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Financial statements of  
Toronto Artscape Inc.

December 31, 2018

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Independent Auditor's Report .....	1-2
Statement of financial position .....	3
Statement of operations.....	4
Statement of changes in net assets .....	5
Statement of cash flows.....	6
Notes to the financial statements .....	7-19

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## Independent Auditor's Report

To the Directors of  
Toronto Artscape Inc.

### Opinion

We have audited the financial statements of Toronto Artscape Inc. (the "Organization"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2018, 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.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Deloitte LLP*

Chartered Professional Accountants  
Licensed Public Accountants  
April 24, 2019

**Toronto Artscape Inc.**  
**Statement of financial position**  
As at December 31, 2018

	Notes	2018	2017
		\$	\$
<b>Assets</b>			
Current assets			
Cash		37,033	18,513
Receivables		2,786,839	1,668,039
Prepaid expenses		150,535	142,879
Due from related parties	3	309,727	116,251
		<b>3,284,134</b>	1,945,682
Restricted cash			
Capital reserve fund	12	83,730	133,730
Capital assets			
Capital assets under capital lease	5(a)	30,818,315	31,152,784
Capital work-in-progress	5(b)	532,136	545,439
	5(c)	25,640,114	10,652,833
		<b>56,990,565</b>	42,351,056
Artscape second mortgages	4	7,714,049	7,619,674
		<b>68,072,478</b>	52,050,142
<b>Liabilities</b>			
Current liabilities			
Lines of credit	7	1,206,685	1,551,687
Accounts payable and accrued liabilities	13	1,704,214	1,104,866
Tenant deposits and rents received in advance		162,567	309,902
Deferred revenue	10	358,634	189,177
Current portion of long-term debt	8(c)	8,529,748	1,565,453
		<b>11,961,848</b>	4,721,085
Long-term debt			
Long-term obligation under capital lease	8(a)	20,466,516	14,489,192
	8(b)	17,426	27,144
		<b>20,483,942</b>	14,516,336
Deferred capital contributions	6(c)	27,534,844	24,769,093
Artscape second mortgages	4	7,714,049	7,619,674
		<b>35,248,893</b>	32,388,767
		<b>67,694,683</b>	51,626,188
Commitments			
<b>Net assets</b>			
Capital reserves	12	83,730	133,730
Unrestricted		294,065	290,224
		<b>377,795</b>	423,954
		<b>68,072,478</b>	52,050,142

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

Approved by the Board

\_\_\_\_\_, Director

\_\_\_\_\_, Director

**Toronto Artscape Inc.****Statement of operations**

Year ended December 31, 2018

	Notes	2018	2017
		\$	\$
			(Note 15)
<b>Revenue</b>			
City of Toronto – operating grant		415,000	415,000
Program and other grants		1,896,118	1,833,025
Rental income		3,950,617	3,712,686
Venue income		2,425,972	2,459,574
Creative Placemaking Lab		373,033	400,216
Membership and programming income		369,463	111,405
Management fees and project recovery		1,381,179	903,003
Interest and other		364,473	29,520
Gain on sale of assets		398,719	—
Property tax refund		—	291,391
Amortization of deferred capital contributions		551,281	453,802
		<b>12,125,855</b>	<b>10,609,622</b>
<b>Expenses</b>	14		
Property expenses		2,859,497	2,276,483
Salaries and benefits		1,407,436	1,424,076
Property rent		596,309	586,621
Interest on long-term debt		602,349	571,577
Membership and programming expenses		2,002,748	1,426,921
Venue expenses		1,728,819	1,647,451
Creative Placemaking Lab		404,307	352,438
Realty taxes		662,623	807,147
Administration and contract fees		715,112	464,969
Amortization		1,142,814	1,046,829
		<b>12,122,014</b>	<b>10,604,512</b>
<b>Excess of revenue over expenses for the year</b>		<b>3,841</b>	<b>5,110</b>

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

**Toronto Artscape Inc.****Statement of changes in net assets**

Year ended December 31, 2018

	Notes	<b>2018</b>		2017
		<b>Capital reserves (Note 12)</b>	<b>Unrestricted</b>	<b>Total</b>
		\$	\$	\$
Balances, beginning of year		<b>133,730</b>	<b>290,224</b>	388,844
Excess of revenue over expenses for the year		—	<b>3,841</b>	5,110
Annual capital contribution	12	<b>10,000</b>	—	30,000
Capital expenditures	12	<b>(60,000)</b>	—	—
Balances, end of year		<b>83,730</b>	<b>294,065</b>	423,954

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

**Toronto Artscape Inc.****Statement of cash flows**

Year ended December 31, 2018

	Notes	2018	2017
		\$	\$
<b>Operating activities</b>			
Excess of revenue over expenses for the year		<b>3,841</b>	5,110
Items not involving cash			
Amortization of deferred capital contributions		<b>(551,281)</b>	(453,802)
Amortization of capital assets		<b>1,142,814</b>	1,046,829
Gain on sale of capital assets		<b>(398,719)</b>	—
		<b>196,655</b>	598,137
Changes in non-cash operating assets and liabilities			
Receivables		<b>(1,118,800)</b>	(1,152,580)
Prepaid expenses		<b>(7,656)</b>	117
Due from related parties		<b>(193,476)</b>	388,626
Restricted cash		<b>50,000</b>	30,000
Net capital reserves transactions	12	<b>(50,000)</b>	(30,000)
Accounts payable and accrued liabilities		<b>599,348</b>	275,591
Tenant deposits and rent received in advance		<b>(147,335)</b>	(167,208)
Deferred revenue		<b>169,457</b>	26,756
		<b>(501,807)</b>	(30,561)
<b>Investing activities</b>			
Capital work-in-progress		<b>(14,987,281)</b>	(3,665,478)
Net acquisition of capital assets		<b>(795,042)</b>	(104,618)
Proceeds on sale of capital assets		<b>764,378</b>	—
		<b>(15,017,945)</b>	(3,770,096)
<b>Financing activities</b>			
Decrease in line of credit		<b>(345,002)</b>	(88,527)
Net deferred capital contributions		<b>2,951,373</b>	3,640,001
Increase in long-term debt and obligation under capital lease		<b>12,931,901</b>	250,786
		<b>15,538,272</b>	3,802,260
Increase in cash during the year		<b>18,520</b>	1,603
Cash, beginning of the year		<b>18,513</b>	16,910
<b>Cash, end of year</b>		<b>37,033</b>	18,513

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

## **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.

## **2. Summary of significant accounting policies (continued)**

*(d) Revenue recognition (continued)*

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.

*(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) Allocation of expenses*

Direct salary and benefit costs are classified and reported as Property expenses, Venue expenses, or Creative Placemaking Lab expenses based on the employee time attributed to each function. Salary costs that are shared between functions are allocated based on the level of benefit received by each function. Such expenses are reviewed annually and updated on a prospective basis.

*(h) 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 project cost recovery, 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.

### **3. Related parties (continued)**

#### *Toronto Artscape Foundation*

On an ongoing basis, Artscape enters into various agency agreements with the Toronto Artscape Foundation ("the 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 provided Artscape a total of \$431,962 (\$1,147,669 in 2017) for its projects and activities and Artscape charged management fees of \$115,000 (\$25,000 in 2017) to the Foundation. Amounts provided by the Foundation to Artscape in 2016 and previously included \$1,055,000 for the Artscape Launchpad capital project. In accordance with an agreement dated January 1, 2018 (subsequently amended on October 25, 2018), this amount has been determined to be part of the funding of the interest free loan commitment (as described in Note 8).

#### *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 \$42,104 (\$40,878 in 2017) to ANPHI and ANPHI charged Artscape rent of \$35,000 (\$35,000 in 2017) for space leased on the ground floor of 900 Queen Street West.

#### *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 6 units (7 units in 2017) at a value of \$315,514 (\$315,514 in 2017).

Artscape provides property management services to TSCC 2397. During the year, Artscape charged \$32,043 in management fees (\$29,678 in 2017)

#### *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 (48 units in 2017) at a value of \$3,576,750 (\$3,482,375 in 2017).

Artscape provides property management services to TSCC 2118. During the year, Artscape charged \$26,523 in management fees (\$25,750 in 2017).

**3. Related parties (continued)**

*Due from related parties*

	<b>2018</b>	2017
	\$	\$
Due from Toronto Artscape Foundation	<b>288,995</b>	52,975
Due from Artscape Non-Profit Homes Inc.	<b>115,319</b>	57,718
Due from Toronto Standard Condominium Corporation 2397	<b>557</b>	825
Due from Toronto Standard Condominium Corporation 2118	<b>5,387</b>	4,733
Due to Regent Park Arts Non-Profit Development Corporation	<b>(100,531)</b>	—
	<b>309,727</b>	116,251

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 \$7,714,049 (\$7,619,674 in 2017) on 71 (71 in 2017) 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.

**5. Capital assets**

*(a) Capital assets*

	<b>2018</b>		2017	
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net book value</b>	Net book value
	\$	\$	\$	\$
Leasehold improvements				
Artscape Wychwood Barns	<b>13,408,037</b>	<b>2,732,234</b>	<b>10,675,803</b>	10,944,551
Artscape Distillery Studios	<b>3,036,412</b>	<b>2,468,497</b>	<b>567,915</b>	720,549
Parkdale Arts and Cultural Centre	<b>612,270</b>	<b>608,708</b>	<b>3,562</b>	10,772
Artscape Gibraltar Point	<b>782,560</b>	<b>703,048</b>	<b>79,512</b>	150,927
Daniels Spectrum	<b>657,538</b>	<b>38,084</b>	<b>619,454</b>	597,705
Buildings				
Artscape Triangle Lofts	<b>3,242,669</b>	<b>255,595</b>	<b>2,987,074</b>	3,026,959
Artscape Simcoe Lofts	<b>430,580</b>	<b>25,835</b>	<b>404,745</b>	413,357
Artscape Youngplace	<b>13,515,694</b>	<b>799,736</b>	<b>12,715,958</b>	13,547,886
Artscape Sandbox	<b>1,427,020</b>	<b>57,081</b>	<b>1,369,939</b>	1,398,480
Vehicle	<b>40,100</b>	<b>38,986</b>	<b>1,114</b>	2,227
Furniture and equipment	<b>2,256,756</b>	<b>863,517</b>	<b>1,393,239</b>	339,371
	<b>39,409,636</b>	<b>8,591,321</b>	<b>30,818,315</b>	31,152,784

**5. Capital assets (continued)**

(b) *Capital assets under capital lease*

	<b>2018</b>			2017
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net book value</b>	Net book value
	\$	\$	\$	\$
Artscape Wychwood Barns HVAC and geothermal system	<b>665,170</b>	<b>133,034</b>	<b>532,136</b>	545,439

(c) *Capital work-in-progress*

	<b>2018</b>		
	<b>Balances beginning of year</b>	<b>Additions during year</b>	<b>Balances end of year</b>
	\$	\$	\$
Artscape Daniels Launchpad	9,338,034	<b>14,651,203</b>	<b>23,989,237</b>
Artscape Distillery Studios	354,793	—	<b>354,793</b>
Artscape Wychwood Barns	385,835	—	<b>385,835</b>
Artscape Sandbox	3,500	—	<b>3,500</b>
Artscape Bayside Lofts	3,676	<b>51,716</b>	<b>55,392</b>
Artscape Weston Common	484,316	<b>246,719</b>	<b>731,035</b>
Artscape 505 Richmond Street	82,679	<b>37,643</b>	<b>120,322</b>
	<b>10,652,833</b>	<b>14,987,281</b>	<b>25,640,114</b>

**6. Deferred capital contributions**

(a) *Capital work-in-progress*

	<b>2018</b>		
	<b>Balances beginning of year</b>	<b>Received during year</b>	<b>Balances end of year</b>
	\$	\$	\$
Artscape Daniels Launchpad	7,559,105	<b>1,109,498</b>	<b>8,668,603</b>
Artscape Distillery Studios	336,498	—	<b>336,498</b>
Artscape Wychwood Barns	350,000	—	<b>350,000</b>
Artscape Bayside Lofts	—	<b>50,000</b>	<b>50,000</b>
Artscape Weston	370,000	<b>1,175,000</b>	<b>1,545,000</b>
	<b>8,615,603</b>	<b>2,334,498</b>	<b>10,950,101</b>

**6. Deferred capital contributions (continued)**

*(b) Capital assets*

	2018			2017
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Artscape Wychwood Barns	10,039,565	1,941,130	8,098,435	8,289,120
Artscape Distillery Studios	1,818,373	1,525,656	292,717	383,635
Parkdale Arts and Culture Centre	382,500	382,500	—	—
Artscape Daniels Launchpad	1,134,602	113,460	1,021,142	—
Artscape Gibraltar Point	75,358	73,483	1,875	5,625
Artscape Triangle Lofts	2,048,057	163,845	1,884,212	1,925,174
Artscape Daniels Spectrum	540,996	30,138	510,858	482,204
Artscape Simcoe Lofts	221,040	12,055	208,985	213,406
Artscape Sandbox	525,000	15,750	509,250	519,750
Artscape Young Place	4,321,157	263,888	4,057,269	4,334,576
Furniture and equipment	124,086	124,086	—	—
	<b>21,230,734</b>	<b>4,645,991</b>	<b>16,584,743</b>	16,153,490

*(c) Deferred capital contributions – total*

	2018	2017
	\$	\$
Capital work-in-progress (Note 6 (a))	10,950,101	8,615,603
Capital assets (Note 6 (b))	16,584,743	16,153,490
	<b>27,534,844</b>	24,769,093

**7. Credit facilities and short-term debt**

*Lines of credit*

*Toronto Dominion Bank*

Artscape has an available operating line of credit of \$1,000,000 (\$500,000 in 2017). 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 plus 1.75% (prime plus 1.75% in 2017). At December 31, 2018, the balance outstanding was \$407,758 (\$152,381 in 2017).

*Alterna Savings and Credit Union Limited*

Secured line of credit of \$ 800,000 (\$800,000 in 2017), bearing interest at prime plus 1.75% in 2018 (prime plus 1.75% in 2017) per annum. The balance outstanding as at December 31, 2018 was \$798,927 (\$797,974 in 2017).

*Alterna Savings and Credit Union Limited*

Secured line of credit of \$1,000,000 (\$1,000,000 in 2017), bearing interest at prime plus 2% in 2018 per annum (prime plus 2% in 2017). The balance outstanding as at December 31, 2018 was \$Nil (\$601,332 in 2017).

**8. Long-term debt**

(a) Long-term debt

	<b>2018</b>	2017
	\$	\$
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>6,862,253</b>	7,826,384
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>757,341</b>	779,652
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, ending on December 1, 2019. Interest on the loan is at 5% per annum	<b>1,015,000</b>	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 three installments of \$400,000 on or before December 31, 2019, December 31, 2020, and December 31, 2021. Accrued interest is payable at the beginning of each month. Interest on the loan is at 6.50% per annum	<b>1,200,000</b>	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, 2022. 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		
	<b>2,628,092</b>	2,711,195
Carried forward	<b>12,462,686</b>	13,532,231

**8. Long-term debt (continued)**

(a) Long-term debt (continued)

	<b>2018</b>	2017
	\$	\$
Balance brought forward	<b>12,462,686</b>	13,532,231
Artscape Wychwood Barns ("AWB") (continued)		
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's prime rate. Security on the loan is a promissory note provided by Artscape. The loan matures on April 1, 2029	<b>154,989</b>	169,990
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 is \$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>82,851</b>	89,399
Other loans		
TD Bank loan #1 due June 26, 2022 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>82,521</b>	104,193
Community Bonds		
Since 2016, Artscape has issued \$6,000,000 in bonds to fund the development of Artscape Daniels Launchpad, at 5% interest per annum, payable semi-annually. Principal payment of \$1,550,000 is due on October 15, 2021, \$600,000 is due on February 1, 2022, \$1,200,000 is due on March 1, 2023, \$ 2,550,000 is due on November 1, 2023 and \$100,000 is due on November 22, 2023. The bonds are secured against the property.	<b>6,000,000</b>	2,150,000
Carried forward	<b>18,783,047</b>	16,045,813

**8. Long-term debt (continued)**

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

	<b>2018</b>	2017
	\$	\$
Balance brought forward	<b>18,783,047</b>	16,045,813
Vancity Community Investment Bank Mortgage financing to assist with the closing of the Artscape Daniels Launchpad building. The loan is amortized over 25 years with a term of 36 months. The loan bears interest at 4.55% per annum, is secured against the property and requires monthly principal and interest payments of \$22,317	<b>3,992,599</b>	—
Vancity Community Investment Bank Variable rate credit facility to assist with the closing of the Artscape Deniels Launchpad building. Principal and unpaid interest on the loan are due on May 2, 2020, with an option to convert the facility to a fixed rate mortgage. Interest payments on the loan are due monthly and are calculated at prime +1.85%	<b>4,500,000</b>	—
Toronto Artscape Foundation During 2018, the Toronto Artscape Foundation committed to provide up to \$2,205,900 in Program Related-Investments in the form of interest free loans to advance the Foundation's charitable objects. The loans are non-interest bearing and are repayable on demand	<b>1,710,900</b>	—
	<b>28,986,546</b>	16,045,813
Less current portion (Note 8(c))	<b>(8,520,030)</b>	(1,556,621)
	<b>20,466,516</b>	14,489,192

**8. Long-term debt (continued)**

*(b) Obligation under capital lease*

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%

Less: current portion (Note 8 (c))

<b>2018</b>	2017
\$	\$
<b>27,144</b>	35,976
<b>27,144</b>	35,976
<b>(9,718)</b>	(8,832)
<b>17,426</b>	27,144

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

Long-term loans and mortgages (Note 8 (a))  
Obligation under capital lease (Note 8 (b))

<b>2018</b>	2017
\$	\$
<b>8,520,030</b>	1,556,621
<b>9,718</b>	8,832
<b>8,529,748</b>	1,565,453

**9. 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.

**10. Deferred revenue**

			<b>2018</b>	
	Balance beginning of year	<b>Received during year</b>	<b>Recognized as revenue</b>	<b>Deferred revenue</b>
	\$	\$	\$	\$
Artscape Launchpad	83,443	<b>1,380,134</b>	<b>1,317,567</b>	<b>146,010</b>
Artscape Youngplace	105,734	<b>149,885</b>	<b>66,701</b>	<b>188,918</b>
Artscape Western	—	<b>23,706</b>	—	<b>23,706</b>
	<b>189,177</b>	<b>1,553,725</b>	<b>1,384,268</b>	<b>358,634</b>

**11. 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 expired on August 14, 2017, and has been renewed on a month-to-month basis.

*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 \$9,773; (\$18,616 in 2017), and a net capital contribution of \$10,000 (\$20,000 in 2017). The lease with the City expired on January 10, 2018. The lease was continued month to month up until June 30, 2018, Theatre Passe Muraille renewed the lease directly with the City.

*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.

**11. Commitments (continued)**

*Rental commitments (continued)*

*Artscape Distillery Studios (continued)*

Minimum annual rental payments for the Artscape Distillery Studios for the next five years are as follows. There are no commitments after 2023.

	\$
2019	560,535
2020	587,161
2021	615,051
2022	644,266
2023	112,478
	<u>2,519,491</u>

**12. 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.

	<b>AWB Barn 4</b>	<b>TPM</b>	<b>Total 2018</b>	Total 2017
	\$	\$	\$	\$
Opening balance, January 1	<b>73,730</b>	<b>60,000</b>	<b>133,730</b>	103,730
Annual contribution	—	<b>10,000</b>	<b>10,000</b>	30,000
Capital expenditures	—	<b>(60,000)</b>	<b>(60,000)</b>	—
Closing balance, December 31	<b>73,730</b>	<b>10,000</b>	<b>83,730</b>	133,730

**13. Accounts payable and accrued liabilities**

As of December 31, 2018 \$14,465 (\$25,957 in 2017) was outstanding with respect to government remittances.

**14. Allocation of expenses**

Direct salary and benefit expenses of \$737,046 (\$2,395,843 in 2017) have been allocated as follows:

	<b>2018</b>	2017
	\$	\$
Membership and programming expenses	<b>1,433,299</b>	880,387
Property expenses	<b>935,593</b>	698,023
Venue expenses	<b>1,145,478</b>	1,262,937
Creative Placemaking Lab	<b>299,771</b>	325,764
	<b>3,814,141</b>	3,167,111

**15. Comparative amounts**

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

	2017	
	As amended	As previously stated
	\$	\$
Statement of operations		
Revenue		
Provincial grant	—	74,608
Program and other grants	1,833,025	1,837,494
Rental income	3,712,686	3,716,511
Venue income	2,459,574	2,487,133
Membership and programming income	111,405	—
Interest and other	29,520	30,464
	<u>8,146,210</u>	<u>8,146,210</u>
Expenses		
Property expenses	2,276,483	2,364,677
Salaries and benefits	1,424,076	2,309,690
Membership and programming expenses	1,426,921	—
Venue expenses	1,647,451	1,863,826
Creative placemaking lab	352,438	348,068
Administration and contract fees	464,969	706,077
	<u>7,592,338</u>	<u>7,592,338</u>