



## **Financial Statements**

**For the year ended December 31, 2008**

**Community Foundation of Ottawa**  
**Financial Statements**  
For the year ended December 31, 2008

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## Management Report

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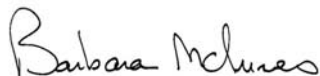
### Management's Responsibility for the Financial Statements

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

March 6, 2009

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## Auditors' Report

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### To the Members of the Community Foundation of Ottawa

We have audited the balance sheet of the Community Foundation of Ottawa (the Foundation) as at December 31, 2008 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, 2008 and the results of its operations and changes in its 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 on a basis consistent with that of the preceding year.

*Collins Barrow Ottawa LLP*

Chartered Accountants, Licensed Public Accountants

March 6, 2009

**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	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
<b>Revenue</b>										
Donations	\$ 1,386	\$ 4,428	\$ 972	\$ 955	\$ 69	\$ 7	\$ -	\$ (7)	\$ 2,427	\$ 5,383
CFO endowment earnings	-	-	-	-	63	83	(63)	(83)	-	-
Investment earnings (losses) (Note 5)	(14,758)	(1,135)	-	-	130	233	-	-	(14,628)	(902)
Funds for charitable distribution (Note 5)	-	-	2,707	3,900	-	-	(2,707)	(3,900)	-	-
Service fee (Note 5)	-	-	-	-	1,131	1,143	(1,131)	(1,143)	-	-
Other earnings	-	-	237	-	120	127	(296)	(12)	61	115
	<b>(13,372)</b>	<b>3,293</b>	<b>3,916</b>	<b>4,855</b>	<b>1,513</b>	<b>1,593</b>	<b>(4,197)</b>	<b>(5,145)</b>	<b>(12,140)</b>	<b>4,596</b>
<b>Expenses</b>										
Funds for charitable distribution (Note 5)	2,707	3,900	-	-	-	-	(2,707)	(3,900)	-	-
Grants and programs	12	-	5,320	5,451	132	77	(359)	(102)	5,105	5,426
Investment fee (Note 5)	273	288	-	-	8	6	-	-	281	294
Service fee (Note 5)	1,126	1,138	5	5	-	-	(1,131)	(1,143)	-	-
Salaries and benefits	-	-	-	-	1,055	1,087	-	-	1,055	1,087
Other administrative expenses	-	-	-	-	288	389	-	-	288	389
Amortization of capital assets	-	-	-	-	22	25	-	-	22	25
	<b>4,118</b>	<b>5,326</b>	<b>5,325</b>	<b>5,456</b>	<b>1,505</b>	<b>1,584</b>	<b>(4,197)</b>	<b>(5,145)</b>	<b>6,751</b>	<b>7,221</b>
<b>Excess (deficiency) of revenue over expenses</b>	<b>(17,490)</b>	<b>(2,033)</b>	<b>(1,409)</b>	<b>(601)</b>	<b>8</b>	<b>9</b>	<b>-</b>	<b>-</b>	<b>(18,891)</b>	<b>(2,625)</b>
<b>Fund balances</b> , beginning of year	<b>85,276</b>	<b>87,267</b>	<b>6,115</b>	<b>6,758</b>	<b>346</b>	<b>337</b>	<b>-</b>	<b>-</b>	<b>91,737</b>	<b>94,362</b>
<b>Interfund transfers</b>	<b>54</b>	<b>42</b>	<b>(56)</b>	<b>(42)</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances</b> , end of year	<b>\$ 67,840</b>	<b>\$ 85,276</b>	<b>\$ 4,650</b>	<b>\$ 6,115</b>	<b>\$ 356</b>	<b>\$ 346</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 72,846</b>	<b>\$ 91,737</b>

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

**Community Foundation of Ottawa  
Balance Sheet**

**December 31** (in thousands of dollars) **2008** 2007

	Endowment Funds	Funds for Charitable Distribution	Operating Fund	Total Funds	Total Funds
<b>Assets</b>					
Cash and short-term deposits	\$ -	\$ 44	\$ 118	\$ 162	\$ 364
Accounts receivable	-	-	45	45	59
Investments (Note 4)	68,044	4,766	203	73,013	92,285
Real estate (Note 7)	300	-	-	300	300
Capital assets (Note 8)	-	-	13	13	28
	<b>\$ 68,344</b>	<b>\$ 4,810</b>	<b>\$ 379</b>	<b>\$ 73,533</b>	<b>\$ 93,036</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Grants payable and accrued liabilities	\$ -	\$ 160	\$ 23	\$ 183	\$ 714
Managed funds	504	-	-	504	585
	<b>504</b>	<b>160</b>	<b>23</b>	<b>687</b>	<b>1,299</b>
<b>Fund balances</b>					
Endowment funds					
Contributed capital	82,633	-	-	82,633	81,259
Reinvested earnings (Note 5)	-	-	-	-	4,017
Decline in capital	(14,793)	-	-	(14,793)	-
Funds for distribution (Note 6)	-	4,650	-	4,650	6,115
Operating fund	-	-	356	356	346
	<b>67,840</b>	<b>4,650</b>	<b>356</b>	<b>72,846</b>	<b>91,737</b>
	<b>\$ 68,344</b>	<b>\$ 4,810</b>	<b>\$ 379</b>	<b>\$ 73,533</b>	<b>\$ 93,036</b>

On Behalf of the Board:



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Scott A. Wilson, FCA, TEP  
Chair, Board of Governors



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L. Denis Desautels, OC, FCA  
Treasurer

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

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## Community Foundation of Ottawa Notes to Financial Statements

December 31, 2008 (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 by the Board of Governors, earnings are allocated to a charitable cause or organization as advised by the donor.

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### 2. Summary of 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 5.

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.

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## Community Foundation of Ottawa Notes to Financial Statements

December 31, 2008 (in thousands of dollars)

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### 2. Summary of 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

The Foundation's financial instruments are classified as held for trading, in accordance with CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement". The financial instruments include the investments held by the Foundation's brokers, comprised of cash and cash equivalents, bonds and equities, foreign currency contracts, as well as cash surrender value of life insurance policies. Bonds, equity holdings, foreign currency contracts and cash surrender values of life insurance policies are recorded at fair value based on quoted market prices. Cash and short-term investments which include investment certificates and treasury bills are valued at cost which approximates fair value at the year-end. 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 realized and unrealized gains and losses computed on an average cost basis, interest and dividends received, accrued interest and foreign exchange gains and losses.

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.

#### Foreign currency

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

- a) Fair value of investments at the rate of exchange prevailing at the period end date; and
- b) Purchases and sales of investments at the rate of exchange prevailing on the trade date of such transactions.

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## Community Foundation of Ottawa Notes to Financial Statements

December 31, 2008 (in thousands of dollars)

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### 2. Significant Accounting Policies (continued)

#### Foreign currency contracts

Investments in forward currency contracts are entered into with approved counterparties for hedging purposes only. The contractual amount of the open contract is disclosed in the investment listing in Note 4. 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 is recorded as part of the "investment earnings (losses)" in the financial statements. Upon closing the contracts, any additional gains or losses are reported in "investment earnings (losses)" in the financial statements. Gains (losses) on forward currency contracts are categorized as financial assets (liabilities) held for trading.

#### 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.

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## Community Foundation of Ottawa Notes to Financial Statements

December 31, 2008 (in thousands of dollars)

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

#### 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.

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### 3. **Capital**

The Foundation has adopted CICA Handbook Section 1535, Capital Disclosures which establishes standards for the disclosure of information about the Foundation's capital and how it is managed.

The Foundation's objectives in managing the endowment capital are to generate earnings. In this regard the Foundation aims to:

- Maximize charitable granting, consistent with the fundamental role of the Foundation to distribute grants in support of a wide range of charitable causes;
- Meet the disbursement requirement under the Income Tax Act;
- Cover service fees which support the operations of the Foundation;
- Reinvest earnings to the maximum extent possible each year until reinvested earnings equal at least 10% of the value of endowment funds, and ideally up to 20% in the long term. The purpose of the reinvestments is to support the above noted objectives during periods when current investment returns are not sufficient.

The Foundation's Investment Committee makes recommendations to the Board regarding investment policy and strategy including asset allocation and performance objectives in order to meet the spending and reinvestment objectives. The Committee also recommends the appointment of Investment Counsel and monitors their performance.

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## Community Foundation of Ottawa Notes to Financial Statements

December 31, 2008 (in thousands of dollars)

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#### 4. Investments

The financial markets turmoil of 2008 has put a serious strain on economies worldwide and seemingly no sector of the markets, in Canada, the US or internationally, has escaped the financial market collapse. The effect of these events on the Foundation's investments is severe, with no part of the portfolio unaffected and an overall loss for 2008 of 17.5%. This return is consistent with the average return on balanced institutional portfolios, given the 20% to 30% decline in equity prices in 2008. The Foundation feels that the conservative value-oriented approach of the portfolio should position the fund well, once the economy recovers.

##### 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 fair return given the nature of the investments. The maximum investment risk to the Foundation is represented by the fair value of the investments.

The Foundation's risk management practices are carried out primarily through its Investment Committee. These practices include monitoring of compliance with investment guidelines and employing and overseeing a professional and experienced portfolio advisor who regularly monitors market events, the holdings, strategies and performance of the Foundation's investment managers.

## Community Foundation of Ottawa Notes to Financial Statements

December 31, 2008 (in thousands of dollars)

### 4. Investments (continued)

The Foundation's current investments are as follows:

<u>Investments</u>	2008		2007	
	Fair Value		Fair Value	
<b>Cash and cash equivalents</b>	<b>\$2,191</b>	<b>3%</b>	\$6,320	7%
<b>Bonds and debentures</b>				
Government bonds	16,232	22	24,556	26
Corporate bonds	16,226	22	10,371	11
	<b>32,458</b>	<b>44</b>	34,927	37
<b>Equities</b>				
Canadian shares	16,717	24	20,933	23
US shares	12,263	17	15,244	17
International equities (Non US)	9,008	12	14,520	16
	<b>37,988</b>	<b>53</b>	50,697	56
<b>Unrealized gain on forward contract of \$US 5,200</b>	<b>35</b>	-	-	-
<b>Other investment</b>				
Cash surrender value of life insurance policies	341	-	341	-
	<b>\$73,013</b>	<b>100%</b>	\$92,285	<b>100%</b>

The above investments have an original cost value of \$83,792 (2007 - \$88,622).

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## Community Foundation of Ottawa Notes to Financial Statements

December 31, 2008 (in thousands of dollars)

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#### 4. Investments (continued)

These investments expose the Foundation to risks associated with financial instruments. The significant financial instrument risk to which the Foundation is exposed, along with specific risk management practices related to those risks, are presented below.

- *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 described below.

*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 equities. At year-end the Foundation held 29% (2007 - 33%) of the fair value of its investments in securities subject to foreign currency exposure. Currency risk on the US equity portion of the Foundation's portfolio is managed by hedging with forward currency contracts. At year end the Foundation had hedged approximately 50% of the US dollar fair value of the US equity holdings. An increase of 10% in the value of the Canadian dollar would cause a decrease in the value of the unhedged non-Canadian securities of \$556 in Canadian dollars.

*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 domestic government and corporate bonds, the value of which are listed previously in this note, are exposed to interest rate risk. In general longer terms to maturity have an increased interest rate risk. The Foundation's investment manager actively manages the bond portfolio to offset these risks.

## Community Foundation of Ottawa Notes to Financial Statements

December 31, 2008 (in thousands of dollars)

#### 4. Investments (continued)

The terms to maturity of the bonds, as at December 31, 2008, are as follows:

Maturity	Fair Value	% Bond Holdings
Under 1 year	\$ 798	2
1 year to 3 years	5,808	18
3 years to 5 years	4,062	13
5 years to 7 years	8,661	27
7 years to 10 years	6,162	19
Over 10 years	6,967	21
	\$ 32,458	100

At December 31, 2008 should nominal interest rates have increased (decreased) by 1%, with all other variables held constant, the fair value of the bonds would (decrease) increase by 5.87%.

#### 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 individual financial instruments 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, US, and International 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 fair value of the portfolio. As at December 31, 2008 \$37,988 was invested in equity instruments traded in active markets.

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## Community Foundation of Ottawa Notes to Financial Statements

December 31, 2008 (in thousands of dollars)

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#### 4. Investments (continued)

- *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 cash equivalents, domestic government and corporate bonds, and forward contracts in an unrealized gain position. Credit risk arising from these financial instruments is generally limited to the fair value of the investments shown in the list of investments set out previously in this note. The Foundation mitigates credit risk by limiting its bond holdings to bonds that are readily marketable and are generally limited to those with a rating of A- or better. As at December 31, 2008 98% of the fair value of the bonds held by the Foundation have a rating of A- or better. The Foundation's investment manager also actively manages the bond portfolio to offset these risks.

- *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 its portfolio on a quarterly basis.

- *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 its investments to financial instruments that are publicly traded in active markets and thereby readily disposable.

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## Community Foundation of Ottawa Notes to Financial Statements

December 31, 2008 (in thousands of dollars)

### 5. 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:

	2008	2007
Investment fee	\$ 273	\$ 288
Service fee	1,126	1,138
Funds for charitable distribution	2,707	3,900
Interfund transfers	(54)	-
Endowments Funds – reduction in reinvested earnings	(4,017)	(6,461)
Endowment Funds – decline in capital	(14,793)	-
Total earnings allocated	<u>\$ (14,758)</u>	<u>\$ (1,135)</u>

At December 31, 2008, the cumulative amount set aside to date, in Endowment Funds, to protect against lower investment returns and inflation was \$ nil (2007 - \$ 4,017).

The investment earnings (losses) in Endowment Funds were comprised of the following:

	2008	2007
Interest and dividends	\$ 2,993	\$ 4,210
Investment losses	(17,751)	(5,345)
	<u>\$ (14,758)</u>	<u>\$ (1,135)</u>

## Community Foundation of Ottawa Notes to Financial Statements

December 31, 2008 (in thousands of dollars)

### 6. Funds for Charitable Distribution

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

	2008	2007
Unspent restricted donations	\$ 448	\$ 572
Unspent charitable distributions from prior years	1,495	1,643
Funds for charitable distributions in the following year	2,707	3,900
	<b>\$ 4,650</b>	<b>\$ 6,115</b>

### 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

	2008		2007	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware and software	\$ 200	\$ 192	\$ 8	\$ 19
Furniture and fixtures	42	37	5	9
	<b>\$ 242</b>	<b>\$ 229</b>	<b>\$ 13</b>	<b>\$ 28</b>

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## Community Foundation of Ottawa Notes to Financial Statements

December 31, 2008 (in thousands of dollars)

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### 9. Deferred Gifts

#### Life insurance

The Foundation is the beneficiary of life insurance policies. At December 31, 2008 the amount of insurance in force for which the Foundation is the owner and beneficiary totals \$4,247 (2007 - \$4,398). Premiums paid during the year by the insured donors were \$95 (2007 - \$83) and are recognized as both revenue and 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 (2007 - \$341).

#### Bequests

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

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### 10. Lease Commitments

The Foundation has entered into lease commitments until June 30, 2013 to lease office space for the following gross amounts. A portion of these amounts will be recovered from sub-tenants.

2009	\$ 81
2010	81
2011	81
2012	81
2013	41
	<u>\$ 365</u>

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