

Consolidated Financial Statements of
(In thousands of dollars)

CONCORDIA UNIVERSITY

Year ended April 30, 2020

CONCORDIA UNIVERSITY

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(In thousands of dollars)

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STATEMENT OF ADMINISTRATOR'S RESPONSIBILITY

Management of Concordia University (the "University") is responsible for the preparation of the consolidated financial statements, the notes and all other financial information contained in this financial report.

Management has prepared the consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations. In order to achieve the objective of fair presentation in all material respects, reasonable estimates and professional judgments were used. Management believes the consolidated financial statements present fairly the University's consolidated financial position as at April 30, 2020, and the consolidated results of its operations, consolidated changes in fund balances and consolidated cash flows for the year then ended.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has developed and maintains a system of internal control designed to provide reasonable assurance that the University's assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of the consolidated financial statements. The system of internal controls is monitored by the University's internal audit service.

The Board of Governors is responsible for ensuring that management fulfills its responsibilities for financial reporting, and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board of Governors carries out its responsibility for review of the consolidated financial statements principally through the Audit Committee. All members of the Audit Committee are not officers or employees of the University. The Audit Committee meets with management, the external auditors as well as the internal auditors to discuss the results of audit examinations and financial reporting matters to satisfy itself that each party is properly discharging its responsibilities. The external and internal auditors have full access to the Audit Committee with or without the presence of management.

The financial statements as at and for the year ended April 30, 2020, have been audited by KPMG LLP, the auditors appointed by the Board of Governors. The independent auditors' report outlines the scope of their audit and their opinion on the preparation of the information included in the consolidated financial statements.

original signed by Graham Carr

Graham Carr
President and Vice-Chancellor

original signed by Denis Cossette

Denis Cossette
Chief Financial Officer

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



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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of Concordia University

Opinion

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

- the consolidated statement of financial position as at April 30, 2020
- the consolidated statement of operations and changes in fund balances for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at April 30, 2020, its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for 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 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.

Emphasis of Matter - Comparative Information

We draw attention to Note 2 to the financial statements ("Note 2"), which explains that certain comparative information presented for the year ended April 30, 2019 has been restated.

Note 2 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect of this matter.



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 financial reporting process of the Entity.

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 these 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 internal controls of the Entity.
- 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.
- We 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



Montréal, Canada

October 21, 2020

CONCORDIA UNIVERSITY

Consolidated Statement of Financial Position
(In thousands of dollars)

April 30, 2020, with comparative information for 2019

| | Total Funds | | Operating Fund | | Research Fund | | Designated Fund | | Restricted Funds Capital Asset Fund | |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|--|------------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | (Restated - note 2) | (Restated - note 2) |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Assets | | | | | | | | | | |
| Current assets: | | | | | | | | | | |
| Cash | 19,582 | 60,843 | 19,582 | 60,843 | — | — | — | — | — | — |
| Grants receivable (note 3) | 42,373 | 74,226 | 21,356 | 51,045 | 20,326 | 22,211 | 691 | 970 | — | — |
| Accounts receivable (note 4) | 59,696 | 26,688 | 48,961 | 21,729 | 10,018 | 4,600 | 717 | 359 | — | — |
| Prepaid expenses and other assets | 8,601 | 9,628 | 6,038 | 7,448 | — | — | 933 | 1,183 | 1,630 | 997 |
| | 130,252 | 171,385 | 95,937 | 141,065 | 30,344 | 26,811 | 2,341 | 2,512 | 1,630 | 997 |
| Amount receivable from the Ministère de l'Enseignement supérieur ("MES") (note 5) | 67,044 | 69,785 | — | — | — | — | — | — | 67,044 | 69,785 |
| Grants receivable (note 3) | 43,657 | 59,792 | — | — | — | — | — | — | 43,657 | 59,792 |
| Research partnership investment | 503 | 465 | — | — | 503 | 465 | — | — | — | — |
| Due from other funds, without interest | — | — | 31,998 | 31,144 | 26,269 | 24,531 | 178,940 | 181,238 | — | — |
| Investments (note 6) | 269,889 | 236,307 | 269,889 | 236,307 | — | — | — | — | — | — |
| Tangible capital assets (note 7) | 877,944 | 852,656 | — | — | — | — | — | — | 877,944 | 852,656 |
| Intangible capital assets (note 8) | 41,496 | 23,026 | — | — | — | — | — | — | 41,496 | 23,026 |
| | 1,430,785 | 1,413,416 | 397,824 | 408,516 | 57,116 | 51,807 | 181,281 | 183,750 | 1,031,771 | 1,006,256 |

CONCORDIA UNIVERSITY

Consolidated Statement of Financial Position (continued)
(In thousands of dollars)

April 30, 2020, with comparative information for 2019

| | Total Funds | | Operating Fund | | Research Fund | | Designated Fund | | Restricted Funds | |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | (Restated - note 2) |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Liabilities and Fund Balances | | | | | | | | | | |
| Current liabilities: | | | | | | | | | | |
| Bank loans (note 9) | 132,513 | 133,400 | 132,513 | 133,400 | — | — | — | — | — | — |
| Trade payables and other liabilities (note 10) | 101,578 | 98,065 | 72,155 | 70,997 | 30 | — | 10,608 | 10,198 | 18,785 | 16,870 |
| Agency and fiduciary accounts | 12,515 | 15,058 | 12,515 | 15,058 | — | — | — | — | — | — |
| Unearned revenue | 22,482 | 27,320 | 22,482 | 27,320 | — | — | — | — | — | — |
| Deferred contributions (note 11) | 57,086 | 51,807 | — | — | 57,086 | 51,807 | — | — | — | — |
| Current portion of long-term debt (note 12) | 37,025 | 132,562 | — | — | — | — | — | — | 37,025 | 132,562 |
| | 363,199 | 458,212 | 239,665 | 246,775 | 57,116 | 51,807 | 10,608 | 10,198 | 55,810 | 149,432 |
| Deferred contributions (note 11) | 184,289 | 185,289 | — | — | — | — | 54,102 | 52,070 | 130,187 | 133,219 |
| Due to other funds, without interest | — | — | 205,209 | 205,769 | — | — | — | — | 31,998 | 31,144 |
| Long-term debt (note 12) | 644,836 | 501,132 | — | — | — | — | — | — | 644,836 | 501,132 |
| Employee future benefit liability (note 13) | 179,351 | 190,305 | 179,351 | 190,305 | — | — | — | — | — | — |
| | 1,371,675 | 1,334,938 | 624,225 | 642,849 | 57,116 | 51,807 | 64,710 | 62,268 | 862,831 | 814,927 |
| Fund surplus (deficit): | | | | | | | | | | |
| Unrestricted deficit | (112,640) | (113,656) | (112,640) | (113,656) | — | — | — | — | — | — |
| Deficit from employee future benefit obligation | (179,351) | (190,305) | (179,351) | (190,305) | — | — | — | — | — | — |
| Internally restricted (note 14) | 128,640 | 135,729 | 65,590 | 69,628 | — | — | — | — | 63,050 | 66,101 |
| Endowments (note 15) | 116,571 | 121,482 | — | — | — | — | 116,571 | 121,482 | — | — |
| Invested in capital assets | 105,890 | 125,228 | — | — | — | — | — | — | 105,890 | 125,228 |
| | 59,110 | 78,478 | (226,401) | (234,333) | — | — | 116,571 | 121,482 | 168,940 | 191,329 |
| Commitments (note 22) | | | | | | | | | | |
| Contingencies (note 24) | | | | | | | | | | |
| Subsequent event (note 26) | | | | | | | | | | |
| | 1,430,785 | 1,413,416 | 397,824 | 408,516 | 57,116 | 51,807 | 181,281 | 183,750 | 1,031,771 | 1,006,256 |

See accompanying notes to consolidated financial statements.

On behalf of the Board:

original signed by Graham Carr

Governor

original signed by Denis Cossette

Governor

CONCORDIA UNIVERSITY

Consolidated Statement of Operations and Changes in Fund Balances (In thousands of dollars)

Year ended April 30, 2020, with comparative information for 2019

| | Total Funds | | Operating Fund | | Research Fund | | Designated Fund | | Restricted Funds | |
|---|---------------------|----------|---------------------|----------|---------------------|---------|---------------------|--------|---------------------|----------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | (Restated - note 2) | | (Restated - note 2) | | (Restated - note 2) | | (Restated - note 2) | | (Restated - note 2) | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenues: | | | | | | | | | | |
| Tuition fees | 175,750 | 162,178 | 175,750 | 162,178 | — | — | — | — | — | — |
| Grants (note 16) | 375,377 | 365,019 | 281,912 | 277,185 | 48,032 | 44,683 | 5,338 | 3,396 | 40,095 | 39,755 |
| Services to the community, students and other income | 59,345 | 62,123 | 57,397 | 59,745 | — | 355 | 1,837 | 1,883 | 111 | 140 |
| Ancillary services and rental properties (note 17) | 20,791 | 23,457 | 20,791 | 23,457 | — | — | — | — | — | — |
| Donations | 8,327 | 9,296 | 563 | 1,707 | — | 246 | 7,157 | 6,703 | 607 | 640 |
| Investment income (loss) (note 6) | 1,780 | 8,652 | 935 | — | 131 | — | 3,551 | 3,807 | (2,837) | 4,845 |
| | 641,370 | 630,725 | 537,348 | 524,272 | 48,163 | 45,284 | 17,883 | 15,789 | 37,976 | 45,380 |
| Expenses: | | | | | | | | | | |
| Academic activities and support (note 18) | 289,700 | 281,152 | 289,700 | 281,152 | — | — | — | — | — | — |
| Research | 71,682 | 73,803 | 25,559 | 25,700 | 46,123 | 48,103 | — | — | — | — |
| Institutional services and support (note 18) | 104,413 | 99,670 | 104,413 | 99,670 | — | — | — | — | — | — |
| Services to the community, students and other expense | 33,381 | 29,975 | 33,381 | 29,975 | — | — | — | — | — | — |
| Endowed and restricted projects | 17,552 | 15,322 | — | — | — | — | 17,552 | 15,322 | — | — |
| Employee future benefits (note 13) | 50,271 | 48,988 | 50,271 | 48,988 | — | — | — | — | — | — |
| Ancillary services and rental properties (note 17) | 17,375 | 16,165 | 17,375 | 16,165 | — | — | — | — | — | — |
| Capital maintenance projects | 11,284 | 10,506 | — | — | — | — | — | — | 11,284 | 10,506 |
| Interest on bank loans | 2,873 | 2,695 | 74 | 876 | — | — | — | — | 2,799 | 1,819 |
| Interest on long-term debt (note 12) | 26,329 | 23,965 | — | — | — | — | — | — | 26,329 | 23,965 |
| Amortization of tangible capital assets | 44,147 | 44,141 | — | — | — | — | — | — | 44,147 | 44,141 |
| Amortization of intangible capital assets | 3,651 | 4,133 | — | — | — | — | — | — | 3,651 | 4,133 |
| | 672,658 | 650,515 | 520,773 | 502,526 | 46,123 | 48,103 | 17,552 | 15,322 | 88,210 | 84,564 |
| Excess (deficiency) of revenues over expenses before interfund transfers | (31,288) | (19,790) | 16,575 | 21,746 | 2,040 | (2,819) | 331 | 467 | (50,234) | (39,184) |
| Interfund transfers (note 19) | — | — | (25,538) | (35,562) | (2,040) | 2,819 | (267) | (232) | 27,845 | 32,975 |
| Excess (deficiency) of revenues over expenses after interfund transfers | (31,288) | (19,790) | (8,963) | (13,816) | — | — | 64 | 235 | (22,389) | (6,209) |

CONCORDIA UNIVERSITY

Consolidated Statement of Operations and Changes in Fund Balances (continued)
(In thousands of dollars)

Year ended April 30, 2020, with comparative information for 2019

| | Total Funds | | Operating Fund | | Research Fund | | Designated Fund | | Restricted Funds Capital Asset Fund | |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|--|------------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | (Restated - note 2) | (Restated - note 2) |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Excess (deficiency) of revenues over expenses after interfund transfers (balance brought forward) | (31,288) | (19,790) | (8,963) | (13,816) | — | — | 64 | 235 | (22,389) | (6,209) |
| Remeasurements and other items (note 13) | 16,895 | 2,690 | 16,895 | 2,690 | — | — | — | — | — | — |
| Endowment contributions received | 2,310 | 12,079 | — | — | — | — | 2,310 | 12,079 | — | — |
| Investment gain (loss) on endowments (note 6) | (7,285) | 4,846 | — | — | — | — | (7,285) | 4,846 | — | — |
| | (19,368) | (175) | 7,932 | (11,126) | — | — | (4,911) | 17,160 | (22,389) | (6,209) |
| Fund balances, beginning of year | 78,478 | 78,653 | (234,333) | (223,207) | — | — | 121,482 | 104,322 | 191,329 | 197,538 |
| Fund balances, end of year | 59,110 | 78,478 | (226,401) | (234,333) | — | — | 116,571 | 121,482 | 168,940 | 191,329 |

See accompanying notes to consolidated financial statements.

CONCORDIA UNIVERSITY

Consolidated Statement of Cash Flows
(In thousands of dollars)

Year ended April 30, 2020, with comparative information for 2019

| | 2020 | 2019 (Restated - note 2) |
|--|-------------|--------------------------------|
| Cash provided by (used in): | | |
| Operating: | | |
| Deficiency of revenues over expenses | \$ (31,288) | \$ (19,790) |
| Items not involving cash: | | |
| Net change in fair value of financial assets and liabilities | (38) | 200 |
| Net change in deferred contributions - Research Fund | 5,279 | 15,688 |
| Amortization of tangible capital assets | 44,147 | 44,141 |
| Amortization of intangible assets | 3,651 | 4,133 |
| Employee future benefits expense over funding contributions | 5,941 | 10,971 |
| Net change in working capital items | (25,313) | 9,506 |
| | 2,379 | 64,849 |
| Financing: | | |
| Bank loans | (887) | 32,200 |
| Amount receivable from the MES | 2,741 | 2,398 |
| Issuance of long-term debt | 180,559 | 95,311 |
| Repayment of long-term debt | (132,392) | (27,708) |
| Deferred contributions - Designated and Capital Asset Fund | 36,452 | 13,725 |
| Endowment contributions received | 2,310 | 12,079 |
| | 88,783 | 128,005 |
| Investing: | | |
| Acquisition of investments | (102,453) | (195,848) |
| Re-invested capital | (4,338) | (14,540) |
| Disposal of investments | 61,023 | 153,053 |
| Increase in fair value of investments | 12,186 | 849 |
| Investment (loss) gain on externally restricted endowments | (7,285) | 4,846 |
| Acquisition of tangible capital assets | (69,435) | (90,216) |
| Acquisition of intangible assets | (22,121) | (2,339) |
| | (132,423) | (144,195) |
| Net (decrease) increase in cash | (41,261) | 48,659 |
| Cash, beginning of year | 60,843 | 12,184 |
| Cash, end of year | \$ 19,582 | \$ 60,843 |

See accompanying notes to consolidated financial statements.

CONCORDIA UNIVERSITY

Notes to Consolidated Financial Statements
(In thousands of dollars)

Year ended April 30, 2020

Concordia University (the "University") was incorporated under the *Concordia University Act*, S.Q. 1948 c. 91 as amended by S.Q. 1959-60, c. 191 and S.Q. 2006, c. 69. The University's mission includes post-secondary and graduate education, research and public service. The University is a registered charity under Section 149 of the *Income Tax Act* and it is exempt from the payment of income tax.

1. Significant accounting policies:

The University's financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the *CPA Canada Handbook*.

(a) Basis of presentation:

These consolidated financial statements include the assets, liabilities, revenues, expenses and other transactions of Concordia University and the Concordia University Foundation, an entity controlled by the University. All transactions, assets and liabilities between the two entities have been eliminated. These consolidated financial statements do not include the assets, liabilities and operations of the Fondation universitaire de l'Université Concordia, the Concordia University Press, Galilei Innovations Inc., and the Kenneth Woods Portfolio Management Foundation since these controlled entities are not material to the consolidated financial statements of Concordia University. Refer to Note 20 on required disclosures for the other controlled entities.

(b) Use of estimates:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the amounts recorded in the consolidated financial statements and notes to consolidated financial statements. In particular, significant estimates are made regarding the valuation of receivables, fair values of non-publicly traded investments, useful lives of capital assets, provisions for contingencies and employee future benefits. These estimates are based on management's knowledge of current events and actions that the University may undertake in the future. Actual results may differ from these estimates.

(c) Financial assets and liabilities:

(i) Initial measurement:

Upon initial measurement, the University'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.

CONCORDIA UNIVERSITY

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2020

1. Significant accounting policies (continued):

(c) Financial assets and liabilities (continued):

(ii) Subsequent measurement:

At each reporting date, the University 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, research partnership investments and investments in common shares and investment funds which are measured at fair value and bond investments which the University has elected to measure at fair value by designating that fair value measurement shall apply.

Financial assets and liabilities measured at amortized cost are calculated using the effective interest method (including any impairment in the case of financial assets). Interest calculated using the effective interest method is presented in the consolidated statement of operations and changes in fund balances under net investment income, interest on bank loans or interest on long-term debt, as appropriate.

With respect to financial assets measured at amortized cost, the University assesses whether there are any indicators of impairment. When there is an indication of impairment, and if the University 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.

(d) Derivative financial instruments:

The University uses derivative financial instruments to manage its interest rate risk exposure. It does not use these derivative financial instruments for trading or speculative purposes.

The University has elected to use hedge accounting to recognize the interest rate swaps that it uses to provide protection against interest rate fluctuations on its variable interest rate for long-term debt. These interest rate swaps require the periodic exchange of interest payments without an exchange of the notional (capital) amount on which payments are calculated.

At the inception of the hedging relationship, the University formally documented the hedging relationship, identifying the hedged item, the related hedging items, the nature of the specific risk exposure being hedged and the intended term of the hedging relationship. Both at the inception of the hedging relationship and throughout its term, the University has reasonable assurance that the critical terms of the hedged item and the related hedging item will remain the same. For hedged items that are an anticipated transaction, the University determines that it is probable that the anticipated transaction will occur at the time and in the amount designated, as documented at the inception of the hedging relationship.

CONCORDIA UNIVERSITY

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2020

1. Significant accounting policies (continued):

(d) Derivative financial instruments (continued):

The University discontinues hedge accounting when the hedged item or the related hedging item ceases to exist or the critical terms of the hedging item cease to match those of the hedged item.

The derivative financial instruments that do not meet the criteria of a hedge are recognized at their fair value on the statement of financial position and changes in fair value are recognized in the statement of operations for the year.

(e) Fund accounting:

The Operating Fund is used to account for the University's academic and administrative services. Unrestricted resources as well as internally restricted resources are reported in this fund.

Externally restricted resources that are used for research and research-related purposes are reported in the Research Fund.

The Designated Fund is used to account for funds received from external entities for specific purposes imposed by the outside donor or party.

Assets, liabilities, revenues and expenses related to the capital assets owned and managed by the University are reported in the Capital Asset Fund, including the cost of capital assets purchased, funded and expensed by other funds in the year of acquisition.

(f) Revenue recognition:

The University follows the deferral method of accounting for contributions, comprised of grants and donations. Under this method, contributions restricted for future period expenses are deferred and are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Endowment contributions and restricted investment income earned on endowments and not available for distribution are recognized as direct increases in net assets in the period in which they are received or earned. Investment income earned on endowment and available for distribution are deferred and recognized as revenue in the period in which the related expenses are incurred. and contributions in capital assets that are not subject to amortization are reported as direct increases in the appropriate fund balance.

CONCORDIA UNIVERSITY

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2020

1. Significant accounting policies (continued):

(f) Revenue recognition (continued):

Investment income, excluding restricted investment income earned on endowment and designated funds, is comprised of interest, dividends, income distributions from pooled funds and realized and unrealized gains and losses, and is recorded as revenue in the consolidated statement of operations.

Interest income is recognized on a time apportionment basis.

The University's principal sources of revenue, aside from contributions, are tuition fees, services to the community, student services, ancillary services, other income and rental of properties. Revenue is recognized when the following criteria are met:

- Persuasive evidence of an arrangement exists;
- Delivery has occurred and services have been rendered;
- The price is fixed or determinable;
- Collection is reasonably assured.

Revenue is recognized as services are provided. Receipts for which revenue is not yet earned are recorded as unearned revenue.

(g) Contributed supplies and services:

The University may recognize 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. Inventories are accounted for within prepaid expenses and other assets.

(h) Inventories:

Inventories of the retail stores are valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method. Inventories are accounted for within prepaid expenses and other assets.

(i) Other assets:

Tenant inducements and commissions on rental of properties included in other assets are deferred and amortized on a straight-line basis over the duration of the respective leases.

(j) Tangible and intangible assets:

Tangible and intangible assets are recorded at cost. Interest related to capital assets under construction is capitalized at rates reflecting the financing costs of such assets. Contributed capital assets are recorded at fair value at the date of contribution.

CONCORDIA UNIVERSITY

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2020

1. Significant accounting policies (continued):

(j) Tangible and intangible assets (continued):

Construction in progress includes buildings under construction and other major capital projects. Once completed, projects are transferred to their respective asset class and amortized.

The art collections received by gift and bequest are recorded in the Capital Asset Fund at cost or nominal value at the date of contribution if they can be reasonably estimated, and they are not amortized.

Information technology development in progress includes internally developed systems software. Once completed, projects are transferred to their respective asset class and amortized.

(i) Amortization:

Tangible and intangible assets subject to amortization are amortized on a straight-line basis over their estimated useful lives as prescribed by the MES over the following periods:

| Assets | Period |
|--|--------------------------------|
| Tangible capital assets: | |
| Land improvements | 20 years |
| Buildings | 40 to 50 years |
| Building alterations | 25 to 40 years |
| Leasehold improvements | Lease term (max. 10 years) |
| Furniture and equipment | 3 to 15 years |
| Library collection | 10 years |
| Intangible assets: | |
| Information technology | 10 years |
| Share of the large bandwidth telecommunications network managed by Réseau d'informations scientifiques du Québec (RISQ) Inc. | Over the term of the agreement |

Amortization is recorded in the Capital Asset Fund.

CONCORDIA UNIVERSITY

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2020

1. Significant accounting policies (continued):

(j) Tangible and intangible assets (continued):

(ii) Write-down:

Tangible capital assets, intangible assets and other assets subject to amortization are tested for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. The carrying amount of a long-lived asset is not recoverable when it exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposal. In such a case, an impairment loss must be recognized and is equivalent to the excess of the carrying amount of a long-lived asset over its fair value.

(k) Foreign currency translation:

The University 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 consolidated statement of 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 statement of financial position date. Revenues and expenses are translated at the exchange rate in effect at the date they are recognized. The related exchange gains and losses are recognized in the operations for the year.

(l) Employee future benefits:

The University accrues its obligations under the defined benefit pension plans and the other benefit plans as the employees render the services necessary to earn the pension benefits. More specifically, the University recognizes its obligations under the defined benefit plans on the consolidated statement of financial position, net of the fair value of plan assets. The University determines the defined benefit obligations using the most recent actuarial valuation prepared for accounting purposes, which is extrapolated to the University's year-end. The total defined benefit plan cost includes current service cost and finance cost and is recognized in operations under Employee future benefits. Remeasurements and other items, which include actuarial gains and losses related to the obligations, the difference between the actual return on plan assets and interest income deducted from the finance cost as well as past service cost, are recognized separately on the statement of changes in fund balances. Remeasurements and other items are not classified to the statement of operations in a subsequent year.

CONCORDIA UNIVERSITY

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2020

1. Significant accounting policies (continued):

(m) Internally restricted fund balance:

The internally restricted fund is used for two types of transactions:

- The University has adopted a policy to internally restrict the Operating Fund balance of unspent budgeted amounts relating to specific programs. The programs covered by this policy are described in Note 14.
- Management has chosen to internally restrict unspent budgeted amounts from the Operating Fund that relate to specific key University's priorities.

(n) Change in accounting policy:

During the year, the University prospectively adopted the new accounting standard Section 4433, *Tangible Capital Assets held by Not-for-Profit Organizations* of CPA Canada Handbook - Accounting as of May 1, 2019, that requires the University to follow the componentization guidelines of Section 3061, *Property, Plant and Equipment* and the guidelines for the impairment of long-lived assets of Section 3063, *Impairment of Long-Lived Assets*. The guidelines require capital assets to be separated into significant component parts and each component to be amortized in accordance with their useful lives. Partial impairments on tangible capital assets will now need to be considered. Section 4441, *Collections Held by Not-for-Profit Organizations* of the CPA Canada Handbook was adopted prospectively during the year. Collections will continue to be recorded at a nominal value. The adoption of these accounting standards did not have a material impact on these financial statements.

2. Change in accounting policy:

Effective May 1, 2018, the University changed its accounting policy on the preparation of consolidated financial statements for its significant controlled entities as disclosed in Note 1(a). Specifically, the University is consolidating the assets, liabilities, revenues and expenses of the Concordia University Foundation. The University adopted this change to provide more reliable and relevant information to the users of the consolidated financial statements.

In addition, the University changed its accounting policy on the presentation of restricted grant receivables and deferred contributions for the research fund and capital asset fund in order to present them at gross amounts for both line items in the consolidated financial statements.

CONCORDIA UNIVERSITY

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2020

2. Change in accounting policy (continued):

The impact of these changes on line items are as follows:

| | As previously reported | Impact of change | Impact of presentation of restricted grants receivable and deferred contributions | Restated amount |
|---------------------------------------|------------------------|------------------|---|-----------------|
| Total assets | \$ 1,133,119 | \$ 242,476 | \$ 37,821 | \$ 1,413,416 |
| Total liabilities | 1,242,224 | 54,893 | 37,821 | 1,334,938 |
| Fund balances - endowments | – | 121,482 | – | 121,482 |
| Fund balances - internally restricted | 69,628 | 66,101 | – | 135,729 |
| Total revenues | 628,696 | 2,029 | – | 630,725 |
| Total expenses | 654,042 | (3,527) | – | 650,515 |

3. Grants receivable:

| | 2020 | | | | |
|---|-----------|-----------|------------|-----------|-----------|
| | Operating | Research | Designated | Capital | Total |
| Current: | | | | | |
| Amount receivable from the MES | \$ 20,914 | \$ – | \$ 691 | \$ – | \$ 21,605 |
| Amount receivable from federal agencies | 442 | 16,639 | – | – | 17,081 |
| Amount receivable from provincial agencies (other than the MES) | – | 3,687 | – | – | 3,687 |
| | 21,356 | 20,326 | 691 | | 42,373 |
| Amount receivable from the MES | – | – | – | 43,280 | 43,280 |
| Amount receivable from federal agencies | – | – | – | 377 | 377 |
| | \$ 21,356 | \$ 20,326 | \$ 691 | \$ 43,657 | \$ 86,030 |

CONCORDIA UNIVERSITY

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2020

3. Grants receivable (continued):

| | 2019 (restated - note 2) | | | | |
|---|-----------------------------|-----------|------------|-----------|------------|
| | Operating | Research | Designated | Capital | Total |
| Current: | | | | | |
| Amount receivable from the MES | \$ 50,199 | \$ - | \$ 970 | \$ - | \$ 51,169 |
| Amount receivable from federal agencies | 846 | 17,546 | - | - | 18,392 |
| Amount receivable from provincial agencies (other than MES) | - | 4,665 | - | - | 4,665 |
| | 51,045 | 22,211 | 970 | | 74,226 |
| Amount receivable from the MES | - | - | - | 59,792 | 59,792 |
| | \$ 51,045 | \$ 22,211 | \$ 970 | \$ 59,792 | \$ 134,018 |

4. Accounts receivable:

| | 2020 | 2019 (restated - note 2) |
|---|-----------|-----------------------------|
| Operating Fund: | | |
| Tuition fees, net of an allowance for doubtful accounts ⁽ⁱ⁾ | \$ 7,463 | \$ 6,774 |
| Services, advances and other | 9,319 | 7,644 |
| Advance to the Pension Plan of the Employees of Concordia University (non-interest bearing) | 23,000 | - |
| Accounts receivable and advances to a wholly-owned subsidiary of a controlled entity (\$9,169 non-interest bearing and \$10 bearing interest of 7%) | 9,179 | 7,311 |
| | \$ 48,961 | \$ 21,729 |

⁽ⁱ⁾ As at April 30, 2020, the gross carrying amount of tuition fees receivable totals \$12,345 (2019 - \$11,142). These tuition fees receivable are presented in the consolidated financial statements net of an allowance for doubtful accounts of \$4,882 (2019 - \$4,368).

CONCORDIA UNIVERSITY

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2020

5. Amount receivable from the MES:

This University accounted for a grant receivable from the MES resulting from the difference between the net value of the University's capital assets funded by the MES and the value of the long-term debt serviced by the Government of Québec.

6. Investments:

| | 2020 | | 2019 (restated - note 2) | |
|---------------------------------------|--------------|------------|-----------------------------|------------|
| | Market value | Cost | Market Value | Cost |
| Equities | \$ 35,691 | \$ 38,698 | \$ 13,863 | \$ 11,202 |
| Bonds | 2,509 | 2,466 | 590 | 594 |
| Investment funds | 228,606 | 224,258 | 218,771 | 206,632 |
| Fair value of life insurance policies | 3,083 | 3,083 | 3,083 | 3,083 |
| | \$ 269,889 | \$ 268,505 | \$ 236,307 | \$ 221,511 |

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.

As at April 30, 2020, the weighted average interest rate of the bonds is 2.36% (2019 - 4.21%) and the weighted average duration is 3.76 years (2019 - 2.21 years).

Income earned on investments in the year was as follows:

| | 2020 | 2019 |
|--|------------|-----------|
| Investment income: | | |
| Dividends | \$ 3,354 | \$ 4,083 |
| Interests | 1,356 | 908 |
| Partnership income | 654 | 337 |
| Pooled fund income | — | 1,200 |
| Other income | — | 4 |
| | 5,364 | 6,532 |
| Realized gains | 1,880 | 2,776 |
| Change in unrealized (depreciation) appreciation | (13,307) | 7,603 |
| Other | (7) | 64 |
| (Loss) income | \$ (6,070) | \$ 16,975 |

CONCORDIA UNIVERSITY

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2020

6. Investments (continued):

Based on the University's revenue recognition method, investment income was recognized in the consolidated financial statements as follows:

| | 2020 | 2019 |
|--|-------------------|------------------|
| (Decrease) increase in Endowment Funds | \$ (7,285) | \$ 4,846 |
| Recognized as investment income | 1,780 | 8,652 |
| Net change in deferred contributions | (565) | 3,477 |
| | \$ (6,070) | \$ 16,975 |

7. Tangible capital assets:

| | | | | 2020 |
|---|---------------------|-----------------------------|-------------------|------|
| | Cost | Accumulated amortization | Net book value | |
| Land | \$ 61,869 | \$ – | \$ 61,869 | |
| Land improvements | 4,241 | 1,388 | 2,853 | |
| Buildings, building alterations and leasehold improvements | 1,005,482 | 325,962 | 679,520 | |
| Construction in progress | 52,205 | – | 52,205 | |
| Furniture and equipment | 117,348 | 60,964 | 56,384 | |
| Library collection | 43,202 | 21,783 | 21,419 | |
| Art collections | 3,694 | – | 3,694 | |
| | \$ 1,288,041 | \$ 410,097 | \$ 877,944 | |

| | | | | 2019 |
|---|---------------------|-----------------------------|-------------------|------|
| | Cost | Accumulated amortization | Net book value | |
| Land | \$ 61,307 | \$ – | \$ 61,307 | |
| Land improvements | 4,238 | 1,176 | 3,062 | |
| Buildings, building alterations and leasehold improvements | 992,280 | 301,259 | 691,021 | |
| Construction in progress | 31,972 | – | 31,972 | |
| Furniture and equipment | 102,564 | 61,236 | 41,328 | |
| Library collection | 40,901 | 20,537 | 20,364 | |
| Art collections | 3,602 | – | 3,602 | |
| | \$ 1,236,864 | \$ 384,208 | \$ 852,656 | |

During the year, the University disposed of fully amortized tangible capital assets totalling \$18,258 (2019 - \$20,264).

CONCORDIA UNIVERSITY

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2020

8. Intangible capital assets:

| | | | 2020 |
|---|-----------|-----------------------------|-------------------|
| | Cost | Accumulated amortization | Net book value |
| Information technology - Development in progress | \$ 25,317 | \$ – | \$ 25,317 |
| Information technology | 35,276 | 19,097 | 16,179 |
| Share of the large bandwidth, telecommunications network managed by RISQ Inc. | 123 | 123 | – |
| | \$ 60,716 | \$ 19,220 | \$ 41,496 |

| | | | 2019 |
|--|-----------|-----------------------------|-------------------|
| | Cost | Accumulated amortization | Net book value |
| Information technology - Development in progress | \$ 3,322 | \$ – | \$ 3,322 |
| Information technology | 35,274 | 15,570 | 19,704 |
| Share of the large bandwidth telecommunications network managed by RISQ Inc. | 3,741 | 3,741 | – |
| | \$ 42,337 | \$ 19,311 | \$ 23,026 |

During the year, the University disposed of fully amortized intangible assets totalling \$3,742 (2019 - nil).

CONCORDIA UNIVERSITY

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2020

9. Bank loans:

The University has an unsecured on-demand revolving credit facility of \$370,000. This credit facility can be drawn at a rate of 2.45% (2019 - 3.95%). This line of credit is renewable and convertible into a fixed rate mainly through the issuance of bankers' acceptances. As at April 30, 2020, total outstanding bankers' acceptances amounted to \$44,000 (2019 - \$133,400) bearing interest at a rate of 0.72%. In addition, the University had drawn on a loan in the amount of \$88,513 bearing interest at 0.55%. On April 27, 2020, the University entered into a one-month short-term cross-currency swap agreement on this instrument with an effective rate of 0.42%. The weighted average rate on all fixed rate financing for the year was 1.82% (2019 - 2.04%). In June 2020, the University received authorization from the MES to increase the use of the line of credit to up to \$322,512.

In May 2020, the University issued an amendment to the irrevocable letter of credit of US\$948 to the U.S. Department of Education to increase it to US\$1,121. The irrevocable letter of credit bears a term of 12 months ending on May 31, 2021. The amount represents 50% of the Title IV, *Higher Education Act Program* funds received by the University under the U.S. Federal Student Aid Program.

10. Trade payables and other liabilities:

As at April 30, 2020, trade payables and other operating liabilities include \$6,125 (2019 - \$5,298) of government remittances.

CONCORDIA UNIVERSITY

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2020

11. Deferred contributions:

The deferred contributions represent unused resources that are allocated to specific purposes imposed by the outside donor or party.

| | | | | 2020 | 2019 |
|---|-----------|------------|------------|------------|------------|
| | Research | Designated | Capital | Total | Total |
| Federal grants: | | | | | |
| Balance, beginning of year | \$ 34,244 | \$ 390 | \$ 63,306 | \$ 97,940 | \$ 85,524 |
| Amount received in the current year | 29,295 | 268 | 2,102 | 31,665 | 45,234 |
| Amount recognized in operations | (29,728) | (328) | (3,548) | (33,604) | (32,818) |
| | 33,811 | 330 | 61,860 | 96,001 | 97,940 |
| Provincial grants: | | | | | |
| Balance, beginning of year | 8,132 | 717 | 38,057 | 46,906 | 48,904 |
| Amount received in the current year | 6,328 | 14 | 32,578 | 38,920 | 39,987 |
| Amount recognized in operations | (6,457) | (375) | (36,211) | (43,043) | (41,985) |
| | 8,003 | 356 | 34,424 | 42,783 | 46,906 |
| Other: | | | | | |
| Balance, beginning of year | 9,430 | 50,963 | 31,856 | 92,249 | 73,255 |
| Amount received in the current year | 17,820 | 19,633 | 264 | 37,717 | 50,644 |
| Amount recognized in operations | (11,978) | (17,180) | 1,783 | (27,375) | (31,650) |
| | 15,272 | 53,416 | 33,903 | 102,591 | 92,249 |
| End of year balance, current deferred contributions | 57,086 | – | – | 57,086 | 51,807 |
| End of year balance, long-term deferred contributions | \$ – | \$ 54,102 | \$ 130,187 | \$ 184,289 | \$ 185,289 |

CONCORDIA UNIVERSITY

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2020

12. Long-term debt:

| | 2020 | 2019 |
|--|---------|---------|
| Capital Asset Fund: | | |
| Serviced by the University: | | |
| Loan, bearing interest at CDOR, payable in monthly varying instalments, maturing in April 2025 ⁽ⁱ⁾ | \$ 572 | \$ 678 |
| Loan, bearing interest at CDOR, payable in monthly varying instalments, maturing in April 2026 ⁽ⁱⁱ⁾ | 7,633 | 8,784 |
| Loan, bearing interest at CDOR, payable in monthly instalments of \$36, principal only, maturing in August 2027 ⁽ⁱⁱⁱ⁾ | 7,688 | 8,120 |
| Loan, bearing interest at CDOR, payable in monthly varying instalments, maturing in April 2038 ^(iv) | 9,550 | 9,943 |
| Loan, bearing interest at CDOR, payable in monthly varying instalments, maturing in April 2035 ^(v) | 24,878 | – |
| Loan, bearing interest at CDOR, payable in monthly varying instalments, maturing in April 2025 ^(vi) | 24,596 | – |
| 6.55% (effective interest rate of 6.97%) \$200,000 Series A Senior Unsecured Debentures, due September 2, 2042, issued by the University and subject to a trust indenture, which contains certain covenants placing restrictions on the University with respect to the giving of security, disposition of assets and other matters | 190,622 | 190,451 |
| 3.678% \$50,000 Series B Senior Unsecured Debentures, due February 10, 2059, issued by the University and subject to a trust indenture, which contains certain covenants placing restrictions on the University with respect to the giving of security, disposition of assets and other matters | 50,000 | 50,000 |
| 3.626% Series C Senior Unsecured sustainable Debentures, due February 10, 2039, issued by the University and subject to a trust indenture, which contains certain covenants placing restrictions on the University with respect to the giving of security, disposition of assets and other matters | 25,000 | 25,000 |
| | 340,539 | 292,976 |

CONCORDIA UNIVERSITY

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2020

12. Long-term debt (continued):

| | 2020 | 2019 |
|--|---------|---------|
| Capital Asset Fund (continued): | | |
| Serviced by the Government of Québec: | | |
| 2.409% loan from Financement-Québec, repayable in six varying annual instalments, matured on May 29, 2019 | – | 69,377 |
| 2.437% loan from Financement-Québec, repayable in seven varying instalments, matured on December 1, 2019 | – | 31,317 |
| 2.489% loan from Financement-Québec, repayable in seven varying instalments, matured on December 1, 2019 | – | 12,160 |
| 2.947% KIP loan from Financement-Québec, repayable in twenty varying instalments, maturing on September 1, 2022 | 3,664 | 5,057 |
| 3.03% loan from Financement-Québec, repayable in nine varying annual instalments, maturing on December 1, 2022 | 1,547 | 2,062 |
| 2.561% loan from Financement-Québec, repayable in six varying annual instalments, maturing on March 1, 2024 | 7,977 | 9,855 |
| 2.466% loan from Financement-Québec, repayable in ten varying annual instalments, maturing on March 1, 2026 | 23,990 | 26,987 |
| 2.149% loan from Financement-Québec, repayable in ten varying annual instalments, maturing on September 1, 2026 | 53,696 | 57,269 |
| 2.437% loan from Financement-Québec, repayable in ten varying annual instalments, maturing on September 1, 2027 | 24,555 | 26,517 |
| 2.808% loan from Financement-Québec, repayable in fifteen varying annual instalments, maturing on March 29, 2031 | 2,419 | 2,620 |
| 3.563% KIP loan from Financement-Québec, repayable in forty varying instalments, maturing on September 1, 2032 | 12,593 | 13,381 |
| 3.511% loan from Financement-Québec, repayable in nineteen varying annual instalments, maturing on March 1, 2034 | 26,657 | 28,525 |
| Balance carried forward | 157,098 | 285,127 |

CONCORDIA UNIVERSITY

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2020

12. Long-term debt (continued):

| | 2020 | 2019 |
|--|------------|------------|
| Balance brought forward | \$ 157,098 | \$ 285,127 |
| Capital Asset Fund (continued): | | |
| Serviced by the Government of Québec (continued): | | |
| 3.619% loan from Financement-Québec, repayable in twenty varying annual instalments, maturing on June 1, 2034 | 16,000 | 16,800 |
| 3.23% loan from Financement-Québec, repayable in nineteen varying annual instalments, maturing on June 1, 2034 | 17,640 | 18,480 |
| 3.231% loan from Financement-Québec, repayable in twenty-five varying annual instalments, maturing on December 1, 2043 | 9,310 | 9,698 |
| 3.120% loan from Financement-Québec, repayable in twenty-five varying annual instalments, maturing on February 1, 2044 | 10,189 | 10,613 |
| 1.971% loan from Financement-Québec, repayable in five varying annual instalments, maturing on October 1, 2024 | 2,360 | – |
| 2.243% loan from Financement-Québec, repayable in eleven varying annual instalments, maturing on October 1, 2030 | 63,380 | – |
| 2.346% loan from Financement-Québec, repayable in fifteen varying annual instalments, maturing on October 1, 2034 | 2,014 | – |
| 2.439% loan from Financement-Québec, repayable in twenty varying annual instalments, maturing on October 1, 2039 | 22,941 | – |
| 2.328% loan from Financement-Québec, repayable in eighteen varying annual instalments, maturing on December 1, 2037 | 11,520 | – |
| 2.180% loan from Financement-Québec, repayable in twelve varying annual instalments, maturing on December 1, 2031 | 28,870 | – |
| | 341,322 | 340,718 |
| | 681,861 | 633,694 |
| Current portion of long-term debt | 37,025 | 132,562 |
| Long-term debt | \$ 644,836 | \$ 501,132 |

CONCORDIA UNIVERSITY

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2020

12. Long-term debt (continued):

- (i) On May 1, 2013, the University entered into a 12-year long-term interest rate swap loan agreement to refinance renovations on the student residences located in the west wing of the Grey Nuns Motherhouse. The transaction was effective at a fixed rate of 2.688% plus a variable rate based on the CDOR, 0.598% (2019 - 1.983%).

The notional amount of the swap agreement entered into by the University was \$1,254 in May 2013. The fair value of liabilities of the swap calculated according to information obtained from the financial institution is \$26 (2019 - fair value of liability was \$11).

- (ii) On April 30, 2014, the University entered into a 12-year long-term interest rate swap loan agreement to refinance the advances paid for renovations and the conversion of the east wing of the Grey Nuns Motherhouse of the student residences. The transaction was effective at a fixed rate of 2.808% plus a variable rate based on the CDOR, 0.598% (2019 - 1.983%).

The notional amount of the swap agreement entered into by the University was \$14,080 in April 2014. The fair value of liabilities of the swap calculated according to information obtained from the financial institution is \$433 (2019 - fair value of liability was \$198).

- (iii) On August 24, 2012, the University entered into a 15-year long-term interest swap loan agreement for \$11,000 to provide for the purchase of the 5th and the 6th floors as well as the basement of the Faubourg Complex. The transaction was effective on August 30, 2012 at a fixed rate of 3.045% plus a variable rate based on the CDOR, 0.598% (2019 - 1.983%).

The notional amount of the swap agreement entered into by the University was \$11,000 in August 2012. The fair value of liabilities of the swap calculated according to information obtained from the financial institution is \$974 (2019 - fair value of liability was \$303). This swap agreement is recorded as a liability at market value since it does not fulfill the requirements of hedge accounting.

- (iv) On May 1, 2013, the University entered into a 25-year long-term interest rate swap loan agreement for the final payment of the acquisition of the property Grey Nuns Motherhouse. The transaction was effective at a fixed rate of 3.014% plus a variable rate based on the CDOR, 0.598% (2019 - 1.983%).

The notional amount of the swap agreement entered into by the University was \$12,071 in May 2013. The fair value of liabilities of the swap calculated according to information obtained from the financial institution is \$1,470 (2019 - the fair value of the liability was \$458).

- (v) On March 16, 2020, the University entered into a 15-year long-term interest rate swap loan agreement to finance the new Human Resources, Financial and Procurement systems. The transaction was effective at a fixed rate of 2.274% with an underlying CDOR of 0.598%.

CONCORDIA UNIVERSITY

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2020

12. Long-term debt (continued):

(v) (continued)

The notional amount of the swap agreement entered into by the University was \$25,000 in March 2020. The fair value of liabilities of the swap calculated according to information obtained from the financial institution is \$284.

(vi) On March 16, 2020, the University entered into a five-year long-term interest rate swap loan agreement to refinance the Student Information System ("SIS"). The transaction was effective at a fixed rate of 1.490% with an underlying CDOR of 0.598%.

The notional amount of the swap agreement entered into by the University was \$25,000 in March 2020. The fair value of liabilities of the swap calculated according to information obtained from the financial institution is \$143.

The MES makes two types of grants to universities: operating grants and capital grants. Capital grants are authorized under the five-year university capital investment plan and are funded by the Government of Québec out of public borrowing in the University's name (a process known as grant bonds). As a result, the long-term debt listed above is managed, administered and serviced by the Government of Québec.

In accordance with its charter and the government decrees adopted pursuant to its charter (the last such decree 1057-2018 was adopted on August 7, 2018), the University may have an outstanding aggregate principal amount of debentures and debt securities, which may not exceed \$1,000,000 at any time, excluding amounts borrowed by way of loan or promissory note.

The proceeds from the Series A, Series B and Series C Senior Unsecured Debentures were used primarily to finance the University's capital projects in the last several years. These offerings were separate and distinct from the existing "grant bonds" process, which have been used by the Government of Québec to finance capital spending in the education system, in which grant bonds are managed, administered and serviced by the Government of Québec. The debentures are direct obligations of the University.

CONCORDIA UNIVERSITY

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2020

12. Long-term debt (continued):

Repayments of principal over the years are scheduled as follows:

| | Serviced by the University | Serviced by the Government of Québec | Total |
|------------|-------------------------------|--|------------|
| 2021 | \$ 8,491 | \$ 28,534 | \$ 37,025 |
| 2022 | 8,626 | 28,606 | 37,232 |
| 2023 | 8,763 | 27,914 | 36,677 |
| 2024 | 8,898 | 27,142 | 36,040 |
| 2025 | 8,613 | 24,832 | 33,445 |
| Thereafter | 297,148 | 204,294 | 501,442 |
| | \$ 340,539 | \$ 341,322 | \$ 681,861 |

The University has created a sinking fund in its internally restricted funds to support the repayment of this long-term debt. See Note 23 for further details on the University's capital asset management and financing policy.

Interest on long-term debt:

| | 2020 | 2019 |
|--|-----------|-----------|
| Serviced by the Government of Québec | \$ 8,000 | \$ 9,011 |
| Serviced by the University | 17,583 | 14,651 |
| Changes in fair value of the derivative financial instrument | 746 | 303 |
| | \$ 26,329 | \$ 23,965 |

13. Employee future benefits:

The University measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at April 30 of each year. Additionally, the financial status of the funded defined benefit pension plan is also measured through actuarial valuations for funding purposes at least once every three years. These financial statements were prepared using assumptions from an actuarial valuation performed as at December 31, 2018.

CONCORDIA UNIVERSITY

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2020

13. Employee future benefits (continued):

The employee future benefit liability is as follows:

| | 2020 | 2019 |
|--|-----------|-----------|
| Pension plan benefits: | | |
| Balance, beginning of year | \$ 66,300 | \$ 63,228 |
| Expense | 34,565 | 33,605 |
| Funding contributions | (34,705) | (31,355) |
| Remeasurements and other items | 634 | 822 |
| Balance, end of year | 66,794 | 66,300 |
| Other plan benefits: | | |
| Balance, beginning of year | 124,005 | 118,796 |
| Expense | 15,706 | 15,383 |
| Funding contributions | (9,625) | (6,662) |
| Remeasurements and other items | (17,529) | (3,512) |
| Balance, end of year | 112,557 | 124,005 |
| Total: | | |
| Balance, beginning of year | 190,305 | 182,024 |
| Expense | 50,271 | 48,988 |
| Funding contributions | (44,330) | (38,017) |
| Remeasurements and other items | (16,895) | (2,690) |
| Employee future benefit liability, end of year | 179,351 | 190,305 |

CONCORDIA UNIVERSITY

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2020

13. Employee future benefits (continued):

- (a) Reconciliation of the funded status of the benefit plans to the amounts recorded in the consolidated financial statements:

| | Pension benefit plans | | Other benefit plans | |
|-----------------------------|-----------------------|--------------|---------------------|--------------|
| | 2020 | 2019 | 2020 | 2019 |
| Defined benefit obligations | \$ 1,155,198 | \$ 1,125,592 | \$ 115,517 | \$ 124,005 |
| Fair value of plan assets | 1,088,404 | 1,059,292 | 2,960 | – |
| Defined benefit liability | \$ (66,794) | \$ (66,300) | \$ (112,557) | \$ (124,005) |

- (b) Significant assumptions:

The significant assumptions used are as follows:

| | Pension benefit plans | | Other benefit plans | |
|-------------------------------|-----------------------|-------|---------------------|-------|
| | 2020 | 2019 | 2020 | 2019 |
| Accrued benefit obligations: | | | | |
| Discount rate | 5.90% | 6.00% | 5.90% | 6.00% |
| Rate of compensation increase | 2.60 | 2.70 | 2.60 | 2.70 |
| Benefit costs: | | | | |
| Discount rate | 6.00 | 6.00 | 6.00 | 6.00 |
| Rate of compensation increase | 2.60 | 2.70 | 2.60 | 2.70 |

CONCORDIA UNIVERSITY

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2020

13. Employee future benefits (continued):

(b) Significant assumptions (continued):

Assumed health care cost trend rates are based on the following:

| | 2020 | 2019 |
|--|-------|-------|
| Initial health care cost trend rate | 5.30% | 7.27% |
| Cost trend rate declines to | 3.97 | 5.11 |
| Year when the rate reaches the level at which it is assumed to remain at | 2036 | 2028 |

(c) Benefits paid:

Benefits paid by the pension plans for the employees of Concordia University totalled \$58,178 (2019 - \$54,130) and benefits paid by other benefit plans amounted to \$7,756 (2019 - \$6,662).

CONCORDIA UNIVERSITY

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2020

14. Internally restricted fund balances:

| | 2020 | 2019 |
|---|------------|------------|
| Academic-related: | | |
| Institutional projects | \$ 17,695 | \$ 17,070 |
| Student services | 5,528 | 10,441 |
| Scholarship funds | 6,312 | 7,549 |
| Employee training programs | 1,138 | 953 |
| Recruitment | 619 | 659 |
| Centre for study of classroom programs | 149 | 149 |
| Academic plan | 7,212 | 7,821 |
| Faculty Professional Development Fund | 2,148 | 1,889 |
| Services to the community | 2,112 | 1,935 |
| Other | 2,340 | 3,367 |
| Digital Strategy | 785 | - |
| | 46,038 | 51,833 |
| Research-related: | | |
| Research funded by overhead | 2,811 | 2,736 |
| Infrastructure for research units | 1,892 | 2,060 |
| General Purpose Principal Investigator | 2,919 | 2,886 |
| Concordia Research Chair | 1,638 | 1,712 |
| Faculty Research Development Program | 2,021 | 2,013 |
| Research Seed Funding | 608 | 733 |
| Concordia Aid to Scholarly Activities | 529 | 528 |
| Facilities Optimization Program | 527 | 449 |
| Faculty program in support of research | 848 | 643 |
| Research laboratories | 260 | 266 |
| Research initiatives and infrastructure | 955 | 871 |
| Other | 2,860 | 2,288 |
| | 17,868 | 17,185 |
| Capital and technology-related: | | |
| Capital and special project | 1,264 | 190 |
| Information technology | 420 | 420 |
| | 1,684 | 610 |
| Total - Operating Fund | 65,590 | 69,628 |
| Capital Asset Fund - Sinking Fund for long-term debt repayment (note 23) | 63,050 | 66,101 |
| | \$ 128,640 | \$ 135,729 |

CONCORDIA UNIVERSITY

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2020

15. Endowments:

Endowment funds are composed of restricted donations received by the University. Donations that have been internally designated as endowments are accounted for as transfers to the Endowment funds. Investment returns generated from endowments are used in accordance with the various purposes established by the donors at the discretion of the University. The University protects the future purchasing power of its endowments by designating a portion of the annual investment income earned to endowments, known as capital protection. Accordingly, the University has established a policy of setting the amount of income available for spending to 3.5% (2019 - 3.5%) annually. The purpose of this policy is to allow the University to distribute a consistent amount of income from endowment on an annual basis regardless of the investment income earned in the fiscal year.

Activities in the endowments were as follows:

| | 2020 | 2019 (Restated - note 2) |
|--|------------|--------------------------------|
| Academic activities and support: | | |
| Balance, beginning of year | \$ 121,482 | \$ 104,322 |
| Contributions | 2,310 | 12,079 |
| Investment (loss) income, net of fees | (3,295) | 8,521 |
| Investment income distributed for spending | (3,990) | (3,675) |
| Transfers from other funds | 64 | 235 |
| | (4,911) | 17,160 |
| Balance, end of year | \$ 116,571 | \$ 121,482 |

16. Grants:

| | 2020 | | | | |
|-------------------------|------------|-----------|------------|-----------|------------|
| | Operating | Research | Designated | Capital | Total |
| Government of Québec | \$ 276,623 | \$ 6,463 | \$ 3,555 | \$ 31,053 | \$ 317,694 |
| Government of Canada | 5,143 | 29,728 | 328 | 8,705 | 43,904 |
| Non-governmental grants | 146 | 11,841 | 1,455 | 337 | 13,779 |
| | \$ 281,912 | \$ 48,032 | \$ 5,338 | \$ 40,095 | \$ 375,377 |

CONCORDIA UNIVERSITY

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2020

16. Grants (continued):

| | | | | | 2019 (Restated - note 2) |
|-------------------------|-------------------|------------------|-----------------|------------------|--------------------------------|
| | Operating | Research | Designated | Capital | Total |
| Government of Québec | \$ 271,717 | \$ 5,631 | \$ 2,146 | \$ 35,788 | \$ 315,282 |
| Government of Canada | 5,213 | 28,974 | 383 | 3,492 | 38,062 |
| Non-governmental grants | 255 | 10,078 | 867 | 475 | 11,675 |
| | <u>\$ 277,185</u> | <u>\$ 44,683</u> | <u>\$ 3,396</u> | <u>\$ 39,755</u> | <u>\$ 365,019</u> |

17. Ancillary services and rental properties:

| | | | 2020 |
|------------------------------|------------------|------------------|------------------------|
| | Revenues | Expenses | Excess (deficiency) |
| Retail stores | \$ 6,926 | \$ 8,511 | \$ (1,585) |
| Residences | 6,051 | 3,376 | 2,675 |
| Parking | 1,240 | 482 | 758 |
| Food and conference services | 1,870 | 1,592 | 278 |
| Other services | 344 | 364 | (20) |
| Rental properties | 4,360 | 3,050 | 1,310 |
| | <u>\$ 20,791</u> | <u>\$ 17,375</u> | <u>\$ 3,416</u> |

| | | | 2019 |
|------------------------------|------------------|------------------|-----------------|
| | Revenues | Expenses | Excess |
| Retail stores | \$ 8,369 | \$ 8,053 | \$ 316 |
| Residences | 6,614 | 3,136 | 3,478 |
| Parking | 1,521 | 518 | 1,003 |
| Food and conference services | 1,830 | 1,290 | 540 |
| Other services | 324 | 257 | 67 |
| Rental properties | 4,799 | 2,911 | 1,888 |
| | <u>\$ 23,457</u> | <u>\$ 16,165</u> | <u>\$ 7,292</u> |

CONCORDIA UNIVERSITY

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2020

18. Expenses:

| | 2020 | 2019 |
|---|------------|------------|
| Academic activities and support: | | |
| Academic | \$ 259,062 | \$ 250,126 |
| Library | 13,921 | 13,466 |
| Instructional and information technology services | 16,717 | 17,560 |
| | 289,700 | 281,152 |
| Institutional services and support: | | |
| Administration | 60,409 | 57,786 |
| Facilities and operation services | 39,822 | 39,224 |
| Rented facilities | 4,182 | 2,660 |
| | 104,413 | 99,670 |

19. Interfund transfers:

The University manages its cash centrally in the Operating Fund. Receipts and disbursements of other funds are recorded as amounts due to or from the Operating Fund. The balances are non-interest bearing and have no fixed terms of repayment.

| | 2020 | | | |
|--|----------------|---------------|-----------------|--------------------|
| | Operating Fund | Research Fund | Designated Fund | Capital Asset Fund |
| Contributions towards the following: | | | | |
| Major renovation or construction projects | \$ (5,331) | \$ – | \$ – | \$ 5,331 |
| Interest on capital debt | (15,216) | – | – | 15,216 |
| Equipment | (7,441) | – | (238) | 7,679 |
| Share of the large bandwidth telecommunications network managed by RISQ Inc. | (123) | – | – | 123 |
| Research Partnership Investment | 2,064 | (2,064) | – | – |
| Specific university projects | 509 | 24 | (29) | (504) |
| | \$ (25,538) | \$ (2,040) | \$ (267) | \$ 27,845 |

CONCORDIA UNIVERSITY

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2020

19. Interfund transfers (continued):

| | 2019 | | | |
|--|-------------------|------------------|--------------------|-----------------------|
| | Operating Fund | Research Fund | Designated Fund | Capital Asset Fund |
| Contributions towards the following: | | | | |
| Major renovation or construction projects | \$ (7,586) | \$ – | \$ (10) | \$ 7,596 |
| Interest on capital debt | (12,784) | – | – | 12,784 |
| Equipment | (12,215) | – | (222) | 12,437 |
| Share of the large bandwidth telecommunications network managed by RISQ Inc. | (158) | – | – | 158 |
| Research Partnership Investment | (2,819) | 2,819 | – | – |
| | \$ (35,562) | \$ 2,819 | \$ (232) | \$ 32,975 |

20. Related party transactions:

(a) eConcordia.com:

The University exercises significant influence over eConcordia.com, a registered charity under the *Income Tax Act*. eConcordia.com has a wholly-owned subsidiary, KnowledgeOne Inc., that provides courses for the advancement of learning on electronic or other new media. There are no significant differences in accounting policies between eConcordia.com, KnowledgeOne Inc. and the University.

The University incurred service fees from KnowledgeOne Inc. for the delivery of courses to students of the University. The expense (net of rebates) amounted to approximately \$6,198 (2019 - \$6,075). The University invoiced operating costs and management fees amounting to approximately \$1,158 (2019 - \$1,844). The University has accounts receivable and advances totalling \$9,179 (2019 - \$7,311) of which \$9,169 (2019 - \$7,286) is non-interest bearing and \$10 (2019 - \$25) bears interest at 7%.

CONCORDIA UNIVERSITY

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2020

20. Related party transactions (continued):

(b) Controlled entities:

(i) Fondation universitaire de l'Université Concordia:

The University exercises control over the Fondation universitaire de l'Université Concordia (hereafter the "Fondation"). By law, the Fondation's resources must be used exclusively to promote and financially support the teaching and research activities of the University. The Fondation was created by Order-in-Council 834-97, dated June 25, 1997, of the provincial government, in accordance with the *Loi sur les fondations universitaires*. As a mandatory of the Crown, it is recognized as a charitable organization under both the *Income Tax Act* (Canada) and the *Taxation Act* (Québec). As at April 30, 2020, the Fondation remained inactive.

(ii) Concordia University Press:

The Concordia University Press is incorporated under the *Canada Not-for-profit Corporations Act* for the purposes of publishing scholarly books that cross disciplinary boundaries and propel scholarly inquiries into new areas and wishes to assist the University by publishing scholarly works in order to disseminate knowledge and educate. The University exercises control over Concordia University Press by virtue of the fact that the majority of its board members hold senior management positions at the University.

(iii) Galilei Innovations Inc.:

Galilei Innovations Inc. is a wholly-owned subsidiary of Concordia University and is incorporated under the *Business Corporations Act* of Québec. Its purpose is to provide consulting and other services to new businesses and entrepreneurs.

(iv) The Kenneth Woods Portfolio Management Foundation:

The Kenneth Woods Portfolio Management Foundation is incorporated under Part II of the *Canada Business Corporations Act* as a not-for-profit organization and is a registered charity under the *Income Tax Act*. It provides financial support, investment resources, assistance and training for students at Concordia University in the Kenneth Woods Portfolio Management Program and the Calvin Patter Fellowship Program. The University exercises control over the Kenneth Woods Portfolio Management Foundation by virtue of the fact that the majority of its board members hold senior management positions at the University.

CONCORDIA UNIVERSITY

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2020

20. Related party transactions (continued):

The University's related party transactions were concluded in the normal course of operations and are measured at the exchange amount, which is the amount established and accepted by the parties.

The following table presents condensed financial information of its related parties:

| | | | 2020 | 2019 |
|--|----------------------------------|------------------------|----------|----------|
| | eConcordia.com/ Knowledge One | Controlled entities | Total | Total |
| Statement of operations: | | | | |
| Revenues | \$ 8,453 | \$ 825 | \$ 9,278 | \$ 8,599 |
| Expenses | 10,097 | 834 | 10,931 | 11,451 |
| (Deficiency) of revenues over expenses | (1,644) | (9) | (1,653) | (2,852) |
| Statement of financial position: | | | | |
| Total assets | 5,462 | 3,031 | 8,493 | 6,599 |
| Total liabilities | 13,525 | 3,486 | 17,011 | 11,082 |
| (Deficit) | (8,063) | (455) | (8,518) | (4,483) |
| Statement of cash flows: | | | | |
| Operating activities | 696 | 74 | 770 | 154 |
| Investing activities | (2,405) | 15 | (2,390) | (1,485) |
| Financing activities | 2,135 | – | 2,135 | 686 |

21. Financial risks:

(a) Credit risk:

The University is exposed to credit risk from its debtors. A significant portion of the University's receivables are due from governments, which are believed to be at low risk of default. The University considers tuition fees receivable as a financial asset with greater credit risk exposure and considers the concentration of the remaining risks to be minimal considering the large base of counterparties. See Note 4 for details on the gross carrying amount of tuition receivables and the allowance for doubtful accounts that addresses this risk.

CONCORDIA UNIVERSITY

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2020

21. Financial risks (continued):

(a) Credit risk (continued):

The University is also exposed to credit risk from investments in corporate bonds, since failure of any of these parties to fulfill their obligations could result in significant financial losses for the University. The risk is mitigated by adhering to the investment policy targets as described in the investment policy. In addition, monitoring by investment managers is done on a regular basis. Currently, the allocation to corporate bonds in the University's portfolio is low. Additionally, some investment funds indirectly expose the University to credit risk.

The risk is mitigated by adhering to the investment policy targets as described in the investment policy. In addition, monitoring of our managers is done on a regular basis. Currently, the allocation to corporate bonds in the University's portfolio is low.

(b) Market risk:

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

(i) Interest rate risk:

Interest rate risk refers to the adverse consequences of interest rate changes on the University's cash flows and financial position. The University is exposed to interest rate risk as a result of short-term floating rate bank indebtedness and the variable interest rate on the long-term debt serviced by the University. The long-term debt serviced by the Government of Québec does not bear any risk since the debt service is financed by the Government of Québec.

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

The University manages the interest rate risk on short-term bank indebtedness by locking in to fixed rates as described in Note 9. Interest rate risk on long-term debt serviced by the University has been mitigated by entering into an interest rate swap agreement as described in Note 12.

(ii) Currency risk:

The University is exposed to currency risk due to cash and cash equivalents and investments denominated in U.S. dollars. As at April 30, 2020, financial assets in foreign currency represent cash and cash equivalents of \$986 (2019 - \$945) and investments totalling \$58,742 (2019 - \$34,828). The University is also exposed to currency risk from a \$88,513 (2019 - nil) bank loan denominated in U.S. dollars. The risk associated with this foreign currency bank loan is mitigated by a cross-currency interest rate swap agreement as described in Note 9.

CONCORDIA UNIVERSITY

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2020

21. Financial risks (continued):

(b) Market risk (continued):

(iii) Other price risk:

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

(c) Liquidity risk:

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

22. Commitments:

(a) Operational commitments:

As part of its operations, the University has entered into various long-term agreements. The most significant agreements have led to the following contractual obligations:

- An amount of \$12,480 related to consulting services to implement an ERP system. This contractual obligation will be payable during fiscal years 2021 and 2022;
- An amount of \$19,626 for the construction, renovations and land improvement agreements to be completed during fiscal years 2021 and 2022; and
- As at April 30, 2020, the University has lease commitments totalling \$100,969 maturing through to August 31, 2038. Future minimum lease payments for the next five years are \$4,386 in 2021, \$4,341 in 2022, \$4,383 in 2023, \$4,840 in 2024 and \$5,094 in 2025.

(b) Investment commitments:

The University 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 University as at April 30 are as follows:

| | | |
|--|----|--------|
| Private equity and Farmland & Timberland | \$ | 14,670 |
| Other investment funds | | 3,098 |
| | \$ | 17,768 |

CONCORDIA UNIVERSITY

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2020

22. Commitments (continued):

(b) Investment commitments (continued):

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

23. Capital Assets Management and Financing Policy:

The Operating Fund has a \$277,537 commitment (2019 - \$271,360) towards the Capital Asset Fund to finance the capital assets net of the balance held in the Sinking Fund as of April 30, 2020.

The sinking fund is dedicated to the repayment of certain debts of the University, namely, the \$275,000 Series A, Series B and Series C Senior Unsecured Debentures in September 2042 (Series A), February 2059 (Series B) and February 2039 (Series C). The fund is comprised of an initial gift of \$3.4 million transferred in May 2010. In addition, \$22.6 million in unrestricted donations were transferred to this fund when it was first created.

In 2020, an amount of \$1,500 (2019 - \$1,000) was transferred to this fund. As at April 30, 2020, the fund balance is \$63,050 (2019 - \$66,101). All these 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 and 2060.

The University's capital investments are governed by its Capital Assets Management and Financing Policy. They are determined through the University's Capital Budget process, which is approved by its Board of Governors and is an integrated process with the University operating and cash budgets. The capital budget along with the University's financing program are integrated through asset allocation, funding and financing sub-policies.

The Funding Policy is composed of 12 indicators that measure the overall health of the University's financial position. Two of the most heavily weighted ratios are the debt burden and debt/FTE indicators. These support in determining the affordability of the University's capital investment needs and, as a result, its capital budget.

The debt burden ratio is segregated into two components:

- the overall interest cost of the University, where its affordability is determined to be no more than 5% of total revenues;
- the University's overall capital repayment contributions (including those for the pension plan) toward the repayment of its financial debt. For the capital repayment contribution portion, the University does not set a ceiling, but will rather seek to contribute as much as possible in order to create fiscal capacity towards its future capital investment needs.

CONCORDIA UNIVERSITY

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2020

23. Capital Assets Management and Financing Policy (continued):

For the debt/FTE ratio, the University has determined its affordability to be no more than \$12,000 of total debt (only the portion for which the University is responsible for the servicing; therefore, it excludes all government subsisted debt and net of established accumulated sinking funds per one full time equivalent registered student ("FTE").

The results of the ratios are as follows:

| | 2020 | 2019 |
|---|----------|----------|
| Debt-to-FTE | \$ 7,346 | \$ 7,474 |
| Debt burden - overall interest | 3.3% | 2.8% |
| Debt burden - overall capital repayment | 2.0% | 4.0% |

24. Contingencies:

As with other large institutions of a similar nature, the University is party to various legal proceedings, including claims such as grievances arising under its collective agreements, claims instituted by building contractors for additional payments, claims for damages, other claims which may present themselves from time to time under the laws regulating employment matters, and claims instituted by students or former students.

While it is not possible at this time to assess definitely the outcome of these claims, the University has serious grounds to defend these claims and it is confident that they will be resolved without material effect on the University's financial position. The University has accrued an amount it deems sufficient to cover any potential losses from these claims.

25. Pledges receivable:

Pledges receivable from donors are not recorded in the consolidated statement of operations and changes in fund balances for the restricted funds. Pledges receivable amounted to \$42,192 as at April 30, 2020 (2019 - \$47,028).

These pledges will be recognized in the financial statements when collected.

26. Subsequent event:

Subsequent to year-end, the University entered into an agreement to purchase land and buildings near its downtown campus for approximately \$15,000 as part of its strategy to meet its long-term needs.

CONCORDIA UNIVERSITY

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2020

27. Impact of Covid-19:

In March 2020, the COVID-19 outbreak was declared a pandemic (the "pandemic") by the World Health Organization. Based on recommendations from the Government of Québec, the University halted in-person activity, restricted access to its facilities and moved all teaching activities online. The summer semester continued in the same online format and fall 2020 semester will be offered with most activities delivered online. The University continues to monitor the situation closely.

As a result of the pandemic, the University has experienced increased risk exposure in several areas. This includes an increased credit risk exposure on accounts receivable where the risk of default on payments may increase and additional costs incurred to support the transformation of the academic and research activities.

The University's investments are recognized at fair value and the impact of the pandemic has created volatility and uncertainty in world markets, which may ultimately lead to a loss on market value that is other than temporary. The ultimate length and duration of the pandemic are unknown and the potential magnitude of the impact on the University's investments is not yet known at this time. The University continues to monitor investment balances and to work with investment managers to mitigate the impact where possible.

The University's fixed-rate financial instruments by way of swap contracts and application of hedge accounting help mitigate the potential exposure to changing interest rate risks.

The defined benefit component of the University's pension plan is subject to the same increased risk exposure of the University's investments as the underlying investments recognized within the pension plan are subject to market volatility and uncertainty for which the ultimate length and duration is not yet known at this time.

As at April 30, 2020, the University did not have significant adjustments to reflect the possible future impact of COVID-19 on its assets. Management has assessed the going concern assumptions and believes there are no issues given that the University has a strong working capital base and access to sufficient liquid resources to see through operations in the coming year. Given the outcome and timeframe to a recovery from the current pandemic is highly unpredictable, it is not practicable to estimate and disclose its financial effect on future operations at this time.

CONCORDIA UNIVERSITY

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars)

Year ended April 30, 2020

27. Impact of Covid-19 (continued):

The University has invested important amounts to support its academic and research mission and experienced loss of revenues. Additional costs incurred and loss of revenues relating to the pandemic as at April 30, 2020 are as follows:

| | | |
|--|----|-------------|
| Revenues: | | |
| Provincial government grant | \$ | 2,478 |
| Expenses: | | |
| Relief measures for students | | 1,251 |
| Transition to online learning | | 917 |
| Research impact | | 2,327 |
| Residence closure | | 2,159 |
| Other | | 833 |
| | | <hr/> 7,487 |
| Net impact of COVID-19 on the consolidated statement of operations and changes in fund balances | \$ | (5,009) |

In addition to the costs incurred and revenue losses as at April 30, 2020, the University has approved a special envelope of \$25M to support the COVID-19 investments necessary to support its operations and activities for 2020-2021.

28. Comparative Information:

Certain comparative information has been reclassified to conform with the presentation adopted in the current year.