



Hamilton Waterfront Trust

Connecting You to the Water's Edge

July 11, 2013

Rose Caterini, City Clerk
71 Main Street West
Hamilton, ON

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

Subject: December 31, 2012 Audited Financial Statements

Please find attached, audited financial statements for the Hamilton Waterfront Trust for the year ended December 31, 2012. 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

Hamilton Waterfront Trust
Financial Statements
For the year ended December 31, 2012

Hamilton Waterfront Trust
Financial Statements
For the year ended December 31, 2012

Contents

| | |
|-------------------------------------|-------------|
| Independent Auditor's Report | 2 |
| Financial Statements | |
| Statement of Financial Position | 3 |
| Statement of Changes in Net Assets | 4 |
| Statement of Operations | 5 |
| Statement of Cash Flows | 6 |
| Notes to Financial Statements | 7-11 |



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Independent Auditor's Report

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, 2012, and the statements of changes in net assets, operations 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, 2012 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.

Comparative Information

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describes that the Organization adopted Canadian accounting standards for not-for-profit organizations on January 1, 2012 with a transition date of January 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at December 31, 2011 and January 1, 2011, and the statements of changes in net assets, operations and cash flows for the year ended December 31, 2011 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

Other Matters

As part of the 2012 statement of financial position, we audited the adjustment described in Note 2 that was applied to retrospectively adjust the 2011 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the 2011 financial statements of the Organization other than with respect to the adjustment, and accordingly, we do not express an opinion or any other form of assurance on the 2011 financial statements taken as a whole.

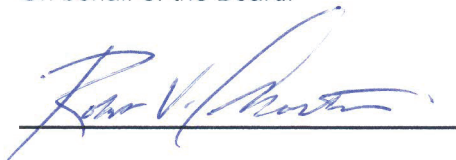
BDO CANADA LLP

Chartered Accountants, Licensed Public Accountants
Burlington, Ontario
May 7, 2013

Hamilton Waterfront Trust Statement of Financial Position

| | December 31 2012 | December 31 2011 (Note 2) | January 1 2011 (Note 2) |
|--|---------------------|---------------------------------|-------------------------------|
| Assets | | | |
| Current | | | |
| Cash | \$ 98,433 | \$ 138,788 | \$ 380,471 |
| Short-term investment (Note 3) | 63,290 | 62,674 | 59,628 |
| Accounts receivable | 78,472 | 150,916 | 407,547 |
| Inventories and prepaid expenses | 24,105 | 29,616 | 40,444 |
| | 264,300 | 381,994 | 888,090 |
| Capital assets (Note 4) | 3,987,386 | 1,854,806 | 1,976,153 |
| | \$ 4,251,686 | \$ 2,236,800 | \$ 2,864,243 |
| Liabilities and Net Assets | | | |
| Current | | | |
| Accounts payable and accrued liabilities | \$ 375,699 | \$ 248,188 | \$ 459,662 |
| Government remittances | - | 105,226 | 409,013 |
| Deferred revenue - Trillium Foundation Grant | - | 33,097 | - |
| | 375,699 | 386,511 | 868,675 |
| Deferred capital contributions (Note 5) | 2,180,525 | 94,452 | - |
| | 2,556,224 | 480,963 | 868,675 |
| Net Assets | | | |
| Invested in capital assets (Note 6) | 1,806,861 | 1,760,354 | 1,976,153 |
| Unrestricted | (111,399) | (4,517) | 19,415 |
| | 1,695,462 | 1,755,837 | 1,995,568 |
| | \$ 4,251,686 | \$ 2,236,800 | \$ 2,864,243 |

On behalf of the Board:


 _____ Director


 _____ Director

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

Hamilton Waterfront Trust Statement of Changes in Net Assets

For the year ended December 31

| | Invested in Capital Assets | Unrestricted | Total 2012 | Total 2011 |
|--|---|---------------------|-----------------------|-----------------------|
| | (Note 6) | | | (Note 2) |
| Balance, beginning of year | \$ 1,760,354 | \$ (4,517) | \$ 1,755,837 | \$ 2,236,053 |
| Deficiency of revenue over expenditures | (135,968) | 75,593 | (60,375) | (480,216) |
| Investment in capital assets | 182,475 | (182,475) | - | - |
| Balance, end of year | \$ 1,806,861 | \$ (111,399) | \$ 1,695,462 | \$ 1,755,837 |

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

Hamilton Waterfront Trust Statement of Operations

| For the year ended December 31 | 2012 | 2011 |
|---|--------------------|---------------------|
| | | (Note 2) |
| Revenue | | |
| Investment income | \$ 1,917 | \$ 4,938 |
| HST and GST rebate | 134,656 | 43,974 |
| Other income | 257,143 | 206,389 |
| Hamiltonian Tour Boat | 37,359 | 30,403 |
| Williams Fresh Cafe | 1,607,639 | 1,490,865 |
| Hamilton Harbour Queen | 379,512 | 384,114 |
| Hamilton Scoops | 67,092 | 60,009 |
| Hamilton Trolley | 49,593 | 54,541 |
| Fishing Derby | 17,383 | 18,078 |
| Waterfront Grill | 30,728 | 25,138 |
| Discovery Centre | 202,737 | 39,413 |
| Outdoor Ice Rink | 137,321 | 124,020 |
| Skate Rental | 54,048 | 37,290 |
| | <u>2,977,128</u> | <u>2,519,172</u> |
| Expenses | | |
| Advertising and promotion | 1,648 | 18,468 |
| Bank charges | 8,200 | 8,278 |
| Building expenses | 28,724 | 10,992 |
| Dues and memberships | 1,431 | 1,824 |
| Equipment expenses | 2,942 | 2,620 |
| Insurance | 5,262 | 2,795 |
| Office expenses | 12,469 | 23,100 |
| Professional fees | 8,240 | 20,489 |
| Salaries and benefits | 257,911 | 279,944 |
| Telephone | 6,266 | (930) |
| Travel | 3,663 | 4,545 |
| Other expenses | 54,863 | 127,000 |
| Hamiltonian Tour Boat | 26,077 | 19,484 |
| Williams Fresh Cafe | 1,534,976 | 1,432,611 |
| Hamilton Harbour Queen | 387,303 | 363,843 |
| Hamilton Scoops | 44,921 | 39,980 |
| Hamilton Trolley | 61,755 | 71,173 |
| Fishing Derby | 17,382 | 22,190 |
| Waterfront Grill | 31,355 | 28,161 |
| Discovery Centre | 243,497 | 226,740 |
| Outdoor Ice Rink | 141,260 | 109,070 |
| Skate Rental | 21,390 | 34,803 |
| | <u>2,901,535</u> | <u>2,847,180</u> |
| Excess (deficiency) of revenue over expenses before amortization | <u>75,593</u> | <u>(328,008)</u> |
| Other revenue (expense) | | |
| Amortization of capital assets | (153,498) | (159,887) |
| Amortization of deferred capital contributions | 17,530 | 7,679 |
| | <u>(135,968)</u> | <u>(152,208)</u> |
| Deficiency of revenue over expenses for the year | <u>\$ (60,375)</u> | <u>\$ (480,216)</u> |

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

Hamilton Waterfront Trust Statement of Cash Flows

| For the year ended December 31 | 2012 | 2011 |
|---|------------------|-------------------|
| | | (Note 2) |
| Cash flows from operating activities | | |
| Deficiency of revenue over expenses for the year | \$ (60,375) | \$ (480,216) |
| Adjustments to reconcile deficiency of revenue over expenses to net cash provided by operating activities | | |
| Amortization of capital assets | 153,498 | 159,887 |
| Amortization of deferred capital contributions | (17,530) | (7,679) |
| Unrealized gain on investment | (616) | (3,046) |
| Changes in non-cash working capital balances | | |
| Accounts receivable | 72,444 | 256,631 |
| Inventories and prepaid expenses | 5,511 | 10,828 |
| Accounts payable and accrued liabilities | 127,511 | (211,474) |
| Government remittances | (105,226) | (303,787) |
| | <u>175,217</u> | <u>(578,856)</u> |
| Cash flows from investing activities | | |
| Proceeds on deferred capital contributions | 2,103,604 | 328,925 |
| Adjustments and sales tax rebates for capital assets | - | 78,914 |
| Purchase of capital assets | (2,286,079) | (103,763) |
| Increase (decrease) in deferred revenue | | |
| - Trillium Foundation Grant | (33,097) | 33,097 |
| | <u>(215,572)</u> | <u>337,173</u> |
| Decrease in cash during the year | (40,355) | (241,683) |
| Cash, beginning of year | 138,788 | 380,471 |
| Cash, end of year | \$ 98,433 | \$ 138,788 |

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

Hamilton Waterfront Trust

Notes to Financial Statements

December 31, 2012

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 Hamilton Waterfront Trust 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, revenues, and expenses of the following business operations:

- The Hamiltonian Tour Boat
- Williams Fresh Cafe
- The Hamilton Harbour Queen Tour Boat
- The Hamilton Scoops
- The Hamilton Trolley
- Waterfront Grill
- Discovery Centre
- Outdoor Ice Rink
- Skate Rental

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

Restricted contributions relating to the purchase of amortizable capital assets are amortized on the same basis as the related assets.

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 revenues 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 Financial Statements

December 31, 2012

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 |

Construction in progress is not amortized as the assets are not in use. Amortization for boats and automotive capital assets are prorated for months in use.

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. In subsequent periods, pooled funds are reported at fair value, with unrealized gains and losses reported in operations. All other 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, 2012

2. Adoption of Canadian Accounting Standards for Not-for-Profit Organizations

Effective January 1, 2012, the Organization adopted the requirements of the new accounting framework, Canadian accounting standards for not-for-profit organizations (ASNPO) or Part III of the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook – Accounting. These are the Organization's first financial statements prepared in accordance with this framework and the transitional provisions of Section 1501, First-time Adoption have been applied. Section 1501 requires retrospective application of the accounting standards with certain elective exemptions and mandatory exceptions. The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended December 31, 2012, the comparative information presented in these financial statements for the year ended December 31, 2011 and in the preparation of an opening ASNPO statement of financial position at the date of transition of January 1, 2011.

The Organization issued financial statements for the year ended December 31, 2011 using Canadian generally accepted accounting principles prescribed by the CICA Handbook – Accounting Part V – Pre-changeover Accounting Standards. The comparative information is unaudited. The adoption of ASNPO resulted in no adjustments to the previously reported assets, liabilities, net assets, deficiency of revenues over expenditures and cash flows of the Organization.

During the year management noted that deferred capital contributions were overstated. As a result, 2011 deferred capital contributions decreased by \$234,473, other revenue decreased by \$6,012 and net assets invested in capital assets increased by \$240,485.

3. Short-term Investment

The investment is with Seamark Asset Management Ltd. and is invested in the Seamark Pooled Short-term Fund, and is recorded at fair value.

Hamilton Waterfront Trust Notes to Financial Statements

December 31, 2012

4. Capital Assets

| | 2012 | | 2011 | |
|--------------------------|---------------------|-----------------------------|---------------------|-----------------------------|
| | Cost | Accumulated Amortization | Cost | Accumulated Amortization |
| | | | | (Note 2) |
| Boats | \$ 951,264 | \$ 237,388 | \$ 951,264 | \$ 216,248 |
| Building | 17,016 | 4,093 | 17,016 | 3,874 |
| Computer equipment | 37,009 | 30,980 | 30,139 | 28,396 |
| Dock | 15,522 | 5,302 | 15,522 | 4,764 |
| Furniture and equipment | 120,397 | 95,126 | 117,573 | 89,217 |
| Trolleys | 276,946 | 56,402 | 276,943 | 50,245 |
| Truck | 41,977 | 30,183 | 41,977 | 25,129 |
| Leasehold improvements | 3,484,670 | 497,941 | 1,113,838 | 386,044 |
| Construction in progress | - | - | 94,451 | - |
| | \$ 4,944,801 | \$ 957,415 | \$ 2,658,723 | \$ 803,917 |
| Net book value | | \$ 3,987,386 | | \$ 1,854,806 |

During 2012, the Organization purchased capital assets of \$2,286,079 (2011 - \$103,763) of which \$96,130 (2011 - \$NIL) are included in accounts payable and accrued liabilities at year end.

5. Deferred Capital Contributions

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

| | 2012 | 2011 |
|--|---------------------|------------------|
| | | (Note 2) |
| Balance, beginning of year | \$ 94,452 | \$ - |
| Add: contributions received and receivable | 2,103,603 | 102,131 |
| Less: contributions recognized as revenue | (17,530) | (7,679) |
| Balance, end of year | \$ 2,180,525 | \$ 94,452 |

Hamilton Waterfront Trust Notes to Financial Statements

December 31, 2012

6. Net Assets Invested in Capital Assets

| | 2012 | 2011 (Note 2) |
|--|--------------|------------------|
| Capital assets, net | \$ 3,987,386 | \$ 1,854,806 |
| Deferred capital contributions - unamortized | (2,180,525) | (94,452) |
| | \$ 1,806,861 | \$ 1,760,354 |

7. 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:

| | | | | |
|------------|---|--|----|---------|
| 2013 | - | | \$ | 47,000 |
| 2014 | - | | | 47,000 |
| 2015 | - | | | 47,000 |
| 2016 | - | | | 47,000 |
| 2017 | - | | | 47,000 |
| Thereafter | - | | | 565,417 |

8. Financial Instruments

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.

Market Risk

Market risk arises from the possibility that changes in market prices will affect the level of investments held by the Organization. The Organization is exposed to market risk through its pooled fund investments. This risk has not changed from the prior year.