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Auditors' Report

To the Members of
Community Foundation of Ottawa

The accompanying summarized balance sheet, statement of operations and notes are derived from the complete financial statements of the Community Foundation of Ottawa as at December 31, 2004 and for the year then ended on which we expressed an opinion without reservation in our report dated February 11, 2005. These financial statements and the complete financial statements are the responsibility of the Foundation's management. Our responsibility, in accordance with the applicable Assurance Guideline of The Canadian Institute of Chartered Accountants, is to report on the summarized financial statements.

In our opinion, the accompanying financial statements fairly summarize, in all material respects, the related complete financial statements in accordance with the criteria described in the Guideline referred to above.

These financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles. Readers are cautioned that these statements may not be appropriate for their purposes. For more information on the Foundation's financial position, results of operations and cash flows, reference should be made to the related complete financial statements.

Deloitte + Touche LLP

Chartered Accountants

February 11, 2005

Community Foundation of Ottawa
Statement of Operations and Changes in Fund Balances
year ended December 31, 2004
(in \$000's)

| | 2004 | 2003 |
|--|-------------------------|------------------|
| Revenue | | |
| Donations to endowment funds | \$ 3,058 | \$ 4,392 |
| Donations for distribution | 712 | 528 |
| Investment earnings (Note 1) | 5,755 | 6,316 |
| Other earnings | 182 | 119 |
| | <u>9,707</u> | <u>11,355</u> |
| Expenses | | |
| Grants to third parties | 3,883 | 5,747 |
| Salaries and benefits | 766 | 702 |
| Other administrative expenses | 280 | 282 |
| Amortization of capital assets | 17 | 12 |
| | <u>4,946</u> | <u>6,743</u> |
| Excess of revenue over expenses | 4,761 | 4,612 |
| FUND BALANCES, BEGINNING OF YEAR | <u>69,891</u> | <u>65,279</u> |
| FUND BALANCES, END OF YEAR | <u>\$ 74,652</u> | <u>\$ 69,891</u> |

Community Foundation of Ottawa

Balance Sheet

as at December 31, 2004

(in \$000's)

| | 2004 | 2003 |
|------------------------------|------------------|------------------|
| Current Assets | | |
| Cash and short-term deposits | \$ 579 | \$ 742 |
| Accounts receivable | 19 | 20 |
| Accrued interest receivable | 357 | 339 |
| Prepaid expenses | 17 | 30 |
| | <u>972</u> | <u>1,131</u> |
| Investments (Note 2) | 74,399 | 69,477 |
| Capital Assets | 17 | 17 |
| | <u>74,416</u> | <u>69,494</u> |
| | <u>\$ 75,388</u> | <u>\$ 70,625</u> |
| Current Liabilities | | |
| Accounts payable | \$ 28 | \$ 32 |
| Grants payable | 698 | 702 |
| Deferred project funding | 10 | |
| | <u>736</u> | <u>734</u> |
| Fund Balances | | |
| Endowment Funds | | |
| Contributed capital | 65,275 | 62,278 |
| Reinvested earnings (Note 1) | 5,033 | 3,166 |
| Funds for distribution | 4,172 | 4,299 |
| Operating Fund | | |
| Invested in capital assets | 17 | 17 |
| Unrestricted | 155 | 131 |
| | <u>74,652</u> | <u>69,891</u> |
| | <u>\$ 75,388</u> | <u>\$ 70,625</u> |

**Community Foundation of Ottawa
Notes to the Financial Statements
Year ended December 31, 2004
(in thousands of dollars)**

1. 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 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 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 | <u>1,809</u> | <u>2,784</u> |
| Total earnings allocated | <u>\$ 5,755</u> | <u>\$ 6,316</u> |

At December 31, 2004, the cumulative amount set aside to date, in 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.

2. 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.

**Community Foundation of Ottawa
Notes to the Financial Statements
Year ended December 31, 2004
(in thousands of dollars)**

2. INVESTMENTS cont'd

| | Carrying Value | | | |
|--|------------------|-------------|------------------|-------------|
| | 2004 | % | 2003 | % |
| Marketable Securities, at market | | | | |
| 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 |
| Other Investments | | | | |
| Real estate | 300 | - | 300 | - |
| Shares of a private Canadian Corporation | 262 | - | 262 | - |
| | \$ 74,399 | 100% | \$ 69,477 | 100% |
| Investments, at original cost | \$ 65,408 | | \$ 63,127 | |