

**Canadian Children's Optimist Foundation
Financial Statements**

September 30, 2017

Canadian Children's Optimist Foundation

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SOCIÉTÉ DE COMPTABLES PROFESSIONNELS AGRÉÉS
PARTNERSHIP OF CHARTERED PROFESSIONAL ACCOUNTANTS

JAMES M. ROWEN, CPA, CA
WENDY N. ROSCOE, CPA, CA
LILY YUAN HU, CPA, CGA, US CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Canadian Children's Optimist Foundation

We were engaged to audit the accompanying financial statements of Canadian Children's Optimist Foundation (the Foundation), which comprise the statement of financial position as at September 30, 2017 and September 30, 2016 and the statements of operations and changes in net assets, cash flows and supplementary information on expenditures for the years ended September 30, 2017 and September 30, 2016, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the Foundation derives revenue from the general public, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation. We were unable to determine whether any adjustments might be necessary to revenues, excess of revenues over expenses, assets and fund balances.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Foundation as at September 30, 2017 and September 30, 2016 and the results of its operations, changes in net assets, its cash flows and supplementary information on expenditures for the years ended September 30, 2017 and September 30, 2016 in accordance with Canadian accounting standards for not-for-profit organizations.

Montreal, Quebec
February 14, 2018

Rowen & Associates L.L.P.

Rowen & Associates L.L.P.

James M. Rowen

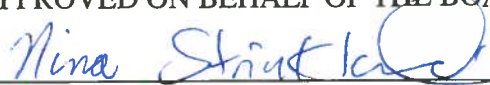
James M. Rowen, CPA Auditor, CA

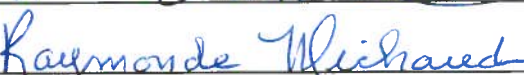


Canadian Children's Optimist Foundation
Statement of Financial Position
As at September 30, 2017

	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	\$ 15,182	\$ 13,144
Accrued interest receivable	3,593	3,987
Accrued dividends receivable	2,453	2,412
Other receivables	75,000	6,000
Sales taxes receivable	4,981	6,343
Prepaid expenses - recognition	-	5,989
Due from Optimist International	6,873	-
	108,082	37,875
Long term assets		
Portfolio investments (note 4)	1,945,466	1,943,022
Deferred costs - scholarships (note 6)	263,379	256,950
	2,208,845	2,199,972
Intangible asset		
Organization cost (note 2)	18,708	18,708
	\$ 2,335,635	\$ 2,256,555
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 34,355	\$ 46,318
Due to Optimist International	-	25,330
	34,355	71,648
Long term liabilities		
Deferred contributions (note 5)	136,730	95,661
Scholarships payable (notes 2 & 6)	278,172	256,950
	414,902	352,611
	449,257	424,259
NET ASSETS		
Externally restricted		
- for endowment purposes - scholarships (note 7)	1,001,129	1,021,567
- for endowment purposes - CCC (note 7)	338,514	317,594
Internally restricted-invested in capital assets	-	-
Unrestricted	546,735	493,135
	1,886,378	1,832,296
	\$ 2,335,635	\$ 2,256,555

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

 Director

 Director

See accompanying notes

Canadian Children's Optimist Foundation
Statement of operations
For the year ended September 30, 2017

	2017	2016
Revenue		
Contributions from individuals	\$ 343,707	\$ 318,788
Scholarship contributions	-	12,750
Investment income (note 3)	109,614	155,009
Fundraising - Gala	-	27,402
Sponsorship income	-	12,600
Administration fee	5,027	4,375
Other income	3,956	-
	462,304	530,924
Grants and programmes		
Oratorical scholarships	43,000	39,000
Essay scholarships	27,500	23,150
C.C.D.H.H. scholarships	2,500	14,000
Don MacDonald Scholarship Oakville	22,000	18,000
Burnaby scholarships	-	1,250
Programme costs	42,000	29,800
Childhood cancer grant (note 5)	9,815	25,505
Outsourcing program (note 5)	47,529	79,780
	194,344	230,485
Excess of revenue over grants and programmes	267,960	300,439
Expenditures		
Volunteers and donors		
Donor awards and recognition	32,161	23,678
Volunteer activities	50,831	60,660
Special programmes	5,398	5,992
	88,390	90,330
Fundraising and public relations		
Fundraising	26,718	47,099
International convention	7,355	15,660
	34,073	62,759
Staff and administration		
Administrative expenditures	91,415	102,223
	213,878	255,312
Excess of revenue over expenditures	\$ 54,082	\$ 45,127

See accompanying notes

Canadian Children's Optimist Foundation
Statement of changes in net assets
For the year ended September 30, 2017

Year 2017	Externally restricted for endowment purposes (Scholarships)	Externally restricted for endowment purposes (CCC)	Internally restricted invested in capital assets	Unrestricted	Total
Balance at beginning of year	\$ 1,021,567	\$ 317,594	\$ -	\$ 493,135	\$ 1,832,296
Excess of revenue over expenses	19,562	20,920	-	13,600	54,082
Inter fund transfers	(40,000)	-	-	40,000	-
Balance at end of year	\$ 1,001,129	\$ 338,514	\$ -	\$ 546,735	\$ 1,886,378

Year 2016	Externally restricted for endowment purposes (Scholarships)	Externally restricted for endowment purposes (CCC)	Internally restricted invested in capital assets	Unrestricted	Total
Balance at beginning of year	\$ 1,051,772	\$ 309,676	\$ 350	\$ 441,375	\$ 1,803,173
Excess (deficiency) of revenue over expenses	54,795	24,385	(350)	(33,703)	45,127
Inter fund transfers	(85,000)	(463)	-	85,463	-
Transfer to deferred contributions	-	(16,004)	-	-	(16,004)
Balance at end of year	\$ 1,021,567	\$ 317,594	\$ -	\$ 493,135	\$ 1,832,296

See accompanying notes

Canadian Children's Optimist Foundation
Statement of cash flows
For the year ended September 30, 2017

	2017	2016
OPERATING ACTIVITIES		
Excess of revenue over expenditures	\$ 54,082	\$ 45,127
Adjustments for:		
Gain on sale on portfolio investments (note 3)	(43,182)	(3,791)
Unrealized gain on portfolio investments (note 3)	(12,486)	(80,661)
Amortization	-	350
Transfer from CCC endowment fund to deferred contributions (note 5)	-	(16,004)
	(1,586)	(54,979)
Changes in non cash working capital		
Decrease in accrued interest receivable	394	292
Decrease (increase) in dividend receivable	(41)	330
Decrease (increase) in sales taxes receivable	1,362	(1,900)
Increase in other receivable	(69,000)	(6,000)
Decrease in accounts payable and accrued liabilities	(11,963)	(27,726)
Decrease in payable to Optimist International Foundation	-	(6,681)
Increase (decrease) in due from Optimist International	(32,203)	25,258
Increase (decrease) in prepaid expenses - recognition	5,989	(1,023)
Increase in deferred contributions	41,069	8,517
Increase in deferred costs - scholarships	(6,429)	(12,667)
Increase in scholarships payable	21,222	12,667
	(49,600)	(8,933)
Cash used in operating activities	(51,186)	(63,912)
INVESTING ACTIVITIES		
Acquisition of investments	(277,379)	(317,940)
Proceeds on disposal of investments	330,603	361,870
Cash generated from investing activities	53,224	43,930
NET INCREASE (DECREASE) IN CASH	2,038	(19,982)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	13,144	33,126
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 15,182	\$ 13,144

See accompanying notes

Canadian Children's Optimist Foundation
Notes to the financial statements
September 30, 2017

1. GOVERNING STATUTES AND PURPOSES OF THE ORGANIZATION

The Foundation, incorporated under Part II of the Canada Corporation Act, receives and maintains funds to operate programs 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.

The Foundation received its Certificate of Continuance under the *Canada Not-for-profit Corporations Act*, dated October 29, 2013.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis for presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The Foundation applies the deferral method of accounting for contributions.

Financial instruments

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has elected to carry its portfolio investments at fair value, which is based on year-end quoted market prices.

The unrealized gain or loss on portfolio investments, being the difference between book value and fair value, is included in revenues in the statement of operations.

The Foundation does not enter into any derivative financial instrument arrangements for hedging or speculative purposes.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred and included in administrative expenses. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest rate method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

Canadian Children's Optimist Foundation
Notes to the financial statements
September 30, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CON'T)

Cash and cash equivalents

Cash and cash equivalents include cash in bank, bank overdraft and on deposit with broker, with a maturity of less than three months at time of purchase.

Organization costs

Organization costs including amounts related to the charter, change in name of the Foundation, bylaws etc. have been recorded as organization costs.

This cost is not subject to amortization but must be written down when a permanent impairment in value occurs.

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.

Investment income, including the amount applicable to endowment purposes is recognized as revenue 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.

Capital assets

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

Donated services

The Foundation benefits greatly from donated services in the form of volunteer work for various operating activities. The value of donated services is not recognized in the financial statements because of the difficulty of measurement.

Scholarships

Contributions for Scholarships are set up as scholarships payable when received.

Scholarship expense is recognized when the scholarships are paid, with the difference between the amount awarded and amount paid being recorded as deferred costs - scholarships on the statement of financial position.

Amortization of capital assets

Capital assets are amortized over their estimated useful lives on a the straight-line basis over a five-year period.

Canadian Children's Optimist Foundation
Notes to the financial statements
September 30, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CON'T)

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 statement of operations for the year.

Management estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used when accounting for amortization, administrative expenditures and scholarships payable. Actual results could differ from such estimates.

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 due to their short term maturity date.

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.

3. INVESTMENT INCOME

	2017	2016
Interest	\$ 12,353	\$ 15,059
Dividends	41,593	55,498
Gain on sale of portfolio investments	43,182	3,791
Unrealized gain on portfolio investments	12,486	80,661
	\$ 109,614	\$ 155,009

Income earned on investments held for endowment purposes included above is \$40,482 (\$79,180 in 2016)

Canadian Children's Optimist Foundation
Notes to the financial statements
September 30, 2017

4. PORTFOLIO INVESTMENTS

	2017		2016	
	Cost	Market Value	Cost	Market Value
Fixed income				
- Canadian	\$ 387,217	\$ 382,694	\$ 383,653	\$ 395,925
Common stock				
- Canadian	461,170	630,196	515,544	644,609
- US	309,660	429,708	269,808	403,521
	770,830	1,059,904	785,352	1,048,130
Pooled funds				
- Canadian	444,710	467,611	472,579	490,403
- US	36,292	35,257	7,507	8,564
	481,002	502,868	480,086	498,967
	\$1,639,049	\$1,945,466	\$1,649,091	\$1,943,022

The Foundation determines the fair value of its investments based on published price quotations in active markets. The unrealized gain on portfolio investments recognized in the year is calculated as follows:

	2017	2016	2015
Fair value of investments	\$ 1,945,466	\$ 1,943,022	\$ 1,902,500
Cost of investments	1,639,049	1,649,091	1,689,230
Unrealized gain on portfolio investments, end of year	\$ 306,417	\$ 293,931	\$ 213,270
Change in unrealized gain on portfolio investments (note 3)	\$ 12,486	\$ 80,661	

Corporate and government bonds bear interest at rates from 1.25% to 5.96 % (2.0% to 5.96% in 2016) and mature at various dates until 2024.

The investments have been managed by RBC Dominion Securities Inc. in accordance with agreements approved by the directors of the Foundation.

5. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent operating fund contributions received which are restricted for 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:

Canadian Children's Optimist Foundation
Notes to the financial statements
September 30, 2017

5. DEFERRED CONTRIBUTIONS (CON'T)

2017	Childhood cancer	Club programmes	September 30 2017
Balance, beginning of year	\$ -	\$ 95,661	\$ 95,661
Contributions received	9,933	93,506	103,439
Recognized as revenue during the year	(9,815)	(47,528)	(57,343)
Administration expenses	-	(5,027)	(5,027)
Balance, end of year	\$ 118	\$ 136,612	\$ 136,730
2016	Childhood cancer	Club programmes	September 30 2016
Balance, beginning of year	\$ 2,765	\$ 84,379	\$ 87,144
Contributions received	6,736	108,187	114,923
Transfer from CCC endowment fund (note 8)	16,004	-	16,004
Recognized as revenue during the year	(25,505)	(92,530)	(118,035)
Administration expenses	-	(4,375)	(4,375)
Balance, end of year	\$ -	\$ 95,661	\$ 95,661

6. 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 8 years of the date of the award. The amounts payable have been discounted by 3.0% (3.0% in 2016) (average prime rate) per annum over a period up to 8 years.

Canadian Children's Optimist Foundation
Notes to the financial statements
September 30, 2017

6. SCHOLARSHIPS PAYABLE (CON'T)

	2017		2016	
	Unamortized Cost	Amortized Cost	Unamortized Cost	Amortized Cost
Scholarships payable - Optimist				
- Optimist International (OI)				
Oratorical contest	\$ 200,000	\$ 171,085	\$ 189,500	\$ 162,720
Essay	43,150	35,674	44,650	36,739
C.C.D.H.H.	51,500	45,805	55,500	49,596
	<u>294,650</u>	<u>252,564</u>	<u>289,650</u>	<u>249,055</u>
- Other				
Regional Oratorical	25,800	20,682	10,000	7,895
World Championship	6,240	4,926	-	-
	<u>32,040</u>	<u>25,608</u>	<u>10,000</u>	<u>7,895</u>
	<u>\$ 326,690</u>	<u>\$ 278,172</u>	<u>\$ 299,650</u>	<u>\$ 256,950</u>

The amount applicable to the next fiscal year is not determinable.

The deferred costs - scholarship was reduced by the amount reimbursed by Optimists International of \$14,793.

7. 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.

Endowment purposes- Scholarships

During 2011, the Foundation received a donation of \$1 million to its endowment fund, to be restricted for specific purposes for no less than 10 years. The annual income will be used first to provide 10 scholarships of \$1,000 bestowed annually by the Optimist Club of Oakville, the balance to be transferred to the unrestricted fund of the Foundation, to be used for a scholarship for the winners of the Oratorical, Essay and Communication (for the Deaf and Hard of Hearing) contests in the Central Ontario District, followed by the Quebec Centre and other districts in Canada. The Foundation may spend the capital of the donation if necessary, to meet the annual disbursement quota under the requirements of the Income Tax Act at the end of the term.

Canadian Children's Optimist Foundation
Notes to the financial statements
September 30, 2017

7. RESTRICTIONS ON NET ASSETS (CON'T)

During 2010 the Foundation received a donation of \$25,000 to its endowment fund, to be restricted for specific purpose for no less than 10 years. The annual income from this gift will be attributed to the payment of 2 scholarships of \$2,500 each to a Canadian student winner of the Oratorical contest from the Alberta, Montana, Saskatchewan and North Wyoming District. The Foundation may spend the capital of this gift before the end of the above term to meet the annual disbursement quota under the requirement of the Income Tax Act.

Endowment purposes- Childhood Cancer Campaign (CCC)

During 2012 the directors approved the establishment of a separate endowment fund for contributions restricted for Childhood Cancer Campaign purposes. In 2017, there was no amount transferred from deferred contributions (note 5) to the externally restricted purposes - Childhood Cancer Campaign under net assets section of the statement of Financial Position, whereas \$nil (\$16,004 in 2016) was transferred to deferred contributions (note 5) from the externally restricted purposes - Childhood Cancer Campaign under net assets section of the statement of Financial Position.

Subsequent to 2012, all contributions to Childhood Cancer Campaign are recorded in this endowment fund and the applicable funds are included in a separate investment account, designated for this purpose.

8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, AND FINANCIAL RISKS

Financial risk management objectives and policies

The Foundation is exposed to various financial risks resulting from both its operating and investing activities. The Foundation's management manages financial risks.

Financial risks

The Foundation's main financial risk exposure and its financial risk management policies are as follows:

Interest rate risk

The investments in bonds bear interest at a fixed rate and the Foundation is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations.

The Foundation's other financial assets and liabilities do not comprise any interest rate risk since they do not bear interest.

Canadian Children's Optimist Foundation
Notes to the financial statements
September 30, 2017

8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, AND FINANCIAL RISKS (CON'T)

Liquidity risk

Liquidity risk management serves to maintain a sufficient amount of cash and investments. The Foundation establishes budget and cash estimates to attain its objectives and fulfill its obligations.

Foreign exchange risk

The Foundation is exposed to foreign exchange risk due to cash, investments in U.S. dollars. As at September 30, 2017, assets denominated in U.S. dollars consisting of cash and investments totalled \$374,167 (\$314,161 as at September 30, 2016).

Credit risk

Credit risk is the risk that a counterparty to a financial instrument fails to fulfill a commitment or obligation towards the Foundation. The carrying amount of cash and investments represents the Foundation's maximum credit risk exposure as at September 30, 2017.

Cash transactions are conducted with several reputable financial institutions, from which management believes the risk of loss is remote. The Foundation mitigates the credit risk related to its investments by ensuring that it has a diversified investment mix.

9. EXPENSE ALLOCATIONS

The Foundation normally charges expenses directly to the specific account except for administration expenditures which are allocated on basis of management estimates.

10. COMPARATIVE FIGURES

The Foundation reclassified certain expense figures reported in the 2016 financial statements to correspond with the method of presentation in the current year.

Canadian Children's Optimist Foundation
Supplementary Information on expenditures
September 30, 2017

	2017	2016
Donor awards and recognition		
Awards for donors	\$ 13,464	\$ 3,421
Postage and shipping costs	6,739	8,137
Administrative expenditures	11,958	12,120
	\$ 32,161	\$ 23,678
Volunteer activities		
Office of president	\$ 8,028	\$ 6,448
Board of Directors	15,885	27,713
Representative expenditures and seminars	13,251	12,648
Administrative expenditures	13,667	13,851
	\$ 50,831	\$ 60,660
Special programmes		
Planned gift program	\$ 1,981	\$ 2,529
Administrative expenditures	3,417	3,463
	\$ 5,398	\$ 5,992
Fundraising		
Office supplies	\$ 1,580	\$ 2,610
Printing	3,957	5,123
Computer and website	4,292	6,928
Administrative expenditures	16,889	16,638
Gala	-	15,800
	\$ 26,718	\$ 47,099
Administrative expenditures		
General administrative expenditures	\$ 32,012	\$ 33,113
Bank charges	1,274	1,218
Exchange loss (gain)	(3,377)	605
Professional fees	33,915	38,565
Investment management fees	18,064	17,838
Telecommunications	662	1,663
Other administrative expenditures	8,865	8,871
Amortization of capital assets	-	350
	\$ 91,415	\$ 102,223