Toronto Community Housing Corporation

Consolidated Financial Statements
December 31, 2015

April 29, 2016

Independent Auditor's Report

To the Shareholder of
Toronto Community Housing Corporation

We have audited the accompanying consolidated financial statements of Toronto Community Housing Corporation and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2015 and the consolidated statements of operations, changes in net assets, remeasurement gains and losses - unrestricted and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Toronto Community Housing Corporation and its subsidiaries as at December 31, 2015 and the results of their operations, their remeasurement gains and losses - unrestricted and their cash flows for the year then ended in accordance with Canadian public sector accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto Community Housing Corporation

Consolidated Statement of Financial Position

As at December 31, 2015

(in thousands of dollars)

	2015 $	2014 $
Assets		
Current assets		
Cash	2,201	31,034
Restricted cash for internally restricted purposes (note 3(a))	15,181	19,264
Restricted cash for externally restricted purposes (note 3(a))	32,416	60,841
Investments (note 3(a))	17,391	20,781
Restricted investments (note 3(a))	-	25,000
Accounts receivable (notes 3(d) and 22)	66,108	67,543
Loans receivable (notes 4(a)(ii) and (c))	2,001	676
Prepaid expenses	5,653	5,127
	140,951	230,266
Loans receivable (notes 4(a)(i) and (f))	14,153	14,250
Grants receivable (note 13(b))	13,741	17,217
Equity investments (note 4)	17,055	28,364
Investments for capital asset replacement reserve (notes 3(a) and 12)	41,482	37,132
Investments for internally restricted purposes (note 3(a))	153,259	149,072
Investments for capital expenditures under restrictions with lenders (note 3(a))	244,097	43,649
Receivable from the City of Toronto (note 5(b))	21,325	21,325
Housing projects acquired or developed (notes 6 and 19(a))	1,561,490	1,574,121
Improvements to housing projects (notes 7 and 19(b))	1,038,066	943,955
Guaranteed equity housing project (note 8)	8,164	8,679
Prepaid lease	1,023	1,078
Total assets	3,254,806	3,069,108

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

Toronto Community Housing Corporation

Consolidated Statement of Financial Position ... *continued*

As at December 31, 2015

(in thousands of dollars)

	2015 $	2014 $
Liabilities		
Current liabilities		
Bank loan (note 9)	15,000	-
Accounts payable and accrued liabilities (notes 8 and 22)	163,012	141,120
Tenants' deposits and rents received in advance	13,826	12,892
Deferred revenue	3,776	3,771
Deferred revenue on long-term leases	71	71
Project financing (note 11)	138,782	79,723
	334,467	237,577
Capital asset replacement reserve (notes 3(a) and 12)	41,482	37,132
Deferred revenue on long-term leases	975	1,045
Employee benefits (note 10)	82,859	81,402
Project financing (note 11)	1,353,804	1,244,098
Interest rate swap (note 11(c)(i))	2,244	2,732
Debenture loans (note 11(f)(iii))	-	15,637
Deferred capital contributions (note 13(a))	487,926	521,771
Total liabilities	2,303,757	2,141,394
Accumulated Surplus		
Share capital		
Authorized and issued		
100 common shares	1	1
Internally restricted funds (notes 3(a) and 15)	169,296	170,037
Contributed surplus (note 6)	5,136	5,136
Unrestricted surplus	775,332	751,702
Accumulated remeasurement gains	1,284	838
Total net assets	951,049	927,714
	3,254,806	3,069,108

Contingencies (note 16)

Commitments (note 20)

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

Toronto Community Housing Corporation
Consolidated Statement of Operations
For the year ended December 31, 2015

(in thousands of dollars)

	2015 $	2014 $
Revenue		
Subsidies (note 5(c))	226,048	228,790
Rent		
Residential	295,992	288,674
Commercial	14,330	14,065
Amortization of deferred capital contributions (note 13(a))	47,065	47,220
Parking, laundry and cable fees	16,773	16,663
Investment income	11,063	10,354
Joint venture income (note 4)	20,303	31,499
Gain on easement (note 17)	-	625
Gain on sale of housing projects (note 18)	9,815	29,508
Gain on sale of land (note 4(b))	19	3,432
Gain on sale of capital assets	33	23
Plant	1,335	1,330
Other	3,007	2,434
	645,783	674,617
Expenses		
Operating and maintenance	143,154	141,397
Utilities	124,448	122,936
Municipal taxes	14,646	17,357
Depreciation	141,934	134,369
Interest (notes 9 and 11)	71,629	69,913
Rent supplement program (note 5(c))	24,854	24,859
Community safety services	16,365	14,619
Residential services	9,415	9,441
Tenancy management	23,415	21,691
Corporate services	27,671	27,064
Human resources	8,840	7,606
Information technology	9,202	7,385
Plant	2,408	2,140
Loss from guaranteed equity housing project (note 8)	541	534
	618,522	601,311
Excess of revenue over expenses for the year	27,261	73,306

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

Toronto Community Housing Corporation

Consolidated Statement of Changes in Net Assets

For the year ended December 31, 2015

(in thousands of dollars)

2015	Share capital $	Internally restricted funds $	Contributed surplus $	Unrestricted surplus $	Accumulated remeasurement gains (losses) $	Total $
Net assets - January 1, 2015	1	170,037	5,136	751,702	838	927,714
Excess of revenue over expenses for the year	-	-	-	27,261	-	27,261
Net change in unrealized gains on revaluation of interest rate swap (note 11(c)(i))	-	-	-	-	488	488
Net change in unrealized losses on portfolio investments	-	-	-	-	(4,414)	(4,414)
Net change in unrealized losses on portfolio investments held for internally restricted purposes (note 15)	-	(4,372)	-	-	4,372	-
Change in internally restricted funds (note 15)	-	3,631	-	(3,631)	-	-
Net assets - December 31, 2015	1	169,296	5,136	775,332	1,284	951,049

2014	Share capital $	Internally restricted funds $	Contributed surplus $	Unrestricted surplus $	Accumulated remeasurement gains (losses) $	Total $
Net assets - January 1, 2014	1	186,836	-	663,414	(431)	849,820
Excess of revenue over expenses for the year	-	-	-	73,306	-	73,306
Net change in unrealized gains on revaluation of interest rate swap (note 11(c)(i))	-	-	-	-	546	546
Net change in unrealized losses on portfolio investments	-	-	-	-	(1,094)	(1,094)
Net change in unrealized gains on portfolio investments held for internally restricted purposes (note 15)	-	(1,086)	-	-	1,086	-
Net change in unrealized gains on portfolio investments related to externally restricted reserve	-	-	-	(731)	731	-
Change in contributed surplus (note 6)	-	-	5,136	-	-	5,136
Change in internally restricted funds (note 15)	-	(15,713)	-	15,713	-	-
Net assets - December 31, 2014	1	170,037	5,136	751,702	838	927,714

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

Toronto Community Housing Corporation

Consolidated Statement of Remeasurement Gains and Losses - Unrestricted

For the year ended December 31, 2015

(in thousands of dollars)

	2015 $	2014 $
Accumulated remeasurement gains (losses) - unrestricted - Beginning of year	838	(431)
Net change in unrealized gains (losses) attributable to		
Interest rate swap (note 11(c)(i))	488	546
Portfolio investments	(4,414)	(1,094)
Accumulated remeasurement gains (losses) for the year	(3,926)	(548)
Reallocation of unrealized gains attributable to portfolio investments held for internally restricted purposes (note 15)	4,372	1,086
Reallocation of unrealized gains attributable to portfolio investments related to externally restricted reserve	-	731
Accumulated unrestricted remeasurement gains (losses) for the year	446	1,269
Accumulated remeasurement gains - unrestricted - End of year	1,284	838

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

Toronto Community Housing Corporation

Consolidated Statement of Cash Flows

For the year ended December 31, 2015

(in thousands of dollars)

	2015 $	2014 $
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	27,261	73,306
Add (deduct): Items not involving cash		
Amortization of deferred capital contributions (note 13(a))	(47,065)	(47,220)
Depreciation	141,934	134,369
Gain on sale of housing projects (note 18)	(9,815)	(29,508)
Gain on sale of land	(19)	(3,432)
Gain on sale of capital assets	(33)	(23)
Imputed interest on loan (note 11)	140	140
Joint venture income (note 4)	(20,303)	(31,499)
Depreciation of guaranteed equity housing project assets (note 8)	264	267
Employee benefit obligations (note 10(a))	1,457	3,963
	93,821	100,363
Changes in non-cash working capital balances related to operations		
Accounts receivable	3,395	8,749
Receivable from the City of Toronto	-	5,000
Prepaid expenses	(726)	1,068
Prepaid lease	55	57
Accounts payable and accrued liabilities	3,603	(4,277)
Tenants' deposits and rents received in advance	934	558
Deferred revenue	5	2,917
Deferred revenue on long-term leases	(70)	(70)
	101,017	114,365
Investing activities		
(Increase) decrease in loans receivable (note 4)	(1,228)	268
Increase in investments and restricted investments (note 3)	(184,110)	(65,440)
Net distributions from joint ventures (note 4)	37,078	25,685
Decrease in restricted cash (note 3(a))	28,425	25,321
	(119,835)	(14,166)
Capital activities		
Acquisition of housing projects (note 19(a))	(49,423)	(57,744)
Proceeds on sale of housing projects (note 18)	10,008	31,533
Improvements to housing projects (note 19(b))	(162,499)	(101,148)
	(201,914)	(127,359)
Financing activities		
Borrowing of bank loan (note 9)	15,000	-
Decrease in long-term grants receivable (note 13(b))	3,173	2,868
Deferred financing cost (note 11)	(146)	(119)
New project financing and debenture loans (note 11)	232,000	102,120
Repayment of project financing (note 11)	(78,866)	(90,687)
Contributions for capital asset replacement reserve (note 12)	8,849	8,783
Restricted grants for housing projects	7,806	4,373
	187,816	27,338
(Decrease) increase in cash during the year	(32,916)	178
Cash and restricted cash for internally restricted purposes - Beginning of year	50,298	50,120
Cash and restricted cash for internally restricted purposes - End of year	17,382	50,298

Supplementary cash flow information (note 19)

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

(in thousands of dollars)

1 The corporation and its mission

Toronto Community Housing Corporation was incorporated under the provisions of the Ontario Business Corporations Act on December 14, 2000 as Metro Toronto Housing Corporation. On October 9, 2001, articles of amendment were filed to effect a name change to Toronto Community Housing Corporation (TCHC). TCHC is wholly owned by the City of Toronto (the City). The City includes all organizations that are accountable for administration of their financial affairs and resources to City Council and are controlled by the City. In establishing TCHC, the City approved a Shareholder Direction that set guiding principles, high-level objectives and expected accountability to the City. The Shareholder Direction establishes TCHC as a not-for-profit organization 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 not-for-profit organization and, as such, is exempt from income taxes under Section 149(1) of the Income Tax Act (Canada).

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

2 Basis of preparation and summary of significant accounting policies

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

Basis of consolidation

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

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

(in thousands of dollars)

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

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

TCHC only administers the funding and operations of Toronto Affordable Housing Fund (TAHF), which in the normal course of its operations, maintains its operations and meets its liabilities from benefits received from sources outside of TCHC, and thus has not been consolidated in these consolidated financial statements.

TCHC is a member of Regent Park Arts Non-Profit Development Corporation (RPAD), which is a non-share joint venture that in the normal course of its operations, maintains its operations and settles its liabilities from benefits received from sources outside of TCHC, and thus has not been consolidated in these consolidated financial statements.

TCHC Issuer Trust is a trust declared as a special purpose entity under the laws of Ontario pursuant to a declaration of trust made as of May 1, 2007 and amended as of December 1, 2007 and was established for the sole purpose of investing in and facilitating the financing of social housing program and related programs of TCHC and its affiliates through the issuance of debentures under the Trust debenture.

All intercompany transactions and balances have been eliminated.

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.

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

Financial instruments

TCHC's portfolio investments and derivative financial instruments are recorded at their fair value. Other financial assets and liabilities are recorded at amortized cost, which approximates fair value.

(in thousands of dollars)

At initial recognition, TCHC classifies its financial instruments 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 and restricted investments	portfolio investments	fair value
Accounts, loans and other receivables	loans and receivables	amortized cost
Grants receivable	loans and receivables	amortized cost
Accounts payable and accrued liabilities	financial liabilities	amortized cost
Tenants' deposits and rent received in advance	financial liabilities	amortized cost
Bank loan	financial liabilities	amortized cost
Project financing	financial liabilities	amortized cost
Interest rate swap	derivatives	fair value
Debenture loans	financial liabilities	amortized cost

Investments and investment income

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

- Short-term notes and treasury bills are valued based on cost plus accrued income, which approximates fair value;
- Publicly traded bonds are determined based on the latest bid prices to reflect fair value; and
- Investments in pooled funds are valued at their reported net asset value per unit to reflect fair value.

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

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

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

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

(in thousands of dollars)

Investments in joint ventures

Investments in joint ventures are accounted for using the modified equity method.

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

Derivative financial instruments

Derivative contracts are recorded at their fair value as an asset or a liability based on quoted market prices or dealer quotes with changes in fair value recorded on the consolidated statement of remeasurement gains and losses.

TCHC currently employs interest rate swaps to convert its variable interest rate on a floating rate loan facility to a fixed interest rate. Interest rate swaps are employed in order to eliminate variability in future cash flows. The swaps are measured at fair value until the interest rate swap is settled.

Financing costs

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

Housing projects acquired and developed and improvements to housing projects

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

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

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

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

(in thousands of dollars)

Deferred capital contributions

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

Employee related costs

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

- TCHC's contributions to a multi-employer, defined benefit pension plan and other post-employment benefit plans are expensed as contributions come due;
- the costs of terminating benefits and compensated absences are recognized when an event that obligates TCHC occurs; costs include projected future income payments, health-care continuation costs and fees paid to independent administrators of these plans, calculated on a present value basis;
- the costs of other employee benefits are actuarially determined using the projected benefits method pro-rated on service and management's best estimate of retirement ages of employees, salary escalation, expected health-care costs and plan investment performance. Actuarial gains and losses are amortized over the expected average remaining service lives;
- employee future benefit liabilities are discounted using the average expected borrowing rate of TCHC over the period during which benefits are expected to be earned;
- past service costs from plan amendments are expensed as incurred; and
- the costs of workplace safety and insurance obligations are actuarially determined and expensed. Actuarial gains and losses are recognized as incurred.

Use of estimates

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

Liability for contaminated sites

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. A liability for remediation of contaminated sites is recognized when TCHC is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate for the amount can be made. As at December 31, 2015, 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.

(in thousands of dollars)

3 Investments, restricted investments and restricted cash

On May 25, 2015, the Board of Directors approved an investment fund allocation, relating to internally restricted reserves (note 15).

a) Investments, restricted investments and restricted cash consist of the following:

								2015
	Restricted cash for internally restricted purposes $	Restricted cash for externally restricted purposes $	Term deposits $	Restricted investments $	Investments for capital expenditure under restrictions with lenders $	Fixed income securities $ (notes 3(b), (c) and (d))	Total $	Project financing and reserves $ (notes 11, 12 and 15)
Investments	-	-	2,289	-	-	15,102	17,391	-
Capital assets replacement reserve (note 12)	-	-	-	-	-	41,482	41,482	41,482
Internally restricted funds (notes 3(d) and 15)								
Capital risk reserve fund	-	-	-	-	-	20,355	20,355	20,355
State of Good Repair fund	14,509	-	-	-	-	-	14,509	14,509
Debt service reserve fund	-	-	-	-	-	19,991	19,991	19,991
Sinking fund of public debentures	-	-	-	-	-	17,697	17,697	17,697
Development risk reserve fund	-	-	-	-	-	44,978	44,978	44,978
Working capital reserve fund	-	-	-	-	-	49,977	49,977	49,977
Legal contingencies fund	-	-	-	-	-	1,789	1,789	1,789
	14,509	-	-	-	-	154,787	169,296	169,296

(in thousands of dollars)

								2015
	Restricted cash for internally restricted purposes $	**Restricted cash for externally restricted purposes** $	**Term deposits** $	**Restricted investments** $	**Investments for capital expenditure under restrictions with lenders** $	**Fixed income securities** $ (notes 3(b), (c) and (d))	**Total** $	**Project financing and reserves** $ (notes 11, 12 and 15)
Externally restricted capital expenditures funds received in 2013 held in trust by a lender for the refinanced properties (note 3(e)(i))	-	-	-	-	12,606	-	12,606	149,137
Externally restricted capital expenditures funds received in 2014 held in trust by a lender for the refinanced properties (note 3(f)(i))	-	-	-	-	3,191	-	3,191	48,689
Externally restricted capital expenditures funds received in 2015 held in trust by a lender for the refinanced properties (note 3(h)(i))	-	-	-	-	26,601	-	26,601	231,646
Externally restricted funds received in 2013 for capital expenditures for TCHC properties (note 3(e)(ii))	-	110	-	-	-	-	110	-
Externally restricted capital expenditures funds received in 2014 held in trust by a lender for TCHC properties (note 3(f)(ii))	-	-	-	-	27,943	-	27,943	-
Externally restricted capital expenditures funds received in 2015 held in trust by a lender for TCHC properties (note 3(h)(ii))	-	-	-	-	173,756	-	173,756	-
	-	110	-	-	244,097	-	244,207	429,472
Externally restricted funds received in 2014 for capital expenditures for TCHC properties (note 3(g))	-	27,926	-	-	-	-	27,926	52,326
Externally restricted cash for programs of development projects and others	672	4,380	-	-	-	-	5,052	5,580
	15,181	32,416	2,289	-	244,097	211,371	505,354	698,156

(in thousands of dollars)

								2014
	Restricted cash for internally restricted purposes $	Restricted cash for externally restricted purposes $	Term deposits $	Restricted investments $	Investments for capital expenditure under restrictions with lenders $	Fixed income securities $ (notes 3(b), (c) and (d))	Total $	Project financing and reserves $ (notes 11, 12 and 15)
Investments	-	-	2,228	-	-	18,553	20,781	-
Capital assets replacement reserve (note 12)	-	-	-	-	-	37,132	37,132	37,132
Internally restricted funds (notes 3(d) and 15)								
Capital risk reserve fund	-	-	-	-	-	18,890	18,890	18,890
State of Good Repair fund	19,264	-	-	-	-	-	19,264	19,264
Debt service reserve fund	-	-	-	-	-	19,991	19,991	19,991
Sinking fund of public debentures	-	-	-	-	-	15,168	15,168	15,168
Development risk reserve fund	-	-	-	-	-	44,978	44,978	44,978
Working capital reserve fund	-	-	-	-	-	49,977	49,977	49,977
Legal contingencies fund	-	-	-	-	-	1,769	1,769	1,769
	19,264	-	-	-	-	150,773	170,037	170,037
Externally restricted capital expenditures funds received in 2013 held in trust by a lender for the refinanced properties (note 3(e)(i))	-	-	-	-	12,899	-	12,899	151,911
Externally restricted capital expenditures funds received in 2014 held in trust by a lender for the refinanced properties (note 3(f)(i))	-	-	-	-	2,924	-	2,924	49,633
Externally restricted funds received in 2013 for capital expenditures for TCHC properties (note 3(e)(ii))	-	25,667	-	25,000	-	-	50,667	-
Externally restricted capital expenditures funds received in 2014 held in trust by a lender for TCHC properties (note 3(f)(ii))	-	-	-	-	27,826	-	27,826	-
	-	25,667	-	25,000	43,649	-	94,316	201,544

(in thousands of dollars)

								2014
	Restricted cash for internally restricted purposes **$**	**Restricted cash for externally restricted purposes** **$**	**Term deposits** **$**	**Restricted investments** **$**	**Investments for capital expenditure under restrictions with lenders** **$**	**Fixed income securities** **$** (notes 3(b), (c) and (d))	**Total** **$**	**Project financing and reserves** **$** (notes 11, 12 and 15)
Externally restricted funds received in 2014 for capital expenditures for TCHC properties (note 3(g))	-	32,618	-	-	-	-	32,618	52,411
Externally restricted cash for programs of development projects and others	-	2,556	-	-	-	-	2,556	-
	19,264	60,841	2,228	25,000	43,649	206,458	357,440	461,124

(in thousands of dollars)

b) Investment income and fair value adjustments were apportioned to the various restricted funds based on the accounting policy outlined in note 2. Contributions received and expenditures incurred have been recorded in the funds to which they relate.

c) The fixed income securities consist of corporate and Canadian government fixed income securities with nominal coupon rates between 1.7% and 7.1%, and maturity dates ranging from 2016 to 2026. These securities are considered to be highly liquid.

d) Included in accounts receivable is $1,528 (note 3(a)) (2014 - $1,701) of accrued interest income, which is included in internally restricted funds.

e) Pursuant to a financing agreement made as of October 18, 2013, TCHC completed a financing transaction with a lender for $154,703 (note 11(e)(i)).

i) The lender has restricted investments of $12,606 (note 3(a)) (2014 - $12,899), which are invested in Canadian money market funds held in trust by the lender and are considered highly liquid. The investments are to be used to fund capital expenditures for refinanced properties. The restricted investments included $11,821 (note 11(e)(i)) that TCHC received at the inception of the financing transaction in 2013, deposits of $2,013 (2014 - $1,046) of the aggregate annual effective gross income from the refinanced properties, and net investment income of $202. TCHC incurred $3,322 capital expenditures since December 1, 2013, of which $1,892 (note 9) remained in restricted investment as at December 31, 2015.

ii) TCHC received $82,504 from the lender (note 11(e)(i)) at inception for capital expenditures for TCHC's properties, which was fully utilized as at December 31, 2015 (2014 - $25,000) in restricted investments (note 3(a)) and $25,667 in restricted cash (note 3(a)). TCHC earned $1,140 (2014 - $717) net investment income since the inception of the refinancing transaction, with $110 held in restricted cash and $1,030 in operating cash.

f) ursuant to a financing agreement made as of October 27, 2014, TCHC finalized a financing transaction with a lender for $49,710 (note 11(e)(ii)). As at December 31, 2015, the restricted investment of $31,134 (2014 - $30,750) is held in trust by the lender and invested in Canadian money market funds that are considered highly liquid. The restricted investments includes the following:

i) TCHC received $2,882 during 2014 and invested in restricted investments. TCHC deposited $294 (2014 - $42) of the gross income of refinanced properties since November 1, 2014 and incurred $1,054 on capital expenditures in the year (2014 - $nil), which remained in restricted investment. As at December 31, 2015, $3,191 (note 3(a)) (2014 - $2,882) of restricted investments, including $14 net investment income, is to be used to fund capital expenditures for refinanced properties.

ii) The lender has restricted investments of $27,943 (note 3(a)) (2014 - $27,826) for capital expenditures for TCHC properties. The restricted investments included $27,805 that TCHC received from the lender on November 1, 2014, and net investment income of $138 (2014 - $21) earned, less $17,541 (note 9) capital expenditures incurred during 2015 (2014 - $nil), which remained in restricted investment. The lender released the funds in full to TCHC in February 2016 (notes 9 and 11(e)(ii)).

(in thousands of dollars)

g) Pursuant to a financing agreement dated December 1, 2014, TCHC finalized a financing transaction with a lender for $52,411 (note 11(b)(ii)). TCHC restricted $27,926 (2014 - $32,618) in cash (note 3(a)) in accordance with the financing agreement with the lender, which included $32,610 funds received from the lender (note 11(b)(ii)) in 2014 for capital expenditures for TCHC properties and $360 (2014 - $33) net investment income earned since inception of the refinancing transaction, net of $25 financing cost incurred (note 11(b)(ii)), and less $5,019 spent on capital expenditures since inception.

h) Pursuant to a financing agreement made as of November 6, 2015, TCHC completed a financing transaction with a lender for $232,000 (note 11(e)(iii)).

i) TCHC received $26,404 (note 11(e)(iii)) from the lender, deposited $184 aggregate annual effective gross income from the refinanced properties, earned $13 net investment income and incurred $1,979 (note 9) capital expenditures on refinanced properties since inception, which remained in restricted investment as at December 31, 2015. The lender has restricted $26,601 (note 3(a)) in investments as at December 31, 2015.

ii) The lender has restricted investments of $173,756 (note 3(a)) for capital expenditures for TCHC properties. The restricted investments included $173,677 (note 11(e)(iii)) that TCHC received from the lender and net investment income of $79 earned.

4 Equity investments and loans receivable

	Equity investments	
	2015 $	**2014 $**
DPDC (note 4(a)(i))	2,299	2,344
PGDC (note 4(a)(ii))	3,898	13,784
Library District Inc. (note 4(b))	1,308	7,677
AGP (note 4(c))	8,774	4,559
APPI (note 4(d))	776	-
	17,055	28,364

	Loans receivable	
	2015 $	**2014 $**
DPDC (note 4(a)(i))	2,409	2,472
PGDC (note 4(a)(ii))	-	676
AGDC (note 4(c))	2,001	-
Mortgages receivable (note 4(f))	11,744	11,778
Total	16,154	14,926
Less: Current portion	(2,001)	(676)
	14,153	14,250

(in thousands of dollars)

a) i) TCHC's wholly owned subsidiary, Regent Park Development Corporation (RPDC), has entered into a co-tenancy agreement with a developer for the construction of certain properties in Regent Park on October 31, 2006. RPDC and the developer's interest in the co-tenancy of the development, which operates through a nominee corporation, Dundas and Parliament Development Corporation (DPDC), is determined by the co-tenancy agreement. RPDC accounts for this joint venture using the modified equity method. There are no significant differences in the accounting policies of DPDC.

The following is selected financial information from DPDC financial statements:

	2015 $	2014 $
Total assets	7,336	7,450
Liabilities	2,565	2,588
Co-tenants' equity	4,771	4,862
Total liabilities and co-tenants' equity	7,336	7,450
TCHC's equity investment	2,389	2,434
Cash provided by operating activities	741	331
Cash used in financing activities	(650)	(451)

Change in DPDC equity investment is as follows:

	2015 $	2014 $
Balance - Beginning of year	2,434	2,391
Net income	258	152
Contributions	22	255
Distributions	(325)	(364)
Balance - End of year	2,389	2,434

The equity pick-up has been included in RPDC's statement of operations.

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 in the accounting basis for the contribution of land has resulted in a difference in the value of the equity investment as follows:

(in thousands of dollars)

	2015 $	2014 $
Equity investments in DPDC per DPDC financial statements	2,389	2,434
Exchange amount of land transferred to DPDC	(112)	(112)
Carrying value of land transferred to DPDC	22	22
Equity investment in DPDC per RPDC financial statements	2,299	2,344

The difference between the exchange amount and the carrying value of the land of $90 (2014 - $90) will be realized upon the sale of market units that have been developed by DPDC.

RPDC's share of net income reported by DPDC was $258 (2014 - $152).

TCHC has entered into a loan agreement with DPDC to finance the construction of condominium buildings on February 16, 2007. The construction loans are repayable on sales closing of condominium units and are guaranteed by the co-tenancy partners as well as other affiliated companies of each of the co-tenancy partners. Amounts are advanced under five separate credit term facilities and the availability of each loan will not be extended beyond the third anniversary of the initial drawdown for each loan unless the one-year extension at the option of DPDC is consented to by TCHC. No amounts have been drawn on the credit term facilities at year-end.

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

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

2. Amounts drawn on the $2,000 non-revolving fund loan are payable on the tenth anniversary date of the agreement dated August 31, 2010. The non-revolving fund loan has a fixed interest rate of 6% per annum.

3. Amounts drawn on the $500 non-revolving fund loan are payable on the earlier of: (i) the date of the drawdown of the construction financing for the construction of the condominiums for Block 14 of the Regent Park Revitalization project; and (ii) the tenth anniversary of the agreement dated August 31, 2010. The credit facility bears a fixed interest rate at 6% per annum.

The three credit facilities are secured by the co-tenancy's land and assets and are guaranteed by RPDC and the co-tenancy partner. TCHC has advanced $2,409 (2014 - $2,472) to DPDC.

ii) TCHC's wholly owned subsidiary, RPDC, has also entered into a co-tenancy agreement with a developer for the construction of certain properties in Regent Park on January 12, 2009. RPDC and the developers' interest in the co-tenancy of the development, which operates through a nominee corporation, Parliament Gerrard Development Corporation (PGDC), is determined by the co-tenancy

(in thousands of dollars)

agreement. RPDC accounts for this joint venture using the modified equity method. There are no significant differences in the accounting policies of PGDC.

The following is selected financial information from PGDC financial statements:

	2015 $	2014 $
Total assets	40,565	106,947
Liabilities	37,301	80,240
Co-tenants' equity	3,264	26,707
Total liabilities and co-tenants' equity	40,565	106,947
TCHC's equity investments	1,906	13,757
Cash provided by operating activities	95,002	60,628
Cash used in financing activities	(92,117)	(52,184)
Cash used in investing activities	(1,798)	(8,947)

Change in PGDC equity investment is as follows:

	2015 $	2014 $
Balance - Beginning of year	13,757	9,975
Net income	23,409	19,532
Contributions	2,128	785
Distributions	(37,388)	(16,535)
Balance - End of year	1,906	13,757

The equity pick-up has been included in RPDC's statements of operations.

Similar to DPDC, the value of RPDC's equity investment in PGDC differs from the balance reported by the co-tenant. This difference is also 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. These differences have resulted in the following differences in the valuation of the equity investment in PGDC:

(in thousands of dollars)

	2015 $	2014 $
Equity investments in PGDC per PGDC financial statements	1,906	13,757
Carrying value of land transferred to PGDC, less exchange amount of the land	27	27
Pre-development cost associated with PGDC lands	1,767	-
Contributions in transit	198	-
Equity investment in PGDC per RPDC financial statements	3,898	13,784

As at December 31, 2015, the additional carrying value of the land and pre-development costs of $1,794 (2014 - $27) will be recognized as part of the equity pick-up for PGDC in the year when market units developed on the contributed lands are sold.

The above-mentioned additional costs impacted the net income reported by PGDC as follows:

	2015 $	2014 $
Net income reported by PGDC	23,409	19,532
Writeoff pre-development costs associated with market units that have been sold	(2,569)	(1,118)
Adjusted net income of PGDC	20,840	18,414

On December 2, 2009, TCHC has entered into a loan agreement with PGDC to finance the pre-development costs of condominium buildings, which is due on demand. The loan facility to PGDC is guaranteed by the co-tenancy partners as well as other affiliated companies of each of the co-tenancy partners. Amounts are advanced under a non-revolving term facility totalling $5,000 and earn interest at the bank's prime rate plus 0.50%. TCHC has advanced $nil (2014 - $676) to PGDC.

iii) TCHC's wholly owned subsidiary, RPDC, previously entered into a joint venture agreement with two members for the construction of the Daniels Spectrum, formerly known as Regent Park Arts and Cultural Centre (RPACC). RPDC and the two members each hold equal non-share interests, and have incorporated the Regent Park Arts Non-Profit Development Corporation (RPAD) to construct Daniels Spectrum, which was completed in 2013. TCHC exercises significant influence, but not joint control over RPAD by way of its interest in the joint venture. RPAD is a not-for-profit corporation that is tax-exempt.

On August 1, 2012, TCHC entered into a ground lease with RPAD of the land for 50 years less a day, on which Daniels Spectrum has been built, for an annual fee of one dollar plus additional rent for taxes and utilities.

(in thousands of dollars)

Beginning on August 1, 2012, Artscape, one of the members of the joint ventures, leased the premises from RPAD based on the terms noted above. In turn, Artscape sublet the property to the tenants. Artscape is responsible for the management and operation of Daniels Spectrum.

On December 6, 2013, RPAD entered into a 7-year first leasehold mortgage of $2,750, with a one-year term at a fixed interest rate of 5% per annum renewable in December 2015. Security on the loan is the leasehold interest held by RPAD in Daniels Spectrum. TCHC does not provide any security with its assets, except for the assignment of one dollar annual rent to the lender in the event of default. RPAD made an annual payment of $600 towards the first leasehold mortgage during 2015 with an outstanding mortgage liability of $1,550 (2014 - $2,150).

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

The following is selected financial information from Library District Inc. financial statements:

	2015 $	2014 $
Total assets	3,876	18,117
Liabilities	1,497	4,127
Co-tenants' equity	2,379	13,990
Total liabilities and co-tenants' equity	3,876	18,117
TCHC's equity investments	1,308	7,696
Cash provided by operating activities	174	73,739
Cash used in financing activities	(12,000)	(59,031)

Change in Library District Inc. equity investment is as follows:

	2015 $	2014 $
Balance - Beginning of year	7,696	5,839
Net income	214	16,121
Contributions	-	-
Distributions	(6,602)	(14,264)
Balance - End of year	1,308	7,696

The equity pick-up has been included in RLDC's statement of operations.

The value of RLDC's equity investment in Library District Inc. differs from the balance reported by the co-tenant. This difference is due to RLDC recording contributions of land to Library District Inc. at the carrying value of the land whereas Library District Inc. has recorded the contributed land at an exchange

(in thousands of dollars)

amount that has been agreed to by the two co-tenants. The difference in the accounting basis for the contribution of land has resulted in a difference in the value of the equity investment as follows:

	2015 $	2014 $
Equity investments in Library District Inc. per Library District Inc. financial statements	1,308	7,696
Exchange amount of land transferred to Library District Inc.	(4,160)	(4,160)
Carrying value of land transferred to Library District Inc.	772	772
Accumulated gain on sale of land	3,388	3,369
Equity investment in Library District Inc. per RLDC financial statements	1,308	7,677

At land transfer as at December 31, 2012, the difference between the exchange amount and the carrying value of the land was $3,388. During 2015, $19 (2014 - $3,369) was realized upon the sale of market units that have been developed by Library District Inc.

RLDC's share of net income reported by Library District Inc. was $214 (2014 - $16,121).

c) On February 5, 2013, TCHC's wholly owned subsidiary, Allenbury Gardens Development Corporation (AGDC), incorporated on December 14, 2012, entered into a partnership agreement with a developer, thus forming Allenbury Gardens Revitalization General Partnership (AGP) for the revitalization of certain properties in Allenbury Gardens. AGDC and the development partner have equal interest for contribution up to $900, and receive 70%/30% interest until the point AGDC recovers the development and replacement cost for TCHC's rental units, and receives 30%/70% interest in the partnership thereafter of no less than $2,550. The AGP operates through a nominee, Soul Residences Inc., which holds legal title to the real property as a bare trustee for AGDC and the development partner to whom beneficial ownership of the property is then transferred on closing.

The 70%/30% interest will reciprocate once TCHC's residential units in the project break even on a cash flow basis.

The following is selected financial information from AGP financial statements:

	2015 $	2014 $
Total assets	35,695	8,292
Liabilities	22,824	1,544
Co-tenants' equity	12,871	6,748
Total liabilities and co-tenants' equity	35,695	8,292
TCHC's equity investments	8,774	4,559
Cash used in operating activities	(7,963)	(6,330)
Cash provided by financing activities	8,276	6,504
Cash used in investing activities	(54)	(433)

(in thousands of dollars)

Change in AGP equity investment is as follows:

	2015 $	2014 $
Balance - Beginning of year	4,559	725
Net loss	(547)	(715)
Contributions	4,762	4,549
Balance - End of year	8,774	4,559

AGDC's share of net loss reported by AGP was $547 (2014 - net loss of $715).

On October 1, 2015, AGDC entered into an interest-free loan agreement with the development partner to finance the construction costs of condominium buildings. As at December 31, 2015, AGDC advanced $2,001 (2014 - $nil) to the development partner. The loan was repaid in full by a lender in March 2016 upon the first draw of the construction loan advanced to the development partner.

d) On July 19, 2013, TCHC's wholly owned subsidiary, Alexandra Park Development Corporation (APDC), incorporated on July 16, 2013, has entered into a partnership agreement with a developer, thus forming Alexandra Park Phase I Partnership (APPI), for the revitalization of certain properties in Alexandra Park. APDC and the developer have equal interests in the partnership on the development, which operates through a nominee corporation, Alexandra Park Condominium Residences Inc. (APCRI), which holds legal title to the real property as a bare trustee for APDC and the development partner to whom beneficial ownership of the property is transferred on closing.

The development partner funds 100% of predevelopment expenses until the first construction advance, and all costs incurred by the partnership are capitalized in APPI as at December 31, 2015 and 2014.

The following is selected financial information from APPI financial statements:

	2015 $	2014 $
Total assets	50,881	-
Liabilities	35,445	-
Co-tenants' equity	15,436	-
Total liabilities and co-tenants' equity	50,881	-
TCHC's equity investments	13,468	-
Cash provided by operating activities	85	-
Cash provided by financing activities	477	-

(in thousands of dollars)

Change in APPI equity investment is as follows:

	2015 $	2014 $
Balance - Beginning of year	-	-
Net loss	(460)	-
Contributions	13,928	-
Distributions	-	-
Balance - End of year	13,468	-

TCHC transferred 100% interest in land to the developer for an exchanged amount of $13,928 on July 19, 2015.

As at December 31, 2015, the value of APDC's equity investment in APPI differs from the balance reported by the partnership. This difference is due to the value attributed to the land contributed to APPI whereby APDC accounts for the contribution of land at its carrying value whereas APPI accounts for the contribution of land at an exchange amount agreed to by the co-tenants. Furthermore, APDC's valuation of the land contributed to APPI also includes various pre-development costs that APPI does not recognize as part of the exchange amount of land. These differences have resulted in the following differences in the valuation of the equity investment in APPI:

	2015 $	2014 $
Equity investments in APPI per APPI financial statements	13,468	-
Exchange amount of land transferred to APPI	(13,928)	-
Carrying value of land transferred to APPI	94	-
Pre-development cost associated with APPI lands	1,142	-
Equity investment in APPI per APDC financial statements	776	-

As at December 31, 2015, the difference between the exchange amount and the carrying value and the additional pre-development costs of $12,692 will be recognized as part of the equity pick-up for APPI in the year when market units developed on the contributed lands are sold.

APDC's share of net loss reported by APPI was $460 for the year ended December 31, 2015 (2014 - $nil).

e) On October 2, 2015, TCHC's wholly owned subsidiary, Leslie Nymark Development Corporation (LNDC), incorporated on November 12, 2013, entered into a partnership agreement with a developer, forming Leslie Nymark Partnership (LNP), for the revitalization of certain properties. LNDC and the developer have equal interests in the partnership, which operates through a nominee corporation, Scala Residences Inc. Scala Residences Inc. holds legal title to the real property as a bare trustee for LNDC and the development partner to whom beneficial ownership of the property is transferred on closing.

The development partner funds 100% of predevelopment expenses until the first construction advance, and all costs incurred by the partnership have been capitalized in LNP as at December 31, 2015.

(in thousands of dollars)

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

5 Account balance 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 $61,912 (2014 - $60,797) receivable from the City and included in accounts payable and accrued liabilities is $7,481 (2014 - $5,032) payable to the City as a result of these transactions.

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

Included in the long-term receivable from the City is $4,269 (2014 - $4,269) for sick leave benefits (note 10(f)) and $17,056 (2014 - $17,056) for other employment and post-employment benefits (note 10(h)).

c) The City provided gross subsidies of $226,048 (2014 - $228,790) of which $24,854 (2014 - $24,859) pertain to subsidies passed directly through to tenants and are reflected on the consolidated statement of operations as expenditures. Subsidies revenue consists of the following:

	2015 $	2014 $
Garbage levy (i)	-	2,480
Operating expense	72,133	70,142
Mortgage principal and interest expense (note 5(d))	77,020	77,140
Municipal tax expense (note 5(d))	8,044	8,157
Educational tax saving	8,683	8,683
Administrative fees of a subsidiary (note 5(f))	4,804	5,651
Rent supplement subsidies for buildings owned (note 5(d))	30,510	31,678
Subsidies not passed through to tenants	201,194	203,931
Strong communities program (note 5(d))	11,047	11,656
Commercial rent supplement program (note 5(d))	13,807	13,203
Subsidies passed through to tenants	24,854	24,859
Total subsidies	226,048	228,790

i) As at September 30, 2014, the City no longer provides a garbage levy to TCHC.

(in thousands of dollars)

d) Expenditures incurred with the City include $44,077 (2014 - $41,680) for water and waste, $14,646 (2014 - $16,752) for property taxes and $2,411 (2014 - $1,703) for the mortgage interest charges paid to the City. TCHC administers various programs on behalf of the City. Subsidies received from the City offsetting these costs have been recorded in subsidies revenue. TCHC incurred costs of $13,807 (2014 - $13,203) for the commercial rent supplement program and $11,047 (2014 - $11,656) for the strong communities program. These amounts, totalling $24,854 (2014 - $24,859), are included in the rent supplement programs expense.

Other housing program subsidies received from the City are based on mortgage principal and interest and municipal tax payments for housing projects funded under a TCHC Operating Agreement with the City and have been recorded in subsidies revenue. For these projects, the municipal tax expense for 2015 was $8,044 (2014 - $8,157) and the mortgage principal and interest payments for 2015 totalled $77,020 (2014 - $77,140). TCHC also received rent supplements of $30,511 (2014 - $31,678) for buildings it owns, which have been recorded as subsidies revenue.

For the financial years ending 2009 to 2015, TCHC incurred $147,104 (2009 to 2014 - $147,133) in expenditures related to the Social Housing Retrofit and Renovation Program (SHRRP), of which TCHC received $147,104 (2009 to 2014 - $147,133) in funding from the City.

e) The City provided funds that it received under Section 37 of the Planning Act to TCHC for capital improvements in specific developments, including design work, associated labour costs, and capital maintenance. The funds will not be used to fund TCHC's State of Good Repair (note 15) projects. As at December 31, 2015, $4,813 grant was received, less accumulated capital expenditures of $1,226. The funds available for future capital expenditures of $3,612 are invested as restricted cash as at December 31, 2015, including $25 earned interest.

f) On October 23, 2015, the Board of Directors approved the transfer of the wait list function of AHCI to the City as per the term sheet signed by TCHC and the City on October 21, 2015. A phased-in approach was adopted for the transaction with preliminary close on October 28, 2015 and the transaction is expected to be completed by December 31, 2016.

TCHC received subsidies of $4,804 for administrative costs of AHCI, a wholly owned subsidiary of TCHC, for January to October 2015. The transitional period of the transfer of the subsidiary's operation to the City commenced following the transfer of the employees on October 28, 2015. During the transitional period of 2015, TCHC received $88 from the City as administrative cost recoveries of the subsidiary, net against corporate services expenses, and $100 transitional contingencies recorded as accounts payable and accrued liabilities to cover future costs borne by TCHC related to the transition.

TCHC accrued a subsidy receivable of $74 receivable from the City for office rent for November and December 2015, which is recorded as commercial rent.

(in thousands of dollars)

6 Housing projects acquired or developed

Housing projects acquired or developed consist of the following:

							2015
	Opening cost $	Additions $	Disposals and writedowns $	Completed during the year $	Closing cost $	Accumulated depreciation $	Net book value $
Land	383,296	493	(279)	399	383,909	-	383,909
Buildings	1,808,357	7,419	(1,139)	27,131	1,841,768	(788,658)	1,053,110
Plant	38,597	-	(7)	1,659	40,249	(6,589)	33,660
Housing projects under construction	87,724	32,276	-	(29,189)	90,811	-	90,811
	2,317,974	40,188	(1,425)	-	2,356,737	(795,247)	1,561,490

							2014
	Opening cost $	Additions $	Disposals and writedowns $	Completed during the year $	Closing cost $	Accumulated depreciation $	Net book value $
Land	374,893	6,818	(2,820)	4,405	383,296	-	383,296
Buildings	1,742,498	5,997	(7,435)	67,297	1,808,357	(738,451)	1,069,906
Plant	33,806	-	-	4,791	38,597	(5,402)	33,195
Housing projects under construction	106,715	58,657	(1,155)	(76,493)	87,724	-	87,724
	2,257,912	71,472	(11,410)	-	2,317,974	(743,853)	1,574,121

As at December 31, 2015, the additions of housing projects acquired or developed include capitalized interest of $856 (2014 - $2,049).

For the year ended December 31, 2015, pre-development costs totalling $2,569 (2014 - $3,591) were written off. These pre-development costs related to completed housing projects that have been sold by TCHC to third parties. The proceeds of these sales have been used to fund the construction of new TCHC residential buildings.

The net book value of housing projects acquired or developed during the year ended December 31, 2014 also included a contributed property with a fair value of $5,136.

(in thousands of dollars)

7 Improvements to housing projects

Improvements to housing projects consist of the following:

					2015
	Opening cost $	Additions $	Closing cost $	Accumulated depreciation $	Net book value $
Improvements to land and buildings	1,379,101	171,838	1,550,939	(553,433)	997,506
Furniture and equipment	142,179	12,198	154,377	(113,822)	40,555
Leasehold improvements	2,955	-	2,955	(2,950)	5
	1,524,235	184,036	1,708,271	(670,205)	1,038,066

					2014
	Opening cost $	Additions $	Closing cost $	Accumulated depreciation $	Net book value $
Improvements to land and buildings	1,259,392	119,709	1,379,101	(474,248)	904,853
Furniture and equipment	135,093	7,086	142,179	(103,132)	39,047
Leasehold improvements	2,953	2	2,955	(2,900)	55
	1,397,438	126,797	1,524,235	(580,280)	943,955

Improvements to housing projects include assets under capital leases with a carrying value of $8,320 (2014 - $9,607).

8 Guaranteed equity housing project

TCHC owns a building that has guaranteed equity units, each consisting 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; therefore, when a unit is repurchased, no gain or loss is recorded. As at December 31, 2015, an obligation was recorded at $12,375 (2014 - $13,414) and is included in TCHC's accounts payable and accrued liabilities in the consolidated statement of financial position. The fair value of this obligation is not determinable, as there are no defined repayment terms.

Net proceeds received on the sale of the right to occupy a unit, together with interest earned, will be used to finance the buyback of the guaranteed equity units on termination of the project in 2042 or earlier.

(in thousands of dollars)

The guaranteed equity housing project was required to operate for a minimum of 20 years since its inception in 1992. TCHC repurchased eight units during 2015 and holds twenty-six repurchased units as at December 31, 2015. The associated cost and accumulated depreciation of four of the repurchased units were transferred to housing projects acquired or developed (note 6) and rented at market rate.

The guaranteed equity housing project's assets consist of the following:

	January 1, 2015 $	Net change during the the year $	December 31, 2015 $
Land	1,216	(35)	1,181
Building	13,058	(384)	12,674
	14,274	(419)	13,855
Less: Accumulated depreciation	(5,595)	(264)	(5,859)
Accumulated depreciation transferred to housing projects acquired or developed	-	168	168
	8,679	(515)	8,164

	January 1, 2014 $	Net change during the the year $	December 31, 2014 $
Land	1,216	-	1,216
Building	13,058	-	13,058
	14,274	-	14,274
Less: Accumulated depreciation	(5,328)	(267)	(5,595)
	8,946	(267)	8,679

The operating deficit from the guaranteed equity housing project included in the consolidated statement of operations consists of the following:

	2015 $	2014 $
Sundry revenue	14	21
Depreciation	(264)	(267)
Accretion of repurchase obligation	(26)	(68)
Operating, marketing and selling	(265)	(220)
Loss for the year	(541)	(534)

(in thousands of dollars)

9 Bank loan

TCHC has a committed revolving credit facility of $200,000 (2014 - $200,000) that is available for short-term advances and letters of credit, with standby charges of 0.25%. Short-term advances are available by way of a prime loan at the Canadian prime rate and bankers' acceptances (BAs) at the bank's BA rate plus 1.10%. Short-term advances of $15,000 (December 31, 2014 - $nil) have been used and are repayable at maturity on various dates throughout 2016. There are outstanding letters of credit of $2,566 (2014 - $1,943), which reduce the amount available under this facility.

	2015 $	2014 $
Standby charges	435	477
Interest charge	549	74
	984	551

10 Employee benefits

a) Employee benefits liabilities of TCHC

	2015 $	2014 $
Workers' Safety and Insurance Board (WSIB) obligation (note 10(e))	13,044	15,500
Sick leave benefits (note 10(f))	12,630	12,564
Severance/termination benefits (note 10(g))	1,269	1,320
Other employment and post-employment benefits (notes 10(h) and 10(j))	26,421	23,341
Unamortized actuarial loss	(1,654)	(1,788)
Other benefits	51,710	50,937
Supplementary employee retirement plan (SERP) (notes 10(i) and 10(j))	31,149	30,465
Employee benefits	82,859	81,402

(in thousands of dollars)

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

	SERP		Other benefits	
	2015 **$**	**2014** **$**	**2015** **$**	**2014** **$**
Accrued benefit obligation	30,790	26,433	53,364	52,725
Plan assets	(790)	(1,293)	-	-
Unamortized actuarial gain (loss)	1,149	5,325	(1,654)	(1,788)
	31,149	30,465	51,710	50,937
Period of amortization for actuarial loss (years)	5	5	12	12

b) Continuity of TCHC's accrued benefit liabilities

	SERP		Other benefits	
	2015 **$**	**2014** **$**	**2015** **$**	**2014** **$**
Balance - Beginning of year	30,465	28,245	50,937	49,194
Current service cost	492	822	1,600	1,548
Interest cost	1,196	1,464	1,283	1,227
Benefits paid	-	-	(1,752)	(1,409)
Actuarial (gain) loss	(1,953)	(4,671)	1,296	2,165
Funding contributions	(200)	(720)	-	-
Unamortized actuarial gain (loss)	1,149	5,325	(1,654)	(1,788)
Balance - End of year	31,149	30,465	51,710	50,937

Accrued benefit liabilities related to terminations

	2015 **$**	**2014** **$**
Balance - Beginning of year	1,298	1,223
Current service cost	93	90
Interest expense	59	56
Benefits paid	(41)	(76)
Actuarial (gain) loss	(140)	27
Funding contribution	-	-
Unamortized actuarial (gain) loss	145	(22)
Balance - End of year	1,414	1,298

(in thousands of dollars)

c) TCHC's employee benefits expense

	SERP		Other benefits	
	2015 $	2014 $	2015 $	2014 $
Current service cost	492	822	1,600	1,548
Interest cost	1,196	1,464	1,283	1,227
Amortization of actuarial loss	(803)	654	(358)	377
	885	2,940	2,525	3,152

d) Non-pension benefits payments

During the year, TCHC made non-pension benefits payments of approximately $1,752 (2014 - $1,409) directly to employees and retirees.

e) Workplace safety and insurance 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.

The WSIB's benefit plan liabilities as at December 31, 2015 is based on the most recent actuarial valuation that has been completed as at December 31, 2015.

f) Liability for sick leave benefits

The accrued benefit obligation is based on the most recent actuarial valuation that was completed as at December 31, 2015. 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, 2015, 786 (2014 - 861) unionized employees are eligible for sick 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. A receivable from the City equal to the liability of the former THC of $4,678 (2014 - $4,678), less $409 (2014 - $409), which is an amount funded internally by TCHC has been set up (note 5(b)). At the time of amalgamation of Metropolitan Toronto Housing Corporation, a long-term disability obligation was transferred to TCHC from the City. A liability of $1,141 was recorded as at December 31, 2015 (2014 - $1,217).

(in thousands of dollars)

g) Severance/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 accrued benefit obligation as at December 31, 2015 is based on the most recent actuarial valuation that was completed as at December 31, 2015.

h) Other employment and post-employment benefits

TCHC provides health, dental, life insurance and long-term disability 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 accrued benefit obligation as at December 31, 2015 is based on the most recent actuarial valuation that was completed as at December 31, 2015.

The former THC participated in a payroll benefits plan reserve fund established by the City to provide for future benefits to all City employees and retirees. An amount of $17,056 (2014 - $17,056), representing the liability portion relating to the former THC, is recorded as a long-term receivable from the City (note 5(b)).

i) Other plans

i) SERP

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.

The accrued benefit obligation as at December 31, 2015 is based on the extrapolation of the most recent actuarial valuation that was completed as at December 31, 2014.

ii) 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 thousands of dollars)

Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are the joint responsibility of all Ontario municipalities and their employees. TCHC does not recognize any share of OMERS' pension surplus or deficit.

Depending on the individual's normal retirement age and pensionable earnings, 2015 contribution rates were 9% to 14.6% (2014 - 9% to 14.6%). Total employee contributions amounted to $9,813 (2014 - $9,317). Total employer contributions amounted to $9,813 (2014 - $9,317) and are included in operating and maintenance, community safety services, residential services, tenancy management, corporate services, human resources and information technology expenses on the consolidated statement of operations.

j) Actuarial assumptions

The accrued benefit obligation is based on the most recent actuarial valuation extrapolated to the current reporting period. The most recent full actuarial valuation performed for SERP was as at December 31, 2014 and results were extrapolated to December 31, 2015. The most recent full actuarial valuation for long-term disability benefits and all other benefits was performed as at December 31, 2015.

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	
	2015 %	2014 %	2015 %	2014 %
Discount rates for benefit obligation				
Post-retirement and sick leave	-	-	3.70	4.30
Post-employment	-	-	3.20	3.40
Pension	3.80	4.50	-	-
Discount rates for benefit costs				
Post-retirement and sick leave	-	-	4.30	4.30
Post-employment	-	-	3.40	3.40
Pension	3.80	4.50	-	-
Rate of compensation increase	2.75	3.00	3.00	3.00
Inflation rate	2.00	2.00	2.00	2.00
Health care inflation - Select	n/a	n/a	5.93	6.13
Health care inflation - Ultimate	n/a	n/a	4.50	4.50
Expected rate of return on plan assets	-	-	n/a	n/a
Actual rate of return on plan assets	0.26	0.68	n/a	n/a

For measurement purposes, a 10% annual rate of increase in the per capita cost of covered health-care benefits was assumed. The rate is assumed to decrease gradually to 4.50% by 2030 and remain at that level thereafter.

(in thousands of dollars)

11 Project financing and debenture loans

Project financing consists of the following:

								2015
Mortgages and loans payable to	**January 1, 2015 $**	**New project financing $**	**Imputed interest on loans $**	**Debenture proceeds (i) $**	**Mortgages and loans payments $**	**Mortgages and loans paydown for refinancing during the year $**	**Deferred financing costs $**	**December 31, 2015 $**
Canada Mortgage and Housing Corporation (CMHC) (note 11(a))	295,474	-	-	-	(18,872)	(18,878)	-	257,724
Other mortgages (note 11(d))	283,931	-	-	-	(17,778)	(13,043)	-	253,110
Long-term loans payable to the City (note 11(b))	79,020	-	140	-	(1,984)	-	-	77,176
Long-term loans payable to others (note 11(c))	34,912	-	-	-	(4,238)	-	-	30,674
Long-term loans payable to Infrastructure Ontario (IO) (note 11(e))	200,940	232,000	-	-	(4,073)	-	(255)	428,612
Debenture loans used in project financing ((i) and note 11(f))	429,544	-	-	15,793	-	-	(47)	445,290
	1,323,821	232,000	140	15,793	(46,945)	(31,921)	(302)	1,492,586
Less: Current portion	(79,723)							(138,782)
	1,244,098							1,353,804

(in thousands of dollars)

								2014
Mortgages and loans payable to	**January 1, 2014** $	**New project financing** $	**Imputed interest on loans** $	**Debenture proceeds (i)** $	**Mortgages and loans payments** $	**Mortgages and loans paydown for refinancing during the year** $	**Deferred financing costs** $	**December 31, 2014** $
Canada Mortgage and Housing Corporation (CMHC) (note 11(a))	321,899	-	-	-	(20,889)	(5,536)	-	295,474
Other mortgage (note 11(d))	319,085	-	-	-	(21,667)	(13,487)	-	283,931
Long-term loans payable to the City (note 11(b))	47,494	52,410	140	-	(2,629)	(18,371)	(24)	79,020
Long-term loans payable to others (note 11(c))	40,278	-	-	-	(5,366)	-	-	34,912
Long-term loans payable to Infrastructure Ontario (IO) (note 11(e))	154,170	49,710	-	-	(2,742)	-	(198)	200,940
Debenture loans used in project financing ((i) and note 11(f))	423,367	-	-	6,138	-	-	39	429,544
	1,306,293	102,120	140	6,138	(53,293)	(37,394)	(183)	1,323,821
Less: Current portion	(70,253)							(79,723)
	1,236,040							1,244,098

i) Debenture proceeds represent bond proceeds that were used (reallocated) in construction projects completed during the year ended December 31, 2015.

For the year ended December 31, 2015, interest incurred on long-term debt net of amounts capitalized was $70,645 (2014 - $69,362) and has been recorded in interest expense on the consolidated statement of operations. All mortgages (notes 11(a) and (d)), loans payable to the City and IO (notes 11(b) and (e)) and the capital leasing facility (note 11(c)(ii)) have their underlying assets pledged as security. The remaining loans are unsecured.

(in thousands of dollars)

Principal repayments are due as follows:

	CMHC (a) $	Other mortgages (d) $	City (b) $	Other loans (c) $	IO (e) $	Debenture loans used in project financing (f) $	Total $
2016	35,789	89,014	3,277	2,496	8,206	-	138,782
2017	16,377	11,836	2,722	2,496	8,524	-	41,955
2018	17,041	12,157	2,806	25,456	8,854	-	66,314
2019	14,990	12,898	2,894	-	9,197	-	39,979
2020	15,948	13,694	2,986	-	9,553	-	42,181
2021 and thereafter	157,579	113,511	62,514	226	385,137	450.000	1,168,967
Deferred financing charges on project financing	-	-	(23)	-	(859)	(4,710)	(5,592)
	257,724	253,110	77,176	30,674	428,612	445,290	1,492,586

a) CMHC mortgages bear interest at rates between 2.75% and 11% (2014 - 2.65% and 11%). These mortgages mature between 2026 and 2031.

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

i) TCHC received $5,988 on November 8, 2013 from the City as zero-interest term loans to finance the building renewal and energy retrofit measures of certain properties. The term loans mature on October 1, 2022 and October 1, 2023 and are repayable commencing January 1, 2015. Under the loan agreements, TCHC provided a general security with its assets in the form of a promissory note for $5,988.

ii) TCHC received $52,411 on December 1, 2014 from the City to refinance loans of 37 properties, secured by a promissory note with a financing cost of $25 (note 3(g)) 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. Under the agreement, the proceeds of $19,801 were used to repay the outstanding principal of $18,371 and interest payable of $1,430 of the loans of 55 TCHC properties, including the 37 refinanced properties, with maturity dates that ranged from 2017 to 2031, and $32,610 (note 3(g)) were restricted for future capital expenditures of 37 refinanced properties. The loans were reduced with a one-time payment of $84 on April 14, 2015 and the outstanding balance of $52,326 is repayable commencing January 1, 2016.

iii) Other loans from the City bear interest at rates between 2.75% and 4.12% (2014 - 2.75% and 4.12%). These loans mature between 2026 and 2042.

(in thousands of dollars)

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

i) TCHC has a non-revolving, 20-year amortizing construction bridge term loan of $30,448 (2014 - $32,944) to assist with the financing of the construction for Phase 1 of its Building Renewal Program, which was completed in 2009.

The loan is obtained through one-month BAs and interest is payable at the BA rate plus 80 basis points (the stamping fee). TCHC entered into a 12-year interest rate swap facility in 2006, which effectively fixed the interest rate at 4.55%. This facility is currently available to fix the interest rate exposure on renewals of the loan for the balance of the committed 12-year term, which matures on February 15, 2018.

The nominal value of the interest rate swap was $30,448 (2014 - $32,944) and is accounted for at fair value resulting in a cumulative unrealized loss of approximately $2,244 (2014 - $2,732), which is recorded as a liability on the consolidated statement of financial position.

ii) TCHC had a capital leasing facility of $20,000 with interest payable at 5.11% to finance a portion of its appliance replacement program. In August 2007, purchases made under this facility were sold and leased back to TCHC. Leasing payments started in August 2007 at $253 per month for a period of 96 months. This facility was repaid in full in July 2015.

d) Other mortgages bear interest at rates between 2.11% and 12.75% (2014 - 2.11% and 12.75%). These mortgages mature between 2016 and 2048.

e) Long-term loans payable to IO, which is wholly owned by the Province of Ontario, consist of the following:

i) On October 18, 2013, TCHC finalized a financing transaction with IO for $154,703, of which $60,378 was used to pay out the maturing mortgages of 18 refinanced properties, $82,504 was used for capital expenditure for properties of TCHC's portfolio (note 3(e)(ii)), and $11,821 capital expenditures reserves held in trust by a lender for the refinanced properties (note 3(e)(i)) were restricted for investment in future capital assets with a useful life of at least 30 years. The financing is provided by way of non-revolving loans of $15,500 and $139,203 that mature on November 1, 2018 and November 2, 2043, respectively. The loan of $15,500 bears interest at a floating rate determined on a monthly basis by IO and the loan of $139,203 was funded in two instalments of $70,016 and $69,187 at fixed rates of 4.37% and 4.53%, respectively. The loans have monthly principal and interest repayment terms, and are secured by the 18 refinanced properties and a promissory note as at December 31, 2015. The 2013 financing transaction does not require security by letters of credit and it is guaranteed by the City in favour of IO. The loans are subject to financial covenants which are to be tested at the end of each fiscal year. As at December 31, 2015, TCHC was in compliance with the annual financial covenants.

ii) On October 27, 2014, TCHC finalized a financing transaction with IO to refinance 15 TCHC properties with mortgages scheduled for renewal in 2014. The financing of $49,710 (note 3(f)) was provided by way 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

(in thousands of dollars)

to pay out the maturing mortgages of 15 refinanced properties and $30,687 (notes 3(f)(i) and (ii)) was restricted for investment in future capital assets. The loan of $30,687 was held in trust by the lender, of which $27,805 will be released to TCHC in accordance with the financing agreement (note 3(f)(ii)). The 2014 financing transaction does not require security by letters of credit and it is guaranteed by the City in favour of IO. The loans are subject to financial covenants which are to be tested at the end of each fiscal year. As at December 31, 2015, TCHC was in compliance with the annual financial covenants.

iii) On November 6, 2015, TCHC finalized a financing transaction with IO, whose sole shareholder is the Province of Ontario, to refinance 12 TCHC properties with mortgages scheduled for renewal in 2015. The financing of $232,000 (note 3(h)) was provided by way of a non-revolving loan at a fixed interest rate of 3.67% for a term of 30 years, of which $31,919 was 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 residential properties of TCHC's portfolio. The loan of $200,081 was held in trust by the lender, of which $173,677 will be released to TCHC when the funds of $27,805 (note 11(e)(ii)) restricted for capital expenditures for properties of TCHC's portfolio under 2014 financing is reduced to $16,500 after deducting actual and committed capital expenditures. The 2015 financing transaction does not require security by letters of credit and it is guaranteed by the City in favour of IO. The loans are subject to financial covenants which are to be tested at the end of each fiscal year. As at December 31, 2015, TCHC was in compliance with the annual financial covenants.

iv) TCHC incurred financing costs of $981 (2014 - $691) related to the origination and maintenance of the IO funding, of which $859 (2014 - $604) has been deferred and will be amortized over the remaining term of the loans, and $122 (2014 - $87) has been amortized since inception of the financing transaction. Since inception of the financing transaction and for the year ended December 31, 2015, TCHC repaid $6,942 and $4,073 towards the principal of the loans.

The arrangements also required TCHC to deposit 4% of the aggregate annual effective gross income from the properties, including any rent supplement income and affordability payments from the Province of Ontario, the City or any other municipality in a held-in-trust account. Since December 1, 2013, TCHC deposited $2,491 (2014 - $1,088) of the aggregate annual effective gross income from the refinanced properties (notes 3(e)(i), (f)(i) and (h)(i)).

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

(in thousands of dollars)

Details of the bond issues are as follows:

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

TCHC has used $250,000 (2014 - $250,000) of this loan for long-term financings of social housing projects. TCHC incurred costs of $3,297, which reduced the carrying value of the related debt and are amortized over the term of the debt. Amortization of $72 (2014 - $67) and interest expense of $12,192 (2014 - $12,192) were recorded.

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

TCHC has used $200,000 (2014 - $184,208) of this loan for long-term financings of social housing projects. TCHC incurred 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 $37 (2014 - $35) and interest expense of $10,287 (2014 - $8,916) were recorded.

iii) Debenture loans consist of the following:

			2015
	Project financing $	Debenture loan $	Total $
Proceeds from issuance of debentures	450,000	-	450,000
Deferred financing costs	(4,710)	-	(4,710)
	445,290	-	445,290

			2014
	Project financing $	Debenture loan $	Total $
Proceeds from issuance of debentures	434,208	15,792	450,000
Deferred financing costs	(4,664)	(155)	(4,819)
	429,544	15,637	445,181

(in thousands of dollars)

12 Capital asset replacement reserve

Under the terms of an agreement with the Ontario Ministry of Municipal Affairs and Housing, TCHC is required to maintain a reserve for major repairs and maintenance for non-profit program buildings and contribute annually to the reserve from its operations funding received from the City. The income earned on the investment of the reserve funds is also added to the reserve.

The change in the capital asset replacement reserve is due to the following:

	2015 $	2014 $
Balance - Beginning of year	37,132	37,427
Contributions during the year (i)	8,849	8,783
Investment income	1,993	1,845
Fair value adjustment	(1,094)	(1,074)
Transfer to deferred capital contributions for expenditures (note 13(a))	(5,398)	(9,849)
Balance - End of year	41,482	37,132

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

13 Deferred capital contributions

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:

	2015 $	2014 $
Balance - Beginning of year	521,771	545,538
Restricted grants for housing projects	7,981	14,200
Transfer from Ontario Ministry of Municipal Affairs and Housing capital asset replacement reserve for approved expenditure (note 12)	5,398	9,849
Less: Amortization of deferred capital contributions	(47,065)	(47,220)
Less: Disposal of properties with unamortized deferred capital contributions (note 18)	(159)	(596)
Balance - End of year (note 5(e))	487,926	521,771

(in thousands of dollars)

b) As at December 31, 2015, the grants receivable comprise:

	2015 $	2014 $
Provincial affordability housing grants (i)	8,777	9,255
Contributions receivable from Province of Ontario ((ii), (iii) and (iv))	4,964	7,962
Balance - End of year	13,741	17,217

i) Provincial affordability housing grants for the development of three projects are to be paid monthly over 20 years from the date of grant through to various dates in 2029 to 2030 and have been set up as a grant receivable of $8,777 as at December 31, 2015 (2014 - $9,255).

ii) On February 22, 2013, the City signed a contribution agreement for funding of $4,800 from the Province of Ontario to TCHC for developing 40 units for a construction project. As at December 31, 2015, TCHC received $3,888 (2014 - $3,888) of funding and an outstanding construction grant receivable of $912 (2014 - $912). The $4,800 funding, structured as a grant by way of forgivable loan, is to be used solely to fund the development activities of the project and is recorded in deferred capital contributions as at December 31, 2015. The principal balance of the funding is to be reduced by 5% on each anniversary of the date the building is first occupied, until fully forgiven. Under the contribution agreement, TCHC provided a promissory note for $4,800 as security.

iii) On December 22, 2014, the City signed a contribution agreement for funding of $7,050 from the Province of Ontario to TCHC for developing 47 units for a construction project. TCHC received $3,173 as at December 31, 2015 and expects to receive the balance of $3,877 by 2017.

iv) On August 1, 2015, the City signed a contribution agreement for funding of $1,775 to TCHC for construction of a park as part of a development project. TCHC received $1,600 as at December 31, 2015 and expects to receive the balance of $175 in 2016.

14 Toronto Affordable Housing Fund

The Toronto Affordable Housing Fund (TAHF) was incorporated without share capital, under the provisions of the Corporations Act (Ontario) on March 18, 2009, to establish and operate a housing fund for the purpose of:

- providing financial support to qualified individuals so that they may purchase eligible homes; and
- providing access to and promoting the availability of long-term affordable ownership.

TAHF is to be carried on without the purpose of gain for its members and any profits earned or other accretions to TAHF are to be used in promoting its objectives.

Given that TCHC only administers the funding and operations of TAHF and does not have an equity interest in TAHF, it has not been consolidated in these consolidated financial statements.

(in thousands of dollars)

TAHF provides financial support to qualified individuals so that they may repurchase eligible homes. The loans are outstanding for a period of 20 years from the date of the loan advance unless one of the following instances occur prior thereto: (i) the borrower passes away; (ii) the borrower used the loan for a purpose other than financing the eligible home; (iii) the unit is sold; (iv) the unit is leased out or ceases to be used as the borrower's principal residence; (v) the borrower becomes bankrupt or insolvent; (vi) a writ of execution against the borrower is or becomes binding against the unit; (vii) the borrower provides to TCHC any false or erroneous statements at the time the loan is granted; (viii) the borrower is in default of the loan from the first priority lender or other encumbrance affecting the unit; (ix) the borrower is in default of its obligations to pay taxes, insure, repair, and maintain the unit; and (x) the borrower prepays the entire loan. The loans are secured by a second charge against the eligible unit. In the event that any of the ten instances described above occurs, the borrower must pay TAHF a loan appreciation amount, which is determined based on a percentage of the increase in value of the eligible unit over the original purchase price. The loans, interest and capital appreciation payments are otherwise forgiven on the twentieth anniversary date. TAHF does not account for the forgiveness of loans until the twentieth anniversary. During the year ended December 31, 2015, TAHF generated appreciation of the loans of $132 (2014 - $80), which was calculated as described above.

Under the terms of agreement signed with the City on April 30, 2009, funding including 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. As at December 31, 2015, TAHF's assets include cash and loans receivable totalling $7,100 (2014 - $6,951), and the funding received from the City totals $6,595 (2014 - $6,595). The following is TAHF's cash position:

	2015 $	2014 $
Cash - Beginning of year	1,789	1,874
Interest earned	17	25
Appreciation on repayments	132	80
Sundry revenue (expenses)	6	(5)
Decrease in prepayments	166	8
Increase in loan receivable	(219)	(193)
Decrease in accounts payable	(6)	-
Cash - End of year	1,885	1,789

15 Internally restricted funds

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

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

(in thousands of dollars)

Internally restricted surplus consists of the following:

								2015
	Capital risk reserve fund (a) $	State of good repair fund (b) $	Debt service reserve fund (c) $	Sinking fund of public debentures (d) $	Development risk reserve fund (e) $	Working capital reserve fund (f) $	Legal contingencies fund (g) $	Total $ (note 3(a))
January 1, 2015	18,890	19,264	19,991	15,168	44,978	49,977	1,769	170,037
Contributions	-	19,221	-	-	-	-	-	19,221
Net investment income	3,035	-	-	5,309	-	-	42	8,386
Fair value adjustments for investment held	(1,570)	-	-	(2,780)	-	-	(22)	(4,372)
Expenditures	-	(23,976)	-	-	-	-	-	(23,976)
December 31, 2015	20,355	14,509	19,991	17,697	44,978	49,977	1,789	169,296

								2014
	Capital risk reserve fund (a) $	State of good repair fund (b) $	Debt service reserve fund (c) $	Sinking fund of public debentures (d) $	Development risk reserve fund (e) $	Working capital reserve fund (f) $	Legal contingencies fund (g) $	Total $ (note 3(a))
January 1, 2014	15,671	42,116	20,371	10,186	45,833	50,928	1,731	186,836
Contributions	-	39,292	-	-	-	-	-	39,292
Net investment income	2,351	-	-	4,751	-	-	37	7,139
Fair value adjustments for investment held	868	-	(380)	231	(855)	(951)	1	(1,086)
Expenditures	-	(62,144)	-	-	-	-	-	(62,144)
December 31, 2014	18,890	19,264	19,991	15,168	44,978	49,977	1,769	170,037

(in thousands of dollars)

a) Capital risk reserve fund

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

b) State of good repair fund

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

Contributions received for the years ended December 31, 2015 and 2014 are as follows:

	2015 $	2014 $
Education tax savings and other	9,207	8,905
Net proceeds received from the sale of stand-alone units (i)	10,014	30,387
	19,221	39,292

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

c) Debt service reserve fund

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

d) Sinking fund of public debentures

TCHC has entered into a Credit Agreement, dated May 11, 2007, with TCHC Issuer Trust, which in turn entered into an agreement with various agents to issue bonds of $450,000 (note 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 maturities.

e) Development risk reserve fund

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

(in thousands of dollars)

f) Working capital reserve fund

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

g) Legal contingencies fund

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

16 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 13), should it fail to adhere to the terms and conditions under which the loans were originally granted. As at December 31, 2015, the amount of forgivable loans is $95,922 (2014 - $95,831).

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, 2015, 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.

c) TCHC has made various claims of insurers with respect to the 200 Wellesley property, which was damaged in a fire in fiscal 2010. Further evaluations of insurance claims that have been submitted or may be submitted in respect of the 200 Wellesley property continue. It is unknown at this time the amounts that may be recovered, and whether a change in such amounts may be material. During 2015, TCHC received no further settlement (2014 - $95, which was applied against insurance expense included in operating and maintenance expense).

d) TCHC has incurred $1,662 in costs related to repair the damage caused by the ice storm in fiscal 2013. TCHC has recovered the costs in full and received $1,350 from the insurer and $312 from the City in 2014.

17 Gain on easement

TCHC granted rights to a third party to a permanent surface access easement over its property for a total of $1,250 for access to an adjacent property owned by the third party of which 50% of the proceeds were received in March 2013. The remaining balance for $625 was recognized and received in February 2014, the date that the first building permit was issued for development.

(in thousands of dollars)

18 Gain on sale of housing projects

For the year ended December 31, 2015, TCHC sold and finalized 14 stand-alone unit transactions for proceeds net of selling costs of $10,008 (2014 - $31,533). The net book value associated with the stand-alone units was $352 (2014 - $2,621) and the deferred capital contributions liability associated with the stand-alone units was $159 (2014 - $596). As a result of the sales, TCHC recognized a gain of $9,815 (2014 - $29,508) for the year ended December 31, 2015 for transactions that were finalized. As at December 31, 2015, there are 9 stand-alone units under contracts that were signed during the year ended December 31, 2015 with a sale price of $9,998 and are scheduled to close in 2016.

19 Supplementary cash flow information

		2015 $	2014 $
a)	Acquisition of housing projects		
	Total additions to housing projects (note 6)	(40,188)	(71,472)
	Non-cash changes to additions to housing projects	(4,094)	8,146
		(44,282)	(63,326)
	Change in accrued capital expenditures	(5,141)	5,582
		(49,423)	(57,744)
b)	Improvements to housing projects		
	Total additions to improvements to housing projects (note 7)	(184,036)	(126,797)
	Non-cash additions to improvements to housing projects	216	799
		(183,820)	(125,998)
	Change in accrued capital expenditures	21,321	24,850
		(162,499)	(101,148)
c)	Interest paid during the year	(70,035)	(73,662)

(in thousands of dollars)

20 Commitments

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

	Operating lease $	Other $ (b)	Total $
2016	1,102	98,210	99,312
2017	1,003	-	1,003
2018	886	-	886
2019	930	-	930
2020	1,017	-	1,017
2021 and thereafter	9,355	-	9,355
	14,293	98,210	112,503

b) As at December 31, 2015, TCHC has commitments of $98,210 to vendors for capital repairs and services to be performed over the next 12 months, which includes an accrued liability of $44,166.

c) On TCHC's behalf, the City and Housing Services Corporation, a provincial government entity, enters into contracts to purchase fixed quantities of natural gas at fixed prices for a percentage of its anticipated future usage. TCHC is only responsible under these arrangements to pay for the volume of natural gas utilized at the fixed price per unit.

21 Capital management

In managing capital, TCHC focuses on liquid resources available for operations and capital expenditures. TCHC's objective is to have sufficient liquidity to fund budgeted operating and capital expenditures. The need for sufficient liquidity is considered in the preparation of an annual budget and in the monitoring of cash flows and actual results compared to budget.

22 Financial instruments, fair value and risk management

Financial instruments

TCHC's financial instruments consist of cash and restricted cash, investments, restricted investments, accounts receivable, loans receivable, grants receivable, receivable from the City, bank loan, accounts payable and accrued liabilities, tenant deposits and rent received in advance, project financing, debenture loans and an interest rate swap. The fair value of TCHC's investments, restricted investments and the interest rate swap are based on observable inputs or are calculated based on best estimates of valuation assumptions. Accounts receivable, loans receivable, grants receivable, receivable from the City, tenants' deposits and rent received in advance, bank loan and accounts payable and accrued liabilities are believed to have carrying values equal to their fair values due to their short-term nature.

(in thousands of dollars)

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:

				2015
	Level 1 $	Level 2 $	Level 3 $	Total $
Investments	456,229	-	-	456,229
Interest rate swap	-	2,244	-	2,244
	456,229	2,244	-	458,473

				2014
	Level 1 $	Level 2 $	Level 3 $	Total $
Investments	275,634	-	-	275,634
Interest rate swap	-	2,732		2,732
	275,634	2,732	-	278,366

Risk management

TCHC is exposed to a variety of financial risks, including market risk, 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.

(in thousands of dollars)

- Market risk

  - Fixed income investment market risk

    TCHC is exposed to market risk through the fluctuation of fixed income financial instrument fair values due to changes in market prices. TCHC conducts the following so as to mitigate market risk: (i) TCHC's investment portfolio is limited to investments in BBB grade or higher; (ii) an investment manager manages the investment portfolio on behalf of TCHC, and investment performance is assessed in relation to pre-established benchmarks; and (iii) the performance and risks associated with the investment portfolio are reviewed on a quarterly basis by TCHC's Investment Advisory Committee, which reports to TCHC's Building Investment, Finance and Audit Committee.

  - Equity investment market risk

    TCHC's investment policies allow for a portion of its investments to be invested in equity. Market risk associated with equity investment is mitigated by: (i) ensuring only a portion of the investment portfolio is invested in equity securities; and (ii) ensuring that the types of equity investments are associated with average to below average levels of market volatility. As at December 31, 2015, TCHC does not have any equity investments.

- Interest rate risk

  Interest rate risk is the risk future cash flows of a financial instrument will fluctuate because of changes in market interest rates. TCHC is exposed to interest rate risk as a result of cash balances, investments, and debt.

  - Floating interest rate risk

    The risk of increases in the floating interest rate on TCHC's debt, if unmitigated, could lead to decreases in cash flow and excess of expenditures over revenues. As at December 31, 2015, floating rate debt represented 4.02% (2014 - 3.63%) of total debt obligations. TCHC has mitigated its interest rate risk on substantially all floating rate long-term debt by entering into an interest rate swap.

    As at December 31, 2015, the effect on unrestricted surplus of a 50 basis points absolute change in market interest rate of the floating rate debt obligations is $301 (2014 - $240).

    The sensitivity analysis included in this note should be used with caution as the changes are hypothetical and are not predictive of future performance. The above sensitivities are calculated with reference to year-end balances and will change due to fluctuations in the balances in the future.

(in thousands of dollars)

- Credit risk

  - Fixed income credit risk

    TCHC has investments in fixed income securities issued by corporations and government entities. TCHC mitigates its risk by limiting its investment portfolio to investments in BBB grade or higher.

  - Accounts receivable credit risk

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

    As at December 31, 2015, the following is the aging of accounts receivable:

	30 days $	60 days $	90 days $	120 days $	Over 120 days $	Total $
Accounts receivable	53,495	6,479	1,322	375	4,437	66,108

As at December 31, 2014, the following is the aging of accounts receivable:

	30 days $	60 days $	90 days $	120 days $	Over 120 days $	Total $
Accounts receivable	59,161	2,561	397	930	4,494	67,543

Total accounts receivable includes the City and other receivables of $59,227 (2014 - $61,873) and tenant accounts receivable, net of allowance for doubtful accounts, of $6,881 (2014 - $5,670).

- 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 $185,000 to meet its current and future obligations.

  The table below is a maturity analysis of TCHC's financial liabilities as at December 31, 2015:

	Up to 1 year $	More than 1 year up to 5 years $	More than 5 years $	Total $
Bank loan	15,000	-	-	15,000
Accounts payable and accrued liabilities	163,012	-	-	163,012
Project financing (note 11)	138,782	190,429	1,168,967	1,498,178
	316,794	190,429	1,168,967	1,676,190

(in thousands of dollars)

The table below is a maturity analysis of TCHC's financial liabilities as at December 31, 2014:

	Up to 1 year $	More than 1 year up to 5 years $	More than 5 years $	Total $
Accounts payable and accrued liabilities	141,120	-	-	141,120
Project financing (note 11)	79,723	192,047	1,057,343	1,329,113
	220,843	192,047	1,057,343	1,470,233

23 Comparative balances

Certain comparative balances of expenses have been reclassified to conform to the consolidated statement of operations presentation effective January 1, 2015.