

**Hamilton Community Foundation**  
**Consolidated Financial Statements**  
For the year ended March 31, 2016

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For the year ended March 31, 2016

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## Independent Auditor's Report

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### To the Board of Directors of Hamilton Community Foundation

We have audited the accompanying consolidated financial statements of the Hamilton Community Foundation (the "Foundation"), which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of revenue and expenses and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the 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 Foundation'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 Foundation'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 Hamilton Community Foundation as at March 31, 2016 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  
June 21, 2016

## Hamilton Community Foundation Consolidated Statement of Financial Position

March 31	Endowment		Operating/Invested in Capital Assets		Restricted		March 31 2016	Total March 31 2015
	2016	2015	2016	2015	2016	2015		
<b>Assets</b>								
<b>Current</b>								
Cash	\$ 1,563	\$ 77,090	\$ 133,008	\$ 12,575	\$ 486,132	\$ 253,292	\$ 620,703	\$ 342,957
Accounts receivable	-	-	68,433	55,698	-	-	68,433	55,698
Accrued income receivable	-	-	-	-	379,100	346,085	379,100	346,085
Prepaid expenses	-	-	43,589	49,567	-	-	43,589	49,567
	<b>1,563</b>	<b>77,090</b>	<b>245,030</b>	<b>117,840</b>	<b>865,232</b>	<b>599,377</b>	<b>1,111,825</b>	<b>794,307</b>
<b>Investments at:</b>								
Cost (Note 2)	6,800,321	4,276,015	-	-	-	-	6,800,321	4,276,015
Market (Note 3)	127,777,987	121,362,420	10,205,726	9,417,628	34,890,865	43,400,554	172,874,578	174,180,602
Loans receivable (Note 4)	1,558,000	700,000	-	-	-	-	1,558,000	700,000
Capital assets (Note 5)	-	-	42,969	47,212	-	-	42,969	47,212
	<b>\$136,137,871</b>	<b>\$ 126,415,525</b>	<b>\$10,493,725</b>	<b>\$ 9,582,680</b>	<b>\$35,756,097</b>	<b>\$43,999,931</b>	<b>\$182,387,693</b>	<b>\$ 179,998,136</b>

### Liabilities and Net Assets

<b>Current</b>								
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 235,030	\$ 121,327	\$ 582,457	\$ 261,131	\$ 817,487	\$ 382,458
Deferred revenue	-	-	10,000	10,000	505,981	472,408	515,981	482,408
Funds held on behalf of third parties (Note 6)	-	-	10,205,726	9,404,141	-	-	10,205,726	9,404,141
	-	-	<b>10,450,756</b>	<b>9,535,468</b>	<b>1,088,438</b>	<b>733,539</b>	<b>11,539,194</b>	<b>10,269,007</b>
<b>Net assets</b>								
Endowment funds	136,137,871	126,415,525	-	-	-	-	136,137,871	126,415,525
Invested in capital assets	-	-	42,969	47,212	-	-	42,969	47,212
Restricted funds	-	-	-	-	34,667,659	43,266,392	34,667,659	43,266,392
	<b>136,137,871</b>	<b>126,415,525</b>	<b>42,969</b>	<b>47,212</b>	<b>34,667,659</b>	<b>43,266,392</b>	<b>170,848,499</b>	<b>169,729,129</b>
	<b>\$136,137,871</b>	<b>\$ 126,415,525</b>	<b>\$10,493,725</b>	<b>\$ 9,582,680</b>	<b>\$35,756,097</b>	<b>\$43,999,931</b>	<b>\$182,387,693</b>	<b>\$ 179,998,136</b>

On behalf of the Board of Directors:

\_\_\_\_\_ Chair

\_\_\_\_\_ Director

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

## Hamilton Community Foundation Consolidated Statement of Revenue and Expenses and Changes in Net Assets

For the year ended March 31	Endowment		Operating/Invested in Capital Assets		2016	Restricted		Total	
	2016	2015	2016	2015		2015	2016	2016	2015
<b>Revenue</b>									
Investment income (loss), net (Note 7)	\$ -	\$ 570,928	\$ 2,239,531	\$ 2,184,412	\$ (2,626,769)	\$ 16,448,033	\$ (387,238)	\$ 19,203,373	
Donations including bequests	9,370,931	7,953,228	12,000	17,548	1,397,127	3,900,259	10,780,058	11,871,035	
Gifts specified for community leadership projects	-	-	-	-	851,114	735,194	851,114	735,194	
	<b>9,370,931</b>	<b>8,524,156</b>	<b>2,251,531</b>	<b>2,201,960</b>	<b>(378,528)</b>	<b>21,083,486</b>	<b>11,243,934</b>	<b>31,809,602</b>	
<b>Operational expenses (Note 8)</b>									
Grant administration	-	-	284,907	259,386	-	-	284,907	259,386	
Community and philanthropic leadership	-	-	205,615	186,426	-	-	205,615	186,426	
Development activities	-	-	603,045	631,487	-	-	603,045	631,487	
Community relations and knowledge dissemination	-	-	329,402	323,641	-	-	329,402	323,641	
Administration and governance	-	-	832,805	803,469	-	-	832,805	803,469	
	-	-	<b>2,255,774</b>	<b>2,204,409</b>	-	-	<b>2,255,774</b>	<b>2,204,409</b>	
Excess (deficiency) of revenue over expenses before grants and leadership projects	9,370,931	8,524,156	(4,243)	(2,449)	(378,528)	21,083,486	8,988,160	29,605,193	
Grants and leadership projects distributed (Note 9)	-	-	-	-	(7,868,790)	(6,364,915)	(7,868,790)	(6,364,915)	
<b>Excess (deficiency) of revenue over expenses for the year</b>	<b>9,370,931</b>	<b>8,524,156</b>	<b>(4,243)</b>	<b>(2,449)</b>	<b>(8,247,318)</b>	<b>14,718,571</b>	<b>1,119,370</b>	<b>23,240,278</b>	
<b>Fund balances, beginning of year</b>	<b>126,415,525</b>	<b>118,062,170</b>	<b>47,212</b>	<b>52,205</b>	<b>43,266,392</b>	<b>28,374,476</b>	<b>169,729,129</b>	<b>146,488,851</b>	
Transfers (Note 10)	351,415	(170,801)	-	(2,544)	(351,415)	173,345	-	-	
<b>Fund balances, end of year</b>	<b>\$136,137,871</b>	<b>\$126,415,525</b>	<b>\$ 42,969</b>	<b>\$ 47,212</b>	<b>\$ 34,667,659</b>	<b>\$ 43,266,392</b>	<b>\$ 170,848,499</b>	<b>\$169,729,129</b>	

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

## Hamilton Community Foundation Consolidated Statement of Cash Flows

For the year ended March 31	2016	2015
<b>Cash flows provided by operating activities</b>		
Excess of revenue over expenses for the year	\$ 1,119,370	\$ 23,240,278
Items not affecting cash:		
Amortization of capital assets	19,421	40,368
Donated securities	(715,853)	(2,331,362)
Unrealized losses (gains)	13,314,073	(8,004,945)
Gain on sale of investments	(6,497,311)	(7,333,221)
Changes in non-cash working capital items:		
Accounts receivable	(12,735)	7,216
Accrued income receivable	(33,015)	15,774
Prepaid expenses	5,978	(19,389)
Accounts payable and accrued liabilities	435,029	(130,357)
Deferred revenue	33,573	(44,946)
Funds held on behalf of third parties	801,585	1,089,532
	<b>8,470,115</b>	<b>6,528,948</b>
<b>Cash flows from investing activities</b>		
Purchase of investments	(109,115,753)	(98,728,750)
Proceeds from the sale of investments	101,796,562	92,962,934
Advance of loans receivable	(858,000)	(650,000)
Purchase of capital assets	(15,178)	(35,375)
	<b>(8,192,369)</b>	<b>(6,451,191)</b>
<b>Increase in cash during the year</b>	<b>277,746</b>	<b>77,757</b>
<b>Cash, beginning of year</b>	<b>342,957</b>	<b>265,200</b>
<b>Cash, end of year</b>	<b>\$ 620,703</b>	<b>\$ 342,957</b>

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

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# Hamilton Community Foundation

## Notes to Consolidated Financial Statements

March 31, 2016

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### 1. Significant Accounting Policies

#### Nature and Purpose of Organization

Hamilton Community Foundation (the "Foundation") was incorporated without share capital by special act in 1954 and then continued under the Hamilton Community Foundation Act, 1994, Ontario (the "Act"). The Foundation's purpose is to act as a vehicle for donors to improve their community and to meet the changing needs and opportunities across all sectors of the Hamilton community through grant making and community leadership.

The Foundation is a public foundation registered under the Income Tax Act (Canada) (the "Tax Act") and, as such, is exempt from income taxes and able to issue donation receipts for income tax purposes.

#### Principles of Consolidation

The consolidated financial statements include the accounts of the Foundation, its wholly-owned subsidiary, 2375419 Ontario Inc. and The Hamilton Community Foundation Investment Trust. The Hamilton Community Foundation Investment Trust is a trust, established on June 19, 2013, whose sole beneficiary is the Foundation. 2375419 Ontario Inc. is the trustee corporation. On consolidation, all transactions and balances between the Foundation, 2375419 Ontario Inc. and the Hamilton Community Foundation Investment Trust have been eliminated.

#### Basis of Accounting

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

#### Fund Accounting

The Foundation follows the Restricted Fund method for accounting for contributions. The Foundation ensures, as part of its fiduciary responsibilities, all funds received with a restricted purpose are expensed for that purpose.

For financial reporting purposes, the accounts have been classified into the following funds:

- i) Endowment Fund  
The Endowment Fund reports resources that are generally required to be maintained by the Foundation on a permanent basis.
- ii) Operating/Invested in Capital Assets Fund  
The Operating/Invested in Capital Assets Fund ("Operating Fund") reports resources available for the Foundation's general operating activities. These activities include asset development, granting, administration and governance, community relations and knowledge dissemination and community and philanthropic leadership. The general costs of supporting these activities are reported as expenses in the Operating Fund.
- iii) Restricted Fund  
The Restricted Fund reports resources that are available to be used for purposes specified by the donor. Also included are allocations of resources via interfund transfers that are restricted by the Foundation's Board of Directors (the "Board").

#### Revenue Recognition

Gifts received are generally considered unrestricted contributions to the Foundation unless a donor specifies otherwise, and are, therefore, reflected as revenue of the Restricted Fund. If a donor specifies that the contribution is for an existing endowed fund or specifies that it is to be retained permanently, it is recognized as revenue of the Endowment Fund.

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# Hamilton Community Foundation

## Notes to Consolidated Financial Statements

March 31, 2016

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### 1. Significant Accounting Policies (Continued)

#### Revenue Recognition (continued)

Contributions are recognized when received, except where amounts are received for specific community leadership projects. In these cases, contributions are deferred and recorded as revenue when the related expenses are incurred. Bequests are recorded upon receipt of the donated assets.

#### Contributed Services

Volunteers contribute a substantial number of hours each year to assist the Foundation in carrying out its activities. Because of the difficulty of determining their fair value, contributions of such services are not recognized in the financial statements.

#### Contributed Securities

Contributed securities are recorded at their fair value at the date of the contribution if fair value can be reasonably estimated.

#### Disclosure of Allocated Expenses

The Foundation engages in:

- Grant administration
- Community and philanthropic leadership
- Development activities
- Community relations and knowledge dissemination
- Administration and governance

Salaries and benefits, representing the largest portion of operating costs, are allocated to reflect time spent in each area. Direct expenses are charged directly to each area including consulting costs, travel, conferences, and memberships. In addition, general and administrative support expenses are incurred that are common to all functional areas of the Foundation. These expenses are allocated based on space allocation by functional area.

#### Investments

The investments of the Foundation are recorded at fair value based on quoted market prices. Investments that do not have a quoted value on an active market are recorded at cost, less impairment. Investment income (loss) includes interest, dividends, realized gain/(losses) and the net change in unrealized gains/(losses) for the year, less investment counsel and custodian fees.

The market values of investments denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing at the end of the year.

Purchases and sales of investments and investment income (loss) denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing on the respective dates of the transactions.

Investment income (loss) is allocated as follows:

- i) Endowment Fund:
  - Income earned on funds which the donor has stipulated a portion of income be added to principal; and
  - A portion of income equal to the amount required to preserve the purchasing power of the endowed capital as determined by the Foundation's Board.



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# Hamilton Community Foundation

## Notes to Consolidated Financial Statements

March 31, 2016

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### 1. Significant Accounting Policies (Continued)

#### Investments (continued)

##### ii) Operating Fund:

- Interest earned on the assets held in the Operating Fund;
- Income earned on funds which the donor has stipulated the income be used for operations; and
- An amount equal to the aggregate of the administrative fee charged to each Endowment and Restricted Fund.

##### iii) Restricted Fund:

- Income earned on resources of the Endowment or Restricted Fund which is available for granting purposes as determined by the Board via interfund transfers or donor restrictions; and
- Reserve for future market declines.

#### Capital Assets

Capital assets, consisting of leasehold improvements, furniture and fixtures and computer equipment, are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over five years for furniture and fixture, three years for computer equipment and the term of the lease for leasehold improvements.

#### Foreign Currency Translation

Foreign currency accounts are translated to Canadian dollars as follows:

At the transaction date, each asset, liability, revenue or expense is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date. The resulting foreign exchange gains and losses are included in income in the current period.

#### 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 and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses for the year. Actual results could differ from those 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, equities traded in an active market are reported at fair value, with any unrealized gains and losses reported in the restricted fund and operating fund, other than financial instruments related to the endowment fund. In addition, all bonds and cash equivalents have been designated to be in the fair value category, with gains and losses reported in the restricted fund and operating fund, other than financial instruments related to the endowment fund. Changes in fair value of financial instruments related to the endowment fund are recorded directly in net assets. 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 Community Foundation Notes to Consolidated Financial Statements

**March 31, 2016**

### 2. Investments at Cost

	2016	2015
Private equity	\$ 3,898,637	\$ 2,178,295
Real estate	2,000,000	1,182,950
Infrastructure	901,684	914,770
	\$ 6,800,321	\$ 4,276,015

The Foundation is moving toward an integrated investment approach, which includes investing in alternative investment classes, such as private equity, real estate and infrastructure. Investments at cost represent investments that do not have a quoted value in an active market and are recorded in accordance with the significant account policies of the Foundation. These investments are made in accordance with the Foundation's investment policy as approved by the Board, which includes guidelines regarding the minimum and maximum amount of alternative investment holdings.

### 3. Investments at Market

	2016	2015
Bonds	\$ 52,547,012	\$ 51,768,127
Equities		
Canadian	43,279,528	50,655,860
Foreign	62,239,260	56,921,667
	158,065,800	159,345,654
Cash and cash equivalents	14,808,778	14,834,948
	\$ 172,874,578	\$ 174,180,602

The investments are held in four separate portfolios each of which is managed by a professional investment counselor selected to provide diversity of investment philosophy and style. Investments in each portfolio are made in accordance with the Foundation's investment policy as approved by the Board. The goal of the policy is to ensure that funds are maintained and grown while achieving maximum returns consistent with prudent investment. The investment policy includes guidelines regarding the minimum and maximum amount of equity holdings, foreign equity holdings and a maximum to be invested in any one related party or industry.

The Foundation manages its portfolio investments based on its cash flow needs and with a view to optimizing its investment income within an appropriate level of risk.

The effective interest rate on bonds during the year varied from 1.200% to 7.405% (2015 - 1.000% to 7.405%). The maturities of these bonds range from October 17, 2016 to December 31, 2108 (2015 - from May 28, 2015 to December 31, 2108)

## Hamilton Community Foundation Notes to Consolidated Financial Statements

**March 31, 2016**

### 3. Investments at Market (Continued)

The effective interest rate on treasury bills and bankers acceptance included in cash equivalents during the year varied from 0.01% to 0.82% (2015 - 0.01% to 1.03%) with maturities ranging from April 7, 2016 to October 20, 2016 (2015 – from April 9, 2015 to January 14, 2016).

### 4. Loans Receivable

Loans receivable includes the following:

A five year term loan in the amount of \$858,000 (2015 - \$Nil), bearing interest at 3.5% per annum. Interest only payments are due during the first three years, at which point monthly payments of principal and interest will be required. The amount is secured by a collateral mortgage covering 54.36 acres of land.

A five year term loan in the amount of \$650,000 (2015 - \$650,000), bearing interest at 3% per annum. Interest only payments are due until the construction project by the borrower is completed, at which point monthly payments of principal and interest will be required. The amount is secured by the land and building of the construction project.

A non-interest bearing promissory note in the amount of \$50,000 (2015 - \$50,000), with no specific terms of repayment.

### 5. Capital Assets

	2016		2015	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Leasehold improvements	\$ 13,184	\$ 2,714	\$ 9,609	\$ 115
Furniture and fixtures	12,881	9,183	18,880	12,452
Computer equipment	51,229	22,428	40,838	9,548
	<b>\$ 77,294</b>	<b>\$ 34,325</b>	<b>\$ 69,327</b>	<b>\$ 22,115</b>
Net book value		<b>\$ 42,969</b>		<b>\$ 47,212</b>

During the year, \$19,421 (2015 - \$40,368) of amortization expense on capital assets was incurred and is reported in the consolidated statement of revenue and expenses and changes in net assets.

During the year, fully amortized capital assets in the amount of \$7,211 (2015 - \$355,431) were written off by the Foundation.

# Hamilton Community Foundation

## Notes to Consolidated Financial Statements

**March 31, 2016**

### 6. Funds Held on Behalf of Third Parties

Funds held on behalf of third parties of \$10,205,726 (2015 - \$9,404,141) are pooled with the investments of the Foundation. Capital and related income (losses) earned on these funds are to be distributed by the owners. Investment income or losses are allocated to these funds in the proportion of their capital to the total capital. Administration fees ranging from 0.5% to 2.0% of the fund balance are charged on these funds. The receipt and disbursement of these funds are not reflected in the consolidated statement of revenue and expenses and changes in net assets.

### 7. Investment Income (Loss), Net

The assets held by the Foundation are pooled for investment purposes. The investment income (loss) is allocated to the Endowment, Operating and Restricted Funds and funds held on behalf of third parties in accordance with stated accounting policies.

	2016	2015
Investment income (loss) during the year:		
Interest and dividends	\$ 7,200,036	\$ 5,635,699
Realized gains on sale of investments	6,497,311	7,333,221
Unrealized (losses) gains	(13,314,073)	8,004,945
	383,274	20,973,865
Add/(Deduct):		
Investment fees	(794,227)	(645,228)
Investment loss (income) allocated to funds held on behalf of third parties	23,715	(1,125,264)
	\$ (387,238)	\$ 19,203,373
Allocated to:		
Endowment Fund	\$ -	\$ 570,928
Operating Fund	2,239,531	2,184,412
Restricted Fund	(2,626,769)	16,448,033
	\$ (387,238)	\$ 19,203,373

## Hamilton Community Foundation Notes to Consolidated Financial Statements

**March 31, 2016**

### 8. Expenses as Percentage of Average Total Assets

	2016	2015
Total assets		
Opening	\$ 179,998,136	\$ 155,843,629
Closing	182,387,693	179,998,136
Average	181,192,915	167,920,883
Total operating expenses	\$ 2,255,774	\$ 2,204,409
Expenses as percentage of average total assets	1.2%	1.3%

The Foundation's operating expenses involve asset development, administration and governance, community relations and knowledge dissemination and activities related to grant administration, leadership and philanthropic services. These activities are not necessarily related to the donations received in any one year and the asset development methodology used by the Foundation creates normal gift delays which may result in costs preceding the receipt of the gifts by several years.

In management's view, the ratio of total operating expenses to average total assets should be used to evaluate the operating costs. Ratios may fall within a range depending on the size and stage of development of a community foundation. Management considers the ratio of 1.2% (2015 - 1.3%) to be within an acceptable range compared with benchmarks established in the community foundation sector and continues to monitor both the actual results and the benchmarks on an ongoing basis.

### 9. Grants and Leadership Projects

In addition to grant administration, the Foundation undertakes a number of community leadership projects. These projects, many of which span a number of years, have a separate funding stream from operations through external gifts from donors, as well, as commitments made by the Board to support these initiatives.

	2016	2015
Grants and leadership projects were made as follows:		
Grants	\$ 7,089,870	\$ 5,853,893
Community leadership projects:		
Advancing post-secondary access program	79,430	-
Community Investing: Research, Development & Education	18,620	68,326
Hamilton Anchor Institution Leadership Table	17,189	-
Hamilton Education Project	-	90,677
Hamilton Revitalization Action Campaign	450,000	-
Hamilton Roundtable for Poverty Reduction	92,566	246,615
Neighbourhood Leadership Institute	78,855	73,145
Youth in Philanthropy Program	-	13,295
Other leadership projects	42,260	18,964
	\$ 7,868,790	\$ 6,364,915

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## Hamilton Community Foundation Notes to Consolidated Financial Statements

**March 31, 2016**

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### 9. Grants and Leadership Projects (Continued)

Philanthropic services represent the Foundation's work to provide technical assistance to other philanthropic organizations and projects, as well as to foster the growth of community philanthropy and include the costs of the Hamilton Roundtable for Poverty Reduction.

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### 10. Transfers

During the year, an amount of \$351,415 was transferred to the Endowment Fund from the Restricted Fund representing an inflation adjustment for the year. In 2015, \$170,801 was transferred from the Endowment Fund to the Restricted Fund to reverse a prior year allocation to capital.

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### 11. Commitments

As at March 31, 2016, the Foundation has extended pledges for future grants and distributions. These amounts, which have not been reflected as liabilities, total \$1,502,365 (2015 - \$148,317) and they are expected to be granted and paid over the next two years. The increase reflects the Foundation's multi-year strategy to support its focus on education through its unrestricted granting in the Advancing post-secondary access program.

The Foundation has unfunded investment commitments related to private equity investments that can be drawn on demand. At March 31, 2016, the unfunded amount for private equity is:

U.S. dollars	\$	2,724,906
Canadian dollars		1,750,000

The Foundation is committed to minimum annual operating lease payments on its premises as follows:

2017	\$	161,617
2018		161,617
2019		161,617
2020		<u>107,745</u>
	\$	<u>592,596</u>

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### 12. Interest in Life Insurance Policies

The Foundation is the assignee and/or owner of life insurance policies totaling approximately \$933,130 (2015 - \$1,058,130). No value related to these policies is included in these consolidated financial statements.

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# Hamilton Community Foundation

## Notes to Consolidated Financial Statements

March 31, 2016

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### 13. Financial Instrument Risk

#### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Foundation is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of fixed income denominated investments. There have been no changes in this risk from the prior year.

#### Market Risk

The Foundation is subject to market risk with respect to its investments. The values of these investments will fluctuate as a result of changes in market prices or other factors affecting the value of the investments. There have been no changes in this risk from the prior year.

#### Credit Risk

The Foundation is exposed to normal credit risk resulting from the possibility that a counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterparty; or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The Foundation's financial instruments that are exposed to concentrations of credit risk relate primarily to fixed income investments. The Foundation manages the risk by limiting the credit exposure allowed by the fixed income managers. There have been no changes in this risk from the prior year.

#### Currency Risk

Investments in foreign securities are exposed to currency risk due to fluctuations in foreign exchange rates. The Foundation is exposed to currency risk on its foreign market equities as the prices denominated in foreign currencies are converted to Canadian dollars in determining fair value. The objective of the Foundation's investment policy is to control currency risk by maintaining a geographically diversified portfolio. There have been no changes in this risk from the prior year.

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### 14. Comparative Amounts

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