

Hamilton Community Foundation  
Consolidated Financial Statements  
For the year ended March 31, 2021

**Hamilton Community Foundation**  
**Consolidated Financial Statements**  
For the year ended March 31, 2021

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## Independent Auditor's Report

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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, 2021, 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, 2021, 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  
Oakville, Ontario  
June 22, 2021

## Hamilton Community Foundation Consolidated Statement of Financial Position

March 31	Endowment		Operating/Invested in Capital Assets		Restricted		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Assets</b>								
<b>Current</b>								
Cash	\$ 4,511	\$ 7,920	\$ 119,945	\$ 35,015	\$ 1,171,249	\$ 225,404	\$ 1,295,705	\$ 268,339
Accounts receivable	-	-	140,467	95,237	721,259	214,181	861,726	309,418
Accrued income receivable	-	-	-	-	1,035,392	809,655	1,035,392	809,655
Prepaid expenses	-	-	93,861	62,940	-	-	93,861	62,940
Current portion of loans receivable (Note 4)	2,095,941	2,632,556	-	-	-	-	2,095,941	2,632,556
	<b>2,100,452</b>	<b>2,640,476</b>	<b>354,273</b>	<b>193,192</b>	<b>2,927,900</b>	<b>1,249,240</b>	<b>5,382,625</b>	<b>4,082,908</b>
<b>Investments at:</b>								
Cost (Note 2)	42,811,958	40,386,222	-	-	-	-	42,811,958	40,386,222
Market (Note 3)	127,864,063	126,028,361	2,200,874	1,693,949	69,228,988	21,365,956	199,293,925	149,088,266
Loans receivable (Note 4)	8,577,033	7,774,734	-	-	-	-	8,577,033	7,774,734
Capital assets (Note 5)	-	-	36,600	60,368	-	-	36,600	60,368
	<b>\$ 181,353,506</b>	<b>\$ 176,829,793</b>	<b>\$ 2,591,747</b>	<b>\$ 1,947,509</b>	<b>\$ 72,156,888</b>	<b>\$ 22,615,196</b>	<b>\$ 256,102,141</b>	<b>\$ 201,392,498</b>
<b>Liabilities and Net Assets</b>								
<b>Current</b>								
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 354,273	\$ 193,194	\$ 344,618	\$ 176,600	\$ 698,891	\$ 369,794
Deferred revenue	-	-	-	-	958,041	780,097	958,041	780,097
Funds held on behalf of third party (Note 6)	-	-	2,200,874	1,693,949	-	-	2,200,874	1,693,949
	<b>-</b>	<b>-</b>	<b>2,555,147</b>	<b>1,887,143</b>	<b>1,302,659</b>	<b>956,697</b>	<b>3,857,806</b>	<b>2,843,840</b>
<b>Net assets</b>								
Endowment funds	181,353,506	176,829,793	-	-	-	-	181,353,506	176,829,793
Invested in capital assets	-	-	36,600	60,366	-	-	36,600	60,366
Restricted funds	-	-	-	-	70,854,229	21,658,499	70,854,229	21,658,499
	<b>181,353,506</b>	<b>176,829,793</b>	<b>36,600</b>	<b>60,366</b>	<b>70,854,229</b>	<b>21,658,499</b>	<b>252,244,335</b>	<b>198,548,658</b>
	<b>\$ 181,353,506</b>	<b>\$ 176,829,793</b>	<b>\$ 2,591,747</b>	<b>\$ 1,947,509</b>	<b>\$ 72,156,888</b>	<b>\$ 22,615,196</b>	<b>\$ 256,102,141</b>	<b>\$ 201,392,498</b>

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	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Revenue</b>								
Investment income (loss), net (Note 7)	\$ -	\$ -	\$ 2,497,773	\$ 2,532,686	\$ 56,047,315	\$ (14,505,220)	\$ 58,545,088	\$ (11,972,534)
Donations including bequests	6,024,572	30,731,201	140,364	22,000	4,254,709	3,605,907	10,419,645	34,359,108
Donations specified for community leadership projects	-	-	-	-	284,845	737,041	284,845	737,041
	<b>6,024,572</b>	<b>30,731,201</b>	<b>2,638,137</b>	<b>2,554,686</b>	<b>60,586,869</b>	<b>(10,162,272)</b>	<b>69,249,578</b>	<b>23,123,615</b>
<b>Operational expenses</b> (Note 8)								
Grant administration	-	-	441,433	301,621	-	-	441,433	301,621
Community and Philanthropic Leadership	-	-	313,751	316,278	-	-	313,751	316,278
Development activities	-	-	517,116	521,335	-	-	517,116	521,335
Community Relations and Knowledge Dissemination	-	-	355,163	410,410	-	-	355,163	410,410
Administration and Governance	-	-	1,034,440	996,747	-	-	1,034,440	996,747
	-	-	<b>2,661,903</b>	<b>2,546,391</b>	-	-	<b>2,661,903</b>	<b>2,546,391</b>
Excess (deficiency) of revenue over expenses before grants and leadership projects	6,024,572	30,731,201	(23,766)	8,295	60,586,869	(10,162,272)	66,587,675	20,577,224
Grants and leadership projects distributed (Note 9)	-	-	-	-	(12,891,998)	(11,463,357)	(12,891,998)	(11,463,357)
<b>Excess (deficiency) of revenue over expenses for the year</b>	<b>6,024,572</b>	<b>30,731,201</b>	<b>(23,766)</b>	<b>8,295</b>	<b>47,694,871</b>	<b>(21,625,629)</b>	<b>53,695,677</b>	<b>9,113,867</b>
<b>Fund balances</b> , beginning of year	176,829,793	146,345,038	60,366	52,071	21,658,499	43,037,682	198,548,658	189,434,791
Transfers (Note 10)	(1,500,859)	(246,446)	-	-	1,500,859	246,446	-	-
<b>Fund balances</b> , end of year	<b>\$ 181,353,506</b>	<b>\$ 176,829,793</b>	<b>\$ 36,600</b>	<b>\$ 60,366</b>	<b>\$ 70,854,229</b>	<b>\$ 21,658,499</b>	<b>\$ 252,244,335</b>	<b>\$ 198,548,658</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>2021</b>	<b>2020</b>
<b>Cash flows from operating activities</b>		
Excess of revenue over expenses for the year	\$ 53,695,677	\$ 9,113,867
Items not affecting cash		
Amortization of capital assets	26,692	29,325
Donated securities	(1,190,248)	(27,143,991)
Unrealized losses (gains)	(49,909,688)	22,122,934
Realized gain on sale of investments	(3,955,648)	(5,929,993)
Changes in non-cash working capital items		
Accounts receivable	(552,308)	(79,790)
Accrued income receivable	(225,737)	(123,939)
Prepaid expenses	(30,921)	25,244
Accounts payable and accrued liabilities	329,097	8,650
Deferred revenue	177,944	68,636
Funds held on behalf of third parties	506,925	(10,054,273)
	<u>(1,128,215)</u>	<u>(11,963,330)</u>
<b>Cash flows from investing activities</b>		
Purchase of investments	(65,719,356)	(203,759,979)
Proceeds from the sale of investments	68,143,545	215,987,068
Advances of loans receivable	(265,684)	(520,278)
Purchase of capital assets	(2,924)	(37,622)
	<u>2,155,581</u>	<u>11,669,189</u>
<b>Increase (decrease) in cash during the year</b>	<b>1,027,366</b>	<b>(294,141)</b>
<b>Cash, beginning of year</b>	<u><b>268,339</b></u>	<u><b>562,480</b></u>
<b>Cash, end of year</b>	<u><b>\$ 1,295,705</b></u>	<u><b>\$ 268,339</b></u>

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

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# Hamilton Community Foundation

## Notes to Consolidated Financial Statements

**March 31, 2021**

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### 1. Significant Accounting Policies

#### **Nature and Purpose of Organization**

Hamilton Community Foundation (the "Foundation") was incorporated without share capital by special act in 1954, 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").



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# Hamilton Community Foundation

## Notes to Consolidated Financial Statements

**March 31, 2021**

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### 1. Significant Accounting Policies (Continued)

#### Revenue Recognition

Donations 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.

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# Hamilton Community Foundation

## Notes to Consolidated Financial Statements

**March 31, 2021**

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### 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.

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## Hamilton Community Foundation Notes to Consolidated Financial Statements

**March 31, 2021**

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### 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.

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### 2. Investments at Cost

	<u>2021</u>	<u>2020</u>
Private equity	<b>\$ 36,691,101</b>	\$ 33,953,871
Real estate	<b>1,772,091</b>	1,856,749
Infrastructure	<b>1,124,406</b>	1,401,242
Private debt	<b>3,224,360</b>	3,174,360
	<b><u>\$ 42,811,958</u></b>	<b><u>\$ 40,386,222</u></b>

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.

## Hamilton Community Foundation Notes to Consolidated Financial Statements

**March 31, 2021**

### 3. Investments at Market

	2021	2020
Bonds	<b>\$ 4,199,495</b>	\$ 5,580,652
Equities		
Canadian	<b>65,485,906</b>	47,859,117
Foreign	<b>117,587,876</b>	84,963,354
	<b>187,273,277</b>	138,403,123
Cash and cash equivalents	<b>12,020,648</b>	10,685,143
	<b>\$199,293,925</b>	<b>\$149,088,266</b>

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 1.75% to 4.00% (2020 - 1.20% to 3.54%). The maturities of these bonds range from June 2, 2021 to October 24, 2024 (2020 - from May 13, 2020 to October 15, 2024).

The effective interest rate on treasury bills and bankers acceptance included in cash equivalents during the year varied from 0.06% to 1.72% (2020 - 0.43% to 1.67%) with maturities ranging from April 1, 2021 to July 23, 2021 (2020 - April 16, 2020 to July 23, 2020).

## Hamilton Community Foundation Notes to Consolidated Financial Statements

**March 31, 2021**

### 4. Loans Receivable

Loans receivable consists of the following loans:

	2021	2020
Loans receivable (a)	\$ 3,500,000	\$ 3,500,000
Loan receivable (b)	1,000,000	1,000,000
Loan receivable (c)	1,235,231	1,281,890
Various loans receivable (d)	4,937,743	4,625,400
	10,672,974	10,407,290
Less: Current portion	2,095,941	2,632,556
	\$ 8,577,033	\$ 7,774,734

- (a) Term loans, bearing interest between 3.75% 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 June 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 July 2023.
- (d) Various term loans (2021 – 12, 2020 – 12), between 3% 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 February 2022 to August 2025. As a result of the COVID-19 pandemic (see Note 15) the Foundation suspended principal and interest payments for four loans. As a result, the maturities of those respective loans were extended accordingly.

### 5. Capital Assets

	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Leasehold improvements	\$ 12,384	\$ 6,157	\$ 18,629	\$ 8,667
Furniture and fixtures	10,302	4,831	11,552	4,380
Computer equipment	39,240	14,338	69,822	26,588
	\$ 61,926	\$ 25,326	\$ 100,003	\$ 39,635
Net book value		\$ 36,600		\$ 60,368

## Hamilton Community Foundation Notes to Consolidated Financial Statements

**March 31, 2021**

### 5. Capital Assets (Continued)

During the year, \$26,692 (2020 - \$29,325) 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 \$18,847 (2020 - \$46,235) were written off by the Foundation.

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

Funds held on behalf of third party of \$2,200,874 (2020 - \$1,693,949) 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 of 0.5% (2020 - 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 (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.

	2021	2020
Investment income (loss) for the year:		
Interest and dividends	\$ 6,129,348	\$ 5,827,301
Realized gain on sale of investments	3,955,648	5,929,993
Unrealized gains (losses)	49,909,688	(22,122,934)
	59,994,684	(10,365,640)
Deduct:		
Investment fees	(868,105)	(936,586)
Investment income allocated to funds held on behalf of third parties	(581,491)	(670,308)
	\$ 58,545,088	\$ (11,972,534)
Allocated to:		
Operating Fund	\$ 2,497,773	\$ 2,532,686
Restricted fund	56,047,315	(14,505,220)
	\$ 58,545,088	\$ (11,972,534)

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## Hamilton Community Foundation Notes to Consolidated Financial Statements

**March 31, 2021**

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

Investment counsel and custodian fees as a percentage of managed investments was 0.52% for the year (2020 - 0.48%)

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

	2021	2020
Total assets:		
Opening	<b>\$201,392,498</b>	\$202,255,618
Closing	<b>256,102,141</b>	201,392,498
Average	<b>228,747,320</b>	201,824,058
Total operating expenses	<b>\$ 2,661,903</b>	\$ 2,546,391
Expenses as percentage of average total assets	<b>1.16%</b>	1.26%

The Foundation's operating expenses involve asset development, administration and governance, community relations and knowledge dissemination, and activities related to grant administration, community and philanthropic leadership 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 donation delays, which may result in costs preceding the receipt of the donations 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 1.16% (2020 - 1.26%) 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.

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## Hamilton Community Foundation Notes to Consolidated Financial Statements

**March 31, 2021**

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### 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 donations from donors, as well, as commitments made by the Board to support these initiatives.

	2021	2020
Grants and leadership projects were made as follows:		
Grants	<b>\$ 12,508,203</b>	\$ 10,929,678
Community leadership projects:		
Advancing post-secondary access program (ABACUS)	<b>81,262</b>	227,667
Community investing project	<b>21,036</b>	70,561
Green Shield Canada	<b>103,349</b>	26,265
Hamilton Anchor Institution Leadership Table	<b>130,695</b>	165,150
Student success initiatives	-	21,463
Other leadership projects	<b>47,453</b>	22,573
	<b>\$ 12,891,998</b>	\$ 11,463,357

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### 10. Transfers

During the year, net transfers of \$1,500,859 were transferred from the Endowment Fund to the Restricted Fund, for purposes including meeting the Foundation's spending policy and preserving capital. In 2020, net transfers of \$246,446 were transferred from the Endowment Fund to the Restricted Fund, for purposes including an adjustment to the reserve amount of a donor's fund.

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### 11. Commitments and Guarantees

As at March 31, 2021, the Foundation has extended pledges for future grants and distributions. These amounts, which have not been reflected as liabilities, total \$1,104,067 (2020 - \$1,401,282) 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 and loans receivable that can be drawn on demand. At March 31, 2021, the unfunded amount for private equity and loans receivable is:

U.S. dollars	\$ 4,141,058
Canadian dollars	9,039,544



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## Hamilton Community Foundation Notes to Consolidated Financial Statements

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### 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:

2022	\$	196,690
2023		133,954
2024		<u>2,120</u>
	\$	<u>332,764</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, 2021 was \$Nil (2020 - \$Nil).

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### 12. Credit Facility

During the year, the Foundation was authorized for and obtained an operating line of credit up to a maximum of \$8,000,000, which bears interest at prime less 0.15% per annum and secured by letters of credit. The credit facility is to be used by the Foundation to fund day to day operations, as well as bridge the timing of cashflows for private equity investment purposes (funds are not to be used for market leverage). As at March 31, 2021, the Foundation has a \$Nil balance outstanding on the credit facility.

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### 13. Interest in Life Insurance Policies

The Foundation is the assignee and/or owner of life insurance policies totaling approximately \$872,000 (2020 \$872,000). No value related to these policies is included in these consolidated financial statements.

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### 14. 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.

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## Hamilton Community Foundation Notes to Consolidated Financial Statements

**March 31, 2021**

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### 14. Financial Instrument Risks (Continued)

#### **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 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.

#### **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. During the year, the credit risk related to the Foundation's loans receivable increased due to the impact of COVID-19, which could lead to potential losses. Specifically citing COVID-19 reasons, five borrowers requested deferred principal and/or interest payments, resulting in the extension of the corresponding maturities, approximating \$644,000. 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.

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## Hamilton Community Foundation Notes to Consolidated Financial Statements

**March 31, 2021**

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### **15. COVID-19**

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic, resulting in economic uncertainties. The timing of the pandemic coincided with the Foundation's previous fiscal year end, adversely impacting the value of the Foundation's investments. However, during the year the economic markets have since experienced a V-shaped recovery resulting in significant investment returns as disclosed in Note 7.

The COVID-19 pandemic continues to impact vulnerable communities and business sectors including the charitable sector. Certain borrowers of the Foundation have requested short-term relief as they struggle to adapt to this new environment (as disclosed in Note 14). As the impacts of COVID-19 continue, there could be further impact on the Foundation, its borrowers, donors and grantees. Management continues to actively monitor the effect on its financial condition, liquidity, operations, sector, and workforce. 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 the Pandemic Relief Fund. The Pandemic Relief Fund was supported by the Board's decisions to use both the Community Fund and the Foundation's reserve. Together with the generous support of many donors, it enabled \$1,400,000 in pandemic-related granting. This support, coupled with \$1,600,000 from the Government of Canada's Emergency Community Support Fund, resulted in the Foundation's total pandemic support to the community, of \$3,000,000 for the year. 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.