

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

**Financial Statements  
September 30, 2007**

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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, 2007 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, 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, 2007 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 9, 2007

**Optimist International Foundation of Canada /  
Fondation Optimist International du Canada**  
**Revenue and Expenditures**

Year ended September 30, 2007

	<u>2007</u>	<u>2006</u>
	\$	\$
<b>Revenue</b>		
Contributions		
Individuals	297,225	364,145
Investment income (Note 4)	61,946	29,986
Other	5,615	
	<u>364,786</u>	<u>394,131</u>
Grants and programmes		
Oratorical scholarships	32,500	26,501
Essay scholarships	12,500	9,500
C.C.D.H.H. scholarships	7,500	10,162
JOOI scholarships	1,628	
Club programmes	29,475	88,354
Programme costs	15,000	25,072
Childhood cancer grant	53,831	25,650
Diplomat fund		250
	<u>152,434</u>	<u>185,489</u>
Excess of revenue over grants and programmes	<u>212,352</u>	<u>208,642</u>
Expenditures		
Volunteers and donors		
Donor awards and recognition	31,961	24,583
Volunteer activities	45,140	43,135
Special programmes	8,195	14,544
	<u>85,296</u>	<u>82,262</u>
Fundraising	<u>14,837</u>	<u>6,396</u>
Staff and administration		
International convention	21,065	210
Administrative expenditures	89,494	80,895
	<u>110,559</u>	<u>81,105</u>
	<u>210,692</u>	<u>169,763</u>
<b>Excess of revenue over expenditures</b>	<u><u>1,660</u></u>	<u><u>38,879</u></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, 2007

				2007	2006
	Restricted for endowment purposes \$	Invested in capital assets \$	Unrestricted \$	Total \$	Total \$
Net assets (negative), beginning of year	<b>99,982</b>	<b>1,065</b>	<b>(83,069)</b>	<b>17,978</b>	(72,123)
Change in accounting policy for adjustment to fair value for investments held for trading			<b>87,347</b>	<b>87,347</b>	
Excess (deficiency) of revenue over expenditures		<b>(503)</b>	<b>2,163</b>	<b>1,660</b>	38,879
Endowment contributions	<b>1,460</b>			<b>1,460</b>	2,256
Internal transfer to endowment fund	<b>4,689</b>		<b>(4,689)</b>		
Transfer from deferred contributions					48,966
Net assets, end of year	<b>106,131</b>	<b>562</b>	<b>1,752</b>	<b>108,445</b>	17,978

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, 2007

	<u>2007</u>	<u>2006</u>
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenditures	1,660	38,879
Non-cash items		
Changes in fair value of investments held for trading	11,396	
Scholarships granted	51,000	47,000
Amortization of capital assets	503	1,183
Gain on disposal of investments	(44,900)	(6,470)
Decrease (increase) in accrued interest	2,235	(119)
Decrease (increase) in pledges receivable	(5,934)	8,636
Increase in sales taxes receivable	(917)	
Decrease in prepaid expenditures	458	38
Decrease in current liabilities	(67,466)	(20,505)
Increase in deferred contributions	157,899	70,472
Scholarships paid	(55,997)	(59,366)
Net cash generated	<u>49,937</u>	<u>79,748</u>
<b>FINANCING AND INVESTING ACTIVITIES</b>		
Investments	(619,561)	(177,795)
Proceeds on disposal of investments	401,641	151,132
Endowment contributions received	1,460	2,256
Net cash used	<u>(216,460)</u>	<u>(24,407)</u>
<b>Increase (decrease) in cash</b>	<b>(166,523)</b>	55,341
Cash, beginning of year	<u>429,203</u>	<u>373,862</u>
Cash, end of year	<u><u>262,680</u></u>	<u><u>429,203</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, 2007

	<u>2007</u>	<u>2006</u>
	\$	\$
<b>ASSETS</b>		
Current assets		
Cash	262,680	429,203
Accrued interest		2,235
Pledges receivable	18,449	12,515
Sales taxes receivable	917	
Prepaid expenditures		458
	<u>282,046</u>	<u>444,411</u>
Investments (Note 5)	861,752	522,981
Capital assets (Note 6)	562	1,065
	<u><u>1,144,360</u></u>	<u><u>968,457</u></u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	15,077	17,536
Amounts payable to Optimist International Foundation	132,152	175,910
Amounts payable to Optimist International	120,310	141,559
	<u>267,539</u>	<u>335,005</u>
Deferred contributions (Note 7)	504,133	346,234
Scholarships payable (Note 8)		
Oratorical contest	161,250	165,050
Essay	20,700	15,750
C.C.D.H.H.	82,293	88,440
	<u>264,243</u>	<u>269,240</u>
	<u>1,035,915</u>	<u>950,479</u>
<b>NET ASSETS</b>		
Restricted for endowment purposes (Note 9)	106,131	99,982
Invested in capital assets	562	1,065
Unrestricted	1,752	(83,069)
	<u>108,445</u>	<u>17,978</u>
	<u><u>1,144,360</u></u>	<u><u>968,457</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, 2007

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**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 CHANGE**

**Recently adopted standards**

On October 1, 2006, in accordance with the applicable transitional provisions, the Foundation adopted the new recommendations in Sections 3855, "Financial Instruments – Recognition and Measurement" and 3861, "Financial Instruments – Disclosure and Presentation" of the *Canadian Institute of Chartered Accountants' Handbook* (CICA).

Sections 3855 and 3861 deal with the recognition, measurement, presentation and disclosure of financial instruments and non-financial derivatives in the financial statements. The transitional provisions of these sections require that the Foundation remeasure the financial assets and liabilities as appropriate at the beginning of its fiscal year. Any adjustment of the previous carrying amount is recognized as an adjustment of the balance of net assets at the beginning of the fiscal year of initial application. The financial statements of prior fiscal years are not restated.

Adoption of these new recommendations resulted in the following impacts on the classification and measurement of the Foundation's financial instruments, which were previously recognized at cost:

- Cash and investments are classified as a 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. This change led to an increase in investments and the opening balance of net assets of \$87,347 as at October 1, 2006;
- 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. This change had no impact on the financial statements as at September 30, 2007;
- The accounts payable and accrued liabilities, amounts payable to Optimist International Foundation and amounts payable to Optimist International are classified as other financial liabilities. They are valued at amortized cost using the effective interest method. This change had no impact on the financial statements as at September 30, 2007.

**Optimist International Foundation of Canada /  
Fondation Optimist International du Canada**  
**Notes to Financial Statements**  
September 30, 2007

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**2 - ACCOUNTING CHANGE (Continued)**

**Future accounting standards**

In December 2006, the 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. These new standards are effective for fiscal years beginning on or after October 1, 2007 and the Foundation will implement them as of that date.

The Foundation is currently assessing the impact that the application of these new standards will have on the financial statements.

**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. 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.

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.

**Optimist International Foundation of Canada /  
Fondation Optimist International du Canada**  
**Notes to Financial Statements**  
September 30, 2007

**3 - ACCOUNTING POLICIES (Continued)**

**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.

*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.

**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, 2007, assets denominated in U.S. dollars consisting of cash and investments totalled US\$379,589 (nil as at September 30, 2006) and accounts payable to Optimist International Foundation denominated in U.S. dollars totalled US\$132,643 (US\$155,763 as at September 30, 2006).

**4 - INVESTMENT INCOME**

	<u>2007</u>	<u>2006</u>
	\$	\$
Interest	16,451	17,165
Interest earned on resources held for endowment purposes	3,123	
Dividends	8,868	6,351
Gain on disposal of investments	44,900	6,470
Changes in fair value of investments held for trading	(11,396)	
	<u>61,946</u>	<u>29,986</u>

**Optimist International Foundation of Canada /  
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**Notes to Financial Statements**  
September 30, 2007

**5 - INVESTMENTS**

	<u>2007</u>	<u>2006</u>
	\$	\$
Term deposit, 3.5%		6,000
Shares (market value \$360,365 in 2006)	<b>543,529</b>	277,345
Bonds (market value \$243,963 in 2006) (a)	<b>318,223</b>	239,636
	<b><u>861,752</u></b>	<b><u>522,981</u></b>

(a) Corporate and government bonds bear interest at rates from 3.47% to 7.05% (3.75% to 7.18% in 2006) and mature at various dates until 2049.

**6 - CAPITAL ASSETS**

	<u>2007</u>		<u>2006</u>	
	Cost	Accumulated amortization	Net	Net
	\$	\$	\$	\$
Furniture and fixtures	<b>6,285</b>	<b>6,128</b>	<b>157</b>	498
Computer hardware	<b>6,380</b>	<b>5,975</b>	<b>405</b>	567
	<b><u>12,665</u></b>	<b><u>12,103</u></b>	<b><u>562</u></b>	<b><u>1,065</u></b>

The Foundation recorded an amortization expenditure of \$503 (\$1,183 in 2006).

**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>2007</u>	<u>2006</u>
	\$	\$
Balance, beginning of year	<b>346,234</b>	324,728
Contributions received	<b>238,475</b>	184,976
Interest earned on childhood cancer endowment fund	<b>2,730</b>	
Recognized as revenue	<b>(83,306)</b>	(114,504)
Transfer to net assets restricted for endowment purposes		(48,966)
Balance, end of year	<b><u>504,133</u></b>	<b><u>346,234</u></b>

**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 enrollment of the recipient and within 12 years of the date of the award.

**Optimist International Foundation of Canada /  
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**Notes to Financial Statements**

September 30, 2007

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**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, 2007

	<u>2007</u>	<u>2006</u>
	\$	\$
<b><i>DONOR AWARDS AND RECOGNITION</i></b>		
Awards for donors	10,892	5,596
Brokerage and customs charges		106
Postage and shipping costs	8,798	6,439
Administrative expenditures	12,271	12,442
	<u>31,961</u>	<u>24,583</u>
<b><i>VOLUNTEER ACTIVITIES</i></b>		
Office of the President	4,378	4,338
Office of the President elected	3,678	706
Board of Directors	14,849	17,331
Executive director	2,477	1,844
Representative expenditures and seminars	12,498	11,555
Administrative expenditures	7,260	7,361
	<u>45,140</u>	<u>43,135</u>
<b><i>SPECIAL PROGRAMMES</i></b>		
Collector's plates and prints	2,750	8,994
Administrative expenditures	5,445	5,550
	<u>8,195</u>	<u>14,544</u>
<b><i>FUNDRAISING</i></b>		
Office supplies	426	856
Printing	6,905	1,076
Translation		323
Gifts in kind	3,208	
Administrative expenditures	4,298	4,141
	<u>14,837</u>	<u>6,396</u>
<b><i>INTERNATIONAL CONVENTION</i></b>		
Convention operating expenditures	21,011	210
Staff travel and housing	54	
	<u>21,065</u>	<u>210</u>

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

Year ended September 30, 2007

	<u>2007</u>	<u>2006</u>
	\$	\$
<b>ADMINISTRATIVE EXPENDITURES</b>		
General administrative expenditures	<b>27,207</b>	27,260
Bank charges	<b>2,092</b>	1,817
Exchange loss (gain)	<b>(927)</b>	4,366
Professional fees	<b>40,073</b>	25,932
Investment management fees	<b>11,835</b>	13,087
Telecommunications	<b>261</b>	1,230
Doubtful accounts	<b>5,336</b>	4,550
Other administrative expenditures	<b>3,114</b>	1,470
Amortization of capital assets	<b>503</b>	1,183
	<u><b>89,494</b></u>	<u>80,895</u>

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

Year ended September 30, 2007

	<b>2007</b>			2006
	Disaster relief	Childhood cancer	Club programmes	Total
	\$	\$	\$	\$
<b><i>DEFERRED CONTRIBUTIONS</i></b>				
Balance, beginning of year	<b>16,989</b>	<b>253,237</b>	<b>76,008</b>	324,728
Contributions received		<b>135,209</b>	<b>103,266</b>	184,976
Interest earned on childhood cancer endowment fund		<b>2,730</b>		<b>2,730</b>
Recognized as revenue		<b>(53,831)</b>	<b>(29,475)</b>	(114,504)
Transfer to net assets restricted for endowment purposes				(48,966)
Balance, end of year	<b>16,989</b>	<b>337,345</b>	<b>149,799</b>	<b>504,133</b>