

Financial statements of

London Community Foundation

December 31, 2015

London Community Foundation

December 31, 2015

Table of contents

Independent Auditor's Report	1-2
Statement of operations and changes in fund balances	3
Statement of financial position	4
Statement of cash flows	5
Notes to the financial statements	6-12
Schedule of administrative and other expenses - Schedule A.....	13

Independent Auditor's Report

To the Board of Directors of
London Community Foundation

We have audited the accompanying financial statements of London Community Foundation, which comprise the statement of financial position as at December 31, 2015 and the statements of operations and changes in fund balances and 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 accounting standards for not-for-profit organizations, 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 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 London Community Foundation as at December 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
March 31, 2016

London Community Foundation

Statement of operations and changes in fund balances year ended December 31, 2015

	2015	Total 2014	General Fund 2015	2014	Restricted Fund 2015	2014	Endowment Fund 2015	2014
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Donations	4,437,900	2,646,109	204,695	17,696	2,411,935	835,690	1,821,270	1,792,723
Investment income, net	2,541,842	3,622,854	770,600	1,128,703	1,771,242	2,494,151	-	-
	6,979,742	6,268,963	975,295	1,146,399	4,183,177	3,329,841	1,821,270	1,792,723
Expenses								
Administrative and other expenses, net (Schedule A)	940,715	856,494	362,752	324,101	577,963	532,393	-	-
Grants and distributions								
Arts, culture and heritage	431,814	481,705	84,700	43,500	347,114	438,205	-	-
Education	317,689	126,745	20,735	6,950	296,954	119,795	-	-
Environment	897,915	193,850	432,656	103,000	465,259	90,850	-	-
Health	722,906	608,064	183,900	114,184	539,006	493,880	-	-
Recreation	58,921	67,765	225	26,000	58,696	41,765	-	-
Community services	1,171,120	960,742	603,156	328,804	567,964	631,938	-	-
	3,600,365	2,438,871	1,325,372	622,438	2,274,993	1,816,433	-	-
Excess of revenue over expenses, grants and distributions	2,438,662	2,973,598	(712,829)	199,860	1,330,221	981,015	1,821,270	1,792,723
Interfund transfers (Note 6)	-	-	(1,965)	11,500	48,610	(125,824)	(46,645)	114,324
Fund balances, beginning of year	61,736,464	58,762,866	3,629,443	3,418,083	7,613,985	6,758,794	50,493,036	48,585,989
Fund balances, end of year	64,175,126	61,736,464	2,914,649	3,629,443	8,992,816	7,613,985	52,267,661	50,493,036

The accompanying notes to the financial statements are an integral part of this financial statement.

London Community Foundation

Statement of financial position as at December 31, 2015

	2015	2014
	\$	\$
Assets		
Cash (Note 4)	18,549,021	4,177,437
Amounts receivable	58,265	44,917
Loan receivable (Note 3)	500,000	500,000
Investments (Note 4)	48,941,851	60,626,504
Prepaid expenses	12,294	3,733
Capital assets (Note 5)	415,237	189,365
Cash surrender value - life insurance	211,064	175,575
	68,687,732	65,717,531
Liabilities		
Accounts payable and accrued liabilities	95,738	192,461
Grants payable (Note 7)	302,656	-
Government remittances payable	2,631	1,780
Deferred capital contributions (Note 9)	175,154	181,194
Funds held on behalf of other parties (Note 10)	3,936,427	3,605,632
	4,512,606	3,981,067
Fund balances (Note 11)		
General Fund	2,914,649	3,629,443
Restricted Fund	8,992,816	7,613,985
Endowment Fund	52,267,661	50,493,036
	64,175,126	61,736,464
	68,687,732	65,717,531

The accompanying notes to the financial statements are an integral part of this financial statement.

London Community Foundation

Statement of cash flows

year ended December 31, 2015

	2015	2014
	\$	\$
Operating activities		
Excess of revenue over expenses, grants and distributions		
General Fund	(712,829)	199,860
Restricted Fund	1,330,221	981,015
Add items not requiring a current cash outlay		
Unrealized and realized gains on investments	(1,393,133)	(2,964,735)
Amortization of capital assets	31,744	10,908
Changes in non-cash working capital		
Amounts receivable	(13,348)	(15,087)
Loan receivable	-	(500,000)
Prepaid expenses	(8,561)	(9)
Accounts payable and accrued liabilities	(95,872)	99,147
Grants Payable	302,656	2,250
Deferred capital contributions	(6,040)	181,194
	(565,162)	(2,005,457)
Investing activities		
Purchase of capital assets	(257,615)	(175,236)
Increase in cash surrender value - life insurance	(35,489)	(16,754)
Funds held on behalf of other parties	330,795	1,769,617
Proceeds on sale of investments	14,678,212	214,821
Purchase of investments	(1,600,427)	(1,049,332)
	13,115,476	743,116
Financing activity		
Endowment contributions	1,821,270	1,792,723
Net change in cash and cash equivalents	14,371,584	530,382
Cash and cash equivalents, beginning of year	4,177,437	3,647,055
Cash and cash equivalents, end of year	18,549,021	4,177,437

The accompanying notes to the financial statements are an integral part of this financial statement.

London Community Foundation

Notes to the financial statements

December 31, 2015

1. Nature of the Foundation

London Community Foundation (the "Foundation") and its donors strengthen our community by making grants, building and managing a permanent endowment, and serving our community as a resource and partner.

The Foundation is a registered charity and is classified as a public foundation under Section 149.1(1) of the Income Tax Act (Canada) (the "Act"). As such, it is exempt from income taxes and able to issue donation receipts for income tax purposes. In order to maintain its status as a public foundation registered under the Act, the Foundation must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

2. Summary of significant accounting policies

The financial statements of the Foundation have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include certain estimates based on management's judgments. These estimates affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

In the opinion of management, the financial statements have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Fund accounting

In order to ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of "fund accounting". Under these principles, resources are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives. The Foundation uses three fund groups: General Fund, Restricted Fund and Endowment Fund.

The General Fund accounts for the Foundation's administrative and operational revenues and expenses. Net expenditures of the General Fund are financed primarily by donor contributions directed to general operations, from investment income earned on the endowment contributions on which the donor has placed no restriction on the use of that income and from an interfund administrative charge. The distribution of income for granting purposes is determined by the Board of Directors each year according to the most pressing needs of the community.

The Restricted Fund reports amounts, including investment income on restricted endowed funds, that are available to be used for purposes specified by donors and contributions that do not form part of the Endowment Fund. Donors may specify the charitable organization(s) to receive the grants or may identify the particular area of interest to be supported.

The Endowment Fund reports amounts that are required to be maintained by the Foundation on a permanent basis. The Board of Directors, at its discretion, may include investment income equal to the amount determined to preserve the purchasing power of the endowed capital.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. The related contribution is deferred and amortized to income of the General Fund on the same basis as the related capital assets are amortized.

Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold improvements	10 year lease term
Office furniture and equipment	5 years
Computer hardware	5 years

London Community Foundation

Notes to the financial statements

December 31, 2015

2. Summary of significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when the Foundation becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost except for investments in pooled funds and short-term securities, which are measured at fair value.

Interest earned on short term securities, unrealized gains and losses on pooled funds, and realized gains and losses on sale of pooled funds are included in investment income in the statement of operations and changes in fund balances.

Transaction costs related to financial instruments measured subsequent to initial recognition at fair value are expensed as incurred. Transaction costs related to other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the effective interest method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the effective interest method and recognized in net earnings as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the Foundation recognizes in net earnings an impairment loss, if any, when there are indicators of impairment and it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to net earnings in the period the reversal occurs.

Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions. All donations and bequests are recorded as revenue only as received, or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured, except where amounts are received for a specific community leadership project. In these cases, contributions are deferred and record as revenue when the related expenses are incurred. Life insurance policies that have named the Foundation as owner/beneficiary are recorded at the cash surrender value of the policy. The increase in cash surrender value from year to year is recorded as a donation to the Endowment Fund.

Investment income includes interest, dividends, and realized and unrealized gains (losses).

Contributed services

Volunteers contribute many hours per year to assist the Foundation in carrying out its fundraising and granting activities. Because of the difficulty in determining fair value, contributed services are not recognized in the financial statements.

Contributions

Throughout the year, the Foundation receives in-kind contributions relating to life insurance policies for which the Foundation is the beneficiary. When donors pay insurance premiums on the policies, they are recognized as contributions to life insurance premiums and other donations. These contributions are then offset against other non-operational expenditures in the financial statements.

Investment management fees

The Foundation presents investment management fees netted against investment income on the Statement of operations and changes in fund balances. Investment manager fees amounted to \$213,067 (2014 - \$209,220).

London Community Foundation

Notes to the financial statements

December 31, 2015

3. Loan receivable

The loan receivable relates to the London Community Foundation, Social Loan fund program, a social investment program that turns donations into capital loans for community and non-profit groups. With access to funding that they typically couldn't get from a bank, groups can further their mission more efficiently and effectively. Currently the Loan Fund's main priority is the development of safe and affordable housing in the London community. Offering builders of affordable housing up to \$500,000, the loan fund is a social investment that contributes to building a resilient community.

The Foundation has set aside \$650,000 for the purpose of providing the micro loans that will support this program and entered into an agreement with the Libro Credit Union for the purpose of supporting and administering the access to the loans.

During fiscal 2014, a loan in the amount of \$500,000 was granted with interest only payments at 4% per annum until the balance is due and repayable in full in December 2016. The loan is secured by a mortgage that is registered against the title to the property.

4. Investments

At December 31, 2015, the Foundation held 530,441 units in various TD Asset Management Inc. funds with a market value of \$16,220,610, 199,523 units in various Foyston, Gordon & Payne Inc. funds with a market value of \$14,189,183, 1,788,096 units in the Manulife Pooled Canadian Bond Index with a market value of \$17,848,056 and 8,989 units with a market value of \$105,839 in the RBC Jantzi Canadian equity fund. The Foundation also has \$578,163 invested in short-term securities for current cash flow needs.

At December 31, 2014, the Foundation held 1,665,106 units in various TD Asset Management Inc. funds with a market value of \$14,185,700, 335,392 units in various Foyston, Gordon & Payne Inc. funds with a market value of \$28,429,606, 1,734,310 units in the Manulife Pooled Canadian Bond Index with a market value of \$17,317,952 and 8,943 units with a market value of \$115,408 in the RBC Jantzi Canadian equity fund. The Foundation also has \$577,838 invested in short-term securities for current cash flow needs.

The combined market values of the investments are summarized below:

	2015	2014
	\$	\$
Pooled fund		
Short-term investments	578,163	577,838
Bonds	17,848,056	17,317,952
Canadian equities	14,295,022	15,977,110
Foreign equities	16,220,610	26,753,604
	48,941,851	60,626,504

The investment portfolios generated a total return of 4.9% (2014 - 6.8%)

On December 28th, 2015 the Foundation sold off its Foyston, Gordon and Payne investments held in foreign equities. These investments were sold for proceeds of \$14,438,602, with a realized gain of \$3,410,507. The Foundation will be using the proceeds in 2016 to purchase foreign equities funds with Mawer Investments.

The Foundation is subject to market risk, foreign currency risk, and interest rate risk with respect to its investment portfolio. To manage these risks, the Foundation has established a target mix of investment types designed to achieve the optimal return within reasonable risk tolerances. The Foundation at its discretion may also use hedged products to manage the currency risk.

London Community Foundation

Notes to the financial statements

December 31, 2015

5. Capital assets

			2015	2014
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Leasehold improvements	459,573	124,373	335,200	149,237
Office furniture and equipment	145,945	76,887	69,058	36,571
Computer hardware	74,153	63,175	10,978	3,557
	679,671	264,435	415,236	189,365

6. Interfund transfers

Interfund transfers include an amount determined by the Board of Directors to reflect the real change in value of the permanent capital of the Foundation. The Foundation's Board of Directors maintains a capital preservation policy, the aim of which is to provide as much financial support to the community as possible without jeopardizing the long-term purchasing power of the endowed funds. Every year, the Foundation determines an appropriate amount to capitalize at the end of each fiscal year with consideration given to the change in the Consumer Price Index, the amount capitalized in previous years and current and expected investment returns. For the year ended December 31, 2015, the Board of Directors capitalized \$Nil funds (2014 - \$Nil).

	December 31, 2015		
	General Fund	Restricted Fund	Endowment Fund
	\$	\$	\$
Net capital gains (losses) allocation (a)	-	104,784	(104,784)
Donor-directed transfers (b)	6,480	(6,480)	-
Donor-directed internal grants (c)	(8,445)	(49,694)	58,139
	(1,965)	48,610	(46,645)

	December 31, 2014		
	General Fund	Restricted Fund	Endowment Fund
	\$	\$	\$
Net capital gains (losses) allocation (a)	-	(50,539)	50,539
Donor-directed transfers (b)	3,900	(7,600)	63,785
Donor-directed internal grants (c)	7,600	(67,685)	-
	11,500	(125,824)	114,324

(a) Net capital gains (losses) allocation

During 2015, the Foundation allocated \$107,784 of unrealized capital losses (2014 - unrealized capital gains of \$50,539) to certain Endowment Funds from the Restricted Fund as stipulated by its contracts with the respective charities. These contracts direct the Foundation to allocate unrealized gains (losses) to the Endowment Fund. However, the allocation of such losses is limited to the amount of previously allocated gains.

London Community Foundation

Notes to the financial statements

December 31, 2015

6. Interfund transfers (continued)

(b) Donor-directed transfers

In 2015, eighteen donors (2014 - ten) initiated a fund transfer. The donors requested that balances in their Restricted Fund be transferred to the Foundation's General and Endowment Funds.

(c) Donor-directed internal grants

In 2015, three donors (2014 - four) requested that a portion of the expendable funds from the donor's restricted fund be transferred to the Endowment Fund and/or General Fund. Accordingly, a net of \$6,480 (2014 - \$7,600) was transferred from the Restricted Fund to the General Fund and the Endowment Fund.

7. Grants payable

In addition to grant administration, the Foundation from time to time may undertake 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.

The "Back to the River" community mobilization initiative spearheaded by London Community Foundation in partnership with the City of London and Upper Thames River Conservation Authority is such a project. This project will aim to revitalize the land along the Thames River and its surrounding areas through a community led design competition to develop a design vision to realize the potential of the Thames River.

As of December 31, 2015 there was \$302,656 (2014 - Nil) in expenses incurred to date through the initiative, incurred by Upper Thames River Conservation Authority. Through the partnership agreement, the London Community Foundation will use donor contributions received for the project as well as unrestricted funds assigned by the Board to reimburse these costs.

8. Multi-year commitments

Through the Community Vitality grant program, certain of the grants approved and recorded in the current year are components of multi-year grant plans. While these multi-year grants cover several years, the Foundation's Board annually approves each year's grants for payment from that year's investment earnings.

As of December 31, 2015, the Foundation had grant commitments that will be funded from earnings in future years totaling \$514,912 (2014 - \$450,766).

9. Deferred contributions

Deferred contributions are externally restricted for operating purposes and are recognized as contributions as the related expenses are incurred. These represent contributions received from donors in supporting the renovations of the Foundation's office. These contributions will be recognized over the lease term. During the year ended 2015, \$6,040 (2014- Nil) was recognized.

London Community Foundation

Notes to the financial statements

December 31, 2015

10. Funds held on behalf of other parties

Funds held for other parties represent investments held on behalf of the Stratford Perth County Community Foundation and the Oxford Community Foundation and are included as investment assets of the Foundation, with an offsetting liability amount, as these funds may be withdrawn at any time.

Consequently as of the balance sheet date, the Foundation's assets were comprised of:

	2015	2014
	\$	\$
Stratford Perth Community Foundation	2,768,812	2,412,656
Oxford Community Foundation	1,167,615	1,192,976
	3,936,427	3,605,632
London Community Foundation	45,005,424	57,020,872
	48,941,851	60,626,504

11. Restrictions of net assets

a) *Restricted Fund consists of the following:*

	2015	2014
	\$	\$
Donor-restricted for granting purposes	8,992,816	7,613,985

b) *Endowment Fund consists of the following:*

	2015	2014
	\$	\$
Endowments, the income from which is donor-restricted for specified granting purposes	34,492,087	33,064,553
Endowments, the income from which is unrestricted	17,775,573	17,428,483
	52,267,660	50,493,036

12. Pledges

The Foundation has been named as a beneficiary of certain trusts. The residual value of these trusts will be recorded in the consolidated financial statements when the proceeds are received by the Foundation. These amounts are not reflected in the accompanying financial statements.

London Community Foundation

Notes to the financial statements

December 31, 2015

13. Commitments

The Foundation is committed to aggregate minimum annual lease payments for premises over the next four years as follows:

	\$
2016	32,566
2017	32,566
2018	32,566
2019	32,566
2020	32,566
Thereafter	151,974

14. Capital management

In managing daily operating needs, the Foundation focuses on cash resources available for operations. The Foundation's financial planning encompasses a plan to have sufficient liquid resources on hand to continue operating and to provide it with the flexibility to capitalize on opportunities to serve the Community. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. As at December 31, 2015, the Foundation has met its objective of having sufficient liquid resources to meet its current obligations.

15. Expenses as a percentage of average total assets

	2015	2014
	\$	\$
Total assets, beginning of the year	65,717,531	60,691,725
Total assets, end of year	68,687,732	65,717,531
Average total assets	67,202,632	63,204,628
Total operating expenses	940,715	856,494
Expenses as a percentage of average total assets	1.40%	1.36%

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 with may result in costs preceding the receipt of the gifts by several years. The ratio of total operating expenses to average total assets has been used to evaluate operating costs.

London Community Foundation

Schedule of administrative and other expenses - Schedule A year ended December 31, 2015

	2015	2014
	\$	\$
Salaries and benefits	702,854	609,812
Other office expenses	141,843	116,925
Marketing expense	52,073	89,867
Premiums on donated life insurance policies	35,616	68,267
Occupancy costs	55,308	41,098
Granting program expense	20,705	22,224
	1,008,399	948,193
Contributions to cover specific expenses		
Premiums on donated life insurance policies	(35,616)	(67,926)
Recovery of expenses from funds held for others	(32,068)	(23,773)
	940,715	856,494