

Hamilton Community Foundation
Consolidated Financial Statements
For the year ended March 31, 2018

Hamilton Community Foundation
Consolidated Financial Statements
For the year ended March 31, 2018

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Independent Auditor's Report

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, 2018, and the consolidated statements of revenue and expenses and changes in net assets and cash flows for the year ended March 31, 2018, 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, 2018 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.



Amended Consolidated Financial Statements

We draw attention to Note 14 to the consolidated financial statements, which explains that the consolidated financial statements for the year ended March 31, 2018 have been amended from those on which we originally reported on June 19, 2018. Our conclusion is not modified in respect of this matter.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Burlington, Ontario

June 19, 2018, except as to Note 14, which is as of May 7, 2019

Hamilton Community Foundation Consolidated Statement of Financial Position

March 31	Endowment		Operating/Invested in Capital Assets		Restricted		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Assets								
Current								
Cash (bank indebtedness)	\$ 5,868	\$ 1,174	\$ 31,715	\$ 92,063	\$ (147,524)	\$ 336,174	\$ (109,941)	\$ 429,411
Accounts receivable	-	-	130,735	63,172	-	-	130,735	63,172
Accrued income receivable	-	-	-	-	520,566	556,245	520,566	556,245
Prepaid expenses	-	-	75,944	38,982	-	-	75,944	38,982
Current portion of loans receivable (Note 4)	1,038,105	425,000	-	-	-	-	1,038,105	425,000
	1,043,973	426,174	238,394	194,217	373,042	892,419	1,655,409	1,512,810
Investments at:								
Cost (Note 2)	8,794,374	7,691,380	-	-	-	-	8,794,374	7,691,380
Market (Note 3)	128,201,032	124,954,207	11,088,850	10,292,823	39,327,537	43,664,005	178,617,419	178,911,035
Loans receivable (Note 4)	5,364,713	4,637,004	-	-	-	-	5,364,713	4,637,004
Capital assets (Note 5)	-	-	34,554	42,873	-	-	34,554	42,873
	\$143,404,092	\$ 137,708,765	\$11,361,798	\$10,529,913	\$39,700,579	\$44,556,424	\$ 194,466,469	\$ 192,795,102

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities	\$ -	\$ -	\$ 238,394	\$ 192,105	\$ 195,000	\$ 469,539	\$ 433,394	\$ 661,644
Deferred revenue	-	-	-	2,112	589,485	626,955	589,485	629,067
Funds held on behalf of third parties (Note 6)	-	-	11,088,850	10,292,823	-	-	11,088,850	10,292,823
	-	-	11,327,244	10,487,040	784,485	1,096,494	12,111,729	11,583,534

Net assets

Endowment funds	143,404,092	137,708,765	-	-	-	-	143,404,092	137,708,765
Invested in capital assets	-	-	34,554	42,873	-	-	34,554	42,873
Restricted funds	-	-	-	-	38,916,094	43,459,930	38,916,094	43,459,930
	143,404,092	137,708,765	34,554	42,873	38,916,094	43,459,930	182,354,740	181,211,568
	\$143,404,092	\$ 137,708,765	\$11,361,798	\$10,529,913	\$39,700,579	\$44,556,424	\$194,466,469	\$ 192,795,102

On behalf of the Board of Directors:

Chair

Director

The accompanying notes are an integral part of these consolidated 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		Restricted		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Revenue								
Investment income, net (Note 7)	\$ -	\$ -	\$ 2,450,049	\$ 2,283,977	\$ 2,882,535	\$ 14,467,789	\$ 5,332,584	\$ 16,751,766
Donations including bequests	4,693,380	1,798,186	20,000	32,000	1,142,732	958,374	5,856,112	2,788,560
Gifts specified for community leadership projects	-	-	-	-	646,839	352,740	646,839	352,740
	4,693,380	1,798,186	2,470,049	2,315,977	4,672,106	15,778,903	11,835,535	19,893,066
Operational expenses (Note 8)								
Grant administration	-	-	337,783	302,433	-	-	337,783	302,433
Community and Philanthropic Leadership	-	-	289,409	255,710	-	-	289,409	255,710
Development activities	-	-	566,774	582,482	-	-	566,774	582,482
Community Relations and Knowledge Dissemination	-	-	388,552	327,747	-	-	388,552	327,747
Administration and Governance	-	-	895,850	847,701	-	-	895,850	847,701
	-	-	2,478,368	2,316,073	-	-	2,478,368	2,316,073
Excess (deficiency) of revenue over expenses before grants and leadership projects	4,693,380	1,798,186	(8,319)	(96)	4,672,106	15,778,903	9,357,167	17,576,993
Grants and leadership projects distributed (Note 9)	-	-	-	-	(8,213,995)	(7,213,924)	(8,213,995)	(7,213,924)
Excess (deficiency) of revenue over expenses for the year	4,693,380	1,798,186	(8,319)	(96)	(3,541,889)	8,564,979	1,143,172	10,363,069
Fund balances, beginning of year	137,708,765	136,137,871	42,873	42,969	43,459,930	34,667,659	181,211,568	170,848,499
Transfers (Note 10)	1,001,947	(227,292)	-	-	(1,001,947)	227,292	-	-
Fund balances, end of year	\$143,404,092	\$137,708,765	\$ 34,554	\$ 42,873	\$ 38,916,094	\$ 43,459,930	\$ 182,354,740	\$ 181,211,568

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

Hamilton Community Foundation Consolidated Statement of Cash Flows

For the year ended March 31	2018	2017
Cash flows provided by operating activities		
Excess of revenue over expenses for the year	\$ 1,143,172	\$ 10,363,069
Items not affecting cash		
Amortization of capital assets	24,219	25,389
Donated securities	(1,759,086)	(1,034,157)
Unrealized losses (gains)	6,841,927	(8,163,110)
Realized gain on sale of investments	(5,744,545)	(5,352,894)
Changes in non-cash working capital items		
Accounts receivable	(67,563)	5,261
Accrued income receivable	35,679	(177,145)
Prepaid expenses	(36,962)	4,607
Accounts payable and accrued liabilities	(228,250)	(155,843)
Deferred revenue	(39,582)	113,086
Funds held on behalf of third parties	796,027	87,097
	<u>965,036</u>	<u>(4,284,640)</u>
Cash flows from investing activities		
Purchase of investments	(141,537,095)	(110,095,609)
Proceeds from the sale of investments	141,389,421	117,718,254
Advance of loans receivable	(1,340,814)	(3,504,004)
Purchase of capital assets	(15,900)	(25,293)
	<u>(1,504,388)</u>	<u>4,093,348</u>
Decrease in cash during the year	(539,352)	(191,292)
Cash, beginning of year	429,411	620,703
Cash (bank indebtedness), end of year	\$ (109,941)	\$ 429,411

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

Hamilton Community Foundation

Notes to Consolidated Financial Statements

March 31, 2018

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, therefore, are 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.

Hamilton Community Foundation

Notes to Consolidated Financial Statements

March 31, 2018

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; and
- 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 in an active market are recorded at cost, less impairment. Investment income 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 denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing on the respective dates of the transactions.

Investment income 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.

Hamilton Community Foundation

Notes to Consolidated Financial Statements

March 31, 2018

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, 2018

2. Investments at Cost

	2018	2017
Private equity	\$ 5,674,762	\$ 4,872,378
Real estate	1,885,143	1,950,326
Infrastructure	1,034,469	868,676
Private debt	200,000	-
	\$ 8,794,374	\$ 7,691,380

The Foundation applies an integrated investment approach, which includes investing in alternative investment classes, such as private equity, real estate, infrastructure and private debt. Investments at cost represent investments that do not have a quoted value in an active market and are recorded in accordance with the significant accounting 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

	2018	2017
Bonds	\$ 52,637,679	\$ 50,654,162
Equities:		
Canadian	43,650,950	46,773,620
Foreign	67,468,679	67,248,008
	163,757,308	164,675,790
Cash and cash equivalents	14,860,111	14,235,245
	\$ 178,617,419	\$ 178,911,035

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.

Hamilton Community Foundation Notes to Consolidated Financial Statements

March 31, 2018

3. Investments at Market (Continued)

The effective interest rate on bonds during the year varied from 1.000% to 7.405% (2017 - 1.150% to 7.405%). The maturities of these bonds range from May 24, 2018 to December 31, 2108 (2017 - from March 22, 2018 to December 31, 2108).

The effective interest rate on treasury bills and bankers acceptance included in cash equivalents during the year varied from 1.01% to 2.62% (2017 – 0.37% to 0.94%) with maturities ranging from April 2, 2018 to June 14, 2018 (2017 – from April 3, 2017 to June 29, 2017).

4. Loans Receivable

Loans receivable consists of the following:

	2018	2017
Loan receivable (a)	\$ 1,500,000	\$ 1,500,000
Loan receivable (b)	1,000,000	1,000,000
Loan receivable (c)	1,000,000	-
Loan receivable (d)	621,583	650,000
Loan receivable (d)	500,000	-
Loan receivable (d)	433,000	558,000
Loan receivable (d)	450,000	450,000
Loan receivable (d)	450,000	450,000
Loan receivable (d)	399,000	-
Loan receivable (d)	49,235	50,000
Loan receivable, matured	-	404,004
	6,402,818	5,062,004
Less: Current portion	1,038,105	425,000
	\$ 5,364,713	\$ 4,637,004

Hamilton Community Foundation Notes to Consolidated Financial Statements

March 31, 2018

4. Loans Receivable (Continued)

- (a) Term loan, bearing interest at 4.25% per annum, secured by land and building subordinate only to the interest of Affordable Housing (Ontario), repayable interest only monthly and maturing October 2019.
- (b) Loan advanced under a credit facility (the "Facility"), bearing interest at 5% on portion of Facility disbursed and weighted average interest accrued in the account of the borrower during applicable fiscal quarter with guaranteed minimum interest of 3% per annum, repayable interest only quarterly and maturing September 2018.
- (c) Term loan, bearing interest at 4% per annum, secured by a general security agreement over the assets of the borrower, repayable interest only annually commencing on May 31, 2018 and maturing May 31, 2024.
- (d) Various term loans, bearing interest between 3.0% to 5.5% per annum, secured by the land and building for which the loan relates, repayable interest only until certain conditions are met or time has elapsed with blended repayments required thereafter. The various term loans mature between June 2019 and January 2023.

5. Capital Assets

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Leasehold improvements	\$ 18,145	\$ 11,271	\$ 18,144	\$ 6,575
Furniture and fixtures	9,282	3,121	14,684	10,704
Computer equipment	61,758	40,239	64,348	37,024
	\$ 89,185	\$ 54,631	\$ 97,176	\$ 54,303
Net book value		\$ 34,554		\$ 42,873

During the year, \$24,219 (2017 - \$25,389) 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 \$23,924 (2017 - \$5,411) were written off by the Foundation.

Hamilton Community Foundation Notes to Consolidated Financial Statements

March 31, 2018

6. Funds Held on Behalf of Third Parties

Funds held on behalf of third parties of \$11,088,850 (2017 - \$10,292,823) 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 1.5% 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, Net

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

	2018	2017
Investment income during the year:		
Interest and dividends	\$ 7,641,609	\$ 5,088,686
Realized gain on sale of investments	5,744,545	5,352,894
Unrealized (losses) gains	(6,841,927)	8,163,110
	6,544,227	18,604,690
Deduct:		
Investment fees	(840,616)	(768,827)
Investment income allocated to funds held on behalf of third parties	(371,027)	(1,084,097)
	\$ 5,332,584	\$ 16,751,766
Allocated to:		
Endowment Fund	\$ -	\$ -
Operating Fund	2,450,049	2,283,977
Restricted Fund	2,882,535	14,467,789
	\$ 5,332,584	\$ 16,751,766

Investment counsel and custodian fees as a percentage of managed investments was 0.47% for the year (2017 – 0.42%).

Hamilton Community Foundation Notes to Consolidated Financial Statements

March 31, 2018

8. Expenses as Percentage of Average Total Assets

	2018	2017
Total assets:		
Opening	\$ 192,795,102	\$ 182,387,693
Closing	194,466,469	192,795,102
Average	193,630,786	187,591,398
Total operating expenses	\$ 2,478,368	\$ 2,316,073
Expenses as percentage of average total assets	1.3%	1.2%

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 1.3% (2017 - 1.2%) 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.

	2018	2017
Grants and leadership projects were made as follows:		
Grants	\$ 7,676,464	\$ 6,861,184
Community leadership projects:		
Advancing post-secondary access program (ABACUS)	166,575	95,449
Hamilton Anchor Institution Leadership Table	89,506	34,858
Neighbourhood – Community Development Team	66,751	-
Neighbourhood Leadership Institute	196,851	134,809
Nurse Family Partnership	-	69,628
Other leadership projects	17,848	17,996
	\$ 8,213,995	\$ 7,213,924

Hamilton Community Foundation Notes to Consolidated Financial Statements

March 31, 2018

10. Transfers

During the year, an amount of \$1,001,947 was transferred to the Endowment Fund from the Restricted Fund reflecting the 2017 inflation adjustment and a return of capital transferred for funding purposes in prior years. In 2017, \$227,292 was transferred from the Endowment Fund to the Restricted Fund to meet prior funding requirements.

11. Commitments and Guarantee

As at March 31, 2018, the Foundation has extended pledges for future grants and distributions. These amounts, which have not been reflected as liabilities, total \$747,384 (2017 - \$2,459,915) and they are expected to be granted and paid over the next four 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, 2018, the unfunded amount for private equity is:

U.S. dollars	\$ 1,540,073
Canadian dollars	3,368,099

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

2019	\$ 164,155
2020	<u>109,437</u>
	<u>\$ 273,592</u>

The Foundation has guaranteed a credit facility entered into by an unrelated charitable organization for a maximum of \$1,000,000.

12. Interest in Life Insurance Policies

The Foundation is the assignee and/or owner of life insurance policies totaling approximately \$870,000 (2017 - \$933,130). No value related to these policies is included in these consolidated financial statements.

Hamilton Community Foundation Notes to Consolidated Financial Statements

March 31, 2018

13. Financial Instrument Risks

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 and loans receivable. 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 and loans receivable. 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.

14. Amended Consolidated Financial Statements

The consolidated financial statements originally reported on June 19, 2018 have been amended as of May 7, 2019 due to a presentation error between the current portion of loans receivable and long-term portion of loans receivable reported in the Endowment Fund on the consolidated statement of financial position. The following table reflects the amendment:

**Hamilton Community Foundation
Notes to Consolidated Financial Statements**

March 31, 2018

14. Amended Consolidated Financial Statements (Continued)

Endowment Fund on the Consolidated Statement of Financial Position at March 31, 2018	Originally Reported	Correction	Amended Consolidated Financial Statements
Assets			
Current			
Current portion of loans receivable	\$ 1,000,000	\$ 38,105	\$ 1,038,105
Loans receivable	\$ 5,402,818	(\$ 38,105)	\$ 5,364,713