

Hamilton Waterfront Trust
Consolidated Financial Statements
For the year ended December 31, 2020

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Independent Auditor's Report

To the Board of Directors of
Hamilton Waterfront Trust

Opinion

We have audited the consolidated financial statements of Hamilton Waterfront Trust and its subsidiaries (the "Group"), which comprise of the consolidated statement of financial position as at December 31, 2020, and the consolidated statements of operations and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2020, and its results of operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's consolidated financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Oakville, Ontario
September 28, 2021

Hamilton Waterfront Trust Consolidated Statement of Financial Position

December 31 **2020** 2019

Assets

Current

Cash	\$ 278,786	\$ 472,697
Accounts receivable (Note 2)	185,270	59,775
Inventories and prepaid expenses	28,221	28,221
Current portion of note receivable (Note 5)	166,000	233,000

658,277 793,693

Capital assets (Note 3)	1,312,804	1,384,156
Note receivable (Note 5)	988,669	1,109,249

\$ 2,959,750 \$ 3,287,098

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities	\$ 486,529	\$ 687,047
Current portion of deferred capital contributions (Note 4)	40,273	40,273

526,802 727,320

Deferred revenue - City of Hamilton	380,049	436,049
Deferred capital contributions (Note 4)	1,131,242	1,171,515

2,038,093 2,334,884

Net assets	921,657	952,214
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\$ 2,959,750 \$ 3,287,098

On behalf of the Board:

Trent Jarvis
_____ Director

Bernie Mueller
_____ Director

Hamilton Waterfront Trust

Consolidated Statement of Operations and Changes in Net Assets

For the year ended December 31	2020	2019
Revenue		
Investment income	\$ 2,674	\$ 3,397
City of Hamilton contract and management income	46,602	59,445
Other income	4,669	13,300
Hamiltonian Tour Boat	15,826	36,929
Williams Fresh Cafe	637,677	1,428,213
Hamilton Scoops	74,191	163,488
Kids Fest	-	19,192
Hamilton Trolley	24,407	27,783
Waterfront Grill	24,513	47,167
HWT Centre	5,512	94,007
Outdoor Ice Rink	330,862	319,059
Skate Rental	59,092	136,856
Waterfront Development, City of Hamilton management contract	683,151	374,992
Waterfront Wheels	5,765	12,541
	1,914,941	2,736,369
Expenses		
Advertising and promotion	1,023	664
Bad debts	45,167	67,461
Bank charges	2,427	4,088
Building expenses	765	10,458
Dues and memberships	585	2,570
Equipment expenses	1,631	1,853
Insurance	6,054	5,400
Office expenses	17,533	35,785
Professional fees	50,696	25,812
Salaries and benefits	326,788	274,510
Telephone	8,159	9,348
Travel	990	147
Other expenses	7,891	11,789
Hamiltonian Tour Boat	14,791	34,484
Williams Fresh Cafe	744,636	1,372,964
Hamilton Scoops	58,894	121,669
Kids Fest	-	12,219
Hamilton Trolley	28,959	31,023
Fishing Derby	-	13,026
Waterfront Grill	34,732	51,651
HWT Centre	24,156	50,464
Outdoor Ice Rink	330,766	315,147
Skate Rental	19,337	72,544
Waterfront Development, City of Hamilton management contract	516,942	388,239
Waterfront Wheels	12,151	12,828
	2,255,073	2,926,143
Deficiency of revenue over expenses before amortization and other revenue (expenses)	(340,132)	(189,774)
Other revenue (expenses)		
Amortization of capital assets	(71,352)	(72,761)
Amortization of deferred capital contributions	40,273	40,273
Government assistance (Note 7)	340,654	-
Expenses associated with tenant dispute	-	(759,008)
	309,575	(791,496)
Deficiency of revenue over expenses for the year	(30,557)	(981,270)
Net assets, beginning of year	952,214	1,933,484
Net assets, end of year	\$ 921,657	\$ 952,214

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	2020	2019
Cash flows from operating activities		
Deficiency of revenue over expenses for the year	\$ (30,557)	\$ (981,270)
Adjustments to reconcile deficiency of revenue over expenses to net cash used in operating activities		
Amortization of capital assets	71,352	72,761
Amortization of deferred capital contributions	(40,273)	(40,273)
Changes in non-cash working capital balances		
Accounts receivable	(125,496)	125,290
Accounts payable and accrued liabilities	(200,519)	(94,826)
Deferred revenue	(56,000)	(22,781)
	(381,493)	(941,099)
Cash flows from financing activity		
Repayment of note receivable	187,582	859,900
Decrease in cash during the year	(193,911)	(81,199)
Cash, beginning of year	472,697	553,896
Cash, end of year	\$ 278,786	\$ 472,697

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

Hamilton Waterfront Trust

Notes to Consolidated Financial Statements

December 31, 2020

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, and now have a continuance under the Canada Not-for-Profit Corporations Act.

The Organization is registered under the Income Tax Act (Canada) (the "Tax Act") 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, 2020

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

Government Assistance

During the year, the Organization made periodic application for financial assistance under the Canada Emergency Wage Subsidy ("CEWS") program in order to recover certain payroll expenditures. Government assistance received during the year for current expenses is shown as other income. When government assistance is received which relates to expenses of future periods, the amount is deferred and amortized to income as the related expenses are incurred.

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

	<u>2020</u>	<u>2019</u>
Trade accounts receivable	\$ 252,751	\$ 127,236
Impairment allowance	(67,481)	(67,461)
	<u>\$ 185,270</u>	<u>\$ 59,775</u>

Hamilton Waterfront Trust Notes to Consolidated Financial Statements

December 31, 2020

3. Capital Assets

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Boat	\$ 52,156	\$ 45,518	\$ 52,156	\$ 42,042
Building	17,016	8,443	17,016	7,992
Computer equipment	42,844	42,107	42,844	41,755
Dock	15,522	10,155	15,522	8,385
Furniture and equipment	209,092	188,828	209,092	178,989
Trolleys	335,782	214,277	335,782	193,025
Leasehold improvements	2,542,155	1,392,435	2,542,155	1,358,223
	\$ 3,214,567	\$ 1,901,763	\$ 3,214,567	\$ 1,830,411
Net book value		\$ 1,312,804		\$ 1,384,156

4. Deferred Capital Contributions

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

	2020	2019
Balance, beginning of year	\$ 1,211,788	\$ 1,252,061
Less: contributions recognized as revenue	(40,273)	(40,273)
	1,171,515	1,211,788
Less: current portion	(40,273)	(40,273)
Balance, end of year	\$ 1,131,242	\$ 1,171,515

Hamilton Waterfront Trust

Notes to Consolidated Financial Statements

December 31, 2020

5. Note Receivable

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 agreed to pay an early surrender fee in the form of a note. The note receivable bears interest at 4% per annum and is payable in equal annual instalments of \$166,000 (2019 - \$230,000) inclusive of interest, with final payment made on January 1, 2032.

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 and note 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. COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a global pandemic, which continues to spread throughout Canada and around the world. As a direct result of the COVID-19 pandemic, the Organization experienced a reduction in revenue that qualified it for financial assistance from the CEWS government incentive program in the amount of \$320,654. Furthermore, the Organization recognized \$20,000 in financial assistance received as part of the forgivable portion of the Canada Emergency Business Account ("CEBA") loan.

Management is actively monitoring and planning for contingencies in the event that there is continued effect on the financial condition, liquidity, operations, suppliers, sector and workforce of the Organization. During this time, the Organization continues to operate. The Organization is not able to estimate the potential future effects of the COVID-19 outbreak on its operations, financial condition or liquidity at this time.