

Financial Statements

Ontario College of Art & Design Foundation
May 31, 2007

AUDITORS' REPORT

To the Members of the
Ontario College of Art & Design Foundation

We have audited the balance sheet of the **Ontario College of Art & Design Foundation** as at May 31, 2007 and the statement of operations and changes in fund balances 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.

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 our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at May 31, 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 the Corporations Act (Ontario), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Toronto, Canada,
July 31, 2007.

Ernst + Young LLP

Chartered Accountants
Licensed Public Accountants

Ontario College of Art & Design Foundation

BALANCE SHEET

As at May 31

	2007	2006
	\$	\$
ASSETS		
Cash	1,577,302	162,192
Marketable securities, at market value <i>[note 3[a]]</i>	7,339,980	3,816,667
	8,917,282	3,978,859
LIABILITY AND FUND BALANCES		
Liability		
Due to the Ontario College of Art & Design	632,985	315,255
Fund balances		
Operating Fund	787,495	763,974
Restricted Fund <i>[note 5]</i>	303,846	276,400
Endowment Fund <i>[note 4]</i>	7,192,956	2,623,230
Total fund balances	8,284,297	3,663,604
	8,917,282	3,978,859

See accompanying notes

On behalf of the Board:

Chair

Vice-Chair



Ontario College of Art & Design Foundation

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

Year ended May 31

	<u>Operating Fund</u>		<u>Restricted Fund</u>		<u>Endowment Fund</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	\$	\$	\$	\$	\$	\$	\$	\$
			[note 5]		[note 4]			
REVENUE								
Investment income, net [notes 3[b] and 4]	108,333	74,448	249,121	120,701	375,906	147,113	733,360	342,262
Transfer from Ontario College of Art & Design – endowed funds [note 6[e]]	—	—	—	—	2,643,759	—	2,643,759	—
Transfer from Ontario College of Art & Design – Government matching grant [note 6[e]]	—	—	—	—	1,078,513	—	1,078,513	—
Donations	—	6,149	1,337,718	1,728,698	471,548	49,630	1,809,266	1,784,477
	108,333	80,597	1,586,839	1,849,399	4,569,726	196,743	6,264,898	2,126,739
EXPENSES								
Funds transferred to the Ontario College of Art & Design [note 6]	84,812	56,310	1,559,393	1,834,118	—	—	1,644,205	1,890,428
Excess of revenue over expenses for the year	23,521	24,287	27,446	15,281	4,569,726	196,743	4,620,693	236,311
Fund balances, beginning of year	763,974	739,687	276,400	261,119	2,623,230	2,426,487	3,663,604	3,427,293
Fund balances, end of year	787,495	763,974	303,846	276,400	7,192,956	2,623,230	8,284,297	3,663,604

See accompanying notes



Ontario College of Art & Design Foundation

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1. PURPOSE OF THE ORGANIZATION

The Ontario College of Art & Design Foundation [the "Foundation"] was incorporated under the laws of Ontario as a corporation without share capital. The Foundation receives, accumulates, invests and distributes funds and/or income for the benefit of the Ontario College of Art & Design [the "University"].

The Foundation is a public foundation registered under the Income Tax Act (Canada) [the "Act"] and, as such, is exempt from income taxes and able to issue donation receipts for income tax purposes. In order to maintain its status as a public foundation registered under the Act, the Foundation must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Foundation have been prepared in accordance with Canadian generally accepted accounting principles. The following summary of significant accounting policies is set forth to facilitate the understanding of these financial statements:

Fund accounting

The Foundation follows the restricted fund method of accounting for contributions. The Foundation ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they are provided.

For financial reporting purposes, the accounts have been classified into the following funds:

[a] Operating Fund

The Operating Fund accounts for the Foundation's undesignated fundraising activities and reports unrestricted resources available for immediate purposes.

[b] Restricted Fund

The Restricted Fund reports, as revenue, resources that are to be used for specific purposes as specified by the donor, and, as expenses, the use of these resources for the specified purposes.



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[c] Endowment Fund

The Endowment Fund reports resources that are required by the donor or the Board of Directors [the "Board"] to be maintained by the Foundation on a permanent basis. Revenue of the Endowment Fund is limited to amounts that have been restricted for endowment purposes by the external contributor.

Marketable securities and investment income

Marketable securities are recorded at market value. Investment income earned on the Endowment Fund or Restricted Fund resources that must be spent on donor-restricted activities is recognized as revenue of the Restricted Fund. Unrestricted investment income is recognized as revenue of the Operating Fund.

Revenue recognition

Donor-restricted contributions for endowment purposes are recognized as revenue in the Endowment Fund. Other donor-restricted contributions are recognized as revenue of the Restricted Fund. Unrestricted contributions are recognized as revenue of the Operating Fund. Contributions are recognized as revenue when received since pledges are not legally enforceable claims.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at year end. Operating revenue and expenses are translated at average rates prevailing during the year. Gains or losses arising from these translations are included in income.

Contributed goods and services

Volunteers contribute a substantial number of hours per year to assist the Foundation in carrying out its fundraising activities. Because of the difficulty in determining their fair value, contributed goods and services are not recognized in the financial statements.



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Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

3. MARKETABLE SECURITIES AND INVESTMENT INCOME

[a] Marketable securities consist of the following:

	2007	2006
	\$	\$
Bonds and debentures	2,519,817	1,326,303
Equities		
Canadian common	2,614,618	1,818,359
Foreign common	1,998,304	652,005
Accrued income	207,241	20,000
	7,339,980	3,816,667

As at May 31, 2007, the weighted average rate of return on fixed income securities, based on market values, is 4.60% [2006 - 4.43%] and the weighted average term to maturity is 8.2 years [2006 - 7.5 years].

[b] Investment income, net, consists of the following:

	2007	2006
	\$	\$
Interest and dividend income	406,098	109,130
Realized and unrealized gain on marketable securities, net	382,538	272,431
Investment management and custodian fees	(39,979)	(39,299)
Administration fees	(15,297)	—
	733,360	342,262

Restricted funds held for the University campus expansion project are invested separately from other funds. For the year ended May 31, 2007, interest income earned on these funds amounted to \$909 [2006 - \$640]. Other investment income is allocated based on the balances of individual funds.

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4. ENDOWMENT FUND

The Endowment Fund consists of externally or internally restricted contributions received by the Foundation where the endowment principal is required by the donor or the Board to be maintained permanently. The investment income generated from assets held for endowment purposes must be used in accordance with the various purposes established by the donors or the Board.

The Endowment Fund consists of the following:

	2007	2006
	\$	\$
Externally endowed funds with income to be used for donor-restricted purposes	6,710,741	2,161,188
Externally endowed funds with income unrestricted	205,864	186,844
Internally endowed restricted funds with income to be used for scholarships and bursaries	276,351	275,198
	7,192,956	2,623,230

Policies have been established by the Foundation with the objective of protecting the real value of endowments by limiting the amount of income made available for spending and requiring the reinvestment of income not made available. Based on these policies, the pay out rate has been set at 4.0% [2006 - 4.5%]. Investment income for the purposes of these policies includes interest and dividend income and realized and unrealized gains and losses, net of investment management fees. In any particular year, should net investment income be insufficient to fund the amount to be made available for spending or the investment return is negative, the amount that is made available for spending is funded by the accumulated reinvested income. However, for individual endowment funds without sufficient accumulated reinvested income, endowment capital is used in the current year. This amount is expected to be recovered by future net investment income.

During the year, the Endowment Fund earned investment income of \$584,962 [2006 - \$244,218], of which \$209,056 [2006 - \$97,105] was made available for spending, recorded as Restricted Fund revenue and transferred to the University [note 6]. The balance of investment income, amounting to \$375,906 [2006 - \$147,113], was recorded as Endowment Fund revenue.



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5. RESTRICTED FUND

The major categories of externally imposed restrictions on funds included in the Restricted Fund are as follows:

	2007	2006
	\$	\$
Restricted for Dorothy Hoover Library	137,062	124,683
Restricted for Florence Program	166,784	151,717
	303,846	276,400

6. RELATED PARTY TRANSACTIONS

[a] Funds were transferred to the University for the following purposes:

	2007	2006
	\$	\$
OPERATING FUND		
Management fee	25,000	25,000
Scholarships and bursaries	29,470	31,310
University capital campaign	25,000	—
Foundation President search	4,164	—
Sculpture Program	1,178	—
	84,812	56,310
RESTRICTED FUND		
University campus expansion and related campaign costs	1,338,587	1,726,013
Scholarships and bursaries	189,437	79,105
Dorothy Hoover Library	5,302	5,000
Florence Program	6,448	6,000
Sculpture Program	19,619	18,000
	1,559,393	1,834,118
Total funds transferred	1,644,205	1,890,428

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- [b] Administrative services are provided by the University for a management fee of \$25,000. Fundraising support and space are provided to the Foundation by the University at no cost, except for costs related to the Capital Fundraising Campaign being funded over the period in which pledges are being collected. In fiscal 2007, the University paid expenses related to the search for the Foundation President and the Foundation transferred \$4,164 to the College to cover a portion of these costs.
- [c] Related party transactions are recorded at the exchange amount which is the amount of consideration established and agreed to by the related parties.
- [d] Amounts due to the University are non interest-bearing and due on demand.
- [e] The Board of Governors of the University approved the transfer to the Foundation, effective June 1, 2006, of \$2,643,759 from endowment net assets related to Government of Ontario matching programs that provide funding for bursaries.

The Foundation now receives and records in its financial statements donations eligible for matching under these Government of Ontario programs. The matching contributions from the Government, which are claimed by the University and received by them, are transferred to the Foundation where they are recorded in the Endowment Fund. The Foundation records revenue and a receivable from the University equal to the amount of matching funds to be claimed by the University when the donations eligible for matching are received and recorded in Endowment Fund revenue by the Foundation. In fiscal 2007, an amount of \$1,078,513 was recorded by the Foundation as Endowment Fund revenue in connection with matching grants from the University.

Investment income is earned on the endowed funds held by the Foundation. An amount is made available for spending each year in accordance with the Foundation's policies *[note 4]*. This amount is transferred to the University.

The Government requires the University to provide certain details of the endowed funds held by the Foundation and the expendable funds held by the University in connection with these matching programs. These details are provided in the financial statements of the University.

7. FINANCIAL INSTRUMENTS

The carrying values of financial instruments approximate their fair values unless otherwise noted. The Foundation is subject to interest rate, market and foreign currency risks with respect to its marketable securities.



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8. STATEMENT OF CASH FLOWS

A separate statement of cash flows has not been presented since cash flows from operating, investing and financing activities are readily apparent from the other financial statements.



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