

Hamilton Community Foundation
Financial Statements
For the year ended March 31, 2009

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For the year ended March 31, 2009

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Auditors' Report

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

We have audited the statements of financial position of Hamilton Community Foundation as at March 31, 2009 and the statements of revenue and expenses and changes in net assets 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, 2009, 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, 2009

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

Hamilton Community Foundation Statement of Financial Position

March 31	2009	2008
Assets		
Current		
Cash	\$ 6,793	\$ 17,806
Accounts receivable	17,401	70,446
Accrued income receivable	460,806	879,398
Prepaid expenses	19,575	19,886
	504,575	987,536
Investments at market (Note 1)	98,936,822	119,101,534
Capital assets (Note 2)	353,225	369,041
	\$ 99,794,622	\$ 120,458,111

Liabilities and Net Assets

Accounts payable	\$ 209,545	\$ 911,059
Deferred revenue	294,501	227,349
Funds held on behalf of third parties (Note 3)	5,686,858	6,426,056
	6,190,904	7,564,464
Net Assets		
Invested in capital assets	353,225	369,041
Endowment funds	105,214,626	102,797,950
Restricted funds	(11,964,133)	9,726,656
	93,603,718	112,893,647
	\$ 99,794,622	\$ 120,458,111

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	
	2009	2008	2009	2008	2009	2008	2009	2008
Revenue:								
Investment income (loss), net (Note 4)	\$ -	\$ -	\$1,719,323	\$1,887,211	(\$18,032,741)	(\$6,361,450)	(\$16,313,418)	(\$4,474,239)
Donations including bequests	2,416,676	3,062,894	19,524	10,397	434,206	1,918,111	2,870,406	4,991,402
Gifts specified for community-leadership projects	-	-	-	-	505,023	611,039	505,023	611,039
	2,416,676	3,062,894	1,738,847	1,897,608	(17,093,512)	(3,832,300)	(12,937,989)	1,128,202
Operational expenses (Note 6):								
Granting activities	-	-	397,287	379,031	-	-	397,287	379,031
Philanthropic services	-	-	204,476	139,418	-	-	204,476	139,418
Development activities	-	-	571,888	560,560	-	-	571,888	560,560
Administration & Governance	-	-	581,012	641,259	-	-	581,012	641,259
	-	-	1,754,663	1,720,268	-	-	1,754,663	1,720,268
Excess of revenue over expenses (expenses over revenue) before grants and leadership projects	2,416,676	3,062,894	(15,816)	177,340	(17,093,512)	(3,832,300)	(14,692,652)	(592,066)
Grants and leadership projects distributed (Note 5)	-	-	-	-	(4,597,277)	(6,202,862)	(4,597,277)	(6,202,862)
Excess of revenue over expenses (expenses over revenue) for the year	2,416,676	3,062,894	(15,816)	177,340	(21,690,789)	(10,035,162)	(19,289,929)	(6,794,928)
Fund balances, beginning of year	102,797,950	99,735,056	369,041	191,701	9,726,656	19,761,818	112,893,647	119,688,575
Fund balances, end of year	\$ 105,214,626	\$ 102,797,950	\$ 353,225	\$ 369,041	(\$11,964,133)	\$ 9,726,656	\$ 93,603,718	\$ 112,893,647
Expenses as percentage of average total assets (Note 6)			1.6%	1.4%				

Hamilton Community Foundation Summary of Significant Accounting Policies

March 31, 2009

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 purpose of the Foundation is to act as a leader and catalyst and to be a vehicle to provide a way for donors to improve their community forever by building a permanent endowment, the income of which is to be used to meet the changing needs and opportunities across all sectors of the Hamilton community through grant making and community leadership projects.

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 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 a Restricted Fund.

Hamilton Community Foundation Summary of Significant Accounting Policies

March 31, 2009

**Revenue Recognition
(Continued)**

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 financial statements.

Investments

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.

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.

Hamilton Community Foundation Summary of Significant Accounting Policies

March 31, 2009

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 equipment, three years for computers and the term of the lease for leasehold improvements.

Measurement Uncertainty

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.

**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 (other than forward contracts) 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.

Forward contracts are valued at an amount that is equal to the gain or loss that would be realized if the position were to be closed out, which is the equivalent to the difference between the deliverable asset and the value of the asset to be received. Changes in value of a forward contract or the assets deliverable under such a contract are included in investments.

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

Hamilton Community Foundation Summary of Significant Accounting Policies

March 31, 2009

**Financial Instruments
and Derivatives (Continued)**

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 3.60% to 10.625%. The maturities of these bonds range from June 2009 to December 2105.

(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, 2009

1. Investments

	2009	2008
Bonds	\$ 38,587,391	\$ 39,926,325
Equities:		
Canadian	16,613,430	23,937,431
Foreign	33,648,990	45,369,430
	88,849,811	109,233,186
Cash and cash equivalents	10,087,011	9,868,348
	\$ 98,936,822	\$ 119,101,534

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.

As at March 31, 2009, the Foundation had outstanding commitments to buy an aggregate of \$474,000 U.S. funds during the period March 5, 2009 to June 19, 2009 at rates of exchange averaging 1.27.

2. Capital Assets

	2009		2008	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Leasehold improvements	\$ 345,391	\$ 113,073	\$ 342,950	\$ 72,415
Furniture and fixtures	85,810	30,181	87,716	15,874
Computer equipment	87,112	21,834	47,168	20,504
	\$ 518,313	\$ 165,088	\$ 477,834	\$ 108,793
Net Book Value		\$ 353,225		\$ 369,041

During the year, \$77,310 (2008 - \$50,333) 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, 2009

3. Funds Held on Behalf of Third Parties

Funds held on behalf of third parties of \$5,686,858 (2008 - \$6,426,056) 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. Investment 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.

	2009	2008
Investment income (loss) during the year:		
Interest and dividends	\$ 4,388,685	\$ 6,892,708
Realized gains/(losses)	(3,478,208)	2,429,721
Unrealized losses	(17,746,909)	(13,573,122)
	(16,836,432)	(4,250,693)
Deduct:		
Investment fees	(511,950)	(500,658)
Investment (income)/losses allocated to Funds held on behalf of third parties	1,034,964	277,112
	(16,313,418)	(4,474,239)
Allocated to:		
Endowment Fund	-	-
Operating Fund	1,719,323	1,887,211
Restricted Fund	(18,032,741)	(6,361,450)
	\$ (16,313,418)	\$ (4,474,239)

Hamilton Community Foundation Notes to Financial Statements

March 31, 2009

5. 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.

	2009	2008
Grants and leadership projects were made as follows:		
Grants	\$4,111,326	\$ 5,656,396
Community leadership projects:		
Hamilton Roundtable for Poverty Reduction	374,554	334,701
Diversity	53,148	-
Growing Roots...Strengthening Neighborhoods	-	115,141
National Place Based Poverty Reduction Initiative	-	38,651
Youth in Philanthropy Program	34,070	26,314
Protecting Our Environment Together	-	22,298
Other leadership project	24,179	9,361
	\$ 4,597,277	\$ 6,202,862

6. Expenses as Percentage of Average Total Assets

	2009	2008
Total assets:		
Opening	\$120,458,110	\$ 126,785,415
Closing	99,794,622	\$ 120,458,110
Average	\$110,126,366	\$ 123,621,763
Total operating expenses	\$ 1,754,663	\$ 1,720,268
Expenses as percentage of average total assets	1.6%	1.4%

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 - 1.4%) 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.

Hamilton Community Foundation Notes to Financial Statements

March 31, 2009

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.

7. Commitments

As at March 31, 2009, the Foundation has extended pledges for future grants and distributions. These amounts, which have not been reflected as liabilities, total \$1,053,000 (2008 - \$932,000) 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:

2010	57,935
2011	68,016
2012	68,016
2013	68,016
2014	45,344
Thereafter	<u>307,327</u>
	<u>\$ 307,327</u>

8. Interest in Life Insurance Policies

The Foundation is the assignee and owner of life insurance policies totaling approximately \$3,058,130 (2008 - \$3,058,130). No value related to these policies is included in these financial statements.

9. Statement of Cash Flows

A separate statement of cash flows has not been presented since cash flows from operating, investing and financing activities are readily apparent from the other financial statements.

Hamilton Community Foundation

Notes to Financial Statements

March 31, 2009

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 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.

11. Change in Accounting Policies

Capital Disclosures

CICA Handbook Section 1535, Capital Disclosures, requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. See Note 11 for capital disclosures.

Going Concern

CICA Handbook Section 1400, General Standards on Financial Statement Presentation, has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The changes are effective for interim and annual financial statements beginning on or after January 1, 2008. The adoption of this accounting policy did not have a material effect on the financial statements of the Foundation.

12. New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Foundation, are as follows:

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.

The revised requirements are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Foundation is currently evaluating the impact of the adoption of this change on the disclosure within its financial statements.

Financial Statement Presentation by Not for Profit Organizations

Section 4400 has been amended for the treatment of net assets invested in capital assets and for the presentation of revenues and expenses. The new standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The Foundation is currently assessing the impact of the new standard.

Hamilton Community Foundation Notes to Financial Statements

March 31, 2009

12. New Accounting Pronouncements (Continued)

Disclosure of Allocated Expenses by Not for Profit Organizations

This new 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. The changes are effective for interim and annual financial statements beginning on or after January 1, 2009. The Foundation is currently assessing the impact of the new standard.