

Concordia University
Financial Statements
April 30, 2017

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Raymond Chabot Grant Thornton

Independent Auditor's Report

Raymond Chabot Grant Thornton LLP

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To the Members of the Board of Directors of
Concordia University

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We have audited the accompanying financial statements of Concordia University, which comprise the statement of financial position as at April 30, 2017 and the statements of operations, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Concordia University as at April 30, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Raymond Chabot Grant Thornton LLP¹

Montréal
September 13, 2017

¹ CPA auditor, CA public accountancy permit no. A117472

Concordia University Financial Position

April 30, 2017

(In thousands of dollars)

	Total Funds		Operating Fund		Research Fund		Designated Fund		Restricted Funds Capital Asset Fund	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS										
Current										
Cash	16,732	4,030	16,632	3,980			100	50		
Grants receivable (Note 4)	51,805	51,357	45,285	45,518	1,125	1,022	30	39	5,365	4,778
Accounts receivable (Note 5)	14,696	14,746	12,420	12,168	2,171	2,552	105	26		
Inventories	2,572	2,636	2,572	2,636						
Other assets and prepaid expenses	5,794	7,320	5,732	7,287					62	33
Due from Concordia University Foundation, without interest	13,499	8,815	5,269	1,206			8,230	7,609		
	105,098	88,904	87,910	72,795	3,296	3,574	8,465	7,724	5,427	4,811
Long-term										
Amount receivable from the Ministère de l'Éducation et de l'Enseignement supérieur (MEES) (Note 6)	103,212	119,715							103,212	119,715
Other assets and prepaid expenses	3,524	3,447	3,092	3,087			432	360		
Research partnership investment	565				565					
Due from Capital Asset Fund, without interest			121,903	138,188						
Due from Operating Fund, without interest					23,979	24,099	24,780	25,089		
Tangible capital assets (Note 7)	795,192	792,490							795,192	792,490
Intangible capital assets (Note 8)	26,241	27,589							26,241	27,589
	1,033,832	1,032,145	212,905	214,070	27,840	27,673	33,677	33,173	930,072	944,605
LIABILITIES										
Current										
Bank loans (Note 9)	105,000	106,500	105,000	106,500						
Trade payables and other operating liabilities	80,403	61,386	72,173	53,777			8,230	7,609		
Amount payable to the MEES	1,614	8,446	1,614	8,446						
Agency and fiduciary accounts	10,726	4,976	10,726	4,976						
Unearned revenue	13,735	12,341	13,735	12,341						
Deferred contributions (Note 10)	27,840	27,673			27,840	27,673				
Liability on market value of a financial instrument (Note 11 (i))	526	622							526	622
Interest payable on long-term debt	5,355	5,033							5,355	5,033
Current portion of long-term debt (Note 11)	40,181	57,575							40,181	57,575
	285,380	284,552	203,248	186,040	27,840	27,673	8,230	7,609	46,062	63,230
Long-term										
Deferred contributions (Note 10)	102,636	99,650					25,158	24,525	77,478	75,125
Due to Restricted funds, without interest			48,759	49,188						
Due to Operating Fund, without interest									121,903	138,188
Long-term debt (Note 11)	524,772	499,033							524,772	499,033
Employee future benefit liability (Note 12)	161,803	193,791	161,803	193,791						
	1,074,591	1,077,026	413,810	429,019	27,840	27,673	33,388	32,134	770,215	775,576
FUND BALANCES (NEGATIVE)										
Unrestricted deficit	(268,211)	(280,827)	(268,211)	(280,827)						
Internally restricted (Note 13)	67,306	65,878	67,306	65,878						
Externally restricted	289	1,039					289	1,039		
Invested in capital assets	159,857	169,029							159,857	169,029
	(40,759)	(44,881)	(200,905)	(214,949)	-	-	289	1,039	159,857	169,029
	1,033,832	1,032,145	212,905	214,070	27,840	27,673	33,677	33,173	930,072	944,605

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

On behalf of the Board,

original signed by Norman Hébert

Governor

original signed by Alan Shepard

Governor

Concordia University Operations

Year ended April 30, 2017

(In thousands of dollars)

	Total Funds		Operating Fund		Research Fund		Designated Fund		Restricted Funds Capital Asset Fund	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue										
Tuition fees	131,583	124,372	131,583	124,372						
Grants										
Government of Quebec	266,609	268,083	241,727	231,231	5,218	6,098	1,027	604	18,637	30,150
Government of Canada	31,223	30,107	4,772	4,543	22,795	21,782	223	410	3,433	3,372
Grants from other sources	8,862	8,865			7,471	8,030	902	549	489	286
Miscellaneous fees and other income	34,970	31,541	31,150	29,166	378		3,130	2,089	312	286
Services to the community	8,205	7,242	8,205	7,242						
Student services	16,554	16,328	16,554	16,328						
Ancillary services (Note 14)	19,083	19,333	19,083	19,333						
Rental of properties	4,794	5,104	4,794	5,104						
Donations	9,800	6,865			139	218	8,822	5,583	839	1,064
Concordia University Foundation	16,364	10,285	10,835	3,189		29	4,993	6,466	536	601
	548,047	528,125	468,703	440,508	36,001	36,157	19,097	15,701	24,246	35,759
Expenses										
Academic services (Note 15)	250,254	233,246	250,254	233,246						
Research	57,428	55,764	21,800	19,607	35,628	36,157				
Administrative services (Note 15)	83,759	81,357	83,759	81,357						
Services to the community	11,695	10,668	11,695	10,668						
Student services	15,551	15,778	15,551	15,778						
Endowed and restricted projects	16,108	12,650					16,108	12,650		
Specified gift to Concordia University Foundation	4,844	2,936	1,000	1,000			3,844	1,936		
Employee future benefits (Note 12)	43,416	44,655	43,416	44,655						
Voluntary Retirement Program (Note 16)	13,649		13,649							
Ancillary services (Note 14)	13,104	14,156	13,104	14,156						
Rental of properties	2,245	2,824	2,245	2,824						
Expensed capital assets	2,403	2,086							2,403	2,086
Change in fair value of a financial instrument (Note 11 (i))	(96)	303							(96)	303
Interest on bank loans	1,038	920	590	313					448	607
Interest on long-term debt	10,606	11,061		174					10,606	10,887
Bond and brokerage fees	13,178	13,170	78	76					13,100	13,094
Amortization of tangible capital assets	41,291	40,045							41,291	40,045
Amortization of intangible capital assets	3,466	3,282							3,466	3,282
	583,939	544,901	457,141	423,854	35,628	36,157	19,952	14,586	71,218	70,304
Excess (deficiency) of revenue over expenses	(35,892)	(16,776)	11,562	16,654	373	-	(855)	1,115	(46,972)	(34,545)

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

Concordia University

Changes in Fund Balances

Year ended April 30, 2017

(In thousands of dollars)

	Total Funds		Operating Fund		Research Fund		Designated Fund		Restricted Funds Capital Asset Fund	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Fund balances (negative), beginning of year										
Fund balances (negative), as previously reported	(44,881)	(4,070)	(214,949)	(176,898)			1,039	951	169,029	171,877
Prior period adjustment (Note 2)		(9,000)		(9,000)						
Fund balances (negative), beginning of year, as restated	(44,881)	(13,070)	(214,949)	(185,898)	–	–	1,039	951	169,029	171,877
Excess (deficiency) of revenue over expenses	(35,892)	(16,776)	11,562	16,654	373		(855)	1,115	(46,972)	(34,545)
Remeasurements and other items (Note 12)	40,281	(15,316)	40,281	(15,316)						
Endowment contributions received	1,351	2,646					1,351	2,646		
Endowment contributions transferred to Concordia University Foundation	(1,618)	(2,365)					(1,618)	(2,365)		
Interfund transfers (Note 17)			(37,799)	(30,389)	(373)		372	(1,308)	37,800	31,697
Fund balances (negative), end of year	(40,759)	(44,881)	(200,905)	(214,949)	–	–	289	1,039	159,857	169,029

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

Concordia University

Cash Flows

Year ended April 30, 2017

(In thousands of dollars)

	<u>2017</u>	<u>2016</u>
	\$	\$
OPERATING ACTIVITIES		
Deficiency of revenue over expenses	(35,892)	(16,776)
Non-cash items		
Net change in fair value of assets and financial liabilities	(567)	458
Amortization of deferred contributions – Research Fund and Designated Fund	800	4,037
Amortization of tangible capital assets	41,291	40,045
Amortization of intangible capital assets	3,466	3,282
Securities received		(360)
Employee future benefits expense over funding contributions	8,293	7,970
Net change in working capital items	20,315	1,024
Cash flows from operating activities	<u>37,706</u>	<u>39,680</u>
INVESTING ACTIVITIES		
Due from Concordia University Foundation	(4,684)	(5,841)
Acquisition of tangible capital assets	(43,470)	(55,578)
Acquisition of intangible capital assets	(2,118)	(1,807)
Cash flows from investing activities	<u>(50,272)</u>	<u>(63,226)</u>
FINANCING ACTIVITIES		
Bank loans	(1,500)	40,700
Amount receivable from the MEES	16,503	4,730
Issuance of long-term debt	64,415	60,000
Repayment of long-term debt	(56,236)	(80,802)
Deferred contributions – Capital Asset Fund	2,353	428
Endowment contributions received	1,351	2,646
Endowment contributions transferred to Concordia University Foundation	(1,618)	(2,365)
Cash flows from financing activities	<u>25,268</u>	<u>25,337</u>
Net increase in cash	12,702	1,791
Cash, beginning of year	<u>4,030</u>	<u>2,239</u>
Cash, end of year	<u><u>16,732</u></u>	<u><u>4,030</u></u>

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

Concordia University

Notes to Financial Statements

April 30, 2017

(In thousands of dollars)

1 - GOVERNING STATUTES AND PURPOSE OF THE UNIVERSITY

Concordia University (hereafter 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 mission of the University includes post-secondary and graduate education, research and public service. The University is a registered charity under Section 149 of the Income Tax Act; it is exempt from the payment of income tax.

2 - PRIOR PERIOD ADJUSTMENT

During the year, the University reviewed the calculation of their vacation payable and retroactively adjusted their prior period opening fund balance.

The impact of this adjustment is as follows:

	Balance, as previously reported	Prior period adjustment	Balance adjusted
	\$	\$	\$
Financial position – Operating Fund			
Liabilities			
Trade payables and other operating liabilities	44,777	9,000	53,777
Changes in fund balances – Operating Fund			
Fund balances (negative), beginning of year	(176,898)	(9,000)	(185,898)
Fund balances (negative), end of year	(205,949)	(9,000)	(214,949)

3 - SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

Accounting estimates

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

Principles of consolidation

The University's financial statements are not consolidated with those of a controlled not-for-profit organization. The required financial information is disclosed in the notes to financial statements.

Concordia University

Notes to Financial Statements

April 30, 2017

(In thousands of dollars)

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets and liabilities

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.

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 investments in Canadian marketable securities, which are included in other assets and the research partnership investment, which are measured at fair value.

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 statement of operations under Net investment income or Interest expense as appropriate.

With respect to financial assets measured at amortized cost, the University assesses whether there are any indications 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.

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.

Concordia University

Notes to Financial Statements

April 30, 2017

(In thousands of dollars)

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

At the inception of the hedging relationship, the University formally documented the hedging relationship, identifying the hedged item, the related hedging item, 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.

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.

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.

Revenue recognition

The University follows the deferral method of accounting for contributions. 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 contributions in capital assets that are not subject to amortization are reported as direct increases in the appropriate fund balance.

Restricted investment income is recognized as revenue in the appropriate fund in the year the related expenses are incurred. Accordingly, investment income on endowments is recognized either in the restricted or in the operating funds, depending on the restriction specified by the donor. Unrestricted investment income is recognized in the Operating Fund, as earned.

Concordia University

Notes to Financial Statements

April 30, 2017

(In thousands of dollars)

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest income is recognized on a time apportionment basis.

The University's principal sources of revenue, aside from contributions, are tuition fees, miscellaneous fees and other income, services to the community, student services, ancillary services 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.

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

Inventories of the retail stores are valued at the lower of cost and net realizable value. Cost is determined by the first in, first out method.

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.

Tangible and intangible capital assets

Tangible and intangible capital assets acquired 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.

Improvements to leased premises are capitalized.

Buildings under construction and other major capital projects funded by the Operating Fund are recorded directly in the Capital Asset Fund.

Concordia University

Notes to Financial Statements

April 30, 2017

(In thousands of dollars)

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amortization

Tangible and intangible capital assets are amortized on a straight-line basis over their estimated useful lives as prescribed by the MEES as follows:

	<u>Periods</u>
Tangible capital assets	
Land improvements	20 years
Buildings	Over 40 to 50 years
Building alterations – mechanical	25 years
Building alterations – interior	30 years
Building alterations – architectural or structural	40 years
Leasehold improvements	Term of the lease (max. 10 years)
Furniture and equipment	Over 3 to 15 years
Library collection	10 years
Intangible capital 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 arrangement

Amortization is recorded in the Capital Asset Fund.

Write-down

Tangible capital assets, intangible capital 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.

Art collections

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

Concordia University

Notes to Financial Statements

April 30, 2017

(In thousands of dollars)

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 statement of financial position date. Non-monetary assets and liabilities are translated at historical exchange rates, except 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 on the date they are recognized. The related exchange gains and losses are recognized in the operations for the year.

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 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 funding 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 relating 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.

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 13;
- Management has chosen to internally restrict unspent budgeted amounts from the Operating Fund that relate to specific key University priorities.

Concordia University

Notes to Financial Statements

April 30, 2017

(In thousands of dollars)

4 - GRANTS RECEIVABLE

					2017
	Operating (a)	Research	Designated	Capital	Total
	\$	\$	\$	\$	\$
Amount receivable from the MEES	44,832		30	5,365	50,227
Amount receivable from federal agencies	453	383			836
Amount receivable from provincial agencies (excluding the MEES)		742			742
	<u>45,285</u>	<u>1,125</u>	<u>30</u>	<u>5,365</u>	<u>51,805</u>
					2016
	Operating (a)	Research	Designated	Capital	Total
	\$	\$	\$	\$	\$
Amount receivable from the MEES	45,075		26	4,778	49,879
Amount receivable from federal agencies	415	236	13		664
Amount receivable from provincial agencies (excluding the MEES)	28	786			814
	<u>45,518</u>	<u>1,022</u>	<u>39</u>	<u>4,778</u>	<u>51,357</u>

(a) This amount includes an amount of \$31,106 corresponding to a grant conditional on attaining a balanced financial situation for the year ended April 30, 2017 (\$32,791 as at April 30, 2016). Subsequent to year-end, the subsidy was confirmed.

5 - ACCOUNTS RECEIVABLE

	2017	2016
	\$	\$
Operating Fund		
Tuition fees, net of an allowance for doubtful accounts (a)	5,570	7,520
Services, advances and other	5,850	3,648
Advance to a wholly-owned subsidiary of a controlled entity, without interest	1,000	1,000
	<u>12,420</u>	<u>12,168</u>

(a) As at April 30, 2017, the gross carrying amount of trade accounts receivable totals \$8,434 (\$10,908 as at April 30, 2016). These tuition fees receivable are presented in the financial statements net of an allowance for doubtful accounts of \$2,864 (\$3,388 as at April 30, 2016).

Concordia University

Notes to Financial Statements

April 30, 2017

(In thousands of dollars)

6 - AMOUNT RECEIVABLE FROM THE MEES

The University accounted for a grant receivable from the MEES resulting from the transition to generally accepted auditing principles. This amount is the result of the difference between the net value of the University's capital assets funded by the MEES and the value of the long-term debt service by the Government of Quebec.

7 - TANGIBLE CAPITAL ASSETS

	2017		
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net carrying amount</u>
	\$	\$	\$
Land	45,473		45,473
Land improvements	4,189	749	3,440
Buildings, building alterations and leasehold improvements	940,527	252,619	687,908
Construction in progress	133		133
Furniture and equipment	103,552	65,288	38,264
Library collection	35,363	18,326	17,037
Art collection	2,937		2,937
	<u>1,132,174</u>	<u>336,982</u>	<u>795,192</u>
			2016
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net carrying amount</u>
	\$	\$	\$
Land	44,908		44,908
Land improvements	4,126	539	3,587
Buildings, building alterations and leasehold improvements	916,512	230,293	686,219
Furniture and equipment	100,663	63,054	37,609
Library collection	35,856	18,626	17,230
Art collection	2,937		2,937
	<u>1,105,002</u>	<u>312,512</u>	<u>792,490</u>

As at April 30, 2017, trade payables and other operating liabilities include an amount of \$6,963 that relates to the acquisition of tangible capital assets (\$6,440 as at April 30, 2016).

Concordia University

Notes to Financial Statements

April 30, 2017

(In thousands of dollars)

8 - INTANGIBLE CAPITAL ASSETS

	2017		
	Cost	Accumulated amortization	Net carrying amount
	\$	\$	\$
Information technology – Development in progress	3,487		3,487
Information technology	30,930	8,922	22,008
Share of the large bandwidth telecommunications network managed by RISQ Inc.	3,432	2,686	746
	<u>37,849</u>	<u>11,608</u>	<u>26,241</u>
	2016		
	Cost	Accumulated amortization	Net carrying amount
	\$	\$	\$
Information technology – Development in progress	2,859		2,859
Information technology	29,591	5,829	23,762
Share of the large bandwidth telecommunications network managed by RISQ Inc.	3,281	2,313	968
	<u>35,731</u>	<u>8,142</u>	<u>27,589</u>

9 - BANK LOANS

The University has an unsecured line of credit of \$245,000 with its bankers, bearing interest at prime rate, 2.7% (2.7% as at April 30, 2016). This line of credit is renewable and convertible into a fixed rate mainly through the issuance of bankers' acceptances. As at April 30, 2017, total outstanding bankers' acceptances amounted to \$105,000, bearing interest at rates ranging from 0.98% to 1.08%. The average rate on all fixed rate financing for the year was 1.02% (0.99% as at April 30, 2016).

In May 2017, the University issued an amendment to the irrevocable letter of credit of US\$891 to the U.S. Department of Education to US\$694. The irrevocable letter of credit has a term of 12 months ending on May 31, 2018. 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 - DEFERRED CONTRIBUTIONS

	2017	2016
	\$	\$
Current		
Research Fund		
Balance, beginning of year	27,673	23,998
Amount received in current year	35,795	39,832
Amount recognized in operations	(35,628)	(36,157)
Balance, end of year	<u>27,840</u>	<u>27,673</u>

Concordia University

Notes to Financial Statements

April 30, 2017

(In thousands of dollars)

10 - DEFERRED CONTRIBUTIONS (Continued)

	<u>2017</u>	<u>2016</u>
	\$	\$
Long-term		
Designated Fund		
Balance, beginning of year	24,525	24,163
Amount received in current year	19,730	16,063
Amount recognized in operations	<u>(19,097)</u>	<u>(15,701)</u>
Balance, end of year	<u>25,158</u>	<u>24,525</u>
Capital Asset Fund		
Balance, beginning of year	75,125	74,697
Amount received in current year	26,599	36,187
Amount recognized as revenue of the year	<u>(24,246)</u>	<u>(35,759)</u>
Balance, end of year	<u>77,478</u>	<u>75,125</u>
	<u>102,636</u>	<u>99,650</u>

11 - LONG-TERM DEBT

	<u>2017</u>	<u>2016</u>
	\$	\$
Capital Asset Fund		
Serviced by the University		
Loan, bearing interest at CDOR, payable in monthly instalments of \$36, principal only, maturing in August 2027 (i)	8,984	9,416
Loan, bearing interest at CDOR, payable in monthly varying instalments, maturing in April 2038 (ii)	10,694	11,055
Loan, bearing interest at CDOR, payable in monthly varying instalments, maturing in April 2025 (iii)	880	977
Loan, bearing interest at CDOR, payable in monthly varying instalments, maturing in April 2026 (iv)	10,990	12,050
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	<u>190,142</u>	<u>190,002</u>
	<u>221,690</u>	<u>223,500</u>

Concordia University

Notes to Financial Statements

April 30, 2017

(In thousands of dollars)

11 - LONG-TERM DEBT (Continued)

	<u>2017</u>	<u>2016</u>
	\$	\$
Serviced by the Government of Quebec		
2.149% loan from Financement-Québec, repayable in ten varying annual instalments, maturing on September 1, 2028	64,416	
2.472% loan from Financement-Québec, repayable in six varying instalments, maturing on December 1, 2017	13,611	15,489
4.37% and 4.57% Series "15D" bonds, repayable in two varying instalments, maturing on May 15, 2017	2,653	2,649
2.437% loan from Financement-Québec, repayable in seven varying instalments, maturing on December 1, 2019	36,212	38,659
2.489% loan from Financement-Québec, repayable in seven varying instalments, maturing on December 1, 2019	13,440	14,080
2.409% loan from Financement-Québec, repayable in six varying annual instalments, maturing on May 29, 2019	81,370	87,367
3.03% loan from Financement-Québec, repayable in nine varying annual instalments, maturing on December 1, 2022	3,093	3,609
3.619% loan from Financement-Québec, repayable in twenty varying annual instalments, maturing on June 1, 2034	18,400	19,200
3.511% loan from Financement-Québec, repayable in nineteen varying annual instalments, maturing on March 1, 2034	32,263	34,131
2.466% loan from Financement-Québec, repayable in ten varying annual instalments, maturing on March 1, 2026	32,979	35,976
3.23% loan from Financement-Québec, repayable in nineteen varying annual instalments, maturing on June 1, 2034	20,160	21,000
2.808% loan from Financement-Québec, repayable in fifteen varying annual instalments, maturing on May 29, 2031	3,024	3,024
2.947% KIP loan from Financement-Québec, repayable in twenty varying instalments, maturing on September 1, 2022	7,722	8,998
3.563% KIP loan from Financement-Québec, repayable in forty varying instalments, maturing on September 1, 2032	14,874	15,582
2.6344% loan from Financement-Québec		17,213

Concordia University

Notes to Financial Statements

April 30, 2017

(In thousands of dollars)

11 - LONG-TERM DEBT (Continued)

	<u>2017</u>	<u>2016</u>
	<u>\$</u>	<u>\$</u>
2.0183% loan from Financement-Québec		13,628
5% Series "14D" bonds		4,073
1.269% KIP loan from Financement-Québec		745
	<u>344,217</u>	<u>335,423</u>
Cumulative sinking fund paid by the Province of Quebec	<u>(954)</u>	<u>(2,315)</u>
	<u>343,263</u>	<u>333,108</u>
	<u>564,953</u>	<u>556,608</u>
Current portion	<u>40,181</u>	<u>57,575</u>
Long-term debt	<u>524,772</u>	<u>499,033</u>

- (i) On August 24, 2012, the University entered into a 15-year long-term swap loan agreement with RBC (Royal Bank of Canada) 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 August 30, 2012 at a fixed rate of 3.08% plus a variable rate based on the CDOR, 0.896% (0.943% as at April 30, 2016).

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 \$526 (the fair value of the liability was \$622 in 2016). This swap agreement is recorded as a liability on market value of a financial instrument since it does not fulfil the requirements of hedge accounting.

- (ii) 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, 0.896% (0.943% as at April 30, 2016).

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 \$855 (the fair value of the liability was \$965 in 2016).

- (iii) On May 1, 2013, the University entered into a 12-year long-term interest rate swap loan agreement to refinance renovation 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, 0.896% (0.943% as at April 30, 2016).

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 \$39 (the fair value of the liability was \$51 in 2016).

Concordia University

Notes to Financial Statements

April 30, 2017

(In thousands of dollars)

11 - LONG-TERM DEBT (Continued)

- (iv) 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 into student residences. The transaction was effective at a fixed rate of 2.808% plus a variable rate based on the CDOR, 0.896% (0.943% as at April 30, 2016).

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 \$577 (the fair value of the liability was \$738 in 2016).

The MEES 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 Quebec 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 Quebec.

In accordance with its charter and the government decrees adopted pursuant to its charter (the last such decree having been adopted on June 2, 2010), the University may have an outstanding aggregate principal amount of debentures and debt securities which may not exceed at any time \$700,000, excluding amounts borrowed by way of loan or promissory note.

Series "15D" bonds require that regular payments be made by the Province of Quebec to a sinking fund.

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

Repayments of principal over the next five years are scheduled as follows:

	Serviced by the University	Serviced by the Government of Quebec	Total
	\$	\$	\$
2018	1,988	38,193	40,181
2019	2,036	21,992	24,028
2020	2,081	125,829	127,910
2021	2,130	13,045	15,175
2022	2,180	13,117	15,297
	<u>10,415</u>	<u>212,176</u>	<u>222,591</u>

Concordia University

Notes to Financial Statements

April 30, 2017

(In thousands of dollars)

12 - EMPLOYEE FUTURE BENEFITS

Defined benefit plans

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. The most recent actuarial valuation was performed as at December 31, 2015, and the next required valuation will be on December 31, 2018.

The employee future benefit liability is as follows:

	<u>2017</u>	<u>2016</u>
	\$	\$
Pension plan benefits		
Balance, beginning of year	92,750	63,502
Expense	32,562	33,416
Funding contributions	(30,399)	(31,855)
Remeasurements and other items	(45,735)	27,687
Balance, end of year	<u>49,178</u>	<u>92,750</u>
Other plan benefits		
Balance, beginning of year	101,041	107,003
Expense	10,854	11,239
Funding contributions	(4,724)	(4,830)
Remeasurements and other items	5,454	(12,371)
Balance, end of year	<u>112,625</u>	<u>101,041</u>
Total		
Balance, beginning of year	193,791	170,505
Expense	43,416	44,655
Funding contributions	(35,123)	(36,685)
Remeasurements and other items	(40,281)	15,316
Employee future benefit liability, end of year	<u>161,803</u>	<u>193,791</u>

Reconciliation of the funded status of the benefit plans to the amounts recorded in the financial statements

	<u>Pension benefit plans</u>		<u>Other benefit plans</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	\$	\$	\$	\$
Defined benefit obligations	1,022,491	984,536	112,625	101,041
Fair value of plan assets	973,313	891,786		
Defined benefit liability	<u>(49,178)</u>	<u>(92,750)</u>	<u>(112,625)</u>	<u>(101,041)</u>

Concordia University

Notes to Financial Statements

April 30, 2017

(In thousands of dollars)

12 - EMPLOYEE FUTURE BENEFITS (Continued)

Pension plan asset components

At the measurement date, i.e. April 30 of each year, the assets of the pension plan consist of the following:

	2017	2016
	%	%
Asset category		
Equity instruments	2	2
Fixed income	2	2
Pooled funds	71	71
Other investments	25	25
	100	100

Significant assumptions

The significant assumptions used are as follows (weighted average):

	Pension benefit plans		Other benefit plans	
	2017	2016	2017	2016
	%	%	%	%
Accrued benefit obligations				
Discount rate	6.00	6.00	6.00	6.00
Rate of compensation increase	2.70	2.70	2.70	2.70
Benefit costs				
Discount rate	6.00	6.00	6.00	6.00
Rate of compensation increase	2.70	2.80	2.70	2.80

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

	2017	2016
	%	%
Initial health care cost trend rate	7.81	5.50
Cost trend rate declines to	5.11	4.32
Year when the rate reaches the level at which it is assumed to remain	2028	2036

Benefits paid

Benefits paid by the pension plans for the employees of Concordia University total \$49,483 (\$51,428 in 2016) and benefits paid by other benefit plans amount to \$4,724 (\$4,830 in 2016).

Concordia University

Notes to Financial Statements

April 30, 2017

(In thousands of dollars)

13 - INTERNALLY RESTRICTED FUND BALANCES

	2017	2016
	\$	\$
Academic-related		
Institutional projects	16,864	18,992
Student services	9,582	9,651
Scholarship funds	6,773	6,093
Employee training programs	585	635
Recruitment	604	605
Centre for study of classroom programs	149	149
Academic plan	3,994	3,520
Faculty Professional Development Fund	1,503	1,368
Services to the community	3,682	2,177
Other	4,604	2,543
	<u>48,340</u>	<u>45,733</u>
Research-related		
Research funded by overhead	2,112	2,183
Infrastructure for research units	3,902	3,562
General Purpose Principal Investigator	2,865	2,845
Concordia Research Chair	2,461	2,568
Faculty Research Development Program	2,096	1,593
Research Seed Funding	723	1,005
Concordia Aid to Scholarly Activities	622	586
Facilities Optimization Program	208	276
Faculty program in support of research	690	695
Research laboratories	282	278
Research initiatives and infrastructure	1,198	745
Other	1,166	2,677
	<u>18,325</u>	<u>19,013</u>
Capital- and technology-related		
Capital and special project	221	712
Information technology	420	420
	<u>641</u>	<u>1,132</u>
	<u>67,306</u>	<u>65,878</u>

Concordia University

Notes to Financial Statements

April 30, 2017

(In thousands of dollars)

14 - ANCILLARY SERVICES

	2017		
	Revenue	Expenses	Excess
	\$	\$	\$
Retail stores	9,588	8,522	1,066
Residences	5,751	2,647	3,104
Parking	1,727	550	1,177
Food services	1,658	1,136	522
Advertising	118		118
Other services	241	249	(8)
	<u>19,083</u>	<u>13,104</u>	<u>5,979</u>
			2016
	Revenue	Expenses	Excess
	\$	\$	\$
Retail stores	10,324	9,673	651
Residences	5,291	2,481	2,810
Parking	1,653	485	1,168
Food services	1,713	1,294	419
Advertising	109		109
Other services	243	223	20
	<u>19,333</u>	<u>14,156</u>	<u>5,177</u>

15 - EXPENSES

	2017	2016
	\$	\$
Academic services		
Academic	224,805	209,323
Library	12,082	11,219
Instructional and information technology services	13,367	12,704
	<u>250,254</u>	<u>233,246</u>
Administrative services		
Administration	48,236	45,627
Facilities and operation services	35,429	35,606
Rented facilities	94	124
	<u>83,759</u>	<u>81,357</u>

16 - VOLUNTARY RETIREMENT PROGRAM

In 2016, the University has decided to extend an exceptional, time-limited retirement offer to eligible staff through a Voluntary Retirement Program (hereafter the "VRP"). The VRP has been offered to employees who, as at May 31, 2017, were aged 60 (sixty) years or older, with a minimum of 10 (ten) years of continuous service at the University in a permanent position.

Concordia University

Notes to Financial Statements

April 30, 2017

(In thousands of dollars)

16 - VOLUNTARY RETIREMENT PROGRAM (Continued)

The purpose of this program was to assist the University in addressing years of budget compressions to the operating budget, and to preserve the University's long-term financial sustainability. The cost of this program has been recorded in the Operating Fund.

17 - INTERFUND TRANSFERS

	2017			
	Operating Fund	Research Fund	Designated Fund	Capital Asset Fund
	\$	\$	\$	\$
Contributions towards the following				
Major renovation or construction projects	(13,235)		(90)	13,325
Interest on capital debt	(11,946)			11,946
Equipment	(11,328)		(729)	12,057
Library equipment	(470)			470
Specific University projects	(419)		583	(164)
Graduate and undergraduate student aid	(623)		608	15
Share of the large bandwidth telecommunications network managed by RISQ Inc.	(151)			151
Research Partnership Investment	373	(373)		
	<u>(37,799)</u>	<u>(373)</u>	<u>372</u>	<u>37,800</u>
				2016
	Operating Fund	Research Fund	Designated Fund	Capital Asset Fund
	\$	\$	\$	\$
Contributions towards the following				
Major renovation or construction projects	(4,860)		(373)	5,233
Interest on capital debt	(11,827)			11,827
Equipment	(8,071)		(1,866)	9,937
Library equipment	(4,030)			4,030
Specific University projects	(839)		323	516
Graduate and undergraduate student aid	(623)		608	15
Share of the large bandwidth telecommunications network managed by RISQ Inc.	(139)			139
	<u>(30,389)</u>	<u>—</u>	<u>(1,308)</u>	<u>31,697</u>

Concordia University

Notes to Financial Statements

April 30, 2017

(In thousands of dollars)

17 - INTERFUND TRANSFERS (Continued)

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.

18 - RELATED PARTY TRANSACTIONS

The following 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 University exercises control over eConcordia.com since the majority of the board members hold senior management positions at the University, but it does not consolidate the financial statements of eConcordia.com with those of the University.

eConcordia.com is a registered charity under the Income Tax Act (Canada). eConcordia.com has a wholly-owned subsidiary, KnowledgeOne Inc., that provides courses for the advancement of learning on electronic or other new media.

Following is the significant financial information for eConcordia.com as at April 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
	\$	\$
Statement of operations		
Revenues	6,570	6,257
Expenses	<u>7,283</u>	<u>6,341</u>
Deficiency of revenues over expenses	<u>(713)</u>	<u>(84)</u>
Statement of financial position		
Total assets	<u>2,763</u>	<u>2,418</u>
Total liabilities	3,996	2,905
Deficit	<u>(1,233)</u>	<u>(487)</u>
	<u>2,763</u>	<u>2,418</u>
Statement of cash flows		
Operating activities	1,047	1,044
Investing activities	(910)	(987)
Financing activities	(100)	(83)

There are no significant differences in accounting policies between eConcordia.com and the University.

Concordia University

Notes to Financial Statements

April 30, 2017

(In thousands of dollars)

18 - RELATED PARTY TRANSACTIONS (Continued)

The University paid service fees to KnowledgeOne Inc. for the delivery of courses to students of the University. The expense amounted to approximately \$4,620 (\$4,396 in 2016). The University invoiced certain academic costs and management fees amounting to approximately \$740 (\$686 in 2016). The University has a receivable of \$1,071 (\$485 in 2016) and an advance without interest of \$1,000 as at April 30, 2017 (\$1,000 as at April 30, 2016).

The Concordia University Foundation (hereafter the "Foundation") must use its resources exclusively to advance the mission of the University. The Foundation is incorporated under the Canada Not-for-profit Corporations Act and is a charitable organization under both the Income Tax Act (Canada) and the Taxation Act (Quebec). The University exercises significant influence over the Foundation since certain board members and members of senior management are on the board of the Foundation. Revenues from the Foundation amounting to \$16,364 (\$10,285 in 2016) have been recorded by the University, in accordance with the wishes of donors. Amounts recorded as expenses by the University related to the Foundation amount to \$4,844 (\$2,936 in 2016). The assets, liabilities and fund balances of the Foundation total \$185,925 (\$169,070 in 2016), \$14,029 (\$9,250 in 2016) and \$171,896 (\$159,820 in 2016) respectively.

The fund balances are the following:

	<u>2017</u>	<u>2016</u>
	\$	\$
Endowment fund	79,001	76,986
Sinking fund (Note 20)	57,524	49,400
Other restricted funds	32,972	31,039
General fund	2,399	2,395
	<u>171,896</u>	<u>159,820</u>

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 (Quebec). In 2017, the Fondation remained inactive.

Concordia University

Notes to Financial Statements

April 30, 2017

(In thousands of dollars)

19 - FINANCIAL INSTRUMENTS

Financial risks

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

Credit risk

Credit risk is the risk that a counterparty to a financial instrument fails to fulfil a commitment or obligation and causes the other party to incur a financial loss. 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 more credit risk exposure, and considers the concentration of the remaining risks to be minimal considering the large base of counterparties.

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:

– 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 Quebec does not bear any risk since the debt service is financed by the Government of Quebec.

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 by locking in to fixed rates as explained in Note 11;

– Currency risk:

The University is exposed to currency risk due to cash, accounts receivable and trade payables denominated in U.S. dollars. As at April 30, 2017, financial assets in foreign currency represent cash, accounts receivable and trade payables totalling \$885 (\$1,870 in 2016).

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 statement of financial position.

Concordia University

Notes to Financial Statements

April 30, 2017

(In thousands of dollars)

19 - FINANCIAL INSTRUMENTS (Continued)

Carrying amount of financial assets by category

The University's financial assets, as presented in the statement of financial position, are classified as follows:

	<u>2017</u>	<u>2016</u>
	\$	\$
Financial assets measured at amortized cost		
Cash	16,732	4,030
Grants receivable	51,805	51,357
Accounts receivable	14,696	14,746
Due from Concordia University Foundation	13,499	8,815
Amount receivable from the MEES	103,212	119,715
	<u>199,944</u>	<u>198,663</u>

20 - COMMITMENTS

Construction agreements

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 \$14,523 for the construction, renovations and land improvement agreements to be completed during fiscal years 2018 and 2019.

Capital assets financing

The Operating Fund has a \$291,170 commitment (\$281,880 as at April 30, 2016) towards the Capital Asset Fund to finance the capital assets.

In order to fulfil this commitment, the University entered into an agreement with the Foundation to create and manage a fund that would be dedicated to the repayment of certain debts of the University, namely, the \$200,000 bond issue payable in September 2042. The fund is comprised of an initial gift of \$3.4 million transferred in May 2010. In addition, \$22.6 million in donations already invested in the Foundation were transferred to this fund.

These initial amounts combined with future payments on existing pledges and annual contributions will be invested to generate the required funds to meet the University's future debt obligations by 2042. In 2017, an amount of \$1,000 (\$1,000 in 2016) was transferred to this fund. As of April 30, 2017, the fund balance is \$57,524 (\$49,400 in 2016).

Concordia University

Notes to Financial Statements

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21 - 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 claiming additional payments, other claims which may present themselves from time to time under the laws regulating employment matters and claims instituted by students or former students.

In the aggregate, the total amount of material claims asserted in these various legal and other proceedings is approximately \$4.6 million in principal. While it is not possible at this time to assess definitively 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.

On May 18, 2006, the Supreme Court of Canada rejected an appeal of a decision which refused to authorize a class action against the University related to the administration of its pension plans. The Supreme Court held that this matter had to be decided by a labour arbitrator and not by civil courts. Several unions had, before the Supreme Court decision, initiated collective grievances under the provisions of their collective agreements. The University is confident of the administration of the pension plans at the times cited in the grievances. These grievances do not refer to a specific amount claimed and are being contested as being prescribed. It is not possible at the present time to determine the amount of any potential claim. Accordingly, no amount has been accrued in these financial statements related to these claims. No arbitrators have been named to hear these grievances to date.

In the normal course of the University's building construction projects, there are various claims secured by legal hypothecs that have been made by building contractors to secure payment. Such hypothecs are related to the buildings constructed or under construction. In addition, there are certain third-party claims for damages alleging that certain projects have provoked a loss of enjoyment of premises and/or a loss of revenue. While it is not possible at this time to assess definitively the outcome of these actions, the University is confident that they will be resolved without material effect on the University's financial position. No amount has been accrued in these financial statements relating to these claims.

22 - PLEDGES RECEIVABLE

Pledges receivable from donors are not recorded in the statement of operations for the restricted funds. Pledges receivable amounted to \$18,084 as at April 30, 2017 (\$14,832 as at April 30, 2016).

These pledges will be recognized as revenue when collected.

23 - COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.