

Hamilton Conservation Foundation

Financial Statements

November 30, 2014

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Grant Thornton

Independent auditor's report

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To the Board of Directors of
Hamilton Conservation Foundation

We have audited the accompanying financial statements of the Hamilton Conservation Foundation ("the Foundation"), which comprise the statement of financial position as at November 30, 2014, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Basis for qualified opinion

In common with many not-for-profit organizations, the Foundation derives revenue from donations from the public, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenue over expenses, assets and net assets.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Hamilton Conservation Foundation as at November 30, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Grant Thornton LLP

Burlington, Canada
March 9, 2015

Chartered Accountants
Licensed Public Accountants

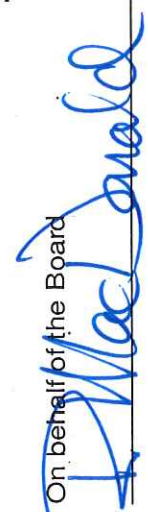
Hamilton Conservation Foundation

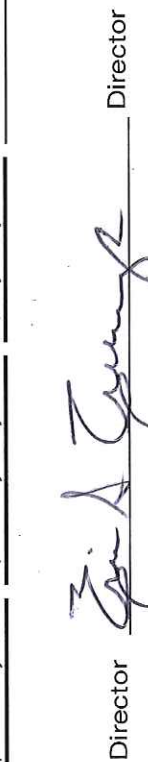
Statement of Financial Position

Year Ended November 30

	Restricted Funds	Endowment Funds	2014	2013
Assets				
Current				
Cash	\$ 723,715	\$ 3,062	\$ 726,777	\$ 1,094,956
Interest and Other Receivables	1,578	20,587	22,165	9,136
Investments (Note 3)	-	854,158	854,158	847,828
Long Term				
Other Assets	-	-	-	1,283
Investments (Note 3)	-	622,689	622,689	476,174
	<u>\$ 725,293</u>	<u>\$ 1,500,496</u>	<u>\$ 2,225,789</u>	<u>\$ 2,429,377</u>
Liabilities				
Current				
Accounts Payable	\$ 9,704	\$ 2,193	\$ 11,897	\$ 2,596
Due to Hamilton Conservation Authority	2,910	25,416	28,326	171,392
	<u>\$ 12,614</u>	<u>\$ 27,609</u>	<u>\$ 40,223</u>	<u>\$ 173,988</u>
Net Assets				
Fund Balances (Note 4)	<u>\$ 712,679</u>	<u>\$ 1,472,887</u>	<u>\$ 2,185,566</u>	<u>\$ 2,255,389</u>
Total Liabilities and Net Assets	<u>\$ 725,293</u>	<u>\$ 1,500,496</u>	<u>\$ 2,225,789</u>	<u>\$ 2,429,377</u>

On behalf of the Board

 Director

 Director

See accompanying notes to the financial statements

Hamilton Conservation Foundation

Statement of Operations

Year Ended November 30

	RESTRICTED FUNDS				ENDOWMENT FUNDS				
	Land Acquisition	Environmental Projects & Conservation Awareness	Heritage Sites Operations & Maintenance & Development	Fund Total	Fund Total	Fund Total	Fund Total	Fund Total	Fund Total
				2014	2013	2014	2013	2014	2013
Revenues									
Donations and fund raising activities	\$ 648,237	\$ 211,479	\$ 27,854	\$ 887,570	\$ 662,202	\$ 59,035	\$ -	\$ 946,605	\$ 662,202
Investment income (Note 5)	-	-	-	-	-	66,925	47,451	66,925	47,451
Interest and other	6,727	3,577	3,577	13,881	12,064	-	-	13,881	12,064
	<u>654,964</u>	<u>215,056</u>	<u>31,431</u>	<u>901,451</u>	<u>674,266</u>	<u>125,960</u>	<u>47,451</u>	<u>1,027,411</u>	<u>721,717</u>
Expenses									
Grants to Hamilton Conservation Authority	825,173	224,218	24,125	1,073,516	508,220	25,416	32,192	1,098,932	540,412
Fund raising and administration	514	513	513	1,540	390	12,661	11,630	14,201	12,020
Investment loss	-	-	-	-	-	-	11,761	-	11,761
	<u>825,687</u>	<u>224,731</u>	<u>24,638</u>	<u>1,075,056</u>	<u>508,610</u>	<u>38,077</u>	<u>55,583</u>	<u>1,113,133</u>	<u>564,193</u>
Excess of (expenses) over revenues / revenues over expenses before unrealized gain on investments	(170,723)	(9,675)	6,793	(173,605)	165,656	87,883	(8,132)	(85,722)	157,524
Unrealized gains on investments	-	-	-	-	-	15,899	42,034	15,899	42,034
Excess of (expenses) over revenues / revenues over expenses	<u>\$ (170,723)</u>	<u>\$ (9,675)</u>	<u>\$ 6,793</u>	<u>\$ (173,605)</u>	<u>\$ 165,656</u>	<u>\$ 103,782</u>	<u>\$ 33,902</u>	<u>\$ (69,823)</u>	<u>\$ 199,558</u>

See accompanying notes to the financial statements

Hamilton Conservation Foundation

Statement of Changes in Net Assets

Year Ended November 30

	RESTRICTED FUNDS				ENDOWMENT FUNDS		
	Land Acquisition Trails & Capital Development	Environmental Projects & Conservation Awareness	Heritage Sites Operations Maintenance & Development	Total 2014	Total 2013	Total 2014	Total 2013
Balance beginning of year (Note 4)	\$ 912,543	\$ 22,602	\$ 18,615	\$ 953,759	\$ 788,103	\$ 1,301,630	\$ 1,267,728
Excess of (expenses) over revenues / revenues over expenses	(170,723)	(9,675)	6,793	(173,605)	165,656	103,782	33,902
Inter fund transfer (Note 8)	(67,475)	-	-	(67,475)	-	67,475	-
Balance, end of year (Note 4)	<u>\$ 674,345</u>	<u>\$ 12,927</u>	<u>\$ 25,408</u>	<u>\$ 712,679</u>	<u>\$ 953,759</u>	<u>\$ 1,472,887</u>	<u>\$ 1,301,630</u>

See accompanying notes to the financial statements

Hamilton Conservation Foundation

Statement of Cash Flows

November 30

	Restricted Funds		Endowment Funds		2014	2013
	2014	2013	2014	2013		
Operating Activities						
Excess of (expenses) over revenues / revenues over expenses	\$ (173,605)	\$ 165,656	\$ 103,782	\$ 33,902	\$ (69,823)	\$ 199,558
Items not affecting cash						
Unrealized gain on investments			(15,899)	(42,034)	(15,899)	(42,034)
Bond amortization			(2,035)	1,975	(2,035)	1,975
Loss on disposal of investments	-	-	-	11,761	-	11,761
	-	-	(17,934)	(28,298)	(17,934)	(28,298)
	<u>(173,605)</u>	<u>165,656</u>	<u>85,848</u>	<u>5,604</u>	<u>(87,757)</u>	<u>171,260</u>
Changes in:						
Interest and other receivables / assets	(540)	1,076	(12,489)	(838)	(13,029)	238
Other assets	1,283	-	-	-	1,283	-
Accounts payable	9,054	-	247	39	9,301	39
Due to Hamilton Conservation Authority	(137,890)	26,895	(5,176)	952	(143,066)	27,847
	<u>(128,093)</u>	<u>27,971</u>	<u>(17,418)</u>	<u>153</u>	<u>(145,511)</u>	<u>28,124</u>
Investment Activities						
Inter fund transfers (Note 8)	(67,475)	-	67,475	-	-	-
Purchases	-	-	(507,335)	(507,930)	(507,335)	(507,930)
Proceeds from dispositions, net	-	-	372,424	500,218	372,424	500,218
	<u>(67,475)</u>	<u>-</u>	<u>(67,436)</u>	<u>(7,712)</u>	<u>(134,911)</u>	<u>(7,712)</u>
Increase / (decrease) in cash	(369,173)	193,627	994	(1,955)	(368,179)	191,672
Cash						
Beginning of year	1,092,888	899,261	2,068	4,023	1,094,956	903,284
End of year	<u>\$ 723,715</u>	<u>\$ 1,092,888</u>	<u>\$ 3,062</u>	<u>\$ 2,068</u>	<u>726,777</u>	<u>1,094,956</u>

See accompanying notes to the financial statements

Hamilton Conservation Foundation

Notes to the Financial Statements

For the year ended November 30, 2014

1. Nature of operations

The Foundation is a community based organization whose purpose is to support land acquisition and other programs of the Hamilton Conservation Authority.

The Foundation was incorporated in 1975 by Ontario Letters Patent as a not-for-profit organization, and is a registered charity under the Income Tax Act (Canada).

2. Summary of significant accounting policies

The financial statements have been prepared by management in accordance with the Canadian accounting standard for not-for-profit organizations. The significant policies are detailed as follows:

Fund accounting

The Foundation follows the restricted fund method of accounting for contributions. Restricted funds report contributed resources that are externally restricted as to their specified use. Endowment funds report resources contributed as an endowment. Investment income earned on resources of endowment funds is reported in the respective endowment fund depending on the nature of any restrictions imposed by contributors of funds for endowment.

Revenue recognition

Restricted contributions are recognized as revenue of the appropriate restricted fund when received.

Contributions for endowment are recognized as revenue of the appropriate endowment fund when received.

Investment income earned on the Doreen & Glenn Kilmer, Westfield Founders' Trust endowment fund is recognized as revenue in its fund to be used for the Heritage Sites Operations, Maintenance and Development.

Investment income earned on the A.G. Stacey land endowment fund is recognized in its fund to be used for Land Acquisition, Trails & Capital Development.

Investment incomes earned on the Dobson-McKee Environmental Education endowment fund and on the Eramosa Karst endowment fund are recognized as revenue in their respective endowment funds to be used in support of environmental education and the Eramosa Karst conservation area, respectively.

Contributed materials and services

A number of Foundation members, members of the community and businesses contribute non-cash resources and services each year to assist the Foundation in the fulfillment of its mandate. Donated materials and services which would otherwise be paid for by the Foundation are recorded at fair value.

Hamilton Conservation Foundation

Notes to the Financial Statements

For the year ended November 30, 2014

2. Summary of significant accounting policies (continued)

The value of these donations-in-kind, as determined through a combination of donor information and objective evidence, amounted to \$19,951 in 2014 (2013 - \$8,959) and have been included in Donations and fundraising activities and Grants to Hamilton Conservation Authority.

Financial instruments

The organization's financial instruments consist of cash, interest and other receivables, investments and accounts payable. It is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values.

The organization has classified its financial instruments as follows:

- Cash is classified as held-for-trading and is valued at fair value.
- Receivables are classified as loans and receivables and are valued at fair value.
- Short term investments are classified as held-for-trading and are valued at fair value.
- Long term investments are classified as held-to-maturity and are valued at amortized cost or cost.
- Accounts payables are classified as other financial liabilities and are valued at amortized cost.

Initial measurement

The organization's financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

Subsequent measurement

At each reporting date, the Foundation measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets). The financial instruments measured at amortized cost are long term investments such as bonds and GICs.

For financial assets measured at cost or amortized cost, the Foundation regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Foundation 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.

Hamilton Conservation Foundation
Notes to the Financial Statements
For the year ended November 30, 2014

3. Investments – Fair Value Disclosure

The Foundation's short term investments, all of which are held within the Endowment Funds, are recorded at fair value as quoted in active markets. The following table presents information about the investments as of November 30, 2014.

	Nov. 30 2014	Nov. 30 2013
Common Shares	\$ 577,846	\$ 623,622
Preferred shares	189,973	171,308
Mutual Funds	25,213	21,516
Foreign Securities	<u>61,126</u>	<u>31,382</u>
	<u>\$ 854,158</u>	<u>\$ 847,828</u>

The Foundation's long term investments, also held within the Endowment Funds and as discussed in Note 2, are recorded at cost or amortized cost.

	Nov. 30 2014	Nov. 30 2013
Provincial	\$ 77,078	\$ 127,490
Federal	213,672	110,724
Corporate	<u>331,939</u>	<u>237,960</u>
	<u>\$ 622,689</u>	<u>\$ 476,174</u>

Bank issued GICs are categorized as federal as they are fully insured by the Canada Deposit Insurance Corporation, a federal crown corporation. The fair value of the long term investments are \$646,361 at November 30, 2014 (2013 - \$496,026).

Summary

	Nov. 30 2014	Nov. 30 2013
Short term investments	\$ 854,158	\$ 847,828
Long term investments	<u>622,689</u>	<u>476,174</u>
Total investments	<u>\$ 1,476,847</u>	<u>\$ 1,324,002</u>

Hamilton Conservation Foundation

Notes to the Financial Statements

For the year ended November 30, 2014

4. Net Assets

Year end fund balances are as follows:

	Nov. 30 2014	Nov. 30 2013
Restricted Funds , with externally imposed restrictions		
Land acquisition, trails and capital development	\$ 674,345	\$ 912,542
Environment projects and conservation awareness	12,927	22,602
Heritage sites operations, maintenance and development	25,408	18,615
	<u>\$ 712,679</u>	<u>\$ 953,759</u>
Endowment Funds		
The Doreen & Glenn Kilmer Westfield Founders' Trust	\$ 20,671	\$ 20,723
The A.G. Stacey Land Endowment	14,301	13,676
The Dobson-McKee Environmental Education Fund	553,342	474,683
The Eramosa Karst Endowment Fund	884,573	792,548
	<u>\$1,472,887</u>	<u>\$1,301,630</u>
Total Fund Balances	<u>\$2,185,566</u>	<u>\$2,255,389</u>

5. Investment income

Investment income includes income earned on resources held for endowment and on gains from sales of donated marketable securities, which are reported as follows:

	Nov. 30 2014	Nov. 30 2013
Doreen and Glenn Kilmer Westfield Founders' Trust	\$ 1,548	\$ 1,552
The A.G. Stacey Land Endowment	353	423
The Dobson McKee Environmental Education Fund	25,027	17,147
Eramosa Karst Endowment Fund	39,997	28,329
	<u>\$ 66,925</u>	<u>\$ 47,451</u>

6. Income tax status

The Foundation was incorporated as a non-profit charity and is therefore exempt from income taxes.

For fiscal 2014, the Foundation met the distribution quota requirements to maintain this status under the Income Tax Act (Canada).

Hamilton Conservation Foundation

Notes to the Financial Statements

For the year ended November 30, 2014

7. Risks associated with financial instruments

The Foundation is exposed to the following additional risks related to its financial assets and liabilities:

Market Risk

Market risk is the potential for loss from changes in the value of financial instruments.

The Foundation is exposed to market risk in the investment portfolio. This risk is managed by the implementation and adherence to the Board approved investment policy which specifies the exposure limits that the investment portfolio may have to equity markets. At November 30, 2014, as detailed in Note 3, equity holdings make up 45% of the total investment portfolio with bonds and interest based preferred shares comprising the balance of 55%.

As at November 30, 2014 if short term values related to all investments carried at market value were to increase or decrease by 10%, the effect on the assets, all else being equal, would be a change in value of approximately \$85,000.

Interest Rate Risk

The interest rate risk is the risk that arises from fluctuations in interest rates and the degree of volatility of these rates. The organization does not use derivative instruments to reduce its exposure to interest rate risk. It is the organization's intention to hold the long term investments to maturity which eliminates exposure to short term swings in interest rates.

Liquidity Risk

Liquidity risk is the risk that the Foundation cannot meet a demand for cash or fund obligations as they come due. Demand for cash can result from funding requirements of related parties. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price. Senior management manages liquidity risk and monitors the cash and funding needs on a daily basis.

8. Inter fund transfer

All initial development work anticipated for the Eramosa Karst Conservation Area has been completed in 2014. As intended, the remaining funds of \$67,475 have been transferred and invested in the Eramosa Karst Endowment fund.

9. Contingent Liabilities and Commitments

There remains \$86,104 to be transferred to Hamilton Conservation Authority to complete the funding for the March, 2013 York Road purchase. This commitment will be discharged upon receipt of donor contributions directed to that land, or general land acquisition.