

**Hamilton Waterfront Trust**  
**Consolidated Financial Statements**  
For the year ended December 31, 2022

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For the year ended December 31, 2022

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## Independent Auditor's Report

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### 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, 2022, 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, 2022, 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.

#### 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  
December 12, 2023

# Hamilton Waterfront Trust

## Consolidated Statement of Financial Position

December 31 2022 2021

### Assets

#### Current

Cash	\$ 390,442	\$ 361,648
Accounts receivable	2,040,921	2,054,071
Inventories and prepaid expenses	28,914	29,427
Current portion of note receivable (Note 3)	112,144	107,831

2,572,421 2,552,977

Capital assets (Note 2)	1,144,169	1,249,844
Note receivable (Note 3)	1,288,123	1,404,581

\$ 5,004,713 \$ 5,207,402

### Liabilities and Net Assets

#### Current

Accounts payable and accrued liabilities	\$ 1,457,209	\$ 1,253,045
Current portion of deferred capital contributions (Note 4)	48,500	37,922

1,505,709 1,290,967

Deferred capital contributions (Note 4)	1,036,593	1,095,671
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2,542,302 2,386,638

Net assets	2,462,411	2,820,764
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\$ 5,004,713 \$ 5,207,402

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	2022	2021
Revenue		
Williams Fresh Cafe	\$ 1,242,130	\$ 777,952
Outdoor ice rink	343,054	337,149
Hamilton Scoops	142,519	112,537
Skate rental	118,762	36,064
Hamilton trolley	73,321	36,774
HWT centre	67,736	50,214
Waterfront Grill	42,738	32,963
Hamiltonian tour boat	39,530	26,868
City of Hamilton contract and management income	34,305	35,662
Other income	663	-
Music on the Waterfront	7,482	-
Waterfront wheels	2,376	512
Investment income	850	101
Fishing derby	400	-
Waterfront development, City of Hamilton management contract (Note 5)	-	1,497,834
	<u>2,115,866</u>	<u>2,944,630</u>
Expenses		
Williams Fresh Cafe	1,398,932	954,895
Salaries and benefits	386,441	372,767
Outdoor Ice Rink	346,232	337,530
Hamilton Scoops	94,312	78,988
Skate Rental	52,790	46,109
Hamilton Trolley	46,995	24,511
Waterfront Grill	44,789	43,197
Professional fees	44,393	19,406
Insurance	27,889	6,681
HWT Centre	24,861	22,366
Office expenses	20,591	12,287
Hamiltonian Tour Boat	20,509	13,494
Building expenses	13,306	14,180
Telephone	9,623	9,343
Music on the waterfront	8,730	4,370
Fish Derby	8,704	-
Equipment expenses	3,801	1,612
Advertising and promotion	2,266	1,588
Travel	1,596	1,862
Bank charges	1,002	6,301
Dues and memberships	715	518
Waterfront Wheels	383	700
Training	-	420
	<u>2,558,860</u>	<u>1,973,125</u>
Excess (deficiency) of revenue over expenses before other revenue (expenses)	<u>(442,994)</u>	<u>971,505</u>
Other revenue (expenses)		
Amortization of capital assets	(54,986)	(75,250)
Amortization of deferred capital contributions	48,500	37,922
Government assistance	10,696	273,768
Grant income	69,731	167,420
Interest income	53,856	58,169
Loss on disposal of assets	(43,156)	-
	<u>84,641</u>	<u>462,029</u>
Excess (deficiency) of revenue over expenses for the year	<u>(358,353)</u>	<u>1,433,534</u>
Net assets, beginning of year	<u>2,820,764</u>	<u>1,387,230</u>
Net assets, end of year	<u>\$ 2,462,411</u>	<u>\$ 2,820,764</u>

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	2022	2021
Cash flows from operating activities		
Excess (deficiency) of revenue over expenses for the year	\$ (358,353)	\$ 1,433,534
Adjustments to reconcile excess (deficiency) of revenue over expenses to net cash used in operating activities		
Amortization of capital assets	54,986	75,250
Amortization of deferred capital contributions	(48,500)	(37,922)
Loss on disposal of capital assets	43,156	-
Changes in non-cash working capital balances		
Accounts receivable	13,150	(1,868,801)
Inventories and prepaid expenses	513	(1,206)
Note receivable	112,144	107,830
Accounts payable and accrued liabilities	204,164	766,516
Deferred revenue	-	(380,049)
	<u>21,260</u>	<u>95,152</u>
Cash flows from investing activities		
Proceeds from sale of capital assets	14,000	-
Purchase of capital assets	<u>(6,466)</u>	<u>(12,290)</u>
	<u>7,534</u>	<u>(12,290)</u>
Increase in cash during the year	28,794	82,862
Cash, beginning of year	<u>361,648</u>	<u>278,786</u>
Cash, end of year	<u>\$ 390,442</u>	<u>\$ 361,648</u>

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

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# Hamilton Waterfront Trust

## Notes to Consolidated Financial Statements

December 31, 2022

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### 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.



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## Hamilton Waterfront Trust

### Notes to Consolidated Financial Statements

December 31, 2022

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#### 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.

## Hamilton Waterfront Trust

### Notes to Consolidated Financial Statements

December 31, 2022

#### 2. Capital Assets

	2022		2021	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Boat	\$ 52,156	\$ 52,156	\$ 52,156	\$ 48,995
Building	17,016	9,345	17,016	8,894
Computer equipment	42,844	42,549	42,844	42,328
Dock	15,522	10,692	15,522	10,424
Furniture and equipment	221,382	209,092	221,382	202,851
Trolleys	153,249	115,464	335,782	236,875
Leasehold improvements	2,542,155	1,460,857	2,542,155	1,426,646
	<u>\$ 3,044,324</u>	<u>\$ 1,900,155</u>	<u>\$ 3,226,857</u>	<u>\$ 1,977,013</u>
Net book value		<u>\$ 1,144,169</u>		<u>\$ 1,249,844</u>

#### 3. 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 (2021 - \$166,000) inclusive of interest, with final payment made on January 1, 2032.

#### 4. Deferred Capital Contributions

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

	2022	2021
Balance, beginning of year	\$ 1,133,593	\$ 1,171,515
Less: contributions recognized as revenue	(48,500)	(37,922)
	<u>1,085,093</u>	<u>1,133,593</u>
Less: current portion	(48,500)	(37,922)
Balance, end of year	<u>\$ 1,036,593</u>	<u>\$ 1,095,671</u>

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## Hamilton Waterfront Trust

### Notes to Consolidated Financial Statements

December 31, 2022

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5. 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.

	2022	2021
Waterfront development revenue	\$ 6,350,479	\$ 15,057,974

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6. 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.