

Concordia University Foundation
Financial Statements
April 30, 2013

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Independent Auditor's Report

To the Directors of
Concordia University Foundation

Report on the financial statements

We have audited the accompanying financial statements of Concordia University Foundation, which comprise the statement of financial position as at April 30, 2013 and the statements of operations, 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 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 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 Concordia University Foundation as at April 30, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Comparative information

Without modifying our opinion, we draw attention to Note 3 to the financial statements which describes that Concordia University Foundation adopted Canadian accounting standards for not-for-profit organizations on May 1, 2012 with a transition date of May 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at April 30, 2012 and May 1, 2011 and the statements of operations, changes in fund balances and cash flows for the year ended April 30, 2012 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

Report on other legal and regulatory requirements

As required by Part II of the Canada Corporations Act, we report that, in our opinion, the accounting principles in Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

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Montréal
October 22, 2013

¹ CPA auditor, CA public accountancy permit no. A

Concordia University Foundation

Financial Position

April 30, 2013

	<u>2013-04-30</u>	<u>2012-04-30</u>	<u>2011-05-01</u>
	\$	\$	\$
ASSETS			
Current			
Cash and cash equivalents	22,522,469	20,075,111	16,932,423
Accrued investment income	349,386	679,031	574,959
Parking operations receivable	6,237	23,236	24,790
Sales taxes receivable	25,561	11,695	
	<u>22,903,653</u>	<u>20,789,073</u>	<u>17,532,172</u>
Long-term			
Investments (Note 4)	119,804,556	107,316,262	115,922,296
	<u>142,708,209</u>	<u>128,105,335</u>	<u>133,454,468</u>
LIABILITIES			
Current			
Due to Concordia University (Note 5)	5,809,014	7,537,983	11,592,992
Accrued liabilities (Note 6)	301,130	75,270	
	<u>6,110,144</u>	<u>7,613,253</u>	<u>11,592,992</u>
FUND BALANCES			
Endowment Fund	68,548,760	66,929,659	64,359,306
Restricted Fund	65,568,646	51,125,388	54,683,623
General Fund	2,480,659	2,437,035	2,818,547
	<u>136,598,065</u>	<u>120,492,082</u>	<u>121,861,476</u>
	<u>142,708,209</u>	<u>128,105,335</u>	<u>133,454,468</u>

The accompanying notes are an integral part of the financial statements.

On behalf of the Board,

Director

Director

Concordia University Foundation Operations

Year ended April 30, 2013

	General Fund		Restricted Fund		Endowment Fund		Total	
	<u>2013-04-30</u>	<u>2012-04-30</u>	<u>2013-04-30</u>	<u>2012-04-30</u>	<u>2013-04-30</u>	<u>2012-04-30</u>	<u>2013-04-30</u>	<u>2012-04-30</u>
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Changes in fair value of investments	43,963	(22,915)	9,415,572	(899,961)			9,459,535	(922,876)
Specified gifts from Concordia University			12,501,779	4,650,601	1,620,548	2,573,453	14,122,327	7,224,054
	<u>43,963</u>	<u>(22,915)</u>	<u>21,917,351</u>	<u>3,750,640</u>	<u>1,620,548</u>	<u>2,573,453</u>	<u>23,581,862</u>	<u>6,301,178</u>
Parking operations	994,026	1,116,871					994,026	1,116,871
	<u>1,037,989</u>	<u>1,093,956</u>	<u>21,917,351</u>	<u>3,750,640</u>	<u>1,620,548</u>	<u>2,573,453</u>	<u>24,575,888</u>	<u>7,418,049</u>
Expenses								
Investment management fees		12,271	693,339	504,008			693,339	516,279
Consultant and other professional fees	339	3,544	28,486	145,538			28,825	149,082
Net investment expense		218,908						218,908
	<u>339</u>	<u>234,723</u>	<u>721,825</u>	<u>649,546</u>	<u>-</u>	<u>-</u>	<u>722,164</u>	<u>884,269</u>
Transfers to Concordia University	275,432	472,802	6,752,268	6,659,329	1,447	3,100	7,029,147	7,135,231
	<u>275,771</u>	<u>707,525</u>	<u>7,474,093</u>	<u>7,308,875</u>	<u>1,447</u>	<u>3,100</u>	<u>7,751,311</u>	<u>8,019,500</u>
Parking operations	718,594	767,943					718,594	767,943
	<u>994,365</u>	<u>1,475,468</u>	<u>7,474,093</u>	<u>7,308,875</u>	<u>1,447</u>	<u>3,100</u>	<u>8,469,905</u>	<u>8,787,443</u>
Excess (deficiency) of revenue over expenses	<u>43,624</u>	<u>(381,512)</u>	<u>14,443,258</u>	<u>(3,558,235)</u>	<u>1,619,101</u>	<u>2,570,353</u>	<u>16,105,983</u>	<u>(1,369,394)</u>

The accompanying notes are an integral part of the financial statements.

Concordia University Foundation Changes in Fund Balances

Year ended April 30, 2013

	General Fund		Restricted Fund		Endowment Fund		Total	
	<u>2013-04-30</u>	<u>2012-04-30</u>	<u>2013-04-30</u>	<u>2012-04-30</u>	<u>2013-04-30</u>	<u>2012-04-30</u>	<u>2013-04-30</u>	<u>2012-04-30</u>
Balance, beginning of year	\$ 2,437,035	\$ 2,818,547	\$ 51,125,388	\$ 54,683,623	\$ 66,929,659	\$ 64,359,306	\$ 120,492,082	\$ 121,861,476
Excess (deficiency) of revenue over expenses	43,624	(381,512)	14,443,258	(3,558,235)	1,619,101	2,570,353	16,105,983	(1,369,394)
Balance, end of year	<u>2,480,659</u>	<u>2,437,035</u>	<u>65,568,646</u>	<u>51,125,388</u>	<u>68,548,760</u>	<u>66,929,659</u>	<u>136,598,065</u>	<u>120,492,082</u>

The accompanying notes are an integral part of the financial statements.

Raymond Chabot
Grant Thornton

DRAFT

Concordia University Foundation**Cash flows**

Year ended April 30, 2013

	<u>2013-04-30</u>	<u>2012-04-30</u>
	\$	\$
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	16,105,983	(1,369,394)
Non-cash items		
Net change in fair value of investments	(5,635,815)	7,720,746
Reinvested revenue	(1,588,770)	(3,579,848)
Net change in working capital items	558,638	(38,943)
Cash flows from operating activities	<u>9,440,036</u>	<u>2,732,561</u>
INVESTING ACTIVITIES		
Acquisition of investments	(115,625,849)	(97,323,806)
Disposal of investments	110,362,140	101,788,942
Decrease in due to Concordia University	(1,728,969)	(4,055,009)
Cash flows from investing activities	<u>(6,992,678)</u>	<u>410,127</u>
Net increase in cash and cash equivalents	2,447,358	3,142,688
Cash and cash equivalents, beginning of year	<u>20,075,111</u>	<u>16,932,423</u>
Cash and cash equivalents, end of year	<u><u>22,522,469</u></u>	<u><u>20,075,111</u></u>

The accompanying notes are an integral part of the financial statements.

Raymond Chabot
Grant Thornton

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Concordia University Foundation

Notes to Financial Statements

April 30, 2013

1 - GOVERNING STATUTES AND PURPOSE OF THE FOUNDATION

The Foundation was incorporated as a corporation without share capital under Part II of the Canada Corporations Act in April 1991 and became operational June 1, 1995. The Foundation is the fund management partner to Concordia University. Its mission is to use its resources exclusively to encourage the advancement and development of higher education, teaching, research and other charitable activities of Concordia University. The Foundation, a registered charity, is associated with Concordia University and is therefore exempt of income tax under the Income Tax Act.

2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Foundation's financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's best knowledge of current events and actions that the Foundation may undertake in the future. Actual results may differ from these estimates.

Fund accounting

The General Fund accounts for the Foundation's investment activities.

The Restricted Fund records resources which are subject to restrictions set by the donor, including funds designated towards building projects, faculty development, libraries, athletics and various research and academic projects.

Included in the Restricted Fund are the following:

– Long-Term Debt Fund:

In collaboration with Concordia University, the Foundation created a new fund entitled The Concordia University Repayment of Bond and Unfunded Projects Fund. The purpose of this fund is to make provisions for the repayment of certain debts of Concordia University, namely the debt in relation to a \$200 million bond issue repayable in October 2042 as well as the debts related to certain unfunded capital projects.

The fund is composed of an initial gift of \$3.4 million transferred in May 2010. In addition, \$22.6 million in donations already invested in the Foundation was transferred to this fund. These initial amounts combined with future payments on existing pledges and annual contributions will be invested to generate the required funds to meet the University's future debt obligations by 2042.

Concordia University Foundation

Notes to Financial Statements

April 30, 2013

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

As at April 30, 2013, the fund balance is \$36,124,041.

– Employee Benefits Fund:

In collaboration with Concordia University, the Foundation created a new fund entitled The Concordia University Employee Benefits Fund. The purpose of this fund is to make provisions for various unfunded future employee benefits obligations and pension liabilities. The fund is composed of an initial gift of \$10.6 million transferred in May 2010 and an additional \$9 million received in April 2013.

As at April 30, 2013, the fund balance is \$19,013,702.

The Endowment Fund presents resources received as endowments.

Financial assets and liabilities

Initial measurement

Upon initial measurement, the Foundation's financial assets and liabilities are measured at fair value, which, in the case of financial assets or financial liabilities that will be measured subsequently at amortized cost, is increased or decreased by the amount of the related financing fees and transaction costs. Transaction costs relating to financial assets and liabilities that will be measured subsequently at fair value are recognized in operations in the year they are incurred.

Subsequent measurement

At each reporting date, the Foundation measures its financial assets and liabilities at amortized cost (including any impairment in the case of financial assets), except for investment funds and common shares which are measured at fair value and bond investments which the Foundation has elected to measure at fair value by designating that fair value measurement shall apply.

With respect to financial assets measured at amortized cost, the Foundation assesses whether there are any indications of impairment. When there is an indication of impairment, and if the Foundation determines that during the year there was a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it will then recognize a reduction as an impairment loss in operations. The reversal of a previously recognized impairment loss on a financial asset measured at amortized cost is recognized in operations in the year the reversal occurs.

Revenue recognition

Contributions

The Foundation follows the restricted fund method of accounting for contributions.

The Foundation receives contributions from Concordia University on a regular basis. These contributions, made up of charitable donations received and for which Concordia University issued a tax receipt, are transferred to the Foundation by way of specified gifts.

Concordia University Foundation

Notes to Financial Statements

April 30, 2013

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Specified gifts that are restricted contributions are recognized as revenue in the year in which they are received or receivable, if the amount to be received may be reasonably estimated and recorded within the appropriate fund as either the Restricted Fund or the Endowment Fund, as per the original gift designation. Specified gifts that are unrestricted are recognized as revenue in the General Fund.

Contributions received as endowments are recognized as revenue of the Endowment Fund.

Net investment income

Investment transactions are recorded on the transaction date and resulting revenue is recognized using the accrual method of accounting.

Changes in fair value are recognized when they occur.

With respect to investments measured at fair value, the Foundation has elected to include in changes in fair value interest income (including amortization of bond investment premiums and discounts) and the reinvested revenue from investments in investment funds.

Investment income earned on endowment capital earmarked for specified university initiatives is recognized as revenue within the Restricted Fund. Other investment income is recognized as revenue of the General Fund if it is received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Parking revenue

The Foundation recognizes parking revenue when services have been rendered, the price to the buyer is fixed or determinable, persuasive evidence of an arrangement exists and collection is reasonably assured.

Contributed supplies and services

The Foundation recognizes contributed supplies and services when the fair value of these contributions can be reasonably estimated and if it would have had to otherwise acquire these supplies and services for its normal operations.

Cash and cash equivalents

The Foundation's policy is to present in cash and cash equivalents bank balances, including bank overdrafts whose balances fluctuate frequently from being positive to overdrawn, and investments with a maximum maturity of three months from the acquisition date or redeemable at any time without penalty.

Concordia University Foundation

Notes to Financial Statements

April 30, 2013

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency translation

The foundation uses the temporal method to translate transactions denominated in a foreign currency. Under this method, monetary assets and liabilities are translated at the exchange rate in effect at the financial position date. Non-monetary assets and liabilities are translated at historical exchange rates, with the exception of those recognized at fair value, which are translated at the exchange rate in effect at the financial position date. Revenue and expenses are translated at the average rate for the period. The related exchange gains and losses are accounted for in the operations for the year.

3 - FIRST-TIME ADOPTION OF CANADIAN ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

These financial statements are the Foundation's first financial statements prepared using new Canadian accounting standards for not-for-profit organizations (hereafter the "new accounting standards"). The date of transition to the new accounting standards is May 1, 2011.

The accounting policies presented in Note 2 and resulting from the application of the new accounting standards were used to prepare the financial statements for the year ended April 30, 2013, the comparative information and the opening statement of financial position as at the date of transition.

Exemptions relating to first-time adoption

Section 1501, First-time Adoption by Not-for-profit Organizations, contains exemptions to full retrospective application which the Foundation may use upon transition. The Foundation applied the following optional exemption:

Designation of previously recognized financial instruments

On the date of transition, the Foundation elected to designate certain financial assets or liabilities to be measured at fair value.

Impact of transition on fund balances as at May 1, 2011

The impact of the transition to the new accounting standards on the Foundation's fund balances at the date of transition, that is May 1, 2011, is not significant.

Reconciliation of the deficiency of revenue over expenses as at April 30, 2012

The deficiency of revenue over expenses as at April 30, 2012 determined using the new accounting standards is approximately equivalent to that determined using the previous accounting standards (pre-changeover accounting standards).

Concordia University Foundation

Notes to Financial Statements

April 30, 2013

3 - FIRST-TIME ADOPTION OF CANADIAN ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS (Continued)

Statement of cash flows

Accounting standards regarding cash flows included in the new accounting standards are similar to those included in the previous accounting standards. The Foundation has not made any major adjustment to the statement of cash flows. The only change in the Foundation's financial statements is the removal, in the new accounting standards, of the requirement to disclose the amount of interest paid.

4 - INVESTMENTS

	<u>2013-04-30</u>	<u>2012-04-30</u>
	\$	\$
Common shares	13,687,034	52,154,585
Bonds	32,942,473	46,287,999
Investment funds	73,175,049	8,873,678
	<u>119,804,556</u>	<u>107,316,262</u>

Investment breakdown

	<u>2013-04-30</u>	<u>2012-04-30</u>
	\$	\$
Common shares		
Canadian common shares		
Energy	874,514	11,792,378
Materials	873,486	2,463,888
Industrials	2,022,398	5,210,304
Consumer Products & Services	2,407,508	9,710,974
Health Care	892,337	339,400
Financials	1,018,736	10,817,701
Technology & Communications	752,614	2,751,419
Utilities	970,534	572,400
Equity Fund Trusts	1,715,346	
Other	150,750	
	<u>11,678,223</u>	<u>43,658,464</u>
Foreign common shares		
U.S. common shares		
Financials	300,660	1,475,618
Health Care	320,953	1,077,969
Industrials	172,033	977,237
Consumer Products & Services	850,307	2,840,550
Energy	291,203	374,864
Technology & Communications	73,655	1,415,725
Other		334,158
	<u>2,008,811</u>	<u>8,496,121</u>
	<u>13,687,034</u>	<u>52,154,585</u>

Concordia University Foundation

Notes to Financial Statements

April 30, 2013

4 - INVESTMENTS (Continued)

	2013-04-30	2012-04-30
	\$	\$
Bonds		
Canadian		
Government		
Federal bonds, 1.5% to 4.25% (a)	15,900,744	20,380,373
Provincial bonds, 2.9% to 5.75% (b)	1,316,400	3,215,410
Corporate bonds, 2.05% to 12.2% (c)	15,725,329	22,692,216
	<u>32,942,473</u>	<u>46,287,999</u>
Investment funds		
Pooled Investment funds in Canadian dollars		
DK Energy Fund I	136,875	178,458
DK Energy Fund II	740,801	1,126,326
DK Equity Growth	1,339,355	1,491,555
Acuity High Income Fund	1,921,474	1,922,774
Leith Wheeler Canadian Equity Fund Series A	12,116,199	
Lazard Global Thematic Canada Fund CLB	18,756,510	
BlackRock Active Canadian Equity Fund	11,564,323	
Brandes Canada Emerging Markets Equity Unit Trust	6,112,188	
Mackenzie Saxon Small Cap Fund		4,154,565
	<u>52,687,725</u>	<u>8,873,678</u>
Pooled Investment funds in U.S. dollars		
Lazard Emerging Markets Equity Balanced Fund	5,764,610	-
Real Estate Pooled Funds		
GLC Real Estate Fund I	7,541,390	
Standard Life Real Estate Pooled Fund	7,181,324	
	<u>14,722,714</u>	<u>-</u>
	<u>73,175,049</u>	<u>8,873,678</u>
	<u>119,804,556</u>	<u>107,316,262</u>

(a) These bonds mature on various dates until 2044.

(b) These bonds mature on various dates until 2042.

(c) These bonds mature on various dates until 2063.

Investment returns

Portfolio assets are actively managed. For the year ended April 30, 2013, investments achieved an annual return of 7.31% (-0.67% in 2012) net of investment management fees.

As at April 30, 2013, the weighted average interest rate of the bonds is 3.89% (4.93% in 2012) and the weighted average duration is 5.56 years (8.34 years in 2012).

Concordia University Foundation

Notes to Financial Statements

April 30, 2013

5 - DUE TO CONCORDIA UNIVERSITY

The Foundation annually distributes a portion of its investment earnings to support the advancement and development of higher education, teaching, research, interest on a bond issue, certain fundraising activities and other charitable activities of Concordia University. This distribution is referred to as pay-out and represents funds earmarked towards Concordia University initiatives. The amount due to Concordia University is non-interest bearing.

Scheduled repayments for the next year amount to \$5,809,014 (\$7,537,983 in 2012).

6 - ACCRUED LIABILITIES

	<u>2013-04-30</u>	<u>2012-04-30</u>
	\$	\$
Accrued liabilities	251,130	75,270
Purchases payable	50,000	
	<u>301,130</u>	<u>75,270</u>

7 - RELATED PARTY TRANSACTIONS

Concordia University exercises significant influence over the Foundation. The Foundation must use its resources exclusively to advance the mission of Concordia University, and periodically makes transfers of capital back to Concordia University in accordance with gift agreements. These transactions occur in the normal course of business at the exchange amount, which is the value established and accepted by the parties.

	<u>2013-04-30</u>	<u>2012-04-30</u>
Expenses	\$	\$
Pay-out distribution	5,541,539	5,211,515
Parking operations (a)	718,594	767,943

(a) Under a lease agreement, the Foundation rents Concordia University's parking space.

The Foundation transfers the management of parking operations to Concordia University, which is responsible for the parking space's financial operations and charges rental and management costs to the Foundation.

Management and lease agreements are renewable annually and may be terminated upon notice at least 30 days before the contract renewal expiry date. On March 22, 2013, the Foundation and Concordia University terminated the agreements on the parking operations.

The Concordia University is committed to paying some of the Foundation's costs, including the compensation of employees working for the Foundation and the cost for using premises, including certain related costs.

Concordia University Foundation

Notes to Financial Statements

April 30, 2013

8 - GENERAL AND ADMINISTRATIVE EXPENSES

All general and administrative expenses associated with soliciting and processing gifts are consolidated at Concordia University. The sole expenses incurred by the Foundation relate directly to the management of its investment pool and the audit of the Foundation.

9 - FINANCIAL INSTRUMENTS

Financial risks

The Foundation's main financial risk exposure is detailed as follows.

Credit risk

The Foundation is exposed to credit risk regarding the financial assets recognized in the statement of financial position.

The credit risk regarding bonds and investment funds is considered negligible, since they represent investment securities with a good external credit rating. Nevertheless, the risk is only indirect for the investment funds.

The credit risk regarding cash and cash equivalents is also considered to be negligible because they are held by a reputable financial institution with an investment grade external credit rating.

Market risk

The Foundation's financial instruments expose it to market risk, in particular, interest rate risk, currency risk and other price risk, resulting from both its investing and financing activities:

– Interest rate risk:

The Foundation is exposed to interest rate risk with respect to financial assets and liabilities bearing fixed and variable interest rates.

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.

Additionally, some investment funds also indirectly expose the Foundation to interest rate risk;

– Currency risk:

The Foundation is exposed to currency risk due to cash, cash equivalents and investments denominated in U.S. dollars. As at April 30, 2013, financial assets in foreign currency represent cash and cash equivalents and investments totalling C\$7,795,912 (C\$8,765,828 as at April 30, 2012).

The Foundation does not hedge its foreign currency exposure;

Concordia University Foundation

Notes to Financial Statements

April 30, 2013

9 - FINANCIAL INSTRUMENTS (Continued)

– Other price risk:

The Foundation is exposed to other price risk due to investment funds, bonds and investments in shares since changes in market prices could result in changes in fair value or cash flows of these instruments. Additionally, some investment funds also indirectly expose the Foundation to other price risk.

Liquidity risk

The Foundation's liquidity risk represents the risk that the Foundation could encounter difficulty in meeting obligations associated with its financial liabilities. The Foundation is, therefore, exposed to liquidity risk with respect to all of the financial liabilities recognized in the statement of financial position.

Carrying amount of financial assets by category

The carrying amount of the Foundation's financial assets that are measured at amortized cost totals \$22,878,092 (\$20,777,378 as at April 30, 2012), whereas the carrying amount of financial assets measured at fair value totals \$119,804,556 (\$107,316,262 as at April 30, 2012).