

**Optimist International Foundation of Canada
(Fondation Optimist International du Canada)**

**Financial Statements
September 30, 2005**

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Auditors' Report

To the Board of Directors of
Optimist International Foundation of Canada
(Fondation Optimist International du Canada)

We have audited the statement of financial position of Optimist International Foundation of Canada (Fondation Optimist International du Canada) as at September 30, 2005 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 part of its revenue in the form of contributions which are not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the books of the Foundation and we were not able to determine whether any adjustments might be necessary to revenue, excess 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, 2005 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 Laliberté Grant Thornton LLP

Chartered Accountants

Montréal
November 25, 2005

**Optimist International Foundation of Canada
(Fondation Optimist International du Canada)**

Revenue and Expenditures

Year ended September 30, 2005

	2005	2004
	\$	\$
Revenue		
Contributions		
Individuals	229,016	215,761
Donor life insurance policies	17,800	
Amortization of deferred contributions (Note 6)	61,277	79,704
Investment income (Note 3)	32,640	19,480
	<u>340,733</u>	<u>314,945</u>
Grants and programmes		
Oratorical scholarships	27,774	22,921
Essay scholarships	9,500	15,150
C.C.D.H.H. scholarships	14,611	13,500
J.O.O.I. award scholarships		2,000
Club programmes	50,212	63,106
Programme costs	24,973	52,784
Childhood cancer grant	9,365	3,949
Diplomat fund	2,350	
Donor life insurance policy premiums	17,800	
Other		2,002
	<u>156,585</u>	<u>175,412</u>
Excess of revenue over grants and programmes	<u>184,148</u>	<u>139,533</u>
Expenditures		
Volunteers and donors		
Donor awards and recognition	20,290	24,517
Volunteer activities	45,156	34,411
Special programmes	14,103	22,978
	<u>79,549</u>	<u>81,906</u>
Fundraising	<u>7,084</u>	29,836
Staff and administration		
International convention	13,676	10,703
Administrative expenses	79,474	70,289
	<u>93,150</u>	<u>80,992</u>
	<u>179,783</u>	<u>192,734</u>
Excess (deficiency) of revenue over expenditures	<u>4,365</u>	<u>(53,201)</u>

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, 2005

				2005	2004
	Restricted for endowment purposes \$	Invested in capital assets \$	Unrestricted \$	Total \$	Total \$
Net assets (negative), beginning of year	44,597	3,545	(128,793)	(80,651)	(31,096)
Excess (deficiency) of revenue over expenditures		(2,105)	6,470	4,365	(53,201)
Endowment contributions	4,163			4,163	3,646
Contributed capital assets		808	(808)		
Net assets (negative), end of year	48,760	2,248	(123,131)	(72,123)	(80,651)

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, 2005

	<u>2005</u>	<u>2004</u>
	\$	\$
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenditures	4,365	(53,201)
Non-cash items		
Donation of capital assets	(808)	
Amortization of deferred contributions (Note 6)	(61,277)	(79,704)
Scholarships granted	51,885	53,571
Amortization of capital assets	2,105	2,371
Gain on disposal of investments	(12,668)	(2,116)
Decrease (increase) in interest receivable	240	(986)
Decrease in pledges receivable	21,703	31,600
Decrease (increase) in prepaid expenses	(412)	4,678
Increase in current liabilities	38,728	88,315
Increase in deferred contributions	181,719	181,044
Scholarships paid	(53,813)	(75,450)
Net cash generated	<u>171,767</u>	<u>150,122</u>
FINANCING AND INVESTING ACTIVITIES		
Investments	(143,000)	(142,958)
Proceeds on disposal of investments	141,402	36,302
Endowment contributions received	4,163	3,646
Net cash generated (used)	<u>2,565</u>	<u>(103,010)</u>
Increase in cash	174,332	47,112
Cash, beginning of year	<u>199,530</u>	<u>152,418</u>
Cash, end of year	<u><u>373,862</u></u>	<u><u>199,530</u></u>

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, 2005

	<u>2005</u>	<u>2004</u>
	\$	\$
ASSETS		
Current assets		
Cash	373,862	199,530
Accrued interest	2,116	2,356
Pledges receivable	21,151	42,854
Prepaid expenses	496	84
	<u>397,625</u>	<u>244,824</u>
Investments (Note 4)	489,848	475,582
Capital assets (Note 5)	<u>2,248</u>	<u>3,545</u>
	<u><u>889,721</u></u>	<u><u>723,951</u></u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	12,562	8,709
Amounts payable to Optimist International Foundation	172,241	117,145
Amounts payable to Optimist International	<u>170,707</u>	<u>190,928</u>
	<u>355,510</u>	<u>316,782</u>
Deferred contributions (Note 6)	<u>324,728</u>	<u>204,286</u>
Scholarships payable (Note 7)		
Oratorical contest	165,830	161,022
Essay	22,650	27,000
C.C.D.H.H.	<u>93,126</u>	<u>95,512</u>
	<u>281,606</u>	<u>283,534</u>
	<u>961,844</u>	<u>804,602</u>
NEGATIVE NET ASSETS		
Restricted for endowment purposes (Note 8)	48,760	44,597
Invested in capital assets	2,248	3,545
Unrestricted	<u>(123,131)</u>	<u>(128,793)</u>
	<u>(72,123)</u>	<u>(80,651)</u>
	<u><u>889,721</u></u>	<u><u>723,951</u></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, 2005

1 - GOVERNING STATUTES AND PURPOSES OF THE ORGANIZATION

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 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. 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 those estimates.

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.

Contributed capital assets are reported as revenue when the Foundation receives the capital assets. These contributions are recorded at the fair value of the capital assets or at 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 expenses are incurred, and unrestricted interest income as earned.

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.

Fair value of financial instruments

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

**Optimist International Foundation of Canada
(Fondation Optimist International du Canada)**

Notes to Financial Statements

September 30, 2005

2 - ACCOUNTING POLICIES (Continued)

Short-term financial instruments

Cash, accrued interest and accounts payable and accrued liabilities are financial instruments whose fair value 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.

Amortization of capital assets

All capital assets are amortized over their estimated useful lives of five years according to the straight-line method.

3 - INVESTMENT INCOME

	<u>2005</u>	<u>2004</u>
	\$	\$
Interest	12,244	12,131
Dividends	7,728	5,233
Gain on disposal of investments	12,668	2,116
	<u>32,640</u>	<u>19,480</u>

4 - INVESTMENTS

	<u>2005</u>	<u>2004</u>
	\$	\$
Shares, at cost (market value \$350,431; \$297,526 in 2004)	275,402	264,317
Bonds, at cost (market value \$220,811; \$217,441 in 2004) (a)	214,446	211,265
	<u>489,848</u>	<u>475,582</u>

(a) Corporate and government bonds bear interest at rates from 3.25% to 6.9% (4.1% to 6.9% in 2004) and mature at various dates to 2049.

5 - CAPITAL ASSETS

	<u>2005</u>		<u>2004</u>
	Cost	Accumulated amortization	Net
	\$	\$	\$
Furniture and fixtures	6,285	5,022	1,263
Computer hardware	6,380	5,395	985
	<u>12,665</u>	<u>10,417</u>	<u>2,248</u>
			<u>3,545</u>

**Optimist International Foundation of Canada
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September 30, 2005

6 - DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent operating fund contributions received which are restricted for tsunami relief, C.C.D.H.H. scholarships, disaster relief, childhood cancer and club programmes. These contributions are recognized as revenue in the period the related expenditures are incurred. Changes in the deferred contributions balances are as follows:

	<u>2005</u>	<u>2004</u>
	\$	\$
Balance, beginning of year	204,286	102,946
Contributions received	181,719	181,044
Recognized as revenue	(61,277)	(79,704)
Balance, end of year	<u>324,728</u>	<u>204,286</u>

7 - 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 enrollment of the recipient and within 12 years of the date of the award.

8 - RESTRICTIONS ON NET ASSETS

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

9 - 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, 2005

	<u>2005</u>	<u>2004</u>
	\$	\$
<i>DONOR AWARDS AND RECOGNITION</i>		
Awards for donors	2,271	7,102
Brokerage and customs charges	81	897
Engraving expenses	321	445
Postage and shipping costs	4,847	4,250
Uncollectible returned items		360
Administrative expenses	12,770	11,463
	<u>20,290</u>	<u>24,517</u>
<i>VOLUNTEER ACTIVITIES</i>		
Office of the President	3,083	1,377
Office of the President elect	(354)	2,572
Board of Directors	18,980	13,874
Executive director	1,617	878
Representative expenses and seminars	14,240	7,713
Investment committee		1,119
Administrative expenses	7,590	6,878
	<u>45,156</u>	<u>34,411</u>
<i>SPECIAL PROGRAMMES</i>		
Collector's plates and prints	7,393	16,339
Club Foundation representative expenses	207	470
Administrative expenses	6,503	6,169
	<u>14,103</u>	<u>22,978</u>
<i>FUNDRAISING</i>		
Office supplies	1,617	2,775
Printing	652	11,977
Translation		477
Consulting fees	543	10,000
Administrative expenses	4,217	3,821
General marketing	55	786
	<u>7,084</u>	<u>29,836</u>
<i>INTERNATIONAL CONVENTION</i>		
Convention operating expenses	12,006	9,459
Staff travel and housing	1,670	1,087
Administrative expenses		157
	<u>13,676</u>	<u>10,703</u>

**Optimist International Foundation of Canada
(Fondation Optimist International du Canada)
Supplementary Information**

Year ended September 30, 2005

	<u>2005</u>	<u>2004</u>
	\$	\$
ADMINISTRATIVE EXPENSES		
General administrative expenses	17,752	15,480
Bank charges	1,272	1,126
Exchange gain	(244)	(4,224)
O.I.F. allocated staff training	488	746
Professional fees	22,218	15,252
Investment management fees	12,163	10,200
Telecommunications	3,087	2,580
Software support	6,551	7,976
Amortization of capital assets	2,105	2,371
Other administrative expenses	3,180	1,473
Doubtful accounts	10,902	17,309
	<u>79,474</u>	<u>70,289</u>

**Optimist International Foundation of Canada
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Supplementary Information**

September 30, 2005

						2005	2004
	Tsunami relief	C.C.D.H.H. scholarships	Disaster relief	Childhood cancer	Club programmes	Total	Total
	\$	\$	\$	\$	\$	\$	\$
<i>DEFERRED CONTRIBUTIONS</i>							
Balance, beginning of year			16,989	142,015	45,282	204,286	102,946
Contributions received	500	1,700		101,327	78,192	181,719	181,044
Recognized as revenue		(1,700)		(9,365)	(50,212)	(61,277)	(79,704)
Balance, end of year	<u>500</u>	<u>—</u>	<u>16,989</u>	<u>233,977</u>	<u>73,262</u>	<u>324,728</u>	<u>204,286</u>