

Concordia University Foundation
Financial Statements
April 30, 2011

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

To the Directors of
Concordia University Foundation

Raymond Chabot Grant Thornton LLP
Suite 2000
National Bank Tower
600 De La Gauchetière Street West
Montréal, Quebec H3B 4L8

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

We have audited the accompanying financial statements of Concordia University Foundation, which comprise the statement of financial position as at April 30, 2011 and the statements of operations and changes in fund balances for the eleven-month period 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, 2011 and the results of its operations and its cash flows for the eleven-month period then ended in accordance with Canadian generally accepted accounting principles.

Raymond Chabot Grant Thornton LLP¹

Montréal
October 25, 2011

¹ Chartered accountant auditor permit no. 18779

Concordia University Foundation

Financial Position

April 30, 2011

	<u>2011-04-30</u>	<u>2010-05-31</u>
	\$	\$
ASSETS		
Investments in securities, at market value (Note 3)	115,922,296	108,715,561
Cash and cash equivalents	16,932,423	16,252,652
Gifts receivable		1,216,790
Accrued investment income	574,959	506,999
Parking operations receivable	24,790	5,922
	<u>133,454,468</u>	<u>126,697,924</u>
LIABILITIES		
Due to Concordia University (Note 4)	<u>11,592,992</u>	<u>15,870,532</u>
FUND BALANCES		
Endowment Fund	64,359,306	62,582,451
Restricted Fund	54,683,623	45,595,069
General Fund	<u>2,818,547</u>	<u>2,649,872</u>
	<u>121,861,476</u>	<u>110,827,392</u>
	<u>133,454,468</u>	<u>126,697,924</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 eleven-month period ended April 30, 2011

	General Fund		Restricted Fund		Endowment Fund		Total	
	2011-04-30 (11 months)	2010-05-31 (12 months)						
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Investment income	65,180	98,711	2,591,110	2,913,550			2,656,290	3,012,261
Net realized gain (loss) on sale of investments	(49,838)	58,951	(1,930,074)	1,739,984			(1,979,912)	1,798,935
Changes in unrealized appreciation of investments	312,549	289,238	12,103,987	8,536,763			12,416,536	8,826,001
	327,891	446,900	12,765,023	13,190,297	–	–	13,092,914	13,637,197
Specified gifts from Concordia University		165,574	2,414,731	15,027,091	1,776,855	2,232,211	4,191,586	17,424,876
	327,891	612,474	15,179,754	28,217,388	1,776,855	2,232,211	17,284,500	31,062,073
Parking operations	1,064,920	1,037,536					1,064,920	1,037,536
	1,392,811	1,650,010	15,179,754	28,217,388	1,776,855	2,232,211	18,349,420	32,099,609
Expenses								
Investment management fees	13,314	17,651	515,590	520,991			528,904	538,642
Consultant and other professional fees	1,676	1,709	64,922	50,449			66,598	52,158
Net investment expense	17,939	88,104					17,939	88,104
	32,929	107,464	580,512	571,440	–	–	613,441	678,904
Transfers to Concordia University	470,521	730,220	5,510,688	6,729,585		45,969	5,981,209	7,505,774
	503,450	837,684	6,091,200	7,301,025	–	45,969	6,594,650	8,184,678
Parking operations	720,686	772,131					720,686	772,131
	1,224,136	1,609,815	6,091,200	7,301,025	–	45,969	7,315,336	8,956,809
Excess of revenue over expenses	168,675	40,195	9,088,554	20,916,363	1,776,855	2,186,242	11,034,084	23,142,800

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

Concordia University Foundation Changes in Fund Balances

For the eleven-month period ended April 30, 2011

	General Fund		Restricted Fund		Endowment Fund		Total	
	2011-04-30 (11 months)	2010-05-31 (12 months)						
	\$	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of period	2,649,872	2,609,677	45,595,069	24,678,706	62,582,451	60,396,209	110,827,392	87,684,592
Excess of revenue over expenses	168,675	40,195	9,088,554	20,916,363	1,776,855	2,186,242	11,034,084	23,142,800
Balance, end of period	2,818,547	2,649,872	54,683,623	45,595,069	64,359,306	62,582,451	121,861,476	110,827,392

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

Concordia University Foundation

Notes to Financial Statements

April 30, 2011

1 - GOVERNING STATUTES, PURPOSE OF THE FOUNDATION, RE-DESIGNATION AND CHANGE IN FISCAL YEAR-END

The Foundation was incorporated as a corporation without share capital under Part II of the Canada Corporations Act in April 1991 and became operational on 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. As of June 1, 2010, the Foundation, a public foundation (previously a registered charity), is associated with Concordia University and is therefore exempt of income tax under the Income Tax Act.

During the year, the Foundation changed its fiscal year-end from May 31 to April 30.

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 disclosure of contingent assets and liabilities and the amounts of revenue and expenses reported in the financial statements. 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:

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 were 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;

– Group Insurance Fund:

The fund is composed of an initial gift of \$10.6 million transferred in May 2010.

Concordia University Foundation

Notes to Financial Statements

April 30, 2011

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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' (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 are measured at their fair value. Changes in fair value are recognized in the statement of operations.

Loans and receivables, and other financial liabilities

Accrued investment income, 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.

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.

Concordia University Foundation

Notes to Financial Statements

April 30, 2011

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

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.

Concordia University Foundation

Notes to Financial Statements

April 30, 2011

3 - INVESTMENTS

	2011-04-30		2010-05-31	
	Market value	Cost	Market value	Cost
	\$	\$	\$	\$
Common shares	62,613,879	48,143,012	51,133,634	42,421,520
Bonds	43,056,717	41,888,862	39,941,384	38,795,049
Investment funds	10,251,700	9,564,001	17,640,543	23,500,653
	115,922,296	99,595,875	108,715,561	104,717,222

Investment breakdown

	Market value	
	2011-04-30	2010-05-31
	\$	\$
Common shares		
Canadian common shares		
Financial services	12,629,225	9,953,611
Oil and gas	9,173,715	6,943,747
Industrial products	5,813,872	5,176,477
Communications and media	6,166,735	4,895,813
Merchandising	4,123,204	3,631,687
Pipelines	2,605,670	2,013,369
Metals and minerals	2,195,826	2,550,178
Consumer products	1,927,394	895,295
Transportation & Environmental Services	1,223,411	755,129
Other	4,106,307	4,358,046
	49,965,359	41,173,352
Foreign common shares		
U.S. common shares		
Consumer	2,562,200	1,957,533
Financial services	2,136,375	1,308,875
Health Care	1,301,427	785,559
Technology	1,062,064	349,178
Durable goods	554,974	1,003,840
Autos and transportation	536,805	528,341
Other	4,411,644	3,956,648
	12,565,489	9,889,974
Europe, Australia, Far East	83,031	70,308
	12,648,520	9,960,282
	62,613,879	51,133,634

Concordia University Foundation

Notes to Financial Statements

April 30, 2011

3 - INVESTMENTS (Continued)

	<u>2011-04-30</u>	<u>Market value</u> <u>2010-05-31</u>
	\$	\$
Bonds		
Canadian		
Government		
Federal bonds, 1.00% to 4.00% (a)	19,936,722	15,001,812
Provincial bonds, 4.10% to 10.25% (b)	3,999,997	7,654,534
Corporate bonds, 3.05% to 11.8% (c)	19,119,998	17,285,038
	<u>43,056,717</u>	<u>39,941,384</u>
Pooled Investment funds in Canadian dollars		
DK Energy Fund I		93,508
DK Energy Fund II	184,610	347,759
DK Energy Fund III	1,474,639	1,020,961
DK Equity Growth	1,856,396	1,418,593
Acuity High Income Fund	2,123,261	1,811,744
Mackenzie Saxon Small Cap Fund	4,612,794	3,478,892
Canada Trust Global Style Blend Fund		9,469,086
	<u>10,251,700</u>	<u>17,640,543</u>
	<u>115,922,296</u>	<u>108,715,561</u>

(a) These bonds mature on various dates until 2016.

(b) These bonds mature on various dates until 2025.

(c) These bonds mature on various dates until 2050.

Total investment acquisitions and dispositions for the year

	<u>2011-04-30</u>	<u>2010-05-31</u>
	<u>(11 months)</u>	<u>(12 months)</u>
	\$	\$
Total acquisitions	94,693,106	103,654,422
Total proceeds of dispositions	97,774,768	100,476,165

Investment returns

Portfolio assets are actively managed. For the eleven-month period ended April 30, 2011, investments achieved an annual return of 11.74% (12.65% in 2010) net of investment management fees.

As at April 30, 2011, the weighted average interest rate of the bonds is 4.46% and the weighted average duration is 7.21 years.

Concordia University Foundation

Notes to Financial Statements

April 30, 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 fund raising 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 been discounted at 2.91% in order to reflect the fair value of this liability.

Repayments for the next years amount to \$11,787,109 and are scheduled as follows: \$9,735,486 in 2012, and \$2,051,623 in 2013.

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.

	2011-04-30 (11 months)	2010-05-31 (12 months)
	<u>\$</u>	<u>\$</u>
Expenses		
Pay-out distribution	5,016,932	5,212,931
Parking operations (a)	720,686	772,131

(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'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.

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 \$19,640,988 (\$22,030,604 in 2010) and are detailed as follows:

	2011-04-30 (11 months)	2010-05-31 (12 months)
	<u>\$</u>	<u>\$</u>
Restricted	19,158,957	21,531,411
Endowed	482,031	499,193
	<u>19,640,988</u>	<u>22,030,604</u>

Concordia University Foundation

Notes to Financial Statements

April 30, 2011

6 - PLEDGES RECEIVABLE (Continued)

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 operations and its investment 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, 2011, financial assets in foreign currency represent cash, cash equivalents and investments totalling C\$12,565,489 (C\$17,687,027 as at May 31, 2010).

The Foundation does not hedge its foreign currency exposure.

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.

Concordia University Foundation

Notes to Financial Statements

April 30, 2011

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

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:

With the exception of shares, the credit risk is considered as being negligible, since it is an investment security with a good external credit rating. Nevertheless, the risk is only indirect for the investment funds.

As at April 30, 2011, 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.

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.

Concordia University Foundation

Notes to Financial Statements

April 30, 2011

9 - CAPITAL MANAGEMENT POLICIES AND PROCEDURES (Continued)

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.