continued):

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. ("LDI")
- Allenbury Gardens Revitalization General Partnership ("AGP")
- Alexandra Park Phase I Partnership ("APPI")
- Alexandra Park Phase II Partnership ("APPII")
- 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 it's pro rata share of net income (loss) less distributions received.

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 3 provides further information on RPAD.

TCHC administers a number of funds pursuant to an agreement with the City. 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.

(b) 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.

1. Significant accounting policies (continued):

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

(c) 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	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

(d) 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.

1. Significant accounting policies (continued):

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. Investment income earned on internally restricted funds is recognized in the consolidated statement of operations and subsequently is allocated to the sinking fund reserve and the working capital reserve 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 the sinking fund and the working capital , 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:

- Annual investment return of up to 3.13% on the sinking fund is allocated to the sinking fund;
- Annual investment return in excess of 3.13% is allocated to the working capital reserve; and
- A claw back from the working capital reserve will be made in a year where the returns are less than 3.13% for allocation to the sinking fund.

(e) 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.

1. Significant accounting policies (continued):

(f) 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 write downs 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

(g) 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.

1. Significant accounting policies (continued):

(h) 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.

(i) 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 year. Significant estimates include determining the amounts for future employee benefits, the allowance for uncollectible accounts receivable and contingent liabilities. The full extent of the impact that COVID-19 pandemic, including government and regulatory responses to the pandemic, will have on the Canadian economy remains uncertain at this time. Actual results could differ from those estimates.

1. Significant accounting policies (continued):

(j) 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, 2021, TCHC has not recorded any liability in the consolidated financial statements as no sites have met the recognition criteria.

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.

2. Investments:

Current investments consist $244,594 (2020 - $219,608) of pooled equity funds, fixed income securities and high savings interest rate bank account, 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 0.50% and 7.20% (2020 - 0.50% and 5.95%) and have maturity dates ranging from 2022 to 2081 (2020 - 2021 to 2080). These securities are considered to be highly liquid (notes 14 and 19).

TORONTO COMMUNITY HOUSING CORPORATION

DRAFT Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2021

3. Investments in joint ventures and other interests:

2021	DPDC	PGDC	LDI	AGP	APPI	APPII	LNP	Total
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	
Balance, January 1, 2021, per joint venture	$ 1,699	$ (903)	$ 36	$ 10,981	$ 1,621	$ –	$ 26,335	$ 39,769
Net income (loss)	305	252	(3)	–	323	–	(46)	831
Contributions	15	–	–	–	–	–	–	15
Distributions	(345)	(245)	–	–	(1,575)	–	–	(2,165)
Balance, December 31, 2021, per joint venture	1,674	(896)	33	10,981	369	–	26,289	38,450
Exchange amount of land transferred to joint venture	(112)	–	–	–	–	–	(27,018)	(27,130)
Carrying value of land transferred to joint venture	23	27	–	–	–	–	300	350
Pre-development costs	–	–	–	144	–	–	–	144
Balance, December 31, 2021	$ 1,585	$ (869)	$ 33	$ 11,125	$ 369	$ –	$ (429)	$ 11,814

TORONTO COMMUNITY HOUSING CORPORATION

DRAFT Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2021

3. Investments in joint ventures and other interests (continued):

2021	DPDC	PGDC	LDI	AGP	APPI	APPII	LNP	Total
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	
Joint ventures' assets, liabilities and cash flows at 100% share								
Total assets	$ 5,416	$ 13,889	$ 124	$ 167,849	$ 3,576	$ 16,211	$ 209,306	$ 416,371
Total liabilities	2,076	16,252	63	151,838	2,833	13,711	168,250	355,023
Cash flow from (used in) operating activities	$ 712	$ 1,486	$ (9)	(23,879)	$ 537	$ –	$ 350	$ (20,803)
Cash flow from (used in) financing activities	(769)	(1,001)	–	23,993	(3,150)	–	–	19,073
Cash flow used in investing activities	–	–	–	919	–	–	–	919
Net income (loss) per joint venture	$ 305	$ 252	$ (3)	–	$ 323	$ –	$ (46)	$ 831
Write off pre-development costs associated with market units that have sold	–	–	–	84	–	–	–	84
Net income (loss) per TCHC	$ 305	$ 252	$ (3)	84	$ 323	$ –	$ (46)	$ 915

TORONTO COMMUNITY HOUSING CORPORATION

DRAFT Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2021

3. Investments in joint ventures and other interests (continued):

2020	DPDC	PGDC	LDI	AGP	APPI	APPII	LNP	Total
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	
Balance, January 1, 2020, per joint venture	$ 1,791	$ (109)	$ 149	$ 12,662	$ 12,344	$ –	$ 26,376	$ 53,213
Net income (loss)	290	256	(3)	419	4,522	–	(41)	5,443
Contributions	15	–	–	–	–	–	–	15
Distributions	(397)	(1,050)	(110)	(2,100)	(15,245)	–	–	(18,902)
Balance, December 31, 2020, per joint venture	1,699	(903)	36	10,981	1,621	–	26,335	39,769
Exchange amount of land transferred to joint venture	(112)	–	–	–	–	–	(27,018)	(27,130)
Carrying value of land transferred to joint venture	23	27	–	–	–	–	300	350
Pre-development costs	–	–	–	245	–	–	–	245
Balance, December 31, 2020	$ 1,610	$ (876)	$ 36	$ 11,226	$ 1,621	$ –	$ (383)	$ 13,234

TORONTO COMMUNITY HOUSING CORPORATION

DRAFT Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2021

3. Investments in joint ventures and other interests (continued):

2020	DPDC	PGDC	LDI	AGP	APPI	APPII	LNP	Total
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	
Joint ventures' assets, liabilities and cash flows at 100% share								
Total assets	$ 5,586	$ 14,260	$ 133	$ 146,897	$ 7,125	$ 4,545	$ 144,972	$ 323,518
Total liabilities	2,197	16,638	67	130,886	3,880	2,045	103,869	259,582
Cash flow from (used in) operating activities	$ 850	$ 1,222	$ (237)	$ (35,123)	$ 23,793	$ (2,500)	$ (207)	$ (12,202)
Cash flow from (used in) financing activities	(1,002)	(2,291)	–	30,235	(20,041)	2,500	–	9,401
Cash flow used in investing activities	–	–	–	5,204	–	–	–	5,204
Net income (loss) per joint venture	$ 290	$ 256	$ (3)	$ 419	$ 4,522	$ –	$ (41)	$ 5,443
Write off pre-development costs associated with market units that have sold	–	–	–	(2)	(1,070)	–	–	(1,072)
Net income (loss) per TCHC	$ 290	$ 256	$ (3)	$ 417	$ 3,452	$ –	$ (41)	$ 4,371

3. Investments in joint ventures and other interests (continued):

(a) On October 31, 2006, 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 operates through a nominee 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 (2020 - $89) will be recognized on the closing of market units that have been developed by DPDC.

(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, 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, 2021, the difference between the exchange amount and the carrying value of the land of $27 (2020 - $27) will be recognized on the sale of market units that have been developed by PGDC.

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

3. Investments in joint ventures and other interests (continued):

(d) On February 5, 2013, TCHC's wholly owned subsidiary, AGDC, entered into a partnership agreement with a developer, thus forming 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.

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 4(b)). 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, 2021, TCHC recognized deferred revenue on land sale of $4,723 (2020 - $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 4(b)). 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, 2021, TCHC recognized deferred revenue on land sale of $8,047 (2020 - $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, 2021, the difference is due to AGDC recording contributed pre-development costs of $144 (2020 - $245), which will be written off in the year market units are closed.

(e) On July 19, 2013, TCHC's wholly owned subsidiary, APDC, entered into a partnership agreement with a developer, forming 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.

3. Investments in joint ventures and other interests (continued):

(f) On June 30, 2020, TCHC's wholly owned subsidiary, APDC, entered into a partnership agreement with a developer, forming APPII, 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, Dundas Alexandra Park Residences Inc. ("DARPI"), 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 APPII as at December 31, 2021.

On July 20, 2020, TCHC's wholly owned subsidiary, APDC, received an initial deposit of $2,500 from APPII which was recognized as deferred revenue on land sale.

(g) On October 2, 2015, TCHC's wholly owned subsidiary, LNDC, entered into a partnership agreement with a developer, forming 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, 2021 and 2020.

As at December 31, 2021, 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 $27,018 (2020 - $26,718) between the exchange amount and the carrying value of the land will be recognized on the closing of market units that have been developed by LNP.

(In thousands of dollars)

3. Investments in joint ventures and other interests (continued):

(h) 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 first leasehold mortgage of $2,750 with an annual renewable term which matured in 2020. 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. In 2020, RPAD repaid the first leasehold mortgage.

4. Loans receivable:

	2021	2020
DPDC (a)	$ 15,960	$ 16,046
AGP (b)	12,970	12,970
Lawrence Heights development partner (c)	12,575	8,370
250 Davenport (d)	23,882	23,186
Mortgages receivable (e)	11,299	11,404
	76,686	71,976
Less current portion	50,190	12,029
	$ 26,496	$ 59,947

4. Loans receivable (continued):

(a) The DPDC loans receivable consists of:

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

- Facility 1 - revolving demand facility to $500. The facility bears interest at the bank's prime rate plus 0.5% per annum and is repayable five days following demand for repayment by the lender.

- Facility 2 - non-revolving term loan to $2,000. The facility bears interest at 6.0% per annum and is repayable on demand.

- Facility 3 - non-revolving term loan to $500. The facility bears interest at 6.0% per annum and is repayable on demand.

The three credit facilities are secured by the co-tenancy's land and assets and are guaranteed by the co-tenancy partner. During the year 2021, TCHC has advanced $1,735 (2020 - $1,844) to DPDC.

(ii) On September 18, 2020, TCHC sold land to a developer with a carrying value of $302 and received cash of $3,551 and a loan receivable of $14,202, bearing no interest in the first year and bears 4.5% per annum thereafter with a maturity date of December 18, 2022. As at December 31, 2021, TCHC recognized interest receivable of $23 (2020 - nil), which is included in loans receivable.

(b) 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 3(d)). 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 3(d)).

(c) On July 11, 2018, TCHC transferred 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 April 30, 2022 and a loan receivable of $3,000, bearing no interest with a maturity date of March 31, 2024. As at December 31, 2021, TCHC recognized interest receivable of $546 (2020 - $384), which is included in loans receivable.

4. Loans receivable (continued):

On December 20, 2021, TCHC transferred land to a developer with a carrying value of $90 and received cash of $1,154 and a loan receivable of $4,039, bearing interest at a rate of 3% per annum with a maturity date of December 20, 2024. As at December 31, 2021, TCHC recognized interest receivable of $4 (2020 - nil), which is included in loans receivable.

(d) On January 17, 2018, TCHC transferred 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, 2021, TCHC recognized interest receivable of $2,632 (2020 - $1,936), which is included in loans receivable.

(e) The mortgages receivable consist 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 11(f)(i)) that are due on May 11, 2037.

5. 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 $59,054 (2020 - $37,820) receivable from the City and included in accounts payable and accrued liabilities is $5,180 (2020 - $6,128) payable to the City as a result of these transactions. Within the $59,054, the City allocated Safe Restart program funding of $34,182 (2020 - $9,877) to TCHC. The Safe Restart program is a federal investment to help provinces and territories safely restart their economies.

(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.

5. Account balances with the City (continued):

Included in the long-term receivable from the City is $4,269 (2020 - $4,269) for sick leave benefits (note 10(a)) and $14,056 (2020 - $15,056) for post-retirement (note 10(a)) and disability benefits (note 10(a)).

(c) During the year ended December 31, 2021, the City provided gross subsidies of $246,392 (2020 - $244,960), which are reflected on the consolidated statement of operations as revenue. Subsidies include Regent Park Block 17N mortgage principal and interest of $1,432 (2020 - nil) recognized as revenue following completion of construction. In 2021, TCHC recognized expenditures incurred with the City include $40,937 (2020 - 42,203) for hydro, $58,464 (2020 - $61,334) for water and waste, $18,917 (2020 - $19,339) for property taxes and $3,991(2020 - $3,953) for the mortgage interest charges paid to the City.

(d) 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, 2021, accumulated grants of $10,308 (2020 - $10,250) were received and the accumulated capital expenditures were $3,748 (2020 - $3,063). The funds available for future capital expenditures are $5,158 (2020 - $5,367), including $20 (2020 - $38) accumulated interest, invested as restricted cash as at December 31, 2021.

TORONTO COMMUNITY HOUSING CORPORATION

DRAFT Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2021

6. Housing projects acquired or developed:

Housing projects acquired or developed consist of the following:

	Cost, December 31 2020	Additions	Transfer back (note 8)	Disposal/ write-off/ transfer	Completed during the year	Cost, December 31 2021	Accumulated depreciation[i]	Net book value, December 31 2021
Land	$ 376,071	$ 19	$ –	$ (5,617)	$ –	$ 370,473	$ –	$ 370,473
Buildings	2,133,509	3,464	–	(11,699)	146,558	2,271,832	(1,066,659)	1,205,173
Guaranteed Equity Housing projects	8,312	–	–	(118)	–	8,194	(4,284)	3,910
Plant	71,696	–	–	–	–	71,696	(17,428)	54,268
Housing projects under construction	154,924	43,117	–	(873)	(146,558)	50,610	–	50,610
Balance, December 31, 2021	$ 2,744,512	$ 46,600	$ –	$ (18,307)	$ –	$ 2,772,805	$ (1,088,371)	$ 1,684,434

[i] Included in transfers and accumulated depreciation is the cost and accumulated depreciation of land and buildings transferred to assets held for sale (note 8).

During the year ended December 31, 2021, pre-development costs totalling $84 (2020 - $1,072) (note 3) were recovered and $144 (2020 - $245) (note 3) 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.

TORONTO COMMUNITY HOUSING CORPORATION

DRAFT Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2021

6. Housing projects acquired or developed (continued):

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, 2021, TCHC repurchased 4 units and holds 56 repurchased units as at December 31, 2021. The associated cost and accumulated depreciation of $108 of the repurchased units was transferred to housing projects acquired or developed and rented at the market rate. As at December 31, 2021, an obligation of $8,756 (2020 - $9,281) for the repurchase of guaranteed equity units has been recorded in accounts payable and accrued liabilities.

7. Improvements to housing projects:

Improvements to housing projects consist of the following:

	Cost, December 31 2020	Additions	Disposal/ write-off/ transfer	Completed during the year	Cost, December 31 2021	Accumulated depreciation(i)	Net book value, December 31 2021
Improvements to land and buildings(i)	$ 3,068,060	$ 339,536	$ (6,754)	$ –	$ 3,400,842	$ (1,301,363)	$ 2,099,479
Furniture and equipment	248,960	16,734	–	10,301	275,995	(200,426)	75,569
Leasehold improvements	3,006	–	–	–	3,006	(2,970)	36
Other capital work-in-process	5,055	13,538	–	(10,301)	8,292	–	8,292
Balance, December 31, 2021	$ 3,325,081	$ 369,808	$ (6,754)	$ –	$ 3,688,135	$ (1,504,759)	$ 2,183,376

(i)Transfer includes capitalized costs allocated to asset held for sale based on square footage (note 8).

Improvements to housing projects include assets under capital leases with a carrying value of nil (2020 - $1,707).

TORONTO COMMUNITY HOUSING CORPORATION

DRAFT Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2021

8. Assets held for sale or transfer:

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

In 2021, TCHC classified 444 Scattered Homes and 1 agency home as assets held for sale following City Council's motion. The transfer price of $6,135 is based on bids from top-ranked proponents. In 2021, TCHC recognized an impairment loss of $8,031 (2020 - $5,323) on 395 (2020 - 52) properties.

The assets which are expected to be transferred within 12 months have been classified as held for sale and are presented separately in the consolidated statement of financial position.

	Cost, December 31, 2020	Additions	Transfer	Cost December 31 2021	Accumulated depreciation	Accumulated impairment loss	Net book value, December 31, 2021
Land	$ 2,485	$ 5,404	$ –	$ 7,889	$ –	$ (5,540)	$ 2,349
Buildings	7,907	11,266	(4,528)	14,645	(12,287)	(1,340)	1,018
Improvement to buildings	–	6,754	4,528	11,282	(1,652)	(6,862)	2,768
	$ 10,392	$ 23,424	$ –	$ 33,816	$ (13,939)	$ (13,742)	$ 6,135

9. Bank loan and bank indebtedness:

TCHC has a committed revolving credit facility of $200,000 (2020 - $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 ("BA") at the bank's BA rate plus 1.10%. Short-term advances of $42,700 (2020 - nil) have been used and are repayable on December 31, 2021. The amount available under the facility is $146,194 (2020 - $195,875), which is net of outstanding letters of credit of $11,106 (2020 - $4,125).

10. Employee benefits:

TCHC has the following employee benefits plans:

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

The following benefit plan liabilities as at December 31, 2021 are based on the most recent tri-annual actuarial valuation that has been completed as at December 31, 2021:

(i) 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 10(a)(iv)) to all City employees and retirees. An amount of $14,056 (2020 - $15,056), representing the liability portion relating to the former THC, is recorded as a long-term receivable from the City (note 5(b)).

10. Employee benefits (continued):

(ii) 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, 2021, 1,667 (2020 - 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 (2020 - $4,678), less $409 (2020 - $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, 2021, the liability was recorded as $415 (2020 - $518).

(iii) 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, 2021 are based on the most recent annual actuarial valuation that has been completed as at December 31, 2021:

(iv) 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.

10. Employee benefits (continued):

(v) 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.

(b) Supplementary employee retirement plan ("SERP"):

The following benefits plan liabilities as at December 31, 2021 are based on the most recent tri-annual actuarial valuation that has been completed as at December 31, 2021:

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.

(c) 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 2021, the OMERS funded ratio stands at 97% (2020 - 97.0%) and the primary plan ended 2021 with a funding deficit of $3.1 billion (2020 - $3.2 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.

TORONTO COMMUNITY HOUSING CORPORATION

DRAFT Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2021

10. Employee benefits (continued):

Depending on the individual's normal retirement age and pensionable earnings, 2021 contribution rates were 9.0% to 14.6% (2020 - 9.0% to 14.6%). Total employee contributions amounted to $16,013 (2020 - $14,535). Total employer contributions amounted to $16,109 (2020 - $14,535).

Employee benefits liabilities of TCHC:

	2021	2020
Post-retirement benefits (a)(i)	$ 18,016	$ 17,154
Sick leave benefits (a)(ii)	13,065	12,892
Termination benefits (a)(iii)	1,557	1,475
Disability benefits (a)(iv)	6,604	6,445
WSIB obligation (a)(v)	9,601	9,683
Unamortized actuarial gain	451	538
Other benefits	49,294	48,187
SERP (b)	35,627	34,211
	$ 84,921	$ 82,398

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

	SERP		Other benefits		Total	
	2021	2020	2021	2020	2021	2020
Accrued benefit obligation	$ 36,165	$ 39,164	$ 50,669	$ 50,686	$ 86,834	$ 89,850
Plan assets	(1,596)	(1,656)	–	–	(1,596)	(1,656)
Unamortized actuarial gain (loss)	1,058	(3,297)	(1,375)	(2,499)	(317)	(5,796)
Accrued benefit liability	$ 35,627	$ 34,211	$ 49,294	$ 48,187	$ 84,921	$ 82,398

TORONTO COMMUNITY HOUSING CORPORATION

DRAFT Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2021

10. Employee benefits (continued):

Continuity of TCHC's accrued benefit liabilities:

	SERP		Other benefits		Total	
	2021	2020	2021	2020	2021	2020
Balance, beginning of year	$ 34,211	$ 32,863	$ 48,187	$ 47,098	$ 82,398	$ 79,961
Current service cost	221	453	2,262	1,879	2,483	2,332
Interest cost	834	1,051	599	801	1,433	1,852
Benefits paid		–	(2,107)	(1,917)	(2,107)	(1,917)
Actuarial loss (gain)	383	5,084	1,728	2,825	2,111	7,909
Funding contributions	(1,080)	(1,943)		–	(1,080)	(1,943)
Unamortized actuarial gain (loss)	1,058	(3,297)	(1,375)	(2,499)	(317)	(5,796)
Balance, end of year	$ 35,627	$ 34,211	$ 49,294	$ 48,187	$ 84,921	$ 82,398

TCHC's employee benefits expense:

	SERP		Other benefits		Total	
	2021	2020	2021	2020	2021	2020
Current service cost	$ 221	$ 453	$ 2,262	$ 1,879	$ 2,483	$ 2,332
Interest cost	834	1,051	599	801	1,433	1,852
Amortization of actuarial loss (gain)	1,441	1,787	353	326	1,794	2,113
Balance, end of year	$ 2,496	$ 3,291	$ 3,214	$ 3,006	$ 5,710	$ 6,297

(In thousands of dollars)

10. Employee benefits (continued):

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	
	2021	2020	2021	2020
Discount rates for benefit obligations:				
Post-retirement and sick leave	–	–	2.50%	1.7%
Post-employment	–	–	1.90%	0.9%
Pension	2.68%	2.15%	–	–
Discount rates for benefit costs:				
Post-retirement and sick leave	–	–	1.70%	2.60%
Post-employment	–	–	0.90%	2.30%
Pension	2.15%	2.80%	–	–
Rate of compensation increase	2.50%	2.75%	2.50%	3.00%
Inflation rate	2.00%	2.00%	2.00%	2.00%
Healthcare inflation - select	n/a	n/a	5.29%	5.31%
Healthcare inflation - ultimate	n/a	n/a	4.00%	4.00%
Expected rate of return on plan assets	–	–	–	–
Actual rate of return on plan assets	0.00%	0.00%	–	–

For measurement purposes, a 6.85% 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)

11. Project financing and debenture loans:

Project financing consists of mortgages, loans payable to the Canada Mortgage and Housing Corporation ("CMHC"), City, Infrastructure Ontario ("IO") and others and debentures. The changes in project financing for the year ended December 31, 2021 are as follows:

	December 31, 2020	New project financing	Imputed interest on loans	Mortgages and loans payments	Deferred financing costs	December 31, 2021
Canada Mortgage and Housing Corporation ("CMHC") (a)	$ 195,326	$ 88,357	$ –	$ (14,969)	$ –	$ 268,714
Other mortgages (b)	125,576	–	–	(33,040)	–	92,536
Long-term loans payable to the City (c)	114,869	5,000	40	(4,835)	1	115,075
Long-term loans payable to others (d)	19,153	–	–	(2,375)	2	16,780
Long-terms loans payable to IO (e)	917,607	936	–	(30,224)	70	888,389
Debenture loans used in project financing (f)	445,928	–	–	–	148	446,076
	1,818,459	$ 94,293	$ 40	$ (85,443)	$ 221	1,827,570
Less current portion	82,448					60,478
	$ 1,736,011					$ 1,767,092

(In thousands of dollars)

11. Project financing and debenture loans (continued):

For the year ended December 31, 2021, interest incurred on long-term debt totalled $75,539 (2020 - $78,410) has been recorded as interest expense in the consolidated statement of operations and nil (2020 - nil) has been capitalized (note 6). All mortgages ((a) excluding CMHC National Housing Strategy Co-Investment Fund, and (b)) and loans payable to IO (e) have their underlying assets pledged as security. The remaining loans are unsecured.

Principal repayments are due as follows:

	CMHC	Other mortgages	City	Other loans	IO	Debenture loans used in project financing	Total
	(a)	(b)	(c)	(d)	(e)	(f)	
2022	$ 16,617	$ 13,053	$ 5,549	$ 2,417	$ 22,842	$ –	$ 60,478
2023	17,449	12,409	5,516	2,541	23,681	–	61,596
2024	15,804	11,832	5,370	2,629	24,551	–	60,186
2025	16,230	12,362	5,564	2,719	25,454	–	62,329
2026	16,112	11,466	5,766	2,813	26,391	–	62,548
2027 and thereafter	186,557	31,414	87,328	3,671	767,004	450,000	1,525,974
Deferred financing charges on project financing	(55)	–	(18)	(10)	(1,534)	(3,924)	(5,541)
	$ 268,714	$ 92,536	$ 115,075	$ 16,780	$ 888,389	$ 446,076	$ 1,827,570

11. Project financing and debenture loans (continued):

(a) CMHC mortgages bear interest at rates between 0.68% and 11% (2020 - 0.68% and 11.00%). These mortgages mature between 2022 and 2052.

On December 20, 2019, a financing agreement was signed between TCHC and CMHC. TCHC expects to receive loans up to $1,341,058 to fund eligible expenditures under the capital repair program between 2020 and 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 $813,546 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.

Pursuant to the financing arrangement with CMHC, TCHC submitted claims and received a total amount of $348,869 (2020 - $187,585) comprised:

(i) Repayable loans of $173,979 (2020 - $85,987) which includes $57,878 (2020 - $57,878) bearing interest of 1.32%; $58,854 (2020 - $28,109) bearing interest of 0.64%; and $57,247 (2020 - nil) bearing interest of 1.90%; and

(ii) Forgivable loans of $174,890 (2020 - $101,598) (note 12(b)(ii)).

(b) Other mortgages bear interest at rates between 1.82% and 12.75% (2020 - 1.82% and 12.75%). These mortgages mature between 2022 and 2048.

(c) Long-term loans payable to the City consists 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, 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.

11. Project financing and debenture loans (continued):

(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, 2021, $52 (2020 - $52) 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) Beginning 2017, TCHC has a non-revolving, 20-year loan of $35,948 with the City to finance the implementation of 9 energy efficiency projects at TCHC facilities. The loans were provided at a fixed interest rate of 3.7% for a 20-year term with repayment beginning December 15, 2019.

(iv) Beginning 2019, TCHC has received first three tranches of a non-revolving 20-year loan of $24,000 (2020 - $19,000) with the City to finance the implementation of 39 energy efficient generators at TCHC facilities. The loan was provided 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 3.92% and 4.12% (2020 - 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 $16,780 (2020 - $19,153) 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.

11. Project financing and debenture loans (continued):

(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 $25,168 (2020 - $25,168) of the aggregate annual effective gross income from the refinanced properties.

(ii) On December 2, 2020, TCHC has entered into an Omnibus Amending Agreement with IO to amend existing loan agreements to provide for the release of capital expenditure reserves on specific refinanced properties and 4.00% of the aggregate annual effective gross income from the refinanced properties to be utilized on TCHC's general portfolio. TCHC ceased to contribute 4.00% of the aggregate annual effective gross income from the refinanced properties from December 2020.

TCHC incurred financing costs of $2,479 (2020 - $2,479) related to the origination and maintenance of the IO funding with an unamortized deferred financing cost of $1,534 (2020 - $1,603) as at December 31, 2021.

During the year ended December 31, 2021, TCHC repaid $30,224 (2020 - $11,840) toward the principal of the loans.

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 $139,203 was funded in two instalments of $70,016 and $69,187 at fixed rates of 4.37% and 4.53%, respectively.

11. Project financing and debenture loans (continued):

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.

(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.

(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.

(iv) On November 25, 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 10 refinanced properties and $39,029 was restricted for capital expenditures for the 10 refinanced properties.

(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.

11. Project financing and debenture loans (continued):

(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.

(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.

(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.

(ix) On June 4, 2019, TCHC finalized a financing transaction with IO for a non-revolving floating rate construction loan up to the aggregate maximum principal amount of $40,222. TCHC has fully drawn down the $40,222 construction loan in 2020. On June 1, 2021, the construction loan was converted into a non-revolving 30 year term loan with fixed interest rate of 3.06%. The term loan proceeds of $41,152 consist of (a) repayment of $40,222 representing the amount of the construction loan; and (b) expenditures in the amount of $930 incurred in connection with development of Regent Park Phase 3 Rental Block 17N project.

(In thousands of dollars)

11. Project financing and debenture loans (continued):

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

	Restricted cash for externally restricted purposes	Cash for capital expenditures under restrictions with lenders	December 31, 2021 total	Restricted cash for externally restricted purposes	Cash for capital expenditures under restrictions with lenders	December 31, 2020 Total
Externally restricted funds received in 2014 - the City	$ 52	$ –	$ 52	$ 52	$ –	$ 52
Other externally restricted cash	5,800	–	5,800	6,214	–	6,214
	$ 5,852	$ –	$ 5,852	$ 6,266	$ –	$ 6,266

(f) TCHC has entered into a credit agreement (the "Credit Agreement"), dated May 11, 2007, with the Trust, which in turn entered into an agreement with various agents to issue bonds. the 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 the Trust.

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 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 $96 (2020 - $92) and interest expense of $12,193 (2020 - $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 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 $52 (2020 - $49) and interest expense of $10,790 (2020 - $10,790) were recorded.

(In thousands of dollars)

12. 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	$ 1,062,088
Restricted grants for housing projects ((b)(ii))	249,885
Amortization of deferred capital contributions	(68,862)
Disposal of properties with unamortized deferred capital contributions (note 16)	(113)
Balance, end of year	$ 1,242,998

(b) As at December 31, 2021, the grants receivable comprise:

	2021	2020
Provincial affordability housing grants (i)	$ 11,529	$ 12,185
Contributions receivable from the City (ii)	79,969	67,357
	91,498	79,542
Less current portion	81,228	68,292
	$ 10,270	$ 11,250

(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, 2021, $11,529 (2020 - $12,185) has been set up as a grant receivable.

12. Deferred capital contributions and grants receivable (continued):

(ii) 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 $4,167 (2020 - $4,279) in 2021.

In 2021, the City approved funding of $160,000, Support & Housing Administration ("SSHA") to TCHC to address its state of good repair backlog for 2021. TCHC received the contribution of $120,216 (2020 - $160,000) in 2021 and expect to receive $64,783 in 2022 for eligible work performed in 2021.

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 $15,294 (2020 - $46,533) in 2021 and expect to receive $14,285 in 2022 for eligible work performed in 2021.

On December 20, 2019, a financing agreement was signed between TCHC and CMHC. TCHC expects to receive forgivable amount up to $527,512. 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. In 2021, TCHC received forgivable loans of $73,292 (2020 - $101,598) (note 11(a)).

During 2020, the City approved funding of $9,000 to TCHC for Ontario Priorities Housing Initiative ("OPHI") program to renovate, repair and rehabilitate the affordable social housing located at seven apartment buildings. TCHC received $3,600 in 2021 (2020 - $4,500) and expect to receive $900 in 2022 for eligible work performed in 2021.

During 2020, the City approved funding of $6,947 to TCHC through Toronto Renovates Funding Agreement. TCHC received $3,000 in 2021 (2020 - $474) and expect to receive $3,000 in 2022 when eligible work is performed.

(In thousands of dollars)

13. 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:

	2021		2020	
	Assets	Liabilities	Assets	Liabilities
Toronto Affordable Housing Fund	$ 10,719	$ 8,502	$ 10,326	$ 8,269

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.

14. 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 funds (note 2). 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 1).

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

On October 8, 2020, the City approved to redirect TCHC's externally restricted CARR as at December 31, 2019 to internally restricted sinking fund of public debentures. The investment of the fund shall be subject to TCHC's Board of Directors approved investment policy.

(In thousands of dollars)

14. Internally restricted funds (continued):

As at December 31, 2021, the funds comprise cash of $217 and investments of $245,014, including $420 of accrued investment income recorded in accounts receivable (2020 - cash of $218, investments of $220,217 and 609 of accrued investment income).

Internally restricted funds consist of the following:

	Capital risk reserve fund	State of good repair fund	Sinking fund of public debentures	Working capital reserve fund	Total
	(a)	(b)	(c)	(d)	
Balance, January 1, 2021	$ 55,132	$ 19,215	$ 119,654	$ 51,883	$ 245,884
Contributions	–	–	9,091	–	9,091
Net investment income	–	–	3,509	2,082	5,591
Fair value adjustments for investment held	–	–	236	7,310	7,546
Expenditures recovery	–	358	–	–	358
Balance, December 31, 2021	$ 55,132	$ 19,573	$ 132,490	$ 61,275	$ 268,470

	Capital risk reserve fund	State of good repair fund	Sinking fund of public debentures	Working capital reserve fund	Total
	(a)	(b)	(c)	(d)	
Cash	$	$ 217	$	$	$ 217
Investment	51,249		132,490	61,275	245,014
Balance, December 31, 2021	$ 51,249	$ 217	$ 132,490	$ 61,275	$ 245,231

14. Internally restricted funds (continued):

As at December 31, 2021, the state of good repair fund and capital risk reserve fund have a shortfall of $19,356 (2020 - $18,998) and $3,883 (2020 - $6,452) respectively. The shortfall can be funded from TCHC's revolving credit facilities (note 9) 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.

As TCHC has a fully funded capital repair plan in place, TCHC ceased to allocate investment income to the capital risk reserve starting from 2021.

(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.

(c) Sinking fund of public debentures:

TCHC has entered into the Credit Agreement, dated May 11, 2007, with the Trust, which in turn entered into an agreement with various agents to issue bonds of $450,000 (note 11(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. Starting 2020, CARR balance is re-directed to the sinking fund of public debentures to facilitate redemption as they become due.

(d) 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.

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15. 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 12), should it fail to adhere to the terms and conditions under which the loans were originally granted. As at December 31, 2021, the amount of forgivable loans is $288,312 (2020 - $212,804).

(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, 2021, 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.

16. Gain on sale of housing projects, land and other capital assets:

(a) In March 2021, TCHC received additional consideration for land transfer price from a developer. TCHC recognized additional gain on land of $225.

(b) In March 2021, TCHC received additional consideration for land transfer price from a developer. TCHC recorded cash $1,207 and deferred gain on land of $1,207.

(c) In September 2021, TCHC transferred land to a developer with a carrying value of $90 and housing projects under construction of $873, TCHC recorded a loan receivable of $4,039 (note 4(c)) and cash $1,154. As at December 31, 2021, TCHC recognized a net gain on land of $4,807 and deferred gain on land of $577.

(d) In December 2021, TCHC received additional consideration for land transfer price from a developer. During 2021, TCHC recognized additional gain on land of $316.

(e) During 2021, TCHC sold 4 agency houses to non-profit corporations and received cash of $194 with a carrying value of land $123, building $67 and disposed deferred capital contribution of $105. As at December 31, 2021, TCHC recognized net gain on sale of properties of $109.

(f) For the year ended December 31, 2021, TCHC disposed of other capital assets and recognized a gain of $92.

TORONTO COMMUNITY HOUSING CORPORATION

DRAFT Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2021

17. Operating and maintenance:

During the year ended December 31, 2021, TCHC incurred following costs attributable to COVID-19 pandemic which are included under the operating and maintenance expense and utilities.

	2021	2020
Wages and overtime	$ 9,781	$ 13,168
Personal protective equipment supplies	7,230	11,234
Utilities	3,109	3,538
IT related expense	606	–
	$ 20,726	$ 27,940

18. Commitments:

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

	Operating Lease	Other (b)	Total
2022	$ 1,744	$ 128,096	$ 129,840
2023	1,752	–	$1,752
2024	1,776	–	$1,776
2025	1,748	–	$1,748
2026	1,171	–	$1,171
2027 and thereafter	3,123	–	$3,123
	$ 11,314	$ 128,096	$ 139,410

(b) As at December 31, 2021, TCHC has commitments of $128,096 to vendors for capital repairs and services to be performed over the next 12 months.

19. Fair value and risk management:

(a) 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.

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

2021	Level 1	Level 2	Level 3	Total
Investments and restricted investments	$ 244,594	$ –	$ –	$ 244,594

2020	Level 1	Level 2	Level 3	Total
Investments and restricted investments	$ 219,608	$ –	$ –	$ 219,608

19. Fair value and risk management (continued):

(b) 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.

(a) 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, 2021 would have increased by $1,146 (2020 - $1,105). For every 1% decrease in the investment rate of return, the investments held by TCHC as at December 31, 2021 would have decreased by $1,146 (2020 - $1,105).

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 bi-annual basis by TCHC's Investment Advisory Committee, which reports to TCHC's Building Investment, Finance and Audit Committee.

As at December 31, 2021, the effect on unrestricted surplus of a 50 basis point absolute change in the market interest rate of the floating rate debt obligations is $419 (2020 - $301).

19. Fair value and risk management (continued):

(b) 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 expenses over revenue. As at December 31, 2021, floating rate debt represented 2.33% (2020 - 3.33%) of total debt obligations.

(ii) Credit risk:

(a) 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 bi-annual 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.

(b) 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, 2021.

(c) 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.

TORONTO COMMUNITY HOUSING CORPORATION

DRAFT Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2021

19. Fair value and risk management (continued):

(d) Accounts receivable credit risk:

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

As at December 31, 2021, the following is the aging of accounts receivable:

	30 days	60 days	90 days	120 days	Over 120 days	Total
Accounts receivable	$ 81,593	$ 3,410	$ 230	$ 1,457	$ 312	$ 87,002

Total accounts receivable of $87,002 (2020 - $62,318) comprises the City and other receivables of $83,248 (2020 - $56,424) and tenant accounts receivable, net of allowance for doubtful accounts, of $3,754 (2020 - $5,894).

(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 $146,194 to meet its current and future obligations.

The table below is a maturity analysis of TCHC's financial liabilities as at December 31, 2021:

				2021	2020
	Up to 1 year	More than 1 year up to 5 years	More than 5 years	Total	Total
Bank loan	$ 42,700	$ –	$ –	$ 42,700	$ –
Accounts payable and accrued liabilities	206,598	–	–	206,598	230,737
Tenants' deposits	17,673	–	–	17,673	15,404
Project financing including interest	135,079	518,552	2,182,555	2,836,186	2,875,482
	$ 402,050	$ 518,552	$ 2,182,555	$ 3,103,157	$ 3,121,623

20 Comparative balances:

Certain comparative balances for assets, liabilities, revenue and expenses reported on the consolidated statement of financial position and the consolidated statement of operations have been reclassified to conform to the current year's presentation.

21. Subsequent events:

Toronto Seniors Housing Corporation ("TSHC"):

TSHC incorporated under the Ontario Business Corporations Act to manage portfolio consisting of 83 seniors-designated buildings. The City, TCHC and the new TSHC are working together to implement a plan to transfer responsibility for operating the 83 seniors-designated buildings to the TSHC. Close to 15,000 seniors living in TCHC's 83 seniors-designated buildings will become TSHC tenants once the transfer takes place. TCHC will continue to own the buildings and be responsible for capital repairs after the transfer. The transfer of the 83 seniors-designated buildings to TSHC has an operational and financial impact on TCHC. The full extent of the financial impact is currently indeterminable due to the on-going work between the corporations and the City.