



## **Creating a Donor Restricted Fund at OCAD University**

### **What is a donor restricted fund?**

A trust fund that is created by donors with restrictions designated by the donor as set out in a gift agreement that is approved by the University before the gift is accepted. The capital gift is held by the University as an externally restricted fund, and be managed by the University in accordance with the gift agreement, requirements of common law, and regulations under the Charities Accounting Act (Ontario).

### **What kind of donor restricted funds can be established?**

#### *Endowed Funds*

The most common donor restricted funds are perpetual endowment funds (“endowed funds”), Contributions to endowed funds are gifts of capital which the university preserves. The capital gift is invested in perpetuity, generating annual income of which a portion is used to support the specific purpose (restriction) for which the fund was established. The minimum donation required to establish an endowed fund is \$25,000. Once the minimum funding level is received from the donor(s), the capital must be vested for one year in order for the fund to accrue investment income for payout.

#### *Long Term Restricted Funds*

A donor may establish a fund with the capital to be held for a specific period of time, rather than to be held in perpetuity. The capital gift is invested, generating annual income of which a portion is used to support the specific purpose (restriction) for which the fund was established. At the end of this period, the capital may be disbursed in accordance with the restrictions imposed by the donor. The minimum donation required to establish a long term restricted fund is \$25,000. Once the minimum funding level is received from the donor(s), the capital must be vested for one year in order for the fund to accrue investment income for payout

### **How are restricted funds invested?**

Gifts held in trust are managed as a unitized pooled investment fund. Management of the pooled investment fund is supervised by the Investment Committee of the Board of Governors, which is responsible for selecting, monitoring and establishment of the investment goals, objectives and benchmarks of the fund manager and setting the annual payout policy. Key investment goals are: maximize each fund’s total long-term investment return while incurring a prudent amount of investment risk; generate sufficient income to support annual spending requirements; protect the purchasing power of the capital base of restricted funds; attain real increases in spending through growing the capital base as a result of new gifts, capital gains and the capitalization of investment earnings.

### **What is the payout rate and how is it determined?**

Available payout rate for any fiscal year of the University are established by the Board of Governors from time to time. The spending level allows investment income to be used to support the endowment commitments. Considerations in setting the spending levels are historical total returns of the portfolio, regulatory requirements, capital preservation and post-secondary best practices. Spending will commence once the endowment has existed for at least one full year. The Canada Custom and Revenue Agency (CRA) requires a disbursement quota of a minimum of 3.5% of the average value over the previous 24 month period of a registered charity's property. The payout rate is currently in the range of 3.5% to 4.0%.

### **What is the asset mix of the pooled invested funds?**

The determination of the asset mix for the University's endowment and restricted funds is the principal means of defining the funds risk and return parameters. The asset classes, asset allocation targets and permissible ranges for the University endowment and restricted funds are as follows:

<b>Asset Class</b>	<b>Target</b>	<b>Permissible Range</b>
Cash & Equivalents	5%	0%-30%
Fixed Income	30%	20%-50%
Canadian Equities	40%	20%-60%
Foreign Equities	25%	10%-40%
<b>Total</b>	<b>100%</b>	

### **What kind of reporting to you provide to donors?**

We will send annual reports on the endowed funds each November to the contact(s) for the Fund contact(s). These reports provide a market review, a portfolio review, a fund review, and, wherever possible, information about and from the student recipient(s), including samples of their art or design work.

### **For more information**

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Development & Alumni Relations  
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100 McCaul Street, Toronto, ON  
416-977-6000 Ext. 481  
giving@ocadu.ca

### **Note on legal advice to donors**

The University does not provide any legal, accounting, tax or financial advice to donors with respect to gifts to the University. Donors are encouraged and recommended to seek their own independent legal, accounting, tax or financial advice from professionals. Where necessary, donors will be requested to provide the University with an acknowledgement that (i) he or she has obtained independent professional advice; or he or she has been advised by the University to obtain independent professional advice and has waived obtaining such advice; and (ii) the University is released from any liability that may arise in relation to the making of the gift by the donor. Donors are responsible for all costs incurred in relation to obtaining such independent professional advice.

*Updated August, 2016*