Rating Report

Concordia University

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DBRS
Insight beyond the rating.

Ratings

Debt	Rating	Rating Action	Trend
Issuer Rating	A	Confirmed	Stable
Senior Unsecured Debt	A	Confirmed	Stable

Rating Update

DBRS Limited (DBRS) has confirmed the Issuer Rating and Senior Unsecured Debt rating of Concordia University (Concordia or the University) at "A." Both trends are Stable. The ratings continue to reflect Concordia's strong academic profile, the high level of support from and the involvement of the Province of Québec (Québec or the Province; rated A (high) with a Stable trend by DBRS) in post-secondary education and the University's responsiveness to budget challenges.

Nevertheless, the University continues to face financial challenges. Successive funding reductions by the Province and limited tuition fee flexibility have required significant expenditure management. The University has introduced a number of measures to reduce costs and slow cost growth. DBRS expects the University's operating results to remain weak through this period of adjustment and for the balance sheet to deteriorate further. However, the actions being taken and further enrolment growth should enable the University to achieve a balanced operating result in 2019–20.

The University reported a loss of $19.7 million in 2015–16 and expects to post a further, albeit smaller, loss for 2016–17. The University was subject to the final funding reduction in 2015–16 and experienced a modest enrolment decline because of problems with the introduction of a new student information system. Enrolment has since recovered, but the University's finances remain under pressure as it implements various cost-reduction initiatives, some of which have significant upfront costs (e.g., the Voluntary Retirement Program (VRP)). Nevertheless, the University has shown significant success in limiting total expense growth despite persistent inflationary pressures related to its labour-heavy cost base and physical infrastructure requirements.

The medium-term outlook will remain challenging for the University. Revenue growth is likely to remain constrained as increases in provincial funding are expected to be modest and the limited flexibility to raise tuition fees is unlikely to change. In the coming years, persistent inflationary pressures and modest revenue growth will likely require the University to continue to rationalize operations and seek out efficiency gains where possible.

The University's debt is expected to rise higher in the coming years because of ongoing debt-financed capital investment. While the trajectory for debt growth remains uncertain, DBRS estimates that Concordia's university-supported debt burden could rise to as much as $12,500 per full-time equivalent (FTE) in 2018–19 from $10,743 in 2015–16.

DBRS expects the ratings to remain stable over the medium term. A positive rating action is unlikely, while a negative rating action could be taken at the time of the next review if the outlook for operating results weakens and debt growth exceeds DBRS expectations.

Financial Information

	For the year ended April 30				
	2016	**2015**	**2014**	**2013**	**2012**
Consolidated operating result (DBRS adjusted, $ millions)	(19.7)	(26.5)	13.6	(44.2)	20.7
Surplus-to-revenue (five-year average)	(2.2%)	(1.1%)	(0.1%)	0.0%	1.3%
Debt per FTE ($)	10,743	10,055	9,136	8,514	8,001
Interest coverage (times)	3.3	3.1	5.0	3.3	5.4
Expendable resources to debt	23.6%	30.2%	34.2%	27.8%	26.5%

Issuer Description

Concordia is one of three English-language universities in Québec. Located in the City of Montréal (Montréal; rated A (high) with a Stable trend by DBRS), the University offers over 250 programs at the undergraduate and graduate level on its downtown campus (Sir George Williams) and west-end campus (Loyola).

Rating Considerations

Strengths

1. Academic profile
The University ranks well in domestic and international surveys given its relatively short history as a comprehensive public university and its rapid growth over the last two decades. The University has a highly ranked business school and a strong reputation in communication and media studies, some of the social sciences and engineering. The University has invested heavily in capital, which has given the University a modern feel and provided a number of faculties with the facilities they require to remain at the forefront (e.g., Centre for Structural and Functional Genomics). This has supported the University's academic profile and helped attract students.

2. Location in downtown Montréal
Concordia is one of two English-language universities located in downtown Montréal. The bilingual city is one of Canada's major urban centres, resulting in a large local catchment area of potential full-time and part-time students, and an attractive destination for out-of-province and international students. The University draws a relatively larger share of its student population from outside of the Province than most other universities in the Province.

3. Responsive financial management practices
The University has faced significant financial challenges in recent years because of reductions in provincial funding. Concordia has been responsive, implementing a number of significant measures to limit the deterioration in operating results.

4. Québec's strong support for education
Québec's social attitudes and politics tend to have a greater social democracy–orientation than other Canadian provinces, which leads to broad public and political support for universally accessible education, health care and other social programs. The Province makes post-secondary education widely available by providing greater subsidization of post-secondary costs than other provinces. At Concordia, for instance, government grants have typically accounted for nearly 60% of revenue, while tuition accounts for about 35% of revenue. In other provinces, the ratio is somewhat more balanced. The outlook is stable for provincial funding as all major parties are supportive of education and the elected government is signaling modest reinvestment in the sector.

Challenges

1. Constrained provincial funding
Provincial policy supports a high level of demand for post-secondary education through low tuition fees. Subsequently, universities in Québec are highly reliant on provincial funding. In recent years, provincial restraint has resulted in funding reductions, and while the outlook has improved, funding growth in the coming years is likely to be minimal. This will require universities across the Province to implement budget measures to avoid a deterioration in their operating results.

2. Limited ability to raise tuition fees
The Province sets limits on the tuition fees that universities can charge in Québec. This has resulted in exceptionally low fees for Québec residents. The current framework limits annual tuition fee increases to, effectively, the rate of inflation. This framework constrains the ability of universities to increase revenue.

3. Rising debt burden
University-supported debt has risen quickly in recent years, and DBRS expects further increases over the medium term. In this challenging operating environment, strong growth in debt could put pressure on the ratings over the medium term.

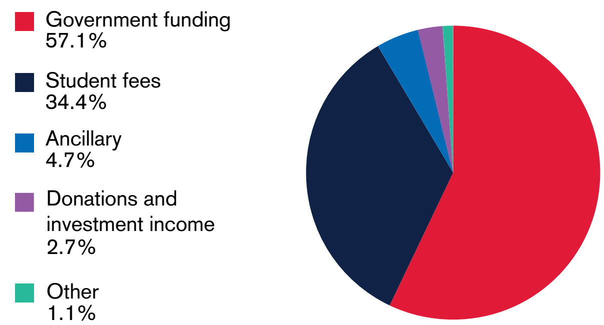
4. Limited balance sheet flexibility
Concordia has incurred operating losses in a number of years, which has resulted in a large accumulated operating deficit and negative net asset position. The balance sheet will likely deteriorate further over the next two to three years as the University incurs further losses and adds new debt.

5. No provincial guarantee on subsidized debt
The Province is highly supportive of post-secondary education, and DBRS expects that the Province will continue to provide debt-servicing grants for the provincially supported debt. Nevertheless, the provincially supported debt is in the University's name and does not benefit from a provincial guarantee.

2015–16 Operating Performance

Concordia reported a loss of $16.8 million in 2015–16 ($19.7 million on a DBRS-adjusted basis). This is the second loss in a series of losses expected by DBRS, as the University makes significant adjustments to its cost base because of the permanent reductions in provincial operating funding that occurred over the last four-and-a-half years.

Exhibit #1: 2015–16 Concordia Revenue by Source ($522.3 million)



Total revenue growth was modest (+1.2%) during the year. Enrolment was stable but below budget expectations because of implementation challenges with the new student information system. Consequently, total tuition rose only modestly (+1.5%) in line with underlying tuition fee increases, which are limited by the Province. At the same time, total provincial grants rose slightly — with operating grants being subject to their final reduction — offset by higher debt-servicing grants, reflecting the increase in provincially supported debt from prior years. Most other sources of revenue were stable year to year.

Total expense declined (-1.7%) during the year, reflecting (1) significant in-year cost restraint and (2) the one-time costs incurred in 2014–15 for the Voluntary Departure Program (VDP) for non-academic staff. Excluding the one-time costs associated with the VDP, total expense was stable year over year. The University deferred some expenditures, limited hiring and sought out opportunities to generate efficiencies. These actions helped to offset underlying cost pressures, which tend to be around 2.75% per year owing to the provisions of the collective agreements and general inflationary pressures for facilities.

The University anticipated a budget deficit of $8.3 million on the narrower operating-budget basis; however, the lower-than-planned enrolment resulted in a negative revenue variance of $7.5 million. Management offset much of the variance through hiring and other restraint measures and finished the year with a $9.4 million deficit on the narrower operating-budget basis.

Operating Outlook

Concordia prepares annual operating and multi-year capital budgets. The operating budget is on an accrual basis but does not fully align with the operating fund results presented in the audited financial statements. It typically accounts for 70% to 75% of total expense. Concordia completes its capital budget in early summer and its operating budget in late summer/early fall once budget inputs are received from the Province.

2016–17 Budget and Interim Results

The 2016–17 operating budget projected a deficit of $6.3 million. The University planned to increase enrolment by 500 FTEs (+1.8%), which would have supported modest revenue growth when paired with marginal tuition fee increases (+1.5% for Québec residents). Government operating grants were projected to rise modestly (+0.8%), while operating expense pressures were estimated at 2.3%.

The University does not prepare a revised internal forecast until later in the academic year, but initial indications suggest the University's budget is on track. Fall enrolment was about 500 FTEs higher than planned (about 1,000 FTEs over the prior year), and the University has used the unexpected revenue to offset some of the in-year reductions that were necessary in 2015–16 (i.e., hiring restraint, expenditure deferral, etc.). As a result, the University continues to work toward an operating deficit of $6.3 million.

Outlook

The University plans to reduce the size of the operating deficit in 2017–18 and 2018–19 and achieve a balanced operating budget in 2019–20. The University has little flexibility to adjust revenue. As such, the return to a balanced operating result will be mostly achieved through expense management activities. While the operating environment remains challenging for Québec universities, DBRS believes the outlook has improved modestly since the time of the last review and believes the University's goal to balance the budget in the medium term is credible and realistic. The University has assumed relatively modest growth in enrolment and has begun to implement a series of significant measures intended to address the budget imbalance. While some of these will have upfront budget costs, they should provide the institution with greater flexibility in the future.

The University's senior leadership team is expected to remain in place through the medium term, which should provide relative stability to the University's operations and strategy. The

Operating Outlook (CONTINUED)

President was recently appointed to his second term, and much of the executive and decanal leadership are expected to remain in their positions. The President led the development of the University's strategic objectives in 2015, and the University is now implementing those objectives.

The revenue outlook remains challenging. The Province has signalled that there will be no further cuts to post-secondary funding and that modest increases are possible over the medium term. Tuition fees increases, regulated by the Province, will remain limited and likely in-line with consumer price inflation. With government funding constrained and tuition fee flexibility limited, the University will make necessary adjustments to its cost base and is planning for moderate enrolment growth of about 500 FTEs per year for the medium term.

As noted in previous reports, the University is implementing a number of initiatives to address the budget pressures that have emerged because of the funding reductions in past years. Major initiatives (described below) are expected to support the University's return to a balanced result by 2019–20.

1. **VRP.** The University conducted a VRP in fall 2016, which will see 109 individuals retire in April or December 2017. The program was directed toward individuals over the age of 60 with ten or more years of service. Approximately half of the positions will be eliminated, while the others will be filled through hiring. The upfront cost of the program will be $12 million, but it is expected to generate annual payroll savings of $4 million.
2. **Pension reform.** Québec passed legislation to address sustainability concerns and risk sharing in public-sector pension plans. Beginning January 1, 2018, employees will be responsible for contributing 45% of current service costs (up from 22%) and 50% of any future funding deficiency. Employees will decide later in 2017 whether to participate in the reformed plan. There remains some uncertainty regarding participation; however, the University does expect the savings to be $2 million to $4 million per year.
3. **Transformational initiatives.** The University has a number of ongoing initiatives underway that are intended to generate operational efficiencies, reduce expense or increase revenue. Some of the initiatives include consolidation of the procurement and project management functions and the establishment of an executive-level committee to review hiring requests. The University does not have well-defined savings targets for these initiatives but expects savings to emerge over time.

Compensation costs (including benefits) account for more than 80% of total expense. Excluding the one-time costs for VRP, DBRS expects growth in total compensation costs to be moderate over the next two to three years. The University has begun to conclude collective agreements, and the initial agreements contain relatively modest salary/wage increases. Labour relations remain relatively stable, and the University expects the bulk of the remaining agreements in 2017 and 2018 to be concluded peacefully and within mandate. The University expects some pressure from labour groups with regard to the changes to their pension plans, but these pressures are likely to be sector wide, with the labour groups facing off against the Province. Nevertheless, labour relations should remain relatively stable at the University over the medium term.

Capital Plan

The University's annual investment in capital varies with the commencement and completion of major projects. In 2015–16, capital investment totalled $57.4 million, which fell roughly in the midpoint of capital investment over the prior decade ($45 million to $90 million). During the year, the most significant capital investment projects remained the ongoing enhancements to the University's information technology systems and facilities upgrades.

The University prepares an annual four-year rolling capital budget. The allocation of funds to new capital projects is driven by University priorities, provincial/federal capital support and the availability/affordability of financing. The University's Capital Asset Management and Financing Policy is intended to ensure that the University balances its infrastructure requirements with financial considerations.

The 2015–16 to 2018–19 Capital Plan, approved by the Board of Governors in June 2016, identifies approximately $284 million in capital projects over a multi-year period. A number of minor and major projects are still under development, and the full extent of the proposed program is unlikely to be completed during the planning horizon. Half of the budget is allocated to new capital needs (development), while the other half is directed toward reinvestment (e.g., renovations, addressing deficiencies, equipment and infrastructure and information technology upgrades and replacement).

The University is exploring new opportunities for major capital development. At present, there is only one major near-term project. The University will receive funding from the federal government's Post-Secondary Institutions Strategic Investment Fund (SIF) to construct an applied science facility at its Loyola Campus. The total cost of the project, including equipment, is

Capital Plan (CONTINUED)

expected to be $53 million. The University expects to receive $20 million from the federal government and $16 million from the Province. The University plans to complete the facility ahead of the 2019–20 academic year. The new facility increases the University's research capacity and allows for a modest increase in enrolment.

Among Québec universities, Concordia has an average amount of deferred maintenance. The University has invested heavily in infrastructure over the last decade but does have a number of older buildings, including some with heritage designations. The most recent facility audit resulted in an estimated facility condition index (FCI) of 22%, which is slightly above the Québec average of 19% and well above the Province's target of 15%. DBRS expects the FCI measure to improve modestly over the medium term with ongoing capital investment in new projects and rising spending on deferred maintenance.

Debt and Liquidity

University debt in Québec can be categorized as either university-supported or provincially supported debt. University-supported debt is issued by the University in its own name and serviced by the general revenues of the University (e.g., tuition fees, operating grants, etc.), while provincially supported debt is issued by the Province in the University's name to fund provincial grants awarded to the University. The provincially supported debt, though issued by the Province in the University's name, is not guaranteed by the Province. Nevertheless, DBRS views this debt as a provincial obligation because the Province dictates its issuance and ensures its servicing through dedicated grants. The University transfers to the trustee all right, title and interest related to the debt-servicing grants.

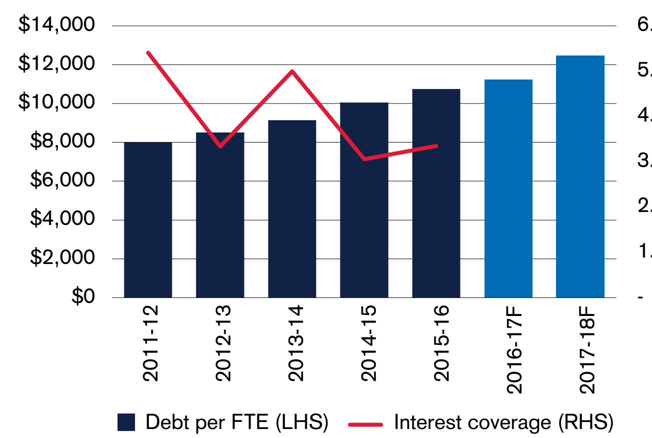
Concordia's university-supported debt burden was $299.8 million as at April 30, 2016, or $10,743 per FTE, which was above expectations at the time of the last review ($9,700 per FTE). The increase was a consequence of the decline in enrolment and moderate borrowing. On a per FTE basis, the university-supported debt burden has risen by a third over the last five years.

The University has established a sinking fund for the repayment of the $200 million in university-supported debentures and all other property-related investment debt. The fund currently has $49.4 million in assets and is managed by the Concordia University Foundation (the Foundation). Since the sinking fund is not held by a trustee that can guarantee the integrity of the funds until the maturity of the debt, DBRS does not net the value of the sinking fund from the amount of university-supported debt for the purpose of ratio calculations.

Despite the rising debt burden, interest coverage has remained relatively stable. Over the last two years, the interest coverage ratio has averaged 3.2 times.

Unlike other institutions, Concordia's debt retirement fund (sinking fund) and endowment fund are held by Concordia University Foundation. Concordia does not consolidate the results of the Foundation. Consequently, DBRS adjusts the University's financial statements to include the Foundation's assets and financial results. The Foundation's net assets declined modestly to $159.8 million, or $5,727 per FTE, as at April 30, 2016, largely because of the market correction in late 2015 and early 2016. Nevertheless, the Foundation's assets have risen strongly over the decade. The funds are held in three primary funds:

Exhibit #2: Debt Per FTE and Interest Coverage



- **Long-term debt fund.** A sinking fund for the eventual repayment of the $200 million (university-supported) bond issuance set to mature in 2042.
- **Employee benefits fund.** A fund to make provisions for the various unfunded future employee benefit obligations and pension liabilities.
- **Endowment fund.** A fund comprising externally restricted endowments made to the University. The endowment makes annual payments to the University to support the operations of the University. The payout rate is 3.5%.

Concordia has a relatively weaker balance sheet among DBRS-rated universities but retains sufficient financial flexibility at the current rating category. DBRS assesses financial flexibility by estimating expendable resources — a subset of net assets that includes unrestricted net assets, most internally restricted net assets and internally restricted endowments. DBRS estimates Concordia's expendable resources to be $70.7 million, or 23.6%

Debt and Liquidity (CONTINUED)

of university-supported debt, as at April 30, 2016. Expendable resources have declined in recent years because of negative operating results, stable restricted net assets and investment losses accruing to the University's sinking fund. Nevertheless, the balance sheet continues to have ample flexibility to meet near-term capital requirements and still provide flexibility to address unforeseen operating challenges should they emerge.

As noted previously, the outlook for Concordia's pension plan has improved with the introduction of pension reform legislation in the Province. In recent years, the University's pension plan funding status has improved, with the most recent interim actuarial valuation as at December 31, 2015, identifying a going-concern deficit of $52 million, which was down from a high of $110 million as at December 31, 2012. The University will next conduct an actuarial valuation on December 31, 2017.

Outlook

The University is exploring a number of capital projects, which may require further debt issuance over the medium term. The outlook for these projects remains uncertain, however, the Board of Governors has provided the University with flexibility by increasing the University's internal borrowing limit to $12,000 per FTE from $10,000 per FTE. DBRS notes that the University's measure of debt per FTE differs from that used by DBRS. The University does not expect a rapid increase in debt. Any increase would likely occur gradually over the medium term. DBRS estimates that the University's debt burden (DBRS's basis) could rise to $12,500 by April 30, 2018. This assumes relatively strong borrowing and modest enrolment growth of about 1,000 FTEs.

University Funding in Québec

Canadian universities generally have access to three key sources of revenue for their core teaching and research activities: (1) government grants, (2) student fees and (3) fundraising and investment income. For Concordia, these accounted for about 94% of total revenue in 2014–15.

Government Funding (Provincial and Federal; 57.1%): Government funding includes operating, research and capital grants. Operating grants constitute the most important revenue source for Canadian universities and are exclusively provided by provincial governments as education falls within provincial jurisdiction. In Québec, operating funding in any given year is based on enrolment levels effective two years before and includes three broad components:

- **Teaching:** Allocated across universities in proportion to the enrolment at each institution, with students weighted based on the relative cost of the program in which they are enrolled.
- **Support for teaching and research:** Funding for general administration costs, library operations and computer and audiovisual equipment. It is composed of a fixed amount and a variable component based on enrolment.
- **Maintenance:** Provided largely on the basis of the floor space that is recognized for funding purposes.

In recent years, the Province permanently reduced operating funding for Québec universities. Universities in Québec absorbed $276 million in funding reductions. Universities are unable to adjust their cost bases rapidly, which resulted in many incurring a series of deficits as adjustments were made to base budgets over a number of years.

The outlook for operating funding for universities has stabilized. The Province has signalled that the operating funding reductions have concluded and that universities can expect modest reinvestment in the coming years. The Province's 2016–17 budget increased university operating support by $48.2 million (1.7%).

Capital funding also largely originates from the Province; however, rather than taking the form of cash payments as in other provinces, most capital grants awarded to universities in Québec are funded by debt issued in the institutions' names but serviced by the Province through annual subsidies. This explains the relatively high debt level of Québec universities and their high dependence on provincial funding. Research funding is provided predominantly by the federal government.

Both the federal and provincial governments announced new funding for post-secondary capital in their 2016 budgets. The federal government announced a $2.0 billion SIF that will support up to 50% of eligible project costs for shovel-ready projects that enhance research and innovation capacity or improve environmental performance and can be completed within two years. Québec announced the Plan for Success in Education and Higher Education, which includes $700 million to improve and renovate facilities, of which a portion will be allocated to universities.

Tuition and Student Fees (34.4%): The Province retains a high degree of control over tuition fees. For residents of Québec, fees were capped between 1995–96 and 2006–07 and once again in September 2012, which explains why Québec has some of the lowest tuition fees in the country. In the period between 2007–08 and 2011–12, universities were allowed to increase tuition fees by $100 per year, although benefits were offset by the requirement to allocate some of the proceeds to student aid. For non-Québec residents, tuition fee increases are higher. Historically, revenue collected from those students in excess of tuition paid by residents was generally appropriated by the Province and

University Funding in Québec (CONTINUED)

re-invested in the post-secondary education system. This limited the ability of Québec universities to generate higher revenues by attracting out-of-province students; however, beginning in 2008–09, Universities have been able to retain a sizable portion of the out-of-province student fees.

After cancelling planned tuition fee increases of $325 per year for domestic students between 2011–12 and 2016–17, the Province instituted more modest tuition fee indexation, albeit at a lower rate than initially announced. While this has provided modest flexibility to institutions to keep pace with inflationary pressures, overall system-wide cuts have offset most of the revenue gains. In 2016–17, indexation amounted to an approximate year-over-year fee increase of 1.5% for Québec residents. Going forward, DBRS expects minimal growth in tuition rates for Québec residents, while tuition fee increases for Canadian non-Québec residents and international students will be more significant.

Donations and Investments (2.7%): Fundraising is a relatively modest source of revenue for most universities in Canada. This is reflected in the smaller endowment funds of most institutions and the still-negligible share of donation income and endowment contributions in the revenue base of Canadian universities relative to their U.S. counterparts.

Concordia recorded $6.9 million in unrestricted donations in 2015–16 and a further $2.6 million in endowed contributions, which, in total, is similar to amounts received in recent years. Despite ongoing contributions to the endowment, the endowment rose only modestly to $90.6 million because of the market correction in late 2015 and early 2016 and the required draws on the endowment. The endowment has a target payout ratio of 3.5%.

Statement of Financial Position (DBRS adjusted)

($ thousands)	For the year ended April 30 2016	2015	2014	2013	2012
Assets					
Cash and marketable securities	4,390	2,239	32	519	2,551
Receivables and subsidies receivable from Province	74,918	71,429	74,791	55,720	61,947
Subsidies receivable from Province (long term)	119,715	124,445	138,351	134,693	140,191
Inventories and prepaid expenses	13,043	11,180	9,070	9,906	8,158
Capital assets	792,490	782,183	770,302	745,430	731,142
Concordia University Foundation – net assets	159,820	165,702	156,421	136,598	120,492
Other assets	27,589	29,064	20,087	8,281	1,401
Total Assets	**1,191,965**	**1,186,242**	**1,169,054**	**1,091,147**	**1,065,882**
Liabilities					
Accounts payable and accrued liability	66,487	69,451	68,951	78,805	74,335
Short-term debt serviced by University	68,263	47,636	13,037	19,299	-
Short-term debt serviced by Province	95,812	105,033	90,169	113,350	107,357
Unearned revenue	12,341	13,761	14,861	18,527	19,102
Other short-term liabilities	4,976	4,980	6,142	6,437	5,459
Employee future benefits [1]	193,791	170,505	220,664	128,251	89,738
Deferred contributions	127,323	122,858	112,967	114,117	110,839
Net long-term debt serviced by University	231,549	233,498	241,930	217,794	218,599
Net long-term debt serviced by Province	267,484	256,888	278,402	224,181	242,853
Total Liabilities	**1,068,026**	**1,024,610**	**1,047,123**	**920,761**	**868,282**
Fund Balances					
Invested in capital assets	169,029	171,877	183,887	162,745	162,193
Internally Restricted	65,878	62,510	63,541	60,543	60,002
Externally restricted	1,039	951	1,230	1,453	1,079
Concordia University Foundation	159,820	165,702	156,421	136,598	120,492
Accumulated deficit	(271,827)	(239,408)	(283,148)	(190,953)	(146,166)
Total Net Assets	**123,939**	**161,632**	**121,931**	**170,386**	**197,600**
Total Liabilities and Fund Balances	**1,191,965**	**1,186,242**	**1,169,054**	**1,091,147**	**1,065,882**
Contingencies					
Potential claim - lawsuits	3,000	2,300	1,000	16,000	16,000
Pension-fund and other benefits deficit [1]	n/a	n/a	n/a	511,625	428,645
	3,000	**2,300**	**1,000**	**527,625**	**444,645**

1 The University adopted Section 3463: Reporting Employee Future Benefits by Not-for-Profit Organizations and applied the new standard as at May 1, 2014. Amounts for 2014 and onward are no longer comparable with the amounts from prior years.

Statement of Operations (DBRS adjusted)

($ thousands)	For the year ended April 30 2016	2015	2014	2013	2012
Total revenue	522,253	516,195	542,622	499,554	512,870
Total expense	541,965	542,742	528,977	543,719	492,131
Recurring Surplus/(Deficit)	**(19,712)**	**(26,547)**	**13,645**	**(44,165)**	**20,739**
Non-recurring revenue/(expenditures)		(8,800)	--	--	(2,000)
Surplus/(Deficit)	**(19,712)**	**(35,347)**	**13,645**	**(44,165)**	**18,739**
Revenue					
Tuition	124,372	122,527	111,667	107,828	102,693
Student fees 1	55,111	55,178	62,144	62,892	61,009
Provincial operating grants	231,231	237,867	251,464	231,735	234,057
Provincial grants for debt servicing	30,150	20,358	39,122	27,229	42,563
Other provincial grants for restricted uses	6,702	6,504	5,037	5,260	3,706
Federal grants	30,107	31,349	32,639	33,387	33,394
Sales, services and rentals	24,437	25,278	23,985	24,644	24,224
Donations and endowment	14,214	12,447	10,401	326	6,735
Other income	5,929	4,687	6,163	6,253	4,489
Total Revenue	**522,253**	**516,195**	**542,622**	**499,554**	**512,870**
Expense					
Academic services	241,215	248,995	237,505	232,894	226,119
Administrative services	82,051	86,696	86,552	88,395	79,895
Research	57,769	56,599	52,204	47,798	41,029
Sales, services and rentals	16,980	17,692	18,143	19,121	19,313
Amortization	43,327	42,083	38,141	36,434	34,839
Pension plan 2	44,655	45,857	40,512	67,116	36,044
Interest on subsidized debt	9,943	10,385	11,196	11,444	14,615
Interest on university-supported debt	15,208	15,677	15,046	14,626	14,238
Other	30,817	27,558	29,678	25,891	26,039
Total Expense	**541,965**	**551,542**	**528,977**	**543,719**	**492,131**
Gross Capital Expenditures 3	**57,385**	**62,765**	**75,687**	**44,392**	**58,101**

1 Includes services to the community, student services revenues and miscellaneous fees and other income.
2 The University adopted Section 3463: Reporting Employee Future Benefits by Not-for-Profit Organizations and applied the new standard as at May 1, 2014. Amounts for 2014 and onward are no longer comparable with the amounts from prior years.
3 Includes capital expenditures on tangible and intangible assets. Previous reports have only included capital expenditures on tangible capital. Amounts have been restated for the years ended April 30, 2013, and April 30, 2014.

Statement of Cash Flows (DBRS adjusted)

	For the year ended April 30				
($ thousands)	2016	2015	2014	2013	2012
Operating balance before fund transfers	(19,712)	(26,547)	13,645	(44,165)	18,739
Amortization and other 1	55,432	58,738	46,522	78,340	44,007
Cash Flow from Operations	**35,720**	**32,191**	**60,167**	**34,175**	**62,746**
Change in working capital	1,024	(644)	(34,727)	(4,673)	(19,489)
Operating Cash Flow after Working Capital	**36,744**	**31,547**	**25,440**	**29,502**	**43,257**
Capital expenditures	(57,385)	(62,765)	(75,687)	(44,392)	(58,101)
Free Cash Flow	**(20,641)**	**(31,218)**	**(50,247)**	**(14,890)**	**(14,844)**

1 The University adopted Section 3463: Reporting Employee Future Benefits by Not-for-Profit Organizations and applied the new standard as at May 1, 2014. Amounts for 2014 and onward are no longer comparable with the amounts from prior years.

Summary Statistics (DBRS adjusted)

	For the year ended April 30				
	2016	2015	2014	2013	2012
Total Enrolment 1	27,908	27,960	27,907	27,846	27,323
– Undergraduate	86%	86%	87%	88%	88%
– Graduate	14%	14%	13%	12%	12%
Annual change (%)	(0.2%)	0.2%	0.2%	1.9%	1.7%
Total Staff (FTE) 2	3,458	3,507	3,637	3,791	3,598
– Academic staff (FTE)	43%	43%	41%	43%	40%
Operating Results					
Recurring surplus (deficit) ($ thousands)	(19,712)	(26,547)	13,645	(44,165)	20,739
– As % of revenues	(3.8%)	(5.1%)	2.5%	(8.8%)	4.0%
Revenue Mix (as % of total DBRS-adjusted revenue)					
Government funding	57.1%	57.4%	60.5%	59.6%	61.2%
Student fees	34.4%	34.4%	32.0%	34.2%	31.9%
Ancillary	4.7%	4.9%	4.4%	4.9%	4.7%
Donations and investment income	2.7%	2.4%	1.9%	0.1%	1.3%
Other	1.1%	0.9%	1.1%	1.3%	0.9%
Debt					
Total debt ($ millions)	663.1	643.1	623.5	574.6	568.8
Debt serviced by Province ($ millions)	363.3	361.9	368.6	337.5	350.2
Debt serviced by University ($ millions)	299.8	281.1	255.0	237.1	218.6
– Per FTE student ($)	10,743	10,055	9,136	8,514	8,001
Interest charges supported by University/total exp.	2.8%	2.8%	2.8%	2.7%	2.9%
Interest coverage ratio (times) 3	3.3	3.1	5.0	3.3	5.4
Expendable Resources	70.7	84.9	87.1	65.9	57.9
– As % of long-term debt serviced by University	23.6%	30.2%	34.2%	27.8%	26.5%
Concordia University Foundation					
Total net assets ($ millions)	159.8	165.7	156.4	136.6	120.5
– Per FTE student ($)	5,727	5,926	5,605	4,905	4,410
Annual payout rate	3.5%	3.5%	3.5%	5.0%	5.0%

1 FTE. Excludes continuing education.
2 Staff, including academic staff, exclude auxiliary students and part-time faculty for continuing education. A part-time FTE faculty member has a load of four courses of 3.0 credits.
3 Defined as surplus before interest, amortization and fund transfers divided by interest charges supported by the University.

Rating History

	Current	2016	2015	2014	2013	2012
Issuer Rating	A	A	A	A	A	A
Senior Unsecured Debt	A	A	A	A	A	A

Previous Action

- Confirmed, May 19, 2016.

Related Research

- *Rating Public Universities*, June 27, 2016.
- DBRS Canadian University Peer Comparison Table, March 16, 2017.
- Rating Public Universities — Business and Financial Risk Assessments, March 16, 2017.

Previous Report

- Concordia University: Rating Report, May 19, 2016.

Notes:
All figures are in Canadian dollars unless otherwise noted.

For the definition of Issuer Rating, please refer to Rating Definitions under Rating Policy on www.dbrs.com.

Generally, Issuer Ratings apply to all senior unsecured obligations of an applicable issuer, except when an issuer has a significant or unique level of secured debt.