

**Optimist International Foundation of Canada /
Fondation Optimist International du Canada**

**Financial Statements
September 30, 2008**

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Raymond Chabot Grant Thornton

Auditors' Report

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To the Board of Directors of
Optimist International Foundation of Canada /
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We have audited the statement of financial position of Optimist International Foundation of Canada / Fondation Optimist International du Canada as at September 30, 2008 and the statements of revenue and expenditures, changes in net assets 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.

Except as explained in the following paragraph, 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 common with many charitable organizations, the Foundation derives revenue from contributions, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to revenue, excess (deficiency) of revenue over expenditures, assets and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at September 30, 2008 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 Part II of 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.

Raymond Chabot Grant Thornton LLP

Chartered Accountants

Montréal, November 7, 2008

**Optimist International Foundation of Canada /
Fondation Optimist International du Canada**

Revenue and Expenditures

Year ended September 30, 2008

	2008	2007
	\$	Restated (Note 2) \$
Revenue		
Contributions		
Individuals	306,354	297,225
Investment income (loss) (Note 4)	(109,483)	61,946
Other		5,615
	196,871	364,786
Grants and programmes		
Oratorical scholarships	22,492	26,629
Essay scholarships	6,818	10,378
C.C.D.H.H. scholarships	11,230	6,822
JOOI scholarships		1,628
Club programmes	37,140	29,475
Programme costs	15,000	15,000
Childhood cancer grant	56,991	53,831
Ambassador Funds	151	
Diplomat Fund	551	
	150,373	143,763
Excess of revenue over grants and programmes	46,498	221,023
Expenditures		
Volunteers and donors		
Donor awards and recognition	23,208	34,711
Volunteer activities	42,439	45,140
Special programmes	13,888	5,445
	79,535	85,296
Fundraising	8,984	14,837
Staff and administration		
International convention	7,193	21,065
Administrative expenditures	98,748	95,001
	105,941	116,066
	194,460	216,199
Excess (deficiency) of revenue over expenditures	(147,962)	4,824

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

**Optimist International Foundation of Canada /
Fondation Optimist International du Canada**
Changes in Net Assets

Year ended September 30, 2008

	2008			2007 Restated (Note 2)
	Restricted for endowment purposes	Invested in capital assets	Unrestricted	Total
	\$	\$	\$	\$
Net assets, beginning of year, as previously reported	106,131	562	1,752	17,978
Adjustments to prior periods				
Accounts payable and accrued liabilities			12,000	10,000
Scholarships payable			36,013	34,849
Net assets as restated	106,131	562	49,765	62,827
Accounting change for adjustment to fair value for investments held for trading				87,347
Excess (deficiency) of revenue over expenditures		(319)	(147,643)	4,824
Endowment contributions				1,460
Net assets (negative), end of year	106,131	243	(97,878)	156,458

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

**Optimist International Foundation of Canada /
Fondation Optimist International du Canada**

Cash Flows

Year ended September 30, 2008

	2008	2007
	\$	Restated (Note 2) \$
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenditures	(147,962)	4,824
Non-cash items		
Adjustment to prior periods		10,000
Changes in fair value of investments held for trading	143,614	(33,504)
Scholarships granted, net	38,600	42,329
Interest on scholarships payable	12,170	7,507
Amortization of capital assets	319	503
Decrease (increase) in accrued interest	(800)	2,235
Increase in pledges receivable	(12,501)	(5,934)
Increase in sales taxes receivable	(6,213)	(917)
Decrease in prepaid expenditures		458
Decrease in current liabilities	(83,411)	(79,466)
Increase in deferred contributions	66,209	157,899
Scholarships paid	(34,885)	(55,997)
Net cash generated (used)	(24,860)	49,937
FINANCING AND INVESTING ACTIVITIES		
Investments	(323,537)	(619,561)
Proceeds on disposal of investments	163,331	401,641
Endowment contributions received		1,460
Net cash used	(160,206)	(216,460)
Decrease in cash	(185,066)	(166,523)
Cash, beginning of year	262,680	429,203
Cash, end of year	77,614	262,680

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

**Optimist International Foundation of Canada /
Fondation Optimist International du Canada**
Financial Position
September 30, 2008

	2008	2007 Restated (Note 2)
	\$	\$
ASSETS		
Current assets		
Cash	77,614	262,680
Accrued interest	800	
Pledges receivable	30,950	18,449
Sales taxes receivable	7,130	917
	<u>116,494</u>	<u>282,046</u>
Investments (Note 5)	878,344	861,752
Capital assets (Note 6)	243	562
	<u>995,081</u>	<u>1,144,360</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	389	3,077
Amounts payable to Optimist International Foundation	101,714	132,152
Amounts payable to Optimist International	70,025	120,310
	<u>172,128</u>	<u>255,539</u>
Deferred contributions (Note 7)	570,342	504,133
Scholarships payable (Notes 3 and 8)		
Oratorical contest	142,537	140,057
Essay	22,340	11,297
C.C.D.H.H.	79,238	76,876
	<u>244,115</u>	<u>228,230</u>
	<u>986,585</u>	<u>987,902</u>
NET ASSETS		
Restricted for endowment purposes (Note 9)	106,131	106,131
Invested in capital assets	243	562
Unrestricted	(97,878)	49,765
	<u>8,496</u>	<u>156,458</u>
	<u>995,081</u>	<u>1,144,360</u>

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

On behalf of the Board,

Director

Director

**Optimist International Foundation of Canada /
Fondation Optimist International du Canada**
Notes to Financial Statements
September 30, 2008

1 - GOVERNING STATUTES AND PURPOSES OF THE FOUNDATION

The Foundation, incorporated under Part II of the Canada Corporations Act, receives and maintains funds to operate programmes and activities for youth in Canada, to seek and accept real and personal property by gift, bequest, donation, legacy, purchase or otherwise and to hold and administer such property, in trust or otherwise, solely for the aforesaid objectives. It is a registered charity according to the Income Tax Act.

2 - ACCOUNTING CHANGES

Change in accounting for accounts payable and accrued liabilities

During the year, the Foundation made a retroactive adjustment to accounts payable and accrued liabilities for accrued audit fees to eliminate amounts that do not meet the definition of a liability in accordance with *Canadian Institute of Chartered Accountants' Handbook (CICA Handbook)* Section 1100. This adjustment resulted in a decrease in accounts payable and accrued liabilities of \$17,000 (\$12,000 in 2007), a decrease in administrative expenditures of \$5,000 (\$2,000 in 2007), a decrease in excess (deficiency) of revenue over expenditures of \$5,000 (\$2,000 in 2007) and an increase of unrestricted net assets and net assets of \$12,000 (\$10,000 in 2007).

Change in accounting for scholarships payable

During the year, the Foundation made a retrospective adjustment to October 1, 2006 of scholarships payable to value the liability, classified as other financial liabilities, at fair value upon initial recognition and subsequently, at amortized cost using the effective interest method in accordance with *CICA Handbook* Section 3855, "Financial Instruments – Recognition and Measurement". Scholarships payable were previously carried at cost. This correction resulted in an increase in the opening unrestricted net assets as at October 1, 2006 of \$34,849 and a decrease in oratorical contest scholarships payable of \$20,837, essay scholarships payable of \$8,273, C.C.D.H.H. scholarships payable of \$5,739 and total scholarships payable of \$34,849. This change also resulted in the restatement of the comparative numbers for the year ended September 30, 2007 as follows:

Financial statement items

	Increase (decrease)
	<u>\$</u>
Financial position	
Liabilities	
Scholarships payable	
Oratorical contest	(21,193)
Essay	(9,403)
C.C.D.H.H.	<u>(5,417)</u>
Total scholarships payable	<u><u>(36,013)</u></u>
Net assets	
Unrestricted	<u><u>36,013</u></u>

**Optimist International Foundation of Canada /
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Notes to Financial Statements
September 30, 2008

2 - ACCOUNTING CHANGES (Continued)

	Increase (decrease)
	<u>\$</u>
Revenue and expenditures	
Grants and programmes	
Oratorical scholarships	(5,871)
Essay scholarships	(2,122)
C.C.D.H.H. scholarships	<u>(678)</u>
Total grants and programmes	<u><u>(8,671)</u></u>
Excess of revenue over grants and programmes	8,671
Administrative expenditures	<u>7,507</u>
Excess of revenue over expenditures	<u><u>1,164</u></u>

Recently adopted standards

On October 1, 2007, in accordance with the applicable transitional provisions, the Foundation applied the recommendations of new Section 1506, "Accounting Changes", of the *CICA Handbook*. This new section, effective for the years beginning on or after January 1, 2007, prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. Furthermore, the new standard requires the communication of the new primary sources of generally accepted accounting principles that are issued but not yet effective or not yet adopted by the Foundation. The new standard has no impact on the Foundation's financial results.

Future accounting standards

As at November 7, 2008, certain new primary sources of generally accepted accounting principles (standards) have been published but are not yet in effect. The Foundation has not early adopted any of these standards. The new standards which could potentially impact the Foundation's financial statements are detailed as follows:

- In December 2006, the Canadian Institute of Chartered Accountants (CICA) published new Sections 3862, "Financial Instruments – Disclosures", and 3863, "Financial Instruments – Presentation", which establish standards for the presentation and disclosure of financial instruments and non-financial derivatives.

Following a decision rendered by the CICA that permits the application of Section 3861, "Financial Instruments – Disclosure and Presentation" in place of sections 3862 and 3863, the Foundation has decided to continue to apply Section 3861 which was implemented on October 1, 2006.

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2 - ACCOUNTING CHANGES (Continued)

- In December 2006, the CICA published new Section 1535 "Capital Disclosures". The new section establishes standards for disclosing information about the Foundation's capital and how it is managed. This new standard is effective for fiscal years beginning on or after October 1, 2008 and the Foundation will implement it as of that date. The new accounting standard only addresses disclosures and will have no impact on the Foundation's financial results.

- In September 2008, the CICA amended the introduction to accounting standards that apply only to not-for-profit organizations and several sections in the 4400 series as well as consequential changes to other sections of the *CICA Handbook*. The main changes affect the following, in particular:
 - * Inclusion of not-for-profit organizations within the scope of Sections 1540, "Cash Flow Statement", and 1751, "Interim Financial Statements";
 - * Elimination of the requirement to treat net assets invested in capital assets as a separate component of net assets;
 - * Amendments to clarify that revenue and expenditures must be recognized and presented on a gross basis when a not-for-profit organization is acting as a principal in transactions;
 - * Inclusion of additional guidance with respect to the appropriate use of the scope exemption in Section 4430, "Capital assets held by not-for-profit organizations", for smaller entities.

The CICA also published new Section 4470, "Disclosure of Allocated Expenses by Not-for-profit Organizations", which establishes disclosure standards for a not-for-profit organization that classifies its expenses by function and allocates its expenses to a number of functions to which the expenses relate.

These new standards are effective for fiscal years beginning on or after January 1, 2009 and the Foundation will implement them as of October 1, 2009. The Foundation's management does not expect the application of these new standards to have a significant impact on the financial statements.

Other new standards have been published, but they should not have a significant impact on the Foundation's financial statements.

**Optimist International Foundation of Canada /
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Notes to Financial Statements
September 30, 2008

3 - ACCOUNTING POLICIES

Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. Management considers that significant estimates and assumptions include those used in the determination of the carrying value of scholarships payable. These estimates are based on management's best knowledge of current events and actions that the Foundation may undertake in the future. Actual results may differ from these estimates.

Financial assets and liabilities

On initial recognition, all financial assets and liabilities are measured and recognized at their fair value, except for financial assets and liabilities resulting from certain related party transactions. Transaction costs from held-for-trading financial assets and liabilities are recognized in the statement of revenue and expenditures and presented under administrative expenditures. Transaction costs from loans and receivables increase the carrying amount of the related financial assets. Transaction costs from other financial liabilities reduce the carrying amount of the related financial liabilities. Regular-way purchases or disposals of financial assets are recognized at the transaction date.

Subsequently, financial assets and liabilities are measured and recognized as follow.

Cash and investments

Cash and investments are classified as held-for-trading financial assets. They are measured at fair value and changes in fair value are recognized in the statement of revenue and expenditures.

Pledges receivable

Pledges receivable are classified as loans and receivables. They are measured at amortized cost, which is generally the initially recognized amount, less any allowance for doubtful accounts.

Accounts payable and accrued liabilities, amounts payable to Optimist International Foundation, amounts payable to Optimist International and scholarships payable

The accounts payable and accrued liabilities, amounts payable to Optimist International Foundation, amounts payable to Optimist International and scholarships payable are classified as other financial liabilities. They are valued at amortized cost using the effective interest method.

**Optimist International Foundation of Canada /
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Notes to Financial Statements
September 30, 2008

3 - ACCOUNTING POLICIES (Continued)

Revenue recognition

The Foundation follows the deferral method of accounting for contributions. Under this method, contributions restricted for future period expenditures are deferred and are recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are reported as direct increases in net assets.

Capital assets are recorded at cost. When the Foundation receives capital asset contributions, their cost is equal to their fair value at the contribution date or to a nominal value of \$1 if the fair value cannot be reasonably determined.

Restricted interest income is recognized as revenue in the year the related expenditures are incurred and unrestricted interest income as earned. Interest income is recognized based on the number of days the investment was held during the year. Dividends are recognized as of the ex-dividend date. Realized gains or losses on the disposal of investments are determined using the average cost method. Transaction costs related to the acquisition or disposal of investments are included in the cost of investments or treated as a reduction of the proceeds on the disposal of investments.

Contributed supplies and services

The Foundation recognizes contributed supplies and services when the fair value of these contributions can be reasonably estimated and if it would have had to otherwise acquire these supplies and services for its normal operations.

Amortization of capital assets

Capital assets are amortized over their estimated useful lives according to the straight-line method over a five-year period.

Foreign currency translation

Monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date, whereas other assets and liabilities are translated at the exchange rate in effect at the transaction date. Revenue and expenditures in foreign currency are translated at the average rate in effect during the year, with the exception of revenue and expenditures relating to non-monetary assets and liabilities, which are translated at the historical rate. Gains and losses are included in the earnings for the year.

Fair value of financial instruments

The following methods and assumptions were used to determine the estimated fair value of each class of financial instruments.

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Notes to Financial Statements
September 30, 2008

3 - ACCOUNTING POLICIES (Continued)

Short-term financial instruments

The fair value of the short-term financial assets and liabilities approximates their carrying amount given that they will mature shortly.

Investments

The fair value of shares and bonds is equivalent to the market value based on the closing price.

Scholarships payable

The fair value of scholarships payable is based on discounted cash flows using interest rates for loans with similar terms and conditions.

	September 30, 2008		September 30, 2007	
	Fair value	Carrying amount	Fair value	Carrying amount
	\$	\$	\$	\$
Scholarships payable				
Oratorical contest	142,539	142,537	137,099	140,057
Essay	22,503	22,340	11,242	11,297
C.C.D.H.H.	79,362	79,238	76,224	76,876
	244,404	244,115	224,565	228,230

Foreign exchange risk

The Foundation is exposed to foreign exchange risk due to cash, investments and accounts payable to Optimist International Foundation denominated in U.S. dollars. As at September 30, 2008, assets denominated in U.S. dollars consisting of cash and investments totalled US\$187,138 (US\$379,589 as at September 30, 2007) and accounts payable to Optimist International Foundation denominated in U.S. dollars totalled US\$95,061 (US\$132,643 as at September 30, 2007).

4 - INVESTMENT INCOME (LOSS)

	2008	2007
	\$	\$
Interest	17,105	16,451
Interest earned on resources held for endowment purposes	1,223	3,123
Dividends	15,803	8,868
Increase (decrease) in fair value of investments held for trading	(143,614)	33,504
	(109,483)	61,946

**Optimist International Foundation of Canada /
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Notes to Financial Statements
September 30, 2008

5 - INVESTMENTS

	<u>2008</u>	<u>2007</u>
	\$	\$
Shares	489,207	543,529
Bonds (a)	339,137	318,223
Cashable Guaranteed Investment Contract (b)	50,000	
	<u>878,344</u>	<u>861,752</u>

(a) Corporate and government bonds bear interest at rates from 3.6% to 7.18% (3.47% to 7.05% in 2007) and mature at various dates until 2049.

(b) Guaranteed Investment Contract bears interest at a rate of 2.75% and matures in March 2009.

6 - CAPITAL ASSETS

	<u>2008</u>		<u>2007</u>
	Cost	Accumulated amortization	Net
	\$	\$	\$
Furniture and fixtures	6,285	6,285	157
Computer hardware	6,380	6,137	405
	<u>12,665</u>	<u>12,422</u>	<u>562</u>

The Foundation recorded an amortization expenditure of \$319 (\$503 in 2007).

7 - DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent operating fund contributions received which are restricted for disaster relief, childhood cancer and club programmes. These contributions are recognized as revenue in the period the related expenditures are incurred. Change in the deferred contributions balance is as follows:

	<u>2008</u>	<u>2007</u>
	\$	\$
Balance, beginning of year	504,133	346,234
Contributions received	176,282	238,475
Interest earned on endowment fund for childhood cancer	1,047	2,730
Recognized as revenue	(111,120)	(83,306)
Balance, end of year	<u>570,342</u>	<u>504,133</u>

8 - SCHOLARSHIPS PAYABLE

Scholarships are awarded to help defray the recipients' cost of higher education. These scholarships are payable to an institution of higher learning upon the enrolment of the recipient and within 12 years of the date of the award.

**Optimist International Foundation of Canada /
Fondation Optimist International du Canada**

Notes to Financial Statements

September 30, 2008

9 - RESTRICTIONS ON NET ASSETS

The net assets restricted for endowment purposes are subject to externally imposed restrictions stipulating that the resources have to be maintained permanently. Investment income earned on these funds is externally restricted for childhood cancer relief, scholarships and youth programmes.

10 - COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

**Optimist International Foundation of Canada /
Fondation Optimist International du Canada**
Supplementary Information
Year ended September 30, 2008

	<u>2008</u>	<u>2007</u>
	\$	\$
<i>DONOR AWARDS AND RECOGNITION</i>		
Awards for donors	9,598	13,642
Postage and shipping costs	7,345	8,798
Administrative expenditures	6,265	12,271
	<u>23,208</u>	<u>34,711</u>
<i>VOLUNTEER ACTIVITIES</i>		
Office of the President	5,317	4,378
Office of the President elected	5,088	3,678
Board of Directors	7,933	14,849
Executive director	2,242	2,477
Representative expenditures and seminars	18,146	12,498
Administrative expenditures	3,713	7,260
	<u>42,439</u>	<u>45,140</u>
<i>SPECIAL PROGRAMMES</i>		
Planned Gift Program	11,104	
Administrative expenditures	2,784	5,445
	<u>13,888</u>	<u>5,445</u>
<i>FUNDRAISING</i>		
Office supplies	469	426
Printing	4,936	6,905
Translation	1,300	
Gifts in kind		3,208
Administrative expenditures	2,279	4,298
	<u>8,984</u>	<u>14,837</u>
<i>INTERNATIONAL CONVENTION</i>		
Convention operating expenditures	<u>7,193</u>	<u>21,065</u>

**Optimist International Foundation of Canada /
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Year ended September 30, 2008

	<u>2008</u>	<u>2007</u>
	\$	\$
<i>ADMINISTRATIVE EXPENDITURES</i>		
General administrative expenditures	15,835	27,207
Interest on scholarships payable	12,170	7,507
Bank charges	1,682	2,092
Exchange loss (gain)	4,464	(927)
Professional fees	44,225	38,073
Investment management fees	17,604	11,835
Telecommunications	63	261
Doubtful accounts		5,336
Other administrative expenditures	2,386	3,114
Amortization of capital assets	319	503
	<u>98,748</u>	<u>95,001</u>

**Optimist International Foundation of Canada /
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Supplementary Information

Year ended September 30, 2008

				2008	2007
	Disaster relief	Childhood cancer	Club programmes	Total	Total
	\$	\$	\$	\$	\$
<i>DEFERRED CONTRIBUTIONS</i>					
Balance, beginning of year	16,989	386,310	100,834	504,133	346,234
Contributions received		82,432	93,850	176,282	238,475
Interest earned on endowment fund for childhood cancer		1,047		1,047	2,730
Recognized as revenue	(16,989)	(56,991)	(37,140)	(111,120)	(83,306)
Balance, end of year	-	412,798	157,544	570,342	504,133