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Financial Statements of

COMMUNITY FOUNDATION OF OTTAWA

December 31, 2005

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, 2005, and the statements of operations and changes in fund balances for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion these financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2005, 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.

The 2004 amounts presented for comparative purposes are based on the 2004 financial statements reported on by the Foundation's previous auditors.

Collins Barrow Ottawa LLP

Chartered Accountants

February 23, 2006

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December 31, 2005

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Community Foundation of Ottawa

Statement of Operations and Changes in Fund Balances

year ended December 31, 2005

(in thousands of dollars)

	Endowment Funds		Funds for Charitable Distribution		Operating Fund		Interfund Eliminations		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Revenue										
Donations	\$ 3,651	\$ 3,058	\$ 555	\$ 708	\$ 43	\$ 4	\$ (37)	\$ -	\$ 4,212	\$ 3,770
CFO endowment earnings	-	-	-	-	54	51	(54)	(51)	-	-
Investment earnings (loss) (Note 3)	6,166	5,898	(65)	-	135	188	-	-	6,236	6,086
Funds for charitable distribution (Note 3)	-	-	3,471	3,096	-	-	(3,471)	(3,096)	-	-
Service fee (Note 3)	-	-	-	-	978	853	(975)	(853)	3	-
Other earnings	-	-	-	-	19	-	-	-	19	-
	9,817	8,956	3,961	3,804	1,229	1,096	(4,537)	(4,000)	10,470	9,856
Expenses										
Funds for charitable distribution (Note 3)	3,471	3,096	-	-	-	-	(3,471)	(3,096)	-	-
Grants	-	-	3,124	3,934	-	-	(91)	(51)	3,033	3,883
Investment fee (Note 3)	158	143	-	-	5	6	-	-	163	149
Service fee (Note 3)	965	850	10	3	-	-	(975)	(853)	-	-
Salaries and benefits	-	-	-	-	846	766	-	-	846	766
Other administrative expenses	-	-	-	-	302	280	-	-	302	280
Amortization of capital assets	-	-	-	-	19	17	-	-	19	17
	4,594	4,089	3,134	3,937	1,172	1,069	(4,537)	(4,000)	4,363	5,095
Excess (deficiency) of revenue over expenses	5,223	4,867	827	(133)	57	27	-	-	6,107	4,761
FUND BALANCES, beginning of year	70,308	65,444	4,172	4,299	172	148	-	-	74,652	69,891
Interfund transfers	44	(3)	(44)	6	-	(3)	-	-	-	-
FUND BALANCES, end of year (Note 5)	\$ 75,575	\$ 70,308	\$ 4,955	\$ 4,172	\$ 229	\$ 172	\$ -	\$ -	\$ 80,759	\$ 74,652

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

Community Foundation of Ottawa

Balance Sheet

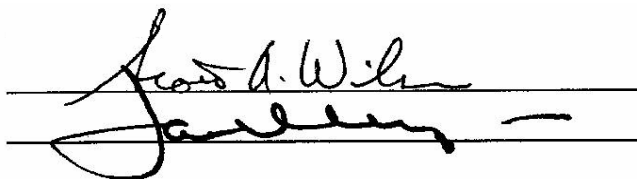
as at December 31, 2005

(in thousands of dollars)

	Endowment Funds	Funds for Charitable Distribution	Operating Fund	Total	
				2005	2004
Current Assets					
Cash and short-term deposits	\$ 201	\$ 81	\$ 124	\$ 406	\$ 579
Accounts receivable	4	-	28	32	19
Accrued interest receivable	383	-	-	383	357
Prepaid expenses	-	-	16	16	17
	588	81	168	837	972
Investments (Note 4)	80,137	5,493	92	85,722	74,099
Real estate (Note 6)	300	-	-	300	300
Capital assets (Note 7)	-	-	13	13	17
	\$ 81,025	\$ 5,574	\$ 273	\$ 86,872	\$ 75,388
Current Liabilities					
Accounts payable	\$ -	\$ -	\$ 33	\$ 33	\$ 28
Grants payable	-	604	-	604	698
Managed funds (Note 8)	450	15	-	465	-
Retractable funds (Note 9)	5,000	-	-	5,000	-
Deferred project revenue	-	-	11	11	10
	5,450	619	44	6,113	736
Fund Balances					
Endowment funds					
Contributed capital	68,650	-	-	68,650	65,275
Reinvested earnings (Note 3)	6,925	-	-	6,925	5,033
Funds for charitable distribution (Note 5)	-	4,955	-	4,955	4,172
Operating fund					
Investment in capital assets (Note 7)	-	-	13	13	17
Unrestricted	-	-	216	216	155
	75,575	4,955	229	80,759	74,652
	\$ 81,025	\$ 5,574	\$ 273	\$ 86,872	\$ 75,388

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

APPROVED BY THE BOARD



COMMUNITY FOUNDATION OF OTTAWA
Notes to the Financial Statements
year ended December 31, 2005
(in thousands of dollars)

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. On approval by the Board of Governors, earnings are 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 endowment. The earnings on these funds are divided between the various funds as explained in Note 3.

Funds for charitable distribution are externally restricted funds reporting donations that will be distributed as advised by the donors. Funds for charitable distribution also report that portion of investment earnings on the endowment funds that is available for charitable distribution.

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

Managed funds are owned by other charities and pooled with the Foundation's assets for investment purposes.

Retractable funds may have to be returned to other charitable organizations with one year's notice. They are pooled with the Foundation's assets for investment purposes. The investment earnings of these funds are wholly owned by the Foundation.

The Community Foundation of Ottawa has certain endowment funds, the earnings of which are designated by donors to support the Foundation's operations.

COMMUNITY FOUNDATION OF OTTAWA
Notes to the Financial Statements
year ended December 31, 2005
(in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that 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 may differ from management's best estimates as additional information becomes available.

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. Custodial and investment counsel fees related to investments are shown separately.

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

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

Real estate

Real estate property is recorded at cost which was determined by an independent appraiser at the date of the donation.

Donated materials

The Foundation may receive 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.

Donated services

The Foundation benefits from the service of volunteers. Because of the difficulty of determining their fair value, donated services are not recognized in these financial statements.

COMMUNITY FOUNDATION OF OTTAWA

Notes to the Financial Statements

year ended December 31, 2005

(in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative amounts

The comparative amounts presented in the financial statements have been restated to conform to the current year's presentation.

Cash flow statement

A statement of cash flows has not been presented as management does not consider that it would provide significant additional meaningful information.

3. DISTRIBUTION AND REINVESTMENT OF ANNUAL INVESTMENT EARNINGS

The Foundation's Distribution and Reinvestment Policy provides guidelines for determining the portion of the annual investment earnings to be distributed to cover charitable distributions and service fees and to be reinvested in the endowment funds to provide a reserve against both inflation and lower investment returns. This policy helps to ensure that there is a reasonably consistent level of charitable distributions 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 earnings for the year.

In 2005, the investment earnings totalling \$6,166 (2004 - \$5,898) were allocated as follows:

	<u>2005</u>	<u>2004</u>
Investment fees	\$ 158	\$ 143
Service fee for current year	965	850
Funds for charitable distribution	3,471	3,096
Endowment funds – reinvestment	<u>1,572</u>	<u>1,809</u>
Total earnings allocated	<u>\$ 6,166</u>	<u>\$ 5,898</u>

At December 31, 2005, the cumulative amount set aside to date, in Endowment Funds, to protect against lower investment returns and inflation was \$6,925 (2004 - \$5,033).

COMMUNITY FOUNDATION OF OTTAWA

Notes to the Financial Statements

year ended December 31, 2005

(in thousands of dollars)

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

The investment earnings were comprised of the following:

	<u>2005</u>	<u>2004</u>
Interest and dividend income	\$ 2,803	\$ 2,650
Accrued interest revenue	28	18
Realized gains	599	1,134
Unrealized gains	3,164	2,944
US exchange losses	<u>(428)</u>	<u>(848)</u>
	<u>\$ 6,166</u>	<u>\$ 5,898</u>

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. The cost was determined by an independent appraiser at the time of their donation to the Foundation. The carrying value is based on management's best estimates of the private corporation's current share value.

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 carrying value of the investments.

COMMUNITY FOUNDATION OF OTTAWA
Notes to the Financial Statements
year ended December 31, 2005
(in thousands of dollars)

4. INVESTMENTS (Continued)

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.

Foreign currency risk

Foreign currency exposure arises from the Foundation's holdings of non-Canadian bonds and equities. At year-end the Foundation held 28% (2004 - 27%) of its investments in securities subject to foreign currency exposure.

	2005		2004	
	Carrying Value	%	Carrying Value	%
Investments at market value:				
Cash and cash equivalents	\$ 3,572	4	\$ 4,789	6
Bonds and debentures				
Government bonds	28,189	33	20,614	28
Corporate bonds	11,483	13	13,132	18
	39,672	46	33,746	46
Equities				
Canadian shares	18,526	22	15,273	21
U.S. shares	16,268	19	14,445	20
International equities (Non U.S.)	7,325	9	5,584	7
	42,119	50	35,302	48
	85,363	100	73,837	100
Other investments				
Shares of a private corporation	1		262	
Cash surrender value of life insurance policies (Note 10)	358		-	
	359		262	
Total investments	\$ 85,722		\$ 74,099	
Investments, at original cost	\$ 76,203		\$ 65,048	

COMMUNITY FOUNDATION OF OTTAWA

Notes to the Financial Statements

year ended December 31, 2005

(in thousands of dollars)

4. INVESTMENTS (Continued)

In 2005, the Foundation wrote down the carrying value of shares of a private corporation by \$261 to recognize a permanent decline in the value of the shares. The carrying value is based on management's best estimates of the private corporation's current share value.

5. FUNDS FOR CHARITABLE DISTRIBUTION

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

	<u>2005</u>	<u>2004</u>
Unspent restricted donations	\$ 177	\$ 496
Unspent charitable distributions from prior years	1,307	580
Funds for charitable distributions in the following year	<u>3,471</u>	<u>3,096</u>
	<u>\$ 4,955</u>	<u>\$ 4,172</u>

6. REAL ESTATE

The Community Foundation of Ottawa shares ownership of a property known as Fairfields, a designated historical property. The property is recorded at the appraised value at the time of donation, which was determined by an independent appraiser at the time of the donation. The expenses related to the management and upkeep of the property are funded by a designated endowment fund.

7. CAPITAL ASSETS

	<u>2005</u>			<u>2004</u>
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware and software	\$ 147	\$ 135	\$ 12	\$ 13
Furniture and fixtures	28	27	1	4
	<u>\$ 175</u>	<u>\$ 162</u>	<u>\$ 13</u>	<u>\$ 17</u>

8. MANAGED FUNDS

The Foundation holds within its assets, amounts which belong to other charitable organizations. The amounts are pooled with the investments of the Foundation and are offset by the managed fund liability on the balance sheet. All revenue and expenses accruing to these funds are not reflected in the statement of operations and changes in fund balances.

COMMUNITY FOUNDATION OF OTTAWA

Notes to the Financial Statements

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(in thousands of dollars)

9. RETRACTABLE FUNDS

The Foundation holds within its assets, amounts which may with one year's notice be returned to other charitable organizations. The amounts are pooled with the investments of the Foundation and the original capital is represented by the retractable funds liability on the balance sheet. All investment revenues are owned wholly by the Foundation and are reflected in the statement of operations and changes in fund balances.

10. DEFERRED GIFTS

Life insurance

The Foundation is the beneficiary of life insurance policies. At December 31, 2005 the amount of insurance in force for which the Foundation is the owner and beneficiary totals \$4,582 (2004 - \$4,495). Premiums paid during the year by the insured donors were \$95 (2004 - \$98). These amounts are not recorded in the accompanying financial statements. Some life insurance policies carry a cash surrender value, which has been recorded in the investment assets and in the investment revenues in the amount of \$358.

Bequests

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

11. LEASE COMMITMENTS

The Foundation has entered into lease commitments until May 31, 2008, to lease office space for the following gross amounts. A portion of these amounts will be recovered from sub-tenants.

2006	\$	88
2007		88
2008		37