

CONCORDIA
UNIVERSITY
FOUNDATION

ANNUAL REPORT
2013 2014



CONCORDIA UNIVERSITY
FOUNDATION

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CONCORDIA UNIVERSITY FOUNDATION
FINANCIAL STATEMENTS 2013-2014

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 Foundation's Board upon recommendation of 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, Concordia University transferred \$6.3 million (a portion of the total donations received by the University during the year) to the Concordia University Foundation for investment purposes.

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.

In the 2013-2014 fiscal year, the Foundation applied for, and received, a certificate confirming that it is continued under section 211 of the Canada Not-for-profit Corporations Act.

The revised annual disbursement rate of 3.5%, along with a portfolio asset allocation that favoured equities, contributed to the increase of the Foundation's assets under management and a healthy bottom-line.

We thank you all for your continued support.



Howard Davidson
Chair, Concordia University Foundation



Bram Freedman
President, Concordia University Foundation

December 2014

REPORT OF THE INVESTMENT COMMITTEE

SUMMARY

At the end of the 2011-2012 fiscal year, the Investment Committee made a strategic decision to position the portfolio so that it would diversify the investment returns. The updated Investment Policy, in effect from January 1st, 2012, called for a target allocation of 55% equity/32% fixed income/13% real estate.

The 2013-2014 fiscal year was characterized by a bull market in equities. Additionally, the real estate investments performed well during this period. The returns of the fixed income investments were slightly negative because of both the low interest rate policy maintained by the Bank of Canada during the fiscal year as well as the threat that interest rates would increase.

For 2013-2014, the Foundation is reporting a gain on its long-term investments of 13.31% net of fees as compared to a 7.46 % gain in 2012-2013. The Foundation's long-term investment pool managers added 194 basis points over the Investment Policy benchmark. Over a 10 year period, the long-term investment pool has earned a 6.03% return to support university initiatives and programs. As of April 30th, 2014, the long-term investment pool was valued at \$139.3 M.

The long-term investment pool ended the 2013-2014 fiscal year with a 60.9%/25.4%/13.7% asset allocation between equities, fixed income and real estate.

ASSET ALLOCATION PERFORMANCES

EQUITIES

During the 2013-2014 fiscal year, the Canadian Large and Small Cap Equity managers, as well as one of the Emerging Markets Equity managers, outperformed their respective benchmarks.

FIXED INCOME

The asset allocation in fixed income saw a progressive decrease to 25.4% of the total investment pool. Beutel Goodman was the pool's fixed income portfolio manager.

REAL ESTATE

During the 2013-2014 fiscal year, the allocation to the real estate asset class was slightly increased due to the limited capacity of the managers.

CASH POOL

As part of its role, the Foundation acts as the University's investment infrastructure. At the end of the 2013-2014 fiscal year, the Foundation held an amount of \$ 16.4 M in cash earmarked for the specific internal needs of Concordia.

The Foundation also has funds that are managed outside of the investment pool as follows:

SPECIALTY FUND

The Specialty Fund, with a market value of \$ 0.3 M at April 30th, 2014, has existed for close to 12 years with the intention of seeking significant long-term growth in specific target sectors such as energy. The fund earned 12.57% in the 2013-2014 fiscal year. Its last investments will be liquidated when the manager identifies potential buyers.

SPECIFIC ENDOWMENTS

Jarislowsky Fraser Ltd. manages two separate endowments totaling \$ 4.4 M as at April 30th, 2014 while Acuity Desjardins manages a separate endowment valued at \$ 2.1 M at April 30th, 2014.

OUTLOOK FOR 2014-2015

During the 2013-2014 fiscal year, the Foundation's Investment Committee continued its work of assessing the current Investment Policy alignment to its approved Funding Policy. In addition, the Investment Committee is also looking at creating new investment programs. The Committee's recommendations will be deposited with the Board of the Foundation during the 2014-2015 fiscal year.

LIST OF BOARD MEMBERS OF CONCORDIA UNIVERSITY FOUNDATION AS AT APRIL 30, 2014

BOARD MEMBERS

Mr. Howard Davidson, Chair of the Board

Mr. Brian Edwards, Vice-Chair of the Board

Mtre Bram Freedman, President

Mr. Patrick Kelley, Secretary-Treasurer

Ms. Christine Lengvari

Mr. Andrew Molson

Dr. Richard J. Renaud

Ms. Patricia Saputo, Chair, Audit Committee

Dr. Alan Shepard

Mr. Jeff Tory

HONORARY DIRECTORS

Mr. Leonard Ellen*

Mr. Ned Goodman

Mr. Ronald Lawless

Dr. William Yip (*President, Concordia University Hong Kong Foundation*)

**deceased*

The infrastructure supporting the Foundation's operations is provided by the Office of the Treasurer, Financial Services, Concordia University.

APPENDIX

CONCORDIA UNIVERSITY FOUNDATION
FINANCIAL STATEMENTS
2013 2014

Concordia University Foundation
Financial Statements
April 30, 2014

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Independent Auditor's Report

To the Directors of
Concordia University Foundation

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

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

Report on the financial statements

We have audited the accompanying financial statements of Concordia University Foundation, which comprise the statement of financial position as at April 30, 2014 and the statements of operations, changes in fund balances and cash flows for the year 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 accounting standards for not-for-profit organizations 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, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on other legal and regulatory requirements

As required by Part II of the Canada Corporations Act, we report that, in our opinion, the accounting principles in Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Raymond Chabot Grant Thornton LLP¹

Montréal
November 11, 2014

¹ CPA auditor, CA public accountancy permit no. A117472

Concordia University Foundation

Financial Position

April 30, 2014

	<u>2014</u>	<u>2013</u>
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	19,227,063	22,522,469
Accrued investment income	338,170	349,386
Parking operations receivable	4,414	6,237
Sales taxes receivable	33,079	25,561
	<u>19,602,726</u>	<u>22,903,653</u>
Long-term		
Investments (Note 3)	139,381,128	119,804,556
	<u>158,983,854</u>	<u>142,708,209</u>
LIABILITIES		
Current		
Due to Concordia University (Note 4)	1,339,857	5,809,014
Accrued liabilities (Note 5)	1,222,244	301,130
	<u>2,562,101</u>	<u>6,110,144</u>
FUND BALANCES		
Endowment Fund	70,369,900	68,548,760
Restricted Fund	83,569,542	65,568,646
General Fund	2,482,311	2,480,659
	<u>156,421,753</u>	<u>136,598,065</u>
	<u>158,983,854</u>	<u>142,708,209</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 April 30, 2014

	General Fund		Restricted Fund		Endowment Fund		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Changes in fair value of investments	48,048	43,963	17,517,210	9,415,572			17,565,258	9,459,535
Specified gifts from Concordia University			6,980,850	12,501,779	1,821,140	1,620,548	8,801,990	14,122,327
	48,048	43,963	24,498,060	21,917,351	1,821,140	1,620,548	26,367,248	23,581,862
Parking operations		994,026						994,026
	48,048	1,037,989	24,498,060	21,917,351	1,821,140	1,620,548	26,367,248	24,575,888
Expenses								
Investment management fees			841,552	693,339			841,552	693,339
Consultant and other professional fees		339	164,553	28,486			164,553	28,825
	-	339	1,006,105	721,825	-	-	1,006,105	722,164
Transfers to Concordia University	46,396	275,432	5,491,059	6,752,268		1,447	5,537,455	7,029,147
	46,396	275,771	6,497,164	7,474,093	-	1,447	6,543,560	7,751,311
Parking operations		718,594						718,594
	46,396	994,365	6,497,164	7,474,093	-	1,447	6,543,560	8,469,905
Excess of revenue over expenses	1,652	43,624	18,000,896	14,443,258	1,821,140	1,619,101	19,823,688	16,105,983

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

Concordia University Foundation Changes in Fund Balances

Year ended April 30, 2014

	General Fund		Restricted Fund		Endowment Fund		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of year	2,480,659	2,437,035	65,568,646	51,125,388	68,548,760	66,929,659	136,598,065	120,492,082
Excess of revenue over expenses	1,652	43,624	18,000,896	14,443,258	1,821,140	1,619,101	19,823,688	16,105,983
Balance, end of year	2,482,311	2,480,659	83,569,542	65,568,646	70,369,900	68,548,760	156,421,753	136,598,065

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

Concordia University Foundation

Cash flows

Year ended April 30, 2014

	<u>2014</u>	<u>2013</u>
	\$	\$
<i>OPERATING ACTIVITIES</i>		
Excess of revenue over expenses	19,823,688	16,105,983
Non-cash items		
Net change in fair value of investments	(12,593,125)	(5,635,815)
Reinvested revenue	(2,972,205)	(1,588,770)
Net change in working capital items	926,636	558,638
Cash flows from operating activities	<u>5,184,994</u>	<u>9,440,036</u>
<i>INVESTING ACTIVITIES</i>		
Acquisition of investments	(31,565,470)	(115,625,849)
Disposal of investments	27,554,227	110,362,140
Decrease in due to Concordia University	(4,469,157)	(1,728,969)
Cash flows from investing activities	<u>(8,480,400)</u>	<u>(6,992,678)</u>
Net increase (decrease) in cash and cash equivalents	(3,295,406)	2,447,358
Cash and cash equivalents, beginning of year	<u>22,522,469</u>	<u>20,075,111</u>
Cash and cash equivalents, end of year	<u><u>19,227,063</u></u>	<u><u>22,522,469</u></u>

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

Concordia University Foundation

Notes to Financial Statements

April 30, 2014

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 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.

2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Foundation's financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's best knowledge of current events and actions that the Foundation may undertake in the future. Actual results may 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:

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 was 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.

Concordia University Foundation

Notes to Financial Statements

April 30, 2014

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

As at April 30, 2014, the fund balance is \$44,403,834 (\$36,124,041 in 2013).

– Employee Benefits Fund:

In collaboration with Concordia University, the Foundation created a new fund entitled The Concordia University Employee Benefits Fund. The purpose of this fund is to make provisions for various unfunded future employee benefit obligations and pension liabilities. The fund is composed of an initial gift of \$10.6 million transferred in May 2010 and an additional \$9 million received in April 2013.

As at April 30, 2014, the fund balance is \$18,634,197 (\$19,013,702 in 2013).

The Endowment Fund presents resources received as endowments.

Financial assets and liabilities

Initial measurement

Upon initial measurement, the Foundation's financial assets and liabilities are measured at fair value, which, in the case of financial assets or financial liabilities that will be measured subsequently at amortized cost, is increased or decreased by the amount of the related financing fees and transaction costs. Transaction costs relating to financial assets and liabilities that will be measured subsequently at fair value are recognized in operations in the year they are incurred.

Subsequent measurement

At each reporting date, the Foundation measures its financial assets and liabilities at amortized cost (including any impairment in the case of financial assets), except for investment funds and common shares which are measured at fair value and bond investments which the Foundation has elected to measure at fair value by designating that fair value measurement shall apply.

With respect to financial assets measured at amortized cost, the Foundation assesses whether there are any indications of impairment. When there is an indication of impairment, and if the Foundation determines that during the year there was a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it will then recognize a reduction as an impairment loss in operations. The reversal of a previously recognized impairment loss on a financial asset measured at amortized cost is recognized in operations in the year the reversal occurs.

Revenue recognition

Contributions

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.

Concordia University Foundation

Notes to Financial Statements

April 30, 2014

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Contributions received as endowments are recognized as revenue of the Endowment Fund.

Net investment income

Investment transactions are recorded on the transaction date and resulting revenue is recognized using the accrual method of accounting.

Changes in fair value are recognized when they occur.

With respect to investments measured at fair value, the Foundation has elected to include in changes in fair value interest income (including amortization of bond investment premiums and discounts) and the reinvested revenue from investment funds.

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.

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

The Foundation's policy is to present in cash and cash equivalents bank balances, including bank overdrafts whose balances fluctuate frequently from being positive to overdrawn, and investments with a maximum maturity of three months from the acquisition date or redeemable at any time without penalty.

Concordia University Foundation

Notes to Financial Statements

April 30, 2014

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency translation

The foundation uses the temporal method to translate transactions denominated in a foreign currency. Under this method, monetary assets and liabilities are translated at the exchange rate in effect at the financial position date. Non-monetary assets and liabilities are translated at historical exchange rates, with the exception of those recognized at fair value, which are translated at the exchange rate in effect at the financial position date. Revenue and expenses are translated at the average rate for the period. The related exchange gains and losses are accounted for in the operations for the year.

3 - INVESTMENTS

	<u>2014</u>	<u>2013</u>
	\$	\$
Common shares	18,163,318	13,687,034
Bonds	32,959,006	32,942,473
Investment funds	88,258,804	73,175,049
	<u>139,381,128</u>	<u>119,804,556</u>

Investment breakdown

	<u>2014</u>	<u>2013</u>
	\$	\$
Common shares		
Canadian common shares		
Energy	2,043,176	874,514
Materials	1,017,583	873,486
Industrials	3,156,003	2,022,398
Consumer Products & Services	2,941,133	2,407,508
Health Care	1,027,586	892,337
Financials	1,509,803	1,018,736
Technology & Communications	961,819	752,614
Utilities	1,385,090	970,534
Equity Fund Trusts	1,337,700	1,715,346
Other	263,247	150,750
	<u>15,643,140</u>	<u>11,678,223</u>
Foreign common shares		
U.S. common shares		
Financials	370,574	300,660
Health Care	412,618	320,953
Industrials	266,667	172,033
Consumer Products & Services	1,087,299	850,307
Energy	329,691	291,203
Technology & Communications	53,329	73,655
	<u>2,520,178</u>	<u>2,008,811</u>
	<u>18,163,318</u>	<u>13,687,034</u>

Concordia University Foundation

Notes to Financial Statements

April 30, 2014

3 - INVESTMENTS (Continued)

	<u>2014</u>	<u>2013</u>
	\$	\$
Bonds		
Canadian		
Government		
Federal bonds, 1.5% to 4.25% (a)	15,147,174	15,900,744
Provincial bonds, 2.05% to 6.3% (b)	2,715,775	1,316,400
Corporate bonds, 1.85% to 12.2% (c)	15,096,057	15,725,329
	<u>32,959,006</u>	<u>32,942,473</u>
Investment funds		
Pooled Investment funds in Canadian dollars		
DK Energy Fund II	23,243	136,875
DK Energy Fund III	33,166	740,801
DK Equity Growth		1,339,355
Acuity High Income Fund	2,194,787	1,921,474
Leith Wheeler Canadian Equity Fund Series A	16,354,751	12,116,199
Lazard Global Thematic Canada Fund CL B	23,404,470	18,756,510
BlackRock Active Canadian Equity Fund	14,678,729	11,564,323
Brandes Canada Emerging Markets Equity Unit Trust	7,055,396	6,112,188
	<u>63,744,542</u>	<u>52,687,725</u>
Pooled Investment funds in U.S. dollars		
Lazard Emerging Markets Equity Balanced Fund	5,980,860	5,764,610
Real Estate Pooled Funds		
GLC Real Estate Fund I	10,891,475	7,541,390
Standard Life Real Estate Pooled Fund	7,641,927	7,181,324
	<u>18,533,402</u>	<u>14,722,714</u>
	<u>88,258,804</u>	<u>73,175,049</u>
	<u>139,381,128</u>	<u>119,804,556</u>

(a) These bonds mature on various dates until 2026.

(b) These bonds mature on various dates until 2052.

(c) These bonds mature on various dates until 2067.

Investment returns

Portfolio assets are actively managed. For the year ended April 30, 2014, investments achieved an annual return of 13.31% (7.46% in 2013) net of investment management fees.

As at April 30, 2014, the weighted average interest rate of the bonds is 3.8% (3.89% in 2013) and the weighted average duration is 5.24 years (5.56 years in 2013).

Concordia University Foundation

Notes to Financial Statements

April 30, 2014

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 fundraising 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 payout is calculated at 3.5% (5% in 2013) on the 36-month rolling market value of the portfolio. The amount due to Concordia University is non-interest bearing.

Scheduled repayments for the next year amount to \$1,339,857 (\$5,809,014 in 2013).

5 - ACCRUED LIABILITIES

	<u>2014</u>	<u>2013</u>
	\$	\$
Accrued liabilities		
Concordia University	148,280	
Investment management and other professional fees	332,659	251,130
Purchases payable		
Other	741,305	50,000
	<u>1,222,244</u>	<u>301,130</u>

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>2014</u>	<u>2013</u>
	\$	\$
Expenses		
Pay-out distribution	2,544,904	5,541,539
Employee benefits fund pay-out distribution	1,700,000	-
Parking operations (a)	-	718,594

(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 space'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. On March 22, 2013, the Foundation and Concordia University terminated the agreements on the parking operations.

The Concordia University is committed to paying some of the Foundation's costs, including the cost for using premises, and certain related costs.

Concordia University Foundation

Notes to Financial Statements

April 30, 2014

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, the audit of the Foundation and compensation of certain employees working for the Foundation.

8 - FINANCIAL INSTRUMENTS

Financial risks

The Foundation's main financial risk exposure is detailed as follows.

Credit risk

The Foundation is exposed to credit risk regarding the financial assets recognized in the statement of financial position.

The credit risk regarding bonds and investment funds is considered negligible, since they represent investment securities with a good external credit rating. Nevertheless, the risk is only indirect for the investment funds.

The credit risk regarding cash and cash equivalents is also considered to be negligible because they are held by a reputable financial institution with an investment grade external credit rating.

Market risk

The Foundation's financial instruments expose it to market risk, in particular, interest rate risk, currency risk and other price risk, resulting from both its investing and financing activities:

– Interest rate risk:

The Foundation is exposed to interest rate risk with respect to financial assets and liabilities bearing fixed and variable interest rates.

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.

Additionally, some investment funds also indirectly expose the Foundation to interest rate risk;

– Currency risk:

The Foundation is exposed to currency risk due to cash, cash equivalents and investments denominated in U.S. dollars. As at April 30, 2014, financial assets in foreign currency represent cash and cash equivalents and investments totalling C\$8,606,130 (C\$7,795,912 as at April 30, 2013).

The Foundation does not hedge its foreign currency exposure;

Concordia University Foundation

Notes to Financial Statements

April 30, 2014

8 - FINANCIAL INSTRUMENTS (Continued)

– Other price risk:

The Foundation is exposed to other price risk due to investment funds, bonds and investments in shares since changes in market prices could result in changes in fair value or cash flows of these instruments. Additionally, some investment funds also indirectly expose the Foundation to other price risk.

Liquidity risk

The Foundation's liquidity risk represents the risk that the Foundation could encounter difficulty in meeting obligations associated with its financial liabilities. The Foundation is, therefore, exposed to liquidity risk with respect to all of the financial liabilities recognized in the statement of financial position.

Carrying amount of financial assets by category

The carrying amount of the Foundation's financial assets that are measured at amortized cost totals \$19,569,646 (\$22,878,092 as at April 30, 2013), whereas the carrying amount of financial assets measured at fair value totals \$139,381,129 (\$119,804,556 as at April 30, 2013).



UNIVERSITÉ
Concordia
UNIVERSITY

**CONCORDIA UNIVERSITY
FOUNDATION**

concordia.ca

1455 De Maisonneuve Blvd. W., Montreal, Quebec H3G 1M8
For more information, please call 514-848-2424 ext. 4806