

CONCORDIA
UNIVERSITY
FOUNDATION

ANNUAL REPORT

2009 2010



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CONCORDIA UNIVERSITY FOUNDATION
FINANCIAL STATEMENTS 2009-2010

PURPOSE

The Concordia University Foundation, incorporated in 1991 and operational as of 1996, exists for one purpose: to be the best possible fund management partner for Concordia University. Our partnership flourishes through the generosity of alumni, friends, corporations, foundations and, especially, volunteers and staff members. Our combined efforts help create and foster an environment in which teaching, learning and research positively affect the quality of life in Montreal, Quebec, Canada and the rest of the world.

The Foundation plays an important role in ensuring the long-term viability of Concordia's numerous programs and initiatives. This is accomplished through the ongoing development of the Foundation's financial resources. While some gifts are used for short-term needs, the investment of gift proceeds for long-term and endowed purposes is essential.

Total assets under management include both designated and endowed capital. The largest component of invested assets is the Foundation's long-term investment pool, which is managed in accordance with the Portfolio Investment Policy established by the Investment Committee.

MESSAGE FROM THE CHAIR OF THE BOARD AND INTERIM PRESIDENT

Every year, countless benefactors throw their support behind Concordia so that it can continue to provide its students with rewarding experiences and graduate the leaders of tomorrow. This past fiscal year was no exception as Concordia received some \$8.9 million in donations.

The annual return on the Foundation's assets was 12.6 % (net of management fees). The positioning of the portfolio allowed it to take advantage of the strong performance in North American equities while at the same time limiting its exposure to market volatility in 2009-10.

We are thankful for the unwavering commitment of our benefactors, coupled with a prudent investment policy and sound advice from Investment Committee members that have made it possible for the Foundation's endowment fund to grow significantly in the past decade.

While much work remains, we are prepared and motivated to rise to the challenges that lie ahead.

In closing, we would like to extend a special thank you to Richard J. Renaud for his seven years of dedicated service as Chair of the Foundation. His involvement in the Foundation dates back almost twenty years as he was among the first Directors named in October 1992. He became Chair of the Investment Committee in 1999 and Chair of the Board in 2003. The success of the Foundation is directly attributable to his dedication and commitment over these last number of years. Mr. Renaud has assured us that he will continue to contribute to the Foundation's development and evolution as a Director.

We thank you all for your continued support.

Howard Davidson
Chair, Concordia University Foundation

Bram Freedman
Interim President, Concordia University Foundation

December 2010

PERFORMANCE PRESENTATION

Endowment gifts as at May 31, 2010 account for approximately 61 % of the total assets of the foundation and help ensure long-term stability. Through endowment gifts, donors have the opportunity to plant seeds today and create a legacy for tomorrow. The Foundation's long-term investment pool provides an ideal investment vehicle for endowments by maximizing long-term growth while being sensitive to risk.

FOUNDATION NET ASSETS

For the fiscal year ending May 31, 2010, the market value of the Foundation's net assets are reported at \$ 110.8 million, as compared to \$ 87.7 million reported at May 31, 2009. The Foundation received approximately \$ 17.4 million in specified gifts for the fiscal year and distributed just under \$ 7.5 million to Concordia University in support of donor-directed initiatives.

During the 2009-2010 year, two new funds were created at the Foundation in collaboration with Concordia University - the Concordia University Repayment of Bond and Unfunded Projects Fund as well as the Concordia University Group Insurance Fund. Details concerning these funds may be found in the attached Financial Statements.

PERFORMANCE OF MANAGED FUNDS

The Foundation's primary goal is to provide an adequate amount of annual income to Concordia University in support of its mission. The Foundation's investment objective is to achieve a total rate of return that exceeds the annual rate of increase in the Consumer Price Index by at least 5% on average over the long term (i.e., 10 years), while maintaining the triennial volatility of returns at a low level.

The size of the Foundation's investment pool allows for access to highly reputable and qualified investment managers. Investment firms have the mandate to actively manage funds—subject to Portfolio Investment Policy constraints that prevent assets from being overly concentrated in a particular sector or over-invested in a particular asset class. To this end, the Investment Committee regularly monitors and reviews manager performance.

DISBURSEMENT POLICY

The Foundation's established disbursement policy ensures that the level of financial support available for students, researchers, academic programs and other university initiatives is maintained for future generations. The level of financial support to the university should be safeguarded from the effects of inflation and sufficient to meet current and future needs.

The Foundation's current disbursement policy requires that 5% of the market value of the investment pool over a three-year moving average be disbursed each fiscal year.

2009-2010 BOARD OF DIRECTORS

Mr. Richard J. Renaud, Chair of the Board

Mr. Brian Edwards, Vice-Chair of the Board

Ms. Kathy R. Assayag, President

Me Bram Freedman, Secretary-Treasurer

Mr. Leonard Ellen

Mr. Ned Goodman

Mr. Ronald Lawless

Ms. Patricia Saputo, Chair, Audit Committee

Mr. Kenneth W. Woods

Dr. Judith Woodsworth

APPENDIX

CONCORDIA UNIVERSITY FOUNDATION
FINANCIAL STATEMENTS
2009 2010

Concordia University Foundation
Financial Statements
May 31, 2010

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Raymond Chabot Grant Thornton

Auditors' Report

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To the Directors of
Concordia University Foundation

We have audited the financial position of Concordia University Foundation as at May 31, 2010 and the statements of operations and changes in fund balances for the year then ended. These financial statements are the responsibility of the Foundation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at May 31, 2010 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles. As required by Part II of the Canada Corporations Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year with the exception of the accounting changes that are described in Note 2.

Raymond Chabot Grant Thornton LLP¹

Montréal, October 7, 2010

¹ Chartered accountant auditor permit no. 18779

Concordia University Foundation

Financial Position

May 31, 2010

	<u>2010</u>	<u>2009</u>
	\$	\$
ASSETS		
Investments in securities, at market value (Note 4)	108,715,561	94,846,663
Cash and cash equivalents	16,252,652	6,170,625
Gifts receivable	1,216,790	
Accrued investment income	506,999	561,360
Parking operations receivable	5,922	17,344
	<u>126,697,924</u>	<u>101,595,992</u>
LIABILITIES		
Due to Concordia University (Note 5)	<u>15,870,532</u>	<u>13,911,400</u>
FUND BALANCES		
Endowment Fund	62,582,451	60,396,209
Restricted Fund	45,595,069	24,678,706
General Fund	2,649,872	2,609,677
	<u>110,827,392</u>	<u>87,684,592</u>
	<u>126,697,924</u>	<u>101,595,992</u>

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

On behalf of the Board,

Director

Director

Concordia University Foundation Operations

Year ended May 31, 2010

	General Fund		Restricted Fund		Endowment Fund		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Investment income	98,711	145,578	2,913,550	3,003,172			3,012,261	3,148,750
Net realized gain (loss) on sale of investments	58,951	(173,532)	1,739,984	(3,166,525)			1,798,935	(3,340,057)
Changes in unrealized appreciation of investments	289,238	(1,111,331)	8,536,763	(21,348,271)			8,826,001	(22,459,602)
	<u>446,900</u>	<u>(1,139,285)</u>	<u>13,190,297</u>	<u>(21,511,624)</u>	<u>–</u>	<u>–</u>	<u>13,637,197</u>	<u>(22,650,909)</u>
Specified gifts from Concordia University	165,574		15,027,091	932,717	2,232,211	2,103,001	17,424,876	3,035,718
	<u>612,474</u>	<u>(1,139,285)</u>	<u>28,217,388</u>	<u>(20,578,907)</u>	<u>2,232,211</u>	<u>2,103,001</u>	<u>31,062,073</u>	<u>(19,615,191)</u>
Donation – other				200,000				200,000
Parking operations	1,037,536	1,070,081					1,037,536	1,070,081
	<u>1,650,010</u>	<u>(69,204)</u>	<u>28,217,388</u>	<u>(20,378,907)</u>	<u>2,232,211</u>	<u>2,103,001</u>	<u>32,099,609</u>	<u>(18,345,110)</u>
Expenses								
Investment management fees	17,651	29,540	520,991	539,046			538,642	568,586
Consultant and other professional fees	1,709	5,937	50,449	108,328			52,158	114,265
Interest expense	88,104	236,510					88,104	236,510
	<u>107,464</u>	<u>271,987</u>	<u>571,440</u>	<u>647,374</u>	<u>–</u>	<u>–</u>	<u>678,904</u>	<u>919,361</u>
Transfers to Concordia University	730,220	3,233,860	6,729,585	2,328,556	45,969		7,505,774	5,562,416
	<u>837,684</u>	<u>3,505,847</u>	<u>7,301,025</u>	<u>2,975,930</u>	<u>45,969</u>	<u>–</u>	<u>8,184,678</u>	<u>6,481,777</u>
Parking operations	772,131	817,489					772,131	817,489
	<u>1,609,815</u>	<u>4,323,336</u>	<u>7,301,025</u>	<u>2,975,930</u>	<u>45,969</u>	<u>–</u>	<u>8,956,809</u>	<u>7,299,266</u>
Excess (deficiency) of revenue over expenses	<u>40,195</u>	<u>(4,392,540)</u>	<u>20,916,363</u>	<u>(23,354,837)</u>	<u>2,186,242</u>	<u>2,103,001</u>	<u>23,142,800</u>	<u>(25,644,376)</u>

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

Concordia University Foundation Changes in Fund Balances

Year ended May 31, 2010

	General Fund		Restricted Fund		Endowment Fund		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	\$	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of year	2,609,677	7,002,217	24,678,706	48,033,543	60,396,209	58,293,208	87,684,592	113,328,968
Excess (deficiency) of revenue over expenses	40,195	(4,392,540)	20,916,363	(23,354,837)	2,186,242	2,103,001	23,142,800	(25,644,376)
Balance, end of year	2,649,872	2,609,677	45,595,069	24,678,706	62,582,451	60,396,209	110,827,392	87,684,592

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

Concordia University Foundation

Notes to Financial Statements

May 31, 2010

1 - GOVERNING STATUTES AND PURPOSE OF THE FOUNDATION

The Foundation was incorporated as a corporation without share capital under Part II of the Canada Corporations Act in April 1991 and became operational 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. The Foundation, a registered charity, is associated with Concordia University and is therefore exempt of income tax under the Income Tax Act.

During the year, the Canada Revenue Agency authorized the Foundation to change its status. Accordingly, on June 1, 2010, the Foundation will become a public foundation pursuant to Section 149.1 of the Income Tax Act.

2 - ACCOUNTING CHANGES

On June 1, 2009, in accordance with the applicable transitional provisions, the Foundation applied the changes made by the Canadian Institute of Chartered Accountants (CICA) to the introduction to accounting standards that apply only to not-for-profit organizations and to the 4400 Series as well as consequential amendments to other sections of the *CICA Handbook*. These changes, which are effective for fiscal years beginning on or after January 1, 2009, principally affect the following items:

- Inclusion of not-for-profit organizations within the scope of Section 1540, "Cash Flow Statements";
- Amendments to clarify that revenues and expenses must be recognized and presented on a gross basis when the not-for-profit organization is acting as a principal in the transactions in question.

The changes only address disclosures and have no impact on the Concordia University Foundation's financial results.

3 - 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 revenues and expenses reported in the financial statements. Actual results could differ from these estimates.

Concordia University Foundation

Notes to Financial Statements

May 31, 2010

3 - ACCOUNTING POLICIES (Continued)

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:

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

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

– Group Insurance Fund:

During the year, in collaboration with Concordia University, the Foundation created a new fund entitled The Concordia University Group Insurance Fund. The purpose of this fund is to make provisions for various unfunded future employee group insurance obligations and pension liabilities.

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

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 level, 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 *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.

Concordia University Foundation

Notes to Financial Statements

May 31, 2010

3 - ACCOUNTING POLICIES (Continued)

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

Investment income receivable, donations receivable and amounts receivable – parking are classified as loans and receivables and the amount due to Concordia University is classified as other investment income. 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 an interest 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.

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.

Concordia University Foundation

Notes to Financial Statements

May 31, 2010

3 - ACCOUNTING POLICIES (Continued)

Contributed supplies and services

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

Cash and cash equivalents

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

Investments

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

The market value of investments is determined as follows:

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

4 - INVESTMENTS

	2010		2009	
	Market value	Cost	Market value	Cost
	\$	\$	\$	\$
Common shares	51,133,634	42,421,520	42,744,324	39,522,987
Bonds	39,941,384	38,795,049	36,981,807	36,636,894
Investment funds	17,640,543	23,500,653	15,120,532	23,496,147
	<u>108,715,561</u>	<u>104,717,222</u>	<u>94,846,663</u>	<u>99,656,028</u>

Concordia University Foundation

Notes to Financial Statements

May 31, 2010

4 - INVESTMENTS (Continued)

Investment breakdown

	Market value	
	2010	2009
	\$	\$
Common shares		
Canadian common shares		
Financial services	9,953,611	8,328,722
Oil and gas	6,943,747	8,069,457
Industrial products	5,176,477	4,509,834
Communications and media	4,895,813	3,727,134
Merchandising	3,631,687	3,228,294
Pipelines	2,013,369	1,920,426
Metals and minerals	2,550,178	1,856,483
Other	6,008,470	4,384,140
	<u>41,173,352</u>	<u>36,024,490</u>
Foreign common shares		
U.S. common shares		
Consumer	1,957,533	1,269,402
Financial services	1,308,875	1,062,309
Durable goods	1,003,840	805,077
Integrated oils	156,540	124,954
Other	5,463,186	3,415,654
	<u>9,889,974</u>	<u>6,677,396</u>
Europe, Australia, Far East	70,308	42,438
	<u>9,960,282</u>	<u>6,719,834</u>
	<u>51,133,634</u>	<u>42,744,324</u>
Bonds		
Canadian		
Govn't and Govn't Gtd		
Federal bonds, 1.00% to 8.00% (a)	15,001,812	12,843,840
Provincial bonds, 4% to 10.25% (b)	7,654,534	6,778,775
Corporate bonds, 3.13% to 12.2% (c)	17,285,038	17,359,192
	<u>39,941,384</u>	<u>36,981,807</u>
Pooled Investment funds in Canadian dollars		
DK Energy Fund I	93,508	635,817
DK Energy Fund II	347,759	934,634
DK Energy Fund III	1,020,961	854,682
DK Equity Growth	1,418,593	
Acuity High Income Fund	1,811,744	1,640,497
Mackenzie Saxon Small Cap Fund	3,478,892	2,712,786
Canada Trust Global Style Blend Fund	9,469,086	8,342,116
	<u>17,640,543</u>	<u>15,120,532</u>
	<u>108,715,561</u>	<u>94,846,663</u>

Concordia University Foundation

Notes to Financial Statements

May 31, 2010

4 - INVESTMENTS (Continued)

- (a) These bonds mature on various dates until 2023.
- (b) These bonds mature on various dates until 2023.
- (c) These bonds mature on various dates until 2040.

Total investment acquisitions and dispositions for the year

	<u>2010</u>	<u>2009</u>
	\$	\$
Total acquisitions	103,654,422	92,565,360
Total proceeds of dispositions	100,476,165	93,091,997

Investment returns

Portfolio assets are actively managed. For the year ended May 31, 2010, investments achieved an annual return of 12.65% ((18.94%) in 2009) net of investment management fees.

As at May 31, 2010, the weighted average interest rate of the bonds is 4.77% and the weighted average duration is 8.47 years.

5 - DUE TO CONCORDIA UNIVERSITY

The Foundation annually distributes a portion of its investment earnings to support the advancement and development of higher education, teaching, research, interest on a bond issue, certain 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 2.25% in order to reflect the fair value of this liability.

Scheduled repayments for the next years amount to \$16,101,457 and are \$9,926,783 in 2011, \$4,123,052 in 2012 and \$2,051,622 in 2013.

6 - RELATED PARTY TRANSACTIONS

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

	<u>2010</u>	<u>2009</u>
	\$	\$
Expenses		
Pay-out distribution	5,212,931	-
Parking operations (a)	772,131	817,489

Concordia University Foundation

Notes to Financial Statements

May 31, 2010

6 - RELATED PARTY TRANSACTIONS (Continued)

(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.

7 - 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 \$22,030,604 and are detailed as follows (\$19,262,862 in 2009):

	<u>2010</u>	<u>2009</u>
	\$	\$
Restricted	21,531,411	18,598,865
Endowed	499,193	663,997
	<u>22,030,604</u>	<u>19,262,862</u>

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

8 - GENERAL AND ADMINISTRATIVE EXPENSES

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

9 - FINANCIAL 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.

Concordia University Foundation

Notes to Financial Statements

May 31, 2010

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

Exchange risk

The Foundation is exposed to exchange risk due to cash, cash equivalents and investments denominated in U.S. dollars. As at May 31, 2010, financial assets in foreign currency represent cash, cash equivalents and investments totalling C\$17,687,027 (C\$15,208,174 as at May 31, 2009).

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.

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 mutual fund units.

As at May 31, 2010, 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.

Concordia University Foundation

Notes to Financial Statements

May 31, 2010

10 - CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Foundation's capital management objectives are as follows:

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

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

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

11 - 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.



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