

**Hamilton Community Foundation**  
**Financial Statements**  
For the year ended March 31, 2010

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## Auditors' Report

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**To the Board of Directors of  
Hamilton Community Foundation**

We have audited the statement of financial position of Hamilton Community Foundation as at March 31, 2010 and the statements of revenue and expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2010, the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

Burlington, Ontario  
April 29, 2010

## Hamilton Community Foundation Statement of Financial Position

**March 31** 2010 2009

### Assets

#### Current

Cash and cash equivalents	\$ 2,418,738	\$ 3,614,802
Accounts receivable	15,245	17,401
Accrued income receivable	427,800	460,806
Prepaid expenses	27,522	19,575
	2,889,305	4,112,584

Investments at market (Note 1)	113,100,453	95,328,813
Capital assets (Note 2)	287,065	353,225
	287,065	353,225

**\$116,276,823**    **\$ 99,794,622**

### Liabilities and Net Assets

Accounts payable	\$ 120,285	\$ 209,545
Deferred revenue	247,224	294,501
Funds held on behalf of third parties (Note 3)	6,937,974	5,686,858
	7,305,483	6,190,904

#### Net Assets

Invested in capital assets	287,065	353,225
Endowment funds	105,022,194	105,214,626
Restricted funds	3,662,081	(11,964,133)
	108,971,340	93,603,718

**\$116,276,823**    **\$ 99,794,622**

On behalf of the Board of Directors:

\_\_\_\_\_ Chair

\_\_\_\_\_ Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

## Hamilton Community Foundation Statement of Revenues and Expenses and Changes in Net Assets

	Endowment		Operating/Invested in Capital Assets		Restricted		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Revenue:								
Investment income (loss), net (Note 4)	\$ -	\$ -	\$1,674,767	\$1,719,323	\$ 14,707,355	(\$18,032,741)	\$16,382,122	(\$16,313,418)
Donations including bequests	3,121,337	2,416,676	10,076	19,524	1,186,121	434,206	4,317,534	2,870,406
Gifts specified for community leadership projects	-	-	-	-	395,772	505,023	395,772	505,023
<b>Operational expenses (Note 5):</b>	<b>3,121,337</b>	<b>2,416,676</b>	<b>1,684,843</b>	<b>1,738,847</b>	<b>16,289,248</b>	<b>(17,093,512)</b>	<b>21,095,428</b>	<b>(12,937,989)</b>
Granting activities	-	-	268,779	397,287	-	-	268,779	397,287
Philanthropic services	-	-	189,119	204,476	-	-	189,119	204,476
Development activities	-	-	621,133	571,888	-	-	621,133	571,888
Administration & Governance	-	-	671,972	581,012	-	-	671,972	581,012
	-	-	<b>1,751,003</b>	<b>1,754,663</b>	-	-	<b>1,751,003</b>	<b>1,754,663</b>
Excess of revenue over expenses (expenses over revenue)	<b>3,121,337</b>	<b>2,416,676</b>	<b>(66,160)</b>	<b>(15,816)</b>	<b>16,289,248</b>	<b>(17,093,512)</b>	<b>19,344,425</b>	<b>(14,692,652)</b>
before grants and leadership projects								
Grants and leadership projects distributed (Note 6)	-	-	-	-	<b>(3,976,803)</b>	<b>(4,597,277)</b>	<b>(3,976,803)</b>	<b>(4,597,277)</b>
Excess of revenue over expenses (expenses over revenue) for the year	<b>3,121,337</b>	<b>2,416,676</b>	<b>(66,160)</b>	<b>(15,816)</b>	<b>12,312,445</b>	<b>(21,690,789)</b>	<b>15,367,622</b>	<b>(19,289,929)</b>
Fund balances, beginning of year	<b>105,214,626</b>	<b>102,797,950</b>	<b>353,225</b>	<b>369,041</b>	<b>(11,964,133)</b>	<b>9,726,656</b>	<b>93,603,718</b>	<b>112,893,647</b>
Transfers (Note 7)	<b>(3,313,769)</b>	-	-	-	<b>3,313,769</b>	-	-	-
Fund balances, end of year	<b>\$ 105,022,194</b>	<b>\$ 105,214,626</b>	<b>\$ 287,065</b>	<b>\$ 353,225</b>	<b>\$ 3,662,081</b>	<b>\$(11,964,133)</b>	<b>\$ 108,971,340</b>	<b>\$ 93,603,718</b>
Expenses as percentage of average total assets (Note 5)			<b>1.6%</b>	<b>1.6%</b>				<b>1.6%</b>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

## Hamilton Community Foundation Statement of Cash Flows

For the year ended March 31	2010	2009
<b>Cash flows provided by (used in) operating activities</b>		
Excess (deficiency) of revenues over expenses, grants and distributions	\$ 15,367,622	\$ (19,289,929)
Adjustments to reconcile excess/(deficiency) of revenues over expenses, grants and distributions to net cash provided by operating activities:		
Amortization of capital assets	82,196	77,310
Donated securities	(1,506,026)	(478,511)
Unrealized (gains)/losses	(14,178,565)	17,746,909
Purchase of investments	(85,034,249)	(88,828,442)
(Gains)/losses on sale of investments	(276,451)	3,478,208
Proceeds from the sale of investments	84,091,280	88,593,932
Investment income used for re-investment	(867,630)	(2,785,860)
Changes in non-cash working capital items		
Accounts receivable	2,156	53,045
Accrued income receivable	33,006	418,592
Prepaid expenses	(7,946)	312
Accounts payable and accrued liabilities	(89,260)	(701,514)
Deferred revenue	(47,277)	67,152
Funds held on behalf of third parties	1,251,116	(739,198)
	<u>(1,180,028)</u>	<u>(2,387,994)</u>
<b>Cash flows from investing activities</b>		
Purchase of capital assets	<u>(16,036)</u>	<u>(61,494)</u>
<b>Increase (decrease) in cash and cash equivalents during the year</b>	<b>(1,196,064)</b>	<b>(2,449,488)</b>
<b>Cash and cash equivalents, beginning of year</b>	<u><b>3,614,802</b></u>	<u><b>6,064,290</b></u>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,418,738</b>	<b>\$ 3,614,802</b>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

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# Hamilton Community Foundation Summary of Significant Accounting Policies

March 31, 2010

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## Nature and Purpose of Organization

Hamilton Community Foundation (the "Foundation") was incorporated without share capital by special act in 1954 and then continued under the Hamilton Community Foundation Act, 1994, Ontario (the "Act"). The Foundation's purpose is to act as a vehicle for donors to improve their community and to meet the changing needs and opportunities across all sectors of the Hamilton community through grant making and community leadership.

The Foundation is a public foundation registered under the Income Tax Act (Canada) (the "Tax Act") and, as such, is exempt from income taxes and able to issue donation receipts for income tax purposes.

## 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 the purpose.

For financial reporting purposes, the accounts have been classified into the following funds:

i) Endowment Funds

The Endowment Fund reports resources that are generally required to be maintained by the Foundation on a permanent basis.

ii) Operating Fund

The Operating Fund reports resources available for the Foundation's general operating activities. These activities include asset development, grant making, and philanthropic services to the community. The general costs of supporting these activities are reported as expenses in the Operating Fund.

iii) Restricted Funds

The Restricted Funds reports resources that are available to be used for purposes specified by the donor or the Foundation's Board of Directors (the "Board").

## Revenue Recognition

Gifts received are generally considered contributions to the capital of the Foundation unless a donor specifies otherwise, and are, therefore, reflected as revenue of an Endowment Fund. If a donor specifies that the contribution is not to be retained permanently, it is recognized as revenue of the Restricted Fund.

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## Hamilton Community Foundation Summary of Significant Accounting Policies

**March 31, 2010**

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<b>Revenue Recognition (con't)</b>	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.
<b>Contributed Services</b>	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 financial statements.
<b>Disclosure of Allocated Expenses</b>	<p>Hamilton Community Foundation engages in:</p> <ul style="list-style-type: none"><li>• Granting making</li><li>• Philanthropic services</li><li>• Development activity</li><li>• Administration and governance</li></ul> <p>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.</p>
<b>Foreign Currency Translation</b>	<p>Foreign currency accounts are translated to Canadian dollars as follows:</p> <p>At the transaction date, each asset, liability, revenue or expense is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date. The resulting foreign exchange gains and losses are included in income in the current period.</p>
<b>Cash and Cash equivalents</b>	The Foundation considers all cash and cash equivalents as highly liquid investments purchased with an initial maturity of one year or less to be cash and cash equivalents.
<b>Investments</b>	The investments of the Foundation are recorded at fair value. Investment income includes dividends, interest, realized gains/(losses) and the net change in unrealized gains/(losses) for the year, less investment counsel and custodian fees.

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## Hamilton Community Foundation Summary of Significant Accounting Policies

**March 31, 2010**

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### **Investments (con't)**

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.

Investment income is allocated as follows:

#### **i) Endowment Funds:**

- Income earned on funds which the donor has stipulated the income be added to principal; and
- 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 Funds:**

- Income earned on resources of the Endowment or Restricted Funds which is available for granting purposes as determined by the Board or donor restrictions; and
- Reserve for future market declines.

### **Capital Assets**

Capital assets 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.

### **Use of Estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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 financial statements and the reported amounts of revenues 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

## Summary of Significant Accounting Policies

**March 31, 2010**

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### **Financial Instruments And Derivatives**

#### **Fair Value**

The Foundation utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the Foundation is not exposed to significant interest, currency or credit risks arising from these financial instruments and the carrying amount of the financial instruments approximate their fair value.

Fair value of cash and cash equivalents is recognized at cost plus accrued interest.

Fair value of investments is determined based on quoted bid prices. In cases where bid price information is not available, the investment has been valued using the final trade price.

Transaction costs related to investments are expensed as incurred. The Foundation accounts for its investments on a settlement date basis.

#### **Risks arising from Financial Instruments**

##### **(a) Interest Rate Risk**

The Foundation manages its portfolio investments based on its cash flow needs and with a view to optimizing its investment income.

The effective interest rate on bonds during the year varied from 3.13% to 8.0%. The maturities of these bonds range from March 15, 2011 to June 1, 2037.

##### **(b) 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 values of the investments.

### **Impairment of Long Lived Assets**

In the event that facts and circumstances indicate that the Foundation's long-lived assets may be impaired, an evaluation of recoverability would be performed. Such an evaluation entails comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write down to market value or discounted cash flow value is required. The Foundation considers that no circumstances exist that would require such an evaluation.

## Hamilton Community Foundation Notes to Financial Statements

**March 31, 2010**

### 1. Investments

	2010	2009
Bonds	<b>\$ 41,651,006</b>	\$ 38,587,391
Equities:		
Canadian	<b>23,387,782</b>	16,613,430
Foreign	<b>42,991,340</b>	33,648,990
	<b>108,030,128</b>	88,849,811
Cash and cash equivalents	<b>5,070,325</b>	6,479,002
	<b>\$ 113,100,453</b>	\$ 95,328,813

The investments are held in three separate portfolios each of which is managed by a professional investment counselor selected to provide diversity of investment philosophy and style. Investments in each portfolio are made in accordance with the Foundation's investment policy as approved by the Board. The goal of the policy is to ensure that funds are maintained and grown while achieving maximum returns consistent with prudent investment. The investment policy includes guidelines regarding the minimum and maximum amount of equity holdings, foreign equity holdings and a maximum to be invested in any one related party or industry.

### 2. Capital Assets

	2010		2009	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Leasehold improvements	<b>\$ 345,391</b>	<b>\$ 153,905</b>	\$ 345,391	\$ 113,073
Furniture and fixtures	<b>84,268</b>	<b>44,339</b>	85,810	30,181
Computer equipment	<b>92,738</b>	<b>37,088</b>	87,112	21,834
	<b>\$ 522,397</b>	<b>\$ 235,332</b>	\$ 518,313	\$ 165,088
Net Book Value	<b>\$ 287,065</b>		\$ 353,225	

During the year, \$82,196 (2009 - \$77,310) of amortization expense on capital assets was incurred and is reported in the statement of revenue and expenses and changes in net assets.

## Hamilton Community Foundation Notes to Financial Statements

**March 31, 2010**

### 3. Funds Held on Behalf of Third Parties

Funds held on behalf of third parties of \$6,937,974 (2009 - \$5,686,858) are pooled with the investments of the Foundation. Capital and related income (losses) earned on these funds are to be distributed by the owners. Investment income or losses are allocated to these funds in the proportion of their capital to the total capital. Administration fees ranging from 0.5% to 1.5% of the fund balance are charged on these funds. The receipt and disbursement of these funds are not reflected in the statement of revenues and expenses and changes in net assets.

### 4. Investment Income

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.

	2010	2009
Investment income (loss) during the year:		
Interest and dividends	<b>\$ 3,378,730</b>	\$ 4,388,685
Realized gain (losses)	<b>276,451</b>	(3,478,208)
Unrealized gains (losses)*	<b>14,178,565</b>	(17,746,909)
	<b>17,833,746</b>	(16,836,432)
Deduct:		
Investment fees	<b>(401,192)</b>	(511,950)
Investment (income) losses allocated to Funds held on behalf of third parties	<b>(1,050,432)</b>	1,034,964
	<b>16,382,122</b>	(16,313,418)
Allocated to:		
Endowment Fund	-	-
Operating Fund	<b>1,674,767</b>	1,719,323
Restricted Fund	<b>14,707,355</b>	(18,032,741)
	<b>\$ 16,382,122</b>	\$(16,313,418)

\*Included in unrealized gains (losses) is unrealized foreign exchange gains of \$660,363 (2009 - \$6,474,687) on foreign equities.

## Hamilton Community Foundation Notes to Financial Statements

**March 31, 2010**

### 5. Expenses as Percentage of Average Total Assets

	2010	2009
Total assets:		
Opening	\$ 99,794,622	\$ 120,458,110
Closing	116,276,823	\$ 99,794,622
Average	\$ 108,035,723	\$ 110,126,366
Total operating expenses	\$ 1,751,003	\$ 1,754,663
Expenses as percentage of average total assets	1.6%	1.6%

The Foundation's operating expenses involves asset development and activities related to grant making, leadership and philanthropic services. These activities are not necessarily related to the donations received in any one year and the asset development methodology used by the Foundation creates normal gift delays which may result in costs preceding the receipt of the gifts by several years.

In management's view, the ratio of total operating expenses to average total assets should be used to evaluate the operating costs. Ratios may fall within a range depending on the size and stage of development of a community foundation. Management considers the ratio of 1.6% (2009 - 1.6%) 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.

### 6. Grants and Leadership Projects

In addition to granting activity, the Foundation undertakes a number of community leadership projects. These projects, many of which span a number of years, have a separate funding stream from operations through external gifts from donors, as well, as commitments made by the Board to support these initiatives.

	2010	2009
Grants and leadership projects were made as follows:		
Grants	\$ 3,592,178	\$ 4,111,326
Community leadership projects:		
Hamilton Roundtable for Poverty Reduction	305,930	374,554
Youth in Philanthropy Program	24,222	34,070
Diversity	10,269	53,148
Aboriginal Youth Project	18,164	-
Other leadership project	26,040	24,179
	\$ 3,976,803	\$ 4,597,277

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## Hamilton Community Foundation Notes to Financial Statements

**March 31, 2010**

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### **6. Expenses as Percentage of Average Total Assets (continued)**

Philanthropic services represent the Foundation's work to provide technical assistance to other philanthropic organizations and projects, as well as to foster the growth of community philanthropy. These costs include the on-going contribution of time and facilities to the Hamilton Roundtable for Poverty Reduction.

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### **7. Transfer**

An amount of \$3,313,769 has been transferred from the Endowment Fund to the Restricted Fund. This amount will be used for granting purposes in future years and was approved by the Board of Directors of the Foundation and the Board of Directors representing the original donor.

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### **8. Commitments**

As at March 31, 2010, the Foundation has extended pledges for future grants and distributions. These amounts, which have not been reflected as liabilities, total \$518,000 (2009 - \$1,053,000) and they are expected to be granted and paid over the next five years.

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

2011	68,016
2012	68,016
2013	68,016
2014	<u>45,344</u>
	<u>\$ 249,392</u>

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### **9. Interest in Life Insurance Policies**

The Foundation is the assignee and owner of life insurance policies totaling approximately \$3,058,130 (2009 - \$3,058,130). No value related to these policies is included in these financial statements.

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### **10. Capital Disclosures**

The Foundation considers its capital to be its restricted funds and net assets invested in capital assets. Its restricted funds are designated by the donor or the Board for use and the net assets invested in capital assets are directed by the board of directors. The Foundation's objective when managing its capital is to safeguard its ability to continue as a going concern so it can continue to provide services to our donors and to the community. Annual budgets are developed and monitored to ensure the Foundation's capital is maintained at an appropriate level.

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# Hamilton Community Foundation Notes to Financial Statements

**March 31, 2010**

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## **11. Change In Accounting Policies**

Effective April 1, 2009, the Foundation adopted new accounting presentation and disclosure standards that were issued by the Canadian Institute of Chartered Accountants. The implementation of these standards did not have a material impact on the Foundation's results of operations or financial position.

### **Financial statement concepts**

CICA Handbook Section 1000, Financial Statement Concepts, has been amended to focus on the capitalization of costs that truly meet the definition of an asset and de-emphasizes the matching principle.

### **Cash flow statements**

CICA Handbook Section 1540 was amended to include not-for-profit organizations, which includes Foundations within its scope.

### **Financial statement presentation by not-for-profit organizations**

CICA Handbook Section 4400 has been amended for the treatment of net assets invested in capital assets and for the presentation of revenues and expenses.

### **Disclosure of allocated expenses by not-for-profit organizations**

CICA Handbook Section 4470 establishes disclosure standards for not-for-profit organizations that choose to classify their expenses by function and allocate expenses from one function to another.

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## **12. Comparative Amounts**

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