

*Financial Statements of*

**COMMUNITY FOUNDATION OF OTTAWA**

*December 31, 2004*



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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, 2004 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 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, 2004 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 L.L.P.*

Chartered Accountants

February 11, 2005

**COMMUNITY FOUNDATION OF OTTAWA**  
**Financial Statements**  
December 31, 2004

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**COMMUNITY FOUNDATION OF OTTAWA**  
**Statement of Operations and Changes in Fund Balances**  
year ended December 31, 2004  
(in \$000's)

	Endowment Funds		Funds for Distribution		Operating Fund		Interfund Eliminations		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Revenue										
Donations	\$ 3,058	\$ 4,392	\$ 708	\$ 506	\$ 4	\$ 22	\$ -	\$ -	\$ 3,770	\$ 4,920
Investment earnings on endowments (Note 3)	5,755	6,316	-	-	-	-	-	-	5,755	6,316
Funds for distribution (Note 3)	-	-	3,096	2,760	-	-	(3,096)	(2,760)	-	-
Service fee (Note 3)	-	-	-	-	853	772	(853)	(772)	-	-
Other investment earnings	-	-	-	-	182	91	-	-	182	91
Projects	-	-	-	-	-	28	-	-	-	28
	<b>8,813</b>	10,708	<b>3,804</b>	3,266	<b>1,039</b>	913	<b>(3,949)</b>	(3,532)	<b>9,707</b>	11,355
Expenses										
Funds for distribution (Note 3)	3,096	2,760	-	-	-	-	(3,096)	(2,760)	-	-
Grants to third parties	-	-	3,883	5,747	-	-	-	-	3,883	5,747
Salaries and benefits	-	-	-	-	766	702	-	-	766	702
Service fee (Note 3)	850	772	3	-	-	-	(853)	(772)	-	-
Other	-	-	-	-	280	282	-	-	280	282
Amortization of capital assets	-	-	-	-	17	12	-	-	17	12
	<b>3,946</b>	3,532	<b>3,886</b>	5,747	<b>1,063</b>	996	<b>(3,949)</b>	(3,532)	<b>4,946</b>	6,743
Excess (deficiency) of revenue over expenses	<b>4,867</b>	7,176	<b>(82)</b>	(2,481)	<b>(24)</b>	(83)	-	-	<b>4,761</b>	4,612
FUND BALANCES, BEGINNING OF YEAR	<b>65,444</b>	59,402	<b>4,299</b>	5,700	<b>148</b>	177	-	-	<b>69,891</b>	65,279
Interfund transfers	<b>(3)</b>	(1,134)	<b>(45)</b>	1,080	<b>48</b>	54	-	-	-	-
FUND BALANCES, END OF YEAR (Note 5)	<b>\$ 70,308</b>	\$ 65,444	<b>\$ 4,172</b>	\$ 4,299	<b>\$ 172</b>	\$ 148	\$ -	\$ -	<b>\$ 74,652</b>	\$ 69,891

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

# COMMUNITY FOUNDATION OF OTTAWA

## Balance Sheet

as at December 31, 2004

(in \$000's)

	Endowment Funds	Funds for Distribution	Operating Fund	Total 2004	2003
<b>CURRENT ASSETS</b>					
Cash and short-term deposits	\$ 326	\$ 214	\$ 39	\$ 579	\$ 742
Accounts receivable	-	-	19	19	20
Accrued interest receivable	353	-	4	357	339
Prepaid expenses	-	-	17	17	30
	679	214	79	972	1,131
INVESTMENTS (Note 4)	69,629	4,656	114	74,399	69,477
CAPITAL ASSETS (Note 6)	-	-	17	17	17
	\$ 70,308	\$ 4,870	\$ 210	\$ 75,388	\$ 70,625
<b>CURRENT LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ 28	\$ 28	\$ 32
Grants payable	-	698	-	698	702
Deferred project funding	-	-	10	10	-
	-	698	38	736	734
<b>FUND BALANCES</b>					
Endowment Fund:					
Contributed capital	65,275	-	-	65,275	62,278
Reinvested earnings (Note 3)	5,033	-	-	5,033	3,166
Funds for distribution (Note 5)	-	4,172	-	4,172	-
Operating Fund:					
Investment in capital assets (Note 6)	-	-	17	17	17
Unrestricted	-	-	155	155	4,430
	70,308	4,172	172	74,652	69,891
	\$ 70,308	\$ 4,870	\$ 210	\$ 75,388	\$ 70,625

APPROVED BY THE BOARD

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

# COMMUNITY FOUNDATION OF OTTAWA

## Statement of Cash Flows

year ended December 31, 2004

(in \$000's)

	<u>2004</u>	<u>2003</u>
Cash provided by operating activities		
Excess of revenue over expenses	\$ 4,761	\$ 4,612
Amortization of capital assets	17	12
Change in non-cash working capital balance	(12)	83
Net increase (decrease) in deferred project funding	10	(28)
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>4,776</b>	<b>4,679</b>
Cash used for investing activities		
Additions to capital assets	(17)	(14)
Increase in investments	(4,922)	(4,368)
<b>CASH USED FOR INVESTING ACTIVITIES</b>	<b>(4,939)</b>	<b>(4,382)</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(163)</b>	<b>297</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>742</b>	<b>445</b>
<b>CASH, END OF YEAR</b>	<b>\$ 579</b>	<b>\$ 742</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, 2004

(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. On approval of the Board of Governors the 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 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.

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

#### *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**  
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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 and Reinvestment Policy provides guidelines for determining the portion of the annual investment income to be distributed to cover charitable grants and service costs 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 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 2004, investment earnings totalling \$5,755 (2003 - \$6,316) were allocated as follows:

	<u>2004</u>	<u>2003</u>
Service fee for current year	\$ 850	\$ 772
Distribution of funds	3,096	2,760
Endowment Funds - reinvestment	1,809	2,784
Total earnings allocated	<u>\$ 5,755</u>	<u>\$ 6,316</u>



# COMMUNITY FOUNDATION OF OTTAWA

## Notes to the Financial Statements

year ended December 31, 2004

(in thousands of dollars)

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

At December 31, 2004, the cumulative amount set aside to date, in the Endowment Funds, to protect against lower investment returns and inflation was \$5,033 (2003 - \$3,166) an increase of \$1,867. This amount includes additional funds reinvested on the advice of donors.

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

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 carrying value of the investments.

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**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 equities. At year-end the Foundation held 27% (2003 - 27%) of its investments in securities subject to foreign currency exposure

	2004		2003	
	Carrying Value	% of Carrying Value	Carrying Value	% of Carrying Value
<b>Marketable securities, at market</b>				
Cash and cash equivalents	\$ 4,778	6	\$ 4,308	6
Government of Canada bonds	5,879	8	7,215	10
Provincial bonds	11,669	16	11,130	16
Municipal bonds	3,066	4	4,485	7
Corporate bonds	13,132	18	8,764	13
Canadian shares	15,273	21	14,326	21
U.S. shares	14,445	19	13,649	20
International shares (non U.S.)	5,595	8	5,038	7
<b>Other investments</b>				
Shares of a private Canadian corporation	262	-	262	-
Real estate	300	-	300	-
Total investments	\$ 74,399	100	\$ 69,477	100
Investments, at original cost	\$ 65,048		\$ 63,127	

# COMMUNITY FOUNDATION OF OTTAWA

## Notes to the Financial Statements

year ended December 31, 2004

(in thousands of dollars)

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### 5. FUNDS FOR DISTRIBUTION

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

	<u>2004</u>	<u>2003</u>
Unspent restricted donations	\$ 496	\$ 1,126
Unspent distributions from prior years	580	413
Funds for grant distributions in the following year	<u>3,096</u>	<u>2,760</u>
	<u>\$ 4,172</u>	<u>\$ 4,299</u>

### 6. CAPITAL ASSETS

	<u>2004</u>			<u>2003</u>
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware and software	\$ 132	\$ 119	\$ 13	\$ 12
Furniture and fixtures	28	24	4	5
	<u>\$ 160</u>	<u>\$ 143</u>	<u>\$ 17</u>	<u>\$ 17</u>

### 7. DEFERRED GIFTS

#### *Life insurance*

The Foundation is the beneficiary of life insurance policies. At December 31, 2004, the estimated amount of insurance in force for which the Foundation is the owner and beneficiary totals \$4,495 (2003 - \$4,666). Premiums paid during the year by the insured donors were \$98 (2003 - \$104). 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.

# COMMUNITY FOUNDATION OF OTTAWA

## Notes to the Financial Statements

year ended December 31, 2004

(in thousands of dollars)

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### 8. 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>2005</b>	<b>\$ 88</b>
<b>2006</b>	<b>88</b>
<b>2007</b>	<b>88</b>
<b>2008</b>	<b>37</b>