

Hamilton Conservation Foundation

Financial Statements

November 30, 2018

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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, which comprise the statement of financial position as at November 30, 2018, 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 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, 2018, 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

Hamilton, Canada
April 9, 2019

Licensed Public Accountants
Chartered Professional Accountants

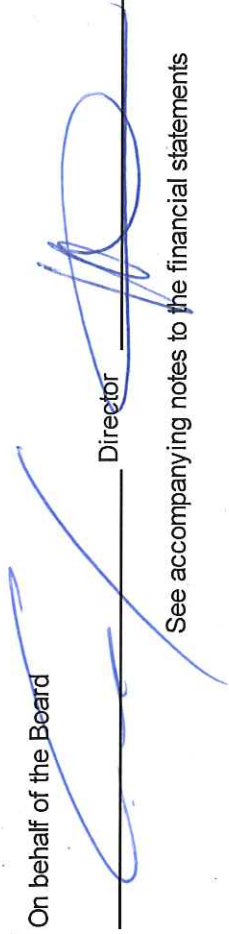
Hamilton Conservation Foundation

Statement of Financial Position

Year Ended November 30

	Restricted Funds	Endowment Funds	2018	2017
Assets				
Current				
Cash	\$ 981,423	\$ 37,566	\$1,018,989	\$ 714,219
Interest and Other Receivables	-	44,660	44,660	11,263
Investments (Note 3)	-	1,044,878	1,044,878	1,120,035
Long Term				
Investments (Note 3)	-	536,730	536,730	491,103
	\$ 981,423	\$ 1,663,834	\$2,645,257	\$2,336,620
Liabilities				
Current				
Accounts Payable	\$ 25,800	\$ 2,442	\$ 28,242	\$ 2,419
Due to Hamilton				
Conservation Authority	-	1,600	1,600	24,723
	\$ 25,800	\$ 4,042	\$ 29,842	\$ 27,142
Net Assets				
Fund Balances (Note 4)	\$ 955,623	\$ 1,659,792	\$2,615,415	\$2,309,478
Total Liabilities and Net Assets	\$ 981,423	\$ 1,663,834	\$ 2,645,257	\$ 2,336,620

On behalf of the Board


 _____ 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	Fund Total		Fund Total	Fund Total		Fund Total
				2018	2017		2018	2017	
Revenues									
Donations and fund raising activities	\$ 402,141	\$ 97,209	\$ 58,466	\$ 557,816	\$ 536,023	\$ 50,000	\$ -	\$ 607,816	\$ 536,023
Investment income (Note 5)	-	-	-	-	-	91,389	52,773	91,389	52,773
Interest and other	4,967	4,967	4,967	14,901	8,056	-	-	14,901	8,056
	<u>407,108</u>	<u>102,176</u>	<u>63,433</u>	<u>572,717</u>	<u>544,079</u>	<u>141,389</u>	<u>52,773</u>	<u>714,106</u>	<u>596,852</u>
Expenses									
Grants to Hamilton Conservation Authority	224,794	80,240	240	305,274	525,581	1,600	42,200	306,874	567,761
Fund raising and administration	454	454	454	1,362	2,766	14,419	18,479	15,781	21,245
Investment loss (Note 5)	-	-	-	-	-	6	1,812	6	1,812
	<u>225,248</u>	<u>80,694</u>	<u>694</u>	<u>306,636</u>	<u>528,327</u>	<u>16,025</u>	<u>62,491</u>	<u>322,661</u>	<u>590,818</u>
Excess of revenues over expenses / (expenses over revenues)	181,860	21,482	62,739	266,081	15,752	125,364	(9,718)	391,445	6,034
Unrealized gains/(losses) on investments	-	-	-	-	-	(85,508)	64,579	(85,508)	64,579
Excess of revenues over expenses / (expenses over revenues)	<u>\$ 181,860</u>	<u>\$ 21,482</u>	<u>\$ 62,739</u>	<u>\$ 266,081</u>	<u>\$ 15,752</u>	<u>\$ 39,856</u>	<u>\$ 54,861</u>	<u>\$ 305,937</u>	<u>\$ 70,613</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	Environmental Projects & Conservation Awareness	Heritage Sites Operations Maintenance & Development	Total	Total	Total	Total	Total
				2018	2017	2018	2017	2018
Balance beginning of year (Note 4)	\$ 584,740	\$ 19,866	\$ 84,936	\$ 689,542	\$ 673,790	\$ 1,619,936	\$ 1,565,075	
Excess of (expenses) over revenues / revenues over expenses	181,860	21,482	62,739	266,081	15,752	39,856	54,861	
Balance, end of year (Note 4)	<u>\$ 766,600</u>	<u>\$ 41,348</u>	<u>\$ 147,675</u>	<u>\$ 955,623</u>	<u>\$ 689,542</u>	<u>\$ 1,659,792</u>	<u>\$ 1,619,936</u>	

See accompanying notes to the financial statements

Hamilton Conservation Foundation

Statement of Cash Flows

November 30

	Restricted Funds		Endowment Funds		2018	2017
	2018	2017	2018	2017		
Operating Activities						
Excess of (expenses) over revenues / revenues over expenses	\$ 266,081	\$ 15,752	\$ 39,856	\$ 54,861	\$ 305,937	\$ 70,613
Items not affecting cash						
Unrealized (gain)/loss on investments			85,508	(64,579)	85,508	(64,579)
Other non-cash income /charges, net			(3,433)	(212)		(212)
Bond amortization			328	536	328	536
Loss on disposal of investments	-	-	6	1,812	6	1,812
	-	-	82,409	(62,443)	85,842	(62,443)
	<u>266,081</u>	<u>15,752</u>	<u>122,265</u>	<u>(7,582)</u>	<u>388,346</u>	<u>8,170</u>
Changes in:						
Interest and other receivables / assets	874	3,155	(34,271)	4,062	(33,397)	7,217
Accounts payable	25,800	-	23	95	25,823	95
Due to Hamilton Conservation Authority	(24,723)	(8,579)	1,600	-	(23,123)	(8,579)
	<u>1,951</u>	<u>(5,424)</u>	<u>(32,648)</u>	<u>4,157</u>	<u>(30,697)</u>	<u>(1,267)</u>
Investment Activities						
Purchases	-	-	(538,707)	(328,075)	(538,707)	(328,075)
Proceeds from dispositions, net	-	-	485,828	331,090	485,828	331,090
	<u>-</u>	<u>-</u>	<u>(52,879)</u>	<u>3,015</u>	<u>(52,879)</u>	<u>3,015</u>
Increase / (decrease) in cash	268,032	10,328	36,738	(410)	304,770	9,918
Cash						
Beginning of year	713,391	703,063	828	1,238	714,219	704,301
End of year	<u>\$ 981,423</u>	<u>\$ 713,391</u>	<u>\$ 37,566</u>	<u>\$ 828</u>	<u>1,018,989</u>	<u>714,219</u>

See accompanying notes to the financial statements

Hamilton Conservation Foundation

Notes to the Financial Statements

For the year ended November 30, 2018

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, 2018

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 \$89,639 in 2018 (2017 - \$64,016) and have been included in Donations and fundraising activities and Grants to Hamilton Conservation Authority.

Financial instruments

The Foundation considers any contract creating a financial asset, liability or equity instrument as a financial instrument. The Foundation's financial instruments consist of cash, interest and other receivables, investments and accounts payable and Due to Hamilton Conservation Authority.

Financial assets and liabilities obtained in arm's length transactions are initially recorded at their fair value and financial assets and liabilities obtained in related party transactions are initially measured at their exchange amount. The Foundation subsequently measures all of its financial assets and liabilities at amortized cost, except for cash and investments, which are measured at fair value.

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.

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 short term investments as of November 30, 2018.

	<u>Nov. 30 2018</u>	<u>Nov. 30 2017</u>
Common Shares	\$ 700,061	\$ 765,316
Preferred shares	167,108	192,999
Mutual Funds	21,745	26,404
Foreign Securities	155,964	135,316
	<u>\$ 1,044,878</u>	<u>\$ 1,120,035</u>

Hamilton Conservation Foundation
Notes to the Financial Statements

For the year ended November 30, 2018

3. Investments – Fair Value Disclosure

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

	<u>Nov. 30 2018</u>	<u>Nov. 30 2017</u>
Provincial	-	\$ 38,045
Federal	332,424	116,493
Corporate	204,306	336,565
	<u>\$ 536,730</u>	<u>\$ 491,103</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 \$544,984 at November 30, 2018 (2017 - \$502,830).

Summary:

	<u>Nov. 30 2018</u>	<u>Nov. 30 2017</u>
Short term investments	\$ 1,044,878	\$ 1,120,035
Long term investments	536,730	491,103
Total investments	<u>\$ 1,581,608</u>	<u>\$ 1,611,138</u>

Hamilton Conservation Foundation

Notes to the Financial Statements

For the year ended November 30, 2018

4. Net Assets

Year end fund balances are as follows:

	<u>Nov. 30 2018</u>	<u>Nov.30 2017</u>
Restricted Funds , with externally imposed restrictions		
Land acquisition, trails and capital development	\$ 766,600	\$ 584,740
Environment projects and conservation awareness	41,348	19,866
Heritage sites operations, maintenance and development	<u>147,675</u>	<u>84,936</u>
	<u>\$ 955,623</u>	<u>\$ 689,542</u>
Endowment Funds		
The Doreen & Glenn Kilmer Westfield Founders' Trust	\$ 20,422	\$ 20,491
The A.G. Stacey Land Endowment	15,449	15,516
The Dobson-McKee Environmental Education Fund	700,073	655,742
The Eramosa Karst Endowment Fund	<u>923,848</u>	<u>928,187</u>
	<u>\$ 1,659,792</u>	<u>\$ 1,619,936</u>
Total Fund Balances	<u>\$ 2,615,415</u>	<u>\$ 2,309,478</u>

5. Investment income and investment losses

Investment income includes income earned on resources held for endowment and on gains from sales of donated marketable securities; similarly, investment losses are the result of sales of donated marketable securities for less than the original purchase price, both of which are reported as follows:

	Investment Income		Investment Loss	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Doreen and Glenn Kilmer Westfield Founders' Trust	\$ 1,531	\$ 1,536	\$ -	\$ -
The A.G. Stacey Land Endowment	403	405	6	108
The Dobson McKee Environmental Education Fund	34,632	20,994	-	1,273
Eramosa Karst Endowment Fund	54,823	29,838	-	431
	<u>\$ 91,389</u>	<u>\$ 52,773</u>	<u>\$ 6</u>	<u>\$ 1,812</u>

6. Income tax status

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

For fiscal 2018, 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, 2018

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, 2018, as detailed in Note 3, equity holdings make up 44% of the total investment portfolio with bonds, bond index funds and interest based preferred shares comprising the balance of 56%.

As at November 30, 2018 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 \$69,000.

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 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 or accounts payable. 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 by monitoring the cash and funding needs of the Foundation on a daily basis.
