

Concordia University Foundation
Financial Statements
April 30, 2012

Independent Auditor's Report	2 - 3
Financial Statements	
Financial Position	4
Operations	5
Changes in Fund Balances	6
Notes to Financial Statements	7 - 15



Raymond Chabot Grant Thornton

Independent Auditor's Report

Raymond Chabot Grant Thornton LLP

Suite 2000
National Bank Tower
600 De La Gauchetière Street West
Montréal, Quebec H3B 4L8

To the Directors of
Concordia University Foundation

Telephone: 514-878-2691
Fax: 514-878-2127
www.rcgt.com

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, 2012 and the statements of operations and changes in fund balances 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.

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, 2012 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 Part II of the Canada Corporations Act, we report that, in our opinion, the Canadian generally accepted accounting principles have been applied on a basis consistent with that of the preceding year.

Raymond Chabot Grant Thornton LLP¹

Montréal
October 17, 2012

¹ CPA auditor, CA public accountancy permit no. A117472

Concordia University Foundation

Financial Position

April 30, 2012

	<u>2012</u>	<u>2011</u>
	\$	\$
ASSETS		
Investments in securities, at market value (Note 3)	107,316,262	115,922,296
Cash and cash equivalents	20,075,111	16,932,423
Accrued investment income	679,031	574,959
Parking operations receivable	23,236	24,790
Sales taxes receivable	11,695	
	<u>128,105,335</u>	<u>133,454,468</u>
LIABILITIES		
Due to Concordia University (Note 4)	7,537,983	11,592,992
Accrued liabilities	75,270	
	<u>7,613,253</u>	<u>11,592,992</u>
FUND BALANCES		
Endowment Fund	66,929,659	64,359,306
Restricted Fund	51,125,388	54,683,623
General Fund	2,437,035	2,818,547
	<u>120,492,082</u>	<u>121,861,476</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

For the year ended April 30, 2012

	General Fund		Restricted Funds		Endowment Fund		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Investment income	84,110	65,180	3,495,738	2,591,110			3,579,848	2,656,290
Net realized gain (loss) on sale of investments	14,585	(49,838)	599,013	(1,930,074)			613,598	(1,979,912)
Changes in unrealized appreciation of investments	(121,610)	312,549	(4,994,712)	12,103,987			(5,116,322)	12,416,536
	<u>(22,915)</u>	<u>327,891</u>	<u>(899,961)</u>	<u>12,765,023</u>	<u>—</u>	<u>—</u>	<u>(922,876)</u>	<u>13,092,914</u>
Specified gifts from Concordia University			4,650,601	2,414,731	2,573,453	1,776,855	7,224,054	4,191,586
	<u>(22,915)</u>	<u>327,891</u>	<u>3,750,640</u>	<u>15,179,754</u>	<u>2,573,453</u>	<u>1,776,855</u>	<u>6,301,178</u>	<u>17,284,500</u>
Parking operations	1,116,871	1,064,920					1,116,871	1,064,920
	<u>1,093,956</u>	<u>1,392,811</u>	<u>3,750,640</u>	<u>15,179,754</u>	<u>2,573,453</u>	<u>1,776,855</u>	<u>7,418,049</u>	<u>18,349,420</u>
Expenses								
Investment management fees	12,271	13,314	504,008	515,590			516,279	528,904
Consultant and other professional fees	3,544	1,676	145,538	64,922			149,082	66,598
Net investment expense	218,908	17,939					218,908	17,939
	<u>234,723</u>	<u>32,929</u>	<u>649,546</u>	<u>580,512</u>	<u>—</u>	<u>—</u>	<u>884,269</u>	<u>613,441</u>
Transfers to Concordia University	472,802	470,521	6,659,329	5,510,688	3,100		7,135,231	5,981,209
	<u>707,525</u>	<u>503,450</u>	<u>7,308,875</u>	<u>6,091,200</u>	<u>3,100</u>	<u>—</u>	<u>8,019,500</u>	<u>6,594,650</u>
Parking operations	767,943	720,686					767,943	720,686
	<u>1,475,468</u>	<u>1,224,136</u>	<u>7,308,875</u>	<u>6,091,200</u>	<u>3,100</u>	<u>—</u>	<u>8,787,443</u>	<u>7,315,336</u>
Excess (deficiency) of revenue over expenses	<u>(381,512)</u>	<u>168,675</u>	<u>(3,558,235)</u>	<u>9,088,554</u>	<u>2,570,353</u>	<u>1,776,855</u>	<u>(1,369,394)</u>	<u>11,034,084</u>

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

Concordia University Foundation

Changes in Fund Balances

For the year ended April 30, 2012

	General Fund		Restricted Fund		Endowment Fund		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of year	2,818,547	2,649,872	54,683,623	45,595,069	64,359,306	62,582,451	121,861,476	110,827,392
Excess (deficiency) of revenue over expenses	(381,512)	168,675	(3,558,235)	9,088,554	2,570,353	1,776,855	(1,369,394)	11,034,084
Balance, end 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

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

Concordia University Foundation

Notes to Financial Statements

April 30, 2012

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 financial statements are prepared using the historical cost method, except for certain financial instruments that are recognized at fair value. No information on fair value is presented when the carrying amount corresponds to a reasonable approximation of the fair value.

Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities, the amounts of revenue and expenses reported in the financial statements and the disclosure of contingent assets and liabilities. Actual results could 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 payment on existing pledges and annual contributions will be invested to generate the required funds to meet the University's future debt obligations by 2042;

As at April 30, 2012, the fund balance is \$33,070,675.

Concordia University Foundation

Notes to Financial Statements

April 30, 2012

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

– Group Insurance Fund:

In collaboration with Concordia University, the Foundation created a new fund entitled The Concordia University Group Insurance Fund. The purpose of this fund is to make provisions for various unfunded future employee group insurance obligations and pension liabilities. The fund is composed of an initial gift of \$10.6 million transferred in May 2010.

As at April 30, 2012, the fund balance is \$10,584,361.

The Endowment Fund reports resources contributed for endowment. These amounts are to be invested and held in perpetuity with corresponding investment income used to fund various initiatives as designated by the donor, including student support for both the undergraduate and graduate levels, academic chairs and various department funds.

Financial assets and liabilities

The Foundation has chosen to apply the recommendations of Section 3861, "Financial Instruments – Disclosure and Presentation", of the Canadian Institute of Chartered Accountants' Handbook (CICA Handbook) with respect to the presentation and disclosure of financial instruments.

On initial recognition, all financial assets and liabilities are measured and recognized at their fair value.

Subsequently, financial assets and liabilities are measured and recognized as follows.

Held-for-trading financial assets

Cash and cash equivalents are classified as held-for-trading financial assets, and investments are designated as held-for-trading financial assets and are measured at their fair value. Changes in fair value are recognized in the statement of operations.

Loans and receivables, and other financial liabilities

Gifts receivable and parking operations receivable are classified as loans and receivables and the amount due to Concordia University is classified as other financial liabilities. They are measured at amortized cost using the effective interest rate method. Interest calculated using the effective interest method is presented in the statement of operations as Net investment expense.

Revenue recognition

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, 2012

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.

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.

Investment revenues are recognized using the accrual method of accounting. Interest income is recognized based on the number of days the investment was held during the year. Dividends are recognized as of the ex-dividend date. Gains or losses on the disposal of investments are determined using the average cost method. Unrealized gains and losses are calculated on the change in fair value of the investments held at year-end. Transaction costs related to the acquisition or disposal of investments are included in the cost of investments or treated as a reduction of the proceeds on the disposal of investments.

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

Cash and cash equivalents include cash and investments maturing in less than three months from the date of acquisition.

Investments

Effective June 1, 2005, the Foundation adopted the Accounting Guideline AcG-18, "Investment Companies", of the *CICA Handbook*, which requires all investments to be measured at fair value and presented on that basis in the financial statements. Unrealized appreciation (depreciation) of changes in investments is included in the determination of the excess (deficiency) of revenue over expenses. Investment transactions are accounted for on the settlement date.

The market value of investments is determined as follows:

- Bonds and investment funds are presented at year-end market prices;
- Shares are presented at bid market prices.

Concordia University Foundation

Notes to Financial Statements

April 30, 2012

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency translation

Monetary assets and liabilities in foreign currency are translated at the exchange rate in effect at the balance sheet date, whereas other assets and liabilities are translated at the exchange rate in effect at the transaction date. Revenue and expenses in foreign currency are translated at the average rate in effect during the year, with the exception of revenue and expenses relating to non-monetary assets and liabilities, which are translated at the historical rate. Gains or losses are included in the statement of operations for the year.

3 - INVESTMENTS

	2012		2011	
	Market value	Cost	Market value	Cost
	\$	\$	\$	\$
Common shares	52,154,585	41,064,360	62,613,879	48,143,012
Bonds	46,287,999	44,726,042	43,056,717	41,888,862
Investment funds	8,873,678	5,082,683	10,251,700	9,564,001
	<u>107,316,262</u>	<u>90,873,085</u>	<u>115,922,296</u>	<u>99,595,875</u>

Investment breakdown

	Market value	
	2012	2011
	\$	\$
Common shares		
Canadian common shares		
Energy	11,792,378	11,779,385
Materials	2,463,888	2,195,826
Industrials	5,210,304	5,813,872
Consumer Products & Services	9,710,974	7,274,009
Health Care	339,400	
Financials	10,817,701	12,629,225
Technology & Communications	2,751,419	6,166,735
Utilities	572,400	
Other		4,106,307
	<u>43,658,464</u>	<u>49,965,359</u>

Concordia University Foundation

Notes to Financial Statements

April 30, 2012

3 - INVESTMENTS (Continued)

	Market value	
	2012	2011
	\$	\$
Foreign common shares		
U.S. common shares		
Financials	1,475,618	2,562,200
Health Care	1,077,969	1,301,427
Industrials	977,237	536,805
Consumer Products & Services	2,840,550	2,691,349
Energy	374,864	145,566
Technology & Communications	1,415,725	1,062,064
Other	334,158	4,266,078
	<u>8,496,121</u>	<u>12,565,489</u>
Europe, Australia, Far East		83,031
	<u>8,496,121</u>	<u>12,648,520</u>
	<u>52,154,585</u>	<u>62,613,879</u>
Bonds		
Canadian		
Government		
Federal bonds, 1.5% to 4.8% (a)	20,380,373	19,936,722
Provincial bonds, 3.25% to 8.50% (b)	3,215,410	3,999,997
Corporate bonds, 3.03% to 12.2% (c)	22,692,216	19,119,998
	<u>46,287,999</u>	<u>43,056,717</u>
Pooled Investment funds in Canadian dollars		
DK Energy Fund I	178,458	184,610
DK Energy Fund II	1,126,326	1,474,639
DK Equity Growth	1,491,555	1,856,396
Acuity High Income Fund	1,922,774	2,123,261
Mackenzie Saxon Small Cap Fund	4,154,565	4,612,794
	<u>8,873,678</u>	<u>10,251,700</u>
	<u>107,316,262</u>	<u>115,922,296</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 2050.

Concordia University Foundation

Notes to Financial Statements

April 30, 2012

3 - INVESTMENTS (Continued)

Total investment acquisitions and dispositions for the year

	<u>2012</u>	<u>2011</u>
	\$	\$
Total acquisitions	68,599,667	94,693,106
Total proceeds of dispositions	65,347,223	97,774,768
Total investment income reinvested	3,579,848	2,656,920

Investment returns

Portfolio assets are actively managed. For the year ended April 30, 2012, investments achieved an annual return of -0.67% (11.74% in 2011) net of investment management fees.

As at April 30, 2012, the weighted average interest rate of the bonds is 4.93% (4.46% in 2011) and the weighted average duration is 8.34 years (7.21 years in 2011).

4 - 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.

The due to Concordia University has not been discounted since all amounts are due within one year.

Scheduled repayments for the next year amount to \$7,537,983.

5 - 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>2012</u>	<u>2011</u>
	\$	\$
Expenses		
Pay-out distribution	5,211,515	5,016,932
Parking operations (a)	767,943	720,686

(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.

Concordia University Foundation

Notes to Financial Statements

April 30, 2012

5 - RELATED PARTY TRANSACTIONS (Continued)

Management and lease agreements are renewable annually and may be terminated upon notice at least 30 days before the contract renewal expiry date.

6 - PLEDGES RECEIVABLE

Pledges receivable from donors constitute agreements made with Concordia University, consequently they are not recorded in the financial statements of the Foundation. They amount to \$10,493,421 (\$19,640,988 in 2011) and are detailed as follows:

	<u>2012</u>	<u>2011</u>
	\$	\$
Restricted	5,966,857	19,158,957
Endowed	4,526,564	482,031
	<u>10,493,421</u>	<u>19,640,988</u>

These pledges will be recognized as revenue by Concordia University when collected and then transferred as a specified gift to the Foundation.

7 - 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.

8 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, AND FINANCIAL RISKS

Financial risk management objectives and policies

The Foundation is exposed to various financial risks resulting from both its operating and its investing activities. The Foundation's management manages financial risks.

The Foundation does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

Financial risks

The Foundation's main financial risk exposure and its financial risk management policies are as follows.

Exchange risk

The Foundation is exposed to exchange risk due to cash, cash equivalents and investments denominated in U.S. dollars. As at April 30, 2012, financial assets in foreign currency represent cash, cash equivalents and investments totalling C\$8,765,828 (C\$12,565,489 as at April 30, 2011).

The Foundation does not hedge its foreign currency exposure.

Concordia University Foundation

Notes to Financial Statements

April 30, 2012

8 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, AND FINANCIAL RISKS (Continued)

Interest rate risk

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. Investment fund units are also exposed, although indirectly.

The Foundation's other financial liabilities do not comprise any interest rate risk since they do not bear interest.

The Foundation does not use derivative financial instruments to reduce its interest rate risk exposure.

Credit risk

Generally, the carrying amount on the balance sheet of the Foundation's financial assets exposed to credit risk, net of any applicable provisions for losses, represents the maximum amount exposed to credit risk.

– Investments:

The credit risk of bonds and investment funds is considered negligible, since it corresponds to investment securities with a good external credit rating. Nevertheless, the risk is only indirect for the investment funds.

As at April 30, 2012, cash and cash equivalents are held with a recognized financial institution.

Liquidity risk

Liquidity risk management serves to maintain a sufficient amount of cash and cash equivalents and to ensure that the Foundation has financing sources such as bank loans for a sufficient authorized amount. The Foundation establishes budget and cash estimates to ensure it has the necessary funds to fulfil its obligations.

Price risk

Investment fund units, bonds and investments in shares expose the Foundation to the risk of changes in fair value and a risk of change in future cash flows resulting from fluctuations in market prices. Investment fund units indirectly expose the Foundation to the other price risk.

Concordia University Foundation

Notes to Financial Statements

April 30, 2012

9 - CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Foundation's capital management objectives are as follows:

- Preserve its capital;
- Provide an adequate amount of annual income while maintaining the triennial volatility of returns at a low level;
- Over the long-term, investment assets are to grow at an annual rate equal to the annual rate of increase in the Consumer Price Index. In addition, it will be necessary to provide for annual distributions of up to 5% per year from the investments, plus expenses, calculated on the average of the Investment Pool's market values over the previous 36-month period.

The Foundation is subject to externally imposed capital requirements regarding its Endowment Fund and balances of funds having restrictions. Therefore, the Foundation is required to respect the will of its donors by conserving the capital of its endowments and using income generated by the endowment capital for the purposes indicated by the donors. During the course of the year, the Foundation was in compliance with these requirements.

The Foundation considers that the fund balances represent its capital and the capital is preserved by managing the investment portfolio according to the investment policy.

10 - STATEMENT OF CASH FLOWS

No statement of cash flows has been presented since principal operating, financing and investing activities may be readily apparent from the other financial statements and presenting such a statement would provide no additional information.