

Financial Statements

Ontario College of Art & Design Foundation
May 31, 2008

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, 2008 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, 2008 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 30, 2008.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Ontario College of Art & Design Foundation

BALANCE SHEET

As at May 31

	2008	2007
	\$	\$
ASSETS		
Cash and cash equivalents	1,093,019	1,577,302
Investments, at market value <i>[note 3[a]]</i>	7,958,822	7,339,980
	9,051,841	8,917,282
LIABILITY AND FUND BALANCES		
Liability		
Due to the Ontario College of Art & Design <i>[note 6[d]]</i>	568,159	632,985
Fund balances		
Operating Fund	654,759	787,495
Restricted Fund <i>[note 5]</i>	314,325	303,846
Endowment Fund <i>[note 4]</i>	7,514,598	7,192,956
Total fund balances	8,483,682	8,284,297
	9,051,841	8,917,282

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>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$	\$	\$	\$	\$	\$	\$	\$
			<i>[note 5]</i>		<i>[note 4]</i>			
REVENUE								
Investment income (loss), net <i>[notes 3[b] and 4]</i>	(15,757)	108,333	(5,303)	40,065	(143,920)	584,962	(164,980)	733,360
Transfer from Ontario College of Art & Design - endowed funds <i>[notes 6[e] and [f]]</i>	—	—	—	—	108,239	2,643,759	108,239	2,643,759
Transfer from Ontario College of Art & Design - Government matching grant <i>[note 6[e]]</i>	—	—	—	—	322,593	1,078,513	322,593	1,078,513
Donations	20,000	—	1,108,788	1,337,718	322,077	471,548	1,450,865	1,809,266
	4,243	108,333	1,103,485	1,377,783	608,989	4,778,782	1,716,717	6,264,898
EXPENSES								
Funds transferred to the Ontario College of Art & Design <i>[notes 4 and 6]</i>	136,979	84,812	1,380,353	1,559,393	—	—	1,517,332	1,644,205
Excess (deficiency) of revenue over expenses for the year	(132,736)	23,521	(276,868)	(181,610)	608,989	4,778,782	199,385	4,620,693
Fund balances, beginning of year	787,495	763,974	303,846	276,400	7,192,956	2,623,230	8,284,297	3,663,604
Interfund transfer <i>[notes 6[e] and [f]]</i>	—	—	287,347	209,056	(287,347)	(209,056)	—	—
Fund balances, end of year	654,759	787,495	314,325	303,846	7,514,598	7,192,956	8,483,682	8,284,297

See accompanying notes



NOTES TO FINANCIAL STATEMENTS

May 31, 2008

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.

NOTES TO FINANCIAL STATEMENTS

May 31, 2008

[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.

Change in accounting policies

Effective January 1, 2007, the Foundation adopted the recommendations of CICA 3855: *Financial Instruments – Recognition and Measurement* and CICA 3861: *Financial Instruments - Disclosure and Presentation*. CICA 3855 establishes standards for recognizing and measuring financial instruments, including the accounting treatment for changes in fair value. As required by CICA 3855, and consistent with the accounting policy for investments used to prepare the prior year's financial statements, investments continue to be presented at fair value. As permitted by CICA 3855, the Foundation's financial assets and liabilities continue to be presented at amortized cost which approximates fair value.

The adoption of CICA 3855 and 3861 did not have an impact on the financial statements in the prior or current year.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and short-term investments with an original term to maturity of less than three months.

Investments and investment income

Publicly traded securities are valued based on the latest bid prices and pooled funds are valued based on reported unit values. Short-term securities are valued based on cost plus accrued income, which approximates fair value. Transactions are recorded on a settlement/trade date basis and transaction costs are expensed as incurred.

Investment income, which consists of interest, dividends, income distributions from pooled funds, and realized and unrealized gains and losses, is recorded as revenue in the statement of operations and changes in fund balances.

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.

NOTES TO FINANCIAL STATEMENTS

May 31, 2008

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 investment 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.

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.

Future changes in accounting policies

The CICA has issued two new standards, CICA 3862: *Financial Instruments - Disclosures* and CICA 3863: *Financial Instruments - Presentation*, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

The CICA has also issued a new accounting standard, CICA 1535: *Capital Disclosures*, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

These changes in accounting policies, which will be adopted effective January 1, 2008, will only require additional disclosures in the financial statements.

NOTES TO FINANCIAL STATEMENTS

May 31, 2008

3. INVESTMENTS AND INVESTMENT INCOME (LOSS)

[a] Investments consist of the following:

	2008 \$	2007 \$
Bonds and debentures	2,810,581	2,519,817
Equities		
Canadian	3,942,260	2,614,618
Foreign	1,057,845	1,998,304
Accrued income	148,136	207,241
	7,958,822	7,339,980

As at May 31, 2008, the weighted average rate of return on fixed income securities, based on market values, is 4.14% [2007 - 4.60%] and the weighted average term to maturity is 9.4 years [2007 - 8.2 years].

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

	2008 \$	2007 \$
Interest and dividend income	368,476	406,098
Realized and unrealized gain (loss) on investments, net	(456,783)	382,538
Investment management and custodian fees	(64,402)	(39,979)
Administration fees	(12,271)	(15,297)
	(164,980)	733,360

Investment income is allocated based on the balances of individual funds.

NOTES TO FINANCIAL STATEMENTS

May 31, 2008

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:

	2008	2007
	\$	\$
Externally endowed funds with income to be used for donor-restricted purposes	7,044,922	6,710,741
Externally endowed funds with income unrestricted	193,511	205,864
Internally endowed restricted funds with income to be used for scholarships and bursaries	276,165	276,351
	7,514,598	7,192,956

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 payout rate has been set at 4.0% [2007 - 4.0%]. Investment income for the purposes of these policies includes interest and dividend income and realized and unrealized gains and losses, net of 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 fiscal 2008, the Endowment Fund incurred an investment loss of \$143,920. The amount made available for spending of \$287,347 was transferred from the Endowment Fund to the Restricted Fund. This amount is included in the amount transferred to the University [note 6[a]].

During fiscal 2007, the Endowment Fund earned investment income of \$584,962, of which \$209,056 was made available for spending, recorded as Restricted Fund revenue and transferred to the University [note 6[e]]. The balance of investment income, amounting to \$375,906, was recorded as Endowment Fund revenue.

Ontario College of Art & Design Foundation

NOTES TO FINANCIAL STATEMENTS

May 31, 2008

5. RESTRICTED FUND

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

	2008	2007
	\$	\$
Restricted for Dorothy Hoover Library	129,868	137,062
Restricted for Florence Program	156,775	166,784
Restricted for Drawing & Painting Program	27,682	—
	314,325	303,846

6. RELATED PARTY TRANSACTIONS

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

	2008	2007
	\$	\$
OPERATING FUND		
Management fee	25,000	25,000
Foundation President search	8,337	4,164
Development & Alumni Relations Department Supplement	100,000	—
Honorary Degree Ceremony	3,642	—
Scholarships and bursaries	—	29,470
University capital campaign	—	25,000
Sculpture Program	—	1,178
	136,979	84,812
RESTRICTED FUND		
University campus expansion	1,080,852	1,338,587
Scholarships and bursaries	256,015	189,437
University programs	8,235	—
Dorothy Hoover Library	5,482	5,302
Florence Program	6,671	6,448
Sculpture Program	21,616	19,619
Auditorium	1,482	—
	1,380,353	1,559,393
Total funds transferred	1,517,332	1,644,205

NOTES TO FINANCIAL STATEMENTS

May 31, 2008

- [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 2008, the University paid expenses related to the search for the Foundation President and the Foundation transferred \$8,337 [2007 - \$4,164] to the University 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 2008, an amount of \$322,593 [2007 - \$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.

- [f] The Board of Governors of the University approved the transfer to the Foundation on February 11, 2008 of \$108,239 from endowment net assets related to a Government of Ontario graduate fellowship program.

7. FINANCIAL INSTRUMENTS

The Foundation is subject to interest rate price risk, market risk and foreign currency risk with respect to its investments. To manage these risks, the Foundation has established a target mix of investment types designed to achieve the optimal return within reasonable risk tolerance.

Ontario College of Art & Design Foundation

NOTES TO FINANCIAL STATEMENTS

May 31, 2008

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.



ERNST & YOUNG LLP

ey.com/ca