

Hamilton Conservation Foundation

Financial Statements

November 30, 2015

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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, which comprise the statement of financial position as at November 30, 2015, the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our qualified 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, verification of these revenues was limited to the amounts recorded in the records of the Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to revenues, excess of revenues 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, 2015, 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

Mississauga, Canada
March 16, 2016

Licensed Public Accountants
Chartered Professional Accountants

Hamilton Conservation Foundation

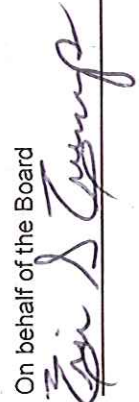
Statement of Financial Position

Year Ended November 30

	Restricted Funds	Endowment Funds	2015	2014
Assets				
Current				
Cash	\$ 945,667	\$ 15,325	\$ 960,992	\$ 726,777
Interest and Other Receivables	-	18,711	18,711	22,165
Investments (Note 3)	-	916,843	916,843	854,158
Long Term				
Investments (Note 3)	-	518,742	518,742	622,689
	<u>\$ 945,667</u>	<u>\$ 1,469,621</u>	<u>\$ 2,415,288</u>	<u>\$ 2,225,789</u>
Liabilities				
Current				
Accounts Payable	\$ 9,262	\$ 2,186	\$ 11,448	\$ 11,897
Due to Hamilton				
Conservation Authority	297,475	-	297,475	28,326
	<u>\$ 306,737</u>	<u>\$ 2,186</u>	<u>\$ 308,923</u>	<u>\$ 40,223</u>
Net Assets				
Fund Balances (Note 4)	\$ 638,930	\$ 1,467,435	\$ 2,106,365	\$ 2,185,566
Total Liabilities and Net Assets	<u>\$ 945,667</u>	<u>\$ 1,469,621</u>	<u>\$ 2,415,288</u>	<u>\$ 2,225,789</u>

Contingent liabilities and commitments (Note 9)

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 Trails & Capital Development	Environmental Projects & Conservation Awareness	Heritage Sites Operations Maintenance & Development	Fund Total	Fund Total	Fund Total	Fund Total	Fund Total	Fund Total
	2015	2015	2015	2014	2015	2015	2014	2015	2014
Revenues									
Donations and fund raising activities	\$ 613,458	\$ 55,771	\$ 185,384	\$ 887,570	\$ 33,152	\$ 59,035	\$ 887,765	\$ 946,605	
Investment income (Note 5)	-	-	-	-	54,489	66,925	54,489	66,925	
Interest and other	3,926	2,629	9,184	13,881	-	-	9,184	13,881	
	<u>617,384</u>	<u>58,400</u>	<u>188,013</u>	<u>901,451</u>	<u>87,641</u>	<u>125,960</u>	<u>951,438</u>	<u>1,027,411</u>	
Expenses									
Grants to Hamilton Conservation Authority	681,213	66,261	189,870	1,073,516	1,600	25,416	938,944	1,098,932	
Fund raising and administration	68	67	67	1,540	13,454	12,661	13,656	14,201	
	<u>681,281</u>	<u>66,328</u>	<u>189,937</u>	<u>1,075,056</u>	<u>15,054</u>	<u>38,077</u>	<u>952,600</u>	<u>1,113,133</u>	
Excess of (expenses) over revenues / revenues over expenses before unrealized gain on investments	(63,897)	(7,928)	(1,924)	(173,605)	72,587	87,863	(1,162)	(85,722)	
Unrealized (losses)/gains on investments	-	-	-	-	(78,039)	15,899	(78,039)	15,899	
Excess of (expenses) over revenues / revenues over expenses	<u>\$ (63,897)</u>	<u>\$ (7,928)</u>	<u>\$ (1,924)</u>	<u>\$ (173,605)</u>	<u>\$ (5,452)</u>	<u>\$ 103,762</u>	<u>\$ (79,201)</u>	<u>\$ (69,823)</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	Total	Total
				2015	2014	2014
Balance beginning of year (Note 4)	\$ 674,344	\$ 12,927	\$ 25,408	\$ 712,679	\$ 953,759	\$ 1,301,630
Excess of (expenses) over revenues / revenues over expenses	(63,897)	(7,928)	(1,924)	(73,749)	(173,605)	103,782
Inter fund transfer (Note 8)	-	-	-	-	(67,475)	67,475
Balance, end of year (Note 4)	<u>\$ 610,447</u>	<u>\$ 4,999</u>	<u>\$ 23,484</u>	<u>\$ 638,930</u>	<u>\$ 712,679</u>	<u>\$ 1,472,887</u>

See accompanying notes to the financial statements

Hamilton Conservation Foundation

Statement of Cash Flows

November 30

	Restricted Funds		Endowment Funds		2015	2014
	2015	2014	2015	2014		
Operating Activities						
Excess of (expenses) over revenues / revenues over expenses	\$ (73,749)	\$ (173,605)	\$ (5,452)	\$ 103,782	\$ (79,201)	\$ (69,823)
Items not affecting cash						
Unrealized loss/(gain) on investments			78,039	(15,899)	78,039	(15,899)
Bond amortization			(861)	(2,035)	(861)	(2,035)
	-	-	77,178	(17,934)	77,178	(17,934)
	<u>(73,749)</u>	<u>(173,605)</u>	<u>71,726</u>	<u>85,848</u>	<u>(2,023)</u>	<u>(87,757)</u>
Changes in:						
Interest and other receivables / assets	1,578	(540)	1,876	(12,489)	3,454	(13,029)
Other assets	-	1,283	-	-	-	1,283
Accounts payable	(442)	9,054	(7)	247	(449)	9,301
Due to Hamilton Conservation Authority	294,565	(137,890)	(25,416)	(5,176)	269,149	(143,066)
	<u>295,701</u>	<u>(128,093)</u>	<u>(23,547)</u>	<u>(17,418)</u>	<u>272,154</u>	<u>(145,511)</u>
Investment Activities						
Inter fund transfers (Note 8)	-	(67,475)	-	67,475	-	-
Purchases	-	-	(338,530)	(507,335)	(338,530)	(507,335)
Proceeds from dispositions, net	-	-	302,613	372,424	302,613	372,424
	<u>-</u>	<u>(67,475)</u>	<u>(35,917)</u>	<u>(67,436)</u>	<u>(35,917)</u>	<u>(134,911)</u>
Increase / (decrease) in cash	221,952	(369,173)	12,262	994	234,214	(368,179)
Cash						
Beginning of year	723,715	1,092,888	3,062	2,068	726,777	1,094,956
End of year	<u>\$ 945,667</u>	<u>\$ 723,715</u>	<u>\$ 15,325</u>	<u>\$ 3,062</u>	<u>960,992</u>	<u>726,777</u>

See accompanying notes to the financial statements

Hamilton Conservation Foundation

Notes to the Financial Statements

For the year ended November 30, 2015

1. Nature of operations

The Hamilton Conservation Foundation (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, 2015

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 \$18,421 in 2015 (2014 - \$19,951) and have been included in Donations and fundraising activities and Grants to Hamilton Conservation Authority.

Financial instruments

The Foundation's financial instruments consist of cash, interest and other receivables, investments and accounts payable. It is management's opinion that the Foundation 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 Foundation 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, 2015

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, 2015.

	Nov. 30 2015	Nov. 30 2014
Common Shares	\$ 636,123	\$ 577,846
Preferred shares	142,826	189,973
Mutual Funds	29,958	25,213
Foreign Securities	107,936	61,126
	<u>\$ 916,843</u>	<u>\$ 854,158</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 2015	Nov. 30 2014
Provincial	\$ 76,731	\$ 77,078
Federal	168,616	213,672
Corporate	273,395	331,939
	<u>\$ 518,742</u>	<u>\$ 622,689</u>

Bank issued GICs are categorized as federal as they are fully insured by the Canada Deposit Insurance Corporation, a federal crown corporation. The market value of the long term investments are \$540,863 at November 30, 2015 (2014 - \$646,361).

Summary

	Nov. 30 2015	Nov. 30 2014
Short term investments	\$ 916,843	\$ 854,158
Long term investments	518,742	622,689
Total investments	<u>\$ 1,435,585</u>	<u>\$ 1,476,847</u>

Hamilton Conservation Foundation

Notes to the Financial Statements

For the year ended November 30, 2015

4. Net Assets

Year end fund balances are as follows:

	Nov. 30 2015	Nov. 30 2014
Restricted Funds, with externally imposed restrictions		
Land acquisition, trails and capital development	\$ 610,447	\$ 674,344
Environment projects and conservation awareness	4,999	12,927
Heritage sites operations, maintenance and development	23,484	25,408
	<u>\$ 638,930</u>	<u>\$ 712,679</u>
 Endowment Funds		
The Doreen & Glenn Kilmer Westfield Founders' Trust	\$ 20,615	\$ 20,671
The A.G. Stacey Land Endowment	14,230	14,301
The Dobson-McKee Environmental Education Fund	568,866	553,342
The Eramosa Karst Endowment Fund	863,724	884,573
	<u>\$1,467,435</u>	<u>\$1,472,887</u>
 Total Fund Balances	<u>\$2,106,365</u>	<u>\$2,185,566</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:

	2015	2014
Doreen and Glenn Kilmer Westfield Founders' Trust	\$ 1,544	\$ 1,548
The A.G. Stacey Land Endowment	447	353
The Dobson McKee Environmental Education Fund	20,995	25,027
Eramosa Karst Endowment Fund	31,503	39,997
	<u>\$ 54,489</u>	<u>\$66,925</u>

6. Income tax status

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

For fiscal 2015, 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, 2015

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, 2015, as detailed in Note 3, equity holdings make up 37% of the total investment portfolio with bonds, bond index funds and interest based preferred shares comprising the balance of 63%.

As at November 30, 2015 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 \$92,000.

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 was completed in 2014. As intended, the remaining funds of \$67,475 were transferred and invested in the Eramosa Karst Endowment fund.

9. Contingent Liabilities and Commitments

There remains \$36,104 (2014 - \$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.

