



Financial Statements

Toronto Artscape Inc.

December 31, 2021

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# Independent Auditor's Report

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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, 2021, 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, 2021, 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. 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.

## 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, 2022

Chartered Professional Accountants  
Licensed Public Accountants

# Toronto Artscape Inc.

## Statement of Financial Position

December 31

2021

2020

### Assets

#### Current assets

Cash	\$ 4,647	\$ 1,263,780
Accounts receivable (Note 3)	1,158,106	3,183,579
Mortgage receivable (Note 9)	-	1,077,831
First and second mortgages (Note 5)	798,087	874,553
Prepaid expenses	460,795	399,012
	<u>2,421,635</u>	<u>6,798,755</u>

#### Restricted cash

Capital reserve fund (Note 6)	86,510	90,950
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### Capital assets

Capital assets (Note 7)	72,279,432	75,472,941
Capital work-in-progress (Note 8)	938,276	938,276
	<u>73,217,708</u>	<u>76,411,217</u>

#### First and second mortgages (Note 5)

	<u>17,301,535</u>	<u>11,860,980</u>
	<u>\$ 93,027,388</u>	<u>\$ 95,161,902</u>

### Liabilities

#### Current liabilities

Lines of credit (Note 9)	\$ 760,000	\$ 797,898
Accounts payable and accrued liabilities (Notes 3 and 10)	2,300,777	2,036,955
Tenant deposits and rents received in advance	515,486	330,615
Deferred contribution (Note 11)	1,292,679	1,998,496
Current portion of obligation under capital lease (Note 12)	-	6,728
Current portion of long-term debt (Note 13)	3,158,711	16,279,779
	<u>8,027,653</u>	<u>21,450,471</u>

#### Long-term debt (Note 13)

	29,307,570	18,060,351
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#### Deferred capital contributions (Note 14)

	<u>40,553,258</u>	<u>42,275,480</u>
	<u>69,860,828</u>	<u>60,335,831</u>
	<u>77,888,481</u>	<u>81,786,302</u>

### Net assets

Capital reserve fund - internally restricted	86,510	90,950
Unrestricted	15,052,397	13,284,650
	<u>15,138,907</u>	<u>13,375,600</u>
	<u>\$93,027,388</u>	<u>\$ 95,161,902</u>

Commitments (Note 15)

Contingencies (Note 16)

On behalf of the Board

*Earl Miller*

Earl Miller (Jul 5, 2022 13:26 EDT)

Director

*Jascha Janda*

Jascha Janda (Jul 8, 2022 10:40 EDT)

Director

See accompanying notes to the financial statements.

# Toronto Artscape Inc.

## Statement of Operations

For the year ended December 31

2021

2020

### Revenue

#### Contributed Income

Government grants (Notes 17 and 18)	<b>\$ 5,530,753</b>	\$ 4,853,403
Amortization of deferred capital contributions	<b>1,303,503</b>	1,472,467
Toronto Artscape Foundation grants	<b>1,112,964</b>	2,164,973
Sponsorships	<b>100,000</b>	299,067
Corporate and other grants	<b>98,688</b>	108,289
	<b><u>8,145,908</u></b>	<u>8,898,199</u>

#### Earned Income

Rental income (Note 18)	<b>5,173,653</b>	4,137,924
Venue income	<b>481,710</b>	574,241
Commission and consulting income	<b>428,242</b>	938,004
Membership and programming income	<b>3,890</b>	53,312
	<b><u>6,087,495</u></b>	<u>5,703,481</u>

Gain on sale of capital assets	<b>1,081,369</b>	854,223
Management fees and other income	<b>385,510</b>	427,330
Interest income	<b>29,043</b>	105,747
	<b><u>15,729,325</u></b>	<u>15,988,980</u>

### Expenses

Salaries and benefits	<b>4,902,224</b>	6,101,623
Property expenses	<b>2,912,115</b>	2,372,441
Amortization of capital assets	<b>2,216,148</b>	2,311,666
Administration and contract fees (Note 19)	<b>2,274,127</b>	1,791,027
Interest on long-term debt	<b>1,364,524</b>	1,558,053
Property rent	<b>931,125</b>	746,379
Realty taxes	<b>490,328</b>	642,864
Programming and events expenses	<b>385,260</b>	342,480
	<b><u>15,475,851</u></b>	<u>15,866,533</u>

Excess of revenue over expenses before investment income - first and second mortgages	<b>253,474</b>	122,447
Investment income - first and second mortgages	<b><u>1,509,833</u></b>	<u>635,408</u>
Excess of revenue over expenses	<b><u>\$ 1,763,307</u></b>	<u>\$ 757,855</u>

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	Unrestricted	<b>2021 Total</b>	2020 Total
	(Note 6)			
Balance, beginning of year	\$ 90,950	\$ 13,284,650	<b>\$ 13,375,600</b>	\$ 12,617,745
Excess of revenue over expenses	<u>(4,440)</u>	<u>1,767,747</u>	<u><b>1,763,307</b></u>	<u>757,855</u>
Balance, end of year	<u>\$ 86,510</u>	<u>\$ 15,052,397</u>	<u><b>\$ 15,138,907</b></u>	<u>\$ 13,375,600</u>

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See accompanying notes to the financial statements.

# Toronto Artscape Inc.

## Statement of Cash Flows

For the year ended December 31

2021

2020

### Operating activities

Excess of revenue over expenses	\$ 1,763,307	\$ 757,855
Items not involving cash		
Deferred contribution recognized as revenue (Note 11)	(1,165,197)	(1,087,599)
Amortization of deferred capital contributions (Note 14)	(1,303,503)	(1,472,467)
Gain on sale of capital assets	(1,081,369)	(780,307)
Amortization of capital assets	2,216,148	2,311,666
First and second mortgages acquired	(2,574,742)	-
Investment income - first and second mortgages	(1,509,833)	(635,408)
	<u>(3,655,189)</u>	<u>(906,260)</u>
Changes in non-cash operating assets and liabilities		
Accounts receivable	2,025,473	(564,804)
Mortgage receivable	1,077,831	892,169
Prepaid expenses	(61,783)	(101,896)
Accounts payable and accrued liabilities	263,822	(786,938)
Tenant deposits and rent received in advance	184,871	(65,910)
Deferred contribution received (Note 11)	459,380	1,540,930
	<u>294,405</u>	<u>7,291</u>

### Investing activities

Restricted cash	4,440	(7,220)
Net acquisition of capital assets	(177,644)	(130,183)
First and second mortgages paid	(1,279,515)	-
Proceeds on sale of capital assets	1,778,991	1,229,474
Capital work-in-progress	-	(197,648)
	<u>326,272</u>	<u>894,423</u>

### Financing activities

Lines of credit	(37,898)	(681,029)
Obligation under capital lease	(6,728)	(6,728)
Proceeds from long-term debt	19,600,000	261,540
Repayment of long-term debt	(21,473,849)	(1,948,144)
Deferred capital contributions (Note 14)	38,665	1,489,871
	<u>(1,879,810)</u>	<u>(884,490)</u>

Increase in cash during the year	(1,259,133)	17,224
Cash, beginning of year	<u>1,263,780</u>	<u>1,246,556</u>
Cash, end of year	<u>\$ 4,647</u>	<u>\$ 1,263,780</u>

### Non-cash transactions

Capital assets written off to gain on sale	<u>\$ 457,384</u>	<u>\$ 342,887</u>
Deferred capital contributions written off to gain on sale	<u>\$ (457,384)</u>	<u>\$ (342,887)</u>

See accompanying notes to the financial statements.



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# Toronto Artscape Inc.

## Notes to the Financial Statements

December 31, 2021

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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, first and second mortgages, restricted cash, 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.

Financial assets and financial liabilities in related party transactions are initially measured at cost, with the exception of certain instruments which are initially measured at fair value. Artscape does not have any financial assets or financial liabilities in related party transactions which 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, on the original sale of a property, is recognized in the statement of operations as contribution revenue in situations where Artscape is determined to be the agent in the transaction, and as a reduction in the sale price in situations where Artscape is determined to be the principal in the transaction. On subsequent sales, the difference between the fair value of a first and second mortgage receivable and the consideration is recorded in investment income – first and second mortgages.

All financial instruments are subsequently measured at amortized cost, except for certain related party transactions.

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# Toronto Artscape Inc.

## Notes to the Financial Statements

December 31, 2021

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

#### Financial instruments (continued)

For first and second mortgages, the subsequent determination of amortized cost depends on the annual re-estimation of the expected amount and timing of future cash flows with any change in value as a result of the re-estimation 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 change.

Financial assets and financial liabilities recognized in related party transactions are subsequently measured based on how Artscape initially measured the instrument. Financial instruments initially measured at cost are subsequently measured at cost, less any impairment for financial assets. Financial instruments initially measured at fair value, of which Artscape has none, would be subsequently measured at amortized cost or fair value based on certain conditions.

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.

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.

#### 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 capital assets no longer contribute to Artscape'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.

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# Toronto Artscape Inc.

## Notes to the Financial Statements

December 31, 2021

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

#### 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.

Government assistance and subsidies (Notes 16 and 17) are recognized as revenue in the period to which they relate.

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 contribution.

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.

Where Artscape participates in (1) the initial delivery or sale of an affordable housing unit to an eligible purchaser or (2) its subsequent resale, the transaction will be assessed to determine whether Artscape is acting as a principal or agent depending on the specific facts and circumstances related to each transaction which requires significant judgement. For the initial sale of a condominium unit to a qualified artist where Artscape is determined to be a principal in the transaction, the sale and related costs are recorded on a gross basis. For the initial sale of a condominium unit to a qualified artist where Artscape is determined to be an agent in the transaction, the sale and related costs are recorded on a net basis. For subsequent sales, Artscape is determined to be an agent in the transaction, with the sale and related costs recorded on a net basis.

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

#### 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 15) are not recognized as an estimate of the fair value of 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.

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# Toronto Artscape Inc.

## Notes to the Financial Statements

December 31, 2021

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

#### 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 the 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 (Note 3).

#### 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.

In 2020, Artscape elected to use the practical expedient and continued to account for the lease consistent with the terms of the original lease. No lease concessions occurred in 2021.

#### 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.

When making estimates and assumptions concerning the future, the accounting estimates will 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

December 31, 2021

### 3. 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 an 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, 2021, accounts payable include \$60,022 (2020 - \$72,725) 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 (2020 - \$100,000) to the Foundation. Artscape also repaid \$644,667 of an interest-free loan provided by the Foundation. As at December 31, 2021, accounts receivable includes \$42,713 (2020 – accounts payable of \$63,192).

Summarized financial information for the Foundation is set out below:

	<u>2021</u>	<u>2020</u>
<b>Statement of Financial Position</b>		
Total assets	<u>\$ 3,093,145</u>	<u>\$ 3,552,281</u>
Total liabilities	<u>\$ 2,807,407</u>	<u>\$ 3,298,531</u>
Total fund balances	<u>285,738</u>	<u>253,750</u>
	<u>\$ 3,093,145</u>	<u>\$ 3,552,281</u>
<b>Statement of Revenue and Expenditure</b>		
Total revenue	<u>\$ 1,872,062</u>	<u>\$ 2,866,596</u>
Total expenses	<u>1,840,074</u>	<u>2,925,147</u>
(Deficiency) excess of revenue over expenses	<u>\$ 31,988</u>	<u>\$ (58,551)</u>
<b>Statement of Cash Flows</b>		
Cash flows from operating	<u>\$ (102,771)</u>	<u>\$ (336,683)</u>
Cash flows from investing	<u>644,667</u>	<u>250,000</u>
Cash flows from financing	<u>-</u>	<u>-</u>
Net decrease in cash	<u>\$ 541,896</u>	<u>\$ (86,683)</u>

# Toronto Artscape Inc.

## Notes to the Financial Statements

December 31, 2021

### 3. Related parties (continued)

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

ANPHI, an organization under common management, 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 for all projects developed and or owned or leased by ANPHI. During the year, Artscape charged management fees of \$44,479 (2020 - \$44,117) to ANPHI and ANPHI charged Artscape rent of \$35,000 (2020 - \$35,000) for space leased on the ground floor of 900 Queen Street West. As at December 31, 2021, accounts receivable includes \$28,461 (2020 - \$19,421) 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 (2020 - 6 units) at a value of \$418,693 (2020 - \$428,096). 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 (2020 - \$95,881). As at December 31, 2021, accounts payable includes \$450 (2020 - \$102) due from TSCC 2397.

Summarized financial information for TSCC 2397 is set out below:

	<u>2021</u>	<u>2020</u>
<b>Statement of Financial Position</b>		
Total assets	<u>\$ 839,787</u>	<u>\$ 708,794</u>
Total liabilities	<u>\$ 22,539</u>	<u>\$ 49,624</u>
Total fund balances	<u>817,248</u>	<u>659,170</u>
	<u>\$ 839,787</u>	<u>\$ 708,794</u>
<b>Statement of Revenue and Expenditure</b>		
Total revenue	<u>\$ 537,853</u>	<u>\$ 619,604</u>
Total expenses	<u>379,775</u>	<u>422,349</u>
Excess of revenue over expenses	<u>\$ 158,078</u>	<u>\$ 197,255</u>
<b>Statement of Cash Flows</b>		
Net (decrease) increase in cash - operating	<u>\$ (473,874)</u>	<u>\$ 73,918</u>

Fund balances include an operating fund of \$137,362 (2020 - \$115,063) and a capital reserve fund of \$679,886 (2020 - \$544,107).

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# Toronto Artscape Inc.

## Notes to the Financial Statements

December 31, 2021

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### 3. 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 (2020 - 48 units) at a value of \$7,263,569 (2020 - \$6,818,755).

Artscape provides property management services to TSCC 2118. During the year, Artscape charged \$31,487 in management fees (2020 - \$31,487). As at December 31, 2021, accounts receivable includes \$2,654 (2020 - \$3,290) 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.

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### 4. Mortgage receivable

The mortgage receivable related to the sale of a property that took place during fiscal 2019 was repaid in full on March 31, 2021. The loan was non-interest bearing until March 31, 2020 after which it bore interest at 3% per annum.

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### 5. First and second mortgages

Artscape holds first and second mortgages totaling \$18,099,622 (2020 - \$12,735,533) on 85 (2020 - 71) individual condominium units at the Artscape Triangle Lofts, Artscape Youngplace, Artscape Simcoe Lofts, Artscape Lofts at PACE, and Artscape Waterworks in the form of shared appreciation mortgages. Artscape acquired 14 new second mortgages in December 2021. 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>2021</u>	<u>2020</u>
2nd mortgages (48) - Artscape Triangle Lofts, expected maturities between December 2022 to December 2036 and discount rates ranging from 3.73% - 13.28%	<b>\$ 7,903,260</b>	\$ 6,818,755
2nd mortgages (14) - Artscape Lofts at PACE, expected maturities between June 2023 to June 2034 and discount rates ranging from 2.18% - 6.71%	<b>4,671,807</b>	4,292,770
1st mortgages (6) - Artscape Youngplace, expected maturities between October 2024 to October 2032 and discount rates ranging from 5.18% - 6.81%	<b>418,693</b>	428,095

# Toronto Artscape Inc.

## Notes to the Financial Statements

December 31, 2021

### 5. First and second mortgages (continued)

	<u>2021</u>	<u>2020</u>
1 <sup>st</sup> mortgages (8) and 2 <sup>nd</sup> mortgages (6) Artscape Waterworks, expected maturities between December 2022 to December 2036 and discount rates ranging from 3.49% - 8.08%	<b>3,863,652</b>	-
2 <sup>nd</sup> mortgages (3) - Artscape Simcoe Lofts, expected maturity between July 2023 to July 2029 and discount rates ranging from 5.90% - 6.83%	<u>1,242,210</u>	<u>1,195,913</u>
	<b>18,099,622</b>	12,735,533
Less current portion	<u>(798,087)</u>	<u>(874,553)</u>
	<b><u>\$ 17,301,535</u></b>	<b><u>\$ 11,860,980</u></b>

### 6. Restricted cash – capital reserve fund

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.

	<u>TPM</u>	<u>AWB Barn 4</u>	<u>ABL</u>	<u>2021 Total</u>	<u>2020 Total</u>
Balance, beginning of year	\$ 10,000	\$ 73,730	\$ 7,220	\$ <b>90,950</b>	\$ 83,730
Annual contribution	-	-	21,685	<b>21,685</b>	7,220
Closing expenditures	-	(26,125)	-	<b>(26,125)</b>	-
Balance, end of year	<u>\$ 10,000</u>	<u>\$ 47,605</u>	<u>\$ 28,907</u>	<u>\$ <b>86,510</b></u>	<u>\$ 90,950</u>



# Toronto Artscape Inc.

## Notes to the Financial Statements

December 31, 2021

### 7. Capital assets

			<u>2021</u>	<u>2020</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Leasehold improvements				
Artscape Wychwood Barns	\$ 14,098,096	\$ 3,709,620	<b>\$ 10,388,476</b>	\$ 10,655,290
Artscape Distillery Studios	3,036,412	2,926,398	<b>110,014</b>	262,647
Parkdale Arts and Cultural Centre	612,270	612,270	-	-
Artscape Gibraltar Point	810,073	767,978	<b>42,095</b>	37,146
Artscape Daniels Spectrum	677,501	77,621	<b>599,880</b>	593,614
Artscape Weston Common	5,862,333	234,494	<b>5,627,839</b>	5,745,086
Artscape Bayside Lofts	6,358,814	254,929	<b>6,103,885</b>	6,231,061
Artscape Waterworks	164,719	6,588	<b>158,131</b>	161,425
Buildings				
Artscape Triangle Lofts	6,239,950	870,738	<b>5,369,212</b>	5,494,010
Artscape Simcoe Lofts	878,668	105,441	<b>773,227</b>	790,801
Artscape Youngplace	8,913,919	1,072,934	<b>7,840,985</b>	9,183,041
Artscape Sandbox	4,829,698	482,760	<b>4,346,938</b>	4,443,533
Artscape Daniels Launchpad	31,265,273	1,250,611	<b>30,014,662</b>	30,639,968
Furniture and equipment, computers	3,157,082	2,268,727	<b>888,355</b>	1,235,319
Vehicle	56,660	40,927	<b>15,733</b>	-
	<u>\$ 86,961,468</u>	<u>\$ 14,682,036</u>	<u><b>\$ 72,279,432</b></u>	<u>\$ 75,472,941</u>

### 8. Capital work in progress

	<u>2021</u>	<u>2020</u>
Artscape Distillery Studios	<b>\$ 354,793</b>	\$ 354,793
Artscape Wychwood Barns	<b>536,189</b>	536,189
Social Purpose Real Estate	<b>47,294</b>	47,294
	<u><b>\$ 938,276</b></u>	<u>\$ 938,276</u>

# Toronto Artscape Inc.

## Notes to the Financial Statements

December 31, 2021

### 9. Lines of credit

#### *Toronto Dominion Bank*

Artscape has an operating line of credit of \$1,000,000 (2020 - \$1,000,000) bearing interest at prime plus 0.5% (2020 - 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, 2021, the balance outstanding was \$560,000 (2020 - \$Nil). As of February 1, 2022, the operating line of credit limit was increased to \$3,000,000 for a 11-month period.

#### *First Ontario Credit Union*

During fiscal 2021, Artscape received a secured line of credit of \$500,000, bearing interest at 4.45% based on prime of 2.95% plus 1.5% per annum. The balance outstanding as at December 31, 2021 was \$200,000.

#### *Alterna Savings and Credit Union Limited*

On May 6, 2021, the secured line of credit of \$800,000 was closed. The line of credit bore interest at 4.20% based on prime of 2.45% plus 1.75% per annum

### 10. Accounts payable and accrued liabilities

As of December 31, 2021, government remittances of \$493,257 (2020 - \$144,457) were outstanding.

### 11. Deferred contribution

	Balance beginning of year	Received during the year	Recognized as revenue	Balance end of year
Other	\$ 226,431	\$ 172,915	\$ 399,346	\$ -
Journey	125,000	50,000	-	175,000
Artscape Youngplace	240,640	70,965	311,605	-
Artscape Daniels Launchpad	193,752	-	193,752	-
Artscape Weston Common	<u>1,212,673</u>	<u>165,500</u>	<u>260,494</u>	<u>1,117,679</u>
	<u>\$ 1,998,496</u>	<u>\$ 459,380</u>	<u>\$ 1,165,197</u>	<u>\$ 1,292,679</u>

### 12. Obligation under capital lease

	<u>2021</u>	<u>2020</u>
Financing agreement with Bodkin Capital Corporation for \$47,126. The term of the lease is five years, which expired 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%.	<u>\$ -</u>	<u>\$ 6,728</u>

# Toronto Artscape Inc.

## Notes to the Financial Statements

December 31, 2021

### 13. Long-term debt

	<u>2021</u>	<u>2020</u>
Artscape Youngplace		
Alterna construction loans A & B from Alterna 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.	\$ -	\$ 5,338,111
Artscape Triangle Lofts		
Alterna mortgage was renewed April 24, 2020 for an amount of \$730,268. Interest on the mortgage is 3.94% (2020 - 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. This loan was fully paid on May 6, 2021.	-	716,088
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 in second position against the building at Artscape Triangle Lofts, and requires monthly principal and interest payments of \$14,613.	<b>2,262,157</b>	2,301,973
First Ontario Credit Union mortgage in the amount of \$5,200,000 bearing interest at 3.95%, with monthly principal and interest payments totalling \$27,305. The mortgage matures on May 6, 2026 and is secured in first position against the properties at Artscape Triangle Lofts and Artscape Youngplace.	<b>5,128,593</b>	-
Artscape Wychwood Barns ("AWB")		
Manufacturers Life Insurance Company capital loan facility in the amount of \$2,757,980, bearing interest at 4.49% (2020 - 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. This loan has been fully paid on March 15, 2022 and refinanced with a different lender in 2022.	<b>2,463,227</b>	2,553,552
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.	<b>109,986</b>	124,987
Carried forward	<b><u>9,963,963</u></b>	<u>11,034,711</u>

# Toronto Artscape Inc.

## Notes to the Financial Statements

December 31, 2021

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

	<u>2021</u>	<u>2020</u>
Balance brought forward	<b>9,963,963</b>	11,034,711
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 \$4,286) beginning in February 2010 until August 2029. Interest on the loan is at Government of Canada bond rate, minus 1.5%.	<b>62,280</b>	69,296
Other loans		
TD Bank loan #1 was amended on March 31, 2021 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>15,730</b>	46,335
TD Bank loan # 2 was put in place on November 2, 2021 in the amount of \$14,400,000. Interest on the mortgage is 3.28% per annum. The mortgage matures on November 2, 2026, is secured in first position against the property at 130 Queens Quay East, Suite 423, East Tower, Toronto. Monthly principal and interest payments are \$70,384.	<b>14,368,673</b>	-
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. All bonds were redeemed and cancelled on November 2, 2021.	-	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 \$22,317. This mortgage was fully paid out on November 2, 2021.	-	3,881,165
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 principal balance outstanding is due on November 2, 2021. This mortgage was fully paid out on November 2, 2021.	-	4,500,000
Carried forward	<b><u>24,410,646</u></b>	<u>25,531,507</u>

# Toronto Artscape Inc.

## Notes to the Financial Statements

December 31, 2021

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

	<u>2021</u>	<u>2020</u>
Balance brought forward	24,410,646	25,531,507
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.	1,066,233	1,710,900
Vancity Community Investment Bank		
The \$981,601 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 principal and interest payments of \$5,137.	952,883	978,365
Vancity Community Investment Bank		
The fixed rate non-revolving term loan in the amount of \$6,147,000 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.	<u>6,036,519</u>	<u>6,119,358</u>
	<b>32,466,281</b>	34,340,130
Less current portion	<u>(3,158,711)</u>	<u>(16,279,779)</u>
	<b><u>\$ 29,307,570</u></b>	<b><u>\$ 18,060,351</u></b>

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

2022	\$ 3,158,711
2023	702,870
2024	1,596,515
2025	8,482,895
2026	17,376,275
Thereafter	<u>1,149,015</u>
	<b><u>\$ 32,466,281</u></b>

The interest expense related to long-term debt is \$1,364,524 (2020 - \$1,425,660).

There are certain covenants pertaining to the TD, First Ontario Credit Union, Vancity Community Investment Bank and Community Forward Fund facilities. As at December 31, 2021 all covenants were met except for the Community Forward Fund covenant. Subsequent to year end, Community Forward Fund provided a waiver of this covenant and the covenant will not be revisited until after the next fiscal year end.

# Toronto Artscape Inc.

## Notes to the Financial Statements

December 31, 2021

### 13. 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 2020 year, resulting in an additional \$425,329 of interest of which \$280,810 was accrued in accounts payable with \$144,519 added back to the outstanding principal balance.

In fiscal 2020, \$175,000 of the interest on the community bonds was also deferred and included in accounts payable.

As at December 31, 2021, all deferred interest payments have been fully paid and there was no further interest or principal deferrals in fiscal 2021.

### 14. Deferred capital contributions

(2026) <i>Capital assets</i>	Balance beginning of year	Received during the year	Recognized as revenue	<b>Balance end of year</b>
Artscape Daniels Launchpad	\$ 14,287,806	\$ -	\$ 506,931	\$ 13,780,875
Artscape Wychwood Barns	7,587,631	-	200,798	7,386,833
Artscape Weston Common	4,780,642	-	97,564	4,683,078
Artscape Triangle Lofts	4,429,381	-	100,668	4,328,713
Artscape Sandbox	3,615,493	-	78,484	3,537,009
Artscape Youngplace	3,595,898	-	537,993	3,057,905
Section 37 Government Funding	1,300,079	-	-	1,300,079
Artscape Simcoe Lofts	603,423	-	13,382	590,041
Artscape Daniels Spectrum	483,026	19,442	10,790	491,678
Furniture and equipment	479,504	19,223	118,838	379,889
Artscape Bayside Lofts	147,000	-	2,480	144,520
Artscape Distillery Studios	110,879	-	90,919	19,960
Artscape Gibraltar Point	20,400	-	2,040	18,360
	<u>\$ 41,441,162</u>	<u>\$ 38,665</u>	<u>\$ 1,760,887</u>	<u>\$ 39,718,940</u>

Included in the amount recognized as revenue is \$457,384 (2020 - \$342,887) of capital contributions that were recognized on the gain on sale of capital assets. This portion represents the amount of capital contributions that corresponded to the units sold.

# Toronto Artscape Inc.

## Notes to the Financial Statements

December 31, 2021

### 14. Deferred capital contributions (continued)

#### (b) Capital work in progress

	Balance Beginning of year	Received during the year	Recognized as revenue	Balance end of year
Artscape Distillery Studios	\$ 336,498	\$ -	\$ -	\$ 336,498
Artscape Wychwood Barns	497,820	-	-	497,820
	<u>\$ 834,318</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 834,318</u>
<i>Deferred capital contributions – total</i>			<u>2021</u>	<u>2020</u>
Capital assets (Note 7 (a))			<b>\$ 39,718,940</b>	\$ 41,441,162
Capital work in progress (Note 7 (b))			<u>834,318</u>	<u>834,318</u>
			<b><u>\$ 40,553,258</u></b>	<b><u>\$ 42,275,480</u></b>

### 15. 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 expires on August 14, 2022.

##### 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, 2020. 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, 2020, 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.

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# Toronto Artscape Inc.

## Notes to the Financial Statements

December 31, 2021

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### 15. Commitments (continued)

#### *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 8 months are as follows. There are no commitments after August 2022.

2022	<u>\$ 157,730</u>
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#### *Weston Live-Work Units*

A total of 26 live-work units were leased for a term of 50 years from NPCT DIF DA Residence commencing in 2020, 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.

2022	\$ 63,000
2023	63,000
2024	63,000
2025	63,000
2026	63,000
Thereafter	<u>2,656,500</u>
	<u>\$ 2,971,500</u>

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### 16. Contingencies

#### *Statement of claim*

In May 2021, Artscape 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 2020 against the organizations, which after a March 2021 mediation hearing and recent settlement discussions, both claims remain 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.



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# Toronto Artscape Inc.

## Notes to the Financial Statements

December 31, 2021

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### 16. Contingencies (continued)

#### *Artscape Bayside Lofts*

As part of the lease agreement Artscape entered into with the City of Toronto related to Artscape Bayside Lofts (Note 15), 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 15 are met. The current contingent liability balance is \$17,575,000 (2020 - \$18,525,000). 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.

#### *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.

During 2017, Artscape entered into an affordable housing agreement with the City of Toronto where the City committed to provide Artscape with a forgivable loan of \$1,660,635. The affordable housing agreement was formed so Artscape could provide 15 affordable ownership housing units to eligible artists at 505 Richmond Street. During the fiscal year, 14 of the units were sold and Artscape provided first and/or second mortgages on the respective properties purchased (Note 5).

During 2021, an amount of \$1,279,515 was advanced to Artscape (2020 - \$297,000). The remaining amount of \$84,120 will be received and recorded in fiscal 2022 when the last unit is sold.

Provided Artscape remains in compliance with the agreement, the loan will be forgiven. As Artscape has the resources and intent to meet the requirements of the agreement, the amounts received are recorded as a contribution at the time of receipt. If conditions arise that require repayment, an obligation would be recognized at that time.

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### 17. Canada Emergency Wage Subsidy Program

During 2020 and 2021, the Federal government provided the Canada Emergency Wage Subsidy Program ("CEWS") for organizations impacted by the COVID-19 pandemic. During the year, Artscape received payroll subsidies under CEWS of \$608,881 (2020 - \$2,043,451) which was recognized as government grants revenue in the statement of operations.

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# Toronto Artscape Inc.

## Notes to the Financial Statements

December 31, 2021

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### 18. Government rental subsidies

During the year, Artscape received Canadian Emergency Commercial Rent Assistance (“CECRA”) of \$Nil (2020 - \$517,526), 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.

During the year, the Federal government introduced the Canada Emergency Rent Subsidy (“CERS”) program to provide relief for commercial rent and property expenses for qualified businesses. Artscape received CERS of \$275,851 (2020- \$Nil), which was recognized as government grants income in the statement of operations.

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### 19. 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. In 2021, tenant rent accounts receivables of \$498,356 (2020 - \$82,410) was written off based on Artscape's assessment of the collectability and is included in administration and contract fees expenses.

#### 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 and its first and second mortgages 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

December 31, 2021

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### 20. COVID-19

The outbreak of COVID-19 was declared a global pandemic by the World Health Organization in March 2020. 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.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government responses, still remains unclear. It is difficult 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.

Recovery of the arts, culture and creative sector post-pandemic has been identified as a priority by government and other funders. Artscape actively works to reopen its business lines disrupted by the pandemic and continues to apply for all applicable government grants, subsidies and other funding sources to support the organization and the arts and creative communities that it serves.

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### 21. Comparative financial statements

The comparative financial statements have been reclassified from those previously presented to conform to the presentation of the 2021 financial statements.










# Request for Signature - 2021 AFS - Toronto Artscape Inc

Final Audit Report

2022-07-08

Created:	2022-07-05
By:	Jamille Clarke-Darshanand (jclarked@artscape.ca)
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