



# INFORMATION REPORT

<b>TO:</b>	Chair and Members Audit, Finance and Administration Committee
<b>COMMITTEE DATE:</b>	April 21, 2022
<b>SUBJECT/REPORT NO:</b>	Analysis for Hamilton Waterfront Trust – December 31, 2020 – Audited Financial Statements (FCS22019) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Kayla Petrovsky Fleming (905) 546-2424 Ext. 1310
<b>SUBMITTED BY:</b>	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department
<b>SIGNATURE:</b>	

## COUNCIL DIRECTION

Audit, Finance and Administration Committee, at its meeting on November 4, 2021, directed staff to meet with Hamilton Waterfront Trust Staff and gather information surrounding their 2020 audited financial statements in an effort to provide a summary of the relevant changes and report back to the Audit, Finance and Administration Committee.

## INFORMATION

### Background

Each year, the financial statements of the Hamilton Waterfront Trust (HWT) are audited by external auditors as prescribed by the Revised Deed of Trust (dated October 1, 2018) between the City of Hamilton and HWT.

According to the Revised Deed of Trust, within 90 days of the end of each fiscal year of the Trust, the Trust shall appear before Council, or an appropriate Committee of the City to present and report on its annual audited Financial Statements.

The 2020 audited financial statements of the HWT were provided to Council through the Audit, Finance and Administration Committee on November 4, 2021.

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During the November 4<sup>th</sup> meeting, a motion was put forth that staff be directed to meet with HWT staff and gather information surrounding their 2020 audited financial statements in an effort to provide a summary of the relevant changes and report back to the Audit, Finance and Administration Committee.

The 2019 and 2020 Consolidated Financial Statements for the HWT are prepared in accordance with Canadian generally accepted auditing standards.

Report FCS22019 provides both a balance sheet and income statement analysis for HWT providing commentary, as appropriate, on any material trending between 2019 and 2020.

The consolidated financial statements, for reference, are provided in Appendix "C".

**Discussion and Analysis**

The financial position of HWT for 2019 and 2020 is presented in Table 1.

**Table 1  
Hamilton Waterfront Trust Consolidated Statement of Financial Position**

December 31	2020	2019	Increase or Decrease during 2020	
			\$	%
<b>Assets</b>				
<b>Current</b>				
Cash	\$ 278,786	\$ 472,697	\$ (193,911)	(41.0%)
Accounts receivable	185,270	59,775	125,495	209.9%
Inventories and prepaid expenses	28,221	28,221	0	0.0%
Current portion of note receivable	166,000	233,000	(67,000)	(28.8%)
	658,277	793,693	(135,416)	(17.1%)
<b>Capital assets</b>	1,312,804	1,384,156	(71,352)	(5.2%)
<b>Note receivable</b>	988,669	1,109,249	(120,580)	(10.9%)
	\$ 2,959,750	\$ 3,287,098	\$ (327,348)	(10.0%)
<b>Liabilities and Net Assets</b>				
Accounts payable and accrued liabilities	\$ 486,529	\$ 687,047	\$ (200,518)	(29.2%)
Current portion of deferred capital contributions	40,273	40,273	0	0.0%
	526,802	727,320	(200,518)	(27.6%)
<b>Deferred revenue - City of Hamilton</b>	380,049	436,049	(56,000)	(12.8%)
<b>Deferred capital contributions</b>	1,131,242	1,171,515	(40,273)	(3.4%)
	2,038,093	2,334,884	(296,791)	(12.7%)
<b>Net assets</b>	921,657	952,214	(30,557)	(3.2%)
	\$ 2,959,750	\$ 3,287,098	\$ (327,348)	(10.0%)

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**Balance Sheet Analysis**

Net Worth

HWT's 2020 net worth represented by the net assets position of \$921.7 K has decreased by \$31 K as a result of a deficit in earnings in 2020. Explanations on revenue and expenses contributing to this decrease are explained in the income statement analysis section.

Assets

HWT's total assets in 2020 were \$3.0 M. This represents a decrease of \$327 K over 2019 mainly as a result of decreased cash from paying off current liabilities (Accounts Payable) and as a result of decreased revenues. The note receivable current portion is decreasing as expected.

Liabilities

HWT's total liabilities in 2020 were \$2.0 M. This has decreased from 2019 as deferred capital contributions, deferred revenue and current liabilities all have decreased by a combined \$300 K over 2019.

The comparative financial results of HWT for 2019 and 2020 is presented in Table 2.

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**Table 2  
Hamilton Waterfront Trust Consolidated Statement of Operations  
and Changes in Net Assets**

For the year ended December 31			Increase or Decrease during 2020	
	2020	2019	\$	%
<b>Revenue</b>				
Investment income	\$ 2,674	\$ 3,397	\$ (723)	(21.3%)
City of Hamilton contract and management income	46,602	59,445	(12,843)	(21.6%)
Other income	4,669	13,300	(8,631)	(64.9%)
Hamiltonian Tour Boat	15,826	36,929	(21,103)	(57.1%)
Williams Fresh Cafe	637,677	1,428,213	(790,536)	(55.4%)
Hamilton Scoops	74,191	163,488	(89,297)	(54.6%)
Kids Fest	-	19,192	-	-
Hamilton Trolley	24,407	27,783	(3,376)	(12.2%)
Waterfront Grill	24,513	47,167	(22,654)	(48.0%)
HW T Centre	5,512	94,007	(88,495)	(94.1%)
Outdoor Ice Rink	330,862	319,059	11,803	3.7%
Skate Rental	59,092	136,856	(77,764)	(56.8%)
Waterfront Development, City of Hamilton management contract	683,151	374,992	308,159	82.2%
Tall Ships	-	-	-	-
Fishing Derby	-	-	-	-
Waterfront Wheels	5,765	12,541	(6,776)	(54.0%)
	<u>1,914,941</u>	<u>2,736,369</u>	<u>(821,428)</u>	<u>(30.0%)</u>
<b>Expenses</b>				
Advertising and promotion	1,023	664	359	54.1%
Bad debts	45,167	67,461	(22,294)	(33.0%)
Bank charges	2,427	4,088	(1,661)	(40.6%)
Building expenses	765	10,458	(9,693)	(92.7%)
Dues and memberships	585	2,570	(1,985)	(77.2%)
Equipment expenses	1,631	1,853	(222)	(12.0%)
Insurance	6,054	5,400	654	12.1%
Office expenses	17,533	35,785	(18,252)	(51.0%)
Professional fees	50,696	25,812	24,884	96.4%
Salaries and benefits	326,788	274,510	52,278	19.0%
Telephone	8,159	9,348	(1,189)	(12.7%)
Travel	990	147	843	573.5%
Other expenses	7,891	11,789	(3,898)	(33.1%)
Hamiltonian Tour Boat	14,791	34,484	(19,693)	(57.1%)
Williams Fresh Cafe	744,636	1,372,964	(628,328)	(45.8%)
Hamilton Scoops	58,894	121,669	(62,775)	(51.6%)
Kids Fest	-	12,219	-	-
Hamilton Trolley	28,959	31,023	(2,064)	(6.7%)
Fishing Derby	-	13,026	-	-
Waterfront Grill	34,732	51,651	(16,919)	(32.8%)
HW T Centre	24,156	50,464	(26,308)	(52.1%)
Outdoor Ice Rink	330,766	315,147	15,619	5.0%
Skate Rental	19,337	72,544	(53,207)	(73.3%)
Waterfront Development, City of Hamilton management contract	516,942	388,239	128,703	33.2%
Tall Ships	-	-	-	-
Waterfront Wheels	12,151	12,828	(677)	(5.3%)
	<u>2,255,073</u>	<u>2,926,143</u>	<u>(671,070)</u>	<u>(22.9%)</u>
<b>Deficiency of revenue over expenses</b>				
<b>before amortization and other revenue (expenses)</b>	<u>(340,132)</u>	<u>(189,774)</u>	<u>(150,358)</u>	<u>79.2%</u>
<b>Other revenue (expenses)</b>	<u>(71,352)</u>	<u>(72,761)</u>	<u>1,409</u>	<u>(1.9%)</u>
Amortization of capital assets				
Amortization of deferred capital contributions	40,273	40,273	0	0.0%
Government assistance	340,654	-	-	-
Gain on Disposal of HWT Centre	-	-	-	-
Property Taxes	-	-	-	-
Expenses associated w with tenant dispute	-	(759,008)	-	-
	<u>309,575</u>	<u>(791,496)</u>	<u>1,101,071</u>	<u>(139.1%)</u>
<b>Excess (Deficiency) of revenue over expenses for the year</b>	<u>(30,557)</u>	<u>(981,270)</u>	<u>950,713</u>	<u>(96.9%)</u>
<b>Net assets, beginning of year</b>	<u>952,214</u>	<u>1,933,484</u>	<u>(981,270)</u>	<u>(50.8%)</u>
<b>Net assets, end of year</b>	<u>\$ 921,657</u>	<u>\$ 952,214</u>	<u>(30,557)</u>	<u>(3.2%)</u>

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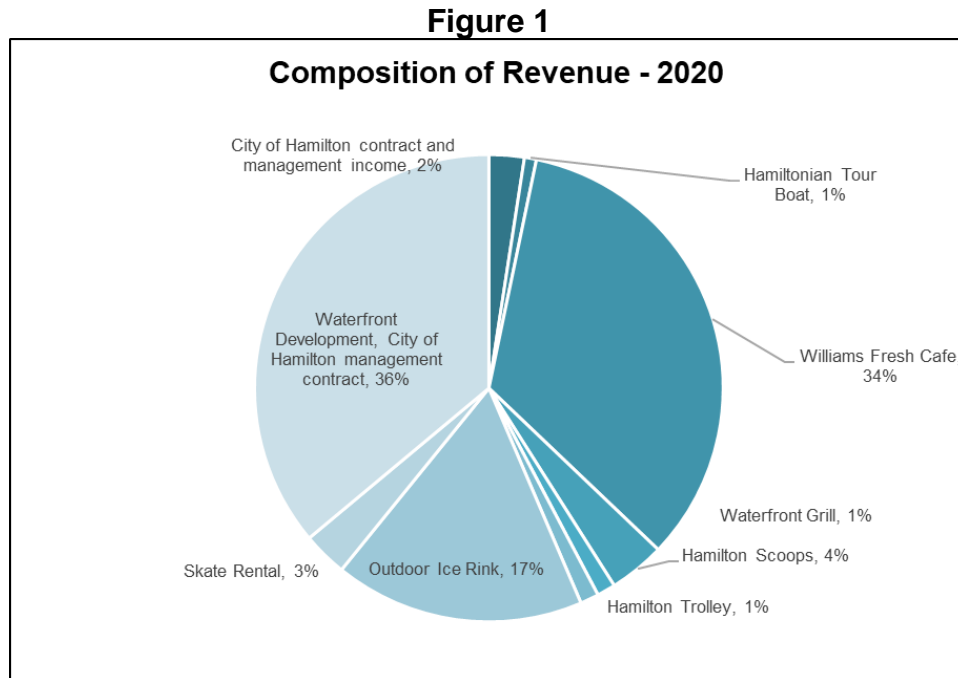
**Income Statement Analysis**

**Net Deficit**

HWT's net deficit shown as Deficiency of revenue over expenses in the HWT's financial statement was \$30 K for 2020 which was an improvement of \$950 K against the 2019 result. This change is mainly due to expenses associated with tenant dispute in 2019 and government assistance of \$341 K in 2020.

**Revenue**

HWT's total revenue for the 2020 year was \$1.9 M. The main composition of revenue is shown in Figure 1.



HWT's revenue saw a decrease of 30% (\$821 K) in 2020, predominately attributable to the Williams Fresh Café revenue decrease of \$790 K.

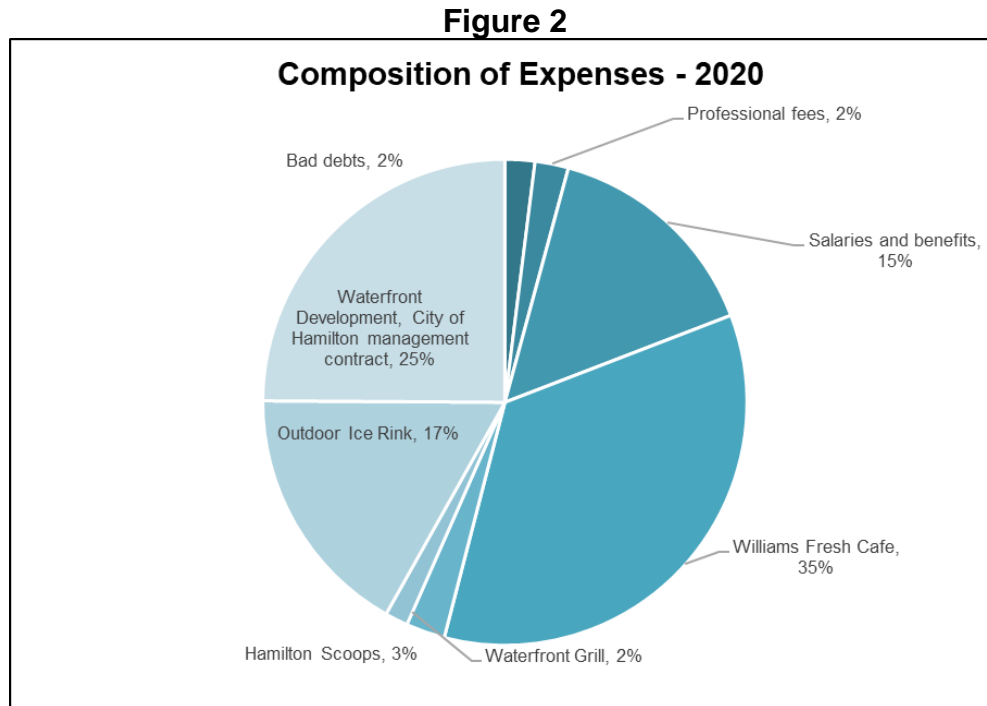
As a direct result of the COVID-19 pandemic, HWT experienced a reduction in revenue that qualified it for financial assistance from the Canada Emergency Wage Subsidy (CEWS) government incentive program in the amount of \$320 K. Furthermore, the HWT recognized \$20 K in financial assistance received as part of the forgivable portion of the Canada Emergency Business Account ("CEBA") loan. As a result of COVID-19, HWT's revenue sources have experienced significant decreases as compared to previous years.

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Expenses

The HWT’s total expenses for the 2020 year were \$2.3 M. This represents a decrease of 23% over 2019.

The main composition of HWT’s expenses for 2020 is shown in Figure 2.



In the same way that revenues have decreased as a result of COVID-19, operating expenses have also decreased as a result of closures and slowed operations. The main decrease was \$628 K relating to Williams Fresh Café.

The organization experienced a reduction in revenue as a result of COVID-19 that qualified for financial assistance. Even with this assistance, HWT experienced a deficit for 2020, although an increase in net income over 2019. This decreased net income led to an overall decrease in net assets for 2020. Despite this decrease in net assets, the organization managed to reduce short-term liabilities, which helped to improve its current ratio and liquidity.

**Financial Indicators**

Table 3 provides some of the HWT’s financial indicators.

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**Table 3  
Financial Statement Financial Indicator Trending (2020 versus 2019)**

Financial Indicator	HWT	
	\$	Trend
Assets	2,959,750	↓
Current Assets (CA)	658,277	↓
Equity	921,657	↓
Net Income (Loss)	(30,557)	↑
Cash	278,786	↓
Liabilities		
Current Liabilities (CL)	526,802	↓
Non-Current Liabilities	1,511,291	↓
Debt (Borrowings)	0	
<b>Ratios:</b>		
<u>Liquidity Measurement Ratio</u>		
Current Ratio (CA/CL)		
	2020	1.25 ✓
	2019	1.09
<u>Debt Ratio</u>		
Debt to Equity Ratio		
	2020	2.21 X
	2019	2.45
<u>Income</u>		
Gross Margin		
	2020	(17.8%) ↓
	2019	(6.9%)

The definitions for terms used in Table 3 are detailed below.

- Current Assets = Assets that are expected to be sold, consumed, utilized or exhausted through the standard business operations over the next one year.
- Current Liabilities = Debts or obligations that are due within one year or within a normal operating cycle.
- Non-Current = Debts or obligations that are not due within one year or within normal operations.
- Current Ratio is an industry standard liquidity ratio calculated as Current Assets dividing by its Current Liabilities. It measures an entity's ability to pay its short and long-term obligations. A higher current ratio is ideal as this would signify that the assets are higher than the liabilities, indicating an easier ability to pay off obligations.

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- The Debt Ratio is calculated as total liabilities divided by equity. It is used to evaluate an entity's financial leverage. Total liabilities is used in the ratio calculation. In the case of the Hamilton Waterfront Trust (HWT), though they have no bank borrowings / long-term debt, they have non-current liabilities relating to pension plan obligations that are included. Generally a ratio of over one signifies that the entity is heavily funded by debt.
- Equity is the value of all assets less any liabilities. It is the value left over if an entity would utilize its assets to meet its liability obligations.
- Gross Margin is one of the primary metrics used to evaluate an entity's health and competitiveness. Measured as a percentage, gross margin will tell you how much revenue is being generated per dollar after subtracting expenses.

With respect to assets, the HWT's balance sheet contains both cash and a healthy accounts receivable balance that once collected, will add to its overall liquidity. The current liabilities decreased this year, attributing to the decline in current asset balance. The decreased revenues (mainly COVID-19 related) resulted in decreased net assets. With respect to liabilities, the HWT's Liquidity Current Ratio (Current Assets versus Current Liabilities) is positive at 1.25 (1.25 times the assets versus liabilities) and has improved from 2019 at 1.09. A ratio over 1.0 is considered positive.

Debt to Equity Ratio is also a common measure of financial health. In general, a measure less than 1.0 is considered positive (indicating equity surpasses debt), while a measure over 1.0 is considered poor (more debt than equity). HWT's ratio is 2.21 for 2020, compared to 2.45 for 2019.

The HWT's gross margin is trending negatively as the deficit as a portion of net sales has increased from -6.9% in 2019 to -17.8% in 2020.

With the submission of Report FCS22019 to the standing committee, Item 21-O can be removed from the Outstanding Business List

**APPENDICES AND SCHEDULES ATTACHED**

Appendix "A" to Report FCS22019 – Hamilton Waterfront Trust Consolidated Statement of Financial Position (2017 to 2020)

Appendix "B" to Report FCS22019 – Hamilton Waterfront Trust Consolidated Statement of Operations and Changes in Net Assets (2017 to 2020)

Appendix "C" to Report FCS22019 – Hamilton Waterfront Trust Consolidated Financial Statements for the Year Ended December 31, 2020

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**Hamilton Waterfront Trust Consolidated Statement of Financial Position (2017 to 2020)**

December 31					Year over Year Change (%)		
	2020	2019	2018	2017	2017-2018	2018-2019	2019-2020
<b>Assets</b>							
<b>Current</b>							
Cash	\$ 278,786	\$ 472,697	\$ 553,896	\$ 220,558	151.1%	(14.7%)	(41.0%)
Accounts receivable	185,270	59,775	185,065	347,246	(46.7%)	(67.7%)	209.9%
Inventories and prepaid expenses	28,221	28,221	28,221	29,942	(5.7%)	0.0%	0.0%
Current portion of note receivable	166,000	233,000	0	0	-	-	(28.8%)
	<b>658,277</b>	<b>793,693</b>	<b>767,182</b>	<b>597,746</b>	<b>28.3%</b>	<b>3.5%</b>	<b>(17.1%)</b>
<b>Capital assets</b>	<b>1,312,804</b>	<b>1,384,156</b>	<b>1,456,917</b>	<b>2,419,936</b>	<b>(39.8%)</b>	<b>(5.0%)</b>	<b>(5.2%)</b>
<b>Note receivable</b>	<b>988,669</b>	<b>1,109,249</b>	<b>2,202,149</b>	<b>0 -</b>		<b>(49.6%)</b>	<b>(10.9%)</b>
	<b>\$ 2,959,750</b>	<b>\$ 3,287,098</b>	<b>\$ 4,426,248</b>	<b>\$ 3,017,682</b>	<b>46.7%</b>	<b>(25.7%)</b>	<b>(10.0%)</b>
<b>Liabilities and Net Assets</b>							
Accounts payable and accrued liabilities	\$ 486,529	\$ 687,047	\$ 781,873	\$ 957,711	(18.4%)	(12.1%)	(29.2%)
Current portion of deferred capital contributions	40,273	40,273	41,742	69,298	(39.8%)	(3.5%)	0.0%
	<b>526,802</b>	<b>727,320</b>	<b>823,615</b>	<b>1,027,009</b>	<b>(19.8%)</b>	<b>(11.7%)</b>	<b>(27.6%)</b>
<b>Deferred revenue - City of Hamilton</b>	<b>380,049</b>	<b>436,049</b>	<b>458,830</b>	<b>444,498</b>	<b>3.2%</b>	<b>(5.0%)</b>	<b>(12.8%)</b>
<b>Deferred capital contributions</b>	<b>1,131,242</b>	<b>1,171,515</b>	<b>1,210,319</b>	<b>2,158,964</b>	<b>(43.9%)</b>	<b>(3.2%)</b>	<b>(3.4%)</b>
	<b>2,038,093</b>	<b>2,334,884</b>	<b>2,492,764</b>	<b>3,630,471</b>	<b>(31.3%)</b>	<b>(6.3%)</b>	<b>(12.7%)</b>
<b>Net assets</b>	<b>921,657</b>	<b>952,214</b>	<b>1,933,484</b>	<b>(612,789)</b>	<b>(415.5%)</b>	<b>(50.8%)</b>	<b>(3.2%)</b>
	<b>\$ 2,959,750</b>	<b>\$ 3,287,098</b>	<b>\$ 4,426,248</b>	<b>\$ 3,017,682</b>	<b>46.7%</b>	<b>(25.7%)</b>	<b>(10.0%)</b>

## Hamilton Waterfront Trust Consolidated Statement of Operations and Changes in Net Assets (2017 to 2020)

For the year ended December 31	Year over Year Change (%)						
	2020	2019	2018	2017	2017-2018	2018-2019	2019-2020
<b>Revenue</b>							
Investment income	\$ 2,674	\$ 3,397	\$ 2,015	\$ 14,547	(86.1%)	68.6%	(21.3%)
City of Hamilton contract and management income	46,602	59,445	119,663	103,558	15.6%	(50.3%)	(21.6%)
Other income	4,669	13,300	70,877	37,610	88.5%	(81.2%)	(64.9%)
Hamiltonian Tour Boat	15,826	36,929	35,202	35,199	0.0%	4.9%	(57.1%)
Williams Fresh Cafe	637,677	1,428,213	1,459,362	1,466,079	(0.5%)	(2.1%)	(55.4%)
Hamilton Scoops	74,191	163,488	171,165	167,053	2.5%	(4.5%)	(54.6%)
Kids Fest	-	19,192	0	0	-	-	-
Hamilton Trolley	24,407	27,783	41,372	41,681	(0.7%)	(32.8%)	(12.2%)
Waterfront Grill	24,513	47,167	50,316	60,669	(17.1%)	(6.3%)	(48.0%)
HW T Centre	5,512	94,007	74,701	258,845	(71.1%)	25.8%	(94.1%)
Outdoor Ice Rink	330,862	319,059	307,049	303,450	1.2%	3.9%	3.7%
Skate Rental	59,092	136,856	99,345	90,741	9.5%	37.8%	(56.8%)
Waterfront Development, City of Hamilton management contract	683,151	374,992	605,759	668,624	(9.4%)	(38.1%)	82.2%
Tall Ships	-	-	-	93,070	-	-	-
Fishing Derby	-	-	1,094	2,188	(50.0%)	-	-
Waterfront Wheels	5,765	12,541	13,611	16,510	(17.6%)	(7.9%)	(54.0%)
	1,914,941	2,736,369	3,051,531	3,359,824	(9.2%)	(10.3%)	(30.0%)
<b>Expenses</b>							
Advertising and promotion	1,023	664	43	340	(87.4%)	1444.2%	54.1%
Bad debts	45,167	67,461	-	-	-	-	(33.0%)
Bank charges	2,427	4,088	4,508	10,803	(58.3%)	(9.3%)	(40.6%)
Building expenses	765	10,458	6,001	12,926	(53.6%)	74.3%	(92.7%)
Dues and memberships	585	2,570	1,537	2,124	(27.6%)	67.2%	(77.2%)
Equipment expenses	1,631	1,853	3,766	3,490	7.9%	(50.8%)	(12.0%)
Insurance	6,054	5,400	11,248	9,948	13.1%	(52.0%)	12.1%
Office expenses	17,533	35,785	14,839	15,610	(4.9%)	141.2%	(51.0%)
Professional fees	50,696	25,812	60,182	49,374	21.9%	(57.1%)	96.4%
Salaries and benefits	326,788	274,510	329,008	294,415	11.7%	(16.6%)	19.0%
Telephone	8,159	9,348	9,399	9,066	3.7%	(0.5%)	(12.7%)
Travel	990	147	373	472	(21.0%)	(60.6%)	573.5%
Other expenses	7,891	11,789	29,288	14,230	105.8%	(59.7%)	(33.1%)
Hamiltonian Tour Boat	14,791	34,484	35,274	28,604	23.3%	(2.2%)	(57.1%)
Williams Fresh Cafe	744,636	1,372,964	1,378,293	1,368,048	0.7%	(0.4%)	(45.8%)
Hamilton Scoops	58,894	121,669	151,443	119,685	26.5%	(19.7%)	(51.6%)
Kids Fest	-	12,219	-	-	-	-	-
Hamilton Trolley	28,959	31,023	43,275	47,462	(8.8%)	(28.3%)	(6.7%)
Fishing Derby	-	13,026	13,561	14,389	(5.8%)	(3.9%)	-
Waterfront Grill	34,732	51,651	62,309	68,213	(8.7%)	(17.1%)	(32.8%)
HW T Centre	24,156	50,464	95,839	413,581	(76.8%)	(47.3%)	(52.1%)
Outdoor Ice Rink	330,766	315,147	306,994	303,000	1.3%	2.7%	5.0%
Skate Rental	19,337	72,544	53,516	41,625	28.6%	35.6%	(73.3%)
Waterfront Development, City of Hamilton management contract	516,942	388,239	605,759	668,624	(9.4%)	(35.9%)	33.2%
Tall Ships	-	-	-	64,941	-	-	-
Waterfront Wheels	12,151	12,828	13,446	11,769	14.2%	(4.6%)	(5.3%)
	2,255,073	2,926,143	3,229,901	3,572,739	(9.6%)	(9.4%)	(22.9%)
<b>Deficiency of revenue over expenses</b>							
<b>before amortization and other revenue (expenses)</b>	(340,132)	(189,774)	(178,370)	(212,915)	(16.2%)	6.4%	(79.2%)
<b>Other revenue (expenses)</b>							
Amortization of capital assets	(71,352)	(72,761)	(73,134)	(176,489)	(58.6%)	(0.5%)	1.9%
Amortization of deferred capital contributions	40,273	40,273	41,742	69,298	(39.8%)	(3.5%)	-
Government assistance	340,654	-	-	-	-	-	-
Gain on Disposal of HWT Centre	-	-	2,667,343	-	-	-	-
Property Taxes	-	-	405,421	-	-	-	-
Expenses associated with tenant dispute	-	(759,008)	(316,729)	(292,397)	8.3%	139.6%	-
	309,575	(791,496)	2,724,643	(399,588)	(781.9%)	(129.0%)	139.1%
<b>Excess (Deficiency) of revenue over expenses for the year</b>	(30,557)	(981,270)	2,546,273	(612,503)	(515.7%)	(138.5%)	96.9%
<b>Net assets, beginning of year</b>	952,214	1,933,484	(612,789)	(286)	214161.9%	(415.5%)	(50.8%)
<b>Net assets, end of year</b>	\$ 921,657	\$ 952,214	\$ 1,933,484	\$ (612,789)	(415.5%)	(50.8%)	(3.2%)

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

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

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Oakville ON L6H 6K8 Canada

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## Independent Auditor's Report

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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
<b>Assets</b>		
<b>Current</b>		
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
<b>Capital assets (Note 3)</b>	<b>1,312,804</b>	1,384,156
<b>Note receivable (Note 5)</b>	<b>988,669</b>	1,109,249
	<b>\$ 2,959,750</b>	<b>\$ 3,287,098</b>

### Liabilities and Net Assets

<b>Current</b>		
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
<b>Deferred revenue - City of Hamilton</b>	<b>380,049</b>	436,049
<b>Deferred capital contributions (Note 4)</b>	<b>1,131,242</b>	1,171,515
	2,038,093	2,334,884
<b>Net assets</b>	<b>921,657</b>	952,214
	<b>\$ 2,959,750</b>	<b>\$ 3,287,098</b>

On behalf of the Board:

  
 \_\_\_\_\_ Director

  
 \_\_\_\_\_ Director

## Hamilton Waterfront Trust Consolidated Statement of Operations and Changes in Net Assets

<b>For the year ended December 31</b>	<b>2020</b>	<b>2019</b>
<b>Revenue</b>		
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
	<b>1,914,941</b>	<b>2,736,369</b>
<b>Expenses</b>		
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
	<b>2,255,073</b>	<b>2,926,143</b>
<b>Deficiency of revenue over expenses before amortization and other revenue (expenses)</b>	<b>(340,132)</b>	<b>(189,774)</b>
<b>Other revenue (expenses)</b>		
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)
	<b>309,575</b>	<b>(791,496)</b>
<b>Deficiency of revenue over expenses for the year</b>	<b>(30,557)</b>	<b>(981,270)</b>
<b>Net assets, beginning of year</b>	<b>952,214</b>	<b>1,933,484</b>
<b>Net assets, end of year</b>	<b>\$ 921,657</b>	<b>\$ 952,214</b>

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
<b>Cash flows from operating activities</b>		
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)
<b>Cash flows from financing activity</b>		
Repayment of note receivable	187,582	859,900
<b>Decrease in cash during the year</b>	<b>(193,911)</b>	<b>(81,199)</b>
<b>Cash, beginning of year</b>	<b>472,697</b>	<b>553,896</b>
<b>Cash, end of year</b>	<b>\$ 278,786</b>	<b>\$ 472,697</b>

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

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## Hamilton Waterfront Trust Notes to Consolidated Financial Statements

**December 31, 2020**

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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.

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

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

## 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
	<b>\$ 3,214,567</b>	<b>\$ 1,901,763</b>	<b>\$ 3,214,567</b>	<b>\$ 1,830,411</b>
Net book value		<b>\$ 1,312,804</b>		<b>\$ 1,384,156</b>

### 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)
	<b>1,171,515</b>	1,211,788
Less: current portion	(40,273)	(40,273)
Balance, end of year	<b>\$ 1,131,242</b>	<b>\$ 1,171,515</b>

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## Hamilton Waterfront Trust Notes to Consolidated Financial Statements

**December 31, 2020**

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### 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.

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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 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.

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### 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.