



Hamilton Waterfront Trust

Connecting You to the Water's Edge

SENT BY EMAIL

August 13, 2018

Mayor and Members of Council
c/o Stephanie Paparella
Legislative Co-ordinator
Office of the City Clerk
71 Main Street West, 1st Floor
Hamilton, ON
L8P 4Y5

Subject: December 31, 2017 Audited Financial Statements

Please find attached, audited financial statements for the Hamilton Waterfront Trust for the year ended December 31, 2017.

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

cc: Mike Zegarac, Acting City Manager
Brian McMullen, Director, Financial Planning, Administration and Policy
Joseph Spiler, Manager of Capital Budgets and Development

Hamilton Waterfront Trust
Consolidated Financial Statements
For the year ended December 31, 2017

Hamilton Waterfront Trust
Consolidated Financial Statements
For the year ended December 31, 2017

Contents

Independent Auditor's Report	2
Consolidated Financial Statements	
Statement of Financial Position	3
Statement of Operations and Changes in Net Assets (Deficiency)	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 9



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Independent Auditor's Report

To the Board of Directors of Hamilton Waterfront Trust

We have audited the accompanying consolidated financial statements of Hamilton Waterfront Trust (the "Organization"), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statements of operations and changes in net assets (deficiency) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2017 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
July 26, 2018

Hamilton Waterfront Trust

Consolidated Statement of Financial Position

December 31 2017 2016

Assets

Current

Cash	\$ 220,558	\$ 130,458
Accounts receivable (Note 2)	347,246	233,187
Inventories and prepaid expenses	29,942	26,048
	<u>597,746</u>	<u>389,693</u>

Capital assets (Note 3)	<u>2,419,936</u>	<u>2,574,527</u>
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	<u>\$ 3,017,682</u>	<u>\$ 2,964,220</u>
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Liabilities and Net Assets (Deficiency)

Current

Accounts payable and accrued liabilities	\$ 957,711	\$ 666,946
Current portion of deferred capital contributions (Note 4)	69,298	71,593
Deferred revenue - City of Hamilton	444,498	-
	<u>1,471,507</u>	<u>738,539</u>

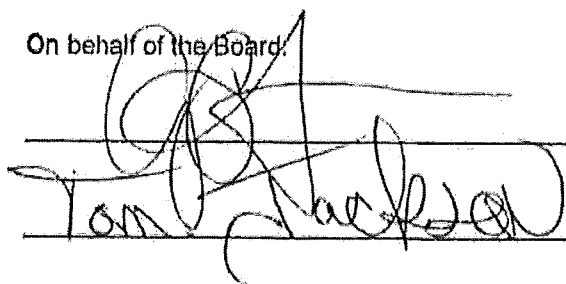
Deferred capital contributions (Note 4)	<u>2,158,964</u>	<u>2,225,967</u>
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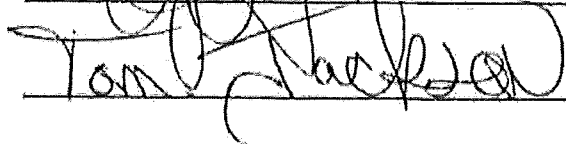
	<u>3,630,471</u>	<u>2,964,506</u>
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Net assets (deficiency)	<u>(612,789)</u>	<u>(286)</u>
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	<u>\$ 3,017,682</u>	<u>\$ 2,964,220</u>
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On behalf of the Board:

 Director

 Director

Hamilton Waterfront Trust

Consolidated Statement of Operations and Changes in Net Assets (Deficiency)

For the year ended December 31	2017	2016
Revenue		
Investment income	\$ 14,547	\$ 47,467
HST and GST rebate	-	71,544
City of Hamilton contract and management income	103,558	68,029
Other income	37,610	43,143
Hamiltonian Tour Boat	35,199	43,576
Williams Fresh Cafe	1,466,079	1,525,872
Hamilton Scoops	167,053	160,294
Hamilton Trolley	41,681	58,377
Fishing Derby	2,188	-
HHQ management fee	-	10,200
Waterfront Grill	60,669	58,206
HWT Centre	258,845	424,176
Outdoor Ice Rink	303,450	279,289
Skate Rental	90,741	89,613
Waterfront Development, City of Hamilton management contract	668,624	492,289
Waterfront Wheels	16,510	12,005
Tall Ships	93,070	-
	3,359,824	3,384,080
Expenses		
Advertising and promotion	340	978
Bank charges	10,803	10,441
Building expenses	12,926	11,349
Dues and memberships	2,124	1,040
Equipment expenses	3,490	3,403
Insurance	9,948	13,765
Office expenses	15,610	15,302
Professional fees	49,374	49,771
Salaries and benefits	294,415	282,690
Telephone	9,066	7,740
Travel	472	2,551
Other expenses	14,230	21,780
Hamiltonian Tour Boat	28,604	27,275
Williams Fresh Cafe	1,368,048	1,471,483
Hamilton Scoops	119,685	121,487
Hamilton Trolley	47,462	62,135
Fishing Derby	14,389	16,700
Waterfront Grill	68,213	63,799
HWT Centre	413,581	345,187
Outdoor Ice Rink	303,000	279,372
Skate Rental	41,625	41,919
Waterfront Development, City of Hamilton management contract	668,624	492,289
Waterfront Wheels	11,769	13,156
Tall Ships	64,941	-
	3,572,739	3,355,612
Excess of revenue (deficiency) over expenses before amortization and other revenue (expenses)	(212,915)	28,468
Other revenue (expenses)		
Amortization of capital assets	(176,489)	(233,759)
Amortization of deferred capital contributions	69,298	71,593
Bad debts associated with tenant dispute	(156,274)	-
Legal fees associated with tenant dispute	(136,123)	(96,638)
	(399,588)	(258,804)
Deficiency of revenue over expenses for the year	(612,503)	(230,336)
Net assets (deficiency), beginning of year	(286)	230,050
Net assets (deficiency), end of year	\$ (612,789)	\$ (286)

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

Hamilton Waterfront Trust

Consolidated Statement of Cash Flows

For the year ended December 31	2017	2016
Cash flows from operating activities		
Deficiency of revenue over expenses for the year	\$ (612,503)	\$ (230,336)
Adjustments to reconcile deficiency of revenue over expenses to net cash provided by operating activities		
Amortization of capital assets	176,489	233,759
Amortization of deferred capital contributions	(69,298)	(71,593)
Changes in non-cash working capital balances		
Accounts receivable	(114,059)	86,168
Inventories and prepaid expenses	(3,894)	3,966
Accounts payable and accrued liabilities	290,765	93,781
Deferred revenue	444,498	-
	111,998	115,745
Cash flows from investing activity		
Purchase of capital assets	(21,898)	-
Increase in cash during the year	90,100	115,745
Cash, beginning of year	130,458	14,713
Cash, end of year	\$ 220,558	\$ 130,458

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

Hamilton Waterfront Trust

Notes to Consolidated Financial Statements

December 31, 2017

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.

Following a strategic review undertaken by the Board of Directors, it was decided to restructure the Organization to become a not-for-profit organization effective November 21, 2016. As part of the reorganization on that same date, HWT Inc., a wholly-owned subsidiary, was incorporated.

The Organization is incorporated under the Ontario Corporations Act as a not-for-profit organization under the Income Tax Act (Canada), and, as such, is exempt from income taxes.

Basis of Accounting and Presentation

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

These consolidated financial statements include the accounts of the Organization and HWT Inc. All significant intercompany transactions and balances have been eliminated.

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.

Hamilton Waterfront Trust

Notes to Consolidated Financial Statements

December 31, 2017

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:

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

Use of Estimates

The preparation of consolidated 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 consolidated 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 charged to the financial instrument for those measured at amortized cost.

2. Accounts Receivable

	2017	2016
Trade accounts receivable	\$ 695,319	\$ 424,986
Impairment allowance	(348,073)	(191,799)
	<u>\$ 347,246</u>	<u>\$ 233,187</u>

Hamilton Waterfront Trust

Notes to Consolidated Financial Statements

December 31, 2017

3. Capital Assets

	2017		2016	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Boat	\$ 52,157	\$ 35,088	\$ 52,157	\$ 31,611
Building	17,016	7,017	17,016	6,491
Computer equipment	42,844	40,622	42,844	39,669
Dock	15,522	7,614	15,522	7,198
Furniture and equipment	206,651	158,113	206,651	145,973
Trolleys	298,844	146,263	276,946	117,946
Leasehold improvements	3,610,933	1,429,314	3,610,933	1,298,654
	\$ 4,243,967	\$ 1,824,031	\$ 4,222,069	\$ 1,647,542
Net book value		\$ 2,419,936		\$ 2,574,527

4. Deferred Capital Contributions

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

	2017	2016
Balance, beginning of year	\$ 2,297,560	\$ 2,369,153
Less: contributions recognized as revenue	(69,298)	(71,593)
	2,228,262	2,297,560
Less: current portion	(69,298)	(71,593)
Balance, end of year	\$ 2,158,964	\$ 2,225,967

5. Commitments

The Organization leases a premise at an annual rent of \$33,500 plus applicable taxes that expires on October 31, 2019.

Future minimum payments under the operating lease are as follows:

2018	\$ 33,500
2019	27,917

Hamilton Waterfront Trust

Notes to Consolidated Financial Statements

December 31, 2017

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. This risk has not changed from the prior year.

7. Subsequent Event

Effective January 1, 2018, the Organization's lease on the Parks Discovery Centre with the City of Hamilton was terminated. In consideration of the Organization entering into this arrangement, the City of Hamilton has agreed to pay an early surrender fee in the amount of \$3,067,570 of which \$405,421 will be used to satisfy the Organization's obligation with respect to unpaid realty taxes. The balance will be paid equally over 15 years.