

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

**Financial Statements
September 30, 2006**

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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, 2006 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 which are not susceptible of satisfactory audit verification. Accordingly, our verification of this revenue 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, the 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, 2006 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 10, 2006

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

Revenue and Expenditures

Year ended September 30, 2006

	<u>2006</u>	<u>2005</u>
	\$	\$
Revenue		
Contributions		
Individuals	249,641	229,016
Donor life insurance policies		17,800
Amortization of deferred contributions (Note 6)	114,504	61,277
Investment income (Note 3)	29,986	32,640
	<u>394,131</u>	<u>340,733</u>
Grants and programmes		
Oratorical scholarships	26,501	27,774
Essay scholarships	9,500	9,500
C.C.D.H.H. scholarships	10,162	14,611
Club programmes	88,354	50,212
Programme costs	25,072	24,973
Childhood cancer grant	25,650	9,365
Diplomat fund	250	2,350
Donor life insurance policy premiums		17,800
	<u>185,489</u>	<u>156,585</u>
Excess of revenue over grants and programmes	<u>208,642</u>	<u>184,148</u>
Expenditures		
Volunteers and donors		
Donor awards and recognition	24,583	20,290
Volunteer activities	43,135	45,156
Special programmes	14,544	14,103
	<u>82,262</u>	<u>79,549</u>
Fundraising	<u>6,396</u>	<u>7,084</u>
Staff and administration		
International convention	210	13,676
Administrative expenses	80,895	79,474
	<u>81,105</u>	<u>93,150</u>
	<u>169,763</u>	<u>179,783</u>
Excess of revenue over expenditures	<u>38,879</u>	<u>4,365</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, 2006

				2006	2005
	Restricted for endowment purposes \$	Invested in capital assets \$	Unrestricted \$	Total \$	Total \$
Net assets (negative), beginning of year	48,760	2,248	(123,131)	(72,123)	(80,651)
Excess of revenue over expenditures			38,879	38,879	4,365
Endowment contributions	2,256			2,256	4,163
Transfer from deferred contributions	48,966			48,966	
Net assets (negative), end of year	<u>99,982</u>	<u>2,248</u>	<u>(84,252)</u>	<u>17,978</u>	<u>(72,123)</u>

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, 2006

	<u>2006</u>	<u>2005</u>
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenditures	38,879	4,365
Non-cash items		
Donation of capital assets		(808)
Amortization of deferred contributions	(114,504)	(61,277)
Scholarships granted	47,000	51,885
Amortization of capital assets	1,183	2,105
Gain on disposal of investments	(6,470)	(12,668)
Decrease (increase) in interest receivable	(119)	240
Decrease in pledges receivable	8,636	21,703
Decrease (increase) in prepaid expenses	38	(412)
Increase (decrease) in current liabilities	(20,505)	38,728
Increase in deferred contributions	184,976	181,719
Scholarships paid	(59,366)	(53,813)
Net cash generated	79,748	171,767
FINANCING AND INVESTING ACTIVITIES		
Investments	(177,795)	(143,000)
Proceeds on disposal of investments	151,132	141,402
Endowment contributions received	2,256	4,163
Net cash generated (used)	(24,407)	2,565
Increase in cash	55,341	174,332
Cash, beginning of year	373,862	199,530
Cash, end of year	429,203	373,862

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, 2006

	<u>2006</u>	<u>2005</u>
	\$	\$
ASSETS		
Current assets		
Cash	429,203	373,862
Accrued interest	2,235	2,116
Pledges receivable	12,515	21,151
Prepaid expenses	458	496
	<u>444,411</u>	<u>397,625</u>
Investments (Note 4)	522,981	489,848
Capital assets (Note 5)	<u>1,065</u>	<u>2,248</u>
	<u><u>968,457</u></u>	<u><u>889,721</u></u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	17,536	12,562
Amounts payable to Optimist International Foundation	175,910	172,241
Amounts payable to Optimist International	141,559	170,707
	<u>335,005</u>	<u>355,510</u>
Deferred contributions (Note 6)	<u>346,234</u>	<u>324,728</u>
Scholarships payable (Note 7)		
Oratorical contest	165,050	165,830
Essay	15,750	22,650
C.C.D.H.H.	88,440	93,126
	<u>269,240</u>	<u>281,606</u>
	<u>950,479</u>	<u>961,844</u>
NET ASSETS (NEGATIVE)		
Restricted for endowment purposes (Note 8)	99,982	48,760
Invested in capital assets	2,248	2,248
Unrestricted	<u>(84,252)</u>	<u>(123,131)</u>
	<u>17,978</u>	<u>(72,123)</u>
	<u><u>968,457</u></u>	<u><u>889,721</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, 2006

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 these 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.

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

Notes to Financial Statements

September 30, 2006

2 - ACCOUNTING POLICIES (Continued)

Fair value of financial instruments

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

Short-term financial instruments

The fair value of cash, accrued interest and accounts payable and accrued 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.

3 - INVESTMENT INCOME

	<u>2006</u>	<u>2005</u>
	\$	\$
Interest	17,165	12,244
Dividends	6,351	7,728
Gain on disposal of investments	6,470	12,668
	<u>29,986</u>	<u>32,640</u>

4 - INVESTMENTS

	<u>2006</u>	<u>2005</u>
	\$	\$
Term deposit, 3.5%, maturing March 2007	6,000	
Shares, at cost (market value \$360,365; \$350,431 in 2005)	277,345	275,402
Bonds, at cost (market value \$243,963; \$220,811 in 2005) (a)	239,636	214,446
	<u>522,981</u>	<u>489,848</u>

(a) Corporate and government bonds bear interest at rates from 3.75% to 7.18% (3.25% to 6.9% in 2005) and mature at various dates to 2037.

The term deposit serves as a guarantee for the Foundation's credit card account.

5 - CAPITAL ASSETS

	<u>2006</u>		<u>2005</u>
	Cost	Accumulated amortization	Net
	\$	\$	\$
Furniture and fixtures	6,285	5,787	498
Computer hardware	6,380	5,813	567
	<u>12,665</u>	<u>11,600</u>	<u>1,065</u>
			<u>2,248</u>

**Optimist International Foundation of Canada
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Notes to Financial Statements

September 30, 2006

6 - DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent operating fund contributions received which are restricted for tsunami relief, 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>2006</u>	<u>2005</u>
	\$	\$
Balance, beginning of year	324,728	204,286
Contributions received	184,976	181,719
Recognized as revenue	(114,504)	(61,277)
Transfer to net assets restricted for endowment purposes	(48,966)	
Balance, end of year	<u>346,234</u>	<u>324,728</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 childhood cancer relief, scholarships and youth programmes.

**Optimist International Foundation of Canada
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Supplementary Information

Year ended September 30, 2006

	<u>2006</u>	<u>2005</u>
	\$	\$
<i>DONOR AWARDS AND RECOGNITION</i>		
Awards for donors	5,596	2,271
Brokerage and customs charges	106	81
Engraving expenses		321
Postage and shipping costs	6,439	4,847
Administrative expenses	12,442	12,770
	<u>24,583</u>	<u>20,290</u>
<i>VOLUNTEER ACTIVITIES</i>		
Office of the President	4,338	3,083
Office of the President elect	706	(354)
Board of Directors	17,331	18,980
Executive director	1,844	1,617
Representative expenses and seminars	11,555	14,240
Administrative expenses	7,361	7,590
	<u>43,135</u>	<u>45,156</u>
<i>SPECIAL PROGRAMMES</i>		
Collector's plates and prints	8,994	7,393
Club Foundation representative expenses		207
Administrative expenses	5,550	6,503
	<u>14,544</u>	<u>14,103</u>
<i>FUNDRAISING</i>		
Office supplies	856	1,617
Printing	1,076	652
Translation	323	
Consulting fees		543
Administrative expenses	4,141	4,217
General marketing		55
	<u>6,396</u>	<u>7,084</u>
<i>INTERNATIONAL CONVENTION</i>		
Convention operating expenses	210	12,006
Staff travel and housing		1,670
	<u>210</u>	<u>13,676</u>

**Optimist International Foundation of Canada
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Supplementary Information**

Year ended September 30, 2006

	<u>2006</u>	<u>2005</u>
	\$	\$
ADMINISTRATIVE EXPENSES		
General administrative expenses	27,260	17,752
Bank charges	1,817	1,272
Exchange loss (gain)	4,366	(244)
O.I.F. allocated staff training		488
Professional fees	25,932	22,218
Investment management fees	13,087	12,163
Telecommunications	1,230	3,087
Software support		6,551
Doubtful accounts	4,550	10,902
Amortization of capital assets	1,183	2,105
Other administrative expenses	1,470	3,180
	<u>80,895</u>	<u>79,474</u>

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

September 30, 2006

					2006	2005
	Tsunami relief	Disaster relief	Childhood cancer	Club programmes	Total	Total
	\$	\$	\$	\$	\$	\$
<i>DEFERRED CONTRIBUTIONS</i>						
Balance, beginning of year	500	16,989	233,977	73,262	324,728	204,286
Contributions received			93,876	91,100	184,976	181,719
Recognized as revenue	(500)		(25,650)	(88,354)	(114,504)	(61,277)
Transfer to net assets restricted for endowment purposes			(48,966)		(48,966)	
Balance, end of year	-	16,989	253,237	76,008	346,234	324,728