

Hamilton Waterfront Trust
Consolidated Financial Statements
For the year ended December 31, 2021

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For the year ended December 31, 2021

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Independent Auditor's Report

To the Board of Directors of
Hamilton Waterfront Trust

Opinion

We have audited the consolidated financial statements of Hamilton Waterfront Trust and its subsidiaries (the "Group"), which comprise of the consolidated statement of financial position as at December 31, 2021, and the consolidated statements of operations and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2021, and its results of operations and its 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 Group 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.

Emphasis of Matter - Comparative Information

We draw attention to Note 9 to the consolidated financial statements, which explains that certain comparative information presented for the year ended December 31, 2020 has been restated. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's consolidated 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 Group'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 Group'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 Group 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 Group 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
August 18, 2022

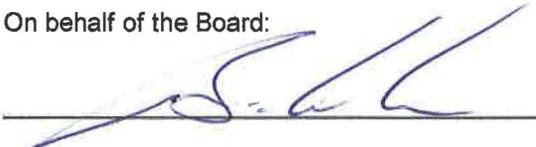
Hamilton Waterfront Trust Consolidated Statement of Financial Position

December 31	2021	2020
		(restated - Note 9)
Assets		
Current		
Cash	\$ 361,648	\$ 278,786
Accounts receivable (Note 2)	2,054,071	185,270
Inventories and prepaid expenses	29,427	28,221
Current portion of note receivable (Note 4)	<u>107,831</u>	<u>103,683</u>
	2,552,977	595,960
Capital assets (Note 3)	1,249,844	1,312,804
Note receivable (Note 4)	<u>1,404,581</u>	<u>1,516,559</u>
	\$ 5,207,402	\$ 3,425,323

Liabilities and Net Assets

Current		
Accounts payable and accrued liabilities (Note 5)	\$ 1,253,045	\$ 486,529
Current portion of deferred capital contributions (Note 6)	<u>37,922</u>	<u>40,273</u>
	1,290,967	526,802
Deferred revenue - City of Hamilton	-	380,049
Deferred capital contributions (Note 6)	<u>1,095,671</u>	<u>1,131,242</u>
	2,386,638	2,038,093
Net assets	<u>2,820,764</u>	<u>1,387,230</u>
	\$ 5,207,402	\$ 3,425,323

On behalf of the Board:


_____ Director

_____ Director

Hamilton Waterfront Trust

Consolidated Statement of Operations and Changes in Net Assets

For the year ended December 31	2021	2020
		(restated - Note 9)
Revenue		
Investment income	\$ 101	\$ 2,674
City of Hamilton contract and management income	35,662	46,602
Hamiltonian Tour Boat	26,868	15,826
Williams Fresh Cafe	777,952	637,677
Hamilton Scoops	112,537	74,191
Hamilton Trolley	36,774	24,407
Waterfront Grill	32,963	24,513
HWT Centre	50,214	5,512
Outdoor Ice Rink	337,149	330,862
Skate Rental	36,064	59,092
Waterfront Development, City of Hamilton management contract (Note 7)	1,497,834	166,209
Waterfront Wheels	512	5,765
	2,944,630	1,393,330
Expenses		
Williams Fresh Cafe	954,895	744,636
Salaries and benefits	372,767	326,788
Outdoor Ice Rink	337,530	330,766
Hamilton Scoops	78,988	58,894
Skate Rental	46,109	19,337
Waterfront Grill	43,197	34,732
Hamilton Trolley	24,511	28,959
HWT Centre	22,366	24,156
Professional fees	19,406	50,696
Building expenses	14,180	765
Hamiltonian Tour Boat	13,494	14,791
Office expenses	12,287	17,533
Telephone	9,343	8,159
Insurance	6,681	6,054
Bank charges	6,301	2,427
Music on the waterfront	4,370	-
Travel	1,862	990
Equipment expenses	1,612	1,631
Advertising and promotion	1,588	1,023
Waterfront Wheels	700	12,151
Dues and memberships	518	585
Training	420	-
Bad debts	-	45,167
Other expenses	-	7,891
	1,973,125	1,738,131
Excess (deficiency) of revenue over expenses before other revenue (expenses)	971,505	(344,801)
Other revenue (expenses)		
Amortization of capital assets	(75,250)	(71,352)
Amortization of deferred capital contributions	37,922	40,273
Government assistance (Note 10)	273,768	340,654
Grant income	167,420	4,669
Interest income	58,169	62,316
	462,029	376,560
Excess of revenue over expenses for the year	1,433,534	31,759
Net assets, beginning of year - restated (Note 9)	1,387,230	1,355,471
Net assets, end of year	\$ 2,820,764	\$ 1,387,230

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

Hamilton Waterfront Trust Consolidated Statement of Cash Flows

For the year ended December 31	2021	2020
Cash flows from operating activities		
Excess of revenue over expenses for the year	\$ 1,433,534	\$ 31,759
Adjustments to reconcile excess of revenue over expenses to net cash used in operating activities		
Amortization of capital assets	75,250	71,352
Amortization of deferred capital contributions	(37,922)	(40,273)
Changes in non-cash working capital balances		
Accounts receivable	(1,868,801)	(125,496)
Inventories and prepaid expenses	(1,206)	-
Note receivable	107,830	125,266
Accounts payable and accrued liabilities	766,516	(200,519)
Deferred revenue	(380,049)	(56,000)
	95,152	(193,911)
Cash flows from investing activity		
Purchase of capital assets	(12,290)	-
	82,862	(193,911)
Increase (decrease) in cash during the year		
Cash, beginning of year	278,786	472,697
Cash, end of year	\$ 361,648	\$ 278,786

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

Hamilton Waterfront Trust

Notes to Consolidated Financial Statements

December 31, 2021

1. Significant Accounting Policies

Nature of Business

The purpose of the Hamilton Waterfront Trust (the "Organization") is to improve and develop lands around the Hamilton Harbour and to encourage the local community to enjoy the Bay area. Hamilton is a culturally and ethnically diversified mosaic. Therefore, the Organization helps to promote the image of Hamilton to businesses and individuals over a wide radius.

Following a strategic review undertaken by the Board of Directors, it was decided to restructure the Organization to become a not-for-profit organization effective November 21, 2016. As part of the reorganization on that same date, HWT Inc., a wholly-owned subsidiary, was incorporated.

The Organization is incorporated under the Ontario Corporations Act, and now have a continuance under the Canada Not-for-Profit Corporations Act.

The Organization is registered under the Income Tax Act (Canada) (the "Tax Act") and, as such, is exempt from income taxes.

Basis of Accounting and Presentation

The consolidated financial statements of the Organization have been prepared using Canadian accounting standards for not-for-profit organizations (ASNPO).

These consolidated financial statements include the accounts of the Organization and HWT Inc. All significant intercompany transactions and balances have been eliminated.

Revenue Recognition

The Organization follows the deferral method of accounting for contributions.

Unrestricted revenue is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Waterfront Development, City of Hamilton management contract revenue is recognized on a net basis.

Deferred capital contributions related to capital assets represent the unamortized and unallocated amount of grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

The Organization recognizes all other revenue when services are performed or goods are sold, there is no uncertainty as to the customer acceptance, the price to the buyer is fixed or determinable and collection is reasonably assured.

Hamilton Waterfront Trust

Notes to Consolidated Financial Statements

December 31, 2021

1. Significant Accounting Policies (Continued)

Capital assets

Capital assets are recorded at cost. Amortization is based on their estimated useful life using the following methods and rates or terms:

Boat	-	15 years straight-line
Building	-	5% declining balance
Computer equipment	-	30% declining balance
Dock	-	5% declining balance
Furniture and equipment	-	20% declining balance
Trolleys	-	15 years straight-line
Leasehold improvements	-	straight-line over the term of the lease

Government Assistance

During the year, the Organization made periodic application for financial assistance under the Canada Emergency Wage Subsidy ("CEWS") program in order to recover certain payroll expenditures. Government assistance received during the year for current expenses is shown as other revenue. When government assistance is received which relates to expenses of future periods, the amount is deferred and amortized to income as the related expenses are incurred.

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 at the date of the consolidated financial statements, and the reported amount of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. Subsequently, 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 charged to the financial instrument for those measured at amortized cost.

2. Accounts Receivable

	<u>2021</u>	<u>2020</u>
Trade accounts receivable	\$ 2,054,071	\$ 252,751
Impairment allowance	-	(67,481)
	<u>\$ 2,054,071</u>	<u>\$ 185,270</u>

Hamilton Waterfront Trust Notes to Consolidated Financial Statements

December 31, 2021

3. Capital Assets

	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Boat	\$ 52,156	\$ 48,995	\$ 52,156	\$ 45,518
Building	17,016	8,894	17,016	8,443
Computer equipment	42,844	42,328	42,844	42,107
Dock	15,522	10,424	15,522	10,155
Furniture and equipment	221,382	202,851	209,092	188,828
Trolleys	335,782	236,875	335,782	214,277
Leasehold improvements	2,542,155	1,426,646	2,542,155	1,392,435
	\$ 3,226,857	\$ 1,977,013	\$ 3,214,567	\$ 1,901,763
Net book value		\$ 1,249,844		\$ 1,312,804

4. Note Receivable

Effective January 1, 2018, the Organization's lease on the Parks Discovery Centre with the City of Hamilton was terminated. In consideration of the Organization entering into this arrangement, The City of Hamilton agreed to pay an early surrender fee in the form of a note. The note receivable bears interest at 4% per annum and is payable in equal annual instalments of \$166,000 (2020 - \$166,000) inclusive of interest, with final payment made on January 1, 2032.

5. Government Remittances Payable

Included in accounts payable and accrued liabilities, are government remittances payables in the amount of \$36,451 (2020 - \$23,315).

Hamilton Waterfront Trust Notes to Consolidated Financial Statements

December 31, 2021

6. Deferred Capital Contributions

Restricted capital contributions are amortized on the same basis as the underlying capital assets.

	2021	2020
Balance , beginning of year	\$ 1,171,515	\$ 1,211,788
Less: contributions recognized as revenue	(37,922)	(40,273)
	1,133,593	1,171,515
Less: current portion	(37,922)	(40,273)
Balance , end of year	\$ 1,095,671	\$ 1,131,242

7. Waterfront Development, City of Hamilton Management Contract

Waterfront development revenue is presented on a net basis, net of the contractor expenses. Disclosure of this revenue on a gross basis is not required by ASNPO. Gross revenue is not included in revenue and should not be considered in isolation or as a substitute for other information prepared in accordance with ASNPO. Management believes gross revenue is meaningful because such information, and in particular year-to-year changes in such information, is useful information for the users of these consolidated financial statements.

	2021	2020
Waterfront development revenue	\$ 15,057,974	\$ 683,151

8. Financial Instrument Risks

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization is exposed to credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations. The Organization's financial instruments that are exposed to concentrations of credit risk relate primarily to its accounts receivable and note receivable balances. This risk has not changed from the prior year.

Liquidity Risk

Liquidity risk is the risk that the Organization encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Organization 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 the Organization's accounts payable and accrued liabilities. This risk has not changed from the prior year.

Hamilton Waterfront Trust

Notes to Consolidated Financial Statements

December 31, 2021

9. Prior Period Comparative Information

During the year, management determined that the note receivable from the City of Hamilton, as described in Note 4, was understated as the termination fee recognized in fiscal 2018 did not include an additional agreed upon amount. The comparative figures have been retrospectively updated in these consolidated financial statements accordingly.

The restated consolidated financial statement comparative figures for the prior year include adjustments to the consolidated statement of financial position and consolidated statement of operations and changes in net assets as set out below.

	As previously reported	Adjustments		As restated
Consolidated statement of financial position				
<u>December 31, 2020</u>				
Note receivable	\$ 1,154,669	\$ 465,573	\$	1,620,242
Net assets	\$ 921,657	\$ 465,573	\$	1,387,230
Consolidated statement of operations and changes in net assets				
<u>December 31, 2020</u>				
Interest income	\$ -	\$ 62,316	\$	62,316
Net assets, beginning of year	\$ 952,214	\$ 403,257	\$	1,355,471
Net assets, end of year	\$ 921,657	\$ 465,573	\$	1,387,230

10. COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a global pandemic, which continues to spread throughout Canada and around the world. As a direct result of the COVID-19 pandemic, the Organization was qualified for financial assistance from the Canada Emergency Wage Subsidy (CEWS) government incentive program in the amount of \$273,768 (2020 - \$320,654). As at year end, \$63,075 (2020 - \$60,367) of CEWS is receivable and is included in accounts receivable on the consolidated statement of financial position. This amount has been received subsequent to year end.

Management is actively monitoring and planning for contingencies in the event that there is continued effect on the financial condition, liquidity, operations, suppliers, sector and workforce of the Organization. During this time, the Organization continues to operate. The Organization is not able to estimate the potential future effects of the COVID-19 outbreak on its operations, financial condition or liquidity at this time.