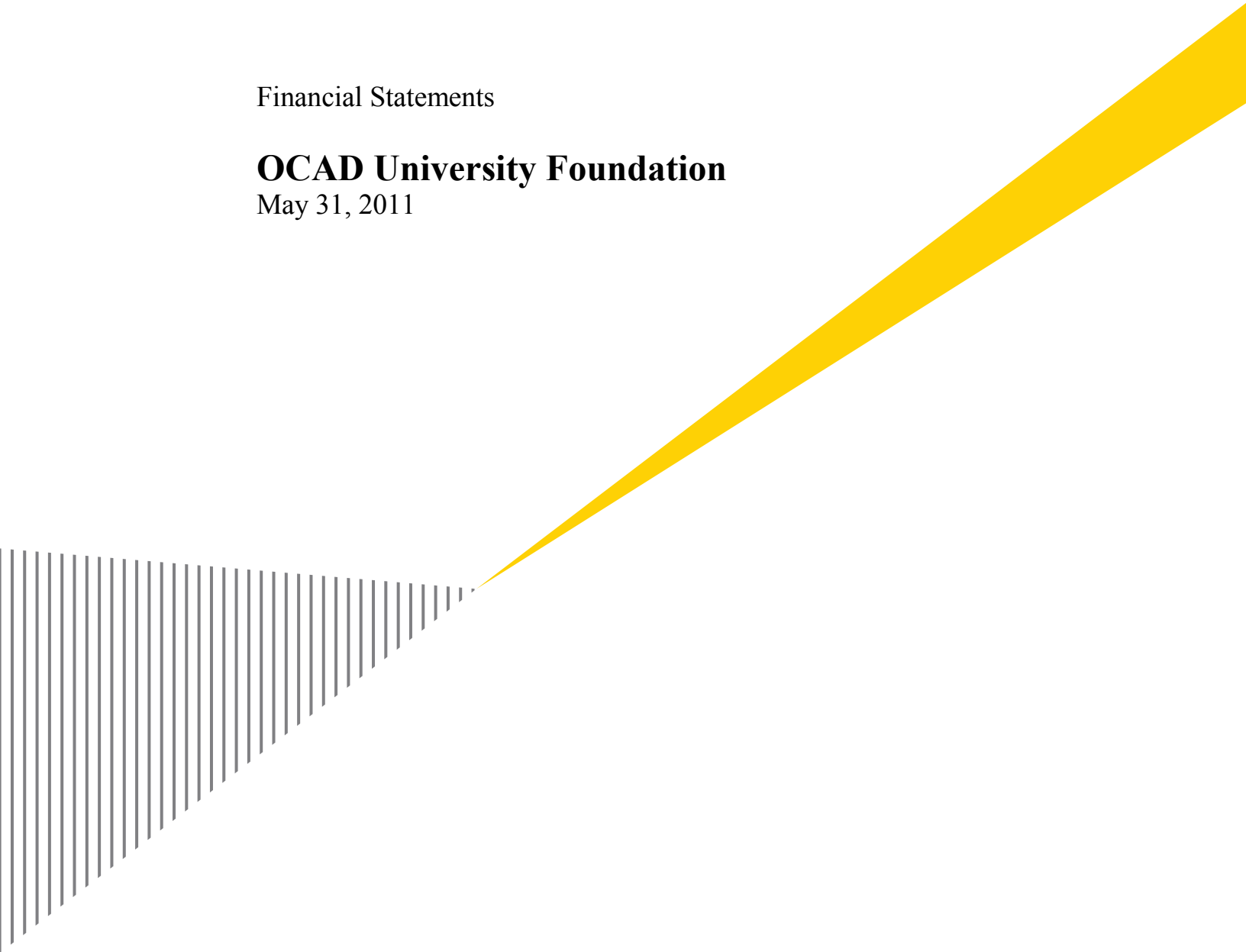


Financial Statements

OCAD University Foundation

May 31, 2011



INDEPENDENT AUDITORS' REPORT

To the Members of the
OCAD University Foundation

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **OCAD University Foundation**, which comprise the balance sheet as at May 31, 2011, the statements of operations and changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditors' 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 auditors' 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 auditors consider internal control relevant to the entity'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 entity'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **OCAD University Foundation** as at May 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Corporations Act (Ontario), we report that, in our opinion, Canadian generally accepted accounting principles have been applied on a basis consistent with that of the preceding year.

Toronto, Canada,
September 22, 2011.

Ernst + Young LLP

Chartered Accountants
Licensed Public Accountants

OCAD University Foundation

BALANCE SHEET

As at May 31

	2011	2010
	\$	\$
ASSETS		
Cash and cash equivalents	720,042	855,856
Investments, at market value <i>[note 3[a]]</i>	10,074,592	8,660,047
	10,794,634	9,515,903
LIABILITY AND FUND BALANCES		
Liability		
Due to Ontario College of Art & Design University <i>[note 6[d]]</i>	454,895	513,136
Fund balances		
Operating Fund	289,049	273,879
Restricted Fund <i>[note 5]</i>	474,086	504,621
Endowment Fund <i>[note 4]</i>	9,576,604	8,224,267
Total fund balances	10,339,739	9,002,767
	10,794,634	9,515,903

See accompanying notes

On behalf of the Board:

Chair

Vice-Chair

OCAD University Foundation

STATEMENT OF CASH FLOWS

Year ended May 31

	2011	2010
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	1,336,972	1,015,321
Net (decrease) increase in due to Ontario College of Art & Design University	(58,241)	385,980
Cash provided by operating activities	1,278,731	1,401,301
INVESTING ACTIVITIES		
Net increase in investments	(1,414,545)	(1,345,442)
Cash used in investing activities	(1,414,545)	(1,345,442)
Net increase (decrease) in cash and cash equivalents during the year	(135,814)	55,859
Cash and cash equivalents, beginning of year	855,856	799,997
Cash and cash equivalents, end of year	720,042	855,856

See accompanying notes

OCAD University 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>	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE								
Investment income, net <i>[notes 3[b] and 4]</i>	36,569	44,333	241,053	178,307	898,905	634,362	1,176,527	857,002
Transfer from Ontario College of Art & Design University – Government funding <i>[note 6[e]]</i>	—	—	—	—	299,602	9,000	299,602	9,000
Donations	—	—	262,255	1,351,694	137,170	194,380	399,425	1,546,074
	36,569	44,333	503,308	1,530,001	1,335,677	837,742	1,875,554	2,412,076
EXPENSES								
Funds transferred to the Ontario College of Art & Design University <i>[notes 4 and 6]</i>	4,739	104,132	533,843	1,292,623	—	—	538,582	1,396,755
Excess (deficiency) of revenue over expenses for the year	31,830	(59,799)	(30,535)	237,378	1,335,677	837,742	1,336,972	1,015,321
Fund balances, beginning of year	273,879	413,186	504,621	262,160	8,224,267	7,312,100	9,002,767	7,987,446
Interfund transfers <i>[note 4]</i>	(16,660)	(79,508)	—	5,083	16,660	74,425	—	—
Fund balances, end of year	289,049	273,879	474,086	504,621	9,576,604	8,224,267	10,339,739	9,002,767

See accompanying notes

OCAD University Foundation

NOTES TO FINANCIAL STATEMENTS

May 31, 2011

1. PURPOSE OF THE ORGANIZATION

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

The Foundation is a public foundation registered under the Income Tax Act (Canada) and, as such, is exempt from income taxes and able to issue donation receipts for income tax purposes.

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:

Future changes in accounting policies

The Accounting Standards Board of the Canadian Institute of Chartered Accountants ["CICA"] issued Part III of the CICA Handbook that sets out the accounting standards for not-for-profit organizations that are effective for fiscal years beginning on or after January 1, 2012, with an option to early-adopt. The Foundation is currently evaluating the impact of these standards.

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.

OCAD University Foundation

NOTES TO FINANCIAL STATEMENTS

May 31, 2011

[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.

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 (loss)

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 date basis and transaction costs are expensed as incurred.

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

Investment income (loss) earned on the Endowment Fund or Restricted Fund resources that must be spent on donor-restricted activities is recognized in the Restricted Fund. Investment income that must be added to the Endowment Fund balance is recognized in the Endowment Fund. Unrestricted investment income is recognized in the Operating Fund.

Financial instruments

The Foundation has chosen to apply CICA 3861: *Financial Instruments – Disclosure and Presentation* in place of CICA 3862: *Financial Instruments – Disclosures* and CICA 3863: *Financial Instruments – Presentation*.

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.

OCAD University Foundation

NOTES TO FINANCIAL STATEMENTS

May 31, 2011

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 (loss).

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.

3. INVESTMENTS AND INVESTMENT INCOME

[a] Investments consist of the following:

	2011	2010
	\$	\$
Bonds and debentures	3,895,650	3,385,435
Equities		
Canadian	4,670,695	3,994,064
Foreign	1,430,368	1,217,767
Accrued income	77,879	62,781
	10,074,592	8,660,047

OCAD University Foundation

NOTES TO FINANCIAL STATEMENTS

May 31, 2011

As at May 31, 2011, the weighted average rate of return on fixed income securities, based on market values, is 3.72% [2010 – 3.58%] and the weighted average term to maturity is 6.1 years [2010 - 6.2 years].

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

	2011	2010
	\$	\$
Interest and dividend income	281,435	246,558
Realized and unrealized gain on investments, net	981,175	700,214
Investment management and custodian fees	(70,594)	(74,522)
Administration fees	(15,489)	(15,248)
	1,176,527	857,002

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

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:

	2011	2010
	\$	\$
Externally endowed funds with income to be used for donor-restricted purposes	9,106,938	7,752,105
Externally endowed funds with income unrestricted	187,212	171,987
Internally endowed restricted funds with income to be used for scholarships and bursaries	282,454	300,175
	9,576,604	8,224,267

OCAD University Foundation

NOTES TO FINANCIAL STATEMENTS

May 31, 2011

Policies have been established by the Foundation with the objective of protecting the real value of endowments by limiting the amount of income available for spending and requiring the reinvestment of income not disbursed. Based on these policies, the payout rate on individual funds has been set at 3.5% [2010 – 3.5%], plus a 1% management fee payable to the University, except as noted below. 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 not be sufficient to fund the payout calculated in accordance with the Foundation's policy, an amount is transferred from the Endowment Fund to the Restricted and Unrestricted Funds.

Under the Ministry of Training, Colleges and University's Institutional policy regarding the funds held for the Ontario Trust for Student Support ["OTSS"] and Ontario Student Opportunity Trust Fund ["OSOTF"] programs, the endowment principal [eligible matched donations, provincial and institutional matching funding and unmatched donations] cannot be used to fund OTSS and OSOTF awards and institutions may not implement any policy that would allow them to spend endowment principal, temporarily or otherwise, except that fees may be paid to the extent that investment income is earned. As at May 31, 2009 and 2010 the book value exceeded market value and, therefore, there was no payment from these funds in fiscal 2009 and 2010. As a result, the Foundation launched a multi-year Student Assistance Challenge Fundraising Campaign to replace funds not paid out. During fiscal 2011, the market value of the OTSS and OSOTF endowment balance exceeded its book value and payments from this fund were reinstated. However, the 2011 payments were less than the amount based on the 3.5% payout provided for in the Foundation's policy. The difference between the calculated and actual payout was covered by funds received by the Student Assistance Challenge Fundraising Campaign.

During fiscal 2011, the Endowment Fund earned total investment income of \$1,098,128 [2010 - \$784,573]. The amount available for spending and the management fee payable to the University [note 6[b]] totaling \$199,223 [2010 - \$150,211] was recorded as revenue in the Restricted Fund. This amount is included in the funds transferred to the University [note 6[a]]. The amount of \$898,905 [2010 - \$634,362] in excess of the amount available for spending was recorded as revenue in the Endowment Fund.

During fiscal 2011, \$16,660 [2010 - \$74,425] was transferred from the Operating Fund to the Endowment Fund for a matching student aid fundraising campaign. In 2010, an additional \$5,083 was transferred from the Operating Fund to the Restricted Fund for the Student Assistance Challenge campaign.

OCAD University Foundation

NOTES TO FINANCIAL STATEMENTS

May 31, 2011

5. RESTRICTED FUND

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

	2011	2010
	\$	\$
Restricted for Dorothy Hoover Library	126,641	115,423
Restricted for Nexus Library Fund	34,143	18,847
Restricted for Florence Program	156,062	143,283
Restricted for Drawing & Painting Program	62,512	35,704
Restricted for Major Capital Campaign	—	35,000
Restricted for Student Assistance Challenge	94,728	156,364
	474,086	504,621

OCAD University Foundation

NOTES TO FINANCIAL STATEMENTS

May 31, 2011

6. RELATED PARTY TRANSACTIONS

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

	2011	2010
	\$	\$
OPERATING FUND		
Management fee	2,739	4,132
University programs	—	100,000
Past Chairs Scholarships	2,000	—
	4,739	104,132
RESTRICTED FUND		
University campus expansion	115,543	933,383
Scholarships and bursaries	246,475	219,865
University programs	6,020	5,667
Dorothy Hoover Library	4,040	3,803
Nexus Library Fund	660	198
Florence Program	12,015	4,603
Sculpture Program	15,801	14,875
Auditorium	1,083	1,020
Textile Studio	595	536
Drawing & Painting Program	9,242	6,053
Ontario Graduate Fellowship	1,994	1,877
Major Capital Campaign Feasibility Study	35,000	25,000
Management fee	85,375	75,743
	533,843	1,292,623
Total funds transferred	538,582	1,396,755

[b] Administrative services are provided by the University for a management fee of \$88,114, [2010 - \$79,875] calculated as 1% of the operating, long-term restricted and endowment fund balances at the beginning of the year. Fundraising support and space are provided to the Foundation by the University at no cost.

[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.

OCAD University Foundation

NOTES TO FINANCIAL STATEMENTS

May 31, 2011

[e] The Foundation now receives and records in its financial statements internally and externally restricted endowed donations eligible for matching under Government of Ontario programs. The matching contributions from the Government of Ontario, 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 2011, an amount of \$299,602 [2010 - \$9,000] was recorded by the Foundation as Endowment Fund revenue in connection with matching grants.

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 of Ontario 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 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.

8. CAPITAL MANAGEMENT

In managing capital, the Foundation focuses on liquid resources available for granting. The Foundation's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. As at May 31, 2011, the Foundation met its objective of having sufficient liquid resources to meet its current obligations.

