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Financial statements of

Artscape Non-Profit Homes Inc.

December 31, 2014

Artscape Non-Profit Homes Inc.

December 31, 2014

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Artscape Non-Profit Homes Inc.

December 31, 2014



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Independent Auditor's Report

To the Directors of
Artscape Non-Profit Homes Inc.

We have audited the accompanying financial statements of Artscape Non-Profit Homes Inc., which comprise the statement of financial position as at December 31, 2014, the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management of Artscape Non-Profit Homes Inc. in accordance with the basis of accounting described in Note 2.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting described in Note 2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Artscape Non-Profit Homes Inc. as at December 31, 2014, and the results of its operations and its cash flows for the year then ended, in accordance with the basis of accounting described in Note 2.

Basis of Accounting and Restriction on Use and Distribution

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist Artscape Non-Profit Homes Inc. to comply with financial reporting provisions of the Acts referred to in Note 2. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for Artscape Non-Profit Homes Inc. and the City of Toronto Shelter, Support and Housing Administration and should not be distributed to or used by parties other than Artscape Non-Profit Homes Inc. and the City of Toronto Shelter, Support and Housing Administration.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants

Licensed Public Accountants

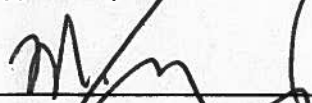
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Artscape Non-Profit Homes Inc.

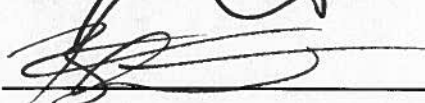
Statement of financial position as at December 31, 2014

	2014	2013
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	128,173	70,094
Receivables	87,761	189,049
Capital reserve investment funds (Note 8)	258,374	206,238
Due from City of Toronto Social Housing (Note 7)	57,421	56,885
	531,729	522,266
Capital assets (Note 3)	4,706,727	4,827,172
Capital work-in-process (Note 4)	-	159,772
	5,238,456	5,509,210
Liabilities		
Current liabilities		
Due to City of Toronto Social Housing	90,434	37,066
Accounts payable and accrued liabilities (Note 10)	108,922	137,544
Tenant deposits and rents received in advance	26,787	24,604
Deferred revenue - Strong Start Mortgage Subsidy	7,765	7,765
Deferred revenue - Housing Stabilization and Support Fund ("HSSF") (2013)	-	35,000
Current portion of long term debt (Note 6)	232,870	224,312
Due to related party (Note 5)	40,968	70,521
	507,746	536,812
Deferred capital contributions - work-in-process (Note 4)	-	166,456
Long term debt (Note 6)	4,369,973	4,503,934
	4,877,719	5,207,202
Net assets		
Capital reserve fund (Note 8)	120,350	86,832
Capital replacement reserve fund (Note 8)	138,024	119,406
Unrestricted	102,363	95,770
	360,737	302,008
	5,238,456	5,509,210

Approved by the Board



Director



Director

The accompanying notes to the financial statements are an integral part of this financial statement.

Artscape Non-Profit Homes Inc.

Statement of operations year ended December 31, 2014

	2014	2013
	\$	\$
Revenue		
City of Toronto Social Housing subsidy - regular (Note 7)	375,144	368,712
Affordable Housing Program ("AHP") mortgage subsidy	93,178	93,178
Due to City of Toronto	(46,684)	(16,475)
Net subsidy	421,638	445,415
Less allocated to Capital reserve fund (Note 8)	(43,155)	(42,871)
	378,483	402,544
Rental income	349,756	319,765
Interest and other	10,130	7,279
	738,369	729,588
Expenses		
Property expenses	211,968	190,443
Mortgage interest	186,508	184,112
Realty taxes	54,620	53,333
Administration and contract fees	59,717	66,922
Amortization	218,885	210,186
Other	78	584
	731,776	705,580
Excess of revenue over expenses for the year	6,593	24,008

Director

Director

The accompanying notes to the financial statements are an integral part of this financial statement.

Artscape Non-Profit Homes Inc.

Statement of changes in net assets year ended December 31, 2014

	2014			2013	
	Capital replacement reserve fund	Capital reserve fund	Unrestricted fund	Total	Total
	\$	\$	\$	\$	\$
Balances, beginning of year	119,406	86,832	95,770	302,008	378,693
Excess of revenue over expenses for the year	-	-	6,593	6,593	24,008
Investment in Reserve funds (Note 8)	18,618	33,518	-	52,136	(100,693)
Balance, end of year	138,024	120,350	102,363	360,737	302,008

The accompanying notes to the financial statements are an integral part of this financial statement.

Artscape Non-Profit Homes Inc.

Statement of cash flows year ended December 31, 2014

	2014	2013
	\$	\$
Operating activities		
Excess of revenue over expenses for the year	6,593	24,008
Item not involving cash		
Amortization	218,885	210,186
	225,478	234,194
Changes in non-cash operating assets and liabilities		
Receivables	101,288	(140,012)
Due to related party	(29,553)	59,405
Accounts payable and accrued liabilities and due to City of Toronto		
Social Housing	24,746	42,808
Deferred revenue - HSSF (2013)	(35,000)	35,000
Due from City of Toronto Social Housing	(536)	(2,561)
Tenant deposits and rents received in advance	2,183	551
	288,606	229,385
Investing activities		
Reduction in (additions to) capital work-in-progress	159,772	(5,183)
Reductions in (additions to) deferred capital contributions - work-in-progress	(166,456)	5,311
Increase in capital reserve investments	(52,136)	100,693
Purchase of capital assets	(98,440)	-
	(157,260)	100,821
Financing activities		
Decrease in long-term debt	(125,403)	(214,782)
Increase in capital reserve funds	52,136	(100,693)
	(73,267)	(315,475)
Increase in cash and cash equivalents during the year	58,079	14,731
Cash and cash equivalents, beginning of year	70,094	55,363
Cash and cash equivalents, end of year	128,173	70,094

The accompanying notes to the financial statements are an integral part of this financial statement.

Artscape Non-Profit Homes Inc.

Notes to the financial statements

December 31, 2014

1. Establishment and operations

Artscape Non-Profit Homes Inc. ("ANPHI") was incorporated as a not-for-profit corporation on July 29, 1994 without share capital. ANPHI was created specifically to develop and manage those current and future projects of Toronto Artscape Inc. ("Artscape") intended to meet the affordable housing and live/work studio needs of low and middle income artists of all disciplines.

2. Summary of significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with the significant accounting policies set out below to comply with Section 80 (2) of the Housing Services Act and Section 113 (2) of the Ontario Social Housing Reform Act and guidance in its application by the City of Toronto. The basis of accounting used in these financial statements materially differs from Canadian Accounting Standards for Not-for-Profit Organizations ("ASNPOs") as follows:

- (a) Capital assets, consisting of the building and land at 900/906/910 Queen St. W. and the leasehold improvements and land at the Artscape Wychwood Barns, are recorded at cost less government and related grants and donations.
- (b) Amortization on the buildings is provided at a rate equal to the annual principal reduction of the related mortgage, rather than over the estimated useful lives of the assets.
- (c) The net book value of the building and land at 900/906/910 Queen St. W. at year end must equal the principal balance of the related mortgage loans.
- (d) Capital asset purchases, unless otherwise funded, are charged to the capital reserve account rather than being capitalized on the Statement of financial position and amortized over their estimated useful lives. Under the terms of the Ontario Social Housing Reform Act, ANPHI is required to establish the Capital reserve fund in order to finance capital asset purchases. The investments in the fund are to be maintained and accounted for separately from the corporation's other cash and investments. Income earned, both realized and unrealized, on the investment of the funds is allocated thereto.
- (e) A reserve for future capital replacement is appropriated annually from operations

Canadian ASNPOs have been used in other respects in the preparation of these financial statements, as follows:

Revenue recognition

ANPHI uses the deferral method of accounting for revenue from operating activities. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Grants and other amounts received to cover the cost of specific capital assets are deferred and recognized as revenue over the same amortization period as the related capital asset.

Cash equivalents

Cash equivalents are comprised of short-term investments with maturities of three months or less from the date of acquisition.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when ANPHI becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost.

The cost of financial instruments approximates their fair value due to their short-term nature.

Artscape Non-Profit Homes Inc.

Notes to the financial statements

December 31, 2014

2. Summary of significant accounting policies (continued)

Use of estimates

Canadian ASNPOs requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing these financial statements are reasonable and prudent. Actual results could differ from these estimates. Accounts requiring significant estimates and assumptions include accrued liabilities, deferred revenue, deferred capital contributions, and amortization expense.

3. Capital assets

			2014	2013
	Cost	Accumulated amortization	Net	Net
	\$	\$	\$	\$
900/906/910 Queen St. W., Toronto, ON				
Building	2,796,799	940,094	1,856,705	1,846,823
Less: grants and restricted donations	(518,143)	-	(518,143)	(518,143)
Land	522,600	-	522,600	522,600
	2,801,256	940,094	1,861,162	1,851,280
Artscape Wychwood Barns				
Leasehold improvements	6,717,210	654,841	6,062,369	6,192,696
Land	627,472	-	627,472	627,472
Less: grants and restricted donations	(3,216,804)	-	(3,216,804)	(3,216,804)
Donated land	(627,472)	-	(627,472)	(627,472)
	3,500,406	654,841	2,845,565	2,975,892
	6,301,662	1,594,935	4,706,727	4,827,172

Artscape Wychwood Barns - residential portion

This project was completed in 2008. Upon completion, the residential component of the project, including all costs, related grants and debt financing, was transferred from Toronto Artscape Inc. to ANPHI which, as a non-profit housing provider, administers the residential component as part of its arrangement with the Canada-Ontario Affordable Housing Program and the Affordable Housing Office of the City of Toronto. The residential component consists of 26 units of affordable housing at Artscape Wychwood Barns.

4. Capital work-in-process and deferred capital contributions - work-in-process

During 2010, ANPHI was granted funding for six capital improvement projects at the 900 Queen Street West property under the Social Housing Retrofit Renovation Program ("SHRRP"). Costs for each of the six projects will be covered up to a specified maximum amount for each project.

During 2014, this grant was reconciled between ANPHI and the City, whereby revenue was netted against expenses and the residual amount has been recorded as a payable to the City.

Artscape Non-Profit Homes Inc.

Notes to the financial statements

December 31, 2014

5. Related party transactions and balance

Transactions

Toronto Artscape Inc. provides administrative services to ANPHI and full property management services for all projects developed and/or owned or leased by ANPHI.

Transactions during the year consisted of payments and charge-backs for miscellaneous operating expenses which occurred in the normal course of operations and included:

- Management fees of \$38,390 (2013 - \$38,390) charged to ANPHI by Artscape; and
- Rent of \$35,000 (2013 - \$34,673) charged by ANPHI to Artscape for the use of space at the Queen St. W. location.

Related party transactions are recorded at the exchange amount.

Balance

	2014	2013
	\$	\$
Due to Artscape	40,968	70,521

The amount is interest free and due on demand.

6. Long term debt

	2014	2013
	\$	\$

Artscape Wychwood Bams

TD Canada Trust 20 year mortgage maturing April, 2029 with blended monthly principal and interest payments totaling \$17,941 beginning May 1, 2009. Interest rate is 5.98%. The mortgage was converted from an interim construction loan in March 2009

2,078,813	2,168,428
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City of Toronto Sustainable Energy Fund totaling \$700,000 allocated between the residential portion (ANPHI \$400,000) and the arts and green components (Artscape \$300,000) of the Bams.

The loan is to be repaid in 240 equal monthly installments of \$2,917 beginning May 1, 2009, with ANPHI's share being \$1,667. Interest on the loan is at 0% as long as the payments are up to date. If not, then interest is at the bank prime rate. Security on the loan is a promissory note provided by Artscape

286,672	306,671
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Green Municipal Fund loan totalling \$600,000 allocated between the residential component (ANPHI - \$463,280) and the arts and green components (Artscape - \$136,720) of the Bams. The term of the loan is 20 years with semi-annual blended principal and interest payments totalling \$18,808 (ANPHI's share \$14,522) occurring February 20 and August 20 of each year. Interest is at the Government of Canada bond rate minus 1.5%.

366,552	386,794
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Balance carried forward	2,732,037	2,861,893
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Artscape Non-Profit Homes Inc.

Notes to the financial statements

December 31, 2014

6. Long term debt (continued)

	2014	2013
	\$	\$
Balance brought forward	2,732,037	2,861,893
Artscape Wychwood Bams (continued)		
Obligation under capital lease from sale/leaseback agreement with Lift Capital totalling \$700,000, allocated between the residential portion (ANPHI \$34,830) and the arts and green portions (Artscape \$665,170) of the Bams, in respect of the HVAC and geothermal systems. The term of the lease is seven years, expiring in December 2015 with equal monthly payments of \$11,231 (ANPHI's share \$559). Interest on the lease is calculated at 10.5%. At the end of the lease, Artscape has the option to purchase the equipment for \$70,000, renew the lease for a further seven years, or return all of the equipment to the lessor.	9,353	14,780
900 Queen Street West		
Royal Bank 2.828% mortgage, repayable in monthly installments of \$11,606 including principal and interest, maturing September 1, 2015. The mortgage is secured by the property and a general assignment of rents.	1,763,013	1,851,573
Elevator Retrofit Loan for the purpose of repairing the freight elevator at 900 Queen St. W. The repayment of the loan is deferred until the first mortgage is fully paid out in 2030 as allowed under clause 3 of subsection 173(2) of the SHRA	98,440	-
	4,602,843	4,728,246
Less: current portion	(232,870)	(224,312)
Long-term portion	4,369,973	4,503,934

Artscape Non-Profit Homes Inc.

Notes to the financial statements

December 31, 2014

7. City of Toronto Social Housing subsidy

The Social Housing Reform Act for the Municipal Social Housing Programs of the City of Toronto applies to the project at 900/906/910 Queen St. W., Toronto, through to September 1, 2030. Under the agreement, the City provides a monthly subsidy to ANPHI which for 2015 is set at \$ 14,540 (2014 - \$12,930).

ANPHI has also entered into an affordable housing agreement with the City of Toronto in respect of the 26 residential units at Artscape Wychwood Barns (the residential component of the Barns). The City supplements ANPHI the difference between market rents and the actual rents received by ANPHI. The City will provide a monthly rent supplement of \$ 18,358 in 2015 (\$18,332 in 2014).

	Queen St. W. subsidy	Wychwood Barns rent supplement	Total
	\$	\$	\$
City of Toronto 2014 subsidy	144,768	276,870	421,638
City of Toronto 2013 subsidy	153,000	292,415	445,415

The City requires ANPHI to prepare an Annual Information Return ("AIR"), which is a summary of the corporation's financial and operating information. The total subsidy entitlement is calculated based on actual operations and is compared to the actual subsidy received to determine whether any subsidy amounts are repayable at year end. It has been determined that for the year ended December 31, 2014 ANPHI has an excess subsidy repayable of \$46,684 (2013 - \$16,475).

	2014	2013
	\$	\$
Due from City of Toronto		
900 Queen Street West	14,730	12,600
Artscape Wychwood Barns	42,691	42,485
	57,421	55,085

8. Capital reserve fund and Capital replacement reserve fund

(a) Capital reserve fund - 900/906/910 Queen Street West

The Ontario Social Housing Reform Act, 2000, Regulation 339/01 - Part IV requires ANPHI to participate in a system for pooling capital reserves for investment purposes. This system requires that ANPHI's capital reserve fund be invested in Social Housing Investment Funds managed by SHSC Financial Inc., with Phillips, Hager & North as Portfolio Advisor.

In 2014, ANPHI was required to allocate an amount of \$17,819 (2013 - \$17,732) from the regular subsidy at 900 Queen St. W. from the City of Toronto to the capital reserve fund. Commencing January 2015, ANPHI is required to allocate \$18,327 from the regular subsidy to the capital reserve fund specific to 900 Queen St. W.

In addition, each year ANPHI is required to pay 50% of its operating surplus from the Queen St. W. social housing operations to the City of Toronto. However, in accordance with the Toronto City Guideline 2007-5, ANPHI is allowed to retain \$100 per unit of its annual net income that it would normally repay to the City, or the total share of operating income owed to the City, whichever is less, providing that this amount is allocated to the capital reserve fund contribution.

Artscape Non-Profit Homes Inc.

Notes to the financial statements

December 31, 2014

8. Capital reserve fund (continued)

(a) 900/906/910 Queen Street West (continued)

	2014	2013
	\$	\$
Balance, beginning of year, January 1,	86,832	212,679
City of Toronto Social Housing - portion allocated from regular subsidy	17,819	17,732
Capital purchases	7,775	(147,620)
Income earned and unrealized gains	7,924	4,041
Balance, end of year, December 31,	120,350	86,832

Capitals purchases are comprised of:

	2014	2013
	\$	\$
Plumbing and Heating, ventilation and air conditioning	(2,150)	(116,724)
Elevator	9,925	(14,240)
Building envelope	-	(16,656)
Balance, end of year	7,775	(147,620)

(b) Capital replacement reserve fund - Artscape Wychwood Barns

Under the affordable housing agreement for Artscape Wychwood Barns, ANPHI is required to establish a replacement reserve fund of 8% of the projects annual revenue. One-half of this amount (4% of revenue) is to be allocated to a separate reserve account maintained at the Toronto Dominion Bank as required by the Canada Mortgage and Housing Corporation. The remainder of the fund is managed by Phillips, Hager & North.

For 2014, ANPHI has set up a provision of \$ \$25,336 (2013 - \$25,154) towards the capital replacement reserve fund.

	2014	2013
	\$	\$
Balance, beginning of year, January 1,	119,406	94,252
Capital purchases	(6,740)	-
Affordable Housing Program - provision for capital replacement reserve	25,336	25,154
Income earned and unrealized gains	22	-
Balance, end of year, December 31,	138,024	119,406

9. Commitments

Artscape Wychwood Barns

The property is leased from the City of Toronto, beginning March 26, 2006, under terms which require annual rental payments of \$1. The lease is for a term of 50 years, less one day.

10. Government remittances

There are no outstanding government remittances as at December 31, 2014 and 2013