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) confirmed the Issuer Rating and Senior Unsecured Debt rating of Concordia University (Concordia or the University) at "A." Both trends are Stable. The ratings reflect Concordia's strong academic profile, the high level of support and control exercised by 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.

Concordia has experienced significant financial pressure over the last five years because the Province reduced funding to the university sector as part of its broader deficit-reduction effort. Between 2010–11 and 2014–15, the Province imposed successive rounds of funding reductions, which prompted Concordia to make significant budgetary adjustments. With much of the expense base fixed and a deliberate effort to preserve the student experience, the period of adjustment is typically somewhat longer for universities. For Concordia, the difficult budget measures adopted in past years are now beginning to show through in the budget outlook.

The University reported a loss of $35.9 million ($22.2 million on a DBRS-adjusted recurring basis) for the 2016–17 fiscal year. This was likely the low point in results, as the University booked a one-time expense of $13.6 million for a voluntary retirement program. The outlook for 2017–18 and 2018–19 is now better. The University's narrower operating fund deficit is falling, and Concordia expects the operating budget to be nearly balanced in 2018–19. This should translate into improving results in the audited financial statements.

While operating results are expected to improve, there is some medium-term uncertainty facing the University. Québec is in the process of reviewing the provincial operating grant formula for universities, which could affect the University's plan to balance the operating budget and its longer-term growth strategy. There is relatively little information publicly available about the review, though messaging in the 2017 provincial budget suggested it could be in place as soon as the 2018–19 academic year.

The University's debt is expected to rise higher in the coming years with rising capital investment. The timing and pace of debt growth, however, remains uncertain, particularly if the enrolment plan is to be affected by changes to the funding formula. DBRS believes Concordia's university-supported debt burden could exceed $13,000 per full-time equivalent (FTE) within three years.

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 there is a significant deterioration in the operating outlook and new borrowings significantly exceed current expectations.

Financial Information

	For the year ended April 30				
	2017	**2016**	**2015**	**2014**	**2013**
Consolidated operating result (DBRS-adjusted, $ millions)	(22.2)	(16.8)	(23.1)	13.6	(44.2)
Surplus-to-revenue (five-year average)	(3.6%)	(2.0%)	(1.0%)	(0.1%)	0.0%
Debt per FTE ($) 1	10,564	10,743	10,055	9,136	8,514
Interest coverage 2	3.0	3.5	3.3	5.0	3.3
Expendable resources to debt (times)	17.7%	20.6%	30.2%	34.2%	27.8%

1 FTE = full-time equivalent. 2 Only includes University-supported debt charges.

Issuer Description

Concordia is one of three English-language universities in Québec. Located in Montréal, the University offers over 588 programs at both the undergraduate and graduate level at 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 despite its relatively short history as a comprehensive public university. 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 fresh and modern feel and provided researchers with state-of-the-art facilities. The University's growing profile has enabled it to steadily raise enrolment and student quality.

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 Québec than most other universities in the Province.

3. Responsive financial management
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, which are now beginning to show through in the budget outlook.

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 between 55% and 60% of revenue in recent years, while tuition accounts for about 35% of revenue. In other provinces, the ratio is somewhat more balanced. While the outlook for the funding formula is somewhat uncertain at this time, the government has signalled that no university will be worse off under a new model and that it will continue to reinvest in the sector.

Challenges

1. Constrained provincial funding
Universities in Québec are highly reliant on provincial funding. In recent years, provincial restraint has resulted in base-funding reductions, and while the outlook has improved, base-funding growth in the coming years is likely to be modest. The latest provincial budget included about $30 million in incremental operating funding for universities in 2017–18 and projected a further $50 million in incremental funding for 2018–19. For Concordia, this represents $3.0 million in additional funding in 2017–18 and follows $90.0 million in operating funding reductions during the previous seven years.

2. Limited ability to raise tuition fees
The Province sets limits on the tuition fee increases. This has resulted in exceptionally low fees for Québec residents. The current framework limits annual tuition fee increases to an inflationary measure (similar to household disposable income) for residents of Québec. Similar constraints are placed on tuition fees for residents from other Canadian provinces and, to a lesser extent, on international students. This framework ultimately limits 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. A significant increase in debt would diminish flexibility within the existing rating category.

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. With improving operating results, the pace of deterioration should slow in the coming two years and then begin to show modest improvement.

5. No provincial guarantee on subsidized debt
Provincially supported debt is issued in the name of the University and does not benefit from an explicit provincial guarantee. Nevertheless, the Province remains committed to post-secondary education, and DBRS expects the Province will continue to provide the sector with debt-servicing grants to service the provincially supported debt.

2016–17 Operating Performance

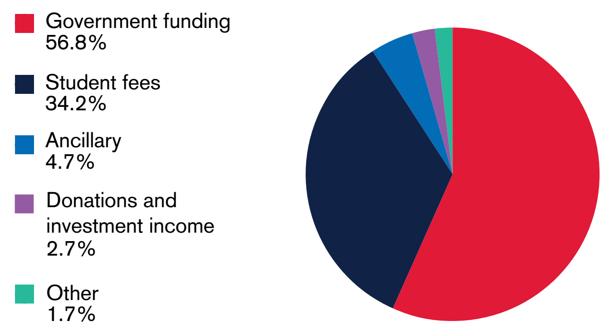
Concordia reported a loss of $35.9 million in 2016–17, a deterioration from the loss of $16.8 million reported in the prior year. The 2016–17 results, however, include a significant one-time expense for the voluntary retirement program (part of the University's broader deficit-reduction effort). Excluding the one-time charge, the DBRS-adjusted recurring deficit was $22.2 million.

This was the third loss in a series of losses expected by DBRS, as the University makes significant adjustments to its cost base because of the $90 million reductions in provincial operating funding that occurred over the 2010–11 to 2015–16 period.

DBRS adjusts Concordia's financial statements to incorporate Concordia University Foundation's (the Foundation) financial statements. Unlike other institutions, Concordia's debt retirement fund (sinking fund) and endowment fund are held by the Foundation. Concordia does not consolidate the results of the Foundation.

Total revenue rose modestly in 2016–17 (+3.4%), with the increases driven principally by higher tuition revenue, operating grants and donations/contributions. Tuition fee revenue growth (+5.8%) improved in 2016–17 with higher enrolment (+3.1%) but remains constrained by modest tuition fee increases. In 2016–17, tuition fee increases for residents of Québec were limited to 1.5%. Provincial grants exhibit some volatility from year to year because of timing and allocation issues. During the year, operating grant increases offset declines in debt-service grants. Most other sources were stable, exhibiting modest increases or decreases year over year.

Exhibit 1: 2016-17 Concordia Revenue by Source
($543.2 million)



Total expense, excluding the non-recurring costs associated with the voluntary retirement program, rose moderately (+4.3%), which reflects inflationary pressures and some growth in the University's operations, as the University continues to expand its enrolment and capital footprint.

On the narrower operating budget basis, the University modestly outperformed its operating budget target of $6.3 million by $0.4 million.

The University reports a negative net asset position, which improved modestly year over year, falling to $40.8 million from $44.9 million. The improvement reflects a relatively large remeasurement gain, which was sufficient to offset the loss from operations. On a DBRS-adjusted basis, after including the net assets of the Foundation, the net asset position improved to $131.1 million (+14.1%), which reflects the gains in the endowment and other restricted funds.

Operating Outlook

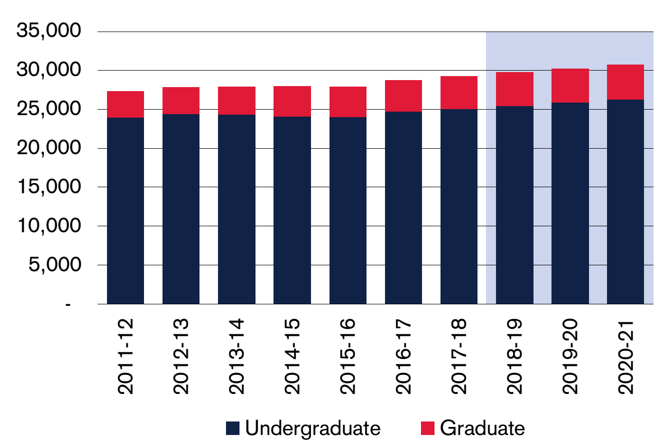
Concordia uses fund accounting in accordance with Canadian accounting standards for not-for-profit organizations. The University has four funds: (1) operating (academic and administrative services), (2) research, (3) designated (funds received from external entities for specific purposes imposed by the outside donor or party) and (4) capital.

The operating fund accounts for about three-quarters of total expense. The University presents an operating budget on an accrual basis, but the basis is not fully consistent with that of the operating fund as presented in the audited financial statements.

2017–18 Budget and Interim Results

The 2017–18 operating budget was approved in June 2017. The budget continues to emphasize deficit reduction and a structural reallocation of resources toward to strategic areas. The budget

Exhibit 2: Enrolment (FTEs)



Operating Outlook (CONTINUED)

continues to track the longer-term deficit-reduction targets set by the University in the past.

The 2017–18 operating budget projected a deficit of $3.9 million. The University planned to increase enrolment by 1,600 weighted FTEs (equivalent to +669 raw FTEs), which would have supported modest revenue growth when paired with tuition fee increases (+2.7% for Québec residents, +2.3% for residents from other provinces and 2.7% for international students). Government operating grants were projected to rise modestly by $8.5 million (+3.8%), reflecting modest new university-sector funding (+$3.2 million) and funding to offset inflationary pressures (+$5.3 million).

At mid-year, financial results for 2017–18 are expected to be modestly better than budgeted, largely as enrolment exceeded expectations (810 raw FTEs versus 669 raw FTEs). The University has not prepared a projection on a basis comparable with the audited financial statements but does expect the deficit to fall significantly.

Outlook

The University has not begun to prepare its 2018–19 budget, but the University remains intent on further reducing the size of the operating deficit again in 2018–19 and achieving a balanced operating budget in 2019–20, consistent with the plan outlined in previous years. The University has little flexibility to adjust revenue, so the return to a balanced operating result will be largely achieved through expense management.

The operating environment remains challenging for Québec universities, though DBRS believes the outlook is improving modestly as the Province has begun to provide incremental base-funding increases and has signalled its intent to make changes to the provincial funding formula. Few details are available at this time. The Province announced in its 2017 provincial budget that it intended to make the funding formula simpler, fairer, more efficient and more transparent. The budget document also spoke of improving accessibility, quality and the position of Québec universities in the global context.

The changes are also expected to address the broader enrolment trends facing the sector. As in other provinces, enrolment is expected to remain stable or decline modestly across the Québec system, which could put pressure on those universities outside of the major urban centres. Concordia accounts for about 10% of the Québec system and is one the few institutions with steadily rising enrolment.

DBRS does not expect changes in the funding formula to have a negative impact on the University, though a significant change in the funding formula could require the University to re-evaluate its strategic plan. The President's vision for the University, outlined in 2015, envisioned modest annual enrolment growth (about 500 FTEs per year) over the subsequent decade. The 2017 provincial budget suggests a new funding formula could be in place for 2018–19, though the Province has yet to provide formal guidance on the new structure.

Most of the University's collective agreements expire during the 2017–18 fiscal year, which reflects the uncertainty over pension plan reform when the agreements were last bargained. This round of bargaining is likely to see labour groups push for stronger wage growth in recognition of the significant increases in employee pension plan contributions and past compensation constraint. The University does not expect any labour action and has made appropriate provisions in its budget outlook.

Capital Plan

The University prepares an annual four-year rolling capital budget. The four-year plan allocates funds to projects based on the University's 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.

Annual investment varies with the commencement and completion of major projects. In 2016–17, capital investment totalled $45.6 million, which was somewhat lower than in previous years. During the year, the most significant capital investment projects remained the ongoing enhancements to the University's information technology systems and facilities upgrades.

The 2016–17 to 2019–20 Capital Plan, approved by the Board of Governors in June 2017, identifies approximately $339.1 million in capital projects over the four-year period, which represents a significant increase over the prior year's iteration of the plan (+19.4%). The plan is an iterative document that evolves with changes in the operating and funding environment. The University is often unable to fully implement the program, leading to some projects being deferred.

Development opportunities and new infrastructure and equipment accounts for about two-thirds of the plan. The major projects contained in the plan are still being developed internally, and no public information is available. The remainder of the plan is oriented toward renovations and deficiencies (i.e., deferred maintenance and improvements). Year-over-year growth in the

Capital Plan (CONTINUED)

plan (+19.4%) is largely attributable to an increase in planned spending on deferred maintenance/deficiencies.

At present, the University has only one major development project currently under construction: the Post-Secondary Institutions Strategic Investment Fund–funded applied science facility on the Loyola campus (Science Hub). The total cost of the project, including equipment, is expected to be $59.9 million. The University expects to receive $20 million from the federal government and $16 million from the Province and plans to complete the facility ahead of the 2019–20 academic year. The new facility will increase the University's research capacity and will allow for a modest increase in enrolment.

Among Québec universities, Concordia has an average amount of deferred maintenance. The most recent facility audit resulted in an estimated facility condition index (FCI) of 19.8%, which is slightly above the Québec average of 19% and well above the Province's target of 15%.

Concordia has invested heavily in university infrastructure in recent years, providing students and researchers with modern facilities. The University owns two older buildings, which account for the bulk of the University's deferred maintenance:

- **Grey Nuns Building:** A national historic site that now serves as student housing (601 beds) and study space. The large complex was previously the Motherhouse for the Grey Nuns, which was built in the 1860s and 1870s in Neoclassical and Romanesque Revival styles.
- **Henry F. Hall Building:** The large concrete academic building accounts for about 18% of the University's square footage. The building was constructed in the 1960s and is now over 50 years old.

Excluding the two buildings, the remaining university buildings have a FCI around 10%. The University plans to continue investing in deferred maintenance, which should maintain the FCI near present levels.

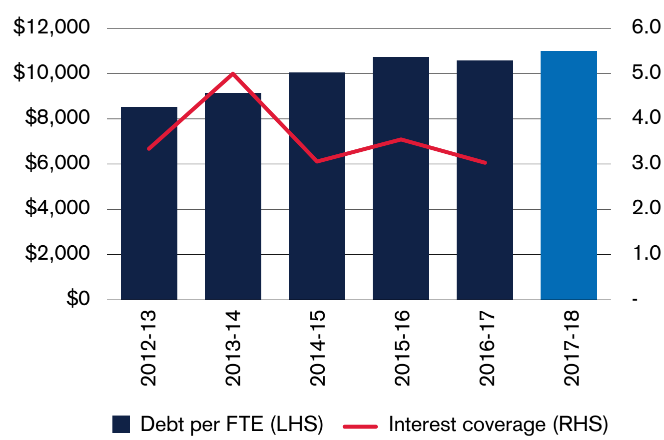
Debt and Liquidity

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 debt is not explicitly 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 $304.1 million as at April 30, 2017, or $10,564 per FTE, which was modestly lower than the prior year ($10,743 per FTE) largely as a result of enrolment growth. In recent years, the increase in the university-supported debt has been accomplished with short-term borrowings (i.e., lines of credit).

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 has $57.5 million in assets and is managed by 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.

Exhibit 3: Debt Per FTE and Interest Coverage



University-supported debt interest expense has risen in recent years because of rising debt levels and now accounts for 4.4% of expense. Similarly, interest coverage has weakened with the rising interest expense and weak operating results. The interest coverage ratio was 3.0 times (x), which is relatively weak among DBRS-rated universities and toward the bottom end of historical levels for the University (typically around 3.5x).

Concordia's debt retirement fund (sinking fund) and endowment fund are held by the Foundation. Concordia does not consolidate the results of the Foundation. Consequently, DBRS adjusts the University's financial statements to include the Foundation's

Debt and Liquidity (CONTINUED)

assets and financial results. The Foundation's net asset position improved moderately in 2016–17 after a modest deterioration the prior year. The volatility in net assets has primarily reflected volatility in financial markets over the past two years. Net assets as at April 30, 2016, totalled $185.9 million, up 10.0% from the year prior. The funds are held in three primary funds:

- **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 one of the weaker balance sheets among DBRS-rated universities, though not inconsistent with the current rating category. DBRS assesses balance sheet 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 $53.8 million, or 17.7% of university-supported debt, as at April 30, 2017. Expendable resources have declined in recent years because of negative operating results. Nevertheless, the balance sheet continues to have flexibility to meet near-term requirements.

The funding status and outlook for the University's pension plan improved considerably in recent years. Provincial legislation (2016) required changes to public-sector pension plans in Québec. The changes have improved risk and cost sharing between the University and its employees. The changes have provided savings to the University, while simultaneously improving the cash flow to the pension plan. More significantly, the changes help to address longer-term challenges associated with defined benefit pension plans (i.e., improving longevity, inflation, etc.).

The most recent financial statements show a significant improvement in the pension plan's funding status, with the deficiency falling to $49.2 million from $92.8 million, which reflects, in large part, re-measurement gains resulting from robust equity and bond market returns in 2016–17.

The University conducts triennial actuarial valuations for funding purposes (i.e., determination of contribution rates, special payments, etc.). The most recent valuation was as at December 31, 2015. At that time, the going-concern shortfall was estimated to be $52 million, which represented a significant improvement from the $110 million deficiency as at December 31, 2012. The University will prepare its next actuarial valuation for December 31, 2018. The deficiency, if any, will be the shared responsibility of both the University (55%) and the employees (45%).

The University also provides its employees with other post-retirement benefits (e.g., life and health insurance). These benefits are paid on a pay-as-you-go basis, and the University is not required to set aside funds against the liability. As at April 30, 2017, the University's liability for these plans totalled $112.6 million. Over the longer term, these liabilities pose a challenge for the sector, as the cost of future health benefits is expected to rise with improving longevity and the inflation. At present, Concordia is responsible for 85% of the cost of the other post-employment benefits.

Outlook

As noted in the past, the University is exploring a number of capital projects that would likely require further debt issuance. The scale, form and timing of debt issuance is not known at this time. However, short-term debt has risen considerably in recent years, so DBRS would expect the University to term out some of the short-term debt when an issuance does occur.

In anticipation of further debt increases, the Province has provided the University with the authority to raise its total debt limit to $1.0 billion from $700.0 million. Accordingly, the Board of Governors raised the University's internal borrowing limit to $12,000 per FTE from $10,000 per FTE. The University's measure of debt per FTE differs from that used by DBRS.

DBRS estimates that the University's debt burden (on a DBRS-adjusted basis) is likely to rise moderately in the coming years potentially exceeding 13,000 per FTE over the medium term.

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) donations and investment income. For Concordia, these accounted for about 94% of total revenue in 2016–17.

Government Funding (Provincial and Federal; 54.8%): Government funding includes operating, research and capital grants. Operating grants are the largest source of revenue and are exclusively provided by provincial governments. In Québec, operating grant funding is allocated through three principal funding envelopes:

- **Teaching:** Allocated across universities in proportion to 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 (headcount).
- **Maintenance:** Provided largely based on the floor space that is recognized for funding purposes.

Between 2010–11 and 2014–15, the Province announced successive rounds of funding reductions as part of the Province's broader deficit-reduction efforts. The funding reductions led to a deterioration in operating results and required universities to adopt offsetting measures. The reductions, particularly when announced mid-year, posed significant challenges for the sector given the structure of the University expense base (i.e., tenured faculty and large capital stocks). Concordia made significant changes to both academic and non-academic expense centres. These adjustments limited the deterioration and has put the University on a path to return to balanced budgets.

The Province provides universities with some funding growth to offset the impact of rising enrolment and inflationary pressures and announced in its 2016 budget that it would begin providing additional incremental funding to support the sector and offset some of the cuts of prior years. The budget provided the university sector with $30 million in new funding and signalled that a further $50 million could be forthcoming in 2018–19. The new base-funding increases remain modest relative to the reductions imposed in prior years.

The federal government typically provides 65% to 75% of all public research funding. The federal government's 2018 budget announced significant increases in funding for basic research, which suggests some growth in funding for the university sector is likely forthcoming.

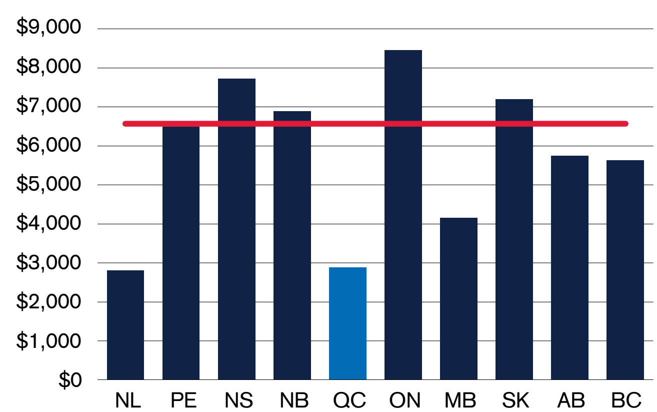
Capital grants are largely provided by provinces but take an unusual form in Québec. Rather than provide cash transfers as in other provinces, most capital grants are funded by debt issued by the Province in the University's name. The Province then provides the University with restricted grants to service that debt.

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 Post-Secondary Institutions Strategic Investment Fund 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 (35.2%): Tuition fees are low in Québec, which reflects past policy decisions by the Province that limited increases. The current approach to fee increases has been in place since 2012. The Province has adopted a formula-driven approach, which seems unlikely to change over the medium term after the widespread student protests that occurred in 2012. The system provides universities with modest flexibility to raise tuition fees to offset some of the inflationary pressures in the budget.

- **Residents of Québec:** Annual tuition fee increases for regulated programs are allowed to increase by an amount equivalent to growth in a provincially defined indexation factor (similar to household disposable income). In 2017–18, tuition fees for residents of Québec rose by 2.7%.
- **Residents from other Canadian provinces:** Annual tuition fee increases for regulated programs are allowed to increase by an amount equivalent to growth in average tuition fees elsewhere in Canada. In 2017–18, tuition fees for students from other provinces was 2.4%.

Exhibit 4: 2017-18 Average Undergraduate Tuition Fees



Source: Statistics Canada.

University Funding in Québec (CONTINUED)

- **International students:** The Province does not limit tuition fee increases for deregulated international programs. Concordia has raised tuition fees for regulated programs in a manner consistent with that for residents of Québec.

Donations and Investments (3.9%): Unrestricted donations and investment income recognized on the statement of operations typically represent between 2.0% and 4.0% of the University's revenue. Endowed contributions and investment income earned by the restricted endowments are recognized as changes in net assets and are not captured on the statement of operations until they are spent, at which point they are recorded as revenue.

Concordia launched a major fundraising campaign in November 2017 (The Campaign for Concordia: Next-Gen), which will seek to raise $250 million. The University is allocating more funding for advancement activities in support of the campaign.

Concordia recorded $9.8 million in unrestricted donations in 2016–17 and a further $2.0 million in endowed contributions, which, in total, is similar to amounts received in recent years. With modest contributions and stronger investments, the endowment's market value rose to $95.8 million (+5.7%). The Foundation's annual endowment payout policy is to distribute 3.5% of the weighted-average market value of the endowment over the previous 36 months.

Statement of Financial Position (DBRS-adjusted)

($ thousands)	2017	2016	2015	2014	2013
	As at April 30				
Assets					
Cash and marketable securities	16,732	4,030	2,239	32	519
Receivables and subsidies receivable from Province	80,000	74,918	71,429	74,791	55,720
Subsidies receivable from Province (long-term)	103,212	119,715	124,445	138,351	134,693
Inventories and prepaid expenses	11,890	13,403	11,180	9,070	9,906
Capital assets	795,192	792,490	782,183	770,302	745,430
Concordia University Foundation - net assets	171,896	159,820	165,702	156,421	136,598
Other assets	26,806	27,589	29,064	20,087	8,281
Total Assets	**1,205,728**	**1,191,965**	**1,186,242**	**1,169,054**	**1,091,147**
Liabilities and Net Assets					
Liabilities					
Accounts payable and accrued liability	87,898	75,487	69,451	68,951	78,805
Short-term debt serviced by University	74,513	68,263	47,636	13,037	19,299
Short-term debt serviced by Province	72,658	95,812	105,033	90,169	113,350
Unearned revenue	13,735	12,341	13,761	14,861	18,527
Other short-term liabilities	10,726	4,976	4,980	6,142	6,437
Employee future benefits 1	161,803	193,791	170,505	220,664	128,251
Deferred contributions	130,476	127,323	122,858	112,967	114,117
Net long-term debt serviced by University	229,558	231,549	233,498	241,930	217,794
Net long-term debt serviced by Province	293,224	267,484	256,888	278,402	224,181
Total Liabilities	**1,074,591**	**1,077,026**	**1,024,610**	**1,047,123**	**920,761**
Net Assets					
Invested in capital assets	159,857	169,029	171,877	183,887	162,745
Internally Restricted	67,306	65,878	62,510	63,541	60,543
Externally restricted	289	1,039	951	1,230	1,453
Concordia University Foundation	171,896	159,820	165,702	156,421	136,598
Accumulated deficit	(268,211)	(280,827)	(239,408)	(283,148)	(190,953)
Net Assets	**131,137**	**114,939**	**161,632**	**121,931**	**170,386**
Total Liabilities and Net Assets	**1,205,728**	**1,191,965**	**1,186,242**	**1,169,054**	**1,091,147**
Contingencies					
Potential claim - lawsuits	4,600	3,000	2,300	1,000	16,000
Pension-fund and other benefits deficit 1	n/a	n/a	n/a	n/a	511,625
	4,600	**3,000**	**2,300**	**1,000**	**527,625**

1 The University adopted Section 3463, Reporting Employee Future Benefits, and applied the new standard as of May 1, 2014. As a result, amounts for 2014 were restated and are no longer comparably to amounts for prior years.

Statement of Operations (DBRS-adjusted)

	For the period ended April 30				
($ thousands)	2017	2016	2015	2014	2013
Total revenue	543,203	525,189	519,685	542,622	499,554
Total expense	565,446	541,965	542,742	528,977	543,719
Recurring Surplus/(Deficit)	**(22,243)**	**(16,776)**	**(23,057)**	**13,645**	**(44,165)**
Non-recurring revenue/(expenditures)	(13,649)		(8,800)	-	-
Total Consolidated Surplus/(Deficit)	**(35,892)**	**(16,776)**	**(31,857)**	**13,645**	**(44,165)**
Revenue					
Tuition	131,583	124,372	122,527	111,667	107,828
Student fees 1	59,729	55,111	55,178	62,144	62,892
Provincial operating grants	241,727	231,231	237,867	251,464	231,735
Provincial grants for debt servicing	18,637	30,150	20,358	39,122	27,229
Other provincial grants for restricted uses	6,245	6,702	6,504	5,037	5,260
Federal grants	31,223	30,107	31,349	32,639	33,387
Sales, services, and rentals	23,877	24,437	25,278	23,985	24,644
Donations and endowment	21,320	14,214	12,447	10,401	326
Other income	8,862	8,865	8,177	6,163	6,253
Total Revenue	**543,203**	**525,189**	**519,685**	**542,622**	**499,554**
Expense					
Academic services	261,949	243,914	248,995	237,505	232,894
Administrative services	83,759	81,357	86,696	86,552	88,395
Research	57,428	55,764	56,599	52,204	47,798
Sales, services, and rentals	15,349	16,980	17,692	18,143	19,121
Amortization	44,757	43,327	42,083	38,141	36,434
Employee future benefits 2	43,416	44,655	45,857	40,512	67,116
Interest on subsidized debt	9,535	9,943	10,385	11,196	11,444
Interest on University-supported debt	15,287	15,208	15,677	15,046	14,626
Other	33,966	30,817	27,558	29,678	25,891
Total Expense	**565,446**	**541,965**	**551,542**	**528,977**	**543,719**
Gross Capital Expenditures 3	**45,588**	**57,385**	**62,765**	**75,687**	**44,392**

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, and applied the new standard as of May 1, 2014. As a result, amounts for 2014 were restated and are no longer comparably to amounts for prior years.
3 Includes capital expenditures on tangible and intangible assets. Previous reports have only include capital expendiures on tangible capital. Amounts have been restated for the years ended April 30, 2013 and April 30, 2014.

Statement of Cash Flow (DBRS-adjusted)

($ thousands)	For the period ended April 30 2017	2016	2015	2014	2013
Operating balance before fund transfers	(22,243)	(16,776)	(23,057)	13,645	(44,165)
Amortization and other 1	53,283	55,432	58,738	46,522	78,340
Cash flow from operations	**31,040**	**38,656**	**35,681**	**60,167**	**34,175**
Change in working capital	20,315	1,024	(644)	(34,727)	(4,673)
Operating cash flow after working capital	**51,355**	**39,680**	**35,037**	**25,440**	**29,502**
Capital expenditures	(45,588)	(57,385)	(62,765)	(75,687)	(44,392)
Free cash flow	**5,767**	**(17,705)**	**(27,728)**	**(50,247)**	**(14,890)**

1 The University adopted Section 3463, Reporting Employee Future Benefits, and applied the new standard as of May 1, 2014. As a result, amounts for 2014 were restated and are no longer comparably to amounts for prior years.

Summary Statistics (DBRS-adjusted)

($ thousands)	For the year ended April 30 2017	2016	2015	2014	2013
Total Enrolment (FTEs) 1	28,785	27,908	27,960	27,907	27,846
Undergraduate	86%	86%	86%	87%	88%
Graduate	14%	14%	14%	13%	12%
Annual change (%)	3.1%	(0.2%)	0.2%	0.2%	1.9%
Total staff (FTEs) 2	3,600	3,458	3,507	3,637	3,791
Academic staff	43%	43%	43%	41%	43%
Operating Results					
Recurring surplus (deficit) ($ thousands)	(22,243)	(16,776)	(23,057)	13,645	(44,165)
As % of revenues	(4.1%)	(3.2%)	(4.4%)	2.5%	(8.8%)
Revenue Mix (as % of total DBRS-adjusted revenue)					
Government funding	54.8%	56.8%	57.0%	60.5%	59.6%
Student fees	35.2%	34.2%	34.2%	32.0%	34.2%
Ancilary	4.4%	4.7%	4.9%	4.4%	4.9%
Donations and Investment Income	3.9%	2.7%	2.4%	1.9%	0.1%
Other	1.6%	1.7%	1.6%	1.1%	1.3%
Debt					
Total debt ($ millions)	670.0	663.1	643.1	623.5	574.6
Debt serviced by Province ($ millions)	365.9	363.3	361.9	368.6	337.5
Debt serviced by University ($ millions)	304.1	299.8	281.1	255.0	237.1
Per FTE student ($)	10,564	10,743	10,055	9,136	8,514
Interest charges supported by University/total exp.	2.7%	2.8%	2.8%	2.8%	2.7%
Interest coverage ratio (times) 3	3.0	3.5	3.3	5.0	3.3
Expendable resources	53.8	61.7	84.9	87.1	65.9
As % of long-term debt serviced by the University	17.7%	20.6%	30.2%	34.2%	27.8%
Concordia University Foundation					
Total net assets ($ millions)	171.9	159.8	165.7	156.4	136.6
Per FTE student ($)	5,972	5,727	5,926	5,605	4,905
Annual payout rate	3.5%	3.5%	3.5%	3.5%	5.0%

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

Rating History

	Current	2017	2016	2015	2014	2013
Issuer Rating	A	A	A	A	A	A
Senior Unsecured Debt	A	A	A	A	A	A

Previous Action

- Confirmed, March 16, 2017.

Related Research

- *Rating Public Universities*, May 2017.
- *Rating Public Universities — Business and Financial Risk Assessments*, March 21, 2018.
- *DBRS Canadian University Peer Comparison Table*, March 21, 2018.

Previous Report

- Concordia University: Rating Report, March 16, 2017.

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.

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