

Hamilton Waterfront Trust
Consolidated Financial Statements
For the year ended December 31, 2023

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For the year ended December 31, 2023

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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, 2023, 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, 2023, 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 - Subsequent Event

We draw attention to Note 9 to the consolidated financial statements, which explains that subsequent to the year-end, the Group will wind down operations. 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
May 29, 2025

Hamilton Waterfront Trust

Consolidated Statement of Financial Position

December 31 2023 2022

Assets

Current

Cash	\$ 532,894	\$ 390,442
Accounts receivable	873,740	2,425,866
Inventories and prepaid expenses	31,362	28,914
Current portion of note receivable (Note 3)	<u>166,000</u>	<u>112,144</u>

1,603,996 2,957,366

Capital assets (Note 2 & 6) 140,427 1,144,169

Note receivable (Note 3) 1,117,638 1,288,123

\$ 2,862,061 \$ 5,389,658

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities (Note 4)	\$ 737,932	\$ 1,842,154
Current portion of deferred capital contributions (Note 5 & 6)	<u>14,331</u>	<u>48,500</u>

752,263 1,890,654

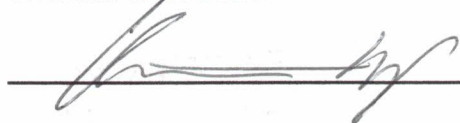
Deferred capital contributions (Note 5) - 1,036,593

752,263 2,927,247

Net assets 2,109,798 2,462,411

\$ 2,862,061 \$ 5,389,658

On behalf of the Board:

 Director

Director

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

Hamilton Waterfront Trust

Consolidated Statement of Operations and Changes in Net Assets

For the year ended December 31	2023	2022
Revenue		
Outdoor ice rink	\$ 384,497	\$ 343,054
Hamilton Scoops	128,585	142,519
Hamilton trolley	85,366	73,321
Skate rental	76,006	118,762
Hamiltonian tour boat	34,245	39,530
HWT centre	-	67,736
Waterfront Grill	24,613	42,738
Other income	24,494	663
Music on the Waterfront	5,062	7,482
Investment income	3,486	850
City of Hamilton contract and management income	-	34,305
Waterfront wheels	-	2,376
Fishing derby	-	400
	766,354	873,736
Expenses		
Outdoor Ice Rink	384,497	346,232
Salaries and benefits	291,169	386,441
Building expenses	97,012	13,306
Hamilton Scoops	83,388	94,312
Professional fees	52,614	44,393
Skate Rental	48,717	52,790
Hamilton Trolley	37,216	46,995
Waterfront Grill	31,370	44,789
Office expenses	25,782	20,591
Hamiltonian Tour Boat	21,230	20,509
Bank charges	13,801	1,002
Music on the waterfront	8,133	8,730
Telephone	7,573	9,623
Insurance	6,666	27,889
Equipment expenses	1,335	3,801
Dues and memberships	1,159	715
Cup & Cone Operations	1,039	-
Training	750	-
Travel	672	1,596
Advertising and promotion	549	2,266
HWT Centre	-	24,861
Fish Derby	-	8,704
Waterfront Wheels	-	383
	1,114,672	1,159,928
Deficiency of revenue over expenses before other revenue (expenses)	(348,318)	(286,192)
Other revenue (expenses)		
Amortization of capital assets	(29,322)	(20,775)
Government assistance	-	10,696
Grant income	-	69,731
Interest income	49,370	53,856
Loss on disposal of assets	-	(43,156)
	20,048	70,352
Deficiency of revenue over expenses before discontinued operations	(328,270)	(215,840)
Loss from discontinued operations (Note 6)	(24,343)	(142,513)
Deficiency of revenue over expenses for the year	(352,613)	(358,353)
Net assets, beginning of year	2,462,411	2,820,764
Net assets, end of year	\$ 2,109,798	\$ 2,462,411

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	2023	2022
Cash flows from operating activities		
Deficiency of revenue over expenses for the year	\$ (352,613)	\$ (358,353)
Adjustments to reconcile deficiency of revenue over expenses to net cash used in operating activities		
Amortization of capital assets	63,719	54,986
Amortization of deferred capital contributions	(1,070,762)	(48,500)
Loss on disposal of capital assets	-	43,156
Impairment of capital assets	1,032,570	-
Changes in non-cash working capital balances		
Accounts receivable	1,552,126	(371,796)
Inventories and prepaid expenses	(2,448)	513
Note receivable	116,629	112,144
Accounts payable and accrued liabilities	(1,104,222)	589,110
	<u>234,999</u>	<u>21,260</u>
Cash flows from investing activities		
Proceeds from sale of capital assets	-	14,000
Purchase of capital assets	(92,547)	(6,466)
	<u>(92,547)</u>	<u>7,534</u>
Increase in cash during the year	142,452	28,794
Cash, beginning of year	390,442	361,648
Cash, end of year	\$ 532,894	\$ 390,442

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

Hamilton Waterfront Trust

Notes to Consolidated Financial Statements

December 31, 2023

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.

Restricted contributions are deferred and recognized in revenue in the year in which the related expenses are incurred.

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.

Deferred Capital Contributions

Deferred capital contributions related to capital assets include restricted contributions for the purchase of capital assets. Deferred capital contributions are amortized over the useful life of the underlying asset purchased.

Hamilton Waterfront Trust

Notes to Consolidated Financial Statements

December 31, 2023

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

Impairment of Tangible Capital Assets

When a tangible capital asset no longer contributes to the Organization's ability to provide goods and services, or the future economic benefits or service potential of the tangible capital asset is less than its carrying value, the excess of its net carrying amount over its fair value or replacement cost is recognized as an expense in the consolidated statement of operations. The Organization recognized an impairment write down in the current fiscal year relating to leasehold improvements as it terminated its agreement relating to the Williams Fresh Café subsequent to year end.

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, 2023

2. Capital Assets

	2023		2022	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Boat	\$ 89,129	\$ 57,783	\$ 52,156	\$ 52,156
Building	17,016	11,639	17,016	9,345
Computer equipment	49,436	44,615	42,844	42,549
Dock	15,522	10,934	15,522	10,692
Furniture and equipment	249,831	217,819	221,382	209,092
Trolleys	153,249	125,831	153,249	115,464
Incorporation cost	1,428	-	-	-
Leasehold improvements	2,561,260	2,527,823	2,542,155	1,460,857
	\$ 3,136,871	\$ 2,996,444	\$ 3,044,324	\$ 1,900,155
Net book value		\$ 140,427		\$ 1,144,169

The Organization recognized an impairment write down in the current fiscal year relating to leasehold improvements with a net book value of \$1,046,901 as part of the termination of its agreement relating to the Williams Fresh Café subsequent to year end (Note 6). The impairment write down, which was included in the loss from discontinued operations on the income statement, was \$1,032,570.

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 installments of \$166,000 (2022 - \$166,000) inclusive of interest, with final payment made on January 1, 2032.

4. Government Remittances Payable

Included in accounts payable and accrued liabilities, are government remittances payables in the amount of \$97,481 (2022 - \$40,853).

Hamilton Waterfront Trust

Notes to Consolidated Financial Statements

December 31, 2023

5. Deferred Capital Contributions

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

	2023	2022
Balance , beginning of year	\$ 1,085,093	\$ 1,133,593
Less: contributions recognized as revenue	-	(48,500)
Less: disposal of Williams Fresh Café (Note 6)	(1,070,762)	-
	14,331	1,085,093
Less: current portion	(14,331)	(48,500)
Balance , end of year	\$ -	\$ 1,036,593

The Organization recognized an impairment write down in the current fiscal year relating to leasehold improvements as it terminated its agreement relating to the Williams Fresh Café subsequent to year end (Note 6). As a result, an impairment loss on deferred capital contributions relating to the Williams Fresh Café was also recognized in the current year.

6. Discontinued Operations

Subsequent to year end, the Organization ceased the operations of the Williams Fresh Café ("Williams"). As a result, the operations of Williams qualified as discontinued operations and had been reported separately in the statement of operations. The results and balances associated with the discontinued operations for the statements of financial position and operations are summarized below:

	2023	2022
Revenue	\$ 1,383,186	\$ 1,242,130
Expenses	(1,411,324)	(1,398,932)
Other revenue (expenses)		
Amortization of capital assets	(34,397)	(34,211)
Amortization of deferred capital contributions	-	48,500
Impairment of capital assets related to discontinued operations (Note 2)	(1,032,570)	-
Impairment of deferred capital contributions related to discontinued operations (Note 3)	1,070,762	-
Loss from discontinued operations	\$ (24,343)	\$ (142,513)
Assets		
Leasehold improvements	\$ 14,331	\$ 1,081,298
Liabilities		
Deferred capital contributions	\$ 14,331	\$ 1,085,093

Hamilton Waterfront Trust

Notes to Consolidated Financial Statements

December 31, 2023

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.

	2023	2022
Waterfront development revenue	\$ 1,767,678	\$ 6,350,479

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.

9. Subsequent Event

On March 17, 2025, the Organization received direction from the City of Hamilton instructing them to wind down the operations of the Organization. On completion of the wind down of operations, the Organization shall transfer any remaining assets including any monetary assets to the City of Hamilton.

10. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's method of presentation.