



Financial Statements

Toronto Artscape Inc.

December 31, 2020

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# Independent Auditor's Report

To the Members of Toronto Artscape Inc.

## Opinion

We have audited the financial statements of Toronto Artscape Inc. ("Artscape"), which comprise the statement of financial position as at December 31, 2020, 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.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of Artscape as at December 31, 2020, and its results of 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 Artscape 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 opinion.

## Emphasis of Matter – Comparative Information

We draw attention to Note 3 to the financial statements, which explains that certain comparative information presented for the year ended December 31, 2019 has been restated. The financial statements for the year ended December 31, 2019, excluding the adjustments that were applied to restate certain comparative information, were audited by another auditor, who expressed an unmodified opinion on those financial statements on May 1, 2020. Our opinion is not modified in respect of this matter.

## Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing Artscape'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 Artscape or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Artscape'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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Artscape'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 Artscape'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 Artscape 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.



Toronto, Canada  
May 26, 2021

Chartered Professional Accountants  
Licensed Public Accountants

# Toronto Artscape Inc.

## Statement of Financial Position

As at December 31

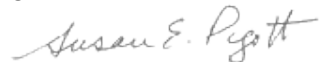
2020

2019

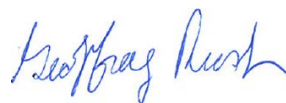
		Restated - (Note 3)
<b>Assets</b>		
Current assets		
Cash	\$ 1,263,780	\$ 1,246,556
Accounts receivable (Note 4)	3,183,579	2,618,775
Mortgage receivable (Note 17)	1,077,831	1,970,000
First and second mortgages (Notes 3 and 5)	874,553	808,830
Prepaid expenses	<u>399,012</u>	<u>297,116</u>
	<u>6,798,755</u>	<u>6,941,277</u>
Restricted cash		
Capital reserve fund (Note 14)	<u>90,950</u>	<u>83,730</u>
Capital assets		
Capital assets (Note 6)	75,472,941	78,446,478
Capital work-in-progress (Note 7)	<u>938,276</u>	<u>740,628</u>
	<u>76,411,217</u>	<u>79,187,106</u>
First and second mortgages (Notes 3 and 5)	<u>11,860,980</u>	<u>11,291,295</u>
	<u>\$ 95,161,902</u>	<u>\$ 97,503,408</u>
<b>Liabilities</b>		
Current liabilities		
Lines of credit (Note 9)	\$ 797,898	\$ 1,478,927
Accounts payable and accrued liabilities (Notes 4 and 15)	2,036,955	2,823,893
Tenant deposits and rents received in advance	330,615	396,525
Deferred revenue (Note 12)	1,998,496	1,545,165
Current portion of obligation under capital lease (Note 11)	6,728	10,698
Current portion of long-term debt (Note 10)	<u>16,279,779</u>	<u>19,956,336</u>
	<u>21,450,471</u>	<u>26,211,544</u>
Long-term obligation under capital lease (Note 11)	-	6,728
Long-term debt (Note 10)	18,060,351	16,066,428
Deferred capital contributions (Note 8)	<u>42,275,480</u>	<u>42,600,963</u>
	<u>60,335,831</u>	<u>58,674,119</u>
	<u>81,786,302</u>	<u>84,885,663</u>
<b>Net assets</b>		
Capital reserve fund - internally restricted	83,730	83,730
Unrestricted	<u>13,291,870</u>	<u>12,534,015</u>
	<u>13,375,600</u>	<u>12,617,745</u>
	<u>\$ 95,161,902</u>	<u>\$ 97,503,408</u>

Commitments (Note 13)

On behalf of the Board



Director



Director

See accompanying notes to the financial statements.

# Toronto Artscape Inc.

## Statement of Operations

For the year ended December 31

	2020	2019
		Restated - (Note 3)
Revenue		
Rental income (Note 19)	\$ 5,068,734	\$ 4,611,100
Program and other grants (Note 20)	4,509,617	1,150,060
Membership and programming income	1,815,320	1,638,862
Amortization of deferred capital contributions	1,472,467	888,964
Management fees and project recovery	1,362,388	1,197,418
Venue income	802,661	2,978,406
Gain on sale of assets	780,307	1,409,972
Interest and other	<u>177,487</u>	<u>173,586</u>
	<b><u>15,988,981</u></b>	<b><u>14,048,368</u></b>
Expenses		
Property expenses	3,026,989	3,306,869
Membership and programming expenses	2,355,961	1,930,007
Amortization of capital assets	2,311,666	1,488,495
Salaries and benefits	2,185,141	1,560,686
Administration and contract fees	2,040,468	1,477,344
Interest on long-term debt	1,488,383	1,028,283
Venue expenses	1,127,896	1,908,736
Realty taxes	642,864	599,875
Property rent	639,793	608,248
COVID-19 related expenses	<u>47,373</u>	<u>-</u>
	<b><u>15,866,534</u></b>	<b><u>13,908,543</u></b>
Excess of revenue over expenses before investment income - first and second mortgages	<b>122,447</b>	139,825
Investment income - first and second mortgages	<u>635,408</u>	<u>691,903</u>
Excess of revenue over expenses	<b><u>\$ 757,855</u></b>	<b><u>\$ 831,728</u></b>

See accompanying notes to the financial statements.

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**Toronto Artscape Inc.**  
**Statement of Changes in Net Assets**

For the year ended December 31	Capital reserve fund (Note 14)	Unrestricted	<b>2020 Total</b>	2019 Total Restated - (Note 3)
Balance, beginning of year as previously reported	\$ 83,730	\$ 433,890	<b>\$ 517,620</b>	\$ 377,795
Restatement (Note 3)	-	<u>12,100,125</u>	<b><u>12,100,125</u></b>	<u>11,408,222</u>
Balance, beginning of year	83,730	12,534,015	<b>12,617,745</b>	11,786,017
Excess of revenue over expenses	-	<u>757,855</u>	<b><u>757,855</u></b>	<u>831,728</u>
Balance, end of year	<b><u>\$ 83,730</u></b>	<b><u>\$ 13,291,870</u></b>	<b><u>\$ 13,375,600</u></b>	<b><u>\$ 12,617,745</u></b>

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See accompanying notes to the financial statements.

# Toronto Artscape Inc.

## Statement of Cash Flows

For the year ended December 31

	2020	2019
		Restated - (Note 3)
<b>Operating activities</b>		
Excess of revenue over expenses	\$ 757,855	\$ 831,728
Items not involving cash		
Deferred revenue recognized as revenue	(1,087,599)	(744,134)
Amortization of deferred capital contributions	(1,472,467)	(888,964)
Gain on sale of capital assets	(780,307)	(1,409,972)
Amortization of capital assets	2,311,666	1,488,495
Investment income - first and second mortgages	<u>(635,408)</u>	<u>(691,903)</u>
	<b>(906,260)</b>	<b>(1,414,750)</b>
Changes in non-cash operating assets and liabilities		
Accounts receivable	(564,804)	477,791
Mortgage receivable	892,169	(1,970,000)
Prepaid expenses	(101,896)	(146,581)
Accounts payable and accrued liabilities	(786,938)	1,119,679
Tenant deposits and rent received in advance	(65,910)	233,958
Deferred revenue received	<u>1,540,930</u>	<u>1,930,665</u>
	<u>7,291</u>	<u>230,762</u>
<b>Investing activities</b>		
Restricted cash	(7,220)	-
Net acquisition of capital assets	212,704	(4,252,287)
Proceeds on sale of capital assets	1,229,474	1,831,809
Capital work-in-progress	<u>(197,648)</u>	<u>(11,563,849)</u>
	<u>1,237,310</u>	<u>(13,984,327)</u>
<b>Financing activities</b>		
Lines of credit	(681,029)	272,242
Obligations under capital lease	(6,728)	(10,698)
Long-term debt	(1,686,604)	7,037,198
Deferred capital contributions	<u>1,146,984</u>	<u>7,664,346</u>
	<u>(1,227,377)</u>	<u>14,963,088</u>
Increase in cash during the year	17,224	1,209,523
Cash, beginning of year	<u>1,246,556</u>	<u>37,033</u>
Cash, end of year	<u>\$ 1,263,780</u>	<u>\$ 1,246,556</u>
<b>Non-cash transactions</b>		
Capital work-in-progress	\$ -	\$(36,463,335)
Net acquisition of capital assets	\$ -	\$ 36,463,335

See accompanying notes to the financial statements.



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# Toronto Artscape Inc.

## Notes to the Financial Statements

For the year December 31, 2020

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### 1. Purpose of organization

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

- To create and manage sustainable and affordable spaces in which artists live and/or work, including galleries, studios and performance spaces;
- To seek, purchase and own property, and to carry out any agreements and conditions required for such activities;
- To enhance communities through arts, culture and creativity; and
- 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

Artscape is registered as a not-for-profit organization under the Income Tax Act (Canada), and as such, is exempt from income tax under section 149 (1) (l).

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### 2. Summary of significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (“ASNPO”).

#### Financial instruments

Artscape’s financial instruments consist of cash, accounts receivable, mortgage receivable, restricted cash, first and second mortgages, lines of credit, accounts payable and long-term debt. Financial instruments acquired, originated, issued or assumed in an arm’s length transaction are initially measured at fair value.

First and second mortgages arise upon the sale of condominium units to qualified artists. The determination of the fair value of the first and second mortgages receivable (Note 5) is estimated using the present value of Artscape’s best estimate of the expected amount and timing of future cash flows using prevailing market rates of interest for a similar instrument (e.g., similar credit rating and term). The difference between the fair value of a first and second mortgage receivable and the consideration is recognized immediately in the statement of operations as reduction of the sales price, in the case of the original sale of the property, and as investment income – first and second mortgages, in the case of a subsequent sale.

All financial instruments are subsequently measured at amortized cost.

Financing fees and transaction costs that are directly attributable to the acquisition, origination, issuance or assumption of financial instruments subsequently measured at amortized cost are included as an adjustment to the fair value of the financial instrument on initial recognition. Financing fees and transaction costs related to financial instruments subsequently measured at fair value are recorded in net income in the period incurred. Artscape has elected to subsequently measure its first and second mortgages at fair value with changes recognized in net income.

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# Toronto Artscape Inc.

## Notes to the Financial Statements

For the year December 31, 2020

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

For financial assets measured at amortized cost, Artscape regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and Artscape determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

For the first and second mortgages, Artscape regularly revisits its estimates related to the amount and timing of the expected cash flows with any changes in its estimates recognized as: (1) an adjustment to the related first and second mortgage and (2) a charge to net income, investment income - first and second mortgages, in the period of the revision of the estimate.

#### Capital assets

Capital assets are stated at cost less accumulated amortization. When a capital asset is purchased substantially below fair value, then cost is deemed to be fair value with any difference recognized as a contribution in the statement of operations. Capital assets are amortized as follows:

Leasehold improvements	straight-line basis over the term of the respective lease
Buildings	straight-line basis between 30 and 50 years
Furniture and equipment	straight-line basis over 5 years
Computers	straight-line basis over 5 years
Vehicle	straight-line basis over 10 years

Capital assets are written down to fair value or replacement cost to reflect full or partial impairments when conditions indicate that the assets no longer contribute to an organization's ability to provide goods and services, or that the value of future economic benefits or service potential associated with the capital assets are less than their net carrying amounts.

#### 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 the projects are completed and the capital asset is put into operation.

#### Revenue recognition

Artscape uses the deferral method of accounting for contributions, which includes programs and other grants. Unrestricted grants and donations are recognized when received or 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. Externally restricted contributions received for capital assets are deferred and amortized over the economic life of the related capital asset.

Forgivable loans are recognized as a contribution if Artscape has the resources and intent to meet the requirements of forgiveness. If conditions arise that require repayment, an obligation would be recognized at that time.

Rental and venue income and revenue from management fees and project recovery are recognized as revenue in the period to which it relates. Amounts received in advance of when the rental or related service occurs are recorded as deferred revenue.

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# Toronto Artscape Inc.

## Notes to the Financial Statements

For the year December 31, 2020

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

#### Revenue recognition (continued)

Membership and programming income is recognized in the period to which it relates.

Gain on sale of assets is recorded in the period in which the sale occurs.

Government assistance and subsidies (Notes 19 and 20) are recognized as revenue in the period to which they relate.

Upon the initial sale of a condominium unit to a qualified artist, Artscape is determined to be a principal in the transaction, with the sale and related costs recorded on a gross basis, while on any subsequent sales, Artscape has been determined to be an agent in the transaction, with the sale and related costs recorded on a net basis.

The difference between the fair value of a first and second mortgage receivable and the consideration is recognized immediately in the statement of operations as reduction of the sales price, when Artscape is determined to be a principal in the transaction and as investment income – first and second mortgages, when Artscape has been determined to be an agent in the transaction. In both cases, the imputed interest related to the transaction is recognized as investment income – first and second mortgages in the statement of operations.

The determination of whether Artscape is acting as a principal or agent involves significant judgement and could change depending on the specific circumstances related to the transaction.

#### Contributed goods and services

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

Contributions in the form of below market leases provided to Artscape (Note 13) are not recognized as an estimate of the fair value as these contributions cannot be reasonably determined.

In addition, 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.

#### Allocation of expenses

Direct salary and benefit costs are classified and reported as property expenses, membership and programming expenses, venue expenses, Creative Placemaking Lab or artsUNITE expenses based on the employee time attributed to each function. Salary costs that are shared between functions are allocated based on the time attributed to each function. Such expenses are reviewed annually and updated on a prospective basis.

#### Related party transactions and balances

Related party transactions in the normal course of operations are measured at the exchange amount, which is the amount of consideration established and agreed to by both related parties.

Controlled not-for-profit organizations are not consolidated in the financial statements, but a summary of their financial information is disclosed in the notes to the financial statements.

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# **Toronto Artscape Inc.**

## **Notes to the Financial Statements**

For the year December 31, 2020

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

#### **COVID-19 related lease concessions**

In November 2020, the Accounting Standards Board amended Section 3065 Leases to provide relief for both lessees and lessors in accounting for rent concessions as a result of the COVID-19 pandemic. Lessees and lessors that meet certain qualifying criteria are able to elect, on a lease-by-lease basis, to apply a practical expedient to account for waivers and deferrals.

Where Artscape has negotiated waivers of rental payments resulting in a decrease in total payments as compared to the original lease, Artscape has elected to use the practical expedient and continues to account for the lease consistent with the terms of the original lease contract during the concession period and only recognizes the reduction in lease payments as a loss in the period to which the lease payments relate.

#### **Use of estimates**

ASNPO requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing these financial statements are reasonable and prudent. Actual results could differ from these estimates. Accounts requiring estimates and assumptions include accounts receivable, capital assets, first and second mortgages and accrued liabilities.

#### **Critical accounting estimates**

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates for first and second mortgages are complex and involved a number of estimates, including the expected future sale date of each condominium unit, a yearly appreciation rate for each year that the unit is expected to be held, an estimate of the fair market value of all units at each fiscal year end using current market data, credit ratings applied to all first and second mortgage holders and discount rates. The expected maturity dates and discount rates applied on the first and second mortgages are outlined in Note 5.

# Toronto Artscape Inc.

## Notes to the Financial Statements

For the year December 31, 2020

### 3. Prior period misstatement

During the year, Artscape identified the following prior period misstatements which have been retrospectively adjusted in the financial statements:

(a) First and second mortgages were recognized and measured at their face value in the statement of financial position. ASNPO requires the initial measurement of financial instruments be at their fair value, with subsequent measurement at amortized cost.

(b) First and second mortgages payable, related to the first and second mortgages in (a), were recognized as a liability and measured at face value. As the first and second mortgages payable were in the form of forgivable loans where Artscape has the resources and intent to meet the requirements of forgiveness, ASNPO requires these amounts be recognized as a contribution. If conditions subsequently arise that require repayment, an obligation would be recognized at that time.

(c) Capital assets that were purchased below fair value were recorded at their purchase price in the statement of financial position. ASNPO requires that when a capital asset is purchased substantially below its fair value, then the capital asset would be recognized at its fair value with the difference between the consideration paid and fair value recognized as a contribution in the statement of operations.

(d) Certain note disclosures required by ASNPO were not included in the prior year financial statements, which have now been included. Refer to Note 22 Artscape Bayside Lofts.

As a result of these errors, the comparative balances have been restated as follows:

	December 31, 2019		
	As previously reported	Adjustments	As restated
<b>Statement of Financial Position</b>			
Capital assets (c)	\$ 63,691,096	\$ 14,755,382	\$ 78,446,478
First and second mortgages (a)	7,814,092	4,286,033	12,100,125
First and second mortgages payable (b)	7,814,092	(7,814,092)	-
Deferred capital contributions (c)	27,845,581	14,755,382	42,600,963
Net assets - Unrestricted (a)(b)	433,890	12,100,125	12,534,015
<b>Year Ended December 31, 2019</b>			
<b>Statement of Operations</b>			
Amortization of deferred capital contributions (c)	\$ 710,999	\$ 177,965	\$ 888,964
Amortization of capital assets (c)	1,310,530	177,965	1,488,495
Investment income - first and second mortgages (a)	-	691,903	691,903
Excess of revenue over expenses (a)(c)	139,825	691,903	831,728
<b>Statement of Changes in Net Assets</b>			
Balance, beginning of year (a)(b)(c)	\$ 377,795	\$ 11,408,222	\$ 11,786,017
Excess of revenue over expenses (a)(c)	139,825	691,903	831,728
Balance, end of year (a)(b)(c)	517,620	12,100,125	12,617,745
<b>Statement of Cash Flows</b>			
Excess of revenue over expenses (a)(c)	\$ 139,825	\$ 691,903	\$ 831,728
Investment income - first and second mortgages (a)	-	(691,903)	(691,903)
Amortization of deferred capital contributions (c)	(710,999)	(177,965)	(888,964)
Amortization (c)	1,310,530	177,965	1,488,495
Net acquisition of capital assets (c)	2,390,323	(6,642,610)	4,252,287
Deferred capital contributions (c)	1,021,736	6,642,610	7,664,346

# Toronto Artscape Inc.

## Notes to the Financial Statements

For the year December 31, 2020

### 4. Related parties

#### *Regent Park Arts Non-Profit Development Corporation ("RPAD")*

RPAD was incorporated on September 7, 2010 to develop and operate the Regent Park Arts and Cultural Centre (renamed Daniels Spectrum). Artscape appoints 2 of the 6 director positions on the Board of RPAD, and therefore is related to RPAD. Commencing August 1, 2012, Artscape leased the Daniel spectrum premises from RPAD for 50 years, less two days, at annual rent of \$1 plus taxes and utilities. Artscape subleases the property to tenants and is responsible for the management and operation of the premises. As at December 31, 2020, accounts receivable includes \$118,377 (2019 - \$59,731) due from RPAD and accounts payable include \$72,735 (2019 - \$Nil) due to RPAD.

#### *Toronto Artscape Foundation (the "Foundation")*

Artscape is a founding member of the Foundation providing it with one vote on matters coming in front of the Foundation's membership, except for amendments to the articles of incorporation and amendments to the by-laws as it relates to membership, for which it has a veto. All candidates for the Board shall also be endorsed by Artscape. Accordingly, Artscape is considered to control the Foundation.

The Foundation has the right to appoint one ex-officio director to the Board of Artscape.

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

The Foundation was established as a registered charity on January 27th, 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, Artscape charged management fees of \$100,000 (2019 - \$25,000) to the Foundation. Artscape also repaid \$500,000 of an interest-free loan provided by the Foundation. As at December 31, 2020, accounts receivable include \$591,172 (2019 - \$178,436) due from the Foundation and accounts payable include \$63,192 (2019 - \$Nil) due to the Foundation.

Summarized financial information for Toronto Artscape Foundation is set out below:

	<u>2020</u>	<u>2019</u>
<b>Statement of Financial Position</b>		
Total assets	<u>\$ 3,552,281</u>	<u>\$ 3,738,974</u>
Total liabilities	<u>\$ 3,298,531</u>	<u>\$ 3,426,673</u>
Total fund balances	<u>253,750</u>	<u>312,301</u>
	<u>\$ 3,552,281</u>	<u>\$ 3,738,974</u>
<b>Statement of Revenue and Expenditure</b>		
Total revenue	<u>\$ 2,866,596</u>	<u>\$ 2,008,177</u>
Total expenses	<u>2,925,147</u>	<u>1,995,812</u>
(Deficiency) excess of revenue over expenses	<u>\$ (58,551)</u>	<u>\$ 12,365</u>
<b>Statement of Cash Flows</b>		
Cash flows from operating	<u>\$ (336,683)</u>	<u>\$ 219,562</u>
Cash flows from investing	<u>250,000</u>	<u>(898,682)</u>
Cash flows from financing	<u>-</u>	<u>14,900</u>
Net decrease in cash	<u>\$ (86,683)</u>	<u>\$ (664,220)</u>

# Toronto Artscape Inc.

## Notes to the Financial Statements

For the year December 31, 2020

### 4. Related parties (continued)

#### *Artscape Non-Profit Homes Inc. ("ANPHI")*

ANPHI was established 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 portable housing and live/work studio needs of low- and middle-income artists of all disciplines. ANPHI has the right to appoint one ex-officio director to the Board of Artscape.

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 \$44,117 (2019 - \$44,370) to ANPHI and ANPHI charged Artscape rent of \$35,000 (2019 - \$35,000) for space leased on the ground floor of 900 Queen Street West. As at December 31, 2020, accounts receivable include \$43,517 (2019 - \$58,436) due from ANPHI.

#### *Toronto Standard Condominium Corporation 2397 ("TSCC 2397")*

TSCC 2397 is a commercial condominium corporation incorporated on August 11, 2014. Artscape appoints 60% of the Board of Directors and through its ownership of units, represents 33.3% of members. Artscape holds first mortgages on 6 units (2019 - 6 units) at a value of \$428,096 (2019 - \$403,306). Accordingly, Artscape is considered to control TSCC 2397.

Artscape provides property management services to TSCC 2397. During the year, Artscape charged \$95,881 in management fees (2019 - \$94,189).

Summarized financial information for Toronto Standard Condominium Corporation 2397 is set out below:

	<u>2020</u>	<u>2019</u>
<b>Statement of Financial Position</b>		
Total assets	<u>\$ 708,794</u>	<u>\$ 599,616</u>
Total liabilities	<u>\$ 49,624</u>	<u>\$ 137,701</u>
Total fund balances	<u>659,170</u>	<u>461,915</u>
	<u>\$ 708,794</u>	<u>\$ 599,616</u>
<b>Statement of Revenue and Expenditure</b>		
Total revenue	<u>\$ 619,604</u>	<u>\$ 541,991</u>
Total expenses	<u>422,349</u>	<u>417,302</u>
Excess of revenue over expenses	<u>\$ 197,255</u>	<u>\$ 124,689</u>
<b>Statement of Cash Flows</b>		
Net increase in cash - operating	<u>\$ 73,918</u>	<u>\$ 135,007</u>

Fund balances include operating fund of \$115,063 (2019 - \$57,373) and capital reserve fund of \$544,107 (2019 - \$404,542).

# Toronto Artscape Inc.

## Notes to the Financial Statements

For the year December 31, 2020

### 4. Related parties (continued)

#### *Toronto Standard Condominium Corporation 2118 ("TSCC 2118")*

TSCC 2118 is a residential condominium corporation incorporated on November 8, 2010. Artscape appoints 40% of the Board of Directors and through its ownership of units, represents 31.4% of members. Artscape holds second mortgages on 48 units (2019 - 48 units) at a value of \$6,818,755 (2019 - \$6,425,437).

Artscape provides property management services to TSCC 2118. During the year, Artscape charged \$31,487 in management fees (2019 - \$30,870). As at December 31, 2020, accounts receivable includes \$3,285 (2019 - \$2,630) due from TSCC 2118.

Amounts due from and to related parties consist of payments for various costs and expenses incurred in the ordinary course of business and are interest free with no set terms of repayment. All transactions were recorded at the exchange amounts.

### 5. Artscape first and second mortgages

Artscape holds first and second mortgages totaling \$12,735,533 (2019 - \$12,100,125) on 71 (2019 - 71) individual condominium units at the Artscape Triangle Lofts, Artscape Young place, Artscape Simcoe Lofts, and Artscape Lofts at PACE 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. The predetermined formula includes the following assumptions: expected future sale date of each condominium unit, a yearly appreciation rate for each year that the unit is expected to be held, and an estimate of the fair market value of all units at each fiscal year end using current market data. Proceeds from Artscape's share of the appreciation will then be added to the value of the first and/or second mortgage which will then be transferred to the new buyer of the unit. The carrying value of the first and second mortgages by building are as follows:

	<u>2020</u>	<u>2019</u>
2nd mortgages (48) - Artscape Triangle Lofts, expected maturities between December 2021 to December 2036 and discount rates ranging from 3.30% - 13.28%	<b>\$ 6,818,755</b>	\$ 6,425,437
2nd mortgages (14) - Artscape Lofts at PACE, expected maturities between June 2021 to June 2034 and discount rates ranging from 3.18% - 6.71%	<b>4,292,770</b>	4,147,339
1st mortgages (6) - Artscape Youngplace, expected maturities between October 2024 to October 2032 and discount rates ranging from 5.18% - 6.81%	<b>428,095</b>	403,306
2nd mortgages (3) - Artscape Simcoe Lofts, expected maturity between July 2023 to July 2029 and discount rates ranging from 5.90% - 6.83%	<u><b>1,195,913</b></u>	<u>1,124,043</u>
	<b>12,735,533</b>	12,100,125
Less current portion	<u><b>(874,553)</b></u>	<u>(808,830)</u>
	<u><b>\$ 11,860,980</b></u>	<u>\$ 11,291,295</u>



# Toronto Artscape Inc.

## Notes to the Financial Statements

For the year December 31, 2020

### 6. Capital assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2020 Net Book Value</u>	<u>2019 Net Book Value</u>
Leasehold improvements				
Artscape Wychwood Barns	\$ 14,083,331	\$ 3,428,041	<b>\$ 10,655,290</b>	\$ 10,936,777
Artscape Distillery Studios	3,036,412	2,773,765	<b>262,647</b>	415,281
Parkdale Arts and Cultural Centre	612,270	612,270	-	-
Artscape Gibraltar Point	803,138	765,992	<b>37,146</b>	17,912
Artscape Daniels Spectrum	658,058	64,444	<b>593,614</b>	606,275
Artscape Weston Common	5,862,333	117,247	<b>5,745,086</b>	5,862,333
Artscape Bayside Lofts	6,358,814	127,753	<b>6,231,061</b>	6,358,814
Artscape Waterworks	164,719	3,294	<b>161,425</b>	164,719
Buildings				
Artscape Triangle Lofts	6,239,950	745,940	<b>5,494,010</b>	5,608,988
Artscape Simcoe Lofts	878,668	87,867	<b>790,801</b>	808,375
Artscape Youngplace	10,206,969	1,023,928	<b>9,183,041</b>	10,147,278
Artscape Sandbox	4,829,698	386,165	<b>4,443,533</b>	4,540,126
Artscape Daniels Launchpad	31,265,273	625,305	<b>30,639,968</b>	31,241,015
Furniture and equipment, computers	3,037,139	1,801,820	<b>1,235,319</b>	1,738,585
Vehicle	40,100	40,100	-	-
	<u>\$ 88,076,872</u>	<u>\$ 12,603,931</u>	<u>\$ 75,472,941</u>	<u>\$ 78,446,478</u>

### 7. Capital work in progress

	<u>Balance beginning of year</u>	<u>Received during the year</u>	<u>Transfer during the year</u>	<u>Balance end of year</u>
Artscape Daniels Launchpad	\$ -	\$ -	\$ -	\$ -
Artscape Distillery Studios	354,793	-	-	<b>354,793</b>
Artscape Wychwood Barns	385,835	150,354	-	<b>536,189</b>
Social Purpose Real Estate	-	47,294	-	<b>47,294</b>
	<u>\$ 740,628</u>	<u>\$ 197,648</u>	<u>\$ -</u>	<u>\$ 938,276</u>

**Toronto Artscape Inc.**  
**Notes to the Financial Statements**  
For the year December 31, 2020

**8. Deferred capital contributions**

(a) *Capital assets*

	Balance beginning of year	Received during the year	Recognized as revenue	Balance end of year
Artscape Daniels Launchpad	\$ 14,727,655	\$ -	\$ (641,327)	<b>\$ 14,086,328</b>
Artscape Wychwood Barns	7,907,750	-	(320,119)	<b>7,587,631</b>
Artscape Weston Common	4,878,206	-	(97,564)	<b>4,780,642</b>
Artscape Youngplace	4,041,555	-	(445,657)	<b>3,595,898</b>
Artscape Triangle Lofts	4,530,049	-	(100,668)	<b>4,429,381</b>
Section 37 Government Funding	-	1,300,079	-	<b>1,300,079</b>
Furniture and equipment	665,858	21,572	(6,448)	<b>680,982</b>
Artscape Sandbox	3,693,977	-	(78,484)	<b>3,615,493</b>
Artscape Daniels Spectrum	500,812	-	(17,786)	<b>483,026</b>
Artscape Simcoe Lofts	616,805	-	(13,382)	<b>603,423</b>
Artscape Bayside Lofts	150,000	-	(3,000)	<b>147,000</b>
Artscape Distillery Studios	201,798	-	(90,919)	<b>110,879</b>
Artscape Gibraltar Point	-	20,400	-	<b>20,400</b>
Parkdale Arts and Cultural Centre	-	-	-	<b>-</b>
	<u>\$ 41,914,465</u>	<u>\$ 1,342,051</u>	<u>\$ (1,815,354)</u>	<u><b>\$ 41,441,162</b></u>

Included in the amount recognized as revenue is \$342,887 (2019 - \$1,248,308) of capital contributions that were recognized on the gain on sale of assets. This portion represents the amount of capital contributions that corresponded to the units sold.

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**Toronto Artscape Inc.**  
**Notes to the Financial Statements**  
For the year December 31, 2020

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

(b) *Capital work in progress*

	Balance Beginning of year	Received during the year	Recognized as revenue	<b>Balance end of year</b>
Artscape Distillery Studios	\$ 336,498	\$ -	\$ -	<b>\$ 336,498</b>
Artscape Wychwood Barns	350,000	147,820	-	<b>497,820</b>
	<u>\$ 686,498</u>	<u>\$ 147,820</u>	<u>\$ -</u>	<u><b>\$ 834,318</b></u>
<i>Deferred capital contributions - total</i>				
			<u><b>2020</b></u>	<u>2019</u>
Capital assets (Note 8 (a))			<b>\$ 41,441,162</b>	\$41,914,465
Capital work in progress (Note 8 (b))			<u><b>834,318</b></u>	<u>686,498</u>
			<u><b>\$ 42,275,480</b></u>	<u>\$42,600,963</u>

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**9. Lines of credit**

*Toronto Dominion Bank*

Artscape has an operating line of credit of \$1,000,000 (2019 - \$1,000,000) bearing interest at prime plus 2% (2019 - prime plus 2%). The line of credit is secured by a first charge general security agreement covering all of Artscape's assets. At December 31, 2020, the balance outstanding was \$Nil (2019 - \$680,000).

*Alterna Savings and Credit Union Limited*

Secured line of credit of \$800,000 (2019 - \$800,000), bearing interest at 4.2% based on prime of 2.45% plus 1.75% (2019 - prime plus 1.75%) per annum. The balance outstanding as at December 31, 2020 was \$797,898 (2019 - \$798,927).

# Toronto Artscape Inc.

## Notes to the Financial Statements

For the year December 31, 2020

### 10. Long-term debt

	<u>2020</u>	<u>2019</u>
Artscape Youngplace		
Alternia construction loans A & B from Alternia Savings and Credit Union was renewed April 24, 2020 for an amount of \$5,414,914. Interest on the mortgage is at 4.25% per annum. This mortgage matures on April 24, 2021, is secured against the property, and requires monthly principal and interest payments of \$29,912.	<b>\$ 5,338,111</b>	\$ 6,653,413
Artscape Triangle Lofts		
Alternia mortgage was renewed April 24, 2020 for an amount of \$730,268. Interest on the mortgage is 3.94% (2019 - 3.94%) per annum. The mortgage matures April 24, 2021, is secured against the property, and requires monthly principal and interest payments of \$4,390.	<b>716,088</b>	734,143
Community Forward Fund		
The two mortgages of \$1,015,000 and \$1,200,000 as of December 31, 2019 were combined into one credit facility on September 25, 2020. Interest on the mortgage is 6% per annum. The loan matures on October 15, 2025, is secured against the building at Artscape Triangle Lofts, and requires monthly principal and interest payments of \$14,613.	<b>2,301,973</b>	2,215,000
Artscape Wychwood Barns ("AWB")		
Manufacturers Life Insurance Company capital loan facility in the amount of \$2,757,980, 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>2,553,552</b>	2,541,181
Artscape Wychwood Barns ("AWB")		
City of Toronto Sustainable Energy Fund loan totally \$700,00 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.	<u>124,987</u>	<u>139,988</u>
Carried forward	<b><u>\$ 11,034,711</u></b>	<b><u>\$ 12,283,725</u></b>

# Toronto Artscape Inc.

## Notes to the Financial Statements

For the year December 31, 2020

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

	<u>2020</u>	<u>2019</u>
Balance brought forward	<b>\$ 11,034,711</b>	\$ 12,283,725
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 Government of Canada bond rate, minus 1.5%.	<b>69,296</b>	76,150
Other loans		
TD Bank loan #1 was amended on March 31, 2020 with a total credit facility amount of \$56,298. Interest on the mortgage is 3.7% per annum. The mortgage matures June 29, 2022, is secured by a limited guarantee from the City of Toronto and is repayable in monthly payments of \$2,650.	<b>46,335</b>	60,034
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 2021, \$600,000 is due on February 2022, \$1,200,000 is due on March 2023 and \$2,650,000 is due on November 2023. The bonds are secured against the property.	<b>6,000,000</b>	6,000,000
Vancity Community Investment Bank		
Mortgage financing to assist with the closing of the Artscape Daniels Launchpad building. This Mortgage was converted to a 17-month fixed rate mortgage in the 1 <sup>st</sup> position secured by units in the Launchpad building. The loan bears interest at 4.58% per annum, matures November 2, 2021 and requires monthly principal and interest payments of \$22,953.	<b>3,881,165</b>	3,904,118
Vancity Community Investment Bank		
The variable rate credit facility to assist with the closing of the Artscape Daniels Launchpad building was converted to a variable rate mortgage in the 2 <sup>nd</sup> position and secured by the Launchpad Lands. Interest payments on the loan are due monthly and are calculated at prime +1.85%. Total principle balance outstanding is due on November 2, 2021.	<b><u>4,500,000</u></b>	<u>4,500,000</u>
Carried forward	<b><u>\$ 25,531,507</u></b>	<u>\$ 26,824,027</u>

# Toronto Artscape Inc.

## Notes to the Financial Statements

For the year December 31, 2020

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

	<u>2020</u>	<u>2019</u>
Balance brought forward	<b>\$ 25,531,507</b>	\$ 26,824,027
Toronto Artscape Foundation		
The Toronto Artscape Foundation committed in 2018 to provide up to \$2,210,900 in Program Related-Investments in the form of interest free loans to advance the Foundation's charitable objects. The loan is non-interest bearing and repayable on demand.	<b>1,710,900</b>	2,210,900
Vancity Community Investment Bank		
\$981,601 (2019 - \$1,000,000) fixed-rate mortgage in the first position secured by the 26 units at Artscape Weston Common. The loan bears interest at 3.77% per annum. The mortgage matures June 30, 2024 and require monthly principle and interest payments of \$5,137.	<b>978,365</b>	987,837
Vancity Community Investment Bank		
The \$6,000,000 variable rate leasehold mortgage in the first position secured by Artscape Bayside Lands/Lofts ("ABL") was converted to a fixed rate non-revolving term loan in the amount of \$6,147,000. The new credit facility loan bears interest at 2.94% per annum. The mortgage matures August 30, 2030, is secured against the property and requires monthly principal and interest payments of \$21,731.	<b><u>6,119,358</u></b>	<u>6,000,000</u>
	<b>34,340,130</b>	36,022,764
Less current portion	<b><u>(16,279,779)</u></b>	<u>(19,956,336)</u>
	<b><u>\$ 18,060,351</u></b>	<u>\$ 16,066,428</u>

Principal repayments in each of the next five years and thereafter are as follows:

2021	\$ 16,279,779
2022	3,255,958
2023	4,033,349
2024	1,060,089
2025	7,920,073
Thereafter	<u>1,790,882</u>
	<b><u>\$ 34,340,130</u></b>

The interest expense related to long-term debt is \$1,425,660 (2019 - \$1,004,348).

# Toronto Artscape Inc.

## Notes to the Financial Statements

For the year December 31, 2020

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

Manufacturers Life Insurance Company, Community Forward Fund, Alterna Savings and Credit Union, and Vancity Community Investment Bank allowed Artscape to defer principal plus/or interest payments during the year, resulting in an additional \$425,329 of interest of which \$280,810 is accrued in accounts payable and \$144,519 is added back to the principal balance outstanding.

A portion of the interest on the community bonds was also deferred in the year. As of December 31, 2020, \$175,000 of interest is deferred and included in accounts payable.

### 11. Obligation under capital lease

	<u>2020</u>	<u>2019</u>
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%	\$ 6,728	\$ 17,426
Less current portion	<u>(6,728)</u>	<u>(10,698)</u>
	<u>\$ -</u>	<u>\$ 6,728</u>

### 12. Deferred revenue

	<u>Balance beginning of year</u>	<u>Received during the year</u>	<u>Recognized as revenue</u>	<u>Balance end of year</u>
Other	\$ -	\$ 983,422	\$ (631,991)	\$ 351,431
Artscape Youngplace	240,640	155,681	(155,681)	240,640
Artscape Daniels Launchpad	36,566	311,252	(154,066)	193,752
Artscape Weston Common	1,247,559	90,575	(125,461)	1,212,673
Artscape Gibraltar Point	<u>20,400</u>	<u>-</u>	<u>(20,400)</u>	<u>-</u>
	<u>\$ 1,545,165</u>	<u>\$ 1,540,930</u>	<u>\$ (1,087,599)</u>	<u>\$ 1,998,496</u>

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# Toronto Artscape Inc.

## Notes to the Financial Statements

For the year December 31, 2020

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### 13. Commitments

#### *Rental commitments*

##### *Parkdale Arts and Cultural Centre*

Parkdale Arts and Cultural Centre is 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 continues on a month-to-month basis.

##### *Artscape Gibraltar Point*

Artscape Gibraltar Point is leased from the City of Toronto under terms which require annual rental payments of \$1 and the requirement that the centre operates on a cost recovery basis. This lease expired on September 30, 2019. The lease is currently in a hold-over status and the City of Toronto will not require Artscape to vacate the premise without sufficient notice.

##### *Artscape Wychwood Barns*

Artscape Wychwood Barns is leased from the City of Toronto under terms which require annual rental payments of \$1. The lease is for a term of 50 years less one day, expiring March 27, 2056.

##### *Artscape Bayside Lofts*

On June 14, 2019, Artscape entered into a 50 year affordable housing agreement with the City of Toronto to manage a total of 80 affordable housing rental units at 30 Merchants Wharf at an annual cost of \$10. The rental of the units is subject to a number of requirements including:

- Units are required to be rented to persons whose household incomes do not exceed set amounts and at monthly rental rates below the market average rates;
- On an aggregate basis, the rental income from these units cannot exceed 80% of the average market rents for that year; and
- Artscape is required to establish a reserve fund at the rate of 2% of the monthly gross income for 40 years.

##### *Artscape Distillery Studios*

Artscape Distillery Studios represents 49,512 square feet of space in building 58, 59 and 74 leased from Cityscape Holdings Inc. This lease expires on August 31, 2022. Annual rent is increased by the greater of 4.75% per annum or the percentage increase in 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.

Minimum annual rental payments for the Artscape Distillery Studios for the next 20 months are as follows. There are no commitments after August 2022.

2021	\$ 624,881
2022	<u>429,546</u>
	<u>\$ 1,054,427</u>



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# Toronto Artscape Inc.

## Notes to the Financial Statements

For the year December 31, 2020

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### 13. Commitments (continued)

#### *Weston Live-Work Units*

A total of 26 live-work units was leased for a term of 50 years from 2295477 Ontario Inc. commencing in 2019, at an annual base rent of \$50,000, a property management fee of \$13,000, and its share of operating costs. The basic rent and the property management fee are increased on January 1<sup>st</sup> each year by the increase permitted by the Ontario Rent Increase Guideline established under the Residential Tenancies Act, 2006.

Minimum annual rental payments for the Weston live-work units for the next five years and thereafter are as follows.

2021	\$	63,000
2022		63,000
2023		63,000
2024		63,000
2025		63,000
Thereafter		<u>2,719,500</u>
	<b>\$</b>	<b><u>3,034,500</u></b>

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### 14. Restricted cash

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

	TPM	AWB Barn 4	ABL	<b>2020 Total</b>	2019 Total
Balance, beginning of year	\$ 10,000	\$ 73,730	\$ -	<b>\$ 83,730</b>	\$ 83,730
Annual contribution	-	-	7,220	<b>7,220</b>	-
Closing expenditures	-	-	-	-	-
Balance, end of year	<b><u>\$ 10,000</u></b>	<b><u>\$ 73,730</u></b>	<b><u>\$ 7,220</u></b>	<b><u>\$ 90,950</u></b>	<b><u>\$ 83,730</u></b>

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### 15. Accounts payable and accrued liabilities

As of December 31, 2020, government remittances of \$144,457 (2019 - \$45,513) were outstanding.

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# Toronto Artscape Inc.

## Notes to the Financial Statements

For the year December 31, 2020

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### 16. Allocation of expenses

Direct salary and benefit expenses of \$3,914,911 (2019 - \$3,942,790) have been allocated as follows:

	<u>2020</u>	<u>2019</u>
Property expenses	\$ 963,772	\$ 1,011,125
Membership and programming expenses	1,101,350	1,073,887
Venue expenses	933,811	1,457,111
Creative Placemaking Lab	520,968	400,667
artsUNITE	<u>395,010</u>	<u>-</u>
	<u>\$ 3,914,911</u>	<u>\$ 3,942,790</u>

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### 17. Mortgage receivable

The mortgage receivable is related to the sale of a property that took place during fiscal 2019. The loan is non-interest bearing until March 31, 2020. Following that date, interest accrues at the rate of 7% per annum compounded annually and was repaid in full subsequent to year-end.

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### 18. Lease concessions

During the year, Artscape negotiated lease concessions with its lessee for the majority of its corporate and retail locations as a result of the impact of COVID-19. This resulted in lower total payments required than those required by the original lease contract. In accordance with the practical expedient in Section 3065, during the concession period, Artscape continues to account for the operating lease consistent with the terms of the original lease contract and only recognizes the waiver as a loss in the period to which the lease payments relate. For the year ended December 31, 2020, Artscape has recognized a waiver of rent of \$780,018, which has been reflected as a reduction of rental income in the statement of operations (2019 - \$Nil).

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### 19. Canada Emergency Commercial Rent Assistance

During 2020, the Federal government introduced the Canada Emergency Commercial Rent Assistance ("CECRA") program to provide rent relief for qualified small and medium-sized businesses experiencing financial difficulties during the COVID-19 pandemic. The program offered forgivable loans to eligible commercial property owners for the period of April to September 2020 for 50% of commercial rents for qualified tenants. The loan to the property owner is forgiven if the property owner agrees to write off 25% of the commercial rents for the qualified tenants, thereby providing the tenant with at least a 75% reduction in their commercial rents for a period of three to six months between April and September 2020.

During the year, Artscape received CECRA of \$517,526 (2019 - \$Nil), which was recognized as rental income in the statement of operations. Artscape is in compliance with the terms of the CECRA program and as such, the corresponding loans have been forgiven.

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# Toronto Artscape Inc.

## Notes to the Financial Statements

For the year December 31, 2020

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### 20. Canada Emergency Wage Subsidy Program

During 2020, the Federal government introduced the Canada Emergency Wage Subsidy Program (“CEWS”) to provide relief to organizations impacted by the COVID-19 pandemic. During the year, Artscape received payroll subsidies under CEWS of \$2,043,451 which was recognized as program and other grants revenue in the statement of operations.

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### 21. Financial Instruments

Artscape is exposed to credit risk, interest rate risk and liquidity risk.

#### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Artscape is exposed to credit risk on its receivables which normally consist of rental amounts due from tenants, first and second mortgage receivables, 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. Artscape does not have significant exposure to any individual party.

#### Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments will fluctuate due to changes in market interest rates. 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 is also exposed to interest rate risk on its non-interest bearing mortgage receivable as changes in interest rates impacts the fair value of the mortgage receivable. Artscape mitigates interest rate risk by monitoring its various revenue and expense stream to offset potential interest rate increases. Risk is further mitigated since Artscape is entitled to share in the appreciation or depreciation in the market value of the value of the underlying condominium asset in accordance to a pre-determined formula.

#### Liquidity risk

Artscape’s liquidity risk represents the risk that Artscape could encounter difficulty in meeting obligations associated with its financial liabilities. Artscape is exposed to liquidity risk with respect to its financial liabilities. Artscape manages its liquidity risk by forecasting cash flows from operations continuously, assessing changes to budget and financial circumstances, and working with its bank on financial arrangements that are sufficient for its financial obligations.

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# Toronto Artscape Inc.

## Notes to the Financial Statements

For the year December 31, 2020

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### 22. COVID-19

The outbreak of COVID-19 was declared a global pandemic by the World Health Organization in March 2020. COVID-19 has severely impacted many economies around the globe. In many countries, including Canada, organizations were forced to cease or limit operations for long periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of Artscape for future periods.

Management continues to apply for all eligible government subsidies and grants and other funding sources to support Artscape and the arts and culture communities that it serves.

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### 23. Contingencies

#### *Statement of claim*

In May 2021, TAI and ANPHI became defendants in a Statement of Claim issued by a former live/work tenant at Artscape Wychwood Barns. This former tenant had previously filed a complaint and claim in 2019 against the organizations, which after a March 2021 mediation hearing remains unresolved. Both claims have been referred to the insurers.

While management believes these claims are without merit, the ultimate outcomes are not determinable at this time. As such, no provision for these contingencies has been made in the financial statements.

#### *Artscape Bayside Lofts*

As part of the lease agreement Artscape entered into with the City of Toronto related to Artscape Bayside Lofts (Note 13), Artscape was assigned and assumed the obligation of the original contribution agreement related to this project. As part of that agreement, Artscape is contingently liable for funding provided by the City to the project's developer of \$19,000,000 which was provided to the project's developer in the form of a forgivable loan which will be relieved at a rate of 5% per annum assuming the conditions outlined in Note 13 are met. As Artscape has the resources and intent to meet the requirements of the contribution agreement, no amount has been accrued in these financial statements related to this contingency. If conditions arise that require repayment, an obligation would be recognized at that time.

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**Toronto Artscape Inc.**  
**Notes to the Financial Statements**  
For the year December 31, 2020

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**23. Contingencies (continued)**

*Home Ownership Assistance Program*

In November 2014, Artscape entered into a delivery agreement with the City of Toronto and received a forgivable loan of \$450,000 from the City in order to provide home purchase assistance loans to eligible artists at 155-163 Dundas Street East (\$350,000) and 210 Simcoe Street (\$100,000). The loans have been provided as second mortgages on the respective properties. Artscape is not liable for repayment of any portion of the loans to the City provided Artscape remains in compliance of the delivery agreement. As Artscape has the resources and intent to meet the requirements of the forgivable loan, the loan has been recorded as contribution at the time of receipt. If conditions arise that require repayment, an obligation would be recognized at that time.

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**24. Comparative financial statements**

The comparative financial statements have been reclassified from those previously presented to conform to the presentation of the 2020 financial statements.