

*Financial Statements of*

**COMMUNITY FOUNDATION OF OTTAWA**

*December 31, 2003*



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## Auditors' Report

To the Members of  
Community Foundation of Ottawa

We have audited the balance sheet of Community Foundation of Ottawa as at December 31, 2003 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standard. 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 managements, 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 December 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Canada Corporations Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

*Deloitte + Touche LLP*

Chartered Accountants

February 13, 2004

**COMMUNITY FOUNDATION OF OTTAWA**  
**Financial Statements**  
**December 31, 2003**

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**COMMUNITY FOUNDATION OF OTTAWA**  
**Statement of Operations and Changes in Fund Balances**  
year ended December 31, 2003  
(in \$000's)

	Endowment Funds		Externally Restricted Funds for Distribution		Operating Fund		Interfund Eliminations		Total	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
Revenue										
Donations	\$ 4,392	\$ 4,170	\$ 506	\$ 728	\$ 22	\$ 41	\$ -	\$ -	\$ 4,920	\$ 4,939
Investment earnings on endowments (Note 3)	6,316	810	-	-	-	-	-	-	6,316	810
Funds for distribution (Note 3)	-	-	2,760	2,495	-	-	(2,760)	(2,495)	-	-
Administration fee (Note 3)	-	-	-	-	772	732	(772)	(732)	-	-
Other investment earnings	-	-	-	38	91	52	-	-	91	90
Projects (Note 8)	-	-	-	-	28	64	-	-	28	64
	<b>10,708</b>	4,980	<b>3,266</b>	3,261	<b>913</b>	889	<b>(3,532)</b>	(3,227)	<b>11,355</b>	5,903
Expenses										
Funds for distribution (Note 3)	2,760	2,495	-	-	-	-	(2,760)	(2,495)	-	-
Grants to third parties	-	-	5,747	3,830	-	-	-	-	5,747	3,830
Salaries and benefits	-	-	-	-	702	584	-	-	702	584
Administration fee (Note 3)	772	732	-	-	-	-	(772)	(732)	-	-
Other	-	-	-	-	282	259	-	-	282	259
Amortization of capital assets	-	-	-	-	12	35	-	-	12	35
	<b>3,532</b>	3,227	<b>5,747</b>	3,830	<b>996</b>	878	<b>(3,532)</b>	(3,227)	<b>6,743</b>	4,708
Excess (deficiency) of revenue over expense: before unusual item	7,176	1,753	(2,481)	(569)	(83)	11	-	-	4,612	1,195
Investment write-down (Note 4)	-	(648)	-	(215)	-	-	-	-	-	(863)
	<b>7,176</b>	1,105	<b>(2,481)</b>	(784)	<b>(83)</b>	11	-	-	<b>4,612</b>	332
FUND BALANCES, BEGINNING OF YEAR	59,402	57,312	5,700	7,522	177	113	-	-	65,279	64,947
Interfund transfers (Note 5)	(1,134)	985	1,080	(1,038)	54	53	-	-	-	-
FUND BALANCES, END OF YEAR (Note 6)	<b>\$ 65,444</b>	\$ 59,402	<b>\$ 4,299</b>	\$ 5,700	<b>\$ 148</b>	\$ 177	\$ -	\$ -	<b>\$ 69,891</b>	\$ 65,279

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

# COMMUNITY FOUNDATION OF OTTAWA

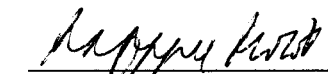
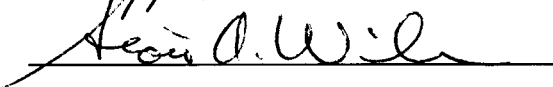
## Balance Sheet

as at December 31, 2003

(in \$000's)

	Endowment Funds	Externally Restricted Funds for Distribution	Operating Fund	Total 2003	2002
<b>CURRENT ASSETS</b>					
Cash and short-term deposits	\$ 13	\$ 621	\$ 108	\$ 742	\$ 445
Accounts receivable (Note 3)	-	-	20	20	48
Accrued interest receivable (Note 3)	334	-	5	339	384
Prepaid expenses	-	-	30	30	11
	<b>347</b>	<b>621</b>	<b>163</b>	<b>1,131</b>	<b>888</b>
INVESTMENTS (Note 4)	<b>65,097</b>	<b>4,380</b>	-	<b>69,477</b>	65,109
CAPITAL ASSETS (Note 7)	-	-	17	17	15
	<b>\$ 65,444</b>	<b>\$ 5,001</b>	<b>\$ 180</b>	<b>\$ 70,625</b>	<b>\$ 66,012</b>
<b>CURRENT LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ 32	\$ 32	\$ 25
Grants payable	-	702	-	702	680
Deferred project funding (note 8)	-	-	-	-	28
	-	<b>702</b>	<b>32</b>	<b>734</b>	<b>733</b>
<b>FUND BALANCES</b>					
Investment in capital assets	-	-	17	17	15
Endowment Fund - Capital	<b>62,278</b>	-	-	<b>62,278</b>	59,020
Endowment Fund - Reinvested earnings (Note 3)	<b>3,166</b>	-	-	<b>3,166</b>	382
Other (Note 6)	-	<b>4,299</b>	<b>131</b>	<b>4,430</b>	5,862
	<b>65,444</b>	<b>4,299</b>	<b>148</b>	<b>69,891</b>	<b>65,279</b>
	<b>\$ 65,444</b>	<b>\$ 5,001</b>	<b>\$ 180</b>	<b>\$ 70,625</b>	<b>\$ 66,012</b>

APPROVED BY THE BOARD

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

# COMMUNITY FOUNDATION OF OTTAWA

## Statement of Cash Flows

year ended December 31, 2003

(in \$000's)

	<u>2003</u>	<u>2002</u>
Cash provided by operating activities		
Excess of revenue over expenses	\$ 4,612	\$ 332
Write-down of investment	-	863
Amortization of capital assets	12	35
Net decrease in non-cash working capital balance	(217)	(149)
Net decrease in deferred project funding	(28)	(26)
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>4,379</b>	<b>1,055</b>
Cash used for investing activities		
Additions to capital assets	(14)	(12)
Increase in investments	(4,068)	(643)
<b>CASH USED FOR INVESTING ACTIVITIES</b>	<b>(4,082)</b>	<b>(655)</b>
<b>NET INCREASE IN CASH</b>	<b>297</b>	<b>400</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>445</b>	<b>45</b>
<b>CASH, END OF YEAR</b>	<b>\$ 742</b>	<b>\$ 445</b>

Cash is made up of cash and short-term deposits.

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

# COMMUNITY FOUNDATION OF OTTAWA

## Notes to the Financial Statements

year ended December 31, 2003

(in thousands of dollars)

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### 1. NATURE OF FOUNDATION AND NATURE OF FUNDS

The Community Foundation of Ottawa (the Foundation) is a not for profit organization incorporated under Part II of the Canada Corporations Act, and as a registered charity is not subject to income taxes. The Foundation is a pooling of charitable gifts in endowment or restricted funds, the earnings from which are used to meet a wide range of community needs and interests - the arts and other cultural activities, scholarships, medical and scientific research, environmental concerns and social issues. In some circumstances, the earnings may be allocated to a charitable cause or organization as advised by the donor.

### 2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not for profit organizations. They reflect the following significant accounting policies:

#### *Accounting method*

The Foundation follows the restricted fund method of accounting for contributions.

The Endowment Funds report resources contributed for endowments. The earnings on these funds are divided between the various funds as explained in Note 3.

Funds for Distribution is an externally restricted fund reporting donations that will be distributed as advised by the donors. It also reports that portion of investment earnings on the endowment funds that is available for distribution.

The Operating Fund accounts for revenues and expenses related to the Foundation's operations.

#### *Investments*

Marketable securities are recorded at market value. Investment earnings include interest and dividends received, accrued interest, and realized and unrealized market gains and losses net of custodial and investment counsel fees.

Other investments are recorded at cost and are written down only when there is a decline in value that is other than temporary.

**COMMUNITY FOUNDATION OF OTTAWA**  
**Notes to the Financial Statements**  
year ended December 31, 2003  
(in thousands of dollars)

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Capital assets*

Capital assets are recorded at cost. Amortization of capital assets is determined using the straight-line method over the following terms.

Computer hardware	3 years
Computer software	2 years
Furniture and fixtures	5 years

*Donated materials*

The Foundation receives assets and materials at no cost from various sources. Significant donations of these items are recorded in the accounts at their estimated fair market value at the date of the donation.

**3. DISTRIBUTION AND REINVESTMENT OF ANNUAL INVESTMENT EARNINGS**

The Foundation's Distribution Policy determines the amount of the distributions from the Foundation's annual investment earnings to cover charitable grants and administrative costs. The Foundation's Reinvestment Policy determines the portion of the Foundation's annual investment earnings to be reinvested in the endowment funds to provide a reserve against both inflation and lower investment returns. Together, these two policies are designed to allow a reasonably predictable outflow of funds for charitable grants over the long term.

On an annual basis the Board of Governors establishes the level of distribution and reinvestment, taking into account various factors including community needs, the current level of reinvested earnings, and the investment income earned in the year.

In 2003, investment earnings totaling \$6,316 (2002 - \$810) were allocated as follows:

	<u>2003</u>	<u>2002</u>
Administration fee for current year	\$ 772	\$ 732
Distribution of funds (a)	2,760	78
Endowment Funds - reinvestment	2,784	-
Total earnings allocated	<u>\$ 6,316</u>	<u>\$ 810</u>
Additional distribution from endowment funds (b)	<u>\$ -</u>	<u>\$ 2,417</u>
Total distribution of funds (a + b)	<u>\$ 2,760</u>	<u>\$ 2,495</u>



# COMMUNITY FOUNDATION OF OTTAWA

## Notes to the Financial Statements

year ended December 31, 2003

(in thousands of dollars)

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### 3. DISTRIBUTION AND REINVESTMENT OF ANNUAL INVESTMENT EARNINGS (Continued)

At December 31, 2003, the cumulative amount set aside to date, in Endowment Funds, to protect against lower investment returns and inflation was \$3,166 (2002 - \$382) an increase of \$2,784.

### 4. INVESTMENTS

#### *Determination of carrying value*

Cash and short-term investments which include investment certificates and treasury bills are valued at cost which approximates market value at the year-end.

Bonds and publicly traded shares are recorded at prices based on published market quotations at the year-end.

Shares in a private Canadian corporation are recorded at cost and are written down only when there has been a decline that is other than temporary. Cost was determined by an independent appraiser at the time of their donation to the Foundation.

Real estate is recorded at cost which was determined by an independent appraiser at the date of the donation. The expenses related to the management and upkeep of the property are funded by a designated endowment fund.

#### *Investment risk*

Investment in financial instruments renders the Foundation subject to investment risks. These include the risk arising from changes in interest rates, in rates of exchange for foreign currency, and in equity markets both domestic and foreign. They also include the risks arising from the failure of a party to a financial instrument to discharge an obligation when it is due.

The Foundation has adopted investment policies, standards and procedures to control the amount of risk to which it is exposed. The investment practices of the Foundation are designed to avoid undue risk of loss and impairment of assets and to provide a reasonable expectation of fair return given the nature of the investments. The maximum investment risk to the Foundation is represented by the market value of the investments.

#### *Concentration risk*

Concentration of risk exists when a significant proportion of the portfolio is invested in securities with similar characteristics or subject to similar economic, political or other conditions. Management believes that the concentrations described below do not represent excessive risk.

**COMMUNITY FOUNDATION OF OTTAWA**  
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year ended December 31, 2003  
(in thousands of dollars)

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**4. INVESTMENTS (Continued)**

*Foreign currency risk*

Foreign currency exposure arises from the Foundation's holdings of non-Canadian equities. At year-end the Foundation held 27% (2002 - 24%) of its investments in securities subject to foreign currency exposure

	<u>2003</u>		<u>2002</u>	
	<u>Carrying Value</u>	<u>% of Carrying Value</u>	<u>Carrying Value</u>	<u>% of Carrying Value</u>
<b>Marketable securities, at market</b>				
Government of Canada bonds	\$ 7,215	10	\$ 6,913	11
Provincial bonds	11,130	16	10,615	16
Municipal bonds	4,485	6	3,948	6
Corporate bonds	6,781	9	9,175	14
Government of Canada treasury bills	4,308	6	5,490	8
Bank and Trust Company guaranteed investment certificates	1,983	3	-	-
Canadian shares				
Common	14,326	21	12,371	19
U.S. shares	13,649	20	11,349	17
International stocks (Non U.S.)	5,038	7	4,686	7
<b>Other investments</b>				
Shares of a private corporation	262	1	262	1
Real estate	300	1	300	1
Total investments	<u>\$ 69,477</u>	<u>100</u>	<u>\$ 65,109</u>	<u>100</u>
Investments, at original cost	<u>\$ 63,127</u>		<u>\$ 65,022</u>	

In 2002, the Foundation wrote down the carrying value of shares of a private corporation by \$863 to recognize a permanent decline in the value of the shares. The carrying value is based on the best estimates by the private corporation's management of the current share value.

**5. INTERFUND TRANSFER**

The Foundation has transferred amounts from the Endowment Funds to Restricted Funds for Distribution and the Operating Fund in order to fund disbursements as established in Note 3.

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**6. FUNDS FOR DISTRIBUTION**

At the end of the year, these funds were comprised of the following:

	<u>2003</u>	<u>2002</u>
Unspent restricted donations	\$ 1,126	\$ 2,501
Unspent distributions from prior years	413	704
Funds for 2004 Grant Distributions	<u>2,760</u>	<u>2,495</u>
	<u>\$ 4,299</u>	<u>\$ 5,700</u>

**7. CAPITAL ASSETS**

	<u>2003</u>			<u>2002</u>
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware and software	\$ 117	\$ 105	\$ 12	\$ 9
Furniture and fixtures	27	22	5	6
	<u>\$ 144</u>	<u>\$ 127</u>	<u>\$ 17</u>	<u>\$ 15</u>

**8. FUNDING RECEIVED FOR OPERATIONS AND PROJECTS**

Project funding consists of:

	<u>2003</u>	<u>2002</u>
Adventures in Charitable Giving seminar	\$ -	\$ 10
ArtsSmarts	14	14
Trillium (FIMS)	<u>14</u>	<u>40</u>
	<u>\$ 28</u>	<u>\$ 64</u>

The deferred project funding balance at December 31, 2003 is \$NIL (2002 - \$28).

# COMMUNITY FOUNDATION OF OTTAWA

## Notes to the Financial Statements

year ended December 31, 2003

(in thousands of dollars)

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### 9. DEFERRED GIFTS

#### *Life insurance*

The Foundation is the beneficiary of life insurance policies. At December 31, 2003 the estimated amount of insurance in force for which the Foundation is the beneficiary totals \$4,666 (2002 - \$4,874). Premiums paid during the year by the insured donors were \$94 (2002 - \$103). These amounts are not recorded in the accompanying financial statements.

#### *Bequests*

The Foundation has been designated the beneficiary of certain estates. The amount of these planned gifts is not readily determinable.

### 10. LEASE COMMITMENTS

The Foundation has entered into lease commitments to lease office space and office equipment for the following gross amounts. A portion of these amounts will be recovered from sub-tenants.

<b>2004</b>	<b>\$ 88</b>
<b>2005</b>	<b>88</b>
<b>2006</b>	<b>88</b>
<b>2007</b>	<b>88</b>
<b>2008</b>	<b>37</b>
	<hr/>
	<b>\$ 389</b>