



Financial Statements

For the year ended December 31, 2007

Community Foundation of Ottawa
Financial Statements
For the year ended December 31, 2007

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Management Report

Management's Responsibility for the Financial Statements

The accompanying financial statements of the Community Foundation of Ottawa for the year ended December 31, 2007 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 22, 2008

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, 2007 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, 2007 and the results of its operations and changes in fund balances 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, except for the changes in accounting policies and standards as explained in Note 2 of the financial statements, on a basis consistent with that of the preceding year.

Collins Barrow Ottawa LLP

Chartered Accountants, Licensed Public Accountants

February 22, 2008

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	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Revenue										
Donations	\$ 4,428	\$ 8,173	\$ 955	\$ 1,640	\$ 7	\$ 3	\$ (7)	\$ (6)	\$ 5,383	\$ 9,810
CFO endowment earnings	-	-	-	-	83	57	(83)	(57)	-	-
Investment earnings (losses) (Note 3)	(1,135)	10,180	-	-	233	220	-	-	(902)	10,400
Funds for charitable distribution (Note 3)	-	-	3,900	5,422	-	-	(3,900)	(5,422)	-	-
Service fee (Note 3)	-	-	-	-	1,143	1,080	(1,143)	(1,080)	-	-
Other earnings	-	-	-	-	127	121	(12)	(50)	115	71
	3,293	18,353	4,855	7,062	1,593	1,481	(5,145)	(6,615)	4,596	20,281
Expenses										
Funds for charitable distribution (Note 3)	3,900	5,422	-	-	-	-	(3,900)	(5,422)	-	-
Grants and programs	-	-	5,451	5,231	77	58	(102)	(113)	5,426	5,176
Investment fee (Note 3)	288	192	-	-	6	7	-	-	294	199
Service fee (Note 3)	1,138	1,065	5	15	-	-	(1,143)	(1,080)	-	-
Salaries and benefits	-	-	-	-	1,087	945	-	-	1,087	945
Other administrative expenses	-	-	-	-	389	338	-	-	389	338
Amortization of capital assets	-	-	-	-	25	20	-	-	25	20
	5,326	6,679	5,456	5,246	1,584	1,368	(5,145)	(6,615)	7,221	6,678
Excess (deficiency) of revenue over expenses	(2,033)	11,674	(601)	1,816	9	113	-	-	(2,625)	13,603
Fund balances , beginning of year	87,267	75,575	6,758	4,955	337	229	-	-	94,362	80,759
Interfund transfers	42	18	(42)	(13)	-	(5)	-	-	-	-
Fund balances , end of year	\$ 85,276	\$ 87,267	\$ 6,115	\$ 6,758	\$ 346	\$ 337	\$ -	\$ -	\$ 91,737	\$ 94,362

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

**Community Foundation of Ottawa
Balance Sheet**

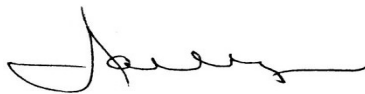
December 31 (in thousands of dollars)

2007

2006

	Endowment Funds	Funds for Charitable Distribution	Operating Fund	Total Funds	Total Funds
Assets					
Cash and short-term deposits	\$ 20	\$ 158	\$ 186	\$ 364	\$ 185
Accounts receivable	330	-	44	374	456
Investments (Note 4)	85,198	6,641	131	91,970	95,023
Real estate (Note 6)	300	-	-	300	300
Capital assets (Note 7)	-	-	28	28	25
	\$ 85,848	\$ 6,799	\$ 389	\$ 93,036	\$ 95,989
Liabilities and fund balances					
Liabilities					
Grants payable and accrued liabilities	\$ -	\$ 671	\$ 43	\$ 714	\$ 1,053
Managed funds	572	13	-	585	574
	572	684	43	1,299	1,627
Fund balances					
Endowment funds					
Contributed capital	81,259	-	-	81,259	76,823
Reinvested earnings (Note 3)	4,017	-	-	4,017	10,444
Funds for distribution (Note 5)	-	6,115	-	6,115	6,758
Operating fund					
Investment in capital assets	-	-	28	28	25
Unrestricted	-	-	318	318	312
	85,276	6,115	346	91,737	94,362
	\$ 85,848	\$ 6,799	\$ 389	\$ 93,036	\$ 95,989

On Behalf of the Board:



James R. Nininger, PhD
Chair, Board of Governors



Scott A. Wilson, FCA, TEP
Treasurer

Community Foundation of Ottawa

Notes to Financial Statements

December 31, 2007 (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. 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 (losses) 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 which 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. These Managed funds' assets are offset by Managed funds' liabilities 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.

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

Community Foundation of Ottawa Notes to Financial Statements

December 31, 2007 (in thousands of dollars)

2. Significant Accounting Policies (continued)

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

Effective January 1, 2007, the Foundation adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Sections 3855 and 3861. CICA 3855 Financial Instruments - Recognition and Measurement, requires that financial instruments be recorded at fair value. Prior to the introduction of this new section, the Foundation recorded its assets at market value; therefore, the adoption of this standard did not have a significant impact on the Foundation. CICA 3861, Financial Instruments - Disclosure and Presentation, establishes standards for presentation and disclosure of financial instruments.

The Foundation's financial instruments are classified as Held for Trading and are comprised of cash and cash equivalents held by the Foundation's brokers, bonds, equities, and cash surrender value of life insurance policies which are recorded at fair value based on quoted market prices. Purchases and sales of investments are recorded at the trade date and transaction costs are expensed as incurred and recorded in the Statement of Operations and Changes in Fund Balances. Investment earnings (losses) include interest and dividends received, accrued interest, realized and unrealized market gains and losses, and foreign exchange gains and losses. Cash and short-term investments which include investment certificates and treasury bills are valued at cost which approximates fair value at the year-end.

With the exception of real estate and capital assets, the assets and liabilities of the Foundation are all considered financial instruments and are recorded at fair value. The carrying values of accounts receivable, grants payable and accrued liabilities, and the managed funds liabilities approximate their fair values due to the short-term nature of these assets and liabilities.

Community Foundation of Ottawa Notes to Financial Statements

December 31, 2007 (in thousands of dollars)

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

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 accounts at their estimated fair value at the date of the donation.

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

Salaries and benefits

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

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.

Prior year figures

Certain of the prior year figures have been reclassified to conform to the current year presentation.

Community Foundation of Ottawa Notes to Financial Statements

December 31, 2007 (in thousands of dollars)

2. Significant Accounting Policies (continued)

Future changes in accounting standards

The CICA has reissued CICA Handbook Section 3861 as Sections 3862 and 3863, Financial Instruments - Disclosure of Financial Instruments - Presentation, respectively, which establish standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. In addition the CICA has issued Section 1535, Capital Disclosures which establishes standards for the disclosure of information related to an entity's objectives, policies and processes for managing capital. These sections must be adopted for the Foundation's December 31, 2008 fiscal year. The effect of adopting these sections has not yet been determined.

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. In years where there are insufficient annual investment earnings, withdrawals from the reserve are used to cover charitable distributions and service fees. 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 (losses) for the year.

The investment earnings (losses) in Endowment Funds were allocated as follows:

	<u>2007</u>	<u>2006</u>
Investment fees	\$ 288	\$ 192
Service fee for current year	1,138	1,065
Funds for charitable distribution	3,900	5,422
Transfers to (from) Reinvested earnings, Endowment Funds	<u>(6,461)</u>	<u>3,501</u>
Total earnings (losses) allocated	<u>\$ (1,135)</u>	<u>\$ 10,180</u>

Community Foundation of Ottawa Notes to Financial Statements

December 31, 2007 (in thousands of dollars)

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

At December 31, 2007, the cumulative amount set aside to date, in Endowment Funds, to protect against lower investment returns and inflation was \$4,017 (2006 - \$10,444).

The 2007 investment loss of \$1,135 (2006 earnings of \$10,180) includes the decrease in net unrealized gains of \$8,045 (2006 decrease of \$275).

4. Investments

Investment risk

Investments in financial instruments render 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.

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.

Foreign currency risk

Foreign currency exposure arises from the Foundation's holdings of non-Canadian bonds and equities. At year-end the Foundation held 33% (2006 - 19%) of its investments in securities subject to foreign currency exposure.

Foundation's investment risk management

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 and the related accrued interest included in accounts receivable.

The Foundation's Investment Policy seeks to provide diversification and reduce risk as follows:

Community Foundation of Ottawa Notes to Financial Statements

December 31, 2007 (in thousands of dollars)

4. Investments (continued)

- Investments, both equity and fixed income, will be spread across a broad range of securities.
- Allowable ranges are set for Canadian, U.S. and International equity investments.
- Bond investment is limited to those with a rating of A- or better.
- Limits are placed on the extent of any single holding, within the portfolio and with respect to the total outstanding shares.
- Restrictions are placed on the holding of private placements, alternative investments, commodities, derivatives, and companies whose market capitalization is less than \$350 million.

	2007		2006	
Investments at fair value:				
Cash and cash equivalents	\$ 6,320	7%	\$ 15,287	16%
Bonds				
Government	24,362	26	30,557	32
Corporate	10,250	11	13,467	14
U.S.	-	-	1	-
	34,612	37	44,025	46
Equities				
Canadian	20,933	23	17,860	19
U.S.	15,244	17	17,368	19
International (Non U.S.)	14,520	16	89	-
	50,697	56	35,317	38
Other investments				
Cash surrender value of life insurance policies	341	-	394	-
	\$ 91,970	100%	\$ 95,023	100%

The above investments have an original cost value of \$88,622 (2006 - \$83,716).

Community Foundation of Ottawa Notes to Financial Statements

December 31, 2007 (in thousands of dollars)

5. Funds for Charitable Distribution

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

	2007	2006
Unspent restricted donations	\$ 572	\$ 618
Unspent charitable distributions from prior years	1,643	718
Funds for charitable distributions in the following year	3,900	5,422
	\$ 6,115	\$ 6,758

6. 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.

7. Capital Assets

	2007		2006	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware and software	\$ 192	\$ 173	\$ 19	\$ 13
Furniture and fixtures	42	33	9	12
	\$ 234	\$ 206	\$ 28	\$ 25

Community Foundation of Ottawa Notes to Financial Statements

December 31, 2007 (in thousands of dollars)

8. **Deferred Gifts**

Life insurance

The Foundation is the beneficiary of life insurance policies. At December 31, 2007 the amount of insurance in force for which the Foundation is the owner and beneficiary totals \$4,398 (2006 - \$4,673). Premiums paid during the year by the insured donors were \$83 (2006 - \$104) and are recognized as both a revenue and an expense in the 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 in the amount of \$341 (2006 - \$394).

Bequests

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

9. **Lease Commitments**

The Foundation has entered into lease commitments until May 31, 2008 to lease office space with minimum total lease payments remaining of \$37. A portion of these amounts will be recovered from sub-tenants. The Foundation is currently negotiating a new lease.
