Appendix A

Consolidated Financial Statements

Toronto Community Housing Corporation

December 31, 2009

AUDITORS' REPORT

To the Directors of
Toronto Community Housing Corporation

We have audited the consolidated balance sheet of **Toronto Community Housing Corporation** as at December 31, 2009 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Canada,
March 19, 2010.

Toronto Community Housing Corporation

CONSOLIDATED BALANCE SHEET

[000s]

As at December 31

	2009	2008
	$	$
		[restated - note 2]
ASSETS		
Current		
Cash	**22,822**	2,839
Investments *[note 3]*	**127,310**	223,882
Accounts receivable *[note 4[a]]*	**124,934**	101,378
Investments and loans receivable *[note 5]*	**64,066**	—
Prepaid expenses	**4,157**	817
Total current assets	**343,289**	328,916
Investments and loans receivable *[note 5]*	**6,223**	31,487
Investments for capital asset replacement reserve *[notes 3 and 12]*	**26,647**	22,351
Investments for internally restricted purposes *[notes 3 and 15]*	**33,353**	56,064
Receivable from the City of Toronto *[note 4[b]]*	**20,517**	20,517
Housing projects *[notes 4[c] and 6]*	**1,468,898**	1,414,896
Other capital assets *[note 7]*	**753,850**	616,939
Guaranteed Equity Housing Project *[note 8]*	**10,010**	10,276
Prepaid lease	**1,356**	1,410
	2,664,143	2,502,856
LIABILITIES, SURPLUS AND SHARE CAPITAL		
Current		
Bank loan *[note 9]*	**78,860**	60,860
Accounts payable and accrued liabilities *[notes 4[a]] and 8]*	**138,284**	122,759
Tenants' deposits and rents received in advance	**10,572**	9,278
Deferred revenue	**2,870**	3,484
Current portion of deferred revenue on long-term leases	**71**	71
Current portion of project financing *[note 11]*	**43,354**	46,636
Total current liabilities	**274,011**	243,088
Capital asset replacement reserve *[note 12]*	**26,647**	22,351
Deferred revenue on long-term leases	**1,505**	1,575
Employee benefits *[note 10]*	**58,422**	58,100
Project financing *[note 11]*	**1,123,195**	1,104,787
Interest rate swap liability *[note 11[c][i]]*	**3,509**	7,772
Debenture loan *[note 11[e]]*	**25,577**	83,101
Deferred capital contributions *[note 13]*	**465,340**	346,007
Total liabilities	**1,978,206**	1,866,781
Commitments and contingencies *[notes 17 and 19]*		
Surplus and share capital		
Share capital: authorized and issued - 100 common shares	**1**	1
Internally restricted surplus *[note 15]*	**33,353**	56,064
Unrestricted surplus	**652,583**	580,010
Total surplus and share capital	**685,937**	636,075
	2,664,143	2,502,856

See accompanying notes

Approved on behalf of the Board:

Director

Director

Toronto Community Housing Corporation

CONSOLIDATED STATEMENT OF OPERATIONS

[000s]

Year ended December 31

	2009 $	2008 $
REVENUE		
Subsidies *[note 16]*	**304,397**	308,501
Rent		
Residential *[note 18]*	**265,872**	261,936
Commercial	**8,935**	8,162
Amortization of deferred capital contributions *[note 13]*	**31,240**	26,761
Parking, laundry and cable fees	**16,210**	15,047
Investment income *[note 5[a]]*	**8,097**	15,975
Gain on sale of housing projects	**—**	1,020
Other	**19,260**	13,054
	654,011	650,456
EXPENSES		
Operating and maintenance *[notes 10 and 17[b]]*	**254,011**	234,463
Municipal taxes	**107,826**	112,323
Depreciation	**98,005**	87,436
Interest *[note 11]*	**65,713**	71,129
Administration *[notes 10 and 11[e]]*	**65,339**	60,687
Rent supplement programs *[note 16]*	**28,355**	27,473
Plant expense	**689**	34
Guaranteed Equity Housing Project - deficit *[note 8]*	**319**	462
	620,257	594,007
Excess of revenue over expenses before unrealized gains (losses)	**33,754**	56,449
Unrealized gains (losses)		
Change in unrealized gain (loss) on investments	**11,845**	(33,823)
Change in unrealized gain (loss) on swap loan *[note 11[c][i]]*	**4,263**	(7,772)
	16,108	(41,595)
Excess of revenue over expenses for the year	**49,862**	14,854

See accompanying notes

Toronto Community Housing Corporation

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

[000s]

Year ended December 31

	2009		
	Internally restricted surplus $	**Unrestricted surplus** $	**Total** $
Net assets, beginning of year	**56,064**	**580,010**	**636,074**
Excess of revenue over expenses for the year	—	**49,862**	**49,862**
Change in internally restricted surplus *[note 15]*	**(22,711)**	**22,711**	—
Net assets, end of year	**33,353**	**652,583**	**685,936**

	2008		
	Internally restricted surplus $	**Unrestricted surplus** $	**Total** $
		[restated - note 2]	
Net assets, beginning of year, as restated *[note 2]*	127,924	493,296	621,220
Excess of revenue over expenses for the year	—	14,854	14,854
Change in internally restricted surplus *[note 15]*	(71,860)	71,860	—
Net assets, end of year	56,064	580,010	636,074

See accompanying notes

Toronto Community Housing Corporation

CONSOLIDATED STATEMENT OF CASH FLOWS

[000s]

Year ended December 31

	2009 $	2008 $
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	**49,862**	14,854
Add (deduct) items not involving cash		
Amortization of deferred capital contributions	**(31,240)**	(26,761)
Depreciation	**98,270**	87,703
Gain on sale of housing projects	**—**	1,020
Change in unrealized loss (gain) on investments	**(11,845)**	33,823
Change in unrealized loss (gain) on swap loan	**(4,263)**	7,772
Imputed interest on loan	**(1,083)**	—
	99,701	118,411
Changes in non-cash balances related to operations		
Accounts receivable	**30,744**	(35,904)
Prepaid expenses	**(3,340)**	2,964
Prepaid lease	**54**	57
Accounts payable and accrued liabilities	**(3,612)**	(1,161)
Tenants' deposits and rents received in advance	**1,294**	563
Deferred revenue	**(614)**	(689)
Deferred revenue on long-term leases	**(70)**	(80)
Employee benefit obligations	**322**	(978)
Cash provided by operating activities	**124,479**	83,183
INVESTING ACTIVITIES		
Increase in investments and loans receivable	**(38,802)**	(24,917)
Net decrease in investments	**130,323**	97,874
Acquisition of housing projects	**(99,665)**	(123,165)
Proceeds on sale of housing projects	**—**	25,654
Purchase of other capital assets	**(189,252)**	(132,975)
Cash used in investing activities	**(197,396)**	(157,529)
FINANCING ACTIVITIES		
Bank loan	**18,000**	31,883
Increase in accounts payable and accrued liabilities related to the purchase of housing projects and other capital assets	**19,137**	11,474
Repayment of project financing	**(41,315)**	(42,287)
New project financing and debenture loan assumed	**—**	20,783
Contributions for capital asset replacement reserve	**7,400**	7,270
Restricted grants for housing projects	**89,678**	44,936
Cash provided by financing activities	**92,900**	74,059
Net increase (decrease) in cash during the year	**19,983**	(287)
Cash, beginning of year	**2,839**	3,126
Cash, end of year	**22,822**	2,839
Supplemental cash flow information		
Interest paid	**70,145**	74,478

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009

1. THE COMPANY AND ITS MISSION

Toronto Community Housing Corporation ["TCHC"] 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 is wholly owned by the City of Toronto [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 non-profit corporation operating at arm's length from the City, under the direction of an independent Board of Directors.

TCHC provides high-quality housing environments for low- and moderate-income tenants. It is committed to healthy and sustainable tenant communities in which tenants and staff see their diversity as their strength and tenants participate fully in shaping their communities.

TCHC is a non-profit organization and, as such, is exempt from income taxes under Section 149(1) of the Income Tax Act (Canada).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for non-profit-oriented organizations, unless otherwise directed to specific accounting recommendations of the Public Sector Accounting Board. 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
2001064 Ontario Inc.
Access Housing Connections Inc.
Regent Park Development Corporation
Housing Services Inc.
Toronto Community Housing Enterprises Inc. ["TCHE"]

These consolidated financial statements also include the proportionate consolidation of TCHC's interest in a joint venture.

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 is recorded when services are provided and collection is reasonably assured.

Financial instruments

TCHC's 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.

TCHC has chosen to continue to apply the Canadian Institute of Chartered Accountants ["CICA"] Handbook Section CICA 3861: *Financial Instruments - Disclosure and Presentation* in place of CICA 3862: *Financial Instruments - Disclosures* and CICA 3863: *Financial Instruments - Presentation.*

Investments and investment income

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

[a] Short-term notes and treasury bills are valued based on cost plus accrued income, which approximates fair value.

[b] Publicly traded bonds and equities are determined based on the latest bid prices.

[c] Investments in pooled funds are valued at their reported net asset value per unit.

[d] Investments in joint ventures are accounted for using either the equity method or the proportionate consolidation method.

Under the equity method, investments are initially valued at cost and the carrying value is adjusted thereafter to include TCHC's pro rata share of income less distributions received. Management believes the carrying amount of these financial instruments is a reasonable estimate of fair value. Because these investments are not readily traded, their estimated values are subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed.

Under the proportionate consolidation method, TCHC proportionately consolidates its interest in the joint venture by recording its share of the jointly controlled assets and liabilities in its consolidated balance sheet. TCHC proportionately consolidates its share of revenues and expenses of the joint venture in its consolidated statement of operations.

Transactions are recorded on a trade date basis. Transaction costs are expensed as incurred, except for direct financing costs that are deducted from the carrying value of the financial liability.

Investment income includes interest, dividends, pooled fund distributions, and realized and unrealized gains and losses. Investment income related to operations is accounted for in the consolidated statement of operations. Investment income earned on externally restricted funds is credited directly to the funds on the consolidated balance sheet.

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 in investment income in the consolidated statement of operations.

Financing costs

Direct financing costs 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.

Capital assets

Buildings and plant included in housing projects are recorded at cost less accumulated depreciation. Cost includes the original cost of land, buildings, and plant, other related costs [including capitalized interest] and net operating expenses up to the interest adjustment date [date of substantial completion]. The cost 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 and plant up to a maximum of 50 years.

Other capital assets 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 - 25 years
Furniture and equipment	4 - 15 years
Leasehold improvements	Over the term of the lease

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:

[i] TCHC's contributions to a multi-employer, defined benefit pension plan are expensed when contributions are due;

[ii] The costs of termination 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;

[iii] 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 recognized as follows:
1. for the supplementary employee retirement plan ["SERP"], the balance of the actuarial gains and losses in excess of 10% of the SERP liability are amortized over the average future working lifetime of the plan participants;
2. for the other employee benefit plans, as incurred

[iv] Employee future benefit liabilities are discounted using current interest rates on long-term bonds;

[v] Past service costs from plan amendments are amortized on a straight-line basis over the expected average remaining service period of employees active at the date of amendment, which is between 9 and 11 years; and

[vi] The costs of the workplace safety and insurance obligations are actuarially determined and expensed. Actuarial gains and losses are recognized as incurred.

Foreign currency translation

Revenue items denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the transaction date. Monetary assets, which are denominated in foreign currencies, are translated into Canadian dollars at the year-end exchange rates. Gains or losses resulting from foreign currency transactions are included in the consolidated statement of operations.

Use of estimates

The preparation of these consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. Actual results could differ from those estimates.

Changes in accounting policies

[a] Statement of changes in net assets

Effective January 1, 2009, TCHC adopted retroactively those revisions to the 4400 series and certain other sections to amend or improve those parts of the CICA Handbook related to not-for-profit organizations that impact its financial statements. The revision that has been adopted together with its impact is as follows:

The revised CICA Handbook section has discontinued, in the presentation of the statement of changes in net assets, the segregation of unrestricted surplus for investment in capital assets. As a result of adoption of the revision, TCHC has grouped investment in capital assets and unrestricted surplus on the statement of changes in net assets and this presentation was also made to the 2008 comparative figures.

[b] Employee-related costs

Effective January 1, 2009, TCHC changed its accounting policy for the SERP. Previously, the actuarial gain and losses incurred by the SERP were recorded in full in the consolidated statement of operations. Upon the change in accounting policy, the actuarial gains and losses incurred for the year are amortized over the average remaining service period of active employees expected to receive benefits under the SERP. Management believes that this revised accounting policy will provide a more relevant and reliable basis of accounting for the SERP as it decreases the level of volatility in the statements of financial position and operations. Moreover, the revised accounting policy aligns the accounting treatment of employee-related costs with that of the City of Toronto, the parent organization.

The change in accounting policy has been applied retrospectively. As a result, the unrestricted surplus as of January 1, 2008 decreased by $985,600 and the 2008 employee benefit cost increased by $10,547,700.

Future accounting policy changes

The Public Sector Accounting Board ["PSAB"] issued an exposure draft in March 2010 which sets out financial reporting proposals that would apply to government not-for-profit organizations. Specifically, PSAB proposes to incorporate into the Public Sector Accounting ["PSA"] Handbook the 4400 series from the CICA Handbook without making substantive changes at this time; amend the Introduction of Accounting Standards that apply only to not-for-profit organizations currently in the PSA Handbook to set out the applicability of standards in the PSA Handbook to government not-for-profit organizations; and amend the Introduction to Public Sector Accounting Standards to direct government not-for-profit organizations to apply the standards for not-for-profit organizations in the PSA Handbook for fiscal periods beginning on or after January 1, 2012 with retroactive application with restatement of prior periods. PSAB expects the final standards will be incorporated into the PSA Handbook in late 2010. Government not-for-profit organizations currently use the standards developed by the Accounting Standards Board that are used by private sector not-for-profit organizations. If these proposals are adopted, government not-for-profit organizations will continue to apply the 4400 series of standards using the PSA Handbook.

3. INVESTMENTS

Investments consist of the following:

[000s]	2009 $	2008 $
Pooled investment funds		
Global equity fund	—	38,066
Canadian bond fund	—	17,815
Fixed income fund	—	51,860
Canadian equity fund	—	35,379
Money market fund	**2,117**	118,188
	2,117	261,308
Term deposits	**20,000**	40,000
Fixed income securities	**163,814**	—
Other	**1,379**	989
	187,310	302,297
Less investments restricted by the Ontario Ministry of Municipal Affairs and Housing for capital asset replacement reserve *[note 12]*	**(26,647)**	(22,351)
Less investments for internally restricted purposes *[note 15]*	**(33,353)**	(56,064)
	127,310	223,882

4. ACCOUNT BALANCES WITH CITY OF TORONTO

[a] TCHC enters into transactions with the City in the normal course of business under normal trade terms including payments for various services and supplies. Included in accounts receivable is $99,318,000 [2008 - $78,986,000] receivable from the City, and included in accounts payable and accrued liabilities is $10,797,000 [2008 - $8,724,000] 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 long-term receivable from the City is $3,870,000 [2008 - $3,870,000] for sick leave benefits less $409,000 [2008 - $409,000], being an amount funded internally by TCHC *[note 10[f]]*, and $17,056,000 [2008 - $17,056,000] for other employment and post-employment benefits *[note 10[h]]*.

[c] During 2009, TCHC purchased a building and two parcels of land from the City for $2.

5. INVESTMENTS AND LOANS RECEIVABLE

[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. RPDC and the developer have equal interests in the co-tenancy of the development, which operates through a nominee corporation, Dundas and Parliament Development Corporation ["DPDC"]. TCHC accounts for this joint venture using the equity method. There are no significant differences in the accounting policies of DPDC.

The following is TCHC's 50% share of the components of the financial statements of DPDC:

[000s]	**2009** **$**	**2008** **$**
	[unaudited]	
Total assets	**36,779**	15,982
Liabilities	**36,574**	15,923
Co-tenant's equity		
Contributed surplus	**293**	293
Deficit	**(88)**	(234)
Total liabilities and co-tenant's equity	**36,779**	15,982
Sales	**5,457**	—
Cost of sales	**(4,258)**	—
Expenses	**(1,053)**	(174)
Net income (loss) for the year	**146**	(174)
Deficit, beginning of year	**(234)**	(60)
Deficit, end of year	**(88)**	(234)
Cash used in operating activities	**(802)**	(2,640)
Cash provided by financing activities	**17,697**	9,055
Cash used in investing activities	**(16,222)**	(6,836)

TCHC's share of DPDC's equity is included in current portion of the investments in the consolidated balance sheet. The income for the year has been included in investment income in the consolidated statement of operations.

TCHC has entered into a loan agreement with DPDC to advance funds for the interim financing of the construction based on standard commercial terms for construction loans. Amounts are advanced under five separate non-revolving term facilities and the availability of each facility will not be extended beyond the third anniversary of the initial drawdown for each facility unless the one-year extension at the option of DPDC is consented to by TCHC. Advances earn interest at the bank's prime rate plus 0.28%. As at December 31, 2009, TCHC has advanced $59,554,000 [2008 - $24,185,000] to DPDC.

[ii] In 2009, RPDC entered into a co-tenancy agreement with a developer for the construction of certain properties in Regent Park. RPDC and the developer have equal interest in the co-tenancy of the development, which operates through a nominee corporation, Parliament and Gerrard Development Corporation ["PGDC"]. RPDC accounts for this joint venture using the equity method. There are no significant differences in the accounting policies of PGDC.

The following is TCHC's combined 50% share of the components of the financial statements of PGDC:

[000s]	**2009** $ *[unaudited]*
Total assets	470
Liabilities	470
Co-tenant's equity	—
Total liabilities and co-tenant's equity	470

There was no operating revenue or expense in 2009.

Cash provided by operating activities	—
Cash provided by financing activities	470
Cash used in investing activities	(470)

As at December 31, 2009, RPDC had advanced the developer $100,000 to cover initial asset purchases, which is recorded in accounts receivable at December 31, 2009. The loan has been repaid in 2010.

[b] During 2008, TCHC's wholly-owned subsidiary, Toronto Community Housing Enterprises Inc. ["TCHE"], entered into a joint venture with a utility corporation for the construction and operation of the heating and cooling plant located in the Regent Park Development Project. TCHE has a 60% interest in the heating and cooling plant and operations, which operates through a nominee corporation, Regent Park Energy Inc. ["RPEI"]. TCHC accounts for this joint venture using the proportionate consolidation method. There are no significant differences in the accounting policies of RPEI.

The following is TCHC's 60% share of the components of the financial statements of RPEI:

[000s]	2009 $	2008 $
Total assets	**17,513**	15,628
Total liabilities	**828**	458
Joint venturer's equity		
Contributed surplus	**17,508**	15,204
Deficit	**(823)**	(34)
Total liabilities and joint venturer's equity	**17,513**	15,628
Revenue	**152**	—
Expenses	**(689)**	(34)
Depreciation	**(252)**	—
Net loss for the year	**(789)**	(34)
Deficit, beginning of year	**(34)**	—
Deficit, end of year	**(823)**	(34)
Cash used in operating activities	**(273)**	(34)
Cash provided by financing activities	**2,180**	15,204
Cash used in investing activities	**(2,839)**	(13,982)

[c] TCHC's wholly-owned subsidiary, Don Mount Court Development Corporation ["DMCDC"], has entered into an agreement with a developer for the construction of certain properties in Don Mount Court. TCHC has entered into a loan agreement with the developer to advance funds for the interim financing of the development. Amounts advanced are due at the earliest of completion or two years after the first advance. Advances earn interest at the bank's prime rate plus 0.50%. As at December 31, 2009, TCHC has advanced $10,735,523 [2008 - $7,302,000] to the developer. This is included in loans receivable.

6. HOUSING PROJECTS

Housing projects consist of the following:

	2009			
[000s]	**January 1** $	**Additions (disposals)** $	**Completed during the year** $	**December 31** $
Land *[note 4[c]]*	**350,394**	**—**	**19,053**	**369,447**
Buildings *[note 4[c]]*	**1,344,163**	**(2,158)**	**127,769**	**1,469,774**
Plant	**—**	**—**	**16,026**	**16,026**
Housing projects under construction	**175,014**	**100,021**	**(162,848)**	**112,187**
	1,869,571	**97,863**	**—**	**1,967,434**
Less accumulated depreciation	**(454,675)**	**(43,861)**	**—**	**(498,536)**
	1,414,896	**54,002**	**—**	**1,468,898**

Housing projects include interest of $5,537,000 capitalized for 2009 [2008 - $4,637,000].

	2008			
[000s]	**January 1** $	**Additions (disposals)** $	**Completed during the year** $	**December 31** $
Land	350,452	(211)	153	350,394
Buildings	1,325,424	13,302	5,437	1,344,163
Housing projects under construction	97,204	83,400	(5,590)	175,014
	1,773,080	96,491	—	1,869,571
Less accumulated depreciation	(409,701)	(44,974)	—	(454,675)
	1,363,379	51,517	—	1,414,896

7. OTHER CAPITAL ASSETS

Other capital assets consist of the following:

	2009		
[000s]	January 1 $	Additions during the year $	December 31 $
Improvements to land and buildings	**677,867**	**180,087**	**857,954**
Furniture and equipment	**96,838**	**9,118**	**105,956**
Leasehold improvements	**2,704**	**48**	**2,752**
	777,409	**189,253**	**966,662**
Less accumulated depreciation	**(160,470)**	**(52,342)**	**(212,812)**
	616,939	**136,911**	**753,850**

	2008		
[000s]	January 1 $	Additions during the year $	December 31 $
Improvements to land and buildings	554,007	123,860	677,867
Furniture and equipment	87,730	9,108	96,838
Leasehold improvements	2,697	7	2,704
	644,434	132,975	777,409
Less accumulated depreciation	(118,008)	(42,462)	(160,470)
	526,426	90,513	616,939

Other capital assets include assets under capital leases totalling $16,000,534 [2008 - $17,280,577] *[note 11[c][iii]]*.

8. GUARANTEED EQUITY HOUSING PROJECT

TCHC owns a building which 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, that were sold to seniors under terms which guarantee repurchase of each unit by TCHC at the purchase price plus, for some, an inflation factor related to the Consumer Price Index. This obligation is recorded at $15,146,000 [2008 - $14,661,000] and is included in TCHC's accounts payable and accrued liabilities in the consolidated balance sheet. The fair market value of this obligation is not determinable as there are no defined repayment terms.

Net sales proceeds on the units sold, together with interest earned, will be used to finance the buyback of the Guaranteed Equity Units upon termination of the project in the year 2042. It is projected that any balance of the final redemption costs will be financed by the market value of land, which remains in TCHC's ownership. Should this be insufficient, TCHC will finance the balance by taking out a mortgage loan on the property.

The Guaranteed Equity Housing Project assets consist of the following:

	2009		
[000s]	January 1 $	Net change during the year $	December 31 $
Land	**1,216**	—	**1,216**
Buildings	**13,047**	—	**13,047**
Equipment	**11**	—	**11**
	14,274	—	**14,274**
Less accumulated depreciation	**(3,998)**	**(266)**	**(4,264)**
	10,276	**(266)**	**10,010**

	2008		
[000s]	January 1 $	Net change during the year $	December 31 $
Land	1,216	—	1,216
Buildings	13,047	—	13,047
Equipment	11	—	11
	14,274	—	14,274
Less accumulated depreciation	(3,731)	(267)	(3,998)
	10,543	(267)	10,276

The operating deficit from the Guaranteed Equity Housing Project included in the consolidated statement of operations consists of the following:

[000s]	2009 $	2008 $
Depreciation	**266**	267
Equity appreciation	**8**	125
Operating, marketing and selling	**66**	63
Administrative and other	**44**	69
	384	524
Less sundry revenue	**(64)**	(60)
Less amortization of deferred capital contributions	**(2)**	(2)
Deficit	**318**	462

9. SHORT-TERM BANK FACILITIES

TCHC has a committed revolving credit facility of $200,000,000 [2008 - $200,000,000] that is available for short-term advances and letters of credit. Short-term advances are available by way of Bankers' Acceptance ["BA"]. For 2009, the interest charges are at the bank's BA rate plus 1.10%. As at December 31, 2009, short-term advances of $78,860,000 [2008 - $60,860,000] have been used and are repayable at maturity of the term on May 8, 2010. Of this amount, $8,571,000 [2008 - $32,503,000] has been used for the purchase of capital assets and the balance of $70,289,000 [2008 - $28,357,000] has been used for partial financing of loans receivable *[notes 5[a] and [c]]*. As at December 31, 2009, there are outstanding letters of credit of $8,579,000 [2008 - $6,670,000].

10. EMPLOYEE BENEFITS

[a] The employee benefits liabilities of TCHC are as follows:

[000s]	2009 $	2008 $
Workplace Safety and Insurance Board ["WSIB"] obligations *[note 10[e]]*	**13,326**	11,279
Sick leave benefits *[note 10[f]]*	**10,427**	8,866
Severance/termination benefits *[note 10[g]]*	**1,559**	2,342
Other employment and post-employment benefits *[note 10[h]]*	**19,869**	24,035
	45,181	46,522
SERP *[note 10[i][i]]*	**13,241**	11,578
	58,422	58,100

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

	SERP		Other benefits	
[000s]	2009 $	2008 $	2009 $	2008 $
Accrued benefit obligation	**18,837**	14,983	**40,800**	41,590
Plan assets	**(531)**	(165)	**—**	—
Unamortized actuarial gains	**7,635**	11,533	**—**	—
Unamortized past service cost	**(12,700)**	(14,773)	**4,381**	4,932
Consolidated balance sheet liability	**13,241**	11,578	**45,181**	46,522

[b] The continuity of TCHC's accrued benefit liabilities is as follows:

	SERP		Other benefits	
	2009	**2008**	**2009**	**2008**
[000s]	$	$	$	$
Balance, beginning of year	**11,578**	7,625	**46,522**	51,617
Current service cost	**498**	811	**5,041**	(1,461)
Interest cost	**1,145**	1,334	**1,777**	1,441
Expected benefits paid	**—**	—	**(890)**	(1,130)
Amortization of past service costs	**2,074**	2,074	**(551)**	(551)
Amortization of actuarial gains	**(1,254)**	—	**—**	—
Actuarial gain	**—**	—	**(6,718)**	(3,394)
Funding contributions	**(800)**	(266)	**—**	—
Balance, end of year	**13,241**	11,578	**45,181**	46,522

[c] TCHC's employee benefits expense for the year is as follows:

	SERP		Other benefits	
	2009	**2008**	**2009**	**2008**
[000s]	$	$	$	$
Current service cost	**498**	811	**5,041**	(1,461)
Interest cost	**1,145**	1,334	**1,777**	1,441
Amortization of past service costs	**2,074**	2,074	**(551)**	(551)
Amortization of actuarial gains	**(1,254)**	—	**—**	—
Actuarial gain	**—**	—	**(6,718)**	(3,394)
	2,463	4,219	**(451)**	(3,965)

[d] During the year, TCHC made non-pension benefit payments directly to employees and retirees of approximately $3,479,000 [2008 - $3,399,000].

[e] Workplace safety and insurance obligations

TCHC and its subsidiaries, except Housing Services Inc., 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 be insured based on the history of claims with TCHC employees. Housing Services Inc., which is a Schedule 1 employer, pays insurance premiums as calculated by the WSIB. The WSIB is responsible for costs of employees under this plan.

Due to the complexities in valuing the liabilities of WSIB, actuarial valuations are conducted on a periodic basis. The most recent actuarial valuation was completed as of December 31, 2008 and the accrued benefit obligation as at December 31, 2009 is based on an extrapolation of the December 31, 2008 valuation.

[f] Liability for sick leave benefits

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 the extent to which the bargaining unit employees have vested and amounts could be taken in cash by them on termination.

In order to provide for this past service liability, the former THC participated in a reserve fund established by the City. Since the former THC participated in the City's reserve fund, a receivable from the City has been set up equal to the liability of the former THC of $3,870,000 [2008 - $3,870,000], less $409,000 [2008 - $409,000], being an amount funded internally by TCHC *[note 4[b]]*.

Due to the complexities in valuing the liabilities of the sick leave benefits, actuarial valuations are conducted on a periodic basis. The accrued benefit obligation as at December 31, 2009 is based on the most recent actuarial valuation that was completed as of December 31, 2009.

[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 amounts could be taken in cash by them on termination.

[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 provided thereafter.

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 $17,056,000 [2008 - $17,056,000], representing the liability portion relating to the former THC, is recorded as a long-term receivable from the City *[note 4[b]]*.

[i] Other plans

[i] SERP

In 2006, TCHC established a 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 of 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 Metro 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 their pension to OMERS.

Due to the complexities in valuing the liabilities of the SERP, actuarial valuations are conducted on a periodic basis. The most recent actuarial valuation was completed as of December 31, 2008 and the accrued benefit obligation as at December 31, 2009 is based on an extrapolation of the December 31, 2008 valuation.

[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 highest five years' average earnings. Employees and employers contribute jointly to the plan.

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, 2009 contribution rates were 6.3% to 9.5% [2008 - 6.5% to 9.6%]. Total employer contributions for the year ended December 31, 2009 amounted to $5,593,000 [2008 - $5,457,000] and are included in administration expenses on the consolidated statement of operations.

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

	SERP		Other benefits	
	2009	**2008**	**2009**	**2008**
	%	%	%	%
Discount rates for benefit obligation				
- Post-retirement and sick leave	**—**	—	**6.25**	7.5
- Post-employment	**—**	—	**5.0**	7.0
- Pension	**6.5**	7.5	**—**	—
Discount rates for benefit costs				
- Post-retirement and sick leave	**—**	—	**7.5**	5.6
- Post-employment	**—**	—	**7.0**	5.5
- Pension	**7.5**	5.5	**—**	—
Rate of compensation increase	**3.0**	3.0	**3.0**	3.0

For measurement purposes, a 7.64% annual rate of increase in the per capita cost of covered health care benefits was assumed. The rate is assumed to decrease gradually to 4.5% by 2024 and remain at that level thereafter.

11. PROJECT FINANCING AND DEBENTURE LOAN

Project financing consists of the following:

[000s]	**2009** $	**2008** $
Mortgages payable to		
- Canada Mortgage and Housing Corporation ["CMHC"] *[note 11[a]]*	**431,388**	449,364
- Other *[note 11[b]]*	**409,239**	426,148
Long-term loans payable to others *[note 11[c]]*	**73,703**	78,779
Debenture loan *[note 11[e]]*	**221,254**	163,679
Long-term loans payable to the City of Toronto *[note 11[d]]*	**30,965**	33,453
	1,166,549	1,151,423
Less current portion	**(43,354)**	(46,636)
	1,123,195	1,104,787

Interest incurred on long-term debt was $63,739,000 [2008 - $69,244,000] and has been recorded in interest expense on the consolidated statement of operations. All mortgages *[notes 11[a] and [b]]* and the capital leasing facility *[note 11[c][iii]]* have their underlying assets pledged as security. The remaining loans are unsecured.

The change in project financing is calculated as follows:

[000s]	**2009** $	**2008** $
New project financing assumed	—	9,607
Imputed interest on loan	**(1,134)**	—
Debenture proceeds	**58,278**	95,612
Less mortgage payments	**(34,885)**	(36,433)
Less loan payments	**(6,430)**	(5,854)
Less deferred financing costs	**(703)**	(1,219)
Net increase in financing	**15,126**	61,713

Principal repayments are due as follows:

[000s]	**Canada Mortgage and Housing Corporation** $	**City of Toronto** $	**Others** $	**Total** $
2010	18,998	1,507	22,848	43,353
2011	19,891	1,597	23,984	45,472
2012	20,850	1,692	25,182	47,724
2013	21,920	1,795	26,443	50,158
2014	22,881	1,888	27,734	52,503
2015 to 2043	326,848	22,486	578,005	927,339
	431,388	30,965	704,196	1,166,549

[a] CMHC mortgages bear interest at rates between 2.86% and 11.0% [2008 - 2.86% and 11.0%]. These mortgages mature between 2010 and 2031 [2008 - 2009 and 2031].

[b] Other mortgages bear interest at rates between 3.04% and 13.27% [2008 - 3.86% and 13.27%]. These mortgages mature between 2010 and 2043 [2008 - 2009 and 2043].

[c] Long-term loans payable to others consist of the following:

[i] As at December 31, 2009, TCHC has a non-revolving 20-year amortizing construction bridge term loan of $45,424,000 [2008 - $47,920,000] 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-year BAs and interest is payable at the BA rate plus 20 basis points [the "stamping fee"]. TCHC's interest exposure is hedged under a committed 12-year interest rate swap facility, which effectively fixed the interest rate at 4.55% [2008 – 4.52%] plus the applicable BA stamping fee. The facility will continue to be available to hedge interest rate exposure on renewals of the loan for the balance of the committed 12-year term, which matures February 15, 2018.

At December 31, 2009, the notional value of the interest rate swap was $45,424,000 [2008 - $47,920,000] and the fair value was a loss of approximately $3,509,000 [2008 - $7,772,000], which is recorded as a liability on the consolidated balance sheet.

[ii] In September 2006, TCHC entered into a seven-year unsecured term loan of $14,650,000 to refinance certain of its buildings and renovations. Interest is payable at 4.58% [2008 - 4.58%]. The unamortized balance will be due at maturity. As at December 31, 2009, the term loan was $13,549,000 [2008 - $13,906,000].

[iii] TCHC had a capital leasing facility of $20,000,000 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 $253,169 per month for a period of 96 months. As at December 31, 2009, $14,730,000 [2008 - $16,953,000] was outstanding on this facility.

[d] Loans from the City bear interest at rates between 2.75% and 11.0% [2008 - 2.75% and 11.0%]. These loans mature between 2016 and 2031 [2008 - 2016 and 2031].

[e] TCHC has entered into a Credit Agreement with TCHC Issuer Trust, which in turn entered into an agreement with various agents to issue $250,000,000 4.877% Debentures Series A bonds due May 11, 2037. TCHC Issuer Trust has advanced the proceeds of the bond offering to TCHC as a loan of $250,000,000 pursuant to the Credit Agreement and Master Covenant Agreement between TCHC and TCHC Issuer Trust.

TCHC has used $224,093,000 [2008 - $165,815,000] of this loan for long-term financings of social housing projects. The balance of the loan of $25,907,000 [2008 - $84,185,000] will be used for future long-term financing of social housing projects and related programs of TCHC and its affiliates. TCHC incurred costs of $3,297,000, which reduced the carrying value of the related debt and are amortized over the same term as the debt. Amortization of $53,000 [2008 - $46,000] was recorded.

Debenture loan consists of the following:

[000s]	2009 Project financing $	2009 Debenture loan $	2009 Total $
Proceeds of debt	**224,093**	**25,907**	**250,000**
Deferred financing costs	**(2,839)**	**(330)**	**(3,169)**
	221,254	**25,577**	**246,831**

[000s]	2008 Project financing $	2008 Debenture loan $	2008 Total $
Proceeds of debt	165,815	84,185	250,000
Deferred financing costs	(2,136)	(1,084)	(3,220)
	163,679	83,101	246,780

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 and contribute annually to the reserve from its operations. 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:

[000s]	2009 $	2008 $
Balance, beginning of year	**22,351**	24,770
Contributions during the year	**7,400**	7,270
Investment income (loss)	**3,491**	(3,064)
Less transfer to deferred capital contributions for approved expenditures *[note 13]*	**(6,595)**	(6,625)
Balance, end of year	**26,647**	22,351

13. DEFERRED CAPITAL CONTRIBUTIONS

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 it relates is depreciated.

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

[000s]	2009 $	2008 $
Balance, beginning of year	**346,007**	321,207
Restricted grants for housing projects	**143,978**	44,936
Transfer from Ontario Ministry of Municipal Affairs and Housing capital asset replacement reserve for approved expenditures *[note 12]*	**6,595**	6,625
Less amortization of deferred capital contributions	**(31,240)**	(26,761)
Balance, end of year *[note 19[a]]*	**465,340**	346,007

Deferred capital contributions include unspent funds of $49,386,000 [2008 - $8,501,000].

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:

[a] providing financial support to qualified individuals so that they may purchase eligible homes;

[b] providing access to and promoting the availability of long-term affordable ownership housing and such other complimentary purposes consistent with these objects.

TAHF shall be carried on without the purpose of gain for its member, and any profits or other accretions to TAHF shall be used in promoting its objects.

TAHF is not consolidated with TCHC, however, TCHC and TAHF share the same directors.

The following is TAHF's financial position at December 31, 2009:

	$
Cash in bank	**4,553,137**
Grants received	**4,553,137**

No funds were allocated in 2009.

15. INTERNALLY RESTRICTED SURPLUS

Internally restricted surplus funds are held for specific purposes as specified by TCHC's Board of Directors. These funds, and the investment income earned thereon, are not available for general operating expenses of TCHC.

Don Mount Court Reserve Fund

The Don Mount Court Reserve Fund was established for the purpose of providing the necessary operating funds to the DMCDC for the Don Mount Court regeneration project.

Regent Park Development Reserve Fund

The Regent Park Development Reserve Fund was established for the purpose of providing the necessary funds for the redevelopment of Regent Park.

Internally restricted surplus consists of the following:

[000s]	Don Mount Court Reserve Fund $	Regent Park Development Reserve Fund $	2009 Total $	2008 Total $
Transfers from (to) operations for the year consist of				
Capital expenditure	3,133	(41,914)	(38,781)	—
Operating surplus transfer	—	12,000	12,000	17,040
Investment income earned	2	1,565	1,567	5,269
Market value adjustments for investments held	310	2,193	2,503	(22,202)
Glenmaple financing	—	—	—	270
Transfer to unrestricted fund	—	—	—	(72,236)
Net transfers for the year	3,445	(26,156)	(22,711)	(71,859)
Balance, beginning of year	689	55,375	56,064	127,923
Balance, end of year	4,134	29,219	33,353	56,064

16. PROGRAM ADMINISTRATION

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 $11,443,000 [2008 - $10,718,000] for the commercial rent supplement program, $11,727,000 [2008 - $11,754,000] for the strong communities program, $410,000 [2008 - $360,000] for the housing allowance pilot program, $4,733,000 [2008 - $4,641,000] for the housing allowance roll-out program, and $42,000 [2008 - nil] for the mental health commission program. These amounts totaling $28,355,000 [2008 - $27,473,000] are included in the rent supplement programs expense. TCHC also received rent supplements of $20,076,000 [2008 - $19,146,000] for the community-sponsored program which have been recorded as subsidies revenue.

Housing program subsidies received from the City are based on mortgage principal and interest and municipal tax payments for housing projects funded under the TCHC Operating Agreement with the City and have been recorded in subsidies revenue. For these projects, the municipal tax expense for 2009 totalled $95,278,000 [2008 - $100,151,000] and the mortgage principal and interest payments for 2009 totalled $79,737,000 [2008 - $80,296,000].

17. COMMITMENTS

[a] TCHC is obligated under the terms of operating leases to the following annual payments:

[000s]	$
2010	3,832
2011	3,049
2012	2,473
2013	1,246
2014	832
Thereafter	15,061
	26,493

[b] On TCHC's behalf, the City enters into contracts to purchase fixed quantities of natural gas at fixed prices for a percentage of its anticipated future usage. These contracts are entered into and continue to be held for the purpose of receipt of natural gas in accordance with TCHC's expected usage requirements *[note 20]*.

18. RESIDENTIAL TENANCIES ACT

Under the Residential Tenancies Act, 2006, rental units located in a non-profit housing project that are developed under a prescribed federal or provincial program are exempt from residential rent controls.

19. CONTINGENCIES

[a] TCHC will be liable to repay certain CMHC and City loans, not yet formally forgiven, amounting to $4,726,000 and $7,163,000 [2008 - $5,089,000 and $2,852,000], respectively, 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. Management believes that TCHC will adhere to the terms and conditions.

[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, 2009, it is management's position that TCHC has valid defences and appropriate insurance coverage in place. In the unlikely event that any claims are successful, such claims are not expected to have a material impact on TCHC's financial position.

20. FINANCIAL INSTRUMENTS

[a] Fair value

The carrying values of TCHC's financial instruments approximate their fair values unless otherwise noted.

[b] Risk management

TCHC's investment and operating activities expose it to a range of financial risk. These risks include credit risk, market risk and interest rate risk, which are described as follows:

TCHC is subject to market risk, foreign currency risk and interest rate price risk with respect to its investment portfolio. To manage these risks, TCHC has established a target mix of investment types designed to achieve the optimal return within reasonable risk tolerances.

TCHC is subject to interest rate cash flow risk with respect to its floating rate debt. TCHC has addressed this risk by entering into an interest rate swap agreement related to part of its debt that fixes the interest rate over the term of the debt. As for the debenture loan, the fixed-rate nature of the loan reduces the risk of interest rate fluctuations over the term of the outstanding debt.

TCHC is exposed to changes in electricity prices associated with a wholesale spot market for electricity in Ontario. TCHC addresses this commodity price risk exposure by entering into various energy-related purchase and sales contracts that fix a portion of the wholesale price over the term of the contract. TCHC was not a participant in the City's contract that was outstanding at December 31, 2009. TCHC is a participant in two contracts effective March 2009 for a 12-month period.

Accounts and loans which are receivable result in exposure to credit risk since there is a risk of counterparty default. TCHC provides for an allowance for doubtful accounts to absorb potential credit losses.

21. CAPITAL MANAGEMENT

TCHC's commitment to provide high-quality housing requires new housing projects and continuous building renewal programs, which require additional sources of capital financing. TCHC views capital as the sum of project financing, debenture loans, investments in capital assets, capital asset replacement reserve, internally restricted surplus and unrestricted surplus. TCHC's main capital management objectives are to structure repayment obligations in line with the expected life of housing projects and to maintain TCHC's credit rating to ensure it has sufficient capital markets to fund TCHC's new and renewal building programs at favourable interest rates. TCHC monitors its capital on the basis of the adequacy of its cash resources to meet the objectives of its business plan for proposed new projects and building renewal programs. Management believes these objectives have been met.

22. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2009 consolidated financial statements.

23. SUBSEQUENT EVENTS

Subsequent to year end, TCHC Issuer Trust has entered into an agency agreement with various agents to issue $200,000,000 5.395% Debentures Series B due February 22, 2040 subject to prior sale by the agents [the "Offering"]. Pursuant to a Credit Agreement dated May 11, 2007 between TCHC and TCHC Issuer Trust, TCHC Issuer Trust will advance all proceeds of the Offering to TCHC as a loan having the same interest rate and term as the Series B Debentures. A Master Covenant Agreement has also been executed with TCHC Issuer Trust that sets out common covenants and remedies to events of default by TCHC which are for the benefit of existing and future unsecured lenders of TCHC that agree to be subject to the Master Covenant Agreement, including TCHC Issuer Trust under the Credit Agreement. TCHC will use such advance for long-term financing of social housing projects and related programs of TCHC and its affiliates, including the long-term financing of replacement and new, affordable rental housing projects for Regent Park, Railway Lands and West Don Lands, building energy retrofit programs, other capital expenditures and for general corporate purposes.