

Hamilton Community Foundation
Consolidated Financial Statements
For the year ended March 31, 2017

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Hamilton Community Foundation
Consolidated Financial Statements
For the year ended March 31, 2017

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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, 2017 and the consolidated statements of revenue and expenses and changes in net assets and cash flows for the year ended March 31, 2017, 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, 2017 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.

Chartered Professional Accountants, Licensed Public Accountants
Burlington, Ontario
May 16, 2017

Hamilton Community Foundation Consolidated Statement of Financial Position

March 31	Endowment		Operating/Invested in Capital Assets		Restricted		Total	
	2017	2016	2017	2016	2017	2016	March 31 2017	March 31 2016
Assets								
Current								
Cash	\$ 1,174	\$ 1,563	\$ 92,063	\$ 133,008	\$ 336,174	\$ 486,132	\$ 429,411	\$ 620,703
Accounts receivable	-	-	63,172	68,433	-	-	63,172	68,433
Accrued income receivable	-	-	-	-	556,245	379,100	556,245	379,100
Prepaid expenses	-	-	38,982	43,589	-	-	38,982	43,589
Current portion of loans receivable (Note 4)	425,000	-	-	-	-	-	425,000	-
	426,174	1,563	194,217	245,030	892,419	865,232	1,512,810	1,111,825
Investments at:								
Cost (Note 2)	7,691,380	6,800,321	-	-	-	-	7,691,380	6,800,321
Market (Note 3)	124,954,207	127,777,987	10,292,823	10,205,726	43,664,005	34,890,865	178,911,035	172,874,578
Loans receivable (Note 4)	4,637,004	1,558,000	-	-	-	-	4,637,004	1,558,000
Capital assets (Note 5)	-	-	42,873	42,969	-	-	42,873	42,969
	\$137,708,765	\$ 136,137,871	\$10,529,913	\$10,493,725	\$44,556,424	\$35,756,097	\$192,795,102	\$ 182,387,693
Liabilities and Net Assets								
Current								
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 192,105	\$ 235,030	\$ 469,539	\$ 582,457	\$ 661,644	\$ 817,487
Deferred revenue	-	-	2,112	10,000	626,955	505,981	629,067	515,981
Funds held on behalf of third parties (Note 6)	-	-	10,292,823	10,205,726	-	-	10,292,823	10,205,726
	-	-	10,487,040	10,450,756	1,096,494	1,088,438	11,583,534	11,539,194
Net Assets								
Endowment funds	137,708,765	136,137,871	-	-	-	-	137,708,765	136,137,871
Invested in capital assets	-	-	42,873	42,969	-	-	42,873	42,969
Restricted funds	-	-	-	-	43,459,930	34,667,659	43,459,930	34,667,659
	137,708,765	136,137,871	42,873	42,969	43,459,930	34,667,659	181,211,568	170,848,499
	\$137,708,765	\$ 136,137,871	\$10,529,913	\$10,493,725	\$44,556,424	\$35,756,097	\$192,795,102	\$ 182,387,693

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	
	2017	2016	2017	2016	2017	2016	2017	2016
Revenue:								
Investment income (loss), net (Note 7)	\$ -	\$ -	\$ 2,283,977	\$ 2,239,531	\$ 14,467,789	\$ (2,626,769)	\$ 16,751,766	\$ (387,238)
Donations including bequests	1,798,186	9,370,931	32,000	12,000	958,374	1,397,127	2,788,560	10,780,058
Gifts specified for community leadership projects	-	-	-	-	352,740	851,114	352,740	851,114
	1,798,186	9,370,931	2,315,977	2,251,531	15,778,903	(378,528)	19,893,066	11,243,934
Operational expenses (Note 8):								
Grant administration	-	-	302,433	284,907	-	-	302,433	284,907
Community and Philanthropic Leadership	-	-	255,710	205,615	-	-	255,710	205,615
Development activities	-	-	582,482	603,045	-	-	582,482	603,045
Community Relations and Knowledge Dissemination	-	-	327,747	329,402	-	-	327,747	329,402
Administration and Governance	-	-	847,701	832,805	-	-	847,701	832,805
	-	-	2,316,073	2,255,774	-	-	2,316,073	2,255,774
Excess (deficiency) of revenue over expenses before grants and leadership projects	1,798,186	9,370,931	(96)	(4,243)	15,778,903	(378,528)	17,576,993	8,988,160
Grants and leadership projects distributed (Note 9)	-	-	-	-	(7,213,924)	(7,868,790)	(7,213,924)	(7,868,790)
Excess (deficiency) of revenue over expenses for the year	1,798,186	9,370,931	(96)	(4,243)	8,564,979	(8,247,318)	10,363,069	1,119,370
Fund balances, beginning of year	136,137,871	126,415,525	42,969	47,212	34,667,559	43,266,392	170,848,499	169,729,129
Transfers (Note 10)	(227,292)	351,415	-	-	227,292	(351,415)	-	-
Fund balances, end of year	\$137,708,765	\$136,137,871	\$ 42,873	\$ 42,969	\$ 43,459,930	\$ 34,667,659	\$ 181,211,568	\$170,848,499

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	2017	2016
Cash flows provided by operating activities		
Excess of revenue over expenses for the year	\$ 10,363,069	\$ 1,119,370
Items not affecting cash		
Amortization of capital assets	25,389	19,421
Donated securities	(1,034,157)	(715,853)
Unrealized losses (gains)	(8,163,110)	13,314,073
Realized gain on sale of investments	(5,352,894)	(6,497,311)
Changes in non-cash working capital items		
Accounts receivable	5,261	(12,735)
Accrued income receivable	(177,145)	(33,015)
Prepaid expenses	4,607	5,978
Accounts payable and accrued liabilities	(155,843)	435,029
Deferred revenue	113,086	33,573
Funds held on behalf of third parties	87,097	801,585
	<u>(4,284,640)</u>	<u>8,470,115</u>
Cash flows from investing activities		
Purchase of investments	(110,095,609)	(109,115,753)
Proceeds from the sale of investments	117,718,254	101,796,562
Advance of loans receivable	(3,504,004)	(858,000)
Purchase of capital assets	(25,293)	(15,178)
	<u>4,093,348</u>	<u>(8,192,369)</u>
Increase in cash during the year	(191,292)	277,746
Cash, beginning of year	620,703	342,957
Cash, end of year	\$ 429,411	\$ 620,703

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

Hamilton Community Foundation

Notes to Consolidated Financial Statements

March 31, 2017

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.

Hamilton Community Foundation Notes to Consolidated Financial Statements

March 31, 2017

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 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 (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.

Hamilton Community Foundation

Notes to Consolidated Financial Statements

March 31, 2017

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. The significant assumptions made by management in these consolidated financial statements relate to the valuation of investment at cost and loans receivable. 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, 2017

2. Investments at Cost

	2017	2016
Private equity	\$ 4,872,378	\$ 3,898,637
Real estate	1,950,326	2,000,000
Infrastructure	868,676	901,684
	\$ 7,691,380	\$ 6,800,321

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

	2017	2016
Bonds	\$ 50,654,162	\$ 52,547,012
Equities:		
Canadian	46,773,620	43,279,528
Foreign	67,248,008	62,239,260
	164,675,790	158,065,800
Cash and cash equivalents	14,235,245	14,808,778
	\$ 178,911,035	\$ 172,874,578

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 1.150% to 7.405% (2016 - 1.200% to 7.405%). The maturities of these bonds range from March 22, 2018 to December 31, 2108 (2016 - from October 17, 2016 to December 31, 2108).

Hamilton Community Foundation Notes to Consolidated Financial Statements

March 31, 2017

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 0.94% (2016 - 0.01% to 0.82%) with maturities ranging from April 3, 2017 to June 19, 2017 (2016 – from April 7, 2016 to October 20, 2016).

4. Loans Receivable

Loans receivable includes the following:

A five year term loan in the amount of \$558,000 (2016 - \$858,000), maturing December 2020, and 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 (2016 - \$650,000), maturing December 2019, and 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 promissory note in the amount of \$50,000 (2016 - \$50,000), maturing November 2017, and bearing interest at 4% per annum with no interest payable until maturity. The amount is secured by a registered general security agreement covering all of the borrower's present and future acquired assets.

An eighteen month unsecured bridge loan in the amount of \$375,000 (2016 - \$Nil), maturing December 2017 and bearing interest at 3% per annum. No interest is payable until the maturity date.

A three year term loan in the amount of \$1,500,000 (2016 - \$Nil), maturing October 2019, and bearing interest at 4.25% per annum. Interest only payments are due until maturity at which point the term loan is due in full. The amount is secured by land and building subordinate only to the interest of Affordable Housing (Ontario).

A two year credit facility in the amount of \$1,000,000 (2016 - \$Nil), maturing September 2019, and bearing interest at 5% per annum on the portion of the facility disbursed by the borrower, or a weighted average interest rate on funds not yet disbursed by the borrower, with a guaranteed minimum interest rate of 3% per annum. Interest is payable quarterly with principal due at the end of term. The amount is secured by a lien in the name of the Foundation.

Hamilton Community Foundation Notes to Consolidated Financial Statements

March 31, 2017

4. Loans Receivable (Continued)

A three year term loan in the amount of \$450,000 (2016 - \$Nil), maturing June 2019, and bearing interest at 5.5% per annum. Interest is payable on maturity. The amount is secured by a general security agreement with assignment of second mortgage interest in land and property.

A three year term loan in the amount of \$450,000 (2016 - \$Nil), maturing September 2019, and bearing interest at 5.5% per annum. Interest is payable on maturity. The amount is secured by a general security agreement with assignment of second mortgage interest in land and property.

5. Capital Assets

	2017		2016	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Leasehold improvements	\$ 18,144	\$ 6,575	\$ 13,184	\$ 2,714
Furniture and fixtures	14,684	10,704	12,881	9,183
Computer equipment	64,348	37,024	51,229	22,428
	<u>\$ 97,176</u>	<u>\$ 54,303</u>	<u>\$ 77,294</u>	<u>\$ 34,325</u>
Net book value		<u>\$ 42,873</u>		<u>\$ 42,969</u>

During the year, \$25,389 (2016 - \$19,421) 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 \$5,411 (2016 - \$7,211) were written off by the Foundation.

Hamilton Community Foundation Notes to Consolidated Financial Statements

March 31, 2017

6. Funds Held on Behalf of Third Parties

Funds held on behalf of third parties of \$10,292,823 (2016 - \$10,205,726) 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.

	<u>2017</u>	<u>2016</u>
Investment income (loss) during the year:		
Interest and dividends	\$5,088,686	\$ 7,200,036
Realized gains on sale of investments	5,352,894	6,497,311
Unrealized gains (losses)	8,163,110	(13,314,073)
	18,604,690	383,274
Add/(Deduct):		
Investment fees	(768,827)	(794,227)
Investment (income) loss allocated to funds held on behalf of third parties	(1,084,097)	23,715
	\$ 16,751,766	\$ (387,238)
Allocated to:		
Endowment Fund	\$ -	\$ -
Operating Fund	2,283,977	2,239,531
Restricted Fund	14,467,789	(2,626,769)
	\$ 16,751,766	\$ (387,238)

Investment counsel and custodian fees as a percentage of managed investments was 0.42% for the year (2016 – 0.42%).

Hamilton Community Foundation Notes to Consolidated Financial Statements

March 31, 2017

8. Expenses as Percentage of Average Total Assets

	2017	2016
Total assets:		
Opening	\$182,387,693	\$ 179,998,136
Closing	192,795,102	182,387,693
Average	187,591,398	181,192,915
Total operating expenses	\$ 2,316,073	\$ 2,255,774
Expenses as percentage of average total assets	1.2%	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 1.2% (2016 - 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.

	2017	2016
Grants and leadership projects were made as follows:		
Grants	\$ 6,861,184	\$ 7,089,870
Community leadership projects:		
Advancing post-secondary access program	95,449	79,430
Community Investing: Research, Development & Education	-	18,620
Hamilton Anchor Institution Leadership Table	34,858	17,189
Hamilton Revitalization Action Campaign	-	450,000
Hamilton Roundtable for Poverty Reduction	-	92,566
Neighbourhood Leadership	134,809	78,855
Nurse Family Partnership	69,628	-
Other leadership projects	17,996	42,260
	\$ 7,213,924	\$ 7,868,790

Hamilton Community Foundation Notes to Consolidated Financial Statements

March 31, 2017

10. Transfers

During the year, an amount of \$227,292 was transferred to the Restricted Fund from the Endowment Fund to meet the Foundation's spending policy. In 2016, \$351,415 was transferred to the Endowment Fund from the Restricted Fund representing an inflation adjustment for the year.

11. Commitments

As at March 31, 2017, the Foundation has extended pledges for future grants and distributions. These amounts, which have not been reflected as liabilities, total \$2,459,915 (2016 - \$1,502,365) 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, 2017, the unfunded amount for private equity is:

U.S. dollars	\$ 2,204,835
Canadian dollars	3,165,000

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

2018	\$ 164,155
2019	164,155
2020	<u>109,437</u>
	<u>\$ 437,747</u>

12. Interest in Life Insurance Policies

The Foundation is the assignee and/or owner of life insurance policies totaling approximately \$933,130 (2016 - \$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, 2017

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.