

Financial statements of

Toronto Artscape Inc.

December 31, 2015

Toronto Artscape Inc.

December 31, 2015

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Independent Auditor's Report

To the Directors of
Toronto Artscape Inc.

We have audited the accompanying financial statements of Toronto Artscape Inc., which comprise the statement of financial position as at December 31, 2015, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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 Toronto Artscape Inc. as at December 31, 2015, and the results of its operations and its cash flows for the year then ended, in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
April 20, 2016

Toronto Artscape Inc.

Statement of financial position as at December 31, 2015

	2015	2014
	\$	\$
Assets		
Current assets		
Cash	249,978	144,285
Receivables	757,859	934,181
Prepaid expenses	119,825	81,583
Due from related parties (Note 3)	-	51,800
	1,127,662	1,211,849
Restricted cash (Note 13)		
Capital reserve fund	90,000	87,779
Capital assets (Note 5(a))	36,287,684	17,041,871
Capital assets under capital lease (Note 5(b))	572,047	585,350
Capital work-in-progress (Note 5(c))	4,652,886	21,338,385
	41,512,617	38,965,606
Artscape second mortgages (Note 4)	4,571,432	3,756,632
	47,301,711	44,021,866
Liabilities		
Current liabilities		
Lines of credit (Note 8(a))	1,895,850	410,000
Accounts payable and accrued liabilities (Note 14)	1,587,990	1,388,048
Tenant deposits and rents received in advance	432,169	429,414
Deferred revenue (Note 11)	104,326	112,309
Short-term loans (Note 8(b))	-	1,000,000
Current portion of long-term debt (Note 9(c))	393,189	247,888
Due to related parties (Note 3)	262,618	-
	4,676,142	3,587,659
Long-term debt (Note 9(a))	13,040,277	12,667,878
Long-term obligation under capital lease (Note 9(b))	384	66,884
	13,040,661	12,734,762
Deferred capital contributions (Note 6(c))	24,398,479	23,334,810
Deferred capital contributions - unexpended (Note 7)	245,000	245,000
Artscape second mortgages (Note 4)	4,571,432	3,756,632
	29,214,911	27,336,442
	46,931,714	43,658,863
Net assets		
Internally restricted	-	-
Capital reserves (Note 13)	90,000	87,779
Unrestricted	279,997	275,224
	369,997	363,003
	47,301,711	44,021,866

Approved by the Board

_____ Director

_____ Director

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

Toronto Artscape Inc.

Statement of operations year ended December 31, 2015

	2015	2014
	\$	\$
Revenue		
City of Toronto - operating grant	346,690	346,690
Provincial grant	100,000	12,500
Program and other grants	362,019	11,177
Rental income	3,604,831	3,497,659
Venue income	2,665,509	2,135,886
Creative Placemaking Lab	563,581	304,916
Management fees and project recovery	1,928,094	1,340,704
Interest and other	49,322	10,653
Amortization of deferred capital contributions	316,401	323,901
	9,936,447	7,984,086
Expenses		
Property expenses	3,205,190	2,765,343
Salaries and benefits	1,471,764	943,054
Property rent	524,914	486,608
Interest on long-term debt	465,400	150,243
Venue expenses	1,965,385	1,593,483
Creative Placemaking Lab	536,511	459,600
Realty taxes (Note 15)	531,982	478,826
Administration and contract fees	569,966	524,042
Amortization	660,562	580,532
	9,931,674	7,981,731
Excess of revenue over expenses for the year	4,773	2,355

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

Toronto Artscape Inc.
Statement of changes in net assets
year ended December 31, 2015

	2015		2014	
	Capital reserves (Note 13)	Unrestricted	Total	Total
	\$	\$	\$	\$
Balances, beginning of year	87,779	275,224	363,003	334,344
Excess of revenue over expenses for the year	-	4,773	4,773	2,355
Annual capital contribution (Note 13)	30,000	-	30,000	50,000
Transfer to TPM (Note 13)	(27,779)	-	(27,779)	-
Capital expenditures (Note 13)	-	-	-	(23,696)
Balances, end of year	90,000	279,997	369,997	363,003

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

Toronto Artscape Inc.

Statement of cash flows year ended December 31, 2015

	2015	2014
	\$	\$
Operating activities		
Excess of revenue over expenses for the year	4,773	2,355
Items not involving cash		
Amortization of deferred capital contributions	(316,401)	(323,901)
Amortization of capital assets	660,562	580,532
Changes in non-cash operating assets and liabilities		
Receivables	176,322	(254,821)
Prepaid expenses	(38,242)	4,317
Due from related parties	314,418	(16,276)
Restricted cash	(2,221)	(26,304)
Net capital reserves transactions (Note 13)	2,221	26,304
Accounts payable and accrued liabilities	199,942	(961,250)
Tenant deposits and rent received in advance	2,755	35,601
Deferred revenue	(7,983)	86,868
	996,146	(846,575)
Investing activities		
Capital work-in-progress	16,685,499	2,114,094
Acquisition of capital assets	(19,893,072)	(3,297,195)
	(3,207,573)	(1,183,101)
Financing activities		
Increase in line of credit and short-term loans	485,850	410,000
Deferred capital contributions	1,380,070	5,269,730
Increase (decrease) in long-term debt and obligation under capital lease	451,200	(4,181,586)
	2,317,120	1,498,144
Increase (decrease) in cash during the year	105,693	(531,532)
Cash, beginning of the year	144,285	675,817
Cash, end of year	249,978	144,285

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

Toronto Artscape Inc.

Notes to the financial statements

December 31, 2015

1. Establishment and operations

Toronto Artscape Inc. ("Artscape") was incorporated as a not-for-profit corporation without share capital on January 24, 1986 with the following mandate:

- (i) To create and manage sustainable and affordable spaces in which artists live and or work, including galleries, studios and performance spaces;
- (ii) To seek, purchase and own property, and to carry out any agreements and conditions required for such activities;
- (iii) To enhance communities through arts, culture and creativity; and
- (iv) To educate the public and increase its understanding of arts, culture and creativity and their importance by offering or sponsoring courses, seminars, conferences and meetings, publication of materials and otherwise collecting and disseminating information.

2. Summary of significant accounting policies

These financial statements are prepared in accordance with accounting standards for not-for-profit organizations ("ASNPOs") using the deferral method of reporting contributions.

a) *Capital assets*

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized as follows:

- Leasehold improvements at all locations - straight-line basis over the term of the respective leases;
- Buildings - straight-line basis between 30 and 50 years;
- Furniture and equipment - straight-line basis over 5 years;
- The vehicle - straight-line basis over 10 years; and
- Computers - straight-line basis over 5 years.

b) *Capital work-in-progress*

Capital work-in-progress is recorded at cost and comprises capital assets under construction, including related costs (such as payroll, interest and financing costs), capital assets not yet placed in service, and pre-construction costs related to specific projects expected to be constructed. Amortization begins in the year after projects are complete and put into operation.

c) *Contributions for capital assets*

Grants and other amounts received to fund capital projects and to cover the costs of specific capital assets are deferred and recognized in revenue over the same amortization period as the related assets.

d) *Revenue recognition*

Artscape uses the deferral method of accounting for contributions. Unrestricted grants and donations are recognized when received or deemed receivable if the amount 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 incurred.

Rental and venue income, revenue from Creative Placemaking Lab and income and management fees, are recorded on the accrual basis when the related service is performed.

Toronto Artscape Inc.

Notes to the financial statements

December 31, 2015

2. Summary of significant accounting policies (continued)

e) *Donated goods and services*

Donated goods and services are recorded when a fair value can be reasonably estimated and they would otherwise be purchased if not donated.

A substantial number of volunteers have made significant contributions of their time to Artscape's programs and supporting services. The value of this contributed time is not reflected in these financial statements.

f) *Financial instruments*

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

g) *Use of estimates*

Canadian ASNPOs require 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, and deferred capital contributions.

3. Related parties

Artscape Regent Park Development Non-Profit Corporation

Artscape Regent Park Development Non-Profit Corporation ("ARPDC") was incorporated on September 7, 2010. ARPDC is a co-venturer with the Regent Park Development Corporation and Daniels Eastside Corporation in Regent Park Arts Non-Profit Development Corporation ("RPAD"), a joint venture corporation which was formed to develop the Regent Park Arts and Cultural Centre (renamed Daniels Spectrum).

ARPDC is controlled by Artscape as the positions on the Board are appointed by Artscape.

Artscape has an operating lease agreement with RPAD. Commencing August 1, 2012, Artscape leased the Daniel Spectrum premises from RPAD for 50 years, less 2 days, at an annual rent of \$1 plus taxes and utilities. In turn, Artscape sub-leases the property to tenants and is responsible for the management and operation of the premises.

Toronto Artscape Foundation

On an ongoing basis, Artscape enters into various agency agreements with the Toronto Artscape Foundation to administer and carry out the Foundation's activities.

The Foundation was established as a registered charity on January 27, 2005 with the objectives of increasing the public's understanding of arts and culture through education and to provide support for Artscape's activities that are of a charitable nature.

During the year, the Foundation disbursed funds to Artscape totaling \$2,697,235 (2014 - \$1,972,191) for its projects and activities.

Artscape Non-Profit Homes Inc.

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 Artscape's current and future projects intended to meet the affordable housing and live/work studio needs of low and middle income artists of all disciplines.

Artscape provides administrative services to ANPHI and full management services to all projects developed and/or owned or leased by ANPHI. During the year, Artscape charged management fees of \$39,678 (2014 - \$38,390) to ANPHI and ANPHI charged Artscape rent of \$35,000 (2014 - \$35,000) for space leased on the ground floor of 900 Queen Street West.

Toronto Artscape Inc.

Notes to the financial statements

December 31, 2015

3. Related parties (continued)

Due (to) from related parties

	2015	2014
	\$	\$
Due (to) from Toronto Artscape Foundation	(198,470)	10,832
Due (to) from Artscape Non-Profit Homes Inc.	(64,148)	40,968
	(262,618)	51,800

The amounts due to and from related parties consist of payments for various costs and expenses incurred in the ordinary course of business and are interest free and due on demand. All transactions were recorded at the exchange amount.

4. Artscape second mortgages

Artscape holds second mortgages totaling \$4,571,432 (2014 - \$3,756,632) on 71 individual condominium units at the Artscape Triangle Lofts, Artscape Youngplace and Artscape Simcoe Lofts in the form of shared appreciation mortgages. Upon resale, Artscape has the right to set the selling price of the unit and will collaborate with the unit owner to sell the property to qualified artists only. Artscape will be entitled to a share of the property's appreciation in value based upon a predetermined formula. Artscape's share of the appreciation will then be added to the value of the second mortgage which will be transferred to the new buyer of the unit.

5. Capital assets

(a) *Capital assets*

			2015	2014
	Cost	Accumulated amortization	Net	Net
	\$	\$	\$	\$
Leasehold improvements				
Artscape Wychwood Barns	13,407,078	1,927,179	11,479,899	11,747,260
Artscape Distillery Studios	3,036,412	2,010,635	1,025,777	1,190,334
Parkdale Arts and Cultural Centre	610,529	518,495	92,034	132,205
Artscape Gibraltar Point	762,393	485,289	277,104	253,140
Daniels Spectrum	612,824	-	612,824	546,356
Buildings				
Artscape Triangle Lofts	3,217,669	62,003	3,155,666	3,100,152
Artscape Simcoe Lofts	425,122	-	425,122	-
Artscape Youngplace	19,118,579	-	19,118,579	-
Vehicle	40,100	35,646	4,453	5,567
Furniture and equipment	536,238	440,012	96,226	66,857
	41,766,943	5,479,259	36,287,684	17,041,871

Toronto Artscape Inc.

Notes to the financial statements

December 31, 2015

5. Capital assets (continued)

(b) Capital assets under capital lease

	2015		2014
	Cost	Accumulated amortization	Net
	\$	\$	\$
Artscape Wychwood Barns HVAC and geothermal system	665,170	93,123	572,047
			585,350

(c) Capital work-in-progress

	2015		
	Balance beginning of year	Additions (transfers) during year	Balance end of year
	\$	\$	\$
Artscape Youngplace	19,031,656	(19,031,656)	-
Artscape Launchpad	1,282,455	590,471	1,872,926
Artscape Sandbox	350,882	1,251,970	1,602,852
Artscape Distillery Studios	101,369	603	101,972
Artscape Wychwood Barns	340,999	5,247	346,246
Artscape Simcoe Lofts	116,686	(116,686)	-
Artscape Jarvis Lofts	114,338	59,566	173,904
Artscape British Columbia	-	428,781	428,781
Artscape Weston	-	126,206	126,206
	21,338,385	(16,685,499)	4,652,886

Artscape Youngplace and Artscape Simcoe Lofts were completed during the year and were transferred to Capital assets (Note 5(a)).

Toronto Artscape Inc.

Notes to the financial statements

December 31, 2015

6. Deferred capital contributions

(a) Capital work-in-progress

	2015		
	Balance beginning of year	Received (transferred) during year	Balance end of year
	\$	\$	\$
Artscape Youngplace	9,714,076	(9,714,076)	-
Artscape Launchpad	328,205	380,900	709,105
Artscape Simcoe Lofts	75,000	(75,000)	-
Artscape Jarvis Lofts	350,000	-	350,000
Artscape Sandbox	56,182	339,001	395,183
Artscape Distillery Studios	286,498	50,000	336,498
Artscape Wychwood Barns	350,000	-	350,000
Artscape British Columbia	-	415,000	415,000
Artscape Weston	-	110,000	110,000
	11,159,961	(8,494,175)	2,665,786

(b) Capital assets

	2015			2014
	Cost	Accumulated amortization	Net	Net
	\$	\$	\$	\$
Artscape Wychwood Barns	10,037,114	1,366,577	8,670,538	8,861,222
Artscape Distillery Studios	1,818,373	1,252,901	565,472	668,313
Parkdale Arts and Culture Centre	382,500	345,844	36,657	55,781
Artscape Gibraltar Point	75,358	61,875	13,483	17,233
Artscape Triangle Lofts	2,048,057	-	2,048,057	2,078,548
Artscape Daniels Spectrum	502,296	-	502,296	472,298
Artscape Simcoe Lofts	160,660	-	160,660	-
Artscape Young Place	9,714,077	-	9,714,077	-
Furniture and equipment	124,086	102,632	21,454	21,454
	24,862,521	3,129,828	21,732,693	12,174,849

(c) Deferred capital contributions - Total

	2015	2014
	\$	\$
Capital work-in-progress (Note 6 (a))	2,665,786	11,159,961
Capital assets (Note 6 (b))	21,732,693	12,174,849
	24,398,479	23,334,810

Toronto Artscape Inc.

Notes to the financial statements

December 31, 2015

7. Deferred capital contributions - unexpended

	2015	2014
	\$	\$
Canada Life Section 37 grant	245,000	245,000

This amount represents a payment from the City of Toronto which has been allocated to Artscape as part of a Section 37 agreement between Canada Life Assurance Company and the City of Toronto and will be allocated to Artscape Simcoe Lofts.

8. Credit facilities and short-term debt

(a) Lines of credit

Toronto Dominion Bank

Artscape has an available operating line of credit of \$1,100,000 (2014 - \$500,000). The line of credit is secured by a first charge general security agreement covering all the corporation's assets. Interest on the line of credit is at prime + 1.75 % (2014 - prime + 1.75%). At December 31, 2015, the balance outstanding was \$1,100,000; (2014 - \$410,000).

Alterna Savings and Credit Union Limited

Secured line of credit of \$800,000, bearing interest at 4.45% per annum. The balance outstanding as at December 31, 2015 was \$795,850 (2014 - \$Nil).

(b) Short-term loan

Alterna Savings and Credit Union Limited

This short-term interest only loan with respect to the Artscape Triangle Lofts was converted to a mortgage on April 24, 2015 (Note 9(a)).

9. Long-term debt

(a) Long-term debt

	2015	2014
	\$	\$
Artscape Youngplace		
Construction loan A (prime + 1%) from Alterna Savings and Credit Union ("Alterna") totaling \$5,800,000. The loan was used for the purchase of the Shaw Street School and to cover approved budget costs in the redevelopment of the property.	-	5,660,080
Construction loan B totaling \$5,700,000 to fund the remaining costs of the approved budget until complete. Interest on the loan was at the Alterna's prime rate plus 2%.	-	2,676,584
Alterna construction loans A & B from Alterna Savings and Credit Union were converted to a mortgage of \$8,261,738 on April 24, 2015. Interest on the mortgage is at 4.55%. This mortgage matures on April 24, 2019, is secured against the property, and requires monthly principal and interest payments of \$46,373.	8,215,288	-
Carried forward	8,215,288	8,336,664

Toronto Artscape Inc.

Notes to the financial statements

December 31, 2015

9. Long-term debt (continued)

(a) Long-term debt (continued)

	2015	2014
	\$	\$
Balance brought forward	8,215,288	8,336,664
<p>Short-term loan from Alterna was converted to a mortgage of \$835,000 on April 24, 2015. Interest on the mortgage is 3.94%. This mortgage for Artscape Triangle Lofts matures on April 24, 2020, is secured against the property and requires monthly principal and interest payments of \$4,365.</p>	821,742	-
<p>Community Forward Fund</p> <p>Mortgage financing for use to assist with the take out of construction advances for the condominium units at Artscape Youngplace. The term of the loan is 60 months, payable semi-annually, interest only. A balloon payment equal to the outstanding loan principal and accrued interest is to be repaid at the end of the 60 month term. Interest on the loan is at 5% per annum.</p>	1,015,000	1,015,000
<p>Artscape Wychwood Barns ("AWB")</p> <p>Manufacturers Life Insurance Company capital loan bearing interest at 4.53%, with monthly principal and interest payments totalling \$16,923 until March 15, 2017. The loan is secured by a limited guarantee from the City of Toronto, an assignment of rent at AWB, as well as a general security agreement.</p>	2,866,351	2,939,274
<p>City of Toronto Sustainable Energy Fund loan totalling \$700,000 allocated between the residential portion (ANPHI \$400,000) and the arts and green components (Artscape \$300,000) of the AWB. The loan is to be repaid in 240 equal monthly instalments of \$2,917 that commenced on May 1, 2009, with Artscape's share being \$1,250. 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. The loan matures on April 1, 2029.</p>	201,243	216,244
Carried forward	13,119,624	12,507,182

Toronto Artscape Inc.

Notes to the financial statements

December 31, 2015

9. Long-term debt (continued)

(a) Long-term debt (continued)

	2015	2014
	\$	\$
Balance brought forward	13,119,824	12,507,182
Green Municipal Fund loan totalling \$600,000 allocated between the residential portion (ANPHI \$463,280) and the arts and green components (Artscape \$136,720) of AWB. Repayment of the loan is with semi-annual blended principal and interest payments of \$18,808 (Artscape's share \$4,326) on year beginning in 2010 until February 20 and August 20 of each August, 2029. Interest on the loan is at the Government of Canada bond rate, minus 1.5%.	102,075	108,119
Other loans		
TD Bank loan #1 due October 31, 2017 and repayable in monthly payments of \$2,091 including principal plus interest at 3.7%. The loan is secured by a limited guarantee from the City of Toronto.	145,067	164,405
Toronto Atmospheric Fund loan repayable in monthly installments of \$2,927, including principal plus interest at the Canada yield plus 2.5%. The loan is secured by an assignment of all rents in respect of the leased premises at 1313 Queen St. W. and at Artscape Gibraltar Point, and a general security agreement. The loan was repaid on August 24, 2015.	-	21,610
	13,366,966	12,801,316
Less: current portion (Note 9 (c))	(326,689)	(133,438)
	13,040,277	12,667,878

Toronto Artscape Inc.

Notes to the financial statements

December 31, 2015

9. Long-term debt (continued)

(b) Obligation under capital lease

	2015	2014
	\$	\$
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 components (Artscape \$665,170) of the AWB, in respect of the HVAC and geothermal systems. The term of the lease is seven years, which expired in December 2015, with equal monthly payments of \$11,231. Interest on the lease was calculated at 10.5%. At the end of the lease, Artscape has opted to purchase the equipment for \$70,000. This amount is allocated between the residential portion (ANPHI \$3,500) and the arts and green components (Artscape \$66,500) of the Barns.	66,884	181,334
Less: current portion (Note 9 (c))	(66,500)	(114,450)
	384	66,884

(c) Current portion of long-term debt

	2015	2014
	\$	\$
Long-term loans and mortgages (Note 9 (a))	326,689	133,438
Obligation under capital lease (Note 9 (b))	66,500	114,450
	393,189	247,888

10. Interest rate and credit risks

Artscape is exposed to interest rate risk on its variable rate loans and credit lines such that increases in the bank and government prime rates would increase interest and loan carrying costs. Artscape mitigates interest rate risk by monitoring its various revenue and expense streams to offset potential interest rate increases.

Credit risk arises from the potential that a counter party will fail to fulfill its obligations. Artscape is exposed to some credit risk on its receivables which normally consist of rental amounts due from tenants, amounts due for services and programs, as well as various forms of project funding. To mitigate credit risk, Artscape engages in regular monitoring and follow up of outstanding amounts and implements payment plans when necessary. Generally, Artscape does not have significant exposure to any individual party.

Toronto Artscape Inc.

Notes to the financial statements

December 31, 2015

11. Deferred revenue and program and other grants

	Deferred revenue 2014	Received during year	Recognized as revenue	Deferred revenue 2015
	\$	\$	\$	\$
Artscape Daniels Spectrum	63,683	-	-	63,683
British Columbia Artscape	27,402	35,000	27,402	35,000
Fundraising - Artscape Youngplace	6,224	5,643	6,224	5,643
Creative Placemaking Lab	2,500	-	2,500	-
Management fee - RPAD	12,500	-	12,500	-
	112,309	40,643	48,626	104,326

12. Commitments

(a) Rental commitments

Parkdale Arts and Cultural Centre

Leased from the City of Toronto under terms which require annual rental payments of \$1 plus taxes and operating costs and a requirement that the property operates on a cost recovery basis. This lease expires on August 14, 2017.

Artscape Gibraltar Point

Leased from the City of Toronto under terms which require annual payments of \$1 and the requirement that the Centre operate on a cost-recovery basis. The lease expires on September 30, 2019.

Artscape Wychwood Barns

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, expiring March 27, 2056.

Theatre Passe Muraille

Leased from the City of Toronto for annual rental payments of \$2. Artscape in turn leases the property to Theatre Passe Muraille for an annual base rent of \$2, a management fee of \$16,885; (2014 - \$16,081), and a net capital contribution of \$20,000 (2014 - \$16,304). The lease with the City expires on January 10, 2018, with an option to renew for an additional five years.

Artscape Distillery Studios

49,512 square feet in buildings 58, 59 and 74 are leased from Cityscape Holdings Inc. This lease expires on February 28, 2023. Annual rent is increased by the greater of 4.75% per annum or the percentage increase in the CPI as compared to the immediately preceding year. Beginning September 1, 2009 an additional management fee in the amount of 2.5% of the base annual rent became payable to the landlord.

Toronto Artscape Inc.

Notes to the financial statements

December 31, 2015

12. Commitments (continued)

(a) Rental commitments (continued)

Artscape Distillery Studios (continued)

Minimum annual rental payments for the Artscape Distillery Studios for the next five years and thereafter are:

	\$
2016	495,482
2017	519,017
2018	543,471
2019	569,495
2020	596,489
Thereafter	1,279,702
	<u>4,003,656</u>

Liberty Market Building

Artscape leases office space at 171 East Liberty Street under a lease which expires December 31, 2019.

Minimum annual rental payments for 171 East Liberty Street to the expiry of the lease are:

	\$
2016	123,400
2017	129,570
2018	129,570
2019	129,700
2020	-
	<u>512,240</u>

13. Restricted cash

Capital reserves

Artscape maintains separate capital reserve funds for the leased properties at Theatre Passe Muraille ("TPM") and the Artscape Wychwood Barns - Barn 4. Annual contributions are collected from the tenants and may only be used for required repairs, maintenance and replacements of a capital nature.

During the year, Artscape transferred the balance of the capital reserve fund of \$27,779 to TPM based on the terms of a property management agreement dated February 1, 2015.

	AWB Barn 4	TPM	Total 2015	Total 2014
	\$	\$	\$	\$
Opening balance, January 1	60,000	27,779	87,779	61,475
Annual contribution	10,000	20,000	30,000	50,000
Transfer to TPM		(27,779)	(27,779)	-
Capital expenditures	-	-	-	(23,696)
Closing balance, December 31	<u>70,000</u>	<u>20,000</u>	<u>90,000</u>	<u>87,779</u>

Toronto Artscape Inc.

Notes to the financial statements

December 31, 2015

14. Accounts payable and accrued liabilities

As at December 31, 2015 and 2014, no amounts were outstanding with respect to government remittances.

15. Realty taxes

Realty taxes expense for the year reported in the Statement of operations is net of \$128,342; (2014 - \$Nil) granted by the City of Toronto through the Imagination, Manufacturing, Innovation, Technology (IMIT) Program for property tax abatement at Artscape Youngplace.