

CONCORDIA  
UNIVERSITY  
FOUNDATION

ANNUAL REPORT

2010 2011



# TABLE OF CONTENTS

- 1 PURPOSE
- 2 MESSAGE FROM THE CHAIR OF THE BOARD AND PRESIDENT
- 3 PERFORMANCE PRESENTATION
- 3 FOUNDATION NET ASSETS
- 3 PERFORMANCE OF MANAGED FUNDS
- 4 DISBURSEMENT POLICY
- 4 2010-2011 BOARD OF DIRECTORS
  
- 5 APPENDIX  
CONCORDIA UNIVERSITY FOUNDATION  
FINANCIAL STATEMENTS 2010-2011

## 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 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 \$10.7 million in donations.

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. During the 2010-2011 fiscal year, the Foundation initiated a comprehensive review of its Portfolio Investment Policy and all of its investment managers. The results of that review will be implemented during the 2011-2012 fiscal year and we look forward to reporting on these changes in next year's annual report.

We thank you all for your continued support.

Howard Davidson  
Chair, Concordia University Foundation

Bram Freedman  
President, Concordia University Foundation

December 2011

## PERFORMANCE PRESENTATION

As a result of a change in Concordia University's fiscal year, the Foundation modified its fiscal year-end from May 31 to April 30.

For the year ended April 30, 2011, the annual return on the Foundation's assets was 11.7% (net of management fees). The positioning of the portfolio allowed it to take advantage of the strong performance in the equity markets, particularly Canadian, on the back of solid corporate earnings and increased commodity prices.

The market value of endowments as at April 30, 2011 account for approximately 56 % 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 year ended April 30, 2011, the market value of the Foundation's net assets are reported at \$121.9 million, as compared to \$110.8 million reported at May 31, 2010. The Foundation received approximately \$4.2 million in specified gifts for the fiscal year and distributed just under \$6 million to Concordia University in support of donor-directed initiatives.

## 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, 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.

## 2010-2011 BOARD OF DIRECTORS

Mr. Howard Davidson, Chair of the Board

Mr. Brian Edwards, Vice-Chair of the Board

Me Bram Freedman, President (Ms. Kathy R. Assayag until September 2010)

Mr. Patrick L. Kelley, Secretary-Treasurer

Mr. Leonard Ellen

Mr. Michael Gentile

Mr. Ned Goodman

Mr. Ronald Lawless

Mr. Richard J. Renaud

Ms. Patricia Saputo, Chair, Audit Committee

Dr. Frederick H. Lowy (Dr. Judith Woodsworth until December 2010)

# APPENDIX

CONCORDIA UNIVERSITY FOUNDATION  
**FINANCIAL STATEMENTS**  
2010 2011

**Concordia University Foundation**  
**Financial Statements**  
**April 30, 2011**

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





# Raymond Chabot Grant Thornton

## Independent Auditor's Report

To the Directors of  
Concordia University Foundation

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

Telephone: 514-878-2691  
Fax: 514-878-2127  
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We have audited the accompanying financial statements of Concordia University Foundation, which comprise the statement of financial position as at April 30, 2011 and the statements of operations and changes in fund balances for the eleven-month period then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Concordia University Foundation as at April 30, 2011 and the results of its operations and its cash flows for the eleven-month period then ended in accordance with Canadian generally accepted accounting principles.

*Raymond Chabot Grant Thornton LLP<sup>1</sup>*

Montréal  
October 25, 2011

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<sup>1</sup> Chartered accountant auditor permit no. 18779

# Concordia University Foundation

## Financial Position

April 30, 2011

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

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

On behalf of the Board,

Director

Director

## Concordia University Foundation Operations

For the eleven-month period ended April 30, 2011

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

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

## Concordia University Foundation Changes in Fund Balances

For the eleven-month period ended April 30, 2011

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

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

# Concordia University Foundation

## Notes to Financial Statements

April 30, 2011

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

The Foundation was incorporated as a corporation without share capital under Part II of the Canada Corporations Act in April 1991 and became operational on June 1, 1995. The Foundation is the fund management partner to Concordia University. Its mission is to use its resources exclusively to encourage the advancement and development of higher education, teaching, research and other charitable activities of Concordia University. As of June 1, 2010, the Foundation, a public foundation (previously a registered charity), is associated with Concordia University and is therefore exempt of income tax under the Income Tax Act.

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

### **2 - SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of presentation**

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

#### **Accounting estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the amounts of revenue and expenses reported in the financial statements. Actual results could differ from these estimates.

#### **Fund accounting**

The General Fund accounts for the Foundation's investment activities.

The Restricted Fund records resources which are subject to restrictions set by the donor, including funds designated towards building projects, faculty development, libraries, athletics and various research and academic projects.

Included in the restricted fund are the following:

– Long-Term Debt Fund:

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

– Group Insurance Fund:

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

# Concordia University Foundation

## Notes to Financial Statements

April 30, 2011

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### **2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

#### **Financial assets and liabilities**

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

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

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

#### *Held-for-trading financial assets*

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

#### *Loans and receivables, and other financial liabilities*

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

#### **Revenue recognition**

The Foundation follows the restricted fund method of accounting for contributions.

The Foundation receives contributions from Concordia University on a regular basis. These contributions, made up of charitable donations received and for which Concordia University issued a tax receipt, are transferred to the Foundation by way of specified gifts.

Specified gifts that are restricted contributions are recognized as revenue in the year in which they are received or receivable, if the amount to be received may be reasonably estimated and recorded within the appropriate fund as either the Restricted Fund or the Endowment Fund, as per the original gift designation. Specified gifts that are unrestricted are recognized as revenue in the General Fund.

Investment income earned on endowment capital earmarked for specified university initiatives is recognized as revenue within the Restricted Fund. Other investment income is recognized as revenue of the General Fund if it is received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

# Concordia University Foundation

## Notes to Financial Statements

April 30, 2011

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### **2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

#### **Parking revenue**

The Foundation recognizes parking revenue when services have been rendered, the price to the buyer is fixed or determinable, persuasive evidence of an arrangement exists and collection is reasonably assured.

#### **Contributed supplies and services**

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

#### **Cash and cash equivalents**

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

#### **Investments**

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

The market value of investments is determined as follows:

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

#### **Foreign currency translation**

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



# Concordia University Foundation

## Notes to Financial Statements

April 30, 2011

### 3 - INVESTMENTS

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

### Investment breakdown

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

# Concordia University Foundation

## Notes to Financial Statements

April 30, 2011

### 3 - INVESTMENTS (Continued)

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

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

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

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

### Total investment acquisitions and dispositions for the year

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

### Investment returns

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

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

# Concordia University Foundation

## Notes to Financial Statements

April 30, 2011

### 4 - DUE TO CONCORDIA UNIVERSITY

The Foundation annually distributes a portion of its investment earnings to support the advancement and development of higher education, teaching, research, interest on a bond issue, certain fund raising activities and other charitable activities of Concordia University. This distribution is referred to as pay-out and represents funds earmarked towards Concordia University initiatives. The amount due to Concordia University is non-interest bearing.

The due to Concordia University has been discounted at 2.91% in order to reflect the fair value of this liability.

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

### 5 - RELATED PARTY TRANSACTIONS

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

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

(a) Under a lease agreement, the Foundation rents Concordia University's parking space.

The Foundation transfers the management of parking operations to Concordia University, which is responsible for the parking's financial operations and charges rental and management costs to the Foundation.

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

### 6 - PLEDGES RECEIVABLE

Pledges receivable from donors constitute agreements made with Concordia University, consequently they are not recorded in the financial statements of the Foundation. They amount to \$19,640,988 (\$22,030,604 in 2010) and are detailed as follows:

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

# Concordia University Foundation

## Notes to Financial Statements

April 30, 2011

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### **6 - PLEDGES RECEIVABLE (Continued)**

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

### **7 - GENERAL AND ADMINISTRATIVE EXPENSES**

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

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

#### **Financial risk management objectives and policies**

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

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

#### **Financial risks**

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

##### *Exchange risk*

The Foundation is exposed to exchange risk due to cash, cash equivalents and investments denominated in U.S. dollars. As at April 30, 2011, financial assets in foreign currency represent cash, cash equivalents and investments totalling C\$12,565,489 (C\$17,687,027 as at May 31, 2010).

The Foundation does not hedge its foreign currency exposure.

##### *Interest rate risk*

The investments in bonds bear interest at a fixed rate and the Foundation is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations. Investment fund units are also exposed, although indirectly.

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

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

# Concordia University Foundation

## Notes to Financial Statements

April 30, 2011

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

#### *Credit risk*

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

#### – Investments:

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

As at April 30, 2011, cash and cash equivalents are held with a recognized financial institution.

#### *Liquidity risk*

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

#### *Price risk*

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

### **9 - CAPITAL MANAGEMENT POLICIES AND PROCEDURES**

The Foundation's capital management objectives are as follows:

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

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

# Concordia University Foundation

## Notes to Financial Statements

April 30, 2011

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### **9 - CAPITAL MANAGEMENT POLICIES AND PROCEDURES (Continued)**

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

### **10 - STATEMENT OF CASH FLOWS**

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



[www.concordia.ca](http://www.concordia.ca)

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