



Financial Statements

For the year ended December 31, 2006

Community Foundation of Ottawa
Financial Statements
For the year ended December 31, 2006

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Management Report

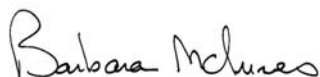
Management's Responsibility for the Financial Statements

The accompanying financial statements of the Community Foundation of Ottawa are the responsibility of the Foundation's management and have been prepared in accordance with Canadian generally accepted accounting principles. The accounting policies followed by the Foundation are included in the summary of significant accounting policies set out in Note 2 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Foundation's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Audit Committee of the Board of Governors meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to the Audit Committee's and Board of Governors' approval of the financial statements.

The financial statements have been audited by Collins Barrow Ottawa LLP, independent external auditors appointed by the Foundation. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Foundation's financial statements.



Barbara McInnes
President and CEO



Margot Sunter
Director, Finance and Administration

February 16, 2007

Auditors' Report

To the Members of Community Foundation of Ottawa

We have audited the balance sheet of the Community Foundation of Ottawa as at December 31, 2006 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, 2006 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.

Collins Barrow Ottawa LLP

Chartered Accountants, Licensed Public Accountants

February 16, 2007

Community Foundation of Ottawa Statement of Operations and Changes in Fund Balances

For the year ended December 31 (in thousands of dollars)

	Endowment Funds		Funds for Charitable Distribution		Operating Fund		Interfund Eliminations		Total Funds	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Revenue										
Donations	\$ 8,173	\$ 3,651	\$ 1,536	\$ 555	\$ 3	\$ 43	\$ (6)	\$ (37)	\$ 9,706	\$ 4,212
CFO endowment earnings	-	-	-	-	57	54	(57)	(54)	-	-
Investment earnings (loss) (Note 3)	10,180	6,166	-	(65)	220	135	-	-	10,400	6,236
Funds for charitable distribution	-	-	5,422	3,471	-	-	(5,422)	(3,471)	-	-
Service fee	-	-	-	-	1,086	978	(1,080)	(975)	6	3
Other earnings	-	-	-	-	115	19	(50)	-	65	19
	18,353	9,817	6,958	3,961	1,481	1,229	(6,615)	(4,537)	20,177	10,470
Expenses										
Funds for charitable distribution (Note 3)	5,422	3,471	-	-	-	-	(5,422)	(3,471)	-	-
Grants	-	-	5,127	3,124	-	-	(113)	(91)	5,014	3,033
Investment fee (Note 3)	192	158	-	-	7	5	-	-	199	163
Service fee (Note 3)	1,065	965	15	10	-	-	(1,080)	(975)	-	-
Salaries and benefits	-	-	-	-	945	846	-	-	945	846
Other administrative expenses	-	-	-	-	396	302	-	-	396	302
Amortization of capital assets	-	-	-	-	20	19	-	-	20	19
	6,679	4,594	5,142	3,134	1,368	1,172	(6,615)	(4,537)	6,574	4,363
Excess of revenue over expenses	11,674	5,223	1,816	827	113	57	-	-	13,603	6,107
Fund balances, beginning of year	75,575	70,308	4,955	4,172	229	172	-	-	80,759	74,652
Interfund transfers	18	44	(13)	(44)	(5)	-	-	-	-	-
Fund balances, end of year	\$ 87,267	\$ 75,575	\$ 6,758	\$ 4,955	\$ 337	\$ 229	\$ -	\$ -	\$ 94,362	\$ 80,759

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

Community Foundation of Ottawa Balance Sheet

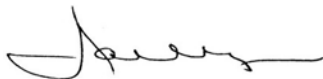
December 31 (in thousands of dollars)

2006

2005

	Endowment Funds	Funds for Charitable Distribution	Operating Fund	Total Funds	Total Funds
Assets					
Current					
Cash and short-term deposits	\$ -	\$ 156	\$ 29	\$ 185	\$ 406
Accounts receivable	3	1	26	30	32
Accrued interest receivable	404	2	-	406	383
Prepaid expenses	-	-	20	20	16
	407	159	75	641	837
Investments (Note 4)	87,105	7,627	291	95,023	85,722
Real estate (Note 6)	300	-	-	300	300
Capital assets (Note 7)	-	-	25	25	13
	\$ 87,812	\$ 7,786	\$ 391	\$ 95,989	\$ 86,872
Liabilities and Fund Balances					
Current					
Accounts payable	\$ -	\$ -	\$ 26	\$ 26	\$ 33
Grants payable	-	999	-	999	604
Managed funds	545	29	-	574	465
Retractable funds	-	-	-	-	5,000
Deferred project revenue	-	-	28	28	11
	545	1,028	54	1,627	6,113
Fund Balances					
Endowment funds					
Contributed capital	76,823	-	-	76,823	68,650
Reinvested earnings (Note 3)	10,444	-	-	10,444	6,925
Funds for distribution (Note 5)	-	6,758	-	6,758	4,955
Operating fund					
Investment in capital assets	-	-	25	25	13
Unrestricted	-	-	312	312	216
	87,267	6,758	337	94,362	80,759
	\$ 87,812	\$ 7,786	\$ 391	\$ 95,989	\$ 86,872

On Behalf of the Board:



James R. Nininger, PhD
Chair, Board of Governors



Scott Wilson, FCA, TEP
Treasurer

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

Community Foundation of Ottawa Notes to Financial Statements

December 31, 2006 (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. Summary of 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. The managed funds assets are offset by the managed funds liability on the balance sheet and any revenues and expenses accruing to these funds are not reflected on the Statement of Operations and Changes in Fund Balances.

Retractable funds may have to be returned to other charitable organizations with one year's notice. The original gift amounts are pooled with the Foundation's assets for

Community Foundation of Ottawa Notes to Financial Statements

December 31, 2006 (in thousands of dollars)

2. **Summary of Significant Accounting Policies** (continued)

investment purposes and are offset by the retractable funds liability on the balance sheet. The investment earnings of these funds are wholly owned by the Foundation and are therefore reflected on the Statement of Operations and Changes in Fund Balances.

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

Use of estimates

The preparation of financial statements in accordance with Canadian 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

Community Foundation of Ottawa Notes to Financial Statements

December 31, 2006 (in thousands of dollars)

2. **Summary of Significant Accounting Policies** (continued)

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 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.

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.

Community Foundation of Ottawa Notes to Financial Statements

December 31, 2006 (in thousands of dollars)

3. **Distribution and Reinvestment of Annual Investment Earnings** (continued)

In 2006, the investment earnings in Endowment Funds totalling \$10,180 (2005 - \$6,166) were allocated as follows:

	<u>2006</u>	2005
Investment fees	\$ 192	\$ 158
Service fee for current year	1,065	965
Funds for charitable distribution	5,422	3,471
Endowment funds – reinvestment	<u>3,501</u>	<u>1,572</u>
Total earnings allocated	<u>\$ 10,180</u>	<u>\$ 6,166</u>

At December 31, 2006, the cumulative amount set aside to date, in Endowment Funds, to protect against lower investment returns and inflation was \$10,444 (2005 - \$6,925).

The investment earnings were comprised of the following:

	<u>2006</u>	2005
Interest and dividend income	\$ 3,109	\$ 2,803
Accrued interest revenue	24	28
Realized gains	6,743	599
Unrealized gains (losses)	(275)	3,164
U.S. exchange gains (losses)	<u>579</u>	<u>(428)</u>
	<u>\$ 10,180</u>	<u>\$ 6,166</u>

4. **Investments**

Determination of carrying value

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

Community Foundation of Ottawa Notes to Financial Statements

December 31, 2006 (in thousands of dollars)

4. **Investments** (continued)

Bonds and debentures, and equities consisting of publicly traded shares, are recorded at prices based on published market quotations at the year-end.

Shares of a private Canadian corporation are recorded at cost and are written down only when there has been a decline in value 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.

Cash surrender value of life insurance is further explained in Note 8 and is recorded at values provided by the respective life insurance companies.

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.

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 herein do not represent excessive risk.

Community Foundation of Ottawa Notes to Financial Statements

December 31, 2006 (in thousands of dollars)

4. **Investments** (continued)

Foreign currency risk

Foreign currency exposure arises from the Foundation's holdings of non-Canadian bonds and equities. At year-end the Foundation held 19% (2005 - 28%) of its investments in securities subject to foreign currency exposure.

	2006		2005	
	Carrying Value	%	Carrying Value	%
Investments at market value:				
Cash and cash equivalents	\$ 15,287	16	\$ 3,572	4
Bonds and debentures				
Government bonds	30,557	32	28,189	33
Corporate bonds	13,467	14	14,483	13
U.S. bonds	1	-	-	-
	44,025	46	39,672	46
Equities				
Canadian shares	17,860	19	18,526	22
U.S. shares	17,368	19	16,268	19
International equities (Non U.S.)	89	-	7,325	9
	35,317	38	42,119	50
	94,629	100	85,363	100
Other investments				
Shares of a private corporation	-	-	1	-
Cash surrender value of life insurance policies (Note 8)	394	-	358	-
	394	-	359	-
Total investments at market value	\$ 95,023	100	\$ 85,722	100
Investments, at original cost	\$ 83,716		\$ 76,203	

Community Foundation of Ottawa Notes to Financial Statements

December 31, 2006 (in thousands of dollars)

4. **Investments** (continued)

The carrying value of shares in a private corporation is based on management's best estimates of the private corporation's current share value. In 2006, the Foundation further wrote down the private shares to a carrying value of zero.

5. **Funds for Charitable Distribution**

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

	2006	2005
Unspent restricted donations	\$ 618	\$ 177
Unspent charitable distributions from prior years	718	1,307
Funds for charitable distributions in the following year	5,422	3,471
	<u>\$ 6,758</u>	<u>\$ 4,955</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.

**Community Foundation of Ottawa
Notes to Financial Statements**

December 31, 2006 (in thousands of dollars)

7. Capital Assets

			2006	2005
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware and software	\$ 165	\$ 152	\$ 13	\$ 12
Furniture and fixtures	42	30	12	1
	\$ 207	\$ 182	\$ 25	\$ 13

8. Deferred Gifts

Life insurance

The Foundation is the beneficiary of life insurance policies. At December 31, 2006 the amount of insurance in force for which the Foundation is the owner and beneficiary totals \$4,673 (2005 - \$4,582). Premiums paid during the year by the insured donors were \$104 (2005 - \$95). 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 Foundations investment assets and the investment revenues to date in the amount of \$394 (2005 - \$358).

Bequests

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

**Community Foundation of Ottawa
Notes to Financial Statements**

December 31, 2006 (in thousands of dollars)

9. 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.

2007	\$ 88
2008	<u>37</u>
	<u>\$ 125</u>
