Toronto Community Housing Corporation

Consolidated Financial Statements
December 31, 2013

pwc

April 25, 2014

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, 2013 and the consolidated statements of operations, changes in net assets, remeasurement gains (losses) 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, 2013 and the results of their operations 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, 2013

(in thousands of dollars)

	2013 $	2012 $
Assets		
Current assets		
Cash	29,026	50,384
Restricted cash (note 3(c))	107,256	-
Investments (note 3)	716	111,524
Accounts receivable (notes 3(d), 5(a), 5(d) and 24)	75,027	108,930
Prepaid expenses	6,401	7,520
	218,426	278,358
Loans receivable (note 4)	15,194	16,572
Grants receivable (note 13)	13,491	10,145
Equity investments (note 4)	15,541	15,486
Investments for capital asset replacement reserve (notes 3 and 12)	34,829	34,102
Investments for internally restricted purposes (notes 3 and 15)	163,069	50,320
Investments for capital expenditures under restrictions with lenders (notes 3 and 11(e))	11,903	-
Receivable from the City of Toronto (note 5(b))	26,325	21,325
Housing projects acquired or developed (notes 6, 20 and 21)	1,562,347	1,555,623
Improvements to housing projects (notes 7, 20 and 21)	899,181	905,736
Guaranteed equity housing project (note 8)	8,946	9,212
Prepaid lease	1,135	1,190
Total assets	2,970,387	2,898,069

Approved on Behalf of the Board of Directors

____________________ Director ____________________ Director

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, 2013

(in thousands of dollars)

	2013 $	2012 $
Liabilities		
Current liabilities		
Bank loan (note 9)	-	4,000
Accounts payable and accrued liabilities (notes 5(a), 8 and 24)	114,507	131,387
Tenants' deposits and rents received in advance	12,334	12,313
Deferred revenue	854	1,440
Current portion of deferred revenue on long-term leases	71	71
Current portion of project financing (note 11)	70,253	67,193
	198,019	216,404
Capital asset replacement reserve (notes 3 and 12)	37,427	34,102
Deferred revenue on long-term leases	1,115	1,186
Employee benefits (notes 10 and 20)	77,439	75,787
Project financing (note 11)	1,236,040	1,173,940
Interest rate swap (note 11(c)(i))	3,278	4,698
Debenture loans (note 11(f))	21,711	37,907
Deferred capital contributions (note 13)	545,538	556,066
Total liabilities	2,120,567	2,100,090
Surplus		
Share capital		
Authorized		
Issued 100 common shares	1	1
Internally restricted surplus (notes 3 and 15)	186,836	50,320
Unrestricted surplus	663,414	745,303
Accumulated remeasurement gains (losses)	(431)	2,355
Total net assets	849,820	797,979
	2,970,387	2,898,069

Contingencies (note 16)

Commitments (note 22)

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, 2013

(in thousands of dollars)

	2013 $	2012 $
Revenue		
Subsidies (notes 5(c), 5(d) and 5(e))	231,036	248,923
Rent		
Residential	287,141	278,768
Commercial	13,839	12,787
Amortization of deferred capital contributions (note 13)	45,908	44,734
Parking, laundry and cable fees	16,792	17,715
Investment income	10,051	10,743
External sales (note 25)	1,398	8,213
Joint venture income (note 4)	621	13,956
Gain on easement (note 18)	700	-
Gain on sale of housing projects (note 19)	12,324	8,348
Gain on sale of capital assets	51	-
Other	5,285	5,531
	625,146	649,718
Expenses		
Operating and maintenance (notes 5(c) and 20)	262,633	263,002
Municipal taxes (note 5(c))	15,071	33,617
Depreciation	128,930	124,088
Interest (notes 5(c), 9 and 11)	66,792	69,783
Administration (note 20)	60,975	58,394
Residential services	8,950	7,026
Rent supplement program (note 5(e))	25,271	29,354
Plant (note 20)	1,495	1,985
Loss from guaranteed equity housing project (note 8)	402	315
Loss from acquisition of energy plant (note 17)	-	2,039
	570,519	589,603
Excess of revenue over expenses for the year	54,627	60,115

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, 2013

(in thousands of dollars)

					2013
	Share capital $	Internally restricted surplus $	Unrestricted surplus $	Accumulated remeasurement gains (losses) $	Total $
Net assets - January 1, 2013	1	50,320	745,303	2,355	797,979
Excess of revenue over expenses for the year	-	-	54,627	-	54,627
Net change in unrealized gains on revaluation of interest rate swap	-	-	-	1,420	1,420
Net change in unrealized losses on investments	-	-	-	(4,206)	(4,206)
Change in internally restricted surplus (note 15)	-	136,516	(136,516)	-	-
Net assets - December 31, 2013	1	186,836	663,414	(431)	849,820

					2012
	Share capital $	Internally restricted surplus $	Unrestricted surplus $	Accumulated remeasurement gains $	Total $
Net assets - January 1, 2012	1	37,223	698,285	-	735,509
Excess of revenue over expenses for the year	-	-	60,115	-	60,115
Net change in unrealized gains on revaluation of interest rate swap	-	-	-	1,421	1,421
Net change in unrealized gains on investments	-	-	-	934	934
Change in internally restricted surplus (note 15)	-	13,097	(13,097)	-	-
Net assets - December 31, 2012	1	50,320	745,303	2,355	797,979

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

Toronto Community Housing Corporation

Consolidated Statement of Remeasurement Gains (Losses)

For the year ended December 31, 2013

(in thousands of dollars)

	2013 $	2012 $
Accumulated remeasurement gains - Beginning of year	2,355	-
Unrealized gains (losses) attributable to		
Interest rate swap (note 11(c)(i))	1,420	1,421
Investments	(4,206)	934
Net remeasurement gains (losses) for the year	(2,786)	2,355
Accumulated remeasurement gains (losses) - End of year	(431)	2,355

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, 2013

(in thousands of dollars)

	2013 $	2012 $
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	54,627	60,115
Add (deduct): Items not involving cash		
Amortization of deferred capital contributions (note 13)	(45,908)	(44,734)
Depreciation	128,930	124,088
Gain on sale of housing projects (note 19)	(12,324)	(8,348)
Gain on sale of fixed capital	(51)	-
Loss on sale of acquisition of energy plant (note 17)	-	2,039
Imputed interest on loan (note 11)	140	140
Joint venture income	(621)	(13,956)
Depreciation of guaranteed equity housing project assets (note 8)	266	266
Employee benefit obligations (note 10)	1,652	7,505
	126,711	127,115
Changes in non-cash working capital balances related to operations		
Accounts receivable	33,278	(4,282)
Prepayment for energy plant	-	13,500
Prepaid expenses	1,622	(2,047)
Prepaid lease	55	54
Accounts payable and accrued liabilities	8,309	(7,183)
Tenants' deposits and rents received in advance	21	1,279
Deferred revenue	(586)	(322)
Deferred revenue on long-term leases	(71)	(72)
	169,339	128,042
Investing activities		
Decrease in loans receivable	1,378	31,187
Net distributions from joint ventures	566	6,619
Increase in investments	(17,515)	(9,223)
Increase in restricted cash	(107,256)	-
	(122,827)	28,583
Capital activities		
Acquisition of housing projects (note 21(a))	(72,094)	(99,373)
Proceeds on sale of easement (note 18)	625	-
Proceeds on sale of housing projects	13,513	8,588
Proceeds on sale of capital assets	47	
Improvements to housing projects (note 21(b))	(83,942)	(83,737)
	(141,851)	(174,522)
Financing activities		
Borrowing of bank loan	(4,000)	(66,860)
Deferred financing cost	(478)	
Decrease in long-term grants receivable	434	414
Repayment of project financing (note 11)	(111,559)	(49,294)
New project financing and debenture loans	160,691	98
Contributions for capital asset replacement reserve (note 12)	8,743	8,646
Restricted grants for housing projects	20,150	46,988
	73,981	(60,008)
Increase (decrease) in cash during the year	(21,358)	(77,905)
Cash - Beginning of year	50,384	128,289
Cash - End of year	29,026	50,384

Supplementary information (note 21)

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 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
- 2001064 Ontario Inc.
- Access Housing Connections Inc.
- Regent Park Development Corporation (RPDC)
- Housing Services Inc.
- 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

(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 Garden Revitalization General Partnership (AGRGP)
- Alexandra Park Condominium Residences Inc. (APCRI)

TCHC only administers the funding and operations of Toronto Affordable Housing Fund (TAHF), which in the normal course of its operations, maintain 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 holds a 35% interest in Innoserv Inc., an end-to-end provider of a suite of solar energy services to the social housing sector, which includes site assessments, implementations and maintenance of roof top solar systems. TCHC accounts for its investment in Innoserv Inc. using the modified equity method. As at December 31, 2013, this investment has been recorded at $nil (2012 - $nil) given that there is a shareholders' deficiency.

TCHC holds a non-share joint venture interest in Regent Park Arts Non-Profit Development Corporation (RPAD), which 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.

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 is 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.

TCHC adopted the requirements of PS 3450, Financial Instruments (PS 3450). This standard was adopted effective January 1, 2012.

(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	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 liability	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.
- 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 earned on externally and internally restricted funds is credited directly to the externally and internally restricted funds on the consolidated statement of financial position. Unrealized gains or losses are recorded in the consolidated statement of remeasurement gains (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.

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 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 (losses).

(in thousands of dollars)

TCHC currently employs interest rate swaps to convert its variable interest rate on $35,440 of its floating rate loan facilities to a fixed interest rate. Interest rate swaps are employed in order to eliminate variability in future interest cash flows. The swaps are measured at fair value until the interest rate swap is settled.

Financing costs

Financing costs of the debenture loans 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.

Financial costs of loans payable are deferred and are amortized on a straight-line basis over the term of the debt to which they relate.

Housing projects acquired, developed and improvements to housing projects

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

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

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 to 25 years
Furniture and equipment	4 to 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.

(in thousands of dollars)

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, 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.

(in thousands of dollars)

3 Investments

On October 24, 2013, the Board of Directors approved an investment fund allocation, relating to internally restricted reserves and as a result TCHC allocated investment assets totaling $194,273 as at January 1, 2013 to externally and internally restricted funds identified for associated business objectives.

The following is the allocation of $194,273 in investments as at January 1, 2013, and investment and cash restricted for various externally and internally restricted funds as at December 31, 2013:

	December 31, 2012 $	Transfer in (out) $	January 1, 2013 $	Investment income in 2013 $	Fair value adjustment in 2013 $ (a)	December 31, 2013 $ (a), (b)	Accrued investment income December 31, 2013 $ (d)	Restricted cash $ (c)	Investment and restricted cash available for reserves December 31, 2013 $
Investments restricted for									
Externally restricted reserves									
Capital asset replacement reserves	34,102	-	34,102	957	(230)	34,829	305	2,293	37,427
Internally restricted reserves									
Capital risk reserve fund	-	15,335	15,335	1,042	(843)	15,534	137	-	15,671
State of good repair reserves	19,252		19,252	770	(414)	19,608	172	22,336	42,116
Regent Park development reserve fund	31,068	(31,068)	-	-	-	-	-	-	-
Debt service reserve fund	-	19,824	19,824	799	(429)	20,194	177	-	20,371
Sinking fund of public debentures	-	9,912	9,912	399	(214)	10,097	89	-	10,186
Development risk reserve fund	-	44,603	44,603	1,798	(966)	45,435	398	-	45,833
Working capital reserve fund	-	49,559	49,559	1,998	(1,072)	50,485	443	-	50,928
Legal contingencies fund	-	1,686	1,686	67	(37)	1,716	15	-	1,731
	84,422	109,851	194,273	7,830	(4,205)	197,898	1,736	24,629	224,263

(in thousands of dollars)

a) Investment income and fair value adjustments for the year ended December 31, 2013 were apportioned to the various restricted funds as at December 31, 2013. Contributions and expenditures will be recorded in the respective fund effective January 1, 2014.

b) As at December 31, 2013, investments with a fair value of $50,363 were allocated to capital asset replacement reserves, of which $34,829 and $15,534 were apportioned to externally and internally restricted funds, respectively. $37,427 is available for the purpose of the externally restricted capital asset replacement reserve where $2,293 is held as restricted cash and $305 is held as interest receivable.

c) As at December 31, 2013, $24,629 cash was restricted for utilization by the externally and internally restricted reserves.

TCHC also received $82,504 (note 11(e)) as part of the financing transaction during 2013, and $123 net investment income was earned for the year ended December 31, 2013 totalling $82,627, which was for future capital expenditures for TCHC's properties.

	2013 $	2012 $
Restricted cash for		
State of good repair and capital asset replacement reserves	24,629	-
Capital expenditures for TCHC properties	82,627	-
	107,256	-

Investments consist of the following:

	2013 $	2012 $
Fixed income securities (i)	197,898	194,273
Term deposits	716	1,673
Capital expenditure reserves held in trust by a lender for certain properties (note 11(e))	11,821	-
Deposits of the aggregate annual effective gross rental income held in trust by a lender (note 11(e))	82	-
	210,517	195,946
Less:		
Investments restricted by the Ontario Ministry of Municipal Affairs and Housing for capital asset replacement reserve (note 12)	(34,829)	(34,102)
Investments for internally restricted purposes (note 15)	(163,069)	(50,320)
Capital expenditure reserves held in trust by a lender for certain refinanced properties (note 11(e))	(11,821)	-
Deposits of the aggregate annual effective gross rental income held in trust by a lender (note 11(e))	(82)	-
	716	111,524

(in thousands of dollars)

i) The fixed income securities consist of corporate and Canadian government fixed income securities with nominal coupon rates between 1.7% and 5.95%, and maturity dates ranging from 2014 to 2023, and are considered to be highly liquid.

d) Included in accounts receivable is $1,736 of accrued interest income which has been restricted to various internally and externally restricted funds.

4 Equity investments and loans receivable

	Equity investments		Loans receivable	
	2013 $	2012 $	2013 $	2012 $
DPDC (note 4(a)(i))	2,391	2,896	2,552	2,630
PGDC (note 4(a)(ii))	9,975	10,020	676	1,968
Library District Inc. (note 4(b))	2,450	2,570	-	-
AGRGP (note 4(c))	725	-	-	-
APCRI (note 4(d))	-	-	-	-
Mortgages receivable (note 4(e))	-	-	11,966	11,974
	15,541	15,486	15,194	16,572

a) i) TCHC's wholly owned subsidiary, 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, DPDC.

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

	2013 $	2012 $
Total assets	3,821	4,999
Liabilities	1,430	2,103
Co-tenants' equity		
Contributed surplus	293	293
Surplus	2,098	2,603
Total liabilities and co-tenants' equity	3,821	4,999
Housing unit sales and rental revenues	736	1,835
Cost of sales and operating costs	240	(725)
Other costs	(134)	(73)
Income for the year	842	1,037
Surplus - Beginning of year	2,603	3,461
Drawings	(1,347)	(1,895)
Surplus - End of year	2,098	2,603

(in thousands of dollars)

	2013 $	2012 $
Cash provided by (used in) operating activities	262	(1,218)
Cash used in financing activities	(1,199)	(1,562)
Cash provided by (used in) investing activities	(28)	119

TCHC has entered into a loan agreement with DPDC to finance the construction of condominium buildings. 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-tenant 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.

The co-tenancy has a $500 revolving demand facility and a $2,500 non-revolving loan with TCHC. Amounts drawn on the $500 revolving demand facility bear interest at a variable interest rate of prime rate plus 0.50% per annum and the $2,500 non-revolving term loan bears interest at a fixed interest rate at 6% per annum are due on demand and are subject to either voluntary or mandatory repayment, 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 date of the agreement. The facility is secured by the co-tenancy's land and assets and is guaranteed by RPDC and the co-tenant partner. As at December 31, 2013, TCHC has advanced $2,552 (2012 - $2,630) 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. RPDC and the developer have equal interests in the co-tenancy of the development, which operates through a nominee corporation, PGDC.

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

	2013 $	2012 $
Total assets	68,243	34,321
Liabilities	58,268	24,301
Co-tenants' equity		
Contributed capital (withdrawal)	(2,170)	(2,203)
Surplus	12,145	12,223
	68,243	34,321
Sales	600	57,754
Cost of sales	(362)	(41,024)
Expenses	(316)	(3,399)
Income (loss) for the year	(78)	13,331
Surplus (deficit) - Beginning of year	12,223	(1,108)
Surplus - End of year	12,145	12,223

(in thousands of dollars)

	2013 $	2012 $
Cash provided by operating activities	30,008	7,894
Cash provided by (used in) financing activities	29,993	(6,065)
Cash used in investing activities	(106)	(1,948)

TCHC has entered into a loan agreement with PGDC to finance the pre-development costs of condominium buildings. The loans are repayable when PGDC obtains construction financing for each condominium building. The loan facility to PGDC is guaranteed by the co-tenancy partners as well as other affiliated companies of each of the co-tenant partners. Amounts are advanced under three separate non-revolving term facilities and earn interest at the bank's prime rate plus 0.50%. As at December 31, 2013, TCHC has advanced $676 (2012 - $1,968) to PGDC.

On July 30, 2013, PGDC entered into a credit agreement with lenders to finance in part the development and construction costs of a development project. The total available credit facilities are $90,042 with certain conditions. The project land is pledged up to a maximum of $100,000 in favour of the administrative agent of the credit agreement. TCHC is the obligor of the PGDC credit agreement, along with the other obligors, in the event of default by PGDC, without security the credit facility with any of TCHC's assets.

iii) TCHC's wholly owned subsidiary, RPDC, has entered into a joint venture agreement with two other venturers for the construction of the Regent Park Arts and Cultural Centre (RPACC). RPDC and its joint venture partners have equal interest in the joint venture, which has incorporated RPAD to construct RPACC. 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.

TCHC's contributions to RPAD include a 50-year lease of the land, on which RPACC will be built, for an annual fee of one dollar plus additional rent for taxes and utilities. TCHC and the City have also signed an agreement with the Ontario government for it to provide up to $24,000 in Infrastructure Stimulus Funds to finance the construction of RPACC. TCHC has received $24,000 of this funding and has transferred this funding to RPAD as at December 31, 2012. TCHC continues to be responsible for ensuring the funds received have been spent in accordance with the terms of the funding agreement.

Once RPACC is constructed, one of the non-TCHC joint venture partners will be responsible for its operations. If construction costs are incurred in excess of amounts budgeted to construct RPACC, the non-TCHC joint venture partner is responsible for soliciting donations to finance the excess costs incurred. If these donations are not sufficient, borrowings from a third party lender may be obtained based on future rental income from RPACC. If necessary, the joint venture partners (including TCHC by way of RPDC) may be responsible for guaranteeing these borrowings.

Beginning on August 1, 2012, Artscape leased the premises from RPAD based on the terms noted above. In turn, Artscape has sublet the property to the tenants. Artscape is responsible for the management and operation of RPACC.

(in thousands of dollars)

On December 6, 2013, RPAD entered into a first leasehold mortgage of $2,750 at a fixed interest rate of 5% per annum with annual renewable term, which matures in 2020. Security on the loan is the leasehold interest held by RPAD in RPACC. 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.

b) TCHC's wholly owned subsidiary, RLDC, has entered into a co-tenancy agreement with a developer for the construction of certain properties. RLDC and the developer have equal interests in the co-tenancy of the development, which operates through a nominee corporation, Library District Inc.

TCHC sold a 50% interest in the land to the developer for an agreed amount of $4,160 on March 29, 2012 (note 19).

The following is TCHC 's combined 50% share of the components of the financial statements of Library District Inc.:

	2013 $	2012 $
Total assets	34,849	20,260
Liabilities	29,011	14,302
Co-tenants' equity		
Contributed capital	6,565	6,564
Deficit	(727)	(606)
Total liabilities and co-tenants' equity	34,849	20,260
Expenses	121	144
Loss for the year	(121)	(144)
Deficit - Beginning of year	(606)	(462)
Deficit - End of year	(727)	(606)
Cash provided by (used in) operating activities	4,026	(2,214)
Cash provided by financing activities	12,631	2,851
Cash used in investing activities	(16,535)	(402)

As at December 31, 2013, TCHC's equity in its joint venture, Library District Inc., has been reduced by the unrealized gain of $3,388 relating to 50% of the land contributed to Library District Inc. by TCHC (note 19).

(in thousands of dollars)

c) TCHC's wholly owned subsidiary, AGDC, incorporated on December 14, 2012, has entered into a co-tenancy agreement with a developer for the revitalization of certain properties in Allenbury Gardens on February 5, 2013. AGDC and the developer have equal interests in the co-tenancy of the development, which operates through a nominee corporation, AGRGP. There was no operating activity during 2012.

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

	2013 $	2012 $
Total assets	930	-
Liabilities	205	
Co-tenants' equity		-
Contributed capital	748	-
Deficit	(23)	-
Total liabilities and co-tenants' equity	930	-
Expenses	23	-
Loss for the year	(23)	-
Deficit - Beginning of year	-	-
Deficit - End of year	(23)	-
Cash used in operating activities	(442)	-
Cash used in financing activities	(95)	-
Cash provided by investing activities	668	-

d) TCHC's wholly owned subsidiary, APDC, incorporated on July 16, 2013, has entered into a co-tenancy agreement with a developer for the revitalization of certain properties in Alexandra Park on July 19, 2013. APDC and the developer have equal interests in the co-tenancy on the development, which operates through a nominee corporation, APCRI.

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

	2013 $	2012 $
Total assets	1,963	-
Liabilities	1,963	-
Co-tenants' equity		
Contributed capital	-	-
Surplus	-	-
Total liabilities and co-tenants' equity	1,963	-

(in thousands of dollars)

	2013 $	2012 $
Revenue	-	-
Expenses	-	-
Income for the year	-	-
Surplus - Beginning of year	-	-
Surplus - End of year	-	-
Cash used in operating activities	(803)	-
Cash provided by financing activities	845	-
Cash used in investing activities	(50)	-

e) The mortgages receivable are related to a sales-type lease from 2010 to 2057 for commercial space in a TCHC building. One mortgage has a maturity date of May 11, 2037 and bears interest at 4.88%. The other two mortgages have a term starting on May 11, 2037 and ending on May 11, 2057, and will bear interest equal to the debenture coupon rate and is negotiable when Debenture Series A bonds (note 11(f)(i)) are due on May 11, 2037.

5 Account balances with the City

a) TCHC enters into transactions with the City in the normal course of business and includes payments for various services and supplies. Included in accounts receivable is $74,141 (2012 - $76,329) receivable from the City and included in accounts payable and accrued liabilities is $4,327 (2012 - $9,477) 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 (2012 - $4,269) for sick leave benefits (note 10(f)) and $17,056 (2012 - $17,056) for other employment and post-employment benefits (note 10(h)). $5 million has been included in accounts receivable relating to development fees for the purpose of future capital repairs.

(in thousands of dollars)

c) For the year ended December 31, 2013, the City provided gross subsidies of $231,036 (2012 - $248,923), of which $25,573 (2012 - $29,354) pertain to subsidies passed directly through to external and non-related parties and are reflected on the statement of operations as expenditures. Subsidies revenue consists of the following:

	2013 $	2012 $
Garbage levy	5,100	5,410
Insurance expense	-	738
Operating expense	71,123	70,427
Mortgage principal and interest expense	77,447	77,823
Municipal tax expense	11,398	25,521
Educational tax saving	8,513	6,855
Administrative fees of a subsidiary	5,541	6,344
Rent supplement subsidies for buildings owned	26,341	26,451
Subsidies not passed through to external parties	205,463	219,569
Housing allowance roll-out program	480	2,535
Short-term rent support program	361	1,509
Mental health commission program	490	1,749
Strong communities program	11,442	11,138
Commercial rent supplement program	12,800	12,423
Subsidies passed through to external parties	25,573	29,354
Total subsidies	231,036	248,923

Expenditures incurred with the City include, $37,472 (2012 - $34,852) for water and waste, $15,071 (2012 - $33,617) for property taxes and $1,715 (2012 - $1,858) for the mortgage interest charges paid to the City.

d) TCHC recorded a subsidy receivable from the City for $2,266 that was owed to TCHC as part of its 2013 property tax remittance. This represented the educational savings component of reduced taxes remitted by the City to the Province of Ontario due to decreases in the assessed value of TCHC properties, as a result of said properties becoming property tax exempt. The City passed the savings from the reduction in remittances to the Province of Ontario directly to TCHC.

e) 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 $12,809 (2012 - $12,423) for the commercial rent supplement program, $11,433 (2012 - $11,137) for the strong communities program, $nil (2012 - $nil) for the housing allowance pilot program, $318 (2012 - $2,535) for the housing allowance roll-out program, $320 (2012 - $1,510) for the short-term rent support program and $391 (2012 - $1,749) for the mental health commission program. These amounts, totalling $25,271 (2012- $29,354), are included in the rent supplement programs expense.

(in thousands of dollars)

Other housing program subsidies received from the City are based on mortgage principal and interest and municipal tax payments for housing projects funded under TCHC Operating Agreement with the City and have been recorded in subsidies revenue. For these projects, the municipal tax expense for 2013 was $28,369 before tax exemptions of $16,971 leaving a net total of $11,398 (2012 - $25,521) and the mortgage principal and interest payments for 2013 totalled $77,447 (2012 - $77,823). TCHC also received rent supplements of $26,341 (2012 - $26,451) for buildings it owns, which have been recorded as subsidies revenue.

For the financial years ending 2009 to 2013, TCHC incurred $147,133 (2012 - $143,779) in expenditures related to the Social Housing Retrofit and Renovation Program (SHRRP), of which TCHC received $147,133 (2012 - $119,450) in funding from the City.

f) 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. These funds will not be used to fund TCHC's State of Good Repair (SOGR) projects. The cost incurred under Section 37 projects in 2013 was $414 (2012 - $156).

6 Housing projects acquired or developed

Housing projects acquired or developed consist of the following:

						2013
	Opening cost - January 1 $	Net additions $	Completed during the year $	Closing cost $	Accumulated depreciation $	Net $
Land	373,249	(246)	1,890	374,893	-	374,893
Buildings	1,692,740	3,734	46,024	1,742,498	(691,343)	1,051,155
Plant	33,806	-	-	33,806	(4,222)	29,584
Housing projects under construction	100,543	54,086	(47,914)	106,715	-	106,715
	2,200,338	57,574	-	2,257,912	(695,565)	1,562,347

						2012
	Opening cost - January 1 $	Net additions $	Completed during the year $	Closing cost $	Accumulated depreciation $	Net $
Land	374,175	(676)	(250)	373,249	-	373,249
Buildings	1,584,594	709	107,437	1,692,740	(641,487)	1,051,253
Plant	19,640	-	14,166	33,806	(3,228)	30,578
Housing projects under construction	119,761	102,135	(121,353)	100,543	-	100,543
	2,098,170	102,168	-	2,200,338	(644,715)	1,555,623

(in thousands of dollars)

As at December 31, 2013, the additions of housing projects acquired or developed include capitalized interest of $3,291 (2012 - $3,551).

7 Improvements to housing projects

Improvements to housing projects consist of the following:

					2013
	Opening cost - January 1 $	Net additions $	Closing cost $	Accumulated depreciation $	Net $
Improvements to land and buildings	1,197,969	61,423	1,259,392	(402,640)	856,752
Furniture and equipment	125,653	9,440	135,093	(92,774)	42,319
Leasehold improvements	2,932	21	2,953	(2,843)	110
	1,326,554	70,884	1,397,438	(498,257)	899,181

					2012
	Opening cost - January 1 $	Net additions $	Closing cost $	Accumulated depreciation $	Net $
Improvements to land and buildings	1,121,047	76,922	1,197,969	(335,766)	862,203
Furniture and equipment	118,951	6,702	125,653	(82,256)	43,397
Leasehold improvements	2,819	113	2,932	(2,796)	136
	1,242,817	83,737	1,326,554	(420,818)	905,736

As at December 31, 2013, improvements to housing projects include assets under capital leases with a carrying value of $10,932 (2012 - $12,239).

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 cost; therefore, when a unit is repurchased, no gain or loss is recorded. As at December 31, 2013, this obligation is recorded at $14,389 (2012 - $15,487) 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.

(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 nine units during 2013.

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

	January 1, 2013 $	Net change during the the year $	December 31, 2013 $
Land	1,216	-	1,216
Building	13,058	-	13,058
	14,274	-	14,274
Less: Accumulated depreciation	(5,062)	(266)	(5,328)
	9,212	(266)	8,946

	January 1, 2012 $	Net change during the the year $	December 31, 2012 $
Land	1,216	-	1,216
Building	13,058	-	13,058
	14,274	-	14,274
Less: Accumulated depreciation	(4,796)	(266)	(5,062)
	9,478	(266)	9,212

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

	2013 $	2012 $
Sundry revenue	28	52
Amortization of deferred capital contributions	2	2
	30	54
Depreciation	266	266
Accretion of repurchase obligation	28	27
Operating, marketing and selling expenses	138	76
	432	369
Loss for the period	(402)	(315)

(in thousands of dollars)

9 Bank loan

As at December 31, 2013, TCHC has a committed revolving credit facility of $200,000 (2012 - $200,000) that is available for short-term advances and letters of credit. Short-term advances are available by way of bankers' acceptances (BAs), with standby charges of 0.25% and interest charges at the bank's BA rate plus 1.10% for the year ended December 31, 2013. As at December 31, 2013, short-term advances were paid in full (2012 - $4,000) and there are outstanding letters of credit of $6,515 (2012 - $5,610), which reduce the amount available under this facility.

	2013 $	2012 $
Standby charges	434	339
Interest expense	507	1,249
	941	1,588

10 Employee benefits

a) Employee benefits liabilities of TCHC

	2013 $	2012 $
Workers' Safety and Insurance Board (WSIB) obligations (note 10(e))	15,011	15,158
Sick leave benefits (note 10(f))	12,057	12,955
Severance/termination benefits (note 10(g))	1,250	1,371
Other employment and post-employment benefits (notes 10(h) and 10(j))	22,788	24,546
Unamortized actuarial loss	(1,912)	(6,314)
Other benefits	49,194	47,716
Supplementary employee retirement plan (SERP) (notes 10(i) and 10(j))	28,245	26,636
Other benefits and SERP	77,439	74,352
Long-term disability obligation (note 10(f))	-	1,435
Employee benefits	77,439	75,787

(in thousands of dollars)

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

	SERP		Other benefits	
	2013 $	**2012 $**	**2013 $**	**2012 $**
Accrued benefit obligation	32,050	31,070	51,106	54,030
Plan assets	(1,192)	(447)	-	-
Unamortized actuarial loss	(2,613)	(3,987)	(1,912)	(6,314)
	28,245	26,636	49,194	47,716
Period of amortization for actuarial loss (years)	4	5	12	12

b) Continuity of TCHC's accrued benefit liabilities

	SERP		Other benefits	
	2013 $	**2012 $**	**2013 $**	**2012 $**
Balance - Beginning of year	26,636	24,301	47,716	43,981
Current service cost	816	730	1,671	1,250
Interest cost	1,265	1,296	876	1,168
Benefits paid	-	-	(1,561)	(1,238)
Actuarial loss	3,411	4,556	2,404	8,869
Funding contributions	(1,270)	(260)	-	-
Unamortized actuarial loss	(2,613)	(3,987)	(1,912)	(6,314)
Balance - End of year	28,245	26,636	49,194	47,716

Accrued benefit liabilities related to terminations

	2013 $	**2012 $**
Balance - Beginning of year	1,158	1,067
Current service cost	107	87
Interest expense	40	56
Benefits paid	(105)	(57)
Actuarial loss	50	273
Funding contribution	-	-
Unamortized actuarial loss	(27)	(268)
Balance - End of year	1,223	1,158

(in thousands of dollars)

c) TCHC's employee benefits expense

	SERP		Other benefits	
	2013 $	2012 $	2013 $	2012 $
Current service cost	816	730	1,671	1,250
Interest cost	1,265	1,296	876	1,168
Amortization of actuarial loss	798	569	492	2,555
	2,879	2,595	3,039	4,973
Benefit expense related to terminations	-	-	170	148

d) Non-pension benefits payments

During the year, TCHC made non-pension benefits payments of approximately $1,561 (2012 - $1,238) directly to employees and retirees.

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 the 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 WSIB. WSIB is responsible for the costs of employees under this plan.

The actuarial extrapolation of WSIB's benefit plan liabilities as at December 31, 2013 is based on an extrapolation of WSIB's statement of liabilities as at December 31, 2012 and 2011.

f) Liability for sick leave benefits

The accrued benefit obligation as at December 31, 2013 is based on the most recent actuarial valuation that was completed as at December 31, 2012. 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, 2013, 861 (2012 - 787) unionized employees are eligible for sick benefits on retirement.

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, as at December 31, 2013, a receivable from the City has been set up equal to the liability of the former THC of $4,678 (2012 - $4,678), less $409 (2012 - $409), which is an amount funded internally by TCHC (note 5(b)).

(in thousands of dollars)

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 $1,321 was recorded as at December 31, 2013 (2012 - $1,435).

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, 2013 is based on the extrapolation of the most recent actuarial valuation that was completed as at December 31, 2012.

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, 2013 is based on the extrapolation of the most recent actuarial valuation that was completed as at December 31, 2012.

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. As at December 31, 2013, an amount of $17,056 (2012 - $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 most recent full actuarial valuation was completed as at December 31, 2011 and updated to December 31, 2013.

(in thousands of dollars)

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.

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, 2013 contribution rates were 9% to 14.6% (2012 - 8.3% to 12.8%). Total employee contributions for the year ended December 31, 2013 amounted to $8,084 (2012 - $7,430). Total employer contributions for the year ended December 31, 2013 amounted to $8,084 (2012 - $7,475) and are included in administration 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, 2011. The most recent full actuarial valuation for all other benefits was performed as at December 31, 2012.

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	
	2013 %	**2012 %**	**2013 %**	**2012 %**
Discount rates for benefit obligation				
Post-retirement and sick leave	-	-	4.30	2.70
Post-employment	-	-	3.40	2.50
Pension	4.50	4.00	-	-
Discount rates for benefit costs				
Post-retirement and sick leave	-	-	2.70	4.75
Post-employment	-	-	3.40	4.00
Pension	4.00	4.50	-	-
Rate of compensation increase	3.00	3.00	3.00	3.00
Inflation rate	2.00	2.00	2.00	2.50
Health care inflation - Select	N/A	N/A	6.30	6.30
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	0.45	0.70	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:

	2013 $	2012 $
Mortgages payable to		
Canada Mortgage and Housing Corporation (CMHC) (note 11(a))	321,899	370,889
Long-term loans payable to Infrastructure Ontario (IO) (note 11(e))	154,170	-
Other (note 11(d))	319,085	361,336
Long-term loans payable to others (note 11(c))	40,278	57,909
Debenture loans (note 11(f))	423,367	407,072
Long-term loans payable to the City (note 11(b))	47,494	43,927
	1,306,293	1,241,133
Less: Current portion	(70,253)	(67,193)
	1,236,040	1,173,940

For the year ended December 31, 2013, interest incurred on long-term debt net of amounts capitalized was $65,851 (2012 - $68,195), and has been recorded in interest expense on the consolidated statement of operations. All mortgages (note 11(a), (d) and (e)) 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:

	$
December 31, 2012	1,241,133
New project financing	160,691
Imputed interest on loan	140
Debenture proceeds (i)	16,366
Less: Mortgage paydowns on mortgages renewable in 2013	(60,378)
Less: Mortgage payments	(30,989)
Less: Loan payments	(20,192)
Less: Deferred financing costs	(478)
Decrease in project financing and debenture loans	65,160
December 31, 2013	1,306,293

i) Debenture proceeds represent bond proceeds that were used in construction projects completed during the year ended December 31, 2013.

(in thousands of dollars)

Principal repayments are due as follows:

	CMHC (a) $	City (b) $	IO (e) $	Others (c), (d), (f) $	Total $
2014	25,802	2,361	2,665	39,425	70,253
2015	20,868	3,127	2,775	25,030	51,800
2016	21,818	3,660	2,890	23,038	51,406
2017	22,544	3,175	3,010	22,673	51,402
2018	23,631	3,982	3,099	45,558	76,270
2019 and thereafter	207,236	31,189	140,137	631,709	1,010,271
Deferred financing charges on project financing	-	-	(406)	(4,703)	(5,109)
	321,899	47,494	154,170	782,730	1,306,293

a) CMHC mortgages bear interest at rates between 2.65% and 11% (2012 - 2.65% and 11%). These mortgages mature between 2014 and 2031.

b) Loans from the City bear interest at rates between 2.75% and 11% (2012 - 2.75% and 11%). These loans mature between 2017 and 2042.

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

i) As at December 31, 2013, TCHC has a non-revolving, 20-year amortizing construction bridge term loan of $35,440 (2012 - $37,936) 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 entered into a 12-year interest rate swap facility in 2006, which effectively fixed the interest rate at 4.55%. This facility will continue to be 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.

As at December 31, 2013, the notional value of the interest rate swap was $35,440 (2012 - $37,936) and is accounted for at fair value resulting in an unrealized loss of approximately $3,278 (2012 - $4,698), which is recorded as a liability on the consolidated statement of financial position.

ii) In September 2006, TCHC entered into a seven-year unsecured term loan for $14,650 to refinance certain of its buildings and renovations, with interest payable at 4.58%. The unamortized balance was repaid in full as at December 31, 2013 (2012 - $12,409).

(in thousands of dollars)

iii) 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. As at December 31, 2013, $4,611 (2012 - $7,337) was outstanding on this facility.

iv) 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 have eight-year or nine-year terms 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.

d) Other mortgages bear interest at rates between 2.11% and 12.75% (2012 - 2.11% and 12.75%). These mortgages mature between 2016 and 2048.

e) On November 1, 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 and $94,325 was restricted for investment in future capital assets with useful lives 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, a promissory note and letters of credit of $4,540 (note 9). The loans are subject to financial covenants, which are to be tested at the end of each fiscal year. As at December 31, 2013, TCHC received the funding in full, which is comprised of the following:

	$
IO for mortgage repayment	43,466
Mortgage repayment made directly by IO	16,912
Total mortgage repayment	60,378
Capital expenditure for properties of TCHC's portfolio (note 3)	82,504
Capital expenditures reserves held in trust by IO for the 18 refinanced properties (note 3)	11,821
Total investment restricted for capital expenditures	94,325
Total IO funding	154,703

As at December 31, 2013, TCHC incurred financing costs of $458 related to the origination of the IO funding, of which $406 was deferred and amortized over the term of the loans, and $52 related to the maintenance of the loan.

The arrangement also required TCHC to deposit 4% of the aggregate annual effective gross rental income from the properties, including any rent supplement income and affordability payments from the Province of Ontario, the City or any other municipality in the held in trust account. TCHC has restricted $82 (note 3) in cash as at December 31, 2013, which will be transferred to the held in trust account in January 2014.

(in thousands of dollars)

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.

Details of the bond issues are as follows:

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

As at December 31, 2013, TCHC has used $250,000 (2012 - $250,000) of this loan for the long-term financing of social housing projects. TCHC incurred costs of $3,297, which reduced the carrying value of the related debt and which are amortized over the term of the debt. For the year ended December 31, 2013, amortization of $64 (2012 - $67), and interest expense of $12,192 (2012 - $12,192) were recorded.

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

As at December 31, 2013, TCHC used $178,070 (2012 - $161,704) of this loan for the long-term financing of social housing projects. The balance of the loan of $21,930 (2012 - $38,296) is available for future long-term financing of social housing projects and related programs of TCHC and its subsidiaries. TCHC incurred costs of $2,121, which reduced the carrying value of the related debt and which are amortized over the same term as the debt. For the year ended December 31, 2013, amortization of $33 (2012 - $32), and interest expense of $8,244 (2012 - $7,239) were recorded.

Debenture loans consist of the following:

			2013
	Project financing $	Debenture loan $	Total $
Proceeds from issuance of debentures	428,070	21,930	450,000
Deferred financing costs	(4,703)	(219)	(4,922)
	423,367	21,711	445,078

			2012
	Project financing $	Debenture loan $	Total $
Proceeds from issuance of debentures	411,704	38,296	450,000
Deferred financing costs	(4,632)	(389)	(5,021)
	407,072	37,907	444,979

(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:

	2013 $	2012 $
Balance - Beginning of the year	34,102	31,362
Contributions during the year	8,743	8,646
Investment income	957	1,284
Accrued investment income	305	-
Fair value adjustment	(230)	205
Less: Transfer to deferred capital contributions for expenditures (note 13)	(6,450)	(7,395)
Balance - End of the year	37,427	34,102

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:

	2013 $	2012 $
Balance - Beginning of the year	556,066	546,417
Restricted grants for housing projects	28,930	46,988
Transfer from Ontario Ministry of Municipal Affairs and Housing capital asset replacement reserve for approved expenditure (note 12)	6,450	7,395
Less: Amortization of deferred capital contributions	(45,908)	(44,734)
Balance - End of the year	545,538	556,066

The grants receivable balance of $13,491 (2012 - $10,145) is comprised of:

a) Provincial affordability housing grants for the development of three projects are to be paid monthly over 20 years through to various dates in 2029 to 2030 and have been set up as a grant receivable of $9,711 as at December 31, 2013 (2012 - $10,145).

(in thousands of dollars)

b) 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. During 2013, TCHC received $2,160 of funding, and as at December 31, 2013, the construction grant receivable was $2,640 (2012 - $nil). The $4,800 funding, structured as a grant by way of a 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, 2013. The principal balance of the funding will 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 general security with its assets in the form of a promissory note for $4,800.

c) As at December 31, 2013, TCHC recorded $1,140 in grants receivable from the Province of Ontario, which is to fund the development activities of a specific project. TCHC expects to receive the grant in full in 2014.

14 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 they may purchase eligible homes; and

b) providing access to and promoting the availability of long-term affordable ownership housing and such other complementary purposes not consistent with these objects.

TAHF will be carried on without the purpose of gain for its members and any profits or other accretions to TAHF will 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. On April 30, 2029, funding including principal and interest shall be paid to the City and all outstanding mortgages shall be assigned to the City, unless otherwise determined by the City. As at December 31, 2013, TAHF's assets include cash and loans receivable totalling $6,851 (2012 - $6,770), and the funding received from the City totals $6,595 (2012 - $6,595).

The following is TAHF's cash position:

	2013 $	2012 $
Bank balance - Beginning of year	1,383	1,338
Interest earned	20	16
Appreciation on repayments	65	66
Sundry expenses	(4)	(6)
Decrease (increase) in prepayments	8	(26)
Decrease (increase) in loan receivable	402	(5)
Bank balance - End of year	1,874	1,383

(in thousands of dollars)

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 allocated to them, are not available for the general operating expenses of TCHC.

On October 24, 2013, TCHC finalized an investment fund reallocation, which retroactively allocated $160,171 of $194,273 of investment assets and $22,336 of restricted cash as at January 1, 2013 to internally restricted funds. Investment income and fair value adjustments generated from the investments as well as restricted cash in 2013 were apportioned to the various restricted funds at the respective percentage of the balance of each fund as at January 1, 2013.

The internally restricted surplus consists of the following:

	Capital risk reserve fund (a) $	State of good repair fund (b) $	Regent Park development reserve fund (c) $	Debt service reserve fund (d) $	Sinking fund of public debentures (e) $	Development risk reserve fund (f) $	Working capital reserve fund (g) $	Legal contingencies fund (h) $	Total $
									2013
December 31, 2012	-	19,252	31,068	-	-	-	-	-	50,320
Transferred in (out)	15,335	-	(31,068)	19,824	9,912	44,603	49,559	1,686	109,851
January 1, 2013	15,335	19,252	-	19,824	9,912	44,603	49,559	1,686	160,171
Contributions	-	31,380	-	-	-	-	-	-	31,380
Net investment income	1,179	902	-	976	488	2,196	2,441	82	8,264
Fair value adjustments for investment held	(843)	(414)	-	(429)	(214)	(966)	(1,072)	(37)	(3,975)
Expenditures	-	(9,004)	-	-	-	-	-	-	(9,004)
December 31, 2013	15,671	42,116	-	20,371	10,186	45,833	50,928	1,731	186,836
									2012
December 31, 2011	-	7,379	29,844	-	-	-	-	-	37,223
Operating surplus transfer	-	-	2,000	-	-	-	-	-	2,000
Contributions	-	11,989	-	-	-	-	-	-	11,989
Investment income earned	-	-	1,256	-	-	-	-	-	1,256
Fair value adjustments for investment held	-	-	185	-	-	-	-	-	185
Expenditures	-	(116)	(2,217)	-	-	-	-	-	(2,333)
December 31, 2012	-	19,252	31,068	-	-	-	-	-	50,320

(in thousands of dollars)

a) Capital risk reserve fund

As at January 1, 2013, $49,437 of investments were included in the capital risk reserves fund, of which $34,102 (note 12) relates to externally restricted capital assets replacement reserves and $15,335 was allocated to the internally restricted capital risk reserve fund. The purpose of the 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 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, 2013 and 2012 are as follows:

	2013 $	2012 $
Education tax savings and others	9,121	6,855
Recovery of development cost from the City	10,000	-
Net proceeds received from the sale of stand-alone units	12,259	5,134
	31,380	11,989

c) 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. Effective January 1, 2013, the funds associated with the Regent Park reserve fund were reallocated into a general development risk reserve fund (note 15(e)).

d) 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 flows from operations.

e) 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 build up a sinking fund for the repayment of the debentures at their maturities.

(in thousands of dollars)

f) Development risk reserve fund

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

g) 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.

h) 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. TCHC has adhered to the terms and conditions of the loan agreements. As at December 31, 2013, the amount of forgivable loans are $9,751 (2012 - $10,630).

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, 2013, it is management's view 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 from 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. As at December 31, 2013, TCHC received a settlement of $3,679, which was applied against insurance expense included in operating and maintenance expenses.

17 Regent Park Energy Inc. (RPEI)

As at January 1, 2012, TCHC's wholly owned subsidiary, TCHE, had a 60% interest in the heating and cooling plant and operations, which operates through a nominee corporation, RPEI. On January 5, 2012, the TCHE purchased the remaining 40% interest in RPEI, and TCHC consolidated the results of RPEI in the consolidated financial statements for the year ended December 31, 2012.

(in thousands of dollars)

The remaining 40% was acquired for $13,500 plus $150 in acquisition related costs. The total net purchase price of $13,650 was allocated to the assets and liabilities as follows:

	$
Assets	
Cash	60
Prepaid expenses	3
Accounts receivable	188
Housing projects	11,639
	11,890
Liabilities	
Accounts payable and accrued liabilities	(279)
Assets acquired and liabilities assumed	11,611

The resulting purchase premium of $2,039 has been charged to expenses for the year ended December 31, 2012.

18 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 of $625 was received in February 2014 on the issuance of the first building permit for development.

TCHC also entered into an agreement with a third party that TCHC will not construct within a defined area of its property for total proceeds of $75, which was received in 2013.

19 Gain on sale of housing projects

For the year ended December 31, 2013, TCHC sold stand-alone units for proceeds net of selling costs of $12,838 (2012 - $5,135). The net book value associated with the stand-alone units was $597 (2012 - $985) and the deferred capital contributions liability associated with the stand-alone units was $83 (2012 - $808). As a result of the sales, TCHC recognized a gain of $12,324 for the year ended December 31, 2013 (2012 - $4,960).

As at March 31, 2012, TCHC also made a non-monetary contribution of land to a joint venture, Library District Inc., for $8,320 (note 4(b)) that was measured at fair value. TCHC contributed 50% of land to its wholly owned subsidiary, RLDC. The remaining 50% was sold to its co-tenant partner, resulting in a gain of $3,388.

(in thousands of dollars)

20 Salaries and benefits

The following chart reflects the total salaries and benefits recognized in these consolidated financial statements:

	2013 $	2012 $
Salaries and benefits in administration	57,493	53,979
Salaries and benefits in operations and maintenance	57,114	56,185
Salaries and benefits in plant	362	391
Total salaries and benefits reflected in the consolidated statement of operations	114,969	110,555
Salaries and benefits included in additions as capitalized in housing projects acquired or developed	3,688	2,563
Salaries and benefits included in additions as capitalized in improvement to housing projects	7,283	9,501
	125,940	122,619

21 Supplementary cash flow information

	2013 $	2012 $
(a) Acquisition of housing projects		
Additions to housing projects	(59,681)	(100,427)
Change in accrued capital expenditures	(12,413)	1,054
	(72,094)	(99,373)
(b) Improvements to housing projects		
Additions to improvements to housing projects	(71,166)	(87,215)
Change in accrued capital expenditures	(12,776)	3,478
	(83,942)	(83,737)
(c) Interest paid during the year	68,975	61,227

(in thousands of dollars)

22 Commitments

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

	Operating lease $	Other (b) $	Total $
2014	1,741	24,697	26,438
2015	1,737	-	1,737
2016	1,068	-	1,068
2017	970	-	970
2018	860	-	860
2019 and thereafter	11,152	-	11,152
	17,528	24,697	42,225

b) As at December 31, 2013, TCHC has commitments of $24,697 to vendors for capital repairs and services to be performed over the next 12 months.

c) On TCHC's behalf, the City and Housing Services Corporation, a provincial government entity, enter 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.

23 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. As at December 31, 2013, TCHC has met its objective of having sufficient liquidity to meet its current budgeted requirements.

24 Financial instruments and risk management

Financial instruments

TCHC's financial instruments consist of cash and restricted cash, 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 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, bank loan, deposits, rents receivable in advance 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 within the fair value hierarchy:

				2013
	Level 1 $	Level 2 $	Level 3 $	Total $
Investments	210,517	-	-	210,517
Interest rate swap	-	3,278	-	3,278
	210,517	3,278	-	213,795

				2012
	Level 1 $	Level 2 $	Level 3 $	Total $
Investments	195,946	-	-	195,946
Interest rate swap	-	4,698	-	4,698
	195,946	4,698	-	200,644

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 risk management program 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

TCHC is exposed to market risk through the fluctuation of 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.

- Interest rate risk

Interest rate risk is the risk the fair value of 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 and debt. Of these risks, TCHC's principal exposure is that increases in the floating interest rates on its debt, if unmitigated, could lead to decreases in cash flow and excess of expenditures over revenues. TCHC has effectively fixed its interest rate on substantially all floating rate long-term debt by entering into an interest rate swap.

As at December 31, 2013, TCHC does not have any exposure to interest rate risk (2012 - $4,000). Compared to the $nil estimated effect as at December 31, 2013, TCHC's estimate of the effect on net assets as at December 31, 2012 due to a 1% increase or decrease in the interest rate, with all other variables held constant, would approximately amount to an increase or decrease of $40. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

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 addition, for the purpose of the sensitivity analysis, the effect of a variation in a particular assumption on the fair value of the financial instruments was calculated independently of any change in another assumption. Actual changes in one factor may contribute to changes in another factor, which may magnify or counteract the effect on the fair value of the financial instrument.

TCHC partially mitigates this through balancing its fixed income securities between short and long-term durations on its investments. This risk is substantially mitigated as TCHC does not invest in equities, but only cash, cash equivalents and high grade corporate and government fixed income securities. Market price fluctuations would be substantially caused by changes in the general levels of market interest rates.

- Credit risk

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

(in thousands of dollars)

As at December 31, 2013, the following accounts receivable were past due but not impaired:

	30 days $	60 days $	90 days $	120 days $	Over 120 days $	Total $
Accounts receivable	65,653	2,819	1,136	1,446	3,973	75,027

As at December 31, 2012, the following accounts receivable were past due but not impaired:

	30 days $	60 days $	90 days $	120 days $	Over 120 days $	Total $
Accounts receivable	61,705	3,135	4,380	1,791	37,919	108,930

For the year ended December 31, 2013, TCHC has a bad debt expense of $3,091 (2012 - $3,419).

- 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 believes its current sources of liquidity are sufficient to cover its known short and long-term financial commitments.

The table below is a maturity analysis of TCHC's financial liabilities as at December 31, 2013:

	Up to 6 months $	More than 6 months up to 1 year $	More than 1 year up to 5 years $	More than 5 years $	Total $
Accounts payable and accrued liabilities	85,783	20,591	5,285	2,848	114,507
Obligations under operating leases (note 22)	860	881	4,635	11,152	17,528
Project financing (note 11)	30,296	39,957	276,056	959,984	1,306,293
	116,939	61,429	285,976	973,984	1,438,328

25 External sales

External sales arise substantially through work provided to third parties as general contractor. These external sales are directly incurred through a subsidiary of TCHC.

26 Comparative balances

Certain comparative balances have been reclassified to conform to the 2013 financial statement presentation.