2018 2019

ANNUAL REPORT

Fiscal year from May 1, 2018, to April 30, 2019

CONCORDIA UNIVERSITY FOUNDATION

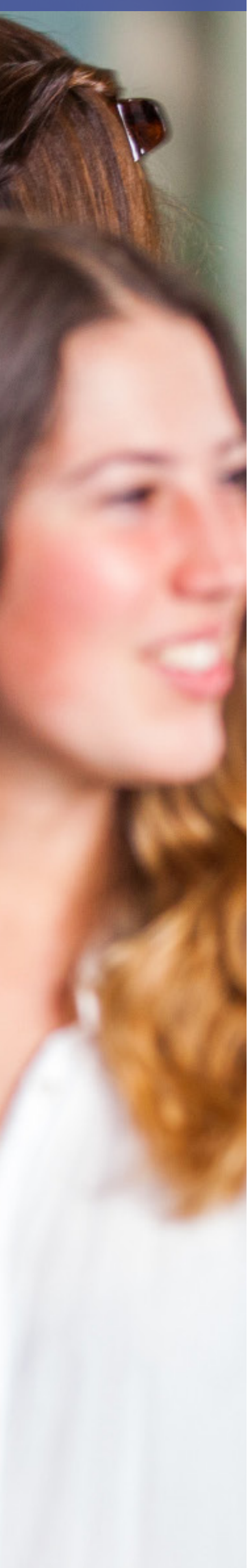
concordia.ca

CONCORDIA

CONTENTS

MESSAGE

FROM THE INCOMING FOUNDATION PRESIDENT AND CHAIR OF THE BOARD



It’s an exciting time to be part of our community as we make ourselves known in pre-eminent university rankings. Named Canada’s top university under 50 years old and one of the most international universities in the world, Concordia recently climbed 144 spots in the World University Rankings — the biggest surge of any Canadian institution. As we steadily rise in world rankings, these results reflect our ambitious efforts to expand our impact as Canada’s next-generation university.

The Concordia University Foundation (CUF), incorporated in 1991 and operational as of 1996, is the investment arm of Concordia University. With a rich history of boldly advancing high-impact teaching and research, Concordia continues to gain momentum. We now proudly count:

- Five faculties and schools: Faculty of Arts and Science, Faculty of Fine Arts, Gina Cody School of Engineering and Computer Science, John Molson School of Business, School of Graduate Studies;
- Twenty-one research units that provide research and training in areas such as preventive health, synthetic biology, human rights and digital arts;
- Four hundred undergraduate and close to 200 graduate programs;
- 51,900 students from 150 countries;
- A global community of 220,000 alumni.

As we continue to bolster our university’s efforts, we direct our focus on five guiding principles:

- Position ourselves globally
- Partner meaningfully
- Integrate for impact
- Deliver on innovation
- Augment the student experience

We are building a culture of sustainability at the university so that we can further enhance innovation, collaboration and behavioural change in sustainability. In 2013, Concordia’s then president adopted a sustainability governance framework to provide strategic direction to institutionalize sustainability within the university’s decision-making processes. As a result, Concordia adopted a sustainability policy in 2016.

The CUF adopted a multiple investment program and pool structure during the 2017-18 financial year. As a result, the CUF designed a new investment policy to include the integration of a responsible and impact investment policy. In doing so, the CUF became a signatory of the United Nations Principles for Responsible Investment (UNPRI).

The integration continued through the 2018-19 financial year and included:

- The implementation of the Responsible Investment Policy through the hiring of five new portfolio managers that integrate Environmental, Social and Governance (ESG) considerations into their investment decision process;
- The conversion from an equity emerging asset allocation to an ESG factored one;
- The completion and filing of our first UNPRI report;
- The application of the Impact Investment Policy, which included sourcing and allocating five investments (50 per cent of the target allocation) from three portfolio managers aligned with the policy themes. It also targeted 12 of the 17 UN Sustainable Development Goals;
- The implementation of two new investment programs:
    - A Donated Restricted Fund Investment Program (DRIP) to provide active financial management to unspent restricted and endowed (payout) donations at Concordia;
    - The Van Berkom Investment Management Program, which is an academic investment program that trains both undergraduate and graduate students.

As you will see in our “Looking Forward” section on page 21, we have announced our alignment with the university and its sustainability values. This commitment to evolve the CUF includes a pledge to allocate zero per cent of the foundation’s funds in the oil and gas sectors, 100 per cent in sustainable investments and 10 per cent towards impact investments by 2025.

The CUF sustainable initiatives — along with the university’s global action plan — publicly expressed the university’s culture, values and commitment to advancing sustainability solutions for current and future generations.

We take pride that the CUF is aligning with Concordia through:

- Investment with intention through our impact investment allocations that contribute towards sustainable goals;
- Governance with commitment through the evolution of the CUF's fiduciary responsibility of engaging itself with respect to responsible investments and the ESG impact of our allocations towards sustainability;
- Flexible investment structure for all of Concordia's needs through the foundation's new investment structure, which creates fiscal capacity by managing multiple investment programs for the benefit of students, capital investments, the university's future growth and sustainability, and employees;
- Healthy state of the endowment program and its financial responsibility to fund a 3.5 per cent net real return through its funding ratio — a measure of affordability relevant to our capacity to deliver a 3.5 per cent payout commitment on an annual basis of 116 per cent.

The CUF is well positioned to continue its strategy and vision to develop a sustainable portfolio that will support the needs of students and Concordia, maintaining its leadership position in sustainability.

We would like to recognize and thank the members of the CUF's board of directors, as well as the investment committee, for their dedication and support in evolving the foundation and helping it achieve its goals in 2018-19.

We hope this report gives you greater insight into our foundation and we thank you for your continued support.

Denis Cossette
President, Concordia University Foundation

Howard Davidson, *BComm 80*
Chair, Concordia University Foundation

2018-19 HIGHLIGHTS

Investment performance	• Surpassed the investment targets of both its long- and mid-term pools through net returns of 7.3% (target gross 6.25%) and 5.7% (target gross 4%), respectively
Net assets	• Grew from $195M to $243M (24.6% growth)
Financial status – Endowment program	• Increased funding ratio to 116% and investment return reserves to 23%
Responsible Investment Policy: 2018 UNPRI report grade	• B in first year of implementation and assessment
Impact Investment Policy: 2018-19 allocations	• Sourced close to 50% of its target allocation in its first year of implementation, reaching all three themes • 12 of the 17 UN SDG
Commitment to sustainability	• First Canadian university to commit to 0%-100%-10% strategy

INVESTMENT STRUCTURE

The CUF is designed to meet the various investment needs of the university, outside of its pension plan, through investment programs. An investment program is a specific investment need that will have its own accounting and measurement structure where the capital received and return generated are earmarked specifically for the program itself.

For Concordia, investment needs are to create fiscal capacity for:

- Donations received, either from an endowed or restricted nature to support funding for student, academic or research activities;
- Capital investments and capital budget through sinking funds, which are funds set aside to pay back the debt obligations of the university;
- Group insurance plans and the management of funds generated from their policies.

Each program, therefore, has its own cash flow structure with respect to when capital and/or returns need to be transferred back to Concordia. Given the diversity of the investment programs, the CUF also designed a multiple investment pool structure to closely align the objectives of each investment program.

As such, we created two pools:

- A long-term pool where the capital is not required to be transferred back for a period longer than 10 years and seeks a result target of 6.25 per cent;
- A mid-term pool designed so that capital can be preserved while still generating an investment return target of 4 per cent within a two-to-five year period.

Below is the summary of all investment programs, their associated investment pool and their net asset values as at the end of the 2018-19 financial year.

INVESTMENT PROGRAMS	INVESTMENT POOLS	NET ASSET VALUE
Donation – endowments	Long-term	$114M
Sinking fund – capital investments	Long-term	$67M
Donation – restricted	Mid-term	$30M
Group insurance plans	Mid-term	$17M
Others	Managed separately outside the foundation	$15M

CONCORDIA UNIVERSITY FOUNDATION

INTEGRATED SUSTAINABILITY INVESTMENT FRAMEWORK

Further to Concordia's sustainability framework and the adoption of its policy in 2016, the CUF aligned itself with the university and designed an integrated investment framework. The framework combines a governance commitment to apply responsible investment principles through all of its investment programs, while allocating a target of 5 per cent — with a range of zero per cent to 10 per cent — of its long-term pool asset allocation towards impact investments.

The table below shows the complementary approach the CUF has taken and designed through its responsible and impact investment policies, which are integrated under the CUF's global master trust investment policy.

			IMPACT INVESTMENT		
Traditional	**Responsible Investing (RI)**	**Socially Responsible Investing (SRI)**	**Thematic**	**Impact-first**	**Venture Philanthropy**
Competitive Returns	**Competitive Returns**	**Competitive Returns**	**Competitive Returns**		
	ESG Risk Management	**ESG Risk Management**	**ESG Risk Management**	**ESG Risk Management**	
		High Impact Solutions	**High Impact Solutions**	**High Impact Solutions**	**High Impact Solutions**
Limited or no focus on ESG factors of underlying investment analysis and execution.	ESG risks integrated into analysis of all holdings, as a component of financial risk management. Shareholder engagement is used to influence behaviour of holdings.	Negative and positive screening of ESG risks is used to align a portfolio to specific values. Shareholder engagement is used to influence behaviour of holdings.	Focus on one or more issue areas where social or environmental need creates commercial growth opportunity for market-rate returns.	Focus on one or more issue areas where social or environmental need may require some financial trade-off.	Social enterprise funding in a variety of forms, with a range of return possibilities. Investor involvement/ support is common.

Source: Purpose Capital adaptation of Bridges Venture Research (2012). The Power of Advice in the UK Sustainable Impact Investment Market. Available at: http://www.bridgesventures.com/links-research

RESPONSIBLE

INVESTMENT POLICY

The CUF is a long-term investor that, by becoming a signatory to the United Nations Principles for Responsible Investment (UNPRI) in 2018, made the following commitment:

As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that ESG issues can influence the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). We also recognize that applying these principles may better align investors with broader societal objectives.

Therefore, where consistent with our fiduciary responsibilities, we commit to the following principles:

1. We will incorporate ESG issues into investment analyses and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the principles.
6. We will report and communicate our activities and progress towards implementing the principles.

The UNPRI were developed by an international group of institutional investors to reflect the increasing relevance of environmental, social and corporate governance issues in investment practices.

The United Nations secretary-general convened the process. In signing the principles, we as investors publicly commit to adopt and implement them, where consistent with our fiduciary responsibilities.

We also commit to evaluate the effectiveness and improve the content of the principles over time. We believe this will improve our ability to meet commitments to beneficiaries, as well as better align our investment activities with the broader interests of society. We encourage other investors to adopt the principles.

In the first year of implementation, the CUF hired five new portfolio managers that incorporate ESG considerations into their investment decision processes: RBC, Global Alpha, Fisher, Addenda and Barings. They join the current portfolio managers that are already UNPRI signatories.

Concordia's Office of the Treasurer (OoT), the delegated investment manager for the CUF, is still in the process of developing a global integrated due diligence program that includes ESG and its measurements. The OoT aims to complete it by the end of 2020.

The CUF — despite being in its first year of implementing all principles — completed its inaugural UNPRI report and received a B score (scores range from A+ to E) on its 2018 ESG assessment. The survey is organized into two main sections:

- Strategy and governance level (score of 73 per cent)
- Manager selection, appointment and monitoring level (average score of 70 per cent)

The CUF's overall rating is expected to improve next year, as many ESG-related initiatives were conducted in 2019. In addition, the report currently does not promote impact investment initiatives. The CUF has informed the UNPRI, which has agreed to adjust the survey in the future. This change will help improve our ESG score as we implement our impact investment program.

IMPACT INVESTMENT POLICY

Through its impact investments, the CUF seeks to create positive change for youth and community in Montreal, Quebec and Canada. Longer term, the CUF looks to create a more diverse, creative and adaptive society.

The CUF is taking a broad thematic approach to impact investing and is moving towards better aligning the foundation's financial assets with its mission. The foundation will do so by investing a portion of funds in solutions that focus on Montreal youth and sustainable livelihoods across Canada, coupled with the intention of targeting all 17 United Nations Sustainable Development Goals (UN SDG). We have designed the policy under the following principles:

- Prioritize impact while still achieving target returns, acting on opportunities where there is a reasonable financial risk for the potential impact created;
- Embrace a learning orientation, recognizing that impact investing often involves structures (direct investments and alternatives) that take longer to implement and that have longer impact horizons;
- Intentionally consider and balance a range of impacts — from hyper-local community impact focusing on Montreal youth to investments across Canada — but do not commit to a rigid thematic alignment.

While the core thematic priority will be to find impact investments in Montreal that support youth, the CUF recognizes that these will represent a small percentage of the portfolio due to availability and investment prudence. The CUF will diversify the impact portfolio by considering a wide variety of impact themes and deals across Canada.

Based on the current stage of the CUF's engagement in this sector, we have identified the following learning goals:

- Determine opportunities to deepen the competency in impact investing through in-house capacity, partnerships with like-minded institutions and investors' groups, and ongoing advisory support, as appropriate;
- Following these initial investments, examine which opportunities are the best fit for the foundation by considering both direct and intermediary investments, and by assessing the benefits and trade-offs of each approach in practice;
- Determine if thematic areas of interest need to be more focused after conducting a market scan and assessment of available opportunities;
- Learn how to collaborate with different stakeholders and see what role the CUF could play in these engagements;
- Understand how to catalyze and scale youth-led enterprises and those that create impact for local communities in Montreal and Quebec;
- Identify which impact measurement practices and tools are best for the CUF to track and report on;
- In the longer term, examine which combinations of investment and thought leadership enable the foundation to lead and influence other institutions by actively participating in a community of impact investing practices;
- Communicate the CUF's impact investment work with internal and external stakeholders, and share results with other universities and foundations.

Although only in its first year of UNPRI implementation, the CUF nevertheless sourced close to 50 per cent of its target asset allocation of 5 per cent towards impact investments.

Five allocations through three portfolio managers were approved with the following intentions and impacts:

PORTFOLIO MANAGERS	INTENTIONS	IMPACTED THEMES	IMPACTED UN SDG
Inerjys	• Off-grid solar solutions • Combating food waste and local food insecurity • Challenging conventional wind industry economics	Local and domestic impacts	1, 2, 3, 4, 7, 8, 12
Cycle Capital	Clean tech investments in: • Clean power storage and energy efficiencies • Clean transportation and smart cities technologies • Green chemistry, waste, biogas, biofuel and biomass transformation • Green IoT, big data and AI • Sustainable agriculture	Local and domestic impacts	1, 2, 5, 7, 8, 9, 11, 12, 14, 15, 17
Teralys	• Life sciences – partnership with provincial government	Local and domestic impacts	3

In all sourcing opportunities, the CUF was able to provide current Concordia students with the possibility of internships, which includes being part of the fund's impact investment committee for Cycle Capital.

GLOBAL

INVESTMENT POLICY AND ASSET ALLOCATIONS

The CUF additionally revamped its investment policies in a master trust structure to not only incorporate the notion of multiple pools, but also responsible and impact investments.

At the end of the 2018-19 financial year — while still transitioning to a full implementation of responsible and impact investment policies — the asset allocation for each pool along with its portfolio managers was as follows:

ASSET CLASSES	PORTFOLIO MANAGERS	LONG-TERM POOL	MID-TERM POOL
Equities		**50%**	**16.2%**
Canadian	Leith Wheeler	10%	3.1%
Global developed markets	RBC	20%	6.3%
Emerging markets	Brandes, Fisher	10%	3.2%
Global small caps	CCL – Global ALpha	5%	1.8%
Private	Neuberger Berman	5%	1.8%
Fixed income		**15%**	**52.8%**
Cash and cash equivalents	Office of the Treasurer – Concordia University	0.5%	10%
Canadian nominal	Addenda impact fund and commercial mortgages	4.5%	26.6%
High yield	Barings	5%	8.1%
Private	Mesa West	5%	8.1%
Alternatives		**35%**	**31%**
Absolute return - fixed income	RPIA	5%	5.17%
Absolute return - equities	Formula Growth	5%	5.16%
Private real estate - global	UBS	5%	5.17%
Private real estate - Canadian	Great West Life	5%	5.17%
Private agriculture and timberland	Hancock	10%	10.33%
Impact investments			
Venture capital	Inerjys, Cycle Capital, Teralys	5%	0%

The investment policy also integrates a tactical asset allocation policy that provides the flexibility to be opportunistic within the following parameters, and includes the usage of proxies to maintain allocation coverage and liquidity.

ASSET CLASSES	ASSET ALLOCATION RANGES		PROXIES
	Long-term pool	Mid-term pool	
Equity	40% - 60%	11.7% - 20.7%	US small cap ETF
Fixed income			Addenda commercial mortgage
• Cash and cash equivalents	0% - 4%	5% - 20%	
• Others	10% - 25%	36% - 49.5%	
Alternatives	25% - 45%	22.1% - 40.1%	Global listed infrastructure ETF
Impact investments	0% - 10%		Wells Fargo

PLAN MANAGEMENT

Impact investments are investments made in companies, organizations and funds with the intention of generating social and environmental impact alongside a financial return.

The CUF is governed by a legally autonomous board of directors that is responsible for the fiduciary obligations of the CUF, along with the sound management of the entity and its investments. In 2018-19, the board was composed of the following members:

- Howard Davidson, chair
- Brian Edwards, vice-chair
- Christine Lengvari
- Ralph Loader
- Andrew Molson
- Rick Renaud
- Patricia Saputo
- Lorne Steinberg
- Alan Shepard, former president, Concordia University
- Jeff Tory
- Marcel Dupuis, associate vice-president, Development, Concordia University
- Denis Cossette, secretary, Concordia University

The board of directors is supported by a specialized investment committee, which oversees and approves the CUF's investment decisions. In 2018-19, the investment committee was composed of the following members:

- Howard Davidson, chair
- Patricia Saputo, vice-chair
- Denis Cossette
- Marcel Dupuis
- Ralph Loader
- Lorne Steinberg
- Jeff Tory

The board of directors is supported by an audit committee that oversees and approves the CUF's financial statements. In 2018-19, it was composed of the following members:

Patricia Saputo, chair

Brian Edwards

Marcel Dupuis

Christine Lengvari

Andrew Molson

The board of governors and investment committee have delegated the management operations of the CUF to Concordia's Office of the Treasurer (OoT) and its investment division for the leadership of the entity, implementation of its policies, recommendations of investment allocations, and the administration of the overall entity. In 2018-19, the OoT investment division was composed of the following members:

Marc Gauthier, treasurer and chief investment officer

Abdel Chabi-Yo, director

John Boyronikos, financial analyst

Florence Kwan, financial accountant

Janice Wong, administrative coordinator

Advisor, in recruit

INVESTMENT

PERFORMANCE

In 2018-19, the CUF met all of the investment return targets of its investment pools. The breakdown is as follows:

ASSET CLASSES	TARGETS AND NET RETURNS		PORTFOLIO MANAGERS
	Long-term pool	Mid-term pool	
Equity	8.27%		Leith Wheeler (4.2%) RBC (8.6%) Brandes (-1.1%) Fisher (-1%) Global Alpha (6%) Neuberger Berman (5.5%) US small cap ETF (7.3%)
Fixed income	4.83%		Addenda – impact fund (5.9%) Addenda – commercial mtg. (3.3%) Barings (4%) Mesa West (6%)
Alternatives and impact investments	8.94%		RPIA (3.4%) Formula Growth (0.2%) UBS (6.9%) GWL (6.4%) Handcock (6%) ETF listed infrastructure (14.5%) Wells Fargo (21.3%)
Total	7.28%	5.65%	
Strategic targets (gross)	6.25%	4%	
Market benchmarks	5.93%	5.32%	

LOOKING FORWARD

The CUF will continue its implementation of the responsible and impact investment policies, and commitment to allocate zero per cent of its investments in the oil and gas sectors, 100 per cent in sustainable investments and 10 per cent towards impact investments by 2025. Over the coming years, the CUF will:

- Seek to review its investment policy in positioning the full implementation of the 0%-100%-10% objective by 2025;
- Continue conversion of legacy portfolio managers aligned to the Responsible Investment Policy and its 2025 objective;
- Continue sourcing of deals aligned with the Impact Investment Policy themes and objectives, including the design, and implement the integrated measurement framework and report;
- Implement new investment programs and pools, namely:
    - Equipment/IT sinking fund
    - 2019 bonds sinking fund
- Focus on global design and implement integrated due diligence framework, which includes ESG integration and measurement program for market research, recommendations, onboarding, monitoring and reporting processes.

Financial Statements of

CONCORDIA UNIVERSITY FOUNDATION

Year ended April 30, 2019

CONCORDIA UNIVERSITY FOUNDATION

Table of Contents

KPMG LLP
600 de Maisonneuve Blvd. West
Suite 1500, Tour KPMG
Montréal (Québec) H3A 0A3
Canada

Telephone (514) 840-2100
Fax (514) 840-2187
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Concordia University Foundation

Opinion

We have audited the financial statements of Concordia University Foundation (the "Entity"), which comprise:

- the statement of financial position as at April 30, 2019
- the statement of operations for the year then ended
- the statement of changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at April 30, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis of Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"*Auditors' Responsibilities for the Audit of the Financial Statements*"** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP*

Montréal, Canada

October 29, 2019

*CPA auditor, CA, public accountancy permit No. A120585

CONCORDIA UNIVERSITY FOUNDATION

Statement of Financial Position

April 30, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	$ 4,930,545	$ 14,819,125
Accrued investment income	498,284	159,764
Gifts receivable from Concordia University	1,017,094	–
Net investment sales receivable	21,992	–
Sales taxes receivable	10,518	35,935
	6,478,433	15,014,824
Investments (note 2)	233,223,520	176,736,740
Fair value of life insurance policies	3,082,844	3,082,844
	$ 242,784,797	$ 194,834,408
Liabilities and Fund Balances		
Current liabilities:		
Due to Concordia University (note 3)	$ 37,617,738	$ 16,039,212
Net investment purchases payable (note 4)	–	57,353
Accrued liabilities (note 4)	745,983	509,454
	38,363,721	16,606,019
Fund balances:		
Externally restricted:		
Endowment	89,129,266	81,804,079
Other	115,258,992	96,391,492
Unrestricted	32,818	32,818
	204,421,076	178,228,389
Commitments (note 8)		
	$ 242,784,797	$ 194,834,408

See accompanying notes to financial statements.

On behalf of the Board:

_______________________ Director

_______________________ Director

CONCORDIA UNIVERSITY FOUNDATION

Statement of Operations

Year ended April 30, 2019, with comparative information for 2018

			Externally Restricted					
	Unrestricted Fund		Other Funds		Endowment Fund		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Revenues:								
Changes in fair value of investments (note 5)	$ –	$ 3,649	$ 16,974,244	$ 6,744,962	$ –	$ –	$ 16,974,244	$ 6,748,611
Specified gifts from Concordia University	–	–	8,526,453	2,719,037	7,325,187	2,802,712	15,851,640	5,521,749
	–	3,649	25,500,697	9,463,999	7,325,187	2,802,712	32,825,884	12,270,360
Expenses:								
Investments management fees	–	–	1,095,752	1,121,018	–	–	1,095,752	1,121,018
Consultant and other professional fees	–	–	322,967	318,653	–	–	322,967	318,653
Insurance premiums paid	–	–	333,915	333,482	–	–	333,915	333,482
	–	–	1,752,634	1,773,153	–	–	1,752,634	1,773,153
Transfers to Concordia University (note 6)	–	–	4,880,563	4,165,020	–	–	4,880,563	4,165,020
	–	–	6,633,197	5,938,173	–	–	6,633,197	5,938,173
Excess of revenues over expenses	$ –	$ 3,649	$ 18,867,500	$ 3,525,826	$ 7,325,187	$ 2,802,712	$ 26,192,687	$ 6,332,187

See accompanying notes to financial statements.

CONCORDIA UNIVERSITY FOUNDATION

Statement of Changes in Fund Balances

Year ended April 30, 2019, with comparative information for 2018

			Externally Restricted					
	Unrestricted Fund		Other Funds		Endowment Fund		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Balance, beginning of year	$ 32,818	$ 29,169	$ 96,391,492	$ 92,865,666	$ 81,804,079	$ 79,001,367	$ 178,228,389	$ 171,896,202
Excess of revenues over expenses	–	3,649	18,867,500	3,525,826	7,325,187	2,802,712	26,192,687	6,332,187
Balance, end of year	$ 32,818	$ 32,818	$ 115,258,992	$ 96,391,492	$ 89,129,266	$ 81,804,079	$ 204,421,076	$ 178,228,389

See accompanying notes to financial statements.

CONCORDIA UNIVERSITY FOUNDATION

Statement of Cash Flows

Year ended April 30, 2019, with comparative information for 2018

	2019	2018
Cash provided by:		
Operating:		
Excess of revenues over expenses	$ 26,192,687	$ 6,332,187
Items not involving cash:		
Net change in fair value of investments	848,987	1,184,034
Reinvested revenue	(14,539,692)	(6,184,848)
Net change in non-cash operating working capital items	(1,173,013)	365,686
	11,328,969	1,697,059
Financing:		
Increase in due to Concordia University	21,578,526	2,387,872
Investing:		
Acquisition of investments	(195,848,688)	(168,773,250)
Disposal of investments	153,052,613	162,491,404
	(42,796,075)	(6,281,846)
Net decrease in cash and cash equivalents	(9,888,580)	(2,196,915)
Cash and cash equivalents, beginning of year	14,819,125	17,016,040
Cash and cash equivalents, end of year	$ 4,930,545	$ 14,819,125

See accompanying notes to financial statements.

The Concordia University 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. Effective April 11, 2014, the Foundation was continued under the *Canada Not-for-profit Corporations Act*. 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 from income tax under the *Income Tax Act*.

1. Significant accounting policies:

(a) Basis of presentation:

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

(b) 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, such as investments, and life insurance policies. These estimates are based on management's knowledge of current events and actions that the Foundation may undertake in the future. Actual results may differ from these estimates.

(c) Fund accounting:

The Unrestricted Fund accounts for these fund's investment programs outlined below.

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 researches, and academic projects.

Included in the Other Restricted Funds are the following:

(i) Long-term Debt Fund:

In collaboration with Concordia University, the Foundation created a 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 $275 million Series A, Series B and Series C Senior Unsecured Debentures repayable in September 2042 (Series A), February 2059 (Series B) and February 2039 (Series C) as well as the debts related to certain unfunded capital projects.

1. Significant accounting policies (continued):

(c) Fund accounting (continued):

(i) Long-term Debt Fund (continued):

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 Concordia University's future debt obligations by 2042.

As at April 30, 2019, the fund balance is $66,100,575 (2018 - $60,544,562).

(ii) Concordia University Benefits Fund:

In collaboration with Concordia University, the Foundation created a fund entitled The Concordia University Benefits Fund. The purpose of this fund is to make provisions for various unfunded future benefit obligations and pension liabilities.

As at April 30, 2019, the fund balance is $6,144,650 (2018 - $5,811,581).

The Endowment Fund presents resources received as endowments.

(d) Financial assets and liabilities:

(i) 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.

(ii) 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 the fair value of life insurance policies, 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.

1. Significant accounting policies (continued):

(d) Financial assets and liabilities (continued):

(ii) Subsequent measurement (continued):

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.

(e) Revenue recognition:

(i) 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.

Specified gifts that are restricted contributions are recognized as revenue within the appropriate fund in the year in which they are received or receivable, if the amount to be received can be reasonably estimated and ultimate collection is reasonably assured. Specified gifts that are unrestricted are recognized as revenue in the Unrestricted Fund.

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

(ii) Net investment income:

Investment transactions are recorded on the transaction date and resulting revenues are 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), dividend income and the revenues from investments in investment funds.

1. Significant accounting policies (continued):

(e) Revenue recognition (continued):

(ii) Net investment income (continued):

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 Unrestricted Fund when it is earned.

(f) 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.

(g) Cash and cash equivalents:

Cash and cash equivalents includes bank overdrafts whose balances fluctuate frequently from being positive to overdrawn, and investments maturing within three months of the acquisition date or investments redeemable at any time without penalty.

(h) 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. Revenues 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. Exchange gains and losses on financial instruments subsequently measured at fair value are included in changes in fair value of investments in the statement of operations.

(i) Life insurance:

Life insurance represents the greater of either the fair market value of insurance policies at acquisition or the current cash surrender value of insurance policies held.

2. Investments:

	2019		2018	
	Market value	Cost	Market Value	Cost
Equities	$ 13,863,058	$ 11,201,858	$ 22,161,275	$ 17,914,886
Bonds	589,883	593,855	15,732,065	15,906,156
Investment funds	218,770,579	206,632,188	138,843,400	135,723,351
	$ 233,223,520	$ 218,427,901	$ 176,736,740	$ 169,544,393

As at April 30, 2019, the weighted average interest rate of the bonds is 4.21% (2018 - 3.22%) and the weighted average duration is 2.21 years (2018 - 7.06 years).

3. Due to Concordia University:

	2019	2018
Group insurance plan surplus	$ 11,038,123	$ 10,596,920
Payout distribution (i)	3,674,543	3,442,292
Chaire de recherche FRQ	1,790,000	2,000,000
Donated Restricted Funds Investment Program (ii)	21,115,072	–
	$ 37,617,738	$ 16,039,212

(i) The Foundation annually distributes a portion of its investment earnings to support the advancement and development of higher education, teaching, research, 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.

(ii) The Donated Restricted Funds Investment Program ("DRIP") was implemented in May 2018 with the objective to invest unspent donation fund balances within Concordia's Trust Funds. An initial amount of $17.7M was transferred to the Foundation (which is the investment arm of Concordia University) and recorded as a payable to Concordia University. The primary goals of the DRIP are (1) to provide active cash management to donated capital that is in a holding period until the funds are expensed for their earmarked purposes; (2) to protect the transferred capital while generating return on investments in order to realize a diligent growth of capital in relation to the time period; (3) and have the necessary liquidity to be able to transfer the funds back to Concordia University at their required time period. The increase in the balance of $3.4M is related to the payout distribution that has been reinvested as part of the DRIP program.

4. Accrued liabilities:

	2019	2018
Office of the Treasurer salaries	$ 266,800	$ 196,751
Management fees	479,183	312,703
Net investment purchases payable and accrued liabilities	–	57,353
	$ 745,983	$ 566,807

5. Changes in fair value of investments:

	2019	2018
Investment income:		
Dividends	$ 4,082,514	$ 1,460,158
Interests	908,056	969,408
Partnership income	336,876	–
Pooled fund income	1,200,271	737,204
Other income	3,647	192,957
	6,531,364	3,359,727
Realized gains	2,775,788	15,178,893
Change in unrealized appreciation (depreciation)	7,603,272	(11,929,392)
Investment expense and other	63,820	139,383
	$ 16,974,244	$ 6,748,611

6. Transfers to Concordia University:

Concordia University exercises significant influence over the Foundation since certain Board members and members of senior management are on the Board of 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.

6. Transfers to Concordia University (continued):

All general and administrative expenses associated with soliciting and processing gifts are accounted for at Concordia University.

	2019	2018
Expenses:		
Payout distribution	$ 3,674,543	$ 3,442,292
Other	1,206,020	722,728
	$ 4,880,563	$ 4,165,020

7. Financial risks:

(a) Credit risk:

The Foundation is exposed to credit risk regarding the financial assets recognized on the statement of financial position, other than investments in common shares and investment funds. The Foundation has determined that the financial assets with more credit risk exposure are corporate bonds since failure of any of these parties to fulfil their obligations could result in significant financial losses for the Foundation.

Additionally, some investment funds indirectly expose the Foundation to credit risk.

(b) Market risk:

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

(i) Interest rate risk:

The Foundation is exposed to interest rate risk with respect to financial assets bearing fixed 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 indirectly expose the Foundation to interest rate risk.

7. Financial risks (continued):

(b) Market risk (continued):

(ii) Currency risk:

The majority of the transactions are in Canadian dollars. Currency risk results from the Foundation's sales and purchases of investments denominated in foreign currency which are primarily in U.S. dollars. As at April 30, 2019, financial assets in foreign currency represent cash and cash equivalents totalling $894,736 (2018 - $471,853) and investments totalling $34,827,928 (2018 - $16,600,075).

Additionally, some investment funds indirectly expose the Foundation to currency risk.

(iii) Other price risk:

The Foundation is exposed to other price risk due to investment funds and common 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.

(c) 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 on the statement of financial position.

There have been no significant changes to the Foundation’s exposure to risks and how they arise or how they are managed since the previous years.

8. Commitments:

(a) Investment commitments:

The Foundation has committed to making investments that will be funded in future years in accordance with the terms and conditions agreed in the agreements. The investment commitments made by the Foundation as at April 30 are as follows:

Private equity and Farmland & Timberland	$ 21,813,620
Other investment funds	5,218,330
	$ 27,031,950

8. Commitments (continued):

(a) Investment commitments (continued):

The financing of the commitments mentioned above can be requested at various dates until 2023.

(b) Concordia University commitments:

The Foundation has committed to pay, annually, an amount equivalent to 3.5% of the 36-month moving average market value of the Endowment Fund calculated monthly.

UNIVERSITÉ Concordia UNIVERSITY

• Learn how Concordia's most ambitious campaign to date will empower tomorrow's leaders: ***concordia.ca/campaign***.

• Discover what Concordia achieved first in Montreal, Quebec, Canada and the world: ***concordia.ca/concordiafirsts***.