Rating Report
Concordia University

DBRS Morningstar
December 17, 2021

Contents

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Ratings

Debt	Rating	Rating Action	Trend
Issuer Rating	A	Confirmed	Stable
Senior Unsecured Debt	A	Confirmed	Stable

Rating Update

DBRS Limited (DBRS Morningstar) confirmed Concordia University's (Concordia or the University) Issuer Rating and Senior Unsecured Debt ratings at "A." All trends are Stable. The ratings reflect Concordia's academic profile and the high level of support and oversight in post-secondary education exercised by the Province of Québec (Québec or the Province; rated AA (low) with a Stable trend by DBRS Morningstar). The ratings also reflect ongoing budgetary pressures amid an increasingly challenging operating environment and rising debt.

The University's credit profile had been improving prior to the Coronavirus Disease (COVID-19) pandemic. However, the pandemic has resulted in broad-based deterioration of Concordia's financial risk profile, driven by an increasingly challenging operating environment, deteriorating medium-term operating outlook, and rising debt. While these factors will erode ratings flexibility, DBRS Morningstar believes there is buffer within the current ratings to absorb anticipated pressures without resulting in a downward rating action.

In 2020–21, Concordia reported a consolidated deficit of $21.0 million—an improvement over the $31.3 million loss in the prior year. Although Concordia demonstrated spending prudence, expense growth continued to outpace revenues.

For 2021–22, the University is forecasting an operating deficit of $17.2 million, which includes an estimated $7.2 million in pandemic-related costs and loss of ancillary revenues (F2020 actual: $5.0 million; F2021 actual: $23.8 million). For fall 2021, total registrations declined slightly (-0.9%) driven by a lower first year intake and ongoing adverse domestic demographic trends.

Operating budget deficits will likely linger over the medium term. In the absence of material new provincial funding, Concordia plans to address any deficits through a combination of cost savings, reserve drawdowns, and debt. Concordia has indicated that it will access debt for both strategic investments and to fund a portion of projected operating deficits over the medium term. This differs from the practice at most other DBRS Morningstar-rated universities where debt financing is only used for capital purposes. DBRS Morningstar estimates that University-supported debt-to-full-time equivalent

(FTE) could increase to approximately $20,000 by F2024 based on an average enrolment growth of 1% over this period. However, Concordia has indicated to DBRS Morningstar that actual capital spend—and university-supported debt financing—will likely be lower than forecast, and the University will continue to prioritize long-term financial sustainability.

The ratings are placed solidly in the current "A" rating category. DBRS Morningstar could consider changing the trends to Positive from Stable if the University is able to demonstrate effective deficit-reduction strategies, rebuild expendable resources as calculated by DBRS Morningstar, and if debt growth is meaningfully lower than expected over the medium term. A combination of a weakened outlook on funding and tuition frameworks, sustained deterioration in operating results, and increased debt levels materially beyond current expectation may prompt a negative rating action.

Financial Information

	For the year ended March 31				
	2021	**2020**	**2019**	**2018**	**2017**
Consolidated operating result (DBRS Morningstar-adjusted, CAD millions)[1]	(21.0)	(31.3)	(19.8)	(11.0)	(17.1)
Surplus-to-revenue (five-year average)	-3.2	-3.7	-4.0	-2.3	-3.1
Debt per FTE (CAD)	14,183	13,007	13,009	9,857	10,311
Interest coverage	2.8	1.9	2.6	3.3	3.7
Expendable resources to debt	6.2	4.1	5.6	18.9	18.2

1 F2017 loss excludes a one-time expense of $13.6 million for the voluntary retirement program.

Issuer Description

Concordia is one of three English-language universities in Québec. Located in Montréal, the University offers more than 580 programs at both the undergraduate and graduate levels to more than 31,000 FTEs at its downtown campus (Sir George Williams) and west-end campus (Loyola).

Rating Considerations

Strengths

1. Academic profile

The University ranks well in domestic and international surveys (including 2020 Times Higher Education Impact Rankings), despite its relatively short history as a comprehensive public university. Concordia has a highly ranked business school and a strong reputation in communication and media studies as well as in some of its social sciences and engineering programs. The University has invested heavily in capital, which has given it a fresh and modern feel and provided researchers with state-of-the-art facilities. Concordia’s growing profile has enabled it to raise admissions requirements and student quality. By 2025, the Foundation plans to maintain 10% of long-term funds in impact investments that will see the University collaborate with external partners to support youth/community outcomes, technology-related advancements in the education sector, and energy and transportation related research and innovation, among other initiatives.

2. Location in downtown Montréal

Concordia is one of two English-language universities in downtown Montréal. The bilingual city is one of Canada's major urban centres, providing it with a large local catchment area of potential full-time and part-time students and an attractive destination for out-of-province and international students. The University draws a relatively larger share of its student population from outside Québec than most other universities in the Province.

3. Responsive financial management

The University has faced significant financial challenges in past years because of provincial funding reductions. Concordia was responsive, implementing several significant measures to limit the deterioration in operating results. Starting in F2019, the University changed its accounting policy to consolidate financial statements for its significant controlled entities, in particular the Concordia University Foundation (the Foundation), to improve transparency and financial reporting practices. Earlier in F2020, the University implemented a comprehensive budget model to reflect changing priorities led by an increasingly challenging operating environment.

4. Strong provincial support for education

Québec's social attitudes and politics tend to focus more on social democracy than other Canadian provinces, which leads to broad public and political support for universally accessible education, healthcare, and other social programs. The Province makes post-secondary education widely available by providing greater subsidization of post-secondary costs than other provinces. At Concordia, for instance, government grants have typically accounted for between 50% and 60% of revenue in recent years while tuition accounts for approximately 28% of revenue. In other provinces, the ratio tends to be more balanced.

Challenges

1. Limited control of revenue

Canadian universities have limited control over their main revenue sources—tuition fees and government grants. Universities in Québec rely heavily on provincial funding and the Province sets limits on tuition fee increases. After several years of funding reductions that led to a significant deterioration in operating results, the Province announced its commitment to reinvest in the universities sector in 2017–18. Earlier in 2021, the Province announced in its budget that it will increase funding to the universities sector by 5.5%. Notwithstanding, the University forecasts consecutive operating deficits through the medium term because of operating pressures led by the pandemic.

2. Significant debt burden

DBRS Morningstar categorizes university debt in Québec as either university supported or provincially supported. University-supported debt is issued by the university in its own name and serviced by its general revenues (e.g., tuition fees, operating grants, etc.) while provincially supported debt is issued in the university's name and funded by dedicated provincial capital grants. Concordia's university-supported debt totalled $442.0 million in 2020–21, equivalent to $14,183 per FTE, which is higher than average for DBRS Morningstar-rated universities. Although Concordia's most recent forecast indicates that the debt burden will rise materially over the medium term, the University has indicated to DBRS Morningstar that actual debt growth should be lower than projected. Concordia plans to fund a portion of anticipated operating deficits over the forecast horizon through debt.

3. Limited balance sheet flexibility

Concordia has a relatively weaker balance sheet than many DBRS Morningstar-rated universities in Canada, partly reflecting Québec's more constrained operating environment, consecutive deficits, and prior funding reductions. The University also maintains a sinking fund (nearly $140 million as at F2021) that is held by the Foundation, and is included in DBRS Morningstar's measure of expendable resources. As of April 30, 2021, DBRS Morningstar estimated Concordia's expendable resources to be 6.2% of University-supported debt. Starting in 2021–22, the Foundation is implementing a new investment program, Cash Management Optimizer (CMO), that will seek to expand investment opportunities and increase fiscal capacity/flexibility for the University in the coming years.

4. No provincial guarantee on subsidized debt

Provincially supported debt is issued in the university's name and does not benefit from an explicit provincial guarantee. Following an accounting standard change relating to transfer payments, provincial subsidies for capital projects will now be expensed and effectively repaid by the end of the project (as opposed to the prior practice of amortizing it over the repayment period of the long-term debt). This change will eliminate the need for long-term borrowing, with subsidized projects being financed through temporary loans/lines of credit. The medium-term debt forecast presented in this report incorporates this shift from longer-term borrowing toward short-term loans. DBRS Morningstar notes that the Province remains committed to post-secondary education and will continue to provide the sector with subsidized capital financing.

Operating Performance

2021–22 Budget and Operating Outlook

Starting in June 2020, Concordia implemented a revised budget model to incorporate multifaceted changes to the budgetary framework to focus on long-term financial sustainability, improved governance and transparency, and a more cohesive university-wide strategy for long-term capital investments.

This budget model integrates operating, capital, and cash budgets to allow for more comprehensive financial planning and the optimal use of resources across budgets. The University is also formalizing an integrated financing program that will align the University's liquidity requirements with planned capital investments over a four-year horizon (i.e., until 2023–24).

In F2022, Concordia could defer some capital investments while prioritizing the University's operating needs. DBRS Morningstar will continue to monitor this transition and ongoing compliance with stated financial sustainability goals amid a challenging operating environment.

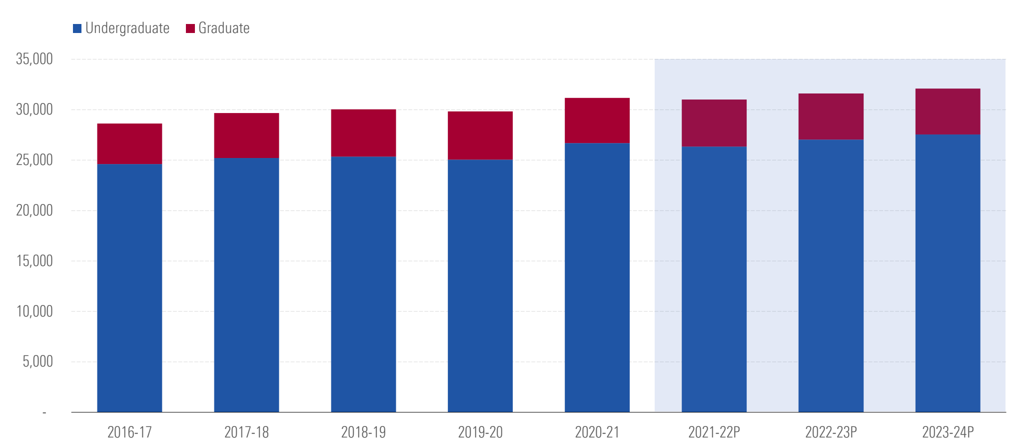
The budget model includes an integrated funding framework that will act as the central funding framework for all institutional budgets. This framework introduces strategic debt-to-FTE as a key indicator that will be used to assess and maintain longer-term sustainability and comprises two buckets:

- **Active:** This bucket will govern the resources required to implement Concordia's research and academic strategies over a planning horizon of four years. The University has set an internal active net debt-to-FTE limit of $12,000 (or $360 million), including new debt issuances (university-supported)/lines of credit to offset operating deficits. As of April 30, 2021, Concordia's reported net debt-to-FTE ratio was close to $5,700 (F2020: $5,666). The board requires the University to closely monitor this ratio and present an action plan if Concordia anticipates noncompliance.
- **Strategic:** This bucket will govern the resources needed to secure development capacity in line with the University's longer-term strategy. The internal limit on strategic net debt-to-FTE is set at $3,000 (or $90 million). As of April 30, 2021, strategic net debt-to-FTE was approximately $1,300.

For 2021–22, the University is forecasting an operating deficit of $17.2 million. This base budget includes $21.7 million in new investments, including salary adjustments/indexation and cybersecurity, among other operating priorities; $12.9 million in strategic investments (research expansion, instruction, faculty, sustainability, etc.); and an estimated $7.2 million in pandemic-related costs and loss of ancillary revenues (F2020 actual: $5.0 million; F2021 actual: $23.8 million). The University anticipates that provincial funding will remain a key source of revenue, representing more than 50% of total revenue.

For fall 2021, total registrations declined slightly (-0.9%) driven by a lower first year intake. While full-time registrations were largely steady (+0.6%), registrations for Concordia's part-time programs declined by 4.4%. Notwithstanding, international enrolment is reported to have grown (+5.1% from fall 2020), reflecting ongoing student demand despite the pandemic and higher numbers of returning students.

Exhibit 1 Enrolment (FTEs)



P = projection.
Sources: Concordia and DBRS Morningstar.

Over the medium term, DBRS Morningstar believes adverse demographic trends will continue to weigh on domestic enrolment, with international enrolment and international tuition fees driving much of the growth in tuition revenues. The University anticipates operating budget deficits through the medium term and will implement cost efficiencies, draw on reserves, and use existing and new debt to eliminate losses in the absence of material new funding from the Province. Earlier this year, the Coalition Avenir Québec government announced a 5.5% increase in funding to the university sector. Although university-specific details are unavailable, DBRS Morningstar believes the increased funding might help mitigate some budget pressures.

2020–21 Results

Unlike most Canadian universities, the Foundation holds and manages the University's debt retirement fund (sinking fund), endowment fund, and certain other restricted funds. Effective May 2019, the University started consolidating financial results for its significant controlled entities (including the Foundation) and restated its F2019 financial statements to reflect this change. The Foundation's assets represent roughly 30% of the University's balance sheet and Concordia exercises significant control over the Foundation's activities. As such, DBRS Morningstar adjusted Concordia's financial statements to consolidate the Foundation's activities and holdings in prior years.

On a consolidated basis, the University has posted deficits over much of the past decade because of major provincial funding reductions between 2010–11 and 2015–16. In 2020–21, Concordia reported a consolidated deficit of $21.0 million, an improvement over the $31.3 million shortfall in the prior year.

Total revenue increased (+3.5%), primarily driven by increased grant revenue (+3.2%), higher tuition revenues (+5.4%), and significantly improved investment income, which was largely unrealized (F2021: $27.8 million versus $1.8 million in F2020). Tuition revenues benefitted from healthy total enrolment growth (+4.5%) and planned tuition fee increases. Demographics remain a challenge for universities in Québec, with many universities reporting lower overall enrolment growth in F2021. In comparison, enrolment at Concordia showed robust recovery in 2021 after a modest decline (-0.7%) in the prior year. Both unfavourable demographic trends and the ongoing pandemic adversely affected domestic first year intake, while international student demand remained positive.

Government grants contribute the majority of the University's revenues. In recent years, provincial funding has increased as a result of targeted provincial measures to reinvest in post-secondary education and limited supports to offset some operating pressures from the pandemic.

Revenue across other categories declined for a second consecutive year because of the pandemic, resulting in lower revenues from services to the community, students, and other income (-12.4%), donations (-17.2%), and ancillary services and rental properties (-79.0%).

Total expense was up slightly (+1.8%); this is slower than in recent years. Concordia continues to maintain prudent spending control and noted some savings from limited activity on the campus during the year. Following multiple years of deficits, the University's net asset position has deteriorated over the past several years. As of April 30, 2021, net assets improved to $117.9 million following an increase in internally restricted assets and higher value of Concordia's endowments.

The University's actual F2021 results were better than previously anticipated because of in-year budget adjustments, higher than anticipated growth in tuition revenues, and effective cost containment efforts.

Capital

The University prepares an annual four-year rolling capital budget. The four-year plan allocates funds to projects based on the University’s priorities, provincial/federal capital support, and the availability/affordability of financing. Concordia’s Capital Asset Management and Financing Policy is intended to ensure that the University balances its infrastructure requirements with financial considerations.

Concordia continued to invest heavily in capital projects in 2020–21, with capital investment totalling $103.7 million. Concordia completed the construction of the applied science facility at Loyola (Science Hub) in 2020. The nearly $62.0 million project was primarily funded by the federal government's Post-Secondary Institutions Strategic Investment Fund and by contributions from the Province.

The University continues to invest in ongoing enhancements to Concordia’s information technology (IT) systems, payroll systems upgrade, facilities upgrades, renovation of the Henry F. Hall Building (Hall Building; likely to continue until the end of 2025), and various deferred maintenance needs.

The 2020–21 to 2023–24 Capital Plan identified approximately $361.6 million in capital projects over the four-year period, down from $447.7 million in the prior iteration (2019–20 to 2022–23). The University will seek to prioritize operational investments while limiting new capital allocations over the near to medium term. Roughly 59% of the planned capital costs will be funded through provincial and federal subsidies and grants, and private donations; approximately 23% of the total capital allocation is to be funded through sinking funds.

Beyond the already approved plan, Concordia will plan any additional projects in collaboration with private-public partnerships or through off balance sheet arrangements, and potentially with contributions from the Province to preserve the University's limited internal resources.

The University’s capital priorities are also likely to shift in the coming years as it develops an integrated and comprehensive Campus Master Plan (CMP), which will set a long-term vision for its campuses. The University has acquired real estate around its downtown campus in recent years and is also considering long-term rentals or lease options to support future growth needs. The new CMP is likely to provide some guidance on how this land may be redeveloped.

Among Québec universities, Concordia has an average amount of deferred maintenance. The most recent facility audit resulted in an estimated facility condition index (FCI) of approximately 19%, which is comparable with the Québec average of 19.0%, but well above the Province’s target of 15.0%. Concordia has invested heavily in infrastructure in recent years, providing students and researchers with modern facilities. The University owns two older buildings that account for the bulk of its deferred maintenance:

- **Grey Nuns Building (Grey Nuns):** A national historic site that now serves as student housing (601 beds) and study space. The large complex was previously the Grey Nuns Motherhouse and was built in the 1860s and 1870s.
- **Hall Building:** The large concrete academic building accounts for about 18% of the University's square footage. The building was constructed in the 1960s and is now more than 50 years old.

The two buildings contribute to nearly half of Concordia's FCI. The University plans to continue investing in deferred maintenance with significant allocations to both Grey Nuns and the Hall Building, which should help to reduce the FCI over the coming years.

Debt and Liquidity

DBRS Morningstar categorizes university debt in Québec as either university-supported or provincially supported. University-supported debt is issued by the university in its own name and serviced by its general revenues (e.g., tuition fees, operating grants, etc.), while provincially supported debt is issued in the university's name funded by provincial capital grants to the university. The latter is not explicitly guaranteed by the Province. Nevertheless, DBRS Morningstar views this debt as a provincial obligation because the Province dictates its issuance and services the debt through dedicated grants.

The universities transfer to the trustee all right, title, and interest related to the debt-servicing grants. The University is subject to a provincially imposed debt limit of $1.0 billion (total debt) and the University implemented revised thresholds for acceptable levels of net debt per FTE.

As at April 30, 2021, Concordia's university-supported debt burden was $442.0 million (or $14,183 per FTE). For $265.8 million debentures maturing between 2039 and 2059, the University is required by law to maintain a sinking fund. As at April 30, 2021, the sinking fund was valued at roughly $140 million. Since the sinking fund is not held by a trustee that can guarantee the integrity of the funds until maturity, DBRS Morningstar does not net the value of the sinking fund from the amount of university-supported debt for the purpose of ratio calculations. The sinking funds (held by the Foundation) are, however, included in DBRS Morningstar's measure of expendable resources.

- **Property-related debt:** The University established a sinking fund to repay $275 million in university-supported debentures and all other property-related investment debt. The fund had $82.3 million in assets at April 30, 2021, and Concordia estimates contributions of $1.5 million to the fund annually.
- **Equipment, infrastructure, and IT platforms debt:** The University has a sinking fund to repay debt related to shorter-duration assets, which had $56.6 million in assets at April 30, 2021. Concordia expects to contribute $7.5 million annually to the fund.

University-supported debt interest expense remained less than 3.0% of total expense, and the interest coverage ratio was 2.8 times (x) in F2021.

Concordia's debt retirement fund (sinking fund) and endowment fund are held by the Foundation. Prior to F2019, Concordia did not consolidate the results of the Foundation. Consequently, DBRS Morningstar adjusted the University's financial statements to include the Foundation's net assets.

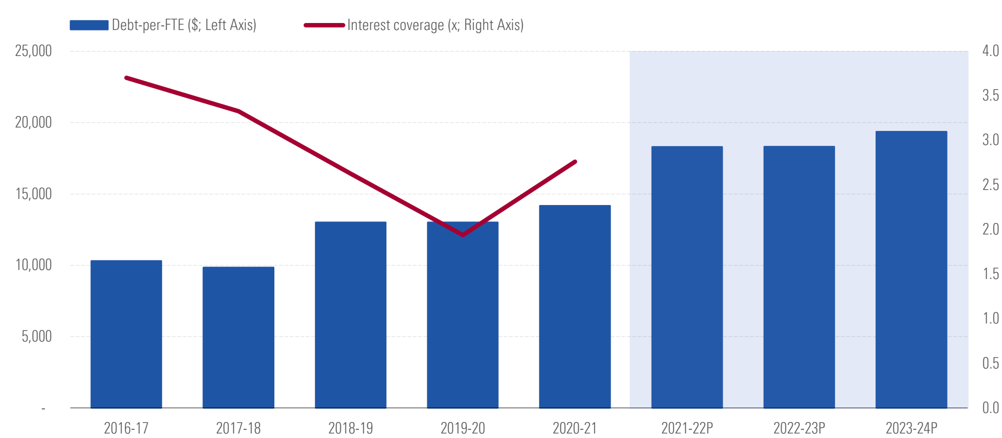
Starting in 2021-22, the Foundation will implement a new investment program, CMO, that aims to create additional fiscal capacity for the following:

- Donations received in the form of externally restricted endowments made to the University. The endowment makes annual payments to the University at a payout rate of 3.5% to support its operations.
- Capital investments and allocation by way of sinking funds set aside to repay the $275 million university-supported bond issuance set to mature between 2039 and 2059.
- Group insurance plans, unfunded future employee benefit obligations, and pension liabilities.

To support its goal of increased fiscal and investment flexibility, the Foundation has segregated the investment pool into three categories: a long-term pool, a mid-term pool, and a sinking fund. A transfer of $19 million from Concordia to the Foundation in F2022 will seek to help further investment opportunities and increase administrative efficiency.

Concordia has one of the weaker balance sheets among DBRS Morningstar-rated universities. DBRS Morningstar assesses balance sheet flexibility by calculating expendable resources, a subset of net assets that includes unrestricted net assets, most internally restricted net assets, and internally restricted endowments. As at April 30, 2021, DBRS Morningstar estimates Concordia's expendable resources to be $27.6 million, or 6.2% of university-supported debt. Expendable resources have remained weak in recent years as the University used up reserves to offset deficits.

Exhibit 2 Debt per FTE and Interest Coverage



P = projection.
Sources: Concordia and DBRS Morningstar.

Employee Future Benefits

The funding status and outlook for the University’s pension plan has improved considerably in recent years. Provincial legislation in 2016 required changes to public-sector pension plans in Québec. Effective January 1, 2018, pension-related risks and costs are more equally shared by the employer and employees with contributions of 55% and 45% (from 75%/25%) to the fund, respectively. The changes have provided savings to the University. The University conducts triennial actuarial valuations for funding purposes (i.e., determination of contribution rates, special payments, etc.).

Concordia’s most recent valuation as at December 31, 2019 (revised on January 26, 2021), indicated an unfunded liability of $100.3 million compared with $110.5 million as of December 31, 2018. This translated to an annual amortization payment of $10.5 million in 2020 (2019: $10.8 million) and an estimated annual payment of $9.5 million thereafter. Total required contributions payable in 2021 are estimated at more than $60 million. Funded status on a going-concern basis has improved in recent years with favourable investment results and was 91.2% as at December 31, 2019 (estimated to be 104.9% as at December 31, 2020). The University's next actuarial valuation is scheduled for December 31, 2022.

The University is required to make special payments to eliminate any going-concern deficits. Under the pension reform legislation, Concordia is fully responsible for pre-2016 going-concern deficits (excluding amortization payments that will be offset by the reserve) and is responsible for 55% of the going-concern deficits in the subsequent period. Concordia expects special payments to remain around $5.0 million annually through 2022. Universities in Québec are not required to make special payments to address solvency deficits.

The University also provides its employees with other postretirement benefits (e.g., life and health insurance). These benefits are paid on a pay-as-you-go basis and Concordia is not required to set aside funds against the liability. As at April 30, 2021, the University’s liability for these plans totalled $98.3 million. Over the longer term, these liabilities pose a challenge for the sector as the cost of future health benefits is expected to rise with improving longevity and inflation. At present, Concordia is responsible for 85% of the cost of the other postemployment benefits.

Outlook

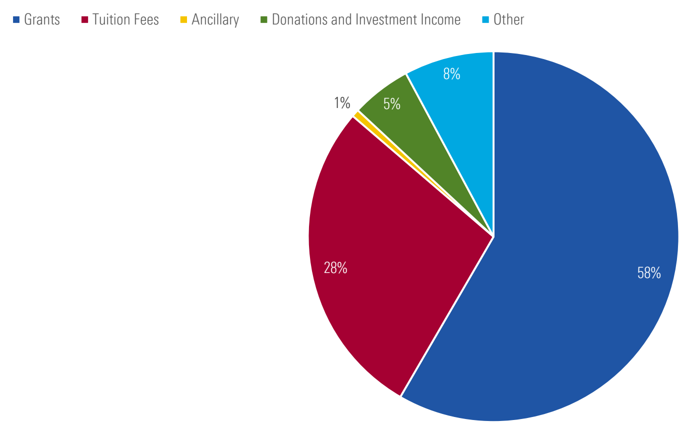
The University's projections suggest that debt burden is set to increase sharply in the coming years. Concordia has indicated that it will access debt for both strategic investments and to fund a portion of projected operating deficits over the medium term. DBRS Morningstar estimates University-supported debt-to-FTE could increase to approximately $20,000 by F2024—slower than previously estimated driven by healthy enrolment growth. However, the University has indicated to DBRS Morningstar that actual debt growth will likely be slower than projected.

University Funding in Québec

Québec universities generally have three major revenue sources for their core teaching and research activities: (1) government grants, (2) tuition fees, and (3) donations and investment income. For Concordia, these accounted for more than 90% of total revenue in 2020–21.

Provincial government funding remains one of the primary sources of revenue for universities across the country, although its relative importance remains under pressure in most provinces because of strained finances and competing priorities. Over time and at most universities, this has led to a gradual shift in the relative shares of revenue provided by operating grants, which have declined, and tuition fees, which have increased.

Exhibit 3 Revenue Breakdown (2020–21)



Sources: Concordia and DBRS Morningstar.

Government Funding (Provincial and Federal; 58%)

Government funding includes operating, research, and capital grants. Operating grants are the largest source of revenue and are exclusively provided by provincial governments. In Québec, operating grant funding is allocated through three principal funding envelopes:

- Teaching: Allocated across universities in proportion to enrolment at each institution with students weighted based on the relative cost of the program in which they are enrolled. Concordia's 2020–21 budget assumes a teaching grant of $192 million.
- Support for teaching and research: Funding for general administration costs, library operations, and computer and audio-visual equipment. It is composed of a fixed amount and a variable component based on enrolment (headcount). In 2020–21, the University foresees a support grant of $59 million.
- Maintenance (land and buildings): Provided largely based on the floor space that is recognized for funding purposes. Concordia anticipates a $38 million maintenance grant in 2020–21.

Between 2010–11 and 2015–16, the Province announced successive rounds of funding reductions as part of its broader deficit reduction effort. The funding reductions led to a deterioration in operating results and required universities to adopt offsetting measures. In 2017–18, the Province announced that it would (1) increase base funding to the sector and then (2) steadily increase funding levels to offset the impact of the previous funding reductions by 2022–23.

The federal government typically provides 65% to 75% of all public research funding. In recent years, the federal government has announced additional funding supports through research scholarships, in addition to several other measures to improve the affordability of post-secondary education in Canada.

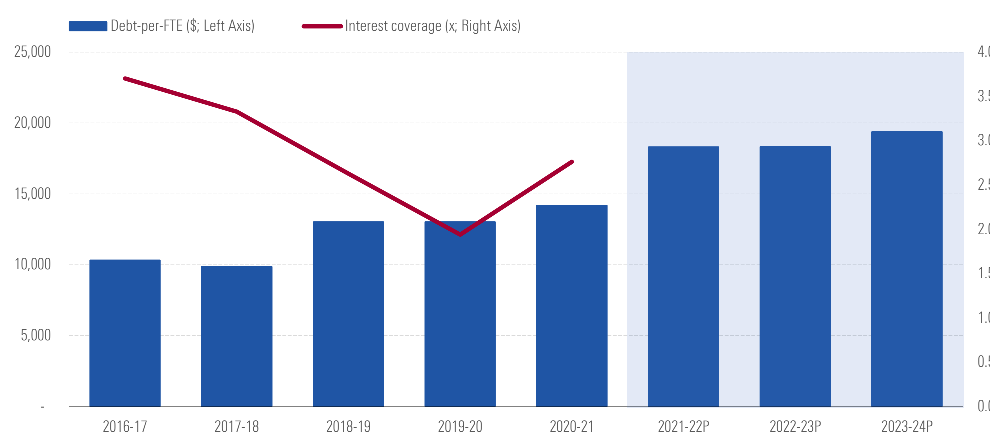
Capital grants are largely provided by provinces but take an unusual form in Québec. Rather than providing cash transfers as in other provinces, most capital grants are funded by debt issued by the Province in the university's name. The Province then provides the university with restricted grants to service that debt.

Tuition (28%)

Tuition fees are low in Québec, which reflects past policy decisions by the Province that limited increases. The current approach to fee increases has been in place since 2012. The Province has a formula-driven approach, which seems unlikely to change over the medium term after the widespread student protests that occurred in 2012. Despite the pandemic, the system continues to provide universities with modest flexibility to raise tuition fees to offset some of the inflationary pressures.

- **Residents of Québec:** Annual tuition fee increases for regulated programs can be increased by an amount equivalent to growth in a provincially defined indexation factor (similar to household disposable income).
- **Residents from other Canadian provinces, France, and Belgium:** Annual tuition fee increases for regulated programs can be increased by an amount equivalent to growth in average tuition fees elsewhere in Canada as estimated by the Province.
- **International students:** The Province deregulated tuition fees for international students in programs other than research-based masters and doctoral programs.

Exhibit 4 Average Provincial Undergraduate Tuition Fees (CAD)



Source: Statistics Canada.

Donations and Investment Income (5%)

Unrestricted donations and investment income recognized on the statement of operations represent a modest proportion of the University's revenue. Concordia launched a major fundraising campaign in November 2017 (The Campaign for Concordia: Next-Gen), seeking to raise $250 million. The University has raised approximately 85% of the campaign target.

In 2020–21, the University received $6.9 million (versus $8.3 million in 2019–20) in unrestricted donations, and $3.2 million ($2.3 million in 2019–20) in endowment contributions. As at April 30, 2021, the endowment's market value was $145 million. Concordia has among the smallest endowments of DBRS Morningstar-rated universities.

Statement of Operations (Adjusted)

(CAD thousands)	For the year ended April 30				
	2021	**2020**	**2019**	**2018**	**2017**
Revenues					
Tuition fees	185,280	175,750	162,178	148,302	131,583
Grants	387,419	375,377	365,019	330,970	315,870
Services to the community, students, and other income	51,976	59,345	62,123	58,215	59,729
Ancillary services and rental properties	4,366	20,791	23,457	23,578	24,065
Investment income	27,750	1,780	8,652	6,749	22,793
Donations	6,898	8,327	9,296	7,881	9,778
Total Revenues	**663,689**	**641,370**	**630,725**	**575,695**	**563,818**
Expenses					
Academic services and support	295,599	289,700	281,152	258,066	250,254
Research	75,509	71,682	73,803	63,370	57,428
Institutional services and support	105,427	104,413	99,670	89,713	85,386
Services to the community, students, and other expense	27,681	33,381	29,975	28,053	27,246
Endowed and restricted projects	25,480	17,552	15,322	14,105	16,108
Employee future benefits	51,962	50,271	48,988	44,542	43,416
Ancillary services and rental properties	7,484	17,375	16,165	15,785	15,537
Capital maintenance projects	18,032	11,284	10,506	2,815	2,403
Interest expense	27,196	29,202	26,660	24,241	24,726
Amortization of tangible capital assets	46,755	44,147	44,141	42,431	41,291
Amortization of intangible capital assets	3,610	3,651	4,133	3,569	3,466
Total Expenses	**684,735**	**672,658**	**650,515**	**586,690**	**567,261**
Operating Surplus (Deficit), as Reported	**(21,046)**	**(31,288)**	**(19,790)**	**(10,996)**	**(3,443)**
Nonrecurring revenue/(expenditures)[1]	-	-	-	-	(13,649)
Adjusted Surplus (Deficit)	**(21,046)**	**(31,288)**	**(19,790)**	**(10,996)**	**(17,092)**

1 2017–18 loss excludes a nonrecurring expense of $13.6 million for the voluntary retirement program.

Statement of Financial Position (Adjusted)

(CAD thousands)	As at April 30				
Assets	**2021**	**2020**	**2019**	**2018**	**2017**
Cash and cash equivalents	21,490	19,582	60,843	12,184	33,648
Grants and accounts receivable	134,600	145,726	160,706	76,576	66,873
Prepaid expenses and other assets	6,972	8,601	9,628	9,512	8,466
Amount receivable from MEES[1]	64,757	67,044	69,785	72,183	80,377
Investments	325,473	269,889	236,307	176,737	165,454
Tangible capital assets	916,559	877,944	852,656	806,581	795,192
Intangible capital assets	56,256	41,496	23,026	24,820	26,241
Other assets	715	503	465	3,520	3,648
Total Assets	**1,526,822**	**1,430,785**	**1,413,416**	**1,182,112**	**1,179,899**
Liabilities and Net Assets					
Liabilities					
Payables and other current liabilities	138,192	114,093	113,123	89,991	92,033
Unearned revenue	33,054	22,482	27,320	16,405	13,735
Bank loans	137,662	132,513	133,400	101,200	105,000
Long-term debt	694,913	681,861	633,694	566,091	564,953
Deferred contributions	273,237	241,375	237,096	133,991	124,248
Employee future benefit liability	131,906	179,351	190,305	182,024	161,803
Total Liabilities	**1,408,964**	**1,371,675**	**1,334,938**	**1,089,702**	**1,061,772**
Net Assets					
Unrestricted	(120,251)	(112,640)	(113,656)	(109,946)	(106,379)
Employee future benefits	(131,906)	(179,351)	(190,305)	(182,024)	(161,803)
Internally restricted	147,869	128,640	135,729	165,187	160,172
Invested in capital assets	77,154	105,890	125,228	136,993	143,250
Endowments	144,992	116,571	121,482	81,918	79,290
Consolidation adjustement[2]	-	-	-	282	3,597
Total net assets	117,858	59,110	78,478	92,411	118,128
Total Liabilities and Net Assets	**1,526,822**	**1,430,785**	**1,413,416**	**1,182,112**	**1,179,899**

1 MEES = Québec Ministry of Education and Higher Education.

2 Effective F2019, the University changed its accounting policy to consolidate financial statements for its significant controlled entities, in particular the Foundation. Prior to this accounting change, DBRS Morningstar adjusted Concordia's financial statements to consolidate the Foundation's activities and holdings.

Calculation of Free Cash Flow (Adjusted)

(CAD thousands)	For the year ended April 30				
	2021	**2020**	**2019**	**2018**	**2017**
Operating balance before fund transfers	(21,046)	(31,288)	(19,790)	(10,996)	(3,443)
Amortization	50,365	47,798	48,274	46,000	44,757
Other noncash adjustments	17,025	11,182	26,859	(23,004)	(10,810)
Cash Flow from Operations	**29,319**	**16,510**	**28,484**	**35,004**	**41,314**
Change in working capital	31,376	(25,313)	9,506	(14,898)	20,228
Operating Cash Flow After Working Capital	**60,695**	**(8,803)**	**37,990**	**20,106**	**61,542**
Capital expenditures	(103,739)	(91,556)	(92,555)	(54,014)	(45,588)
Free Cash Flow	**(43,044)**	**(100,359)**	**(54,565)**	**(33,908)**	**15,954**

Summary Statistics (Adjusted)

	For the year ended April 30				
	2021	**2020**	**2019**	**2018**	**2017**
Total Enrolment (Raw FTEs)[1]	**31,164**	**29,822**	**30,034**	**29,666**	**28,625**
Undergraduate (%)	86	84	84	85	86
Graduate (%)	14	16	16	15	14
Annual change (%)	4.5	-0.7	1.2	3.6	2.1
Enrolment (Headcount)					
Domestic (%)	78.7	78.2	79.4	81.6	83.5
International (%)	21.3	21.8	20.6	18.4	16.5
Total Staff (FTEs)[2]	**3,961**	**3,791**	**3,606**	**3,658**	**3,600**
Academic staff (%)	41	41	42	45	43
Operating Results					
Surplus (deficit; CAD thousands)	(21,046)	(31,288)	(19,790)	(10,996)	(17,092)
- As % of revenue	-3.2	-4.9	-3.1	-1.9	-3.0
- As % of revenue (five-year rolling average)	-3.2	-3.7	-4.0	-2.3	-3.1
Revenue Mix					
Government funding (%)	58	59	58	57	56
Tuition (%)	28	27	26	26	23
Ancillary (%)	1	3	4	4	4
Donations and investment income (%)	5	2	3	3	6
Other (%)	8	9	10	10	11
Debt and Liquidity					
Total debt (CAD millions)	833	814	767	667	670
Debt serviced by Province (CAD millions)	391	426	376	375	375
Debt serviced by University (CAD millions)	442	388	391	292	295
- Per FTE student (CAD)	14,183	13,007	13,009	9,857	10,311
Estimated university-supported interest charges (CAD millions)	16.6	17.6	17.5	15.0	15.3
Interest charges supported by University/total exp. (%)	2	3	3	3	3
Interest coverage ratio (x)[3]	2.8	1.9	2.6	3.3	3.7
Expendable resources (CAD millions)	27.6	16.0	22.1	55.2	53.8
As a share of long-term debt serviced by the University (%)	6.2	4.1	5.6	18.9	18.2
Endowments					
Total market value (CAD millions)	145	117	121	98	n/a
Per FTE student (CAD)	4,653	3,909	4,045	3,303	n/a

1 Excludes continuing education.

2 Staff and academic staff exclude auxiliary students and part-time faculty for continuing education. A part-time FTE faculty is based on a load of four courses of three credits.

3 Defined as surplus before interest, amortization, and fund transfers divided by interest charges supported by the University.

Rating History

Issuer	Debt	Current	2020	2019	2018	2017	2016
Concordia University	Issuer Rating	A	A	A	A	A	A
Concordia University	Series Unsecured Debt	A	A	A	A	A	A

Related Research

- *Rating Public Universities*, May 5, 2021.

Previous Report

- Concordia University: Rating Report, December 14, 2020.

Notes:
All figures are in Canadian dollars unless otherwise noted.

For the definition of Issuer Rating, please refer to Rating Definitions under Rating Policy on www.dbrsmorningstar.com.

Generally, Issuer Ratings apply to all senior unsecured obligations of an applicable issuer, except when an issuer has a significant or unique level of secured debt.

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