

Hamilton Community Foundation  
Consolidated Financial Statements  
For the year ended March 31, 2020

**Hamilton Community Foundation**  
**Consolidated Financial Statements**  
For the year ended March 31, 2020

---

**Contents**

<b>Independent Auditor's Report</b>	<b>2 - 3</b>
<b>Consolidated Financial Statements</b>	
Statement of Financial Position	<b>4</b>
Statement of Revenue and Expenses and Changes in Net Assets	<b>5</b>
Statement of Cash Flows	<b>6</b>
Notes to Financial Statements	<b>7 - 18</b>



Tel: 905 639 9500  
Fax: 905 633 4939  
Toll-free: 888 236 2383  
www.bdo.ca

BDO Canada LLP  
3115 Harvester Road, Suite 400  
Burlington ON L7N 3N8 Canada

---

## Independent Auditor's Report

---

To the Board of Directors of Hamilton Community Foundation

### Opinion

We have audited the consolidated financial statements of Hamilton Community Foundation (the "Foundation"), which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statements of revenue and expenses and changes in net assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Foundation as at March 31, 2020, and its consolidated results of operations and its consolidated 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 Foundation 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.

### Other Information

Management is responsible for the other information. The other information comprises:

- The information included in the Annual Report and the Report to the Community.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon the report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Annual Report and the Report to the Community prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's 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 Foundation'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 Foundation'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 Foundation 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 Foundation 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  
Burlington, Ontario  
June 23, 2020

## Hamilton Community Foundation Consolidated Statement of Financial Position

	Endowment		Operating/Invested in Capital Assets		Restricted		Total	
March 31	2020	2019	2020	2019	2020	2019	2020	2019
<b>Assets</b>								
<b>Current</b>								
Cash (bank indebtedness)	\$ 7,920	\$ 50,422	\$ 35,015	\$ (90,378)	\$ 225,404	\$ 602,436	\$ 268,339	\$ 562,480
Accounts receivable	-	-	95,237	152,530	214,181	77,098	309,418	229,628
Accrued income receivable	-	-	-	-	809,655	685,716	809,655	685,716
Prepaid expenses	-	-	62,940	88,184	-	-	62,940	88,184
Current portion of loans receivable (Note 4)	2,632,556	2,463,579	-	-	-	-	2,632,556	2,463,579
	<b>2,640,476</b>	2,514,001	<b>193,192</b>	150,336	<b>1,249,240</b>	1,365,250	<b>4,082,908</b>	4,029,587
<b>Investments at:</b>								
Cost (Note 2)	40,386,222	11,829,951	-	-	-	-	40,386,222	11,829,951
Market (Note 3)	126,028,361	124,577,653	1,693,949	11,748,222	21,365,956	42,594,701	149,088,266	178,920,576
Loans receivable (Note 4)	7,774,734	7,423,433	-	-	-	-	7,774,734	7,423,433
Capital assets (Note 5)	-	-	60,368	52,071	-	-	60,368	52,071
	<b>\$ 176,829,793</b>	\$ 146,345,038	<b>\$ 1,947,509</b>	\$ 11,950,629	<b>\$ 22,615,196</b>	\$ 43,959,951	<b>\$ 201,392,498</b>	\$ 202,255,618
<b>Liabilities and Net Assets</b>								
<b>Current</b>								
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 193,194	\$ 150,336	\$ 176,600	\$ 210,808	\$ 369,794	\$ 361,144
Deferred revenue	-	-	-	-	780,097	711,461	780,097	711,461
Funds held on behalf of third parties (Note 6)	-	-	1,693,949	11,748,222	-	-	1,693,949	11,748,222
	<b>-</b>	<b>-</b>	<b>1,887,143</b>	11,898,558	<b>956,697</b>	922,269	<b>2,843,840</b>	12,820,827
<b>Net assets</b>								
Endowment funds	176,829,793	146,345,038	-	-	-	-	176,829,793	146,345,038
Invested in capital assets	-	-	60,366	52,071	-	-	60,366	52,071
Restricted funds	-	-	-	-	21,658,499	43,037,682	21,658,499	43,037,682
	<b>176,829,793</b>	146,345,038	<b>60,366</b>	52,071	<b>21,658,499</b>	43,037,682	<b>198,548,658</b>	189,434,791
	<b>\$ 176,829,793</b>	\$ 146,345,038	<b>\$ 1,947,509</b>	\$ 11,950,629	<b>\$ 22,615,196</b>	\$ 43,959,951	<b>\$ 201,392,498</b>	\$ 202,255,618

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	
	2020	2019	2020	2019	2020	2019	2020	2019
<b>Revenue</b>								
Investment income (loss), net (Note 7)	\$ -	\$ -	\$ 2,532,686	\$ 2,479,464	\$ (14,505,220)	\$ 8,153,503	\$ (11,972,534)	\$ 10,632,967
Donations including bequests	30,731,201	2,048,769	22,000	22,000	3,605,907	7,367,152	34,359,108	9,437,921
Donations specified for community leadership projects	-	-	-	-	737,041	863,596	737,041	863,596
	<b>30,731,201</b>	<b>2,048,769</b>	<b>2,554,686</b>	<b>2,501,464</b>	<b>(10,162,272)</b>	<b>16,384,251</b>	<b>23,123,615</b>	<b>20,934,484</b>
<b>Operational expenses</b> (Note 8)								
Grant administration	-	-	301,621	330,326	-	-	301,621	330,326
Community and Philanthropic Leadership	-	-	316,278	305,676	-	-	316,278	305,676
Development activities	-	-	521,335	516,934	-	-	521,335	516,934
Community Relations and Knowledge Dissemination	-	-	410,410	390,765	-	-	410,410	390,765
Administration and Governance	-	-	996,747	940,246	-	-	996,747	940,246
	-	-	2,546,391	2,483,947	-	-	2,546,391	2,483,947
Excess (deficiency) of revenue over expenses before grants and leadership projects	30,731,201	2,048,769	8,295	17,517	(10,162,272)	16,384,251	20,577,224	18,450,537
Grants and leadership projects distributed (Note 9)	-	-	-	-	(11,463,357)	(11,370,486)	(11,463,357)	(11,370,486)
<b>Excess (deficiency) of revenue over expenses for the year</b>	<b>30,731,201</b>	<b>2,048,769</b>	<b>8,295</b>	<b>17,517</b>	<b>(21,625,629)</b>	<b>5,013,765</b>	<b>9,113,867</b>	<b>7,080,051</b>
<b>Fund balances</b> , beginning of year	146,345,038	143,404,092	52,071	34,554	43,037,682	38,916,094	189,434,791	182,354,740
Transfers (Note 10)	(246,446)	892,177	-	-	246,446	(892,177)	-	-
<b>Fund balances</b> , end of year	<b>\$ 176,829,793</b>	<b>\$ 146,345,038</b>	<b>\$ 60,366</b>	<b>\$ 52,071</b>	<b>\$ 21,658,499</b>	<b>\$ 43,037,682</b>	<b>\$ 198,548,658</b>	<b>\$ 189,434,791</b>

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

## Hamilton Community Foundation Consolidated Statement of Cash Flows

<b>For the year ended March 31</b>	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities</b>		
Excess of revenue over expenses for the year	\$ 9,113,867	\$ 7,080,051
Items not affecting cash		
Amortization of capital assets	29,325	24,546
Donated securities	(27,143,991)	(997,262)
Unrealized losses	22,122,934	2,280,649
Realized gain on sale of investments	(5,929,993)	(7,820,772)
Changes in non-cash working capital items		
Accounts receivable	(79,790)	(98,893)
Accrued income receivable	(123,939)	(165,150)
Prepaid expenses	25,244	(12,240)
Accounts payable and accrued liabilities	8,650	(72,250)
Deferred revenue	68,636	121,976
Funds held on behalf of third parties	(10,054,273)	659,372
	<u>(11,963,330)</u>	<u>1,000,027</u>
<b>Cash flows from investing activities</b>		
Purchase of investments	(203,759,979)	(209,771,518)
Proceeds from the sale of investments	215,987,068	212,970,169
Advances of loans receivable	(520,278)	(3,484,194)
Purchase of capital assets	(37,622)	(42,063)
	<u>11,669,189</u>	<u>(327,606)</u>
<b>Increase (decrease) in cash during the year</b>	<b>(294,141)</b>	<b>672,421</b>
<b>Cash (bank indebtedness), beginning of year</b>	<b>562,480</b>	<b>(109,941)</b>
<b>Cash, end of year</b>	<b>\$ 268,339</b>	<b>\$ 562,480</b>

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

---

# Hamilton Community Foundation

## Notes to Consolidated Financial Statements

March 31, 2020

---

### 1. Significant Accounting Policies

#### Nature and Purpose of Organization

Hamilton Community Foundation (the "Foundation") was incorporated without share capital by special act in 1954, continued under the Hamilton Community Foundation Act, 1994, Ontario (the "Act"), and now have a continuance under the Canada Not-for-Profit Corporations Act. The Foundation's purpose is to act as a vehicle for donors to improve the 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").



---

# Hamilton Community Foundation

## Notes to Consolidated Financial Statements

**March 31, 2020**

---

### 1. Significant Accounting Policies (Continued)

#### 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.

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 consolidated 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 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.

---

# Hamilton Community Foundation

## Notes to Consolidated Financial Statements

**March 31, 2020**

---

### 1. Significant Accounting Policies (Continued)

#### **Investments** (continued)

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.
- 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 (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.

---

## Hamilton Community Foundation Notes to Consolidated Financial Statements

**March 31, 2020**

---

### 1. Significant Accounting Policies (Continued)

#### 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 (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 (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.

---

### 2. Investments at Cost

	<u>2020</u>	2019
Private equity	<b>\$ 33,953,871</b>	\$ 7,065,307
Real estate	<b>1,856,749</b>	1,893,699
Infrastructure	<b>1,401,242</b>	1,366,109
Private debt	<b>3,174,360</b>	1,504,836
	<b><u>\$ 40,386,222</u></b>	<u>\$ 11,829,951</u>

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.

During the year, the Foundation received a donation of a private equity investment in the amount of \$25,000,000. The investment is held at cost in accordance with the Foundation's significant accounting policies.

## Hamilton Community Foundation Notes to Consolidated Financial Statements

**March 31, 2020**

### 3. Investments at Market

	2020	2019
Bonds	<b>\$ 5,580,652</b>	\$ 56,587,085
Equities		
Canadian	<b>47,859,117</b>	43,856,275
Foreign	<b>84,963,354</b>	63,335,849
	<b>138,403,123</b>	163,779,209
Cash and cash equivalents	<b>10,685,143</b>	15,141,367
	<b>\$149,088,266</b>	\$178,920,576

The investments are held in four separate portfolios each of which is managed by a professional investment counsellor 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 1.20% to 3.54% (2019 - 1.000% to 7.405%). The maturities of these bonds range from May 13, 2020 to October 15, 2024 (2019 - from October 28, 2019 to December 31, 2018).

The effective interest rate on treasury bills and bankers acceptance included in cash equivalents during the year varied from 0.43% to 1.67% (2019 - 1.54% to 2.41%) with maturities ranging from April 16, 2020 to July 23, 2020 (2019 - April 4, 2019 to June 13, 2019).

## Hamilton Community Foundation Notes to Consolidated Financial Statements

**March 31, 2020**

### 4. Loans Receivable

Loans receivable consists of the following loans:

	2020	2019
Loans receivable (a)	\$ 3,500,000	\$ 1,700,000
Loan receivable (b)	1,000,000	1,000,000
Loan receivable (c)	1,281,890	1,326,536
Various loans receivable (d)	4,625,400	4,860,476
Loan receivable, matured	-	1,000,000
	<b>10,407,290</b>	9,887,012
Less: Current portion	<b>2,632,556</b>	2,463,579
	<b>\$ 7,774,734</b>	\$ 7,423,433

- (a) Term loans, bearing interest between 3.0% to 4.0% per annum, secured by land and building, repayable interest only monthly and maturing between July 2021 and February 2023.
- (b) Term loan, bearing interest at 4.0% per annum, secured by a general security agreement over the assets of the borrower, repayable interest only annually and maturing May 2024.
- (c) Term loan, bearing interest at the greater of TD prime plus 0.5% and 3.5%, secured by assignment of occupancy income and specific assignment of mortgage receivables, repayable in monthly interest and principal payments of \$2,067 to \$3,100, maturing October 2023.
- (d) Various term loans (2020 – 12, 2019 – 11), 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 interest and principal repayments required thereafter and maturing between July 2020 to January 2025. Subsequent to year end, three of the term loans had principal and interest postponed (Note 13).

### 5. Capital Assets

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Leasehold improvements	\$ 18,629	\$ 8,667	\$ 21,641	\$ 16,948
Furniture and fixtures	11,552	4,380	9,364	2,770
Computer equipment	69,822	26,588	77,611	36,827
	<b>\$ 100,003</b>	<b>\$ 39,635</b>	<b>\$ 108,616</b>	<b>\$ 56,545</b>
Net book value		<b>\$ 60,368</b>		<b>\$ 52,071</b>

## Hamilton Community Foundation Notes to Consolidated Financial Statements

**March 31, 2020**

### 5. Capital Assets (Continued)

During the year, \$29,325 (2019 - \$24,546) 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 \$46,235 (2019 - \$22,632) were written off by the Foundation.

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

Funds held on behalf of third parties of \$1,693,949 (2019 - \$11,748,222) 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.

During the year, one of the third parties made the decision to manage its own investments rather than maintain them in the Foundation's pools which has contributed to the decrease in funds held on behalf of third parties.

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

	2020	2019
Investment income (loss) for the year:		
Interest and dividends	\$ 5,827,301	\$ 6,554,162
Realized gain on sale of investments	5,929,993	7,820,772
Unrealized losses	<u>(22,122,934)</u>	<u>(2,280,649)</u>
	<b>(10,365,640)</b>	12,094,285
Deduct:		
Investment fees	(936,586)	(801,946)
Investment income allocated to funds held on behalf of third parties	<u>(670,308)</u>	<u>(659,372)</u>
	<b>\$ (11,972,534)</b>	<b>\$ 10,632,967</b>
Allocated to:		
Operating Fund	\$ 2,532,686	\$ 2,479,464
Restricted fund	<u>(14,505,220)</u>	<u>8,153,503</u>
	<b>\$ (11,972,534)</b>	<b>\$ 10,632,967</b>

---

## Hamilton Community Foundation Notes to Consolidated Financial Statements

**March 31, 2020**

---

**7. Investment Income (Loss), Net (Continued)**

Investment counsel and custodian fees as a percentage of managed investments was 0.48% for the year (2019 - 0.41%)

---

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

	<b>2020</b>	<b>2019</b>
Total assets:		
Opening	<b>\$202,255,618</b>	\$194,466,469
Closing	<b>201,392,498</b>	202,255,618
Average	<b>201,824,058</b>	198,361,044
Total operating expenses	<b>\$ 2,546,391</b>	\$ 2,483,947
Expenses as percentage of average total assets	<b>1.26%</b>	1.25%

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 1.26% (2019 - 1.25%) 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.

## Hamilton Community Foundation Notes to Consolidated Financial Statements

**March 31, 2020**

### 9. Grants and Leadership Projects Distributed

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.

	2020	2019
Grants and leadership projects were made as follows:		
Grants	<b>\$ 10,929,678</b>	\$ 10,720,617
Community leadership projects:		
Advancing post-secondary access program (ABACUS)	227,667	220,237
Community investing project	70,561	-
Green Shield Canada Six4Six Initiative	26,265	70,945
Hamilton Anchor Institution Leadership Table	165,150	22,100
Neighbourhood Development	-	211,506
Neighbourhood Leadership Institute	-	82,830
Student success initiatives	21,463	-
Other leadership projects	22,573	42,251
	<b>\$ 11,463,357</b>	\$ 11,370,486

### 10. Transfers

During the year, \$246,446 was transferred to the Restricted Fund from the Endowment Fund and represents an adjustment to the reserve amount of a donor's fund. In 2019, an amount of \$892,177 was transferred to the Endowment Fund from the Restricted Fund reflecting a return of capital for funding purposes in prior years.

### 11. Commitments and Guarantees

As at March 31, 2020, the Foundation has extended pledges for future grants and distributions. These amounts, which have not been reflected as liabilities, total \$1,401,282 (2019 - \$375,000) and they are expected to be granted and paid over the next three years.

The Foundation has unfunded investment commitments related to private equity investments that can be drawn on demand. At March 31, 2020, the unfunded amount for private equity is:

U.S. dollars	\$ 5,981,932
Canadian dollars	5,375,251



---

## Hamilton Community Foundation Notes to Consolidated Financial Statements

**March 31, 2020**

---

### 11. Commitments and Guarantees (Continued)

The Foundation is committed to minimum annual operating lease payments on its premises and office equipment. The future minimum lease payments under these leases are as follows:

2021	\$ 194,863
2022	194,863
2023	132,736
2024	8,482
2025	<u>2,120</u>
	<u>\$ 533,064</u>

The Foundation has guaranteed a credit facility entered into by an unrelated charitable organization and the Royal Bank of Canada for a maximum of \$1,000,000. Amount drawn down on this facility as at March 31, 2020 was \$Nil (2019 - \$Nil).

---

### 12. Interest in Life Insurance Policies

The Foundation is the assignee and/or owner of life insurance policies totaling approximately \$872,000 (2019 - \$872,000). No value related to these policies is included in these consolidated financial statements.

---

### 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. The Foundation manages market risk through asset allocation and maintaining a portfolio that is well diversified on both a geographic and industry sector basis. Subsequent to year end, the financial markets continued to experience a significant increase in volatility due to the uncertainty related to the coronavirus pandemic ("COVID-19") and the Foundation continues to manage market risk with a diversified investment portfolio and a long-term investment strategy. The effect on the fair value of the Foundation's investment portfolio and the Foundation's financial results in the future cannot be reasonably estimated at this time.

---

## Hamilton Community Foundation Notes to Consolidated Financial Statements

**March 31, 2020**

---

### 13. Financial Instrument Risks (Continued)

#### **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 and restricting the advance of loans to only those that can support credit worthiness as part of the Foundation's due diligence procedures. Subsequent to year end, the credit risk related to the Foundation's loans receivable increased due to the impact of COVID-19, which could lead to potential losses. Three borrowers requested deferred principal and/or interest payments totalling \$24,555. The Foundation continually assesses for credit deterioration of its borrowers and mitigates any exposure to credit risk by limiting amounts advanced and ensuring there is adequate collateral in the event of non-payment.

#### **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.

#### **Liquidity Risk**

Liquidity risk is the risk that the Foundation encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Foundation 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 investments at cost and loans receivable, which are illiquid in nature, and therefore cannot be readily disposed of in the event a liquidity need arises. Management believes the Foundation is subject to minimal liquidity risk.

---

## Hamilton Community Foundation Notes to Consolidated Financial Statements

**March 31, 2020**

---

### **14. COVID-19 and Subsequent Events**

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic, resulting in economic uncertainties. As the impacts of COVID-19 continue, there could be further impact on the Foundation, its donors and grantees. Management is actively monitoring the effect on its financial condition, liquidity, operations, sector, and workforce. As a result, management anticipates a temporary decline in administration fee revenue related to the decline in fair value of its investments and has implemented cost containment strategies with respect to managing the operations. Furthermore, the Foundation continues to focus on its long-term investment strategy and its commitment to granting. This position is supported by reserves held at the maximum levels.

In response to the COVID-19 pandemic, the Foundation established a Pandemic Response Fund of approximately \$2,000,000 from its unrestricted granting and reserves. In addition, more than \$1,000,000 has subsequently been contributed to this fund through the generosity of donors. The fund has been mobilized to support the community, immediately addressing critical services to high-need, vulnerable people, through emergency grants, proactive grants, and flexible grant reallocation. The Foundation is also participating in the Government of Canada's Emergency Community Support Fund, designed to provide a rapid response to support qualified donees and non-profit organizations working with vulnerable populations impacted by the COVID-19 crisis. This partnership is being facilitated through Community Foundations of Canada and the Foundation expects to receive approximately \$1,200,000, of which, \$600,000 has already been received. Given the daily evolution of the COVID-19 pandemic and the global responses to curb its spread, the Foundation is not able to fully estimate the future effects of the COVID-19 pandemic on its results of operations, financial condition, or liquidity at this time.