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# Financial statements of London Community Foundation

December 31, 2021

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## Independent Auditor's Report

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To the Board of Directors of London Community Foundation:

### Opinion

We have audited the financial statements of London Community Foundation (the "Foundation"), which comprise the statement of financial position as at December 31, 2021, the statements of operations and changes in fund balances, cash flows and related schedules for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of London Community Foundation as at December 31, 2021 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.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However,

future events or conditions may cause the Foundation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

London, Ontario  
March 31, 2022

*MNP LLP*

Chartered Professional Accountants  
Licensed Public Accountants

**London Community Foundation**  
**Statement of operations and changes in fund balances**  
Year ended December 31, 2021

Notes	Total		General Fund		Restricted Fund		Endowment Fund	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>								
Donations	<b>7,599,002</b>	9,598,342	<b>944,043</b>	1,003,019	<b>1,991,047</b>	1,745,984	<b>4,663,912</b>	6,849,339
Investment income, net	<b>12,130,848</b>	5,049,715	<b>4,108,671</b>	1,765,970	<b>8,022,177</b>	3,283,745	—	—
	<b>19,729,850</b>	14,648,057	<b>5,052,714</b>	2,768,989	<b>10,013,224</b>	5,029,729	<b>4,663,912</b>	6,849,339
<b>Expenses</b>								
Administrative and other expenses, net (Schedule A)	<b>1,347,910</b>	1,349,492	<b>482,008</b>	582,684	<b>865,902</b>	766,808	—	—
<b>Grants and distributions</b>								
Arts, culture and heritage	<b>665,645</b>	485,593	<b>111,423</b>	141,202	<b>554,222</b>	344,391	—	—
Education	<b>293,581</b>	272,476	<b>61,368</b>	82,090	<b>232,213</b>	190,386	—	—
Environment	<b>239,789</b>	211,901	<b>51,993</b>	90,578	<b>187,796</b>	121,323	—	—
Health	<b>781,984</b>	772,144	<b>210,300</b>	225,610	<b>571,684</b>	546,534	—	—
Recreation	<b>78,990</b>	50,662	—	15,000	<b>78,990</b>	35,662	—	—
Community services	<b>2,662,876</b>	2,484,545	<b>1,464,831</b>	1,616,655	<b>1,198,045</b>	867,890	—	—
	<b>4,722,865</b>	4,277,321	<b>1,899,915</b>	2,171,135	<b>2,822,950</b>	2,106,186	—	—
Excess of revenue over expenses, grants and distributions	<b>13,659,075</b>	9,021,244	<b>2,670,791</b>	15,170	<b>6,324,372</b>	2,156,735	<b>4,663,912</b>	6,849,339
Interfund transfers	—	—	<b>2,918,135</b>	(428,249)	<b>(2,236,124)</b>	(632,881)	<b>(682,011)</b>	1,061,130
Fund balances, beginning of year	<b>95,573,372</b>	86,552,128	<b>3,313,213</b>	3,726,292	<b>14,769,186</b>	13,245,332	<b>77,490,973</b>	69,580,504
<b>Fund balances, end of year</b>	<b>109,232,447</b>	95,573,372	<b>8,902,139</b>	3,313,213	<b>18,857,434</b>	14,769,186	<b>81,472,874</b>	77,490,973

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

**London Community Foundation****Statement of financial position**

Year ended December 31, 2021

	Notes	2021	2020
		\$	\$
<b>Assets</b>			
Cash	4	<b>11,369,386</b>	5,589,350
Amounts receivable		<b>109,459</b>	67,557
Loans receivable	3	<b>8,092,500</b>	7,462,795
Investments	4	<b>107,968,409</b>	95,002,649
Prepaid expenses		<b>11,874</b>	9,055
Capital assets	5	<b>172,567</b>	189,097
Cash surrender value - life insurance		<b>431,497</b>	462,001
		<b>128,155,692</b>	108,782,504
<b>Liabilities</b>			
Accounts payable and accrued liabilities		<b>151,939</b>	142,575
Government remittances payable		<b>1,149</b>	-
Deferred capital contributions	8	<b>72,476</b>	92,104
Funds held on behalf of other parties	9	<b>18,697,681</b>	12,974,453
		<b>18,923,245</b>	13,209,132
Commitments	12		
Significant event	16		
<b>Fund balances</b>			
General Fund		<b>8,902,139</b>	3,313,213
Restricted Fund	10	<b>18,857,434</b>	14,769,186
Endowment Fund	10	<b>81,472,874</b>	77,490,973
		<b>109,232,447</b>	95,573,372
		<b>128,155,692</b>	108,782,504

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

Approved by the Board

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

**London Community Foundation****Statement of cash flows**

Year ended December 31, 2021

	2021	2020
	\$	\$
<b>Operating activities</b>		
Excess of revenue over expenses, grants and distributions		
General Fund	<b>2,670,791</b>	15,170
Restricted Fund	<b>6,324,372</b>	2,156,735
Add items not requiring a current cash outlay		
Unrealized and realized gains on investments	<b>(9,218,451)</b>	(5,042,770)
Amortization of capital assets	<b>41,590</b>	43,875
Changes in non-cash working capital		
Amounts receivable	<b>(41,902)</b>	5,353
Loan receivable	<b>(629,705)</b>	(3,829,195)
Prepaid expenses	<b>(2,819)</b>	(1,157)
Accounts payable and accrued liabilities	<b>10,513</b>	(7,347)
Deferred capital contributions	<b>(19,628)</b>	(21,178)
Endowment contributions	<b>4,663,912</b>	6,849,339
	<b>3,798,673</b>	168,825
<b>Investing activities</b>		
Purchase of capital assets	<b>(25,060)</b>	(6,048)
Increase in cash surrender value - life insurance	<b>30,504</b>	(77,532)
Funds held on behalf of other parties	<b>5,723,228</b>	672,504
Proceeds on sale of investments	<b>9,608,474</b>	16,329,240
Purchase of investments	<b>(13,355,783)</b>	(16,190,932)
	<b>1,981,363</b>	727,232
Net change in cash and cash equivalents	<b>5,780,036</b>	896,057
Cash and cash equivalents, beginning of year	<b>5,589,350</b>	4,693,293
<b>Cash and cash equivalents, end of year</b>	<b>11,369,386</b>	5,589,350

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

## **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.

- (i) 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.
- (ii) 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.
- (iii) 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.



## **2. Summary of significant accounting policies (continued)**

### *Capital assets (continued)*

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

### *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.

## **2. Summary of significant accounting policies (continued)**

### *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 \$469,130 (\$393,117 in 2020).

### *Use of estimates*

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. By their nature, these estimates are subject to measurement uncertainty. These estimates are reviewed periodically, and adjustments are made to income in the year in which they become known. The account specifically affected by estimates in these financial statements is the useful life of capital assets. Actual results may vary from these estimates.

## **3. Loans receivable**

The loans receivable relates to the London Community Foundation, Social Impact fund (previously known as Social Loan Fund) program, a social investment program that turns unrestricted 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 Social Impact Fund's two main priorities are the development of safe and affordable housing in the London community and the investment and promotion of local social enterprises. The Social impact fund is a social investment that contributes to building a resilient community.

As of December 31, 2021 the Foundation had outstanding \$8,092,500 (\$7,462,795 in 2020) of financing through loans to support the creation of affordable housing and social enterprise initiatives, the focus and priority within the London and Middlesex area.

During the year, the \$294,045 loan provided required a decision on further investment as a result of project delays and cost overruns. The Foundation in agreement with the other subordinate debt lenders agreed to the purchase of the debt by an outside party as the best option to ensure that the foundations' capital was repaid, while still ensuring the project and its intended purpose would still happen. On September 16, 2021 the foundation received full repayment of principle plus accrued interest.

As of December 31, 2021 all existing loans were assessed for expected losses, and none were identified based on the collateral held to secure payment.

**London Community Foundation**  
**Notes to the financial statements**  
December 31, 2021

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**3. Loans receivable (continued)**

	2021	2020
	\$	\$
Loan receivable, bearing interest at the Libro prime lending rate plus 2% ( <i>effective rate 4.45%</i> ), interest only payments, secured by a mortgage registered against the title held to the property. Principle due November 2028	<b>50,000</b>	50,000
Loan receivable, bearing interest at the RBC prime lending rate plus 0.5% ( <i>effective rate 2.95%</i> ), interest only payments with balance(s) due in December 2021, secured by a guarantee provided by the Michael Young Foundation.	—	93,750
Loan receivable, bearing interest at 4.5% interest only payments of \$1,500 per month until balance is due in April 2029, secured by a mortgage registered against the title to the property.	<b>400,000</b>	400,000
Loan receivable, subordinated debt, bearing interest only payments at 7% per annum, compounded from advancement of each draw and paid quarterly. A second position of general security over the projects assets is held, in addition to assignment of contracts and insurance held.	—	294,045
Community bond, bearing annual interest only payments at 3%. The community bond, and all unit holders are secured by a mortgage registered against the title of the property. Principle due at maturity of February 2026.	<b>25,000</b>	—
No Term loan, committed as a refundable deposit for the negotiation in the purchase and sale of land with the City of London. Secured by mortgages registered against the title to the property. Principle, no interest due on completion of sale.	<b>100,000</b>	—
Various term loans (2021 - 8 , 2020 - 7) bearing interest between 2.95% to 4.5% interest only payments, secured by mortgages registered against the title to the property for which the loan relates. Repayments of the balance owing on maturity ranging between March 2022 to March 2026.	<b>7,517,500</b>	6,625,000
	<b>8,092,500</b>	7,462,795

#### 4. Investments

The combined market values of the investments are summarized below:

	<b>2021</b>	2020
	<b>\$</b>	\$
Pooled fund		
Short-term investments	<b>794,316</b>	1,874,308
Bonds	<b>24,680,588</b>	23,479,566
Canadian equities	<b>22,360,375</b>	16,436,048
Foreign equities	<b>49,442,429</b>	46,205,169
Real Estate	<b>10,690,701</b>	7,007,558
	<b>107,968,409</b>	95,002,649

The Foundation's objective for investments under its management is to generate a total return that achieves the granting objectives of the Foundation as set each year by its Board, recovers the cost of administering the funds, protects the purchasing power of the capital, and establishes a reserve for future market declines.

Investments 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 domestic and foreign equity holdings, fixed income and a maximum to be invested in any one related party or industry.

The majority of the Foundation's investments are held in pools that are managed by external managers. Investment income (loss) earned on investments held by the Foundation in these pools is allocated to the pools based on monthly market values.

The Foundation has access to a demand operating facility, secured by a GSA, with TD for security. The amount available is \$250,000, with interest of prime rate + 0%. As at December 31, 2021 the balance was \$Nil.

**5. Capital assets**

	<b>Cost</b>	<b>Accumulated amortization</b>	<b>2021 Net book value</b>	2020 Net book value
	\$	\$	\$	\$
Leasehold improvements	<b>463,928</b>	<b>325,164</b>	<b>138,764</b>	172,673
Office furniture and equipment	<b>161,386</b>	<b>150,358</b>	<b>11,028</b>	4,857
Computer hardware	<b>117,191</b>	<b>94,416</b>	<b>22,775</b>	11,567
	<b>742,505</b>	<b>569,938</b>	<b>172,567</b>	189,097

Amortization expense for 2021 was \$41,590 (\$43,875 in 2020)

**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, 2021, the Board of Directors capitalized \$nil funds (nil in 2020).

	<b>General Fund</b>	<b>Restricted Fund</b>	<b>2021 Endowment Fund</b>
	\$	\$	\$
Net capital gains (losses) allocation (a)	—	<b>(23,756)</b>	<b>23,756</b>
Donor-directed transfers (b)	<b>2,820,355</b>	<b>(2,103,288)</b>	<b>(717,067)</b>
Donor-directed internal grants (c)	<b>97,780</b>	<b>(109,080)</b>	<b>11,300</b>
	<b>2,918,135</b>	<b>(2,236,124)</b>	<b>(682,011)</b>

  

	General Fund	Restricted Fund	2020 Endowment Fund
	\$	\$	\$
Net capital gains (losses) allocation (a)	—	(67,682)	67,682
Donor-directed transfers (b)	(500,350)	(499,477)	999,827
Donor-directed internal grants (c)	72,101	(65,722)	(6,379)
	(428,249)	(632,881)	1,061,130

*(a) Net capital gains (losses) allocation*

During 2021, the Foundation allocated \$23,756 of unrealized capital gains (\$67,682 of unrealized capital gains in 2020) 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.

**6. Interfund transfers (continued)**

*(b) Donor-directed transfers*

In 2021, 18 donors (31 in 2020) initiated a fund transfer. The donors requested that balances in their Restricted and Endowment Funds be transferred to other Restricted, Endowment or General Funds.

*(c) Donor-directed internal grants*

In 2021, 19 (20 in 2020) donors requested that a portion of the expendable funds from the donor's Restricted Fund be transferred to the Endowment Fund, the General Fund and/or a different Restricted Fund. Accordingly, a net of \$109,080 (\$65,722 in 2020) was transferred from the Restricted Fund to the General Fund and the Endowment Fund.

**7. 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, 2021, the Foundation had grant commitments that will be funded from earnings in future years totaling \$560,484 (\$412,380 in 2020).

**8. 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 2021, \$19,629 (\$19,629 in 2020) was recognized.

**9. Funds held on behalf of other parties**

Funds held for other parties represent investments held on behalf of the Stratford Perth County Community Foundation, the Oxford Community Foundation and the London Jewish 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 investments were comprised of:

	<b>2021</b>	2020
	\$	\$
Stratford Perth Community Foundation	<b>8,800,534</b>	5,478,189
Oxford Community Foundation	<b>2,285,221</b>	1,717,069
London Jewish Community Foundation	<b>7,611,926</b>	5,779,195
	<b>18,697,681</b>	12,974,453
London Community Foundation	<b>89,270,728</b>	82,028,196
	<b>107,968,409</b>	95,002,649

**10. Restrictions of net assets**

a) *Restricted Fund consists of the following:*

	\$	\$
Donor-restricted for granting purposes	<b>18,857,434</b>	14,769,186

b) *Endowment Fund consists of the following:*

	2021 \$	2020 \$
Endowments, the income from which is donor-restricted for specified granting purposes	<b>48,748,114</b>	49,868,101
Endowments, the income from which is unrestricted	<b>32,724,760</b>	27,622,872
	<b>81,472,874</b>	77,490,973

**11. 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.

**12. Commitments**

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

	\$
2022	32,566
2023	32,566
2024	32,566
2025	21,711
Thereafter	—

**13. 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, 2021, the Foundation has met its objective of having sufficient liquid resources to meet its current obligations.

#### **14. Financial instruments and risks**

The Foundation has policies and procedures to establish a target asset mix to help protect against the follow risks:

##### ***Interest rate risk***

The Foundation is exposed to interest rate risk as the value of the assets is affected by market changes in interest rates. Interest rate changes directly impact the value of the investments. The Foundation has established a target mix of investment types designed to achieve the optimal return within reasonable risk tolerance.

##### ***Market risk***

The value of equity securities changes with stock market conditions, which are affected by general economic and market conditions. The value of securities will vary with developments within the specific companies or governments which issues the securities. The Foundation manages this risk through controls to monitor and limit concentration levels.

##### ***Credit risk***

The financial instruments that potentially subject the Foundation to a significant concentration of credit risk consist primarily of cash, short-term investments, and long-term investments. The Foundation mitigates its exposure to credit loss by placing its cash and investments with major financial institutions.

##### ***Foreign Exchange risk***

Foreign exchange risk is the risk to the Foundation's earnings that arises from the fluctuations of foreign exchange rates and the degree of volatility of these rates. The Foundation at its discretion may use derivative instruments to manage and reduce its exposure to foreign currency risk.

There have been no changes in the Foundation's risk exposures from the prior year.

#### **15. Expenses as a percentage of average total assets**

	<b>2021</b>	2020
	\$	\$
Total assets, beginning of the year	<b>108,782,504</b>	99,117,281
Total assets, end of year	<b>128,155,692</b>	108,782,504
Average total assets	<b>118,469,098</b>	103,949,893
Total operating expenses	<b>1,347,910</b>	1,349,492
Expenses as a percentage of average total assets	<b>1.14%</b>	1.30%

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. The ratio of total operating expenses to average total assets has been used to evaluate operating costs.



## **16. Significant event**

On March 11, 2020 the World Health Organization declared the outbreak of COVID-19 a pandemic, resulting in economic uncertainties. The COVID-19 pandemic continues to impact vulnerable communities and business sectors including the charitable sector. The significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders is still unknown. As the impacts of COVID-19 continue, there could be further impact on the Foundation, its borrowers, donors and grantees. Management continues to actively monitor the effect on its financial condition, liquidity, operations, sector and workforce. Furthermore, the Foundation continues to focus on its long-term investment strategy and its commitment to granting.

The global crisis brought our community's most pressing needs into sharp focus, exacerbating many deeply entrenched inequities. In response, London Community Foundation in partnership with the Lawson Foundation and Westminster College Foundation established the LCF COVID-19 Response Fund. Thanks to the generous support of our donors the Foundation was able to grant \$1,486,707 since the pandemic providing vital support to agencies throughout London and Middlesex County. In addition to the LCF COVID-19 Response Fund, LCF facilitated the distribution of grants from the Emergency Community Support Fund, a collaboration between the Government of Canada, Community Foundations of Canada, United Way Centraide Canada and the Canadian Red Cross, to further address our community's pandemic related needs.

In the face of social upheaval and disruption, we witnessed the strength and resiliency of our community firsthand and are grateful to have been able to fulfill our mandate through our collective response to COVID-19 - being there when our community needs us most.

As of the date of issuance of these financial statements, the Foundation has not experienced any adverse financial consequences as a result of the outbreak.

**London Community Foundation****Schedule of administrative and other expenses - Schedule A**

Year ended December 31, 2021

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	<b>2021</b>	2020
	\$	\$
Salaries and benefits	<b>1,161,297</b>	1,078,357
Other office expenses	<b>143,322</b>	134,133
Bad Debt Expense	-	69,000
Marketing expense	<b>40,933</b>	49,555
Premiums on donated life insurance policies	<b>48,757</b>	109,712
Occupancy costs	<b>74,314</b>	62,648
Granting program expense	<b>9,742</b>	5,572
	<b>1,478,365</b>	1,508,977
Contributions to cover specific expenses		
Premiums on donated life insurance policies	<b>(48,757)</b>	(108,757)
Recovery of expenses from funds held for others	<b>(81,698)</b>	(50,728)
	<b>1,347,910</b>	1,349,492