

Financial statements of

**Toronto Artscape Inc.**

December 31, 2016

# Toronto Artscape Inc.

December 31, 2016

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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, 2016, 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, 2016 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  
May 3, 2017

# Toronto Artscape Inc.

## Statement of financial position

### as at December 31, 2016

	2016	2015
	\$	\$
<b>Assets</b>		
Current assets		
Cash	16,910	249,978
Receivables	515,459	757,859
Prepaid expenses	142,996	119,825
Due from related parties (Note 3)	504,877	-
	<b>1,180,242</b>	<b>1,127,662</b>
Restricted cash (Note 13)		
Capital reserve fund	103,730	90,000
Capital assets (Note 5(a))		
Capital assets under capital lease (Note 5(b))	32,081,690	36,287,684
Capital work-in-progress (Note 5(c))	558,744	572,047
	<b>6,987,355</b>	<b>4,652,886</b>
	<b>39,627,789</b>	<b>41,512,617</b>
Artscape second mortgages (Note 4)		
	7,594,674	4,571,432
	<b>48,506,435</b>	<b>47,301,711</b>
<b>Liabilities</b>		
Current liabilities		
Lines of credit (Note 8)	1,640,214	1,895,850
Accounts payable and accrued liabilities (Note 14)	829,275	1,587,990
Tenant deposits and rents received in advance	477,110	432,169
Deferred revenue (Note 11)	162,421	104,326
Current portion of long-term debt (Note 9(c))	987,979	393,189
Due to related parties (Note 3)	-	262,618
	<b>4,096,999</b>	<b>4,676,142</b>
Long-term debt (Note 9(a))		
Long-term obligation under capital lease (Note 9(b))	14,809,250	13,040,277
	33,774	384
	<b>14,843,024</b>	<b>13,040,661</b>
Deferred capital contributions (Note 6(c))		
Deferred capital contributions - unexpended (Note 7)	21,582,894	24,398,479
Artscape second mortgages (Note 4)	-	245,000
	<b>7,594,674</b>	<b>4,571,432</b>
	<b>29,177,568</b>	<b>29,214,911</b>
	<b>48,117,591</b>	<b>46,931,714</b>
<b>Net assets</b>		
Internally restricted	-	-
Capital reserves (Note 13)	103,730	90,000
Unrestricted	285,114	279,997
	<b>388,844</b>	<b>369,997</b>
	<b>48,506,435</b>	<b>47,301,711</b>

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, 2016

	2016	2015
		(Note 16)
	\$	\$
<b>Revenue</b>		
City of Toronto - operating grant	415,000	346,690
Provincial grant	140,813	100,000
Program and other grants	1,535,563	362,019
Rental income	3,528,781	3,604,831
Venue income	2,557,424	2,665,509
Creative Placemaking Lab	547,099	563,581
Management fees and project recovery	928,973	908,094
Interest and other	58,215	49,322
Gain on sale of assets	267,345	-
Amortization of deferred capital contributions	508,631	316,401
	<b>10,487,844</b>	<b>8,916,447</b>
<b>Expenses</b>		
Property expenses	2,245,589	2,340,190
Salaries and benefits	1,772,242	1,471,764
Property rent	556,026	524,914
Interest on long-term debt	589,957	465,400
Venue expenses	1,973,437	1,865,385
Creative Placemaking Lab	390,342	481,511
Realty taxes (Note 15)	634,212	531,982
Administration and contract fees	1,123,144	569,966
Contribution to Toronto Artscape Foundation	200,000	-
Amortization	997,778	660,562
	<b>10,482,727</b>	<b>8,911,674</b>
<b>Excess of revenue over expenses for the year</b>	<b>5,117</b>	<b>4,773</b>

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, 2016

			2016	2015
	Capital reserves (Note 13)	Unrestricted	Total	Total
	\$	\$	\$	\$
<b>Balance, beginning of year</b>	<b>90,000</b>	<b>279,997</b>	<b>369,997</b>	363,003
Excess of revenue over expenses for the year	-	5,117	5,117	4,773
Annual capital contribution (Note 13)	30,000	-	30,000	30,000
Transfer to Theatre Passe Muraille ("TPM") (Note 13)	-	-	-	(27,779)
Capital expenditures (Note 13)	(16,270)	-	(16,270)	-
<b>Balances, end of year</b>	<b>103,730</b>	<b>285,114</b>	<b>388,844</b>	369,997

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, 2016

	2016	2015
	\$	\$
<b>Operating activities</b>		
Excess of revenue over expenses for the year	5,117	4,773
Items not involving cash		
Amortization of deferred capital contributions	(508,631)	(316,401)
Amortization of capital assets	997,778	660,562
Gain on sale of capital assets	(267,345)	-
	<b>226,919</b>	<b>348,934</b>
Changes in non-cash operating assets and liabilities		
Receivables	242,400	176,322
Prepaid expenses	(23,171)	(38,242)
Due from related parties	(767,495)	314,418
Restricted cash	(13,730)	(2,221)
Net capital reserves transactions (Note 13)	13,730	2,221
Accounts payable and accrued liabilities	(758,715)	199,942
Tenant deposits and rent received in advance	44,941	2,755
Deferred revenue	58,095	(7,983)
	<b>(977,026)</b>	<b>996,146</b>
<b>Investing activities</b>		
Capital work-in-progress	(2,334,469)	16,685,499
Acquisition of capital assets	(1,784,679)	(19,893,072)
Proceeds on sale of capital assets	71,392	-
	<b>(4,047,756)</b>	<b>(3,207,573)</b>
<b>Financing activities</b>		
(Decrease) increase in line of credit	(255,636)	485,850
Deferred capital contributions	2,650,197	1,380,070
Increase in long-term debt and obligation under capital lease	2,397,153	451,200
	<b>4,791,714</b>	<b>2,317,120</b>
(Decrease) increase in cash during the year	<b>(233,068)</b>	<b>105,693</b>
Cash, beginning of the year	249,978	144,285
<b>Cash, end of year</b>	<b>16,910</b>	<b>249,978</b>

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, 2016

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### 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 management fees and project recovery, are recorded on the accrual basis when the related service is performed.

# Toronto Artscape Inc.

## Notes to the financial statements

December 31, 2016

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### 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 \$1,812,504 (2015 - \$2,046,041) 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 \$40,274 (2015 - \$39,678) to ANPHI and ANPHI charged Artscape rent of \$35,000 (2015 - \$35,000) for space leased on the ground floor of 900 Queen Street West.

# Toronto Artscape Inc.

## Notes to the financial statements

December 31, 2016

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### 3. Related parties (continued)

#### *Toronto Standard Condominium Corporation 2397*

Toronto Standard Condominium Corporation 2397 ("TSCC 2397") is a commercial condominium corporation incorporated on August 11, 2014. TSCC 2397 is controlled by Artscape, as 23 of the 44 units are owned by Artscape and 3 of the 5 positions on the Board of Directors of TSCC 2397 are appointed by Artscape. Artscape holds second mortgages on 7 units (2015 - 8 units) at a value of \$315,514 (2015 - \$372,382).

Artscape provides property management services to TSCC 2397. During the year, Artscape charged \$25,500 in management fees (2015 - \$25,000).

#### *Toronto Standard Condominium Corporation 2118*

Toronto Standard Condominium Corporation 2118 ("TSCC 2118") is a residential condominium corporation incorporated on November 8, 2010. TSCC 2118 is significantly influenced by Artscape, as 22 of the 70 units are owned by Artscape and 2 of the 5 positions on the Board of Directors of TSCC 2118 are appointed by Artscape. Artscape holds second mortgages on 48 units (2015 - 48 units) at a value of \$3,457,375 (2015 - \$3,384,250).

Artscape provides property management services to TSCC 2118. During the year, Artscape charged \$25,000 in management fees (2015 - \$25,000).

#### *Due from (to) related parties*

	2016	2015
	\$	\$
Due from (to) Toronto Artscape Foundation	511,063	(198,470)
Due from (to) Artscape Non-Profit Homes Inc.	1,384	(64,148)
Due to Toronto Standard Condominium Corporation 2397	(7,998)	-
Due from Toronto Standard Condominium Corporation 2118	428	-
	<b>504,877</b>	<b>(262,618)</b>

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 amounts.

### 4. Artscape second mortgages

Artscape holds second mortgages totaling \$7,594,674 (2015 - \$4,571,432) on 71 (2015 - 58) individual condominium units at the Artscape Triangle Lofts, Artscape Youngplace, Artscape Simcoe Lofts, and Artscape Jarvis 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.

# Toronto Artscape Inc.

Notes to the financial statements

December 31, 2016

## 5. Capital assets

### (a) Capital assets

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Leasehold improvements				
Artscape Wychwood Barns	13,408,038	2,195,506	11,212,532	11,479,899
Artscape Distillery Studios	3,036,412	2,163,228	873,184	1,025,777
Parkdale Arts and Cultural Centre	612,270	561,251	51,019	92,034
Artscape Gibraltar Point	782,560	560,220	222,340	277,104
Daniels Spectrum	622,609	12,452	610,157	612,824
Buildings				
Artscape Triangle Lofts	3,217,669	126,356	3,091,313	3,155,666
Artscape Simcoe Lofts	430,580	8,612	421,968	425,122
Artscape Youngplace	14,112,381	282,248	13,830,133	19,118,579
Artscape Sandbox	1,427,020	-	1,427,020	-
Vehicle	40,100	36,760	3,340	4,453
Furniture and equipment	855,784	517,100	338,684	96,226
	<b>38,545,423</b>	<b>6,463,733</b>	<b>32,081,690</b>	<b>36,287,684</b>

### (b) Capital assets under capital lease

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Artscape Wychwood Barns				
HVAC and geothermal system	665,170	106,426	558,744	572,047

# Toronto Artscape Inc.

## Notes to the financial statements

December 31, 2016

### 5. Capital assets (continued)

#### (c) Capital work-in-progress

	2016		
	Balance beginning of year	Additions (transfers) during year	Balance end of year
	\$	\$	\$
Artscape Launchpad	1,872,926	3,993,715	5,866,641
Artscape Sandbox	1,602,852	(1,602,852)	-
Artscape Distillery Studios	101,972	249,348	351,320
Artscape Wychwood Barns	346,246	39,589	385,835
Artscape Jarvis Lofts	173,904	(173,904)	-
Artscape British Columbia	428,780	(428,780)	-
Artscape Weston	126,206	215,130	341,336
Artscape 505 Richmond Street	-	42,223	42,223
	4,652,886	2,334,469	6,987,355

Effective October 31, 2016, Artscape British Columbia was transferred to British Columbia Artscape Society ("BCAS"). As part of the final settlement, an amount of \$21,205 was paid to BCAS.

During the year Artscape Sandbox was completed and transferred to Capital assets (Note 5 (a)), and The Jarvis Lofts were sold.

### 6. Deferred capital contributions

#### (a) Capital work-in-progress

	2016		
	Balance beginning of year	Received (transferred) during year	Balance end of year
	\$	\$	\$
Artscape Launchpad	709,105	3,350,000	4,059,105
Artscape Jarvis Lofts	350,000	(350,000)	-
Artscape Sandbox	395,183	(395,183)	-
Artscape Distillery Studios	336,498	-	336,498
Artscape Wychwood Barns	350,000	-	350,000
Artscape British Columbia	415,000	(415,000)	-
Artscape Weston	110,000	120,000	230,000
	2,665,786	2,309,817	4,975,603

# Toronto Artscape Inc.

## Notes to the financial statements

December 31, 2016

### 6. Deferred capital contributions (continued)

#### (b) Capital assets

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Artscape Wychwood Barns	10,039,565	1,559,760	8,479,805	8,670,538
Artscape Distillery Studios	1,818,373	1,343,820	474,553	565,472
Parkdale Arts and Culture Centre	382,500	364,969	17,531	36,657
Artscape Gibraltar Point	75,358	65,983	9,375	13,483
Artscape Triangle Lofts	2,048,057	81,922	1,966,135	2,048,057
Artscape Daniels Spectrum	502,296	10,046	492,250	502,296
Artscape Simcoe Lofts	221,040	3,213	217,827	160,660
Artscape Sandbox	525,000	-	525,000	-
Artscape Young Place	4,511,926	87,111	4,424,815	9,714,077
Furniture and equipment	124,086	124,086	-	21,454
	<b>20,248,201</b>	<b>3,640,910</b>	<b>16,607,291</b>	<b>21,732,693</b>

#### (c) Deferred capital contributions - total

	2016	2015
	\$	\$
Capital work-in-progress (Note 6 (a))	4,975,603	2,665,786
Capital assets (Note 6 (b))	16,607,291	21,732,693
	<b>21,582,894</b>	<b>24,398,479</b>

### 7. Deferred capital contributions - unexpended

	2016	2015
	\$	\$
Canada Life Section 37 grant	-	245,000

This amount represented 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. During the year, the amount was transferred to deferred capital contribution for Artscape Simcoe Lofts.

# Toronto Artscape Inc.

## Notes to the financial statements

December 31, 2016

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### 8. Credit facilities and short-term debt

#### *Lines of credit*

##### Toronto Dominion Bank

Artscape has an available operating line of credit of \$500,000 (2015 - \$1,100,000). The line of credit is secured by a first charge general security agreement covering all of Artscape's assets. Interest on the line of credit is at prime + 1.75% (2015 - prime + 1.75%). At December 31, 2016, the balance outstanding was \$244,364 (2015 - \$1,100,000).

##### Alterna Savings and Credit Union Limited

Secured line of credit of \$800,000(2015-\$800,000), bearing interest at prime + 1.75% (2015 - prime + 1.75%) per annum. The balance outstanding as at December 31, 2016 was \$795,850 (2015 - \$795,850).

##### Alterna Savings and Credit Union Limited

Secured line of credit of \$1,000,000, bearing interest at prime + 2% per annum. The balance outstanding as at December 31, 2016 was \$600,000 (2015 - \$Nil).

### 9. Long-term debt

#### (a) Long-term debt

	<b>2016</b>	<b>2015</b>
	\$	\$
Artscape Youngplace		
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	<b>8,025,241</b>	8,215,288
Alterna mortgage amount of \$835,000. 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	<b>801,110</b>	821,742
<b>Carried forward</b>	<b>8,826,351</b>	<b>9,037,030</b>

# Toronto Artscape Inc.

## Notes to the financial statements

December 31, 2016

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### 9. Long-term debt (continued)

#### (a) Long-term debt (continued)

	2016	2015
	\$	\$
Balance brought forward	8,826,351	9,037,030
Community Forward Fund		
Mortgage financing 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	1,015,000	1,015,000
Community Forward Fund		
Mortgage financing to assist with the construction advances for the building at Artscape Launchpad. The term of the loan is 31 months. The outstanding loan principal is payable in two installments and accrued interest is to be repaid at the beginning of each month. Interest on the loan is at 6.50% per annum	1,200,000	-
Artscape Wychwood Barns ("AWB")		
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	2,790,658	2,866,351
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	184,991	201,243
Carried forward	14,017,000	13,119,624



# Toronto Artscape Inc.

## Notes to the financial statements

December 31, 2016

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### 9. Long-term debt (continued)

#### (a) Long-term debt (continued)

	2016	2015
	\$	\$
Balance brought forward	<b>14,017,000</b>	13,119,624
Artscape Wychwood Barns ("AWB") (continued)		
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) beginning in February 2010 until August 2029. Interest on the loan is at the Government of Canada bond rate, minus 1.5%	<b>95,802</b>	102,075
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	<b>125,002</b>	145,267
Community Bonds		
In 2016, Artscape issued \$1,550,000 in bonds to fund the development of Artscape Launchpad, at 5% interest per annum, payable semi-annually. Principal is due at maturity on October 15, 2021. The bonds are secured against Artscape's interest in the development and will be converted to a first charge mortgage against the property after closing	<b>1,550,000</b>	-
	<b>15,787,804</b>	13,366,966
Less: current portion (Note 9 (c))	<b>(978,554)</b>	(326,689)
	<b>14,809,250</b>	13,040,277

# Toronto Artscape Inc.

## Notes to the financial statements

December 31, 2016

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### 9. Long-term debt (continued)

#### (b) Obligation under capital lease

	2016	2015
	\$	\$
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
Financing agreement with Bodkin Capital Corporation for \$47,126. The term of the lease is five years, which expires in July 2021, with a monthly payment of \$992. At the end of the lease, Artscape can purchase this equipment for \$10. Interest on the lease was calculated at 9.61%	43,199	-
	<u>43,199</u>	66,884
Less: current portion (Note 9 (c))	<u>(9,425)</u>	<u>(66,500)</u>
	<u>33,774</u>	<u>384</u>

#### (c) Current portion of long-term debt

	2016	2015
	\$	\$
Long-term loans and mortgages (Note 9 (a))	978,554	326,689
Obligation under capital lease (Note 9 (b))	9,425	66,500
	<u>987,979</u>	<u>393,189</u>

### 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, 2016

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### 11. Deferred revenue

	Deferred revenue 2015	Received during year	Recognized as revenue	Deferred revenue 2016
	\$	\$	\$	\$
Artscape Daniels Spectrum	63,683	-	63,683	-
Artscape Launchpad	-	162,421	-	162,421
British Columbia Artscape	35,000	-	35,000	-
Fundraising - Artscape Youngplace	5,643	33,999	39,642	-
	104,326	196,420	138,325	162,421

### 12. Commitments

#### *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 \$17,729; (2015 - \$16,885), and a net capital contribution of \$20,000 (2015 - \$20,000). 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, 2016

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### 12. Commitments (continued)

#### *Rental commitments (continued)*

#### Artscape Distillery Studios (continued)

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

	\$
2017	411,950
2018	431,518
2019	452,015
2020	473,485
2021	495,976
Thereafter	610,237
	<u>2,875,181</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 to the expiry of the lease are:

	\$
2017	129,570
2018	129,570
2019	129,570
	<u>388,710</u>

### 13. Restricted cash

#### *Capital reserves*

Artscape maintains separate capital reserve funds for the leased properties at 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 prior 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.

	<b>AWB</b>		<b>Total</b>	<b>Total</b>
	<b>Barn 4</b>	<b>TPM</b>	<b>2016</b>	<b>2015</b>
	\$	\$	\$	\$
Opening balance, January 1	70,000	20,000	90,000	87,779
Annual contribution	10,000	20,000	30,000	30,000
Transfer to TPM	-	-	-	(27,779)
Capital expenditures	(16,270)	-	(16,270)	-
Closing balance, December 31	<u>63,730</u>	<u>40,000</u>	<u>103,730</u>	90,000

### 14. Accounts payable and accrued liabilities

As at December 31, 2016 and 2015, no amounts were outstanding with respect to government remittances.

# Toronto Artscape Inc.

## Notes to the financial statements

December 31, 2016

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### 15. Realty taxes

Realty taxes expense for the year reported in the Statement of operations is net of \$Nil; (2015 - \$128,342) granted by the City of Toronto through the Imagination, Manufacturing, Innovation, Technology ("IMIT") Program for property tax abatement at Artscape Youngplace.

### 16. Comparative amounts

The following prior year comparative amounts have been reclassified to conform to the current year presentation:

	As amended	As previously stated
	\$	\$
Statement of operations		
Revenue		
Management fees and project recovery	<b>908,094</b>	1,928,094
Expenses		
Property expenses	<b>(2,340,190)</b>	(3,205,190)
Venue expenses	<b>(1,865,385)</b>	(1,965,385)
Creative placemaking lab	<b>(481,511)</b>	(536,511)
	<b>(3,778,992)</b>	(3,778,992)

### 17. Contingency

An assessment of realty taxes related to certain properties is currently being appealed. A resolution of this matter is pending as at the date of these financial statements. Any amounts in excess of that included in these financial statements with respect to this matter will be recognized when settled.