

***Hamilton Waterfront Trust***

*Connecting You to the Water's Edge*

June 2, 2015

Rose Caterini  
City Clerk  
71 Main Street West  
Hamilton, ON  
L8P 4Y5

**Attention: Carolyn Biggs, Co-ordinator Committee Services / Council / Budgets**

**RE: December 31, 2014 Audited Financial Statements**

Please find attached audited financial statements for the Hamilton Waterfront Trust for the year ended December 31, 2014. This completes the filing requirements of financial statements since the inception of the Hamilton Waterfront Trust.

Annual financial statement is required to be forwarded to your attention by the Hamilton Waterfront Trust. This statement is meant to fulfill the requirement for information under the deed agreement item (12) signed by the Corporation of the City of Hamilton and The Hamilton Harbour Commissioners dated November 24, 2000.

Yours truly,

Werner Plessl  
Executive Director  
Hamilton Waterfront Trust

Encl.

**Hamilton Waterfront Trust**  
**Financial Statements**  
**For the year ended December 31, 2014**

**Hamilton Waterfront Trust**  
**Financial Statements**  
**For the year ended December 31, 2014**

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Tel: 905 639 9500  
Fax: 905 633 4939  
Toll-free: 888 236 2383  
www.bdo.ca

BDO Canada LLP  
3115 Harvester Road, Suite 400  
Burlington ON L7N 3N8 Canada

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## Independent Auditor's Report

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To the Board of Directors of  
Hamilton Waterfront Trust

We have audited the accompanying financial statements of Hamilton Waterfront Trust (the "Organization"), which comprise the statement of financial position as at December 31, 2014, and the statements of changes in operations and 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 audit opinion.

### Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 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.

**BDO CANADA LLP**

Chartered Professional Accountants, Licensed Public Accountants

Burlington, Ontario  
May 12, 2015

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**Hamilton Waterfront Trust**  
**Statement of Financial Position**

December 31	2014	2013
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 72,889	\$ 48,274
Accounts receivable	252,475	309,264
Inventories and prepaid expenses	33,286	40,705
Capital assets held for sale (Note 2)	22,000	-
	380,650	398,243
<b>Capital assets (Note 2)</b>	<b>3,057,158</b>	<b>3,882,197</b>
	<b>\$ 3,437,808</b>	<b>\$ 4,280,440</b>

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**Liabilities and Net Assets**

<b>Current</b>		
Accounts payable and accrued liabilities	\$ 310,586	\$ 324,645
<b>Deferred capital contributions (Note 3)</b>	<b>2,443,609</b>	<b>2,431,995</b>
	<b>2,754,195</b>	<b>2,756,640</b>
<b>Net Assets</b>	<b>683,613</b>	<b>1,523,800</b>
	<b>\$ 3,437,808</b>	<b>\$ 4,280,440</b>

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On behalf of the Board:

 Director

 Director

# Hamilton Waterfront Trust

## Statement of Operations and Net Assets

For the year ended December 31

2014

2013

### Revenue

Investment income	\$ 1,147	\$ 1,181
HST and GST rebate	85,306	106,742
City of Hamilton contract and management income	78,384	64,686
Other income	37,862	35,899
Hamiltonian Tour Boat	32,852	25,796
Williams Fresh Cafe	1,555,524	1,657,494
Hamilton Scoops	133,295	114,670
Hamilton Trolley	51,833	58,989
Fishing Derby	10,230	14,466
Waterfront Grill	68,988	65,304
HWT Centre	417,512	438,731
Outdoor Ice Rink	144,909	143,049
Skate Rental	89,393	68,695
Waterfront Development, Pier 8 Servicing	262,137	396,072
Waterfront Wheels	9,370	-
	<u>2,978,742</u>	<u>3,191,774</u>

### Expenses

Advertising and promotion	1,404	1,108
Bank charges	12,209	11,747
Building expenses	33,838	85,521
Dues and memberships	1,836	1,490
Equipment expenses	5,298	3,828
Insurance	10,555	6,931
Office expenses	15,448	16,912
Professional fees	21,076	19,252
Salaries and benefits	313,722	262,543
Telephone	9,021	7,586
Travel	1,902	1,297
Other expenses	10,550	8,732
Hamiltonian Tour Boat	22,694	20,907
Williams Fresh Cafe	1,472,522	1,614,702
Hamilton Scoops	103,575	88,251
Hamilton Trolley	71,480	65,377
Fishing Derby	18,753	17,780
Waterfront Grill	60,691	69,517
HWT Centre	358,098	309,874
Outdoor Ice Rink	150,160	142,882
Skate Rental	54,409	35,730
Waterfront Development, Pier 8 Servicing	254,777	375,025
Waterfront Wheels	8,649	-
	<u>3,012,667</u>	<u>3,166,992</u>

Excess (deficiency) of revenue over expenses before  
amortization and discontinued operations

(33,925) 24,782

### Other revenue (expense)

Amortization of capital assets	(259,808)	(240,018)
Amortization of deferred capital contributions	68,086	60,299
	<u>(191,722)</u>	<u>(179,719)</u>

Deficiency of revenue over expenses before  
discontinued operations

(225,647) (154,937)

Loss from discontinued operations (Note 5)

(614,540) (16,725)

Deficiency of revenue over expenses for the year

(840,187) (171,662)

Net assets, beginning of year

1,523,800 1,695,462

Net assets, end of year

\$ 683,613 \$ 1,523,800

The accompanying notes are an integral part of these financial statements.

## Hamilton Waterfront Trust Statement of Cash Flows

For the year ended December 31

2014

2013

**Cash flows from operating activities**

Deficiency of revenue over expenses for the year	\$ (840,187)	\$ (171,662)
Adjustments to reconcile deficiency of revenue over expenses to net cash provided by operating activities		
Amortization of capital assets	259,808	240,018
Amortization of deferred capital contributions	(68,086)	(60,299)
Impairment of capital assets	626,421	-
Changes in non-cash working capital balances		
Accounts receivable	56,789	(230,792)
Inventories and prepaid expenses	7,419	(16,600)
Accounts payable and accrued liabilities	(14,059)	34,018
	<u>28,105</u>	<u>(205,317)</u>

**Cash flows from investing activities**

Gain on sale of capital assets	(5,125)	-
Proceeds from redemption of investment	-	63,290
Proceeds on deferred capital contributions	79,700	311,769
Proceeds from sale of capital assets	13,381	-
Purchase of capital assets	(91,446)	(219,901)
	<u>(3,490)</u>	<u>155,158</u>

**Increase (decrease) in cash during the year**

24,615      (50,159)

**Cash, beginning of year**

48,274      98,433

**Cash, end of year**

\$ 72,889      \$ 48,274

The accompanying notes are an integral part of these financial statements.

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## Hamilton Waterfront Trust Notes to Financial Statements

**December 31, 2014**

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### 1. Significant Accounting Policies

#### **Nature of Business**

The purpose of the Hamilton Waterfront Trust (the "Organization") is to improve and develop lands around the Hamilton Harbour and to encourage the local community to enjoy the Bay area. Hamilton is a culturally and ethnically diversified mosaic. Therefore, the Organization helps to promote the image of Hamilton to businesses and individuals over a wide radius.

#### **Basis of Presentation**

The financial statements reflect the assets, liabilities, revenue, and expenses of the following business operations:

- Hamiltonian Tour Boat
- Williams Fresh Cafe
- Hamilton Harbour Queen Tour Boat
- Hamilton Scoops
- Hamilton Trolley
- Fishing Derby
- Waterfront Grill
- Waterfront Wheels
- HWT Centre
- Outdoor Ice Rink
- Skate Rental
- Waterfront Development, Pier 8 Servicing
- Waterfront Wheels

The Organization was incorporated under the Ontario Corporations Act as a not-for-profit organization and is a registered charity under the Federal Income Tax Act.

#### **Basis of Accounting**

The financial statements of the Organization have been prepared using Canadian accounting standards for not-for-profit organizations.

#### **Revenue Recognition**

The Organization follows the deferral method of accounting for contributions.

Unrestricted revenue is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Deferred capital contributions related to capital assets represent the unamortized and unallocated amount of grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

The Organization recognizes all other revenue when services are performed or goods are sold, there is no uncertainty as to the customer acceptance, the price to the buyer is fixed or determinable and collection is reasonably assured.



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## Hamilton Waterfront Trust

### Notes to Financial Statements

December 31, 2014

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#### 1. Significant Accounting Policies (Continued)

##### Capital Assets

Capital assets are recorded at cost. Amortization is based on their estimated useful life using the following methods and rates or terms:

Boats	-	15 years straight-line
Building	-	5% diminishing balance
Computer equipment	-	30% diminishing balance
Dock	-	5% diminishing balance
Furniture and equipment	-	20% diminishing balance
Trolleys	-	15 years straight-line
Truck	-	30% diminishing balance
Leasehold improvements	-	straight-line over the term of the lease

##### Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amount of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

##### Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. Subsequently, financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

## Hamilton Waterfront Trust Notes to Financial Statements

**December 31, 2014**

### 2. Capital Assets

	2014		2013	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Boats	\$ 52,157	\$ 24,656	\$ 951,264	\$ 258,527
Building	17,016	5,353	17,016	4,740
Computer equipment	42,844	36,365	40,994	33,984
Dock	15,522	6,299	15,522	5,813
Furniture and equipment	206,651	111,842	124,979	100,717
Trolleys	276,946	81,020	276,946	62,556
Truck	-	-	41,977	33,721
Leasehold improvements	3,610,933	899,376	3,610,933	697,376
	<u>\$ 4,222,069</u>	<u>\$ 1,164,911</u>	<u>\$ 5,079,631</u>	<u>\$ 1,197,434</u>
Net book value		<u>\$ 3,057,158</u>		<u>\$ 3,882,197</u>

As a result of the discontinued operations in Note 5, the Company wrote down boats and furniture and equipment included in the capital assets balance to net realizable value which is fair value less costs to sell of \$22,000. A write-off of \$626,421 is included in the loss from discontinued operations.

### 3. Deferred Capital Contributions

Restricted capital contributions are amortized on the same basis as the underlying capital assets.

	2014	2013
Balance, beginning of year	\$ 2,431,995	\$ 2,180,525
Add: contributions received and receivable	79,700	311,769
Less: contributions recognized as revenue	(68,086)	(60,299)
Balance, end of year	<u>\$ 2,443,609</u>	<u>\$ 2,431,995</u>

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## Hamilton Waterfront Trust Notes to Financial Statements

**December 31, 2014**

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#### 4. Commitments

The Organization leases premises at an annual rent of \$33,500 plus applicable taxes pursuant to a lease that expires October 31, 2019.

Future minimum payments under operating leases with terms in excess of one year are as follows:

2015	\$	47,000
2016		47,000
2017		47,000
2018		47,000
2019		41,417
Thereafter		477,000

#### 5. Discontinued Operations

During the year, the Organization ceased the operations of the Hamilton Harbour Queen Tour Boat ("the Boat"). As a result, the operations of the Boat qualify as discontinued operations and have been reported separately in the statement of operations. The results and balances associated with the discontinued operations for the statements of financial position and operations are summarized below:

	2014	2013
Revenue	\$ 305,004	\$ 329,436
Expenses	(293,123)	(346,161)
Impairment of capital assets related to discontinued operations (Note 2)	(626,421)	-
<b>Loss from discontinued operations</b>	<b>\$ (614,540)</b>	<b>\$ (16,725)</b>
<b>Assets</b>		
Boat held for sale	\$ 22,000	\$ -
<b>Net Assets</b>	<b>\$ 22,000</b>	<b>\$ -</b>

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## Hamilton Waterfront Trust Notes to Financial Statements

**December 31, 2014**

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### **6. Financial Instrument Risks**

#### **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. The Organization is exposed to credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations. The Organization's financial instruments that are exposed to concentrations of credit risk relate primarily to its accounts receivable balances. This risk has not changed from the prior year.

#### **Liquidity Risk**

Liquidity risk is the risk that the Organization encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Organization will not have sufficient funds to settle a transaction on a due date; will be forced to sell financial assets at a value which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from the Organization's accounts payable and accrued liabilities and commitments. This risk has not changed from the prior year.

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### **7. Comparative amounts**

Certain comparative amounts have been reclassified to conform to the current year's presentation.