

Financial statements of

Hamilton Waterfront Trust

December 31, 2011

Hamilton Waterfront Trust

December 31, 2011

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Independent Auditor's Report

To Board of Directors of
Hamilton Waterfront Trust

We have audited the accompanying financial statements of Hamilton Waterfront Trust ("the Organization"), which comprise the statement of financial position as at December 31, 2011, and the statements of operations, changes in net assets and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
June 25, 2012

Hamilton Waterfront Trust

Statement of operations year ended December 31, 2011

	2011	2010
	\$	\$
Revenues		
Project revenues (Note 7)	5,667	150,345
Investment income	4,938	111
HST and GST rebate (Note 8)	43,974	120,424
Other income	137,421	66,313
	192,000	337,193
Expenses		
Advertising and promotion	18,468	28,863
Amortization	20,637	22,642
Bank charges	8,278	6,955
Dues and subscriptions	1,824	1,333
Entertainment	-	-
Equipment rental	2,620	20,628
Insurance	2,795	1,342
Occupancy costs	10,992	23,284
Office expenses	23,100	37,636
Professional fees		
Audit	20,489	21,131
Investment	-	2,205
Salaries and benefits	279,944	298,634
Settlement of damages	127,000	-
Telephone	(930)	10,612
Travel and conferences	4,545	4,383
	519,762	479,648
Excess of expenses over revenues for the year before the undernoted	(327,762)	(142,455)
Hamiltonian Tour Boat operations (Schedule 1)	9,194	1,491
Williams Fresh Cafe operations (Schedule 2)	(33,010)	37,969
Hamilton Harbour Queen operations (Schedule 3)	232	(256,040)
Hamilton Scoops operations (Schedule 4)	19,806	27,127
Hamilton Trolley operations (Schedule 5)	(28,940)	(21,864)
Fishing Derby operations (Schedule 6)	(4,112)	(8,479)
Wingfest operations (Schedule 7)	-	(83,895)
Waterfront Grill operations (Schedule 8)	(3,023)	(6,294)
Discovery Centre operations (Schedule 9)	(187,327)	(32,072)
Outdoor Ice Rink operations (Schedule 10)	14,950	-
Skate Rental operations (Schedule 11)	2,487	-
Excess of expenses over revenues for the year before the GST audit adjustment	(537,505)	(484,512)
GST adjustment	63,301	(409,013)
Excess of expenses over revenues for the year	(474,204)	(893,525)

Hamilton Waterfront Trust

Statement of changes in net assets
year ended December 31, 2011

	Invested in capital assets	Unrestricted	2011	2010
	\$	\$	\$	\$
Balance, beginning of year	1,976,153	19,415	1,995,568	2,889,093
Excess of expenses over revenues for the year	(132,505)	(341,699)	(474,204)	(893,525)
Adjustments and sales tax rebates for capital assets	(327,079)	327,079	-	-
Purchase of capital assets	9,312	(9,312)	-	-
Balance, end of year	1,525,881	(4,517)	1,521,364	1,995,568

Hamilton Waterfront Trust

Statement of financial position as at December 31, 2011

	2011	2010
	\$	\$
Assets		
Current assets		
Cash	138,788	380,471
Investments (Note 3)	62,674	59,628
Accounts receivable	150,916	407,547
Inventory	6,898	6,898
Prepaid expenses	22,718	33,546
	381,994	888,090
Capital assets (Note 4)	1,760,355	1,976,153
Construction in progress (Note 5)	94,451	-
	2,236,800	2,864,243
Liabilities		
Current liabilities		
Accounts payable and accrued charges	248,188	459,662
HST and GST payable (Note 8)	105,226	409,013
Deferred revenue - Trillium Foundation Grant	33,097	-
Current portion of deferred capital contributions (Note 9)	13,691	-
	400,202	868,675
Deferred capital contributions (Note 9)	220,783	-
Deferred capital contributions - Discovery Centre (Note 5)	94,451	-
	715,436	868,675
Net assets		
Invested in capital assets	1,525,881	1,976,153
Unrestricted net assets	(4,517)	19,415
	1,521,364	1,995,568
	2,236,800	2,864,243

Hamilton Waterfront Trust

Statement of cash flows year ended December 31, 2011

	2011	2010
	\$	\$
Operating activities		
Excess of expenses over revenues for the year	(474,204)	(893,525)
Items not affecting cash		
Amortization	146,196	136,785
Amortization of deferred contributions (Note 9)	(13,691)	-
Changes in non-cash working capital items		
Accounts receivable	256,631	(393,900)
Inventory	-	7,196
Prepaid expenses	10,828	(7,658)
Accounts payable and accrued charges	(197,783)	325,467
HST and GST audit payable	(303,787)	409,013
	(575,810)	(416,622)
Investing activities		
Proceeds from redemption of investments	(3,046)	600,000
Increase in deferred capital contributions	328,925	-
Increase in construction in progress	(94,451)	-
Adjustments and sales tax rebates for capital assets	78,914	-
Increase in deferred revenue - Trillium Foundation Grant	33,097	-
Purchase of capital assets	(9,312)	(83,297)
	334,127	516,703
Increase (decrease) in cash and cash equivalents	(241,683)	100,081
Cash and cash equivalents, beginning of year	380,471	280,390
Cash and cash equivalents, end of year	138,788	380,471

Hamilton Waterfront Trust

Notes to the financial statements

December 31, 2011

1. Purpose of organization

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 once polluted Bay area. Hamilton is a culturally and ethnically diversified mosaic. Therefore, the Hamilton Waterfront Trust helps to promote the image of Hamilton to businesses and individuals over a wide radius.

Basis of presentation

These financial statements reflect the assets, liabilities, revenues, and expenses of the following business operations:

- The Hamiltonian Tour Boat
- Williams Fresh Cafe
- The Hamilton Harbour Queen Tour Boat
- The Hamilton Scoops
- The Hamilton Trolley
- Fishing Derby
- Wingfest
- Waterfront Grill
- Discovery Centre
- Outdoor Ice Rink
- Skate Rental

The Organization was incorporated under the Ontario Corporations Act as a not-for-profit organization and is a registered charity under the Federal Income Tax Act.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies:

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Organization's designation of such instruments. Settlement date accounting is used.

Classification

Cash and cash equivalents and investments	Held-for-trading
Accounts receivable and loans	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities

Held for trading

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in other income.

Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method.

Hamilton Waterfront Trust

Notes to the financial statements

December 31, 2011

2. Significant accounting policies (continued)

Financial instruments (continued)

Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities.

CICA Section 3862, Financial Instruments – Disclosure and CICA Section 3863 – Presentation apply for fiscal years beginning on or after October 1, 2008 however not-for-profit organizations may elect not to adopt these Sections and to continue applying CICA Section 3861, Financial Instruments – Disclosure and Presentation. The Organization decided to continue to apply the disclosure and presentation requirements of CICA Section 3861.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances in the bank.

Revenue recognition

The Organization follows the deferral method of accounting for contributions.

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

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results may differ from these estimates.

Accrual basis of accounting

These financial statements are prepared on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred, and measurable as a result of receipt of goods or services and the creation of legal obligation to pay. Transactions and events are recognized in the period in which they occur regardless of whether there has been a receipt or payment of cash or its equivalents.

Inventory

Inventory is stated at the lower of cost and net realizable value.

Capital assets

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

Automotive	Straight-line	15 years
Boats	Straight-line	15 years
Computer equipment	Diminishing balance	30%
Dock	Diminishing balance	5%
Equipment	Diminishing balance	20%
Furniture	Diminishing balance	20%
Leasehold improvements	Straight-line	Term of the lease

Amortization for boats and automotive capital assets is prorated for months in use.

Hamilton Waterfront Trust

Notes to the financial statements

December 31, 2011

2. Significant accounting policies (continued)

New accounting framework

The CICA has issued a new accounting framework applicable to not-for-profit organizations, CICA Handbook – Accounting Part III – Accounting Standards for Not-for-Profit Organizations. Effective for fiscal years beginning on or after January 1, 2012, not-for-profit organizations will have to choose between International Financial Reporting Standards (IFRSs) and accounting standards for not-for-profit organizations, whichever suits them best. The Organization currently plans to adopt the new accounting standards for not-for-profit organizations for its fiscal year beginning on January 1, 2012; however, the impact of this transition has not yet been determined.

3. Investments

The investments are with Seamark Asset Management Ltd. and are invested in the Seamark Pooled Balanced Fund. The market value at the year end is \$62,674 (2010 - \$59,628).

4. Capital assets

			2011	2010
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Automotive equipment	318,923	75,378	243,545	335,833
Boats	951,264	216,248	735,016	756,155
Computer equipment	30,139	28,396	1,743	2,104
Dock	15,522	4,764	10,758	11,324
Equipment	109,241	81,855	27,386	24,191
Furniture	8,331	7,363	968	1,210
Leasehold improvements	1,130,855	389,916	740,939	845,336
	2,564,275	803,920	1,760,355	1,976,153

5. Construction in progress

In 2011, the Hamilton Waterfront Trust recognized \$94,451, excluding a 6% administration charge, of deferred capital contributions from the City of Hamilton in respect of project work completed in the year.

The cumulative balances included in construction in progress are as follows:

	2011
	\$
Designing	-
Consulting	128
Equipment rental	5,695
Materials and labour	72,763
Administration	9,628
Signage	768
Permits and licenses	927
Miscellaneous	4,542
	94,451

Hamilton Waterfront Trust

Notes to the financial statements

December 31, 2011

6. Commitments

The Organization leases premises at an annual rent of \$33,500 plus applicable taxes pursuant to a lease that expires October 31, 2019.

During the year ended December 31, 2010, the Organization entered into a lease agreement with Parks Canada for usage of the Discovery Centre land. The lease term runs from October 1, 2010 to April 30, 2054. The agreement requires an annual fee of \$1,000 until October 1, 2012 to the end of the lease term, which requires an annual fee equal to the greater of 5% of the annual gross revenue earned by the Organization on or from the land or \$12,500. This annual fee will be reviewed every 5 years from October 1, 2012.

7. Project revenues

Project revenues include a 6% administration fee charged to the City of Hamilton relating to the construction project in the amount of \$5,667.

8. GST payable and rebates for the year

During the year ended December 31, 2010, the Organization was reassessed by Canada Revenue Agency for GST amounts claimed in prior years. The amount of the reassessment was \$409,013 including accrued interest. The amounts previously claimed were disallowed as a result of the Organization having a particular interpretation of what constituted an eligible input tax credit expenditure. Total amount owing at December 31, 2011 is \$105,225.

GST rebates totaling \$240,486 were received as credits against GST reassessment balance including accrued interest. These amounts were netted against the Ice Rink capital asset as they represented rebates received for ice rink capital expenditures.

9. Deferred capital contributions

	2011	2010
	\$	\$
Balance, beginning of year	-	-
Contributions received and interest earned during the year	342,616	-
Deduct amortization of deferred contributions	(13,691)	-
	328,925	-
Less: current portion of deferred contributions	(13,691)	-
Balance, end of year	315,234	-

10. Financial instruments

Fair value

The fair value of cash, accounts receivable and accounts payable and accrued charges approximate their carrying values due to their short maturity. The carrying value of investments is equal to their fair value.

11. Capital disclosures

The Organization's capital is made up of net assets. The Organization's capital management objectives consist of ensuring that it continues as a going concern in order to fulfil its mission to improve and develop the Hamilton waterfront. The Organization manages its capital structure by preparing and monitoring its annual budgets to maintain a satisfactory level of capital.

Hamilton Waterfront Trust

Schedule of the Hamiltonian Tour Boat operations - Schedule 1 year ended December 31, 2011

	2011	2010
	\$	\$
Revenues	30,403	22,292
Expenses		
Advertising	770	1,010
Amortization	1,725	1,351
Crew	11,393	9,964
Docking fees	3,978	2,746
Fuel	1,300	988
Insurance	1,329	2,161
Maintenance and storage	339	2,166
Miscellaneous	375	415
	21,209	20,801
Excess of revenues over expenses	9,194	1,491

Hamilton Waterfront Trust

Schedule of Williams Fresh Cafe operations - Schedule 2 year ended December 31, 2011

	2011	2010
	\$	\$
Revenues	1,490,865	1,486,165
Cost of sales		
Food and beverage	503,613	507,581
Labour	613,535	561,527
	1,117,148	1,069,108
Gross profit	373,717	417,057
Expenses		
Advertising and promotion	3,834	5,671
Amortization		
Capital assets	91,264	81,982
Cleaning and maintenance	18,285	22,129
Commercial tax	16,593	13,472
Equipment Lease	1,064	-
Insurance	4,122	3,085
Office	9,741	3,568
Rent	33,433	42,286
Repairs and maintenance	30,301	25,888
Royalties	83,232	77,806
Supplies	52,185	47,214
Telephone	3,930	2,826
Uniforms	2,449	8,882
Utilities	56,294	44,279
	406,727	379,088
Excess of (expenses over revenues) revenues over expenses	(33,010)	37,969

Hamilton Waterfront Trust

Schedule of the Hamiltonian Harbour Queen Tour Boat operations

- Schedule 3

year ended December 31, 2011

	2011	2010
	\$	\$
Revenues	384,114	349,426
Cost of sales		
Catering, food and beverage	111,882	103,686
Labour	144,860	178,748
	256,742	282,434
Gross profit	127,372	66,992
Expenses		
Administrative	12,579	16,298
Advertising	30,594	26,728
Amortization	20,039	20,044
Entertainment expenses	-	7,579
Fuel and utilities	12,802	11,571
Insurance	12,283	20,329
Inspections, licenses and permits	11,006	6,943
Memberships and dues	851	3,042
Rent for parking	-	3,691
Repairs and maintenance	20,461	201,120
Supplies	3,972	4,494
Uniforms	2,553	1,193
	127,140	323,032
Excess of revenues over expenses (expenses over revenues)	232	(256,040)

Hamilton Waterfront Trust

Schedule of the Hamilton Scoops operations - Schedule 4 year ended December 31, 2011

	2011	2010
	\$	\$
Revenues	60,009	61,033
Cost of sales		
Catering, food and beverage	16,250	15,093
Labour	17,973	15,766
	34,223	30,859
Gross profit	25,786	30,174
Expenses		
Advertising	431	1,038
Amortization	223	227
Insurance	-	20
Repairs and maintenance	4,866	-
Supplies	460	1,762
Uniforms	-	-
	5,980	3,047
Excess of revenues over expenses	19,806	27,127

Hamilton Waterfront Trust

Schedule of the Hamilton Trolley operations - Schedule 5
year ended December 31, 2011

	2011	2010
	\$	\$
Revenues	54,541	71,642
Expenses		
Advertising	1,143	2,060
Amortization	12,308	6,155
Fuel	3,062	2,359
Insurance	11,788	10,940
Labour	49,825	66,513
Repairs and maintenance	4,969	5,031
Uniforms	386	448
	83,481	93,506
Excess of expenses over revenues	(28,940)	(21,864)

Hamilton Waterfront Trust

Schedule of the Fishing Derby operations - Schedule 6
year ended December 31, 2011

	2011	2010
	\$	\$
Revenues	18,078	15,072
Expenses		
Equipment	1,085	1,641
Labour and volunteer expenses	2,861	7,243
Maintenance	-	-
Advertising and promotion	309	203
Signs	1,488	590
Supplies	16,447	13,874
	22,190	23,551
Excess of expenses over revenues	(4,112)	(8,479)

Hamilton Waterfront Trust

Schedule of the Wingfest operations - Schedule 7 year ended December 31, 2011

	2011	2010
	\$	\$
Revenues	-	173,074
Cost of sales		
Beverage	-	24,964
Gross profit	-	148,110
Expenses		
Advertising	-	18,158
Development	-	150,112
Insurance	-	4,300
Office	-	3,003
Payroll	-	31,488
Travel & entertainment	-	24,944
	-	232,005
Excess of expenses over revenues	-	(83,895)

Hamilton Waterfront Trust

Schedule of the Waterfront Grill operations - Schedule 8 year ended December 31, 2011

	2011	2010
	\$	\$
Revenues	25,138	11,308
Cost of sales		
Food and beverage	13,524	3,816
Labour	12,100	6,371
	25,624	10,187
Gross profit	(486)	1,121
Expenses		
Advertising	-	2,245
Insurance	606	93
Office	1,269	1,683
Repairs and maintenance	435	362
Supplies	210	2,482
Uniforms	17	550
	2,537	7,415
Excess of expenses over revenues	(3,023)	(6,294)

Hamilton Waterfront Trust

Schedule of the Discovery Centre operations - Schedule 9
year ended December 31, 2011

	2011	2010
	\$	\$
Revenues	39,413	12,301
Expenses		
Advertising	-	699
Commercial tax	114,296	17,263
Consulting	-	698
Insurance	9,724	2,178
Labour	23,744	8,391
Miscellaneous	23,428	220
Utilities	55,548	14,924
	226,740	44,373
Excess of expenses over revenues	(187,327)	(32,072)

Hamilton Waterfront Trust

Schedule of the Outdoor Ice Rink operations - Schedule 10
year ended December 31, 2011

	2011	2010
	\$	\$
Revenues	124,020	62,463
Expenses		
Amortization	-	4,384
Insurance	11,773	3,035
Labour	58,647	27,944
Repairs and maintenance	5,904	1,806
Miscellaneous	6,544	10,307
Supplies	644	1,439
Utilities	25,558	13,548
	109,070	62,463
Excess of revenues over expenses	14,950	-

Hamilton Waterfront Trust

Schedule of the Skate Rental operations - Schedule 11
year ended December 31, 2011

	2011	2010
	\$	\$
Revenues	37,290	
Expenses		
Advertising	693	-
Amortization	-	-
Bank Charges	17	-
Miscellaneous	3,899	-
Payroll	1,174	-
Rental Concession	29,020	-
	34,803	-
Excess of revenues over expenses	2,487	-