

Hamilton Conservation Foundation

Financial Statements

November 30, 2011

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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, 2011, 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 generally accepted accounting principles, 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 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, 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, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Burlington, Canada
February 13, 2012

Chartered accountants
Licensed Public Accountants

Hamilton Conservation Foundation

Statement of Financial Position

November 30	Restricted Funds	Endowment Funds	2011	2010
Assets				
Current				
Cash	\$ 619,165	\$ 6,671	\$ 625,836	\$ 903,561
Interest and other receivables	23,463	8,004	31,467	5,736
Long Term				
Other assets	1,283	-	1,283	1,583
Investments (Note 3)	-	1,212,653	1,212,653	1,102,662
	<u>\$ 643,911</u>	<u>\$ 1,227,328</u>	<u>\$ 1,871,239</u>	<u>\$ 2,013,542</u>
Liabilities				
Current				
Accounts payable	\$ 500	\$ 1,847	\$ 2,347	1,020
Due to Hamilton Conservation Authority	42,372	800	43,172	150,496
	<u>\$ 42,872</u>	<u>\$ 2,647</u>	<u>\$ 45,519</u>	<u>\$ 151,516</u>
Net Assets				
Fund balances (Note 4)	<u>\$ 601,039</u>	<u>\$ 1,224,681</u>	<u>\$ 1,825,720</u>	<u>\$ 1,862,026</u>
Total Liabilities and Net Assets	<u>\$ 643,911</u>	<u>\$ 1,227,328</u>	<u>\$ 1,871,239</u>	<u>\$ 2,013,542</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 Trails & Capital Development	Environmental Projects & Conservation Awareness	Heritage Sites Operations Maintenance & Development	Total	Total	Total	Total
				2011	2010	2011	2010
Revenues							
Donations and fund raising activities	\$ 493,666	\$ 96,064	\$ 43,022	\$ 632,752	\$ 357,777	\$ 125,100	\$ 1,335
Investment income (Note 5)	-	-	-	-	-	39,371	13,521
Interest and other	5,620	1,882	1,882	9,384	5,634	-	-
	<u>499,286</u>	<u>97,946</u>	<u>44,904</u>	<u>642,136</u>	<u>363,411</u>	<u>164,471</u>	<u>14,856</u>
Expenses							
Grants to Hamilton Conservation Authority	654,900	94,564	43,022	792,486	325,191	1,600	9,631
Fund raising and administration	191	-	-	191	128	10,872	-
Investment loss	-	-	-	-	-	12,615	-
	<u>655,091</u>	<u>94,564</u>	<u>43,022</u>	<u>792,677</u>	<u>325,319</u>	<u>25,087</u>	<u>9,631</u>
Excess of revenues over expenses (expenses over revenue) before unrealized loss on investments	(155,805)	3,382	1,882	(150,541)	38,092	139,384	5,225
Unrealized loss on investments	-	-	-	-	-	(25,149)	(4,132)
Excess of revenues over expenses (expenses over revenues)	<u>\$ (155,805)</u>	<u>\$ 3,382</u>	<u>\$ 1,882</u>	<u>\$ (150,541)</u>	<u>\$ 38,092</u>	<u>\$ 114,235</u>	<u>\$ 1,093</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 2011	Total 2010	Total 2011	Total 2010
Balance, beginning of year (Note 4)	\$ 724,814	\$ 9,899	\$ 16,867	\$ 751,580	\$ 713,488	\$1,110,446	\$1,109,353
Excess of revenues over expenses (expenses over revenues)	(155,805)	3,382	1,882	(150,541)	38,092	114,235	1,093
Balance, end of year (Note 4)	\$ 569,009	\$ 13,281	\$ 18,749	\$ 601,039	\$ 751,580	\$1,224,681	\$1,110,446

See accompanying notes to the financial statements

Hamilton Conservation Foundation

Statement of Cash Flow

For the year ended November 30

	Restricted Funds		Endowment Funds	
	2011	2010	2011	2010
Operating Activities				
Excess of revenues over expenditures (expenses over revenues)	<u>\$(150,541)</u>	<u>\$ 38,092</u>	<u>\$ 114,235</u>	<u>\$ 1,093</u>
Items not affecting cash				
Unrealized loss on investments	-	-	25,149	4,132
Bond amortization	-	-	2,897	108
Loss (gain) on disposal of investments	-	-	12,615	(2,585)
	-	-	40,661	1,655
	<u>(150,541)</u>	<u>38,092</u>	<u>154,896</u>	<u>2,748</u>
Changes in:				
Interest and other receivables	(23,463)	-	(2,268)	(5,736)
Other assets	300	-	-	-
Due to Hamilton Conservation Authority	(108,124)	55,885	800	-
Accounts payable	(520)	1,020	1,847	-
	<u>(131,807)</u>	<u>56,905</u>	<u>379</u>	<u>(5,736)</u>
Investment Activities				
Purchases	-	-	(613,700)	(1,216,634)
Proceeds from dispositions, net	-	-	463,048	133,213
	<u>-</u>	<u>-</u>	<u>(150,652)</u>	<u>(1,083,421)</u>
Increase / (decrease) in cash	(282,348)	94,997	4,623	(1,086,409)
Cash				
Beginning of year	<u>901,513</u>	<u>806,516</u>	<u>2,048</u>	<u>1,088,457</u>
End of year	<u>\$ 619,165</u>	<u>\$ 901,513</u>	<u>\$ 6,671</u>	<u>\$ 2,048</u>

See accompanying notes to the financial statements

Hamilton Conservation Foundation

Notes to the Financial Statements

For the year ended November 30, 2011

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 Foundation follows accounting principles generally accepted for "Not-for-Profit Organizations" in Canada in preparing its financial statements.

The significant accounting policies are 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 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.

Investments

Short term investments are recorded at fair value and long term investments are recorded using the cost method. Earnings from investments are recognized on the accrual basis for interest bearing instruments and to the extent received or receivable for all other instruments.

Revenue recognition

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

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

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 development, respectively.

Hamilton Conservation Foundation

Notes to the Financial Statements

For the year ended November 30, 2011

2. Summary of significant accounting policies (continued)

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. The value of these donations-in-kind, as determined through a combination of donor information and objective evidence, amounted to \$33,992 in 2011 (2010 - \$23,858) 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, 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.
- 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.

Fair Value Hierarchy of Financial Instruments

The Hamilton Conservation Foundation follows the amendments to CICA Section 3862, "Financial Instruments – Disclosures" of the CICA Handbook. The amendments establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 financial instruments are valued using quoted prices in active markets for identical assets or liabilities.

Level 2 financial instruments are valued using observable inputs other than quoted prices included in Level 1.

Level 3 financial instruments are valued using unobservable inputs.

The investments currently held by the Foundation are all Level 1 as detailed in Note 3.

Hamilton Conservation Foundation

Notes to the Financial Statements

For the year ended November 30, 2011

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 and have been categorized based upon the fair value hierarchy, as discussed in Note 2. The following fair value hierarchy table presents information about the Fund's assets measured at fair value on a recurring basis as of November 30, 2011.

<u>Description</u>	<u>Level 1 2011</u>	<u>Level 1 2010</u>
Common shares	\$ 491,763	\$ 375,549
Preferred shares	171,722	152,421
Mutual funds	10,042	21,784
Foreign securities	29,966	22,978
	<u>\$ 703,493</u>	<u>\$ 572,732</u>

The Foundation's long term investments, also held within the Endowment Funds, are recorded at cost or amortized cost.

	<u>2011</u>	<u>2010</u>
Municipal	\$ 50,849	\$ 102,757
Provincial	129,723	130,882
Federal	211,816	178,857
Corporate	116,772	117,434
	<u>\$ 509,160</u>	<u>\$ 529,930</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 \$529,290 at November 30, 2011 (2010 - \$540,007).

<u>Summary</u>	<u>2011</u>	<u>2010</u>
Short term investments	\$ 509,160	\$ 529,930
Long term investments	703,493	572,732
Total investments	<u>\$ 1,212,653</u>	<u>\$ 1,102,662</u>

Hamilton Conservation Foundation
Notes to the Financial Statements

For the year ended November 30, 2011

4. Net Assets

Year end fund balances are as follows:

	<u>2011</u>	<u>2010</u>
Restricted Funds , with externally imposed restrictions		
Land acquisition, trails and capital development	\$ 569,009	\$ 724,814
Environment projects and conservation awareness	13,281	9,899
Heritage sites operations, maintenance and development	18,749	16,867
	<u>\$ 601,039</u>	<u>\$ 751,580</u>
Endowment Funds		
The Doreen & Glenn Kilmer Westfield Founders' Trust	\$ 20,816	\$ 20,857
The A.G. Stacey Land Endowment	12,753	12,391
The Dobson-McKee Environmental Education Fund	445,606	325,697
The Eramosa Karst Endowment Fund	745,506	751,501
	<u>\$ 1,224,681</u>	<u>\$ 1,110,446</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:

	<u>Endowment Funds</u>	
	<u>2011</u>	<u>2010</u>
Doreen and Glenn Kilmer Westfield Founders' Trust	\$ 1,559	\$ 2,361
The A.G. Stacey Land Endowment	604	114
The Dobson McKee Environmental Education Fund	13,001	3,320
Eramosa Karst Endowment Fund	24,207	7,726
	<u>\$ 39,371</u>	<u>\$ 13,521</u>

Hamilton Conservation Foundation

Notes to the Financial Statements

For the year ended November 30, 2011

6. Income tax status

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

For fiscal 2011, the Foundation met the distribution quota requirements to maintain this status under the Income Tax Act (Canada).

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, 2011, as detailed in Note 3, equity holdings make up 44% of the total investment portfolio with bonds and interest based preferred shares comprising the balance of 56%.

As at November 30, 2011 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 \$70,000.

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. Capital disclosures

The Foundation considers cash and fund balances as capital. The Foundation has no externally imposed capital requirements.

