



Consolidated Financial Statements

For the year ended December 31, 2015

Community Foundation of Ottawa
Consolidated Financial Statements
For the year ended December 31, 2015

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Management's Report

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Community Foundation of Ottawa, (the "Foundation"), which comprise the consolidated balance sheet as at December 31, 2015, and the consolidated statement of operations and changes in fund balances, and the consolidated statement of cash flows for the year then ended are the responsibility of the Foundation's management and have been prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations. The accounting policies followed by the Foundation are included in the summary of significant accounting policies set out in Note 3 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the accounting periods 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 the preparation of consolidated financial statements. These systems are monitored and evaluated by management.

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

The consolidated financial statements have been audited by Collins Barrow Ottawa LLP, independent external auditor appointed by the Foundation. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their audit and their opinion on the Foundation's consolidated financial statements.



Marco Pagani
President and CEO



Ron Olsen
Director, Finance and Administration

April 26, 2016
Ottawa, Ontario

Independent Auditor's Report

To the Members of the Community Foundation of Ottawa

We have audited the accompanying consolidated financial statements of the Community Foundation of Ottawa, which comprise the consolidated balance sheet as at December 31, 2015, and the consolidated statement of operations and changes in fund balances, and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to an entity's preparation and fair presentation of the consolidated 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 internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinion.

Independent Auditor's Report (continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Community Foundation of Ottawa as at December 31, 2015, and the consolidated results of its operations and its consolidated cash flows for the year then ended, in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

Reclassified Corresponding Information

We also audited the change in accounting policy described in Note 2 to the consolidated financial statements that was applied to reclassify the corresponding information for the year ended December 31, 2014. In our opinion, the adjustments have been properly applied.

Collins Barrow Ottawa LLP

Chartered Professional Accountants, Licensed Public Accountants
April 26, 2016
Ottawa, Ontario

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

For the year ended December 31, 2015 (in thousands of dollars)

(With corresponding amounts for the year ended December 31, 2014)

	Endowment Funds		Funds for Charitable Distribution		Operating Fund		Interfund Eliminations		Total Funds	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Revenue										
Donations	\$ 2,613	\$ 2,817	\$ 11,698	\$ 6,373	\$ 15	\$ 5	\$ -	\$ -	\$ 14,326	\$ 9,195
CFO endowment earnings	-	-	-	-	123	108	(123)	(108)	-	-
Investment earnings (Note 6)	4,712	6,572	33	266	139	129	-	-	4,884	6,967
Funds for charitable distribution (Note 6)	-	-	3,545	2,916	-	-	(3,545)	(2,916)	-	-
Service fees (Note 6)	-	-	-	-	1,471	1,299	(1,403)	(1,225)	68	74
Other earnings	-	-	317	271	3	3	(317)	(270)	3	4
	7,325	9,389	15,593	9,826	1,751	1,544	(5,388)	(4,519)	19,281	16,240
Expenses										
Funds for charitable distribution (Note 6)	3,545	2,916	-	-	-	-	(3,545)	(2,916)	-	-
Grants and programs	87	-	9,897	8,712	12	-	(440)	(378)	9,556	8,334
Investment fees	411	397	231	19	26	26	-	-	668	442
Service fees (Note 6)	1,232	1,157	171	68	-	-	(1,403)	(1,225)	-	-
Salaries and benefits	-	-	-	-	1,179	1,055	-	-	1,179	1,055
Other administrative expenses	-	-	-	-	374	341	-	-	374	341
Amortization of capital assets	-	-	-	-	16	13	-	-	16	13
	5,275	4,470	10,299	8,799	1,607	1,435	(5,388)	(4,519)	11,793	10,185
Excess of revenue over expenses for the year	2,050	4,919	5,294	1,027	144	109	-	-	7,488	6,055
Fund balances, beginning of year	94,411	89,492	9,694	8,667	806	697	-	-	104,911	98,856
Fund balances, end of year	\$ 96,461	\$ 94,411	\$ 14,988	\$ 9,694	\$ 950	\$ 806	\$ -	\$ -	\$ 112,399	\$ 104,911

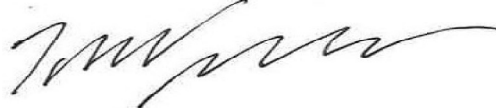
Community Foundation of Ottawa Consolidated Balance Sheet

As at December 31, 2015 (in thousands of dollars)

(With corresponding amounts as at December 31, 2014)

	2015				2014			
	Endowment Funds	Funds for Charitable Distribution	Operating Fund	Total Funds	Endowment Funds	Funds for Charitable Distribution	Operating Fund	Total Funds
Assets								
Cash	\$ 200	\$ 59	\$ 263	\$ 522	\$ 36	\$ 4	\$ 141	\$ 181
Accounts receivable	-	-	125	125	-	-	91	91
Investments (Note 5)	95,961	14,971	7,405	118,337	94,080	9,726	7,947	111,753
Real estate (Note 7)	300	-	-	300	300	-	-	300
Capital assets (Note 8)	-	-	13	13	-	-	21	21
	\$ 96,461	\$ 15,030	\$ 7,806	\$ 119,297	\$ 94,416	\$ 9,730	\$ 8,200	\$ 112,346
Liabilities and Fund Balances								
Liabilities								
Grants payable and accrued liabilities	\$ -	\$ 42	\$ 63	\$ 105	\$ 5	\$ 36	\$ 98	\$ 139
Managed funds (Note 9)	-	-	6,793	6,793	-	-	7,296	7,296
	-	42	6,856	6,898	5	36	7,394	7,435
Fund balances (Note 4)								
Endowment funds								
Contributed capital	92,241	-	-	92,241	89,715	-	-	89,715
Accumulated increase in capital	4,220	-	-	4,220	4,696	-	-	4,696
Term and spend down funds								
Contributed capital	-	5,942	-	5,942	-	3,498	-	3,498
Accumulated increase in capital	-	393	-	393	-	416	-	416
Funds available to spend (Note 6)	-	8,653	-	8,653	-	5,780	-	5,780
Operating fund	-	-	950	950	-	-	806	806
	96,461	14,988	950	112,399	94,411	9,694	806	104,911
	\$ 96,461	\$ 15,030	\$ 7,806	\$ 119,297	\$ 94,416	\$ 9,730	\$ 8,200	\$ 112,346

On behalf of the Board:



Tim Redpath
Chair, Board of Governors



Robin Madigan, CPA, CA
Treasurer

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

Community Foundation of Ottawa Consolidated Statement of Cash Flows

For the year ended December 31, 2015 (in thousands of dollars)

(With corresponding amounts for the year ended December 31, 2014)

	2015	2014
Cash flows from (used in) operating activities		
Donations received for charitable distribution and operating purposes	\$ 11,713	\$ 6,378
Investment earnings received	3,931	2,563
Grants and programs expenses paid	(9,468)	(8,365)
Investment fees paid	(668)	(442)
Salaries and benefits paid	(1,179)	(1,055)
Other administrative expenses paid	(443)	(240)
Service fees and other earnings received	71	78
Net cash flows from (used in) operating activities	<u>3,957</u>	<u>(1,083)</u>
Cash flows from (used in) financing activities		
Contributions to endowment funds	2,613	2,817
Withdrawals from endowment funds	(87)	-
Net decrease in managed funds	<u>(503)</u>	<u>(2,484)</u>
Net cash flows from (used in) financing activities	<u>2,023</u>	<u>333</u>
Cash flows from (used in) investing activities		
Net decrease (increase) in investments	(5,631)	714
Capital assets purchased	<u>(8)</u>	<u>(12)</u>
Net cash flows from (used in) investing activities	<u>(5,639)</u>	<u>702</u>
Net cash inflow (outflow) for the year	341	(48)
Cash, beginning of year	<u>181</u>	<u>229</u>
Cash, end of year	\$ 522	\$ 181

Community Foundation of Ottawa

Notes to Consolidated Financial Statements

December 31, 2015 (in thousands of dollars)

(With December 31, 2014 corresponding amounts)

1. Nature of Foundation and Nature of Funds

The Community Foundation of Ottawa, (the "Foundation"), is a not-for-profit organization incorporated under the Canada Not-for-profit 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, from which amounts are made available for charitable distribution 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 Foundation's Board of Governors, amounts are allocated to a charitable cause or organization as advised by the donor.

Under the Foundation's Articles of Continuance ("Articles") under the Canada Not-for-profit Corporations Act, the activities of the Foundation are restricted to the carrying on of activities which are in accordance with the charitable provisions of the Income Tax Act of Canada (as amended). The articles also require that in the event of dissolution, liquidation or winding up of the Foundation, all of its remaining assets, after payment of its liabilities shall be distributed to one or more recognized charitable organizations in Canada.

2. Change in Accounting Policy

During 2015, the Foundation changed its accounting policy for the presentation of endowment and restricted funds. Previously, the Foundation presented endowment, term and spend down funds (see Note 3) as Endowment Funds. In addition the Managed funds liabilities and assets (see Note 9) were included as part of the Endowment Funds. The Foundation now presents only pure endowment funds, those to be held in perpetuity, as Endowment Funds, term and spend down funds as Funds for Charitable Distribution, and the Managed funds liabilities and assets as part of the Operating fund. Management judges that the new policy is preferable because it results in a more transparent presentation of pure endowment funds which are to be held in perpetuity, and other restricted funds which are non-permanent in nature.

This change in accounting policy only impacted the classification of amounts in the Foundation's consolidated financial statements such that total revenue, total expenses, total assets, total liabilities, total fund balances and total cash flows are unchanged.

For a listing of the 2015 and 2014 consolidated financial statement items impacted by the change in accounting policy with an increase or decrease in reported amounts, see the Schedule of Change in Accounting Policy accompanying these consolidated financial statements.

3. Summary of Significant Accounting Policies

Basis of presentation

These consolidated financial statements have been prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations which are part of Canadian generally accepted accounting principles and include the following significant accounting policies.

Community Foundation of Ottawa Notes to Consolidated Financial Statements

December 31, 2015 (in thousands of dollars)

(With December 31, 2014 corresponding amounts)

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

Basis of consolidation

On January 1, 2014, the Foundation established the Community Foundation of Ottawa Trust (the "Trust") whose sole beneficiary was the Foundation. The purpose of the Trust was to hold the Foundation's investments in limited partnerships that would otherwise be held by the Foundation. Since the Foundation had beneficial control of the Trust by virtue of being the sole beneficiary, the Foundation's 2014 financial statements were prepared on a consolidated basis to include the assets, liabilities, fund balances, revenue and expenses of the Trust, however transactions between the two legal entities as well as balances due to and from the two legal entities were eliminated to prepare the consolidated financial statements. For all intents and purposes there has been no significant impact on the Foundation's financial reporting for 2014 versus prior years with the establishment of the Trust and the adoption of consolidated financial reporting.

On September 30, 2015, all assets of the Trust were transferred to the Trust's sole beneficiary, being the Foundation, and all obligations of the Trust have been satisfied. The Trust was terminated on December 31, 2015. This also had no significant impact on the Foundation's financial reporting since these consolidated financial statements include the financial activities of the Foundation and the Trust for the 2015 fiscal year.

Accounting method

Endowment Funds

The Foundation follows the restricted fund method of accounting for contributions. Gifts made to individual endowment funds are recorded in Contributed capital. Endowment Funds are established for gifts that are designated to remain under the Foundation's management in perpetuity. The investment earnings (losses) on the Endowment Funds and the disbursements to cover service fees and funds for charitable distribution (see Note 6) are recorded in the Accumulated increase in capital balance in the Endowment Funds.

The Foundation has certain endowment funds from which amounts are designated by donors to support the Foundation's operations.

Funds for Charitable Distribution

The Funds for Charitable Distribution fund holds externally restricted donations to the Foundation that will be distributed as advised by the donors. These funds can take several forms.

Term funds are donations that have a specified term and may be transferred to a charitable organization at the end of the term, renewed at the discretion of the organization or donor establishing the fund or changed to an endowment fund. These funds are pooled with the Endowment Funds for investment purposes and are subject to the Foundation's spending policy.

Spend down funds are donations that have a specific termination date by which all of the respective donation must be disbursed. Typically the disbursements are uniform each year over the specified term but are subject to the donor's directions. These funds are pooled with the Endowment Funds for investment purposes and are subject to the Foundation's spending policy.

Community Foundation of Ottawa Notes to Consolidated Financial Statements

December 31, 2015 (in thousands of dollars)

(With December 31, 2014 corresponding amounts)

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

Accounting method (continued)

Funds for Charitable Distribution (continued)

Flow through funds are donations that are intended for distribution to registered charities in the short term and are invested in money market funds until the donor advises when to make the distribution. Flow through funds are classified as Funds available to spend in the Funds for Charitable Distribution fund. In addition to specific donations, the portion of the Endowment Funds which is available for charitable distribution is also classified as Funds available to spend in the Funds for Charitable Distribution fund.

The investment earnings (losses) on the term and spend down funds, and the disbursements to cover service fees and charitable grants (see Note 6) are recorded in the Accumulated increase in capital balance.

Operating Fund

The Operating fund accounts for revenue and expenses related to the Foundation's operations. The investment earnings (losses) of the Operating fund include investment income generated from Funds available to spend in the Funds for Charitable Distribution fund that are typically invested in interest bearing vehicles while waiting for distribution instructions from donors. The gains and losses from the disposition of donated equity securities held as Funds available to spend in the Funds for Charitable Distribution fund are recorded in investment earnings (losses) of the Operating fund.

Managed Funds

Managed funds are owned by other organizations and pooled with the Foundation's assets for investment purposes. These Managed funds assets are presented in the Operating fund with the Foundation's assets but are offset by Managed funds liabilities in the Consolidated Balance Sheet. Any revenue and expenses accruing to these funds are not reflected in the Consolidated Statement of Operations and Changes in Fund Balances.

Use of estimates

The preparation of consolidated financial statements in accordance with Canadian Accounting Standards for Not-for-Profit Organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates and assumptions as additional information becomes available in the future. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the period in which they become known.

Financial instruments

Financial instruments are financial assets or financial liabilities of the Foundation where, in general, the Foundation has the right to receive cash or another financial asset from another party or the Foundation has the obligation to pay another party cash or other financial assets. All financial instruments are measured at their fair values on initial recognition.

Community Foundation of Ottawa Notes to Consolidated Financial Statements

December 31, 2015 (in thousands of dollars)

(With December 31, 2014 corresponding amounts)

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

Financial instruments (continued)

The Foundation's investments are comprised of cash and short-term deposits, bonds and debentures, and equities. Investments also include units in limited partnerships, foreign currency contracts, units in the Community Forward Fund and the cash surrender values of life insurance policies.

Bonds and debentures, equity holdings, foreign currency contracts, and the cash surrender values of life insurance policies are carried at fair value based on quoted prices. Cash and short-term deposits, which include investment certificates and treasury bills, are carried at amortized cost which approximates their fair values.

The investment in the units in the open ended real estate fund is a limited partnership valued at fair value obtained from the fund's most recent audited financial statements available, being December 31, 2015 (2014 - December 31, 2014). The open ended real estate fund holds net assets whose observable prices are not quoted in an active market. Therefore these consolidated financial statements include the fair value for the units in the fund as determined by the managers of the fund based on the estimated fair value of the underlying net assets using generally accepted industry valuation methods including appraisals and discounted cash flow analysis. The fair value estimates are made at a specific point in time, based on relevant information about the financial and real estate markets, and the fund's financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgement, they cannot be determined with absolute precision and may differ from the value that would have been used had a market existed. Changes in assumptions can significantly affect the estimated fair value.

The investment in the units of the Sustainable Opportunities Fund is a US dollar based limited partnership valued at fair value obtained from the fund's most recent financial statements available, being September 30, 2015 (2014 - September 30, 2014). The Sustainable Opportunities Fund holds interests in private investment funds in non-Canadian countries whose observable prices are not quoted in an active market. Therefore, these consolidated financial statements include the fair value for the units in the fund as determined by the general partner of the fund based on the estimated fair value of the capital account balances with adjustment made for various factors, including, but not limited to, the attributes of the interests held, including the rights and obligations and any restrictions. The fair value estimates are made at a specific point in time based on information about the fund's net assets. As these estimates are subjective in nature, involving uncertainties and matters of significant judgement, they cannot be determined with absolute precision and may differ from the value that would have been used had a market existed. Changes in assumptions can significantly affect the estimated fair value.

The investment in the units in the Community Forward Fund is valued at cost, less any required reduction for impairment, which is none. It is an equity investment whose observable prices are not quoted in an active market. The Community Forward Fund has as its mandate to pool funds from subscribers for the purpose of earning a positive return by making loans to charities and not-for-profit organizations and, in connection with such mandate, to try to increase the financial skills and acumen of these entities.

Community Foundation of Ottawa Notes to Consolidated Financial Statements

December 31, 2015 (in thousands of dollars)

(With December 31, 2014 corresponding amounts)

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

Financial instruments (continued)

Purchases and sales of investments are recorded at the trade date. Investment earnings (losses) include realized and unrealized gains and losses computed on an average cost basis, interest and dividends received and accrued, and foreign exchange gains and losses.

Accounts receivable, grants payable and accrued liabilities, and the managed funds liabilities are carried at cost which approximates their fair values due to the short-term nature of these assets and liabilities.

Impairment

Financial assets measured at cost or amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in operations.

Transaction costs

The Foundation recognizes its transaction costs in operations in the period incurred for financial instruments carried at fair value. However, for the financial instruments that will not be subsequently measured at fair value after their initial recognition, which would be those carried at cost or amortized cost, the initial carrying values are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

Foreign currency

Investments held in foreign currency are expressed in Canadian dollars on the following basis:

- The carrying values of investments at the rate of exchange prevailing at the respective period end date; and
- Purchases and sales of investments at the rate of exchange prevailing on the trade date of such transactions.

Cash

For purposes of the Foundation's Consolidated Statement of Cash Flows, cash and short-term deposits included in the investment listing (see Note 5) are excluded from cash and form part of the investing activities of the Foundation.

Foreign currency contracts

Investments in forward currency contracts are entered into with approved counterparties for hedging purposes only. The contractual amount of the open contracts is disclosed in the investment listing (see Note 5). At year end the value of these contracts is the gain or loss that would be realized if the positions were to be closed out and the change in the gain or loss for the year is recorded as part of the investment earnings (losses) in the consolidated financial statements. Upon closing the contracts, any additional gains or losses are reported in investment earnings (losses) in the consolidated financial statements.

Community Foundation of Ottawa Notes to Consolidated Financial Statements

December 31, 2015 (in thousands of dollars)

(With December 31, 2014 corresponding amounts)

3. **Summary of 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
Leasehold improvements	Term of the lease

Assets that become fully amortized are written off in the following fiscal year and removed from the consolidated financial statements.

Real estate

Real estate property is recorded at the appraised value, as determined by an independent appraiser, at the time of donation.

Donated goods and services

The Foundation may receive goods at no cost from various sources. Significant donations are recorded in the consolidated financial statements at their estimated fair value at the date of the donation.

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

Allocation of expenses

Salaries, benefits and other administrative expenses presented in the Consolidated Statement of Operations and Changes in Fund Balances represent the total amounts incurred for the year and have not been allocated on a functional basis to the various charitable activities and programs of the Foundation.

4. **Capital**

The Foundation's objectives in managing the endowment capital are:

- To permanently hold the capital of the endowed funds; and
- To generate investment earnings to cover charitable grants and service fees, both determined using fixed rates.

Over the long term, investment earnings are expected to exceed disbursements. Naturally, with a fixed rate for grants and service fees, the actual amount disbursed in any particular year will necessarily be an amount that is less than or greater than the actual investment earnings for that year. However, the objective over the long term is to ensure that the capital of the endowed funds is held permanently. For more information on the Foundation's granting and service fees policy refer to Note 6 to these consolidated financial statements.

Community Foundation of Ottawa

Notes to Consolidated Financial Statements

December 31, 2015 (in thousands of dollars)

(With December 31, 2014 corresponding amounts)

4. Capital (continued)

The Foundation's Investment Committee makes recommendations to the Foundation's Board of Governors on all aspects of the investment management and investment policies of the Foundation. The Committee reviews the Foundation's assets and the status of its investments quarterly. The Committee oversees the investment program within the policies and procedures approved by the Foundation's Board of Governors. Specifically, the Committee:

- Recommends the selection of, and fees for, investment counsel;
- Sets investment performance objectives and guidelines for investment counsel;
- Monitors investment performance against objectives; and
- Meets periodically with investment counsel.

5. Investments

The Foundation's investments are as follows:

	2015		2014	
	Carrying Value	% Holdings	Carrying Value	% Holdings
Cash and short-term deposits , at amortized cost which approximates fair value	\$ 11,391	9.6	\$ 7,906	7.1
Bonds and debentures , at fair value				
Government bonds	16,285	13.8	15,443	13.8
Corporate bonds	16,678	14.0	19,252	17.3
	32,963	27.8	34,695	31.1
Equities , at fair value				
Canadian shares	21,153	17.9	22,612	20.2
US shares	22,452	19.0	17,901	16.0
International equities (Non US)	17,113	14.4	18,380	16.5
	60,718	51.3	58,893	52.7
Unrealized gain (loss) on forward contracts of \$US 5,500 (2014 - \$US 5,500), at fair value	(583)	(0.5)	(516)	(0.5)
Other investments				
Open ended real estate fund, at fair value	9,411	8.0	9,067	8.1
Sustainable Opportunities Fund (US), at fair value	2,804	2.4	695	0.6
Community Forward Fund, at cost	1,177	1.0	565	0.5
Cash surrender value of life insurance policies, at fair value	456	0.4	448	0.4
	13,848	11.8	10,775	9.6
	\$ 118,337	100.0	\$ 111,753	100.0

Community Foundation of Ottawa Notes to Consolidated Financial Statements

December 31, 2015 (in thousands of dollars)

(With December 31, 2014 corresponding amounts)

5. **Investments** (continued)

The Foundation's investments expose it to risks associated with financial instruments. The significant financial instrument risks to which the Foundation is exposed along with specific risk management practices related to those risks follows.

Financial risk management

The Foundation is exposed to a variety of financial risks as a result of its investment activities. The Foundation has adopted investment policies, standards and practices designed to avoid undue risk of loss and impairment of assets and to provide a reasonable expectation of a fair return given the nature of the investments. The maximum investment risk to the Foundation is represented by the carrying value of the investments.

The Foundation's risk management practices are carried out primarily through its Investment Committee. The Investment Committee reviews the investment policy at least annually to ensure that it is appropriate for the Foundation's stated spending objectives. In addition, working with an Investment Advisor, the Investment Committee monitors the quarterly performance of all investment managers to ensure they are meeting the investment objectives of the Foundation. The Investment Advisor and each Investment Manager may be replaced by the Foundation's Board of Governors on the advice of the Investment Committee.

- *Market risk*

Market risk is the risk that the fair value or future cash flows of an investment will fluctuate because of changes in market prices. Market risk comprises three types of risk being currency risk, interest rate risk and other price risk, as further described herein.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk exposure arises from the Foundation's holdings of non Canadian investments. As at December 31, 2015, 35.8% (2014 - 33.1%) of the carrying value of the Foundation's investments were subject to foreign currency exposure. Currency risk on the US portion of the Foundation's investment portfolio is partially managed by hedging with forward currency contracts. As at December 31, 2015 the Foundation had hedged approximately 24.5% (2014 - 34.3%) of the US dollar fair value of the US investment holdings. An increase of 10% in the value of the Canadian dollar would cause a decrease in the value of the unhedged US investments of \$975 (2014 - \$959) in Canadian dollars. While non US foreign investments as at December 31, 2015 represent 16.8% (2014 - 16.5%) of the investment portfolio, management has not hedged the other international currencies as in their opinion, the number of different currencies provides diversification and acts to some degree as a hedge on their own.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a fixed income investment will fluctuate because of changes in market interest rates. The Foundation's fixed income investments, which are comprised of government and corporate bonds and

Community Foundation of Ottawa Notes to Consolidated Financial Statements

December 31, 2015 (in thousands of dollars)

(With December 31, 2014 corresponding amounts)

5. **Investments** (continued)

- *Market risk (continued)*

Interest rate risk (continued)

debentures, are exposed to interest rate risk. In general, longer terms to maturity have an increased interest rate risk. The Foundation's investment managers take steps in the active management of the bond and debenture portfolio to mitigate this risk.

The terms to maturity of the bonds and debentures are as follows:

Maturity	2015		2014	
	Fair Value	% Holdings	Fair Value	% Holdings
Under 1 year	\$ 777	2.4	\$ 3,594	10.4
1 year to 3 years	10,520	31.9	7,704	22.2
3 years to 5 years	10,766	32.6	10,524	30.3
5 years to 7 years	6,092	18.5	5,838	16.8
7 years to 10 years	2,836	8.6	5,066	14.6
Over 10 years	1,972	6.0	1,969	5.7
	\$ 32,963	100.0	\$ 34,695	100.0

As at December 31, 2015 had nominal interest rates increased (decreased) by 1%, with all other variables held constant, the fair value of the bonds and debentures would have (decreased) increased by 4.70% (2014 - 4.60%).

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Foundation's investment policy requires investments to be spread across a broad range of securities. It also requires geographic diversification with a mix between Canadian and global equity holdings. As well, limitations are placed on the extent of any single holding within the portfolio and with respect to the total outstanding shares. The maximum loss due to price risk is represented by the carrying value of the portfolio. As at December 31, 2015, \$60,718 (2014 - \$58,893) was invested in equity instruments traded in active markets.

The open ended real estate fund and the Sustainable Opportunities Fund investments are also subject to price risk as the Foundation would be responsible for losses to the extent of the investment in the respective fund.

Community Foundation of Ottawa Notes to Consolidated Financial Statements

December 31, 2015 (in thousands of dollars)

(With December 31, 2014 corresponding amounts)

5. **Investments** (continued)

- *Market risk (continued)*

Other price risk (continued)

As at December 31, 2015 had the fair value of the Foundation's equity investments, including its investments in the open ended real estate fund and the Sustainable Opportunities Fund, increased (decreased) by 10%, with all other variables held constant, the fair value of these investments would have increased (decreased) by \$7,293 (2014 - \$6,867).

Sensitivity analyses

The sensitivity analyses included in this note should be used with caution as the changes are hypothetical and are not predictive of future performance. These sensitivities are calculated with reference to respective year end balances and will change due to fluctuations in the balances in the future. In addition, for the purpose of the sensitivity analyses, the effect of a variation in a particular assumption on the carrying value of the financial instruments was calculated independently of any change in another assumption. Actual changes in one factor may contribute to changes in another factor, which may magnify or counteract the effect on the fair value of the financial instrument.

- *Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Foundation is exposed to credit risk through cash and short-term deposits, government and corporate bonds and debentures, and forward contracts in an unrealized gain position. Credit risk arising from these financial instruments is generally limited to the carrying value of the investments shown in the list of investments earlier in this note. The Foundation mitigates credit risk by limiting its bond and debenture holdings to bonds and debentures that are readily marketable and are generally limited to those with a rating of A- or better on purchase. As at December 31, 2015, 93.1% (2014 - 95.5%) of the fair value of the bonds and debentures held by the Foundation have a rating of A- or better. (During the year ended December 31, 2013 a bond that was A rated was downgraded to BBB+. This bond matured during the 2015 year and had a fair value of \$1,532 as at December 31, 2014). During the year ended December 31, 2015, three bonds with a total value of \$2,150 were downgraded to BBB+. The Foundation's investment managers take steps in active management of the bond and debenture portfolio to mitigate this risk.

The investments in the Community Forward Fund and the cash surrender value of life insurance policies are also subject to credit risk since the Foundation would be responsible for losses to the extent of the respective investments.

- *Concentration risk*

Concentration risk is the risk that a portfolio will have greater exposure due to a concentration in securities with similar characteristics or subject to similar economic, political or other conditions. The Foundation's Investment Committee mitigates concentration risk by ensuring that the portfolio adheres to the investment policy which identifies and limits geographic allocations as well as limits individual equity holdings. The Foundation's Investment Committee reviews the concentration of the portfolio on a quarterly basis.

Community Foundation of Ottawa Notes to Consolidated Financial Statements

December 31, 2015 (in thousands of dollars)

(With December 31, 2014 corresponding amounts)

5. **Investments** (continued)

- *Liquidity risk*

Liquidity risk is the risk of being unable to generate sufficient cash or its equivalent in a timely and cost effective manner to meet the spending requirements of the Foundation. The Foundation mitigates liquidity risk by limiting most of its investments to financial instruments that are publicly traded in active markets and thereby readily disposable.

The Foundation holds three classes of investments that are not traded in active markets. The Community Forward Fund investment is locked in until 2017 and the Foundation is not able to freely resell its units except in accordance with limited exceptions. The open ended real estate fund investment has an expected life until 2019 and early redemption of units is subject to a fee of 5%. The Sustainable Opportunities Fund investment has an expected life until 2028 and early withdrawal is only permitted with the consent of the fund's general partner. This consent may be granted or withheld at the general partner's sole and absolute discretion. These three classes of financial instruments total \$13,392 or 11.3% (2014 - \$10,327 or 9.2%) of the total carrying value of the Foundation's investments. With 88.7% (2014 - 90.8%) of the investment portfolio having high liquidity, it is management's opinion that there is not a significant liquidity risk.

6. **Investment Earnings, Charitable Grants and Service Fees**

The investment earnings of endowment funds, term funds and spend down funds are used to fund charitable grants and service fees.

The Foundation's policy on Granting from Endowment Funds and Term Funds provides that the total amount of charitable grants from an endowment fund or a term fund for any particular year is fixed at 4.25% of the average of the ending quarterly carrying values of the endowment and term fund for the 12 quarters ending December 31 of the preceding year. This policy ensures that there is a consistent level of charitable grants over the long term. The amount of charitable grants for any particular year, as determined under this policy, will be transferred from the individual endowment or term fund to Funds available to spend in the Funds for Charitable Distribution fund on January 1 of that year.

The Foundation's policy on Service fees provides that the service fees on all funds held and managed are charged on the average of the ending quarterly carrying values of the fund for the preceding 12 quarters on a sliding scale or by agreement, at a specified rate.

In addition, flow through funds not associated with an endowed fund are subject to a 2% fee upon receipt as well as a service fee on any remaining funds held at the end of each quarter.

Community Foundation of Ottawa Notes to Consolidated Financial Statements

December 31, 2015 (in thousands of dollars)

(With December 31, 2014 corresponding amounts)

6. **Investment Earnings, Charitable Grants and Service Fees** (continued)

The investment earnings during the year were comprised of the following:

	2015	2014
Interest and dividends	\$ 3,931	\$ 2,583
Investment gains	953	4,384
	\$ 4,884	\$ 6,967

7. **Real Estate**

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

8. **Capital Assets**

	2015			2014	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	
Computer hardware and software	\$ 13	\$ 7	\$ 6	\$	10
Furniture and fixtures	6	2	4		3
Leasehold improvements	21	18	3		8
	\$ 40	\$ 27	\$ 13	\$	21

The total cost and accumulated amortization of capital assets as at December 31, 2014 were \$47 and \$26 respectively resulting in a net book value of \$21.

Fully amortized capital assets with a cost and an accumulated amortization of \$15 and hence a net book value of \$nil as at the end of the previous fiscal year being December 31, 2014 were written off during the 2015 fiscal year and removed from the Foundation's consolidated financial statements.

Community Foundation of Ottawa Notes to Consolidated Financial Statements

December 31, 2015 (in thousands of dollars)

(With December 31, 2014 corresponding amounts)

9. **Managed Funds**

Managed fund agreements are tailored to the specific requirements of the applicable organization and may contain clauses that require up to one year's notice to terminate the agreement or are for a specific period of time with options to renew.

Funds of the following organizations are invested with the Foundation's funds:

	<u>2015</u>		<u>2014</u>
Peter Gzowski Foundation for Literacy	\$ 5,636	\$	5,613
Brockville Community Foundation	884		837
Community Foundations of Canada	-		571
Family Services Ottawa	155		156
City of Ottawa (Trust Fund for Athletes with Physical Disabilities)	118		119
	<u>\$ 6,793</u>	\$	<u>7,296</u>

10. **Deferred Gifts**

Life insurance

The Foundation is the beneficiary of numerous life insurance policies. As at December 31, 2015 the amount of insurance in force for which the Foundation is the owner and beneficiary totals \$4,323 (2014 - \$4,448). Premiums paid during the 2015 fiscal year by the insured donors were \$119 (2014 - \$123) and are recognized as both a revenue and an expense in the Consolidated Statement of Operations and Changes in Fund Balances.

Some life insurance policies carry a cash surrender value which has been recorded in the investment assets (see Note 5) in the amount of \$456 (2014 - \$448).

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 Consolidated Financial Statements

December 31, 2015 (in thousands of dollars)

(With December 31, 2014 corresponding amounts)

11. Commitments

The Foundation has entered into lease commitments until September 30, 2019 for the following gross amounts on a fiscal year basis. The most significant lease is for office space. A portion of these amounts will be recovered from sub-tenants.

2016	\$ 107
2017	106
2018	102
2019	<u>76</u>
	<u>\$ 391</u>

In addition to lease commitments, the Foundation has committed to purchase an aggregate of \$1,080 of units of principal of the Community Forward Fund, of which \$945 (see Note 5) has been purchased to December 31, 2015.

The Foundation has also committed to purchase investments for an aggregate of \$5,000 US of units in the Sustainable Opportunities Fund, of which \$2,250 US (see Note 5) has been purchased to December 31, 2015.

In connection with its operations, the Foundation regularly enters into agreements for the purchase of various supplies and services. Certain of these agreements extend beyond the end of the 2015 fiscal year. In the opinion of management, these agreements are in the normal course of the Foundation's operations, are not abnormal in amount or nature and do not include a high degree of speculative risk.

12. Corresponding Amounts and Disclosures

In certain instances the 2014 fiscal year corresponding amounts and disclosures presented have been reclassified to conform with the consolidated financial statement presentation and disclosures adopted for the 2015 fiscal year.

Community Foundation of Ottawa Schedule of Change in Accounting Policy

December 31, 2015 (in thousands of dollars)

(With December 31, 2014 corresponding amounts)

The 2015 and 2014 consolidated financial statement items impacted by the change in accounting policy described in Note 2 to these consolidated financial statements with an increase or decrease in reported amounts are as follows:

Consolidated Statement of Operations and Changes in Fund Balances										
	Endowment Funds		Funds for Charitable Distribution		Operating Fund		Interfund Eliminations		Total Funds	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	Increase (Decrease)	Increase (Decrease)	Increase (Decrease)	Increase (Decrease)	Increase (Decrease)	Increase (Decrease)	(Increase) Decrease	(Increase) Decrease	Increase (Decrease)	Increase (Decrease)
Revenue										
Donations	\$ (2,480)	\$ (1,404)	\$ 2,480	\$ 1,404	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings	(229)	(266)	229	266	-	-	-	-	-	-
Funds for charitable distribution	-	-	(179)	(55)	-	-	179	55	-	-
	(2,709)	(1,670)	2,530	1,615	-	-	179	55	-	-
Expenses										
Funds for charitable distribution	(179)	(55)	-	-	-	-	179	55	-	-
Investment fees	(25)	(17)	25	17	-	-	-	-	-	-
Services fees	(84)	(49)	84	49	-	-	-	-	-	-
	(288)	(121)	109	66	-	-	179	55	-	-
Excess of revenue over expenses for the year	(2,421)	(1,549)	2,421	1,549	-	-	-	-	-	-
Fund balances, beginning of year	(3,914)	(2,365)	3,914	2,365	-	-	-	-	-	-
Fund balances, end of year	\$ (6,335)	\$ (3,914)	\$ 6,335	\$ 3,914	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Community Foundation of Ottawa
Schedule of Change in Accounting Policy
(continued)

December 31, 2015 (in thousands of dollars)

(With December 31, 2014 corresponding amounts)

Consolidated Balance Sheet

	Endowment Funds		Funds for Charitable Distribution		Operating Fund		Total Funds	
	2015	2014	2015	2014	2015	2014	2015	2014
	Increase (Decrease)	Increase (Decrease)	Increase (Decrease)	Increase (Decrease)	Increase (Decrease)	Increase (Decrease)	Increase (Decrease)	Increase (Decrease)
Assets								
Investments	\$ (13,128)	\$ (11,210)	\$ 6,335	\$ 3,914	\$ 6,793	\$ 7,296	\$ -	\$ -
Liabilities and Fund Balances								
Liabilities								
Managed funds	\$ (6,793)	\$ (7,296)	\$ -	\$ -	\$ 6,793	\$ 7,296	\$ -	\$ -
Fund Balances								
Endowment funds								
Contributed capital	(5,942)	(3,498)	-	-	-	-	(5,942)	(3,498)
Accumulated increase in capital	(393)	(416)	-	-	-	-	(393)	(416)
Term and spend down funds								
Contributed capital	-	-	5,942	3,498	-	-	5,942	3,498
Accumulated increase in capital	-	-	393	416	-	-	393	416
Funds available to spend	-	-	-	-	-	-	-	-
Operating fund	-	-	-	-	-	-	-	-
	(6,335)	(3,914)	6,335	3,914	-	-	-	-
	\$ (13,128)	\$ (11,210)	\$ 6,335	\$ 3,914	\$ 6,793	\$ 7,296	\$ -	\$ -

Community Foundation of Ottawa
Schedule of Change in Accounting Policy
(continued)

December 31, 2015 (in thousands of dollars)

(With December 31, 2014 corresponding amounts)

Consolidated Statement of Cash Flows								
Endowment Funds		Funds for Charitable Distribution		Operating Fund		Total Funds		
2015	2014	2015	2014	2015	2014	2015	2014	
Increase (Decrease)	Increase (Decrease)	Increase (Decrease)	Increase (Decrease)	Increase (Decrease)	Increase (Decrease)	Increase (Decrease)	Increase (Decrease)	Increase (Decrease)
Cash flows from (used in) operating activities								
Donations received for charitable distribution and operating purposes								
\$ -	\$ -	\$ 2,480	\$ 1,404	\$ -	\$ -	\$ 2,480	\$ 1,404	
Cash flows from (used in) investing activities								
Contributions to endowment funds								
(2,480)	(1,404)	-	-	-	-	(2,480)	(1,404)	
Net cash inflow (outflow) for the year								
\$ (2,480)	\$ (1,404)	\$ 2,480	\$ 1,404	\$ -	\$ -	\$ -	\$ -	