Rating Report

Concordia University

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DBRS

Insight beyond the rating.

Ratings

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

Rating Update

DBRS Limited (DBRS) has confirmed both the Issuer Rating and Senior Unsecured Debt rating of Concordia University (Concordia or the University) at "A" with Stable trends. The ratings reflect Concordia's solid position as a leading English-language university in the Province of Québec (Québec or the Province; rated A high) by DBRS), the high level of support from the provincial government, and a manageable medium-term debt outlook. The ratings remain constrained by weak operating performance, limited fee-setting autonomy, and by the challenging operating environment facing all Québec universities following several rounds of funding compression.

Concordia's fiscal performance improved somewhat in 2013-2014, with the University reporting a consolidated deficit of $18.7 million, compared with $44.2 million the prior year. Encouragingly, revenue growth of 8.6% outpaced that of expenditures, which rose by 3.2%. The most notable areas supporting revenue gains were growth in operating and debt servicing grants from the Province to support higher debt, materially higher donation revenue, and modestly higher tuition receipts stemming from indexation in tuition fees for Québec undergraduate students. Full-time equivalent (FTE) enrolment was largely stable year over year at 0.2%. Expense growth was fairly well-contained as spending on academic services, the largest expense category that includes most faculty teaching costs, rose by just 1.4% year over year, although rising pension costs continue to pressure overall spending.

In 2014–2015, the University expects to post breakeven results in the Operating Fund, less $8.8 million in non-recurring costs associated with a voluntary departure program (VDP) introduced to achieve longer-term labour cost savings. The recent improvement, albeit limited, in operating performance points to the success of measures that have been taken to help restore fiscal balance at Concordia; however, the near-term costs associated with savings initiatives such as the VDP and continued government funding cuts suggest that further expenditure restraint will likely be required. DBRS also notes that reported results in 2014–2015 are likely to be meaningfully weaker on a consolidated accrual basis after capital activities are incorporated.

Debt supported by the University rose by 8.3% or approximately $20 million year over year in 2013–2014, driven by new long-term bank financing associated with the acquisition and renovation of the Grey Nuns Motherhouse for use as student residences. Interest coverage rebounded to a comfortable 5.0 times from 3.3 times the prior year. Debt per FTE student reached approximately $9,200 in 2013–2014, up 8.1% year over year but below expectations at the time of the last review. Leverage is likely to reach just over $10,200 through 2015–2016 based on current planning assumptions, a level deemed to be manageable for the ratings. Further growth in borrowing above current expectations could begin to diminish flexibility in the credit profile and pressure financial risk metrics, especially if operating deficits persist over the forecast horizon.

Financial Information

	FY end April 30				FY end May 31
	2013-2014	2012-2013	2011-2012	2010-2011	2009-2010
Operating balance (DBRS-adjusted, $ millions)	(18.7)	(44.2)	20.7	9.0	(1.8)
Surplus (deficit) to revenue	(3.4%)	(8.8%)	4.0%	2.0%	(0.4%)
Interest coverage ratio (times) 1	5.0	3.3	5.4	5.4	2.8
Expendable resources to debt	9.3%	4.8%	4.7%	7.6%	4.1%
University-serviced debt per FTE ($)	9,203	8,514	8,001	8,733	9,165

1 Only includes University-supported debt charges. 2 Recorded at market value. FTE = full-time equivalent.

Issuer Description

Concordia University is one of three English-language universities operating in the Province of Québec. Located in Montréal, the University offers over 250 programs at the graduate and undergraduate levels on two campuses: Sir George Williams campus, in downtown Montréal, and Loyola campus in the west end.

Rating Considerations

Strengths

1. Strategic location in downtown Montréal
Concordia is located in Canada's second-largest urban centre, which provides the University with a large local catchment area and makes it an attractive destination for out-of-province and international students. Its English-language instruction and relative proximity to Ottawa and Toronto give the University access to the large Ontario market, although the demographic outlook for the university-age population has weakened

2. Responsive financial management practices
Despite a challenging provincial funding environment, Concordia has demonstrated its willingness to mitigate these challenges and ensure the continuation of sustainable fiscal results, although budget pressures have grown more acute in recent years. In addition, the use of a three-year budget cycle and the introduction of an integrated capital budgeting framework is helping to improve transparency of the financial planning process.

3. Historically strong provincial engagement toward education
Despite recent funding compression, the strong engagement of the Province toward post-secondary education has over the years been highlighted by the relatively high level of funding provided to Québec universities compared with those in other provinces, as well as the strong oversight exhibited over university operating and borrowing activities.

4. Low tuition fees
As a result of provincial policies, undergraduate university tuition fees for Québec residents are the second lowest in Canada, averaging $2,743 in 2014–2015, compared to a national average of $5,959. This fosters demand, leaves substantial room for upward adjustment, makes university education available to a broader pool of prospective students and creates an incentive on the part of the provincial government to allow for further increases in tuition fees, should it be required to do so to meet the financial needs of the system

Challenges

1. Limited ability to increase tuition fees
The Province sets the maximum tuition fees that can be charged by universities, which, for residents of Québec, has resulted in fees that are substantially below the national average. Following a provincial election in 2012, the previous plan to increase tuition fees by $325 per student annually was cancelled and replaced by a framework to index tuition fees to annual increases in per capita disposable income in Québec, approximately 0.9% for 2015-2016

2. Rising but manageable debt burden
University-supported debt remains manageable for the rating, at approximately $9,203 per FTE as of April 30, 2014. Capital investments under consideration are forecast to lead to university-supported debt reaching approximately $10,200 per FTE through 2015–2016, a level deemed to still be manageable for the ratings. However, further growth in borrowing could begin to diminish flexibility in the credit profile and pressure financial risk metrics, especially if operating deficits persist over the forecast horizon.

3. Provincial funding challenges creating budgetary pressure
Québec universities receive a relatively high level of public funding, although funding growth has historically been insufficient to make up for cost pressures and limited tuition flexibility, keeping Québec universities in a tight budget position. In 2012–2013, the government announced a mid-year cut to university operating grants, resulting in a funding reduction of $13.2 million for Concordia. This funding cut was made permanent in 2013–2014, exacerbating the University's deficit position. Further compressions, including the reversal of planned reinvestment, resulted in compression of nearly $17.0 million in 2014-2015. As the provincial government grapples with its own budgetary challenges, DBRS expects that the funding environment will remain constrained over the medium term.

4. Low level of financial resources and liquidity relative to debt
Unrestricted assets, available through the University's foundation, amounted to $23.9 million at year-end 2013–2014. This equates to 9.3% of university-supported debt, one of the lowest levels among DBRS-rated universities.

5. No provincial guarantee on subsidized debt
Although the Province is strongly committed to servicing its share of Concordia's debt (approximately $366 million as at April 30, 2014), no provincial guarantee exists on these obligations. As a result, interest and principal payments remain conditional on appropriations approved annually by the Québec National Assembly.

2013–14 Operating Performance

For the year ended April 30, 2014, Concordia recorded a consolidated deficit for all funds of $18.7 million or 3.4% of revenues, an improvement over last year's results but significantly weaker than the five year deficit-to-revenue average of 1.3%. Within the University's Operating Fund, revenues exceeded expenses by $4.1 million. After transfers to the Capital Asset Fund, the University's cumulative Operating Fund deficit (including internally-restricted funds) rose by $39.7 million to a high of $170.1 million. In 2013–2014, Concordia was required to absorb the remaining 50% of a $13.2 million funding compression introduced in 2012–2013, as well as additional cuts introduced mid-year, which aggravated the task of balancing operations.

Revenue growth exceeded inflationary pressures for the year, rising by 8.6% year over year. Tuition receipts were up by 3.6%, while ancillary student fee revenues fell by 1.2%, coinciding with minimal FTE enrolment growth of 0.2% to 27,907 students, below the budget assumption of approximately 1.0% growth. Applications were down moderately, resulting in a slightly higher offer rate to hold enrolment stable. Provincial operating grants, the most important source of revenue for the University, advanced by a notable 8.5%, primarily the result of the funding system in Québec that ties operating grants to enrolment two years prior. Grants related to debt servicing of long-term loans rose by 40.8% or just over $11.0 million on account of higher subsidized debt levels. Net donation revenues rebounded significantly to over $10.0 million, after a temporary transfer of funds to Concordia University Foundation (the Foundation) for future employee pension expenses caused net donations revenues to be nearly nil the prior year. Federal research grants received, other grants for restricted purposes, and sales, services and rentals income all experienced modest declines, but together account for a relatively small proportion of overall revenue.

Expenditure growth at Concordia slowed to a moderate 3.2%, down from a brisk 10.5% recorded the prior fiscal year. In response to budget pressures, academic units were required to find cost savings of 2.5%, while all other areas were mandated to reduce costs by a target of 6.6%. The most significant inflationary driver was the University's employee pension and benefit costs recognized during the year, which rose by 8.5% or $5.7 million despite an increase in the discount rate used to measure plan obligations. This expense partly reflects special going-concern payments of $1.7 million to address the actuarial deficiency. Academic services expenses, including faculty teaching costs, slowed to 1.4% above the prior year, but below the five-year average annual growth rate and notably below a recent high of 11.7% recorded in 2011-2012. University-supported interest charges fell by 0.7%, while interest charges supported by the Province rose by 2.4%. Spending on administrative services, sales, services and rentals were also down, partially offsetting growth in other areas.

Labour relations at Concordia were relatively stable in 2013–2014, with all but two collective agreements in place until May 2015, at which point the University will enter a significant new bargaining cycle with employee groups. DBRS notes that the management process and outcomes of labour relations at the University, including more timely settlements, have improved markedly in recent years.

Operating Outlook

Concordia conducts its activities through four different funds: operating, research, designated and capital asset funds. However, detailed forecasts on an annual basis are only prepared for the operating fund, which accounts for approximately three-quarters of total spending.

2014–15 Budget and Performance

The 2014–2015 fiscal year at Concordia again proved to be challenging, with a reversal of previously-announced reinvestment and further funding compressions by the provincial government depressing revenues in an environment of persistent inflationary pressure. In April 2014, the Board of Governors approved a budget with a projected deficit of $2.7 million. In order to address permanent annual cuts in operating grants, academic units were required to find cost savings of 2.5%, while all other support areas were mandated to reduce costs by 6.8%. Following approval of the budget, additional reductions in provincial operating grants to the University were introduced mid-year. In total, permanent funding reductions for the fiscal year were approximately $17.0 million, including the removal of planned reinvestment of roughly $11.0 million announced in the June 2014 provincial budget.

In response to these mid-year cuts, Concordia undertook a comprehensive expenditure review exercise, resulting in the introduction of a Voluntary Departure Program (VDP) for non-academic administrative and support staff aimed at reducing personnel costs over the medium and long-term. The initiative reduced staff headcount by 120 persons, with 90 persons participating and 30 positions that were closed. This resulted in one-time severance costs that will total approximately $8.8 million for the year, which are to be treated as an extraordinary item. Cost savings associated with the VDP should become more pronounced in 2015–2016.

Provincial limits on the fee-setting autonomy of Québec universities further constrain operating flexibility at the University. DBRS estimates that tuition fee indexation for domestic undergraduate students was approximately 2.2% for the year. The University met its enrolment target with growth in FTEs of approxi-

Operating Outlook (CONTINUED)

mately 0.8% year over year. Tuition fees were budgeted to rise to $121.7 million, or 31.5% of operating fund revenues. However, fees for domestic students remain well below the national average and have been rising below system cost inflation. Concordia continues to focus on the recruitment of graduate, post-doctoral and international students, shifting its "raw" to "weighted" FTE ratio upward for funding purposes. DBRS notes that the expansion of the graduate student base has had the effect of decreasing raw FTE enrolment in recent years.

The University anticipates that the combination of rising enrolment, modest fee indexation, and savings initiatives such as the VDP will produce balanced operating fund results in 2014–2015, a positive variance against the original budgeted deficit and in compliance with the Province's requirement to achieve balance in the operating fund. However, this balanced position excludes the extraordinary costs associated with the VDP, totalling approximately $8.8 million. DBRS notes that the consolidation of all funds on an accrual basis will likely result in meaningfully weaker results as reported in financial statements.

Outlook

DBRS expects that the 2015–2016 fiscal year at Concordia will be a transitional one, between a period of significant funding retrenchment and a more predictable operating environment. The most recent provincial budget indicates that the total funding envelope for education, post-secondary education and research will rise by 0.22% in 2015–2016, followed by increases of 1.6% in 2016–2017 and 2.4% through 2017–2018. In April 2015, the Province announced another round of funding compression of $72.9 million for the network, with Concordia's share being $6.2 million. This will be partially offset by tuition fee indexation of 0.9% for domestic students from Québec, 8.8% for out of province Canadian students and 2.7% for international students, which will generate additional revenues. System cost inflation continues to exceed incremental increases in government funding and tuition fee increases across the university network in Québec.

In 2015–2016, Concordia is again projecting growth in FTE enrolment of approximately 1.0%, with a similar mix of 25% international students and 9% from Canada outside of Québec. Modest enrolment growth will help to address some inflationary pressure; however, the cumulative effect of successive funding compressions and a rising base cost structure will continue to challenge the University to return to a balanced position on an accrual basis. DBRS expects that additional strategies to curb expenditure growth, including a continued emphasis on reducing labour costs will likely be necessary, absent provincial reinvestment or a higher proportion of revenues being derived from student tuition fees.

The University is about to enter a significant new bargaining cycle with employee groups, with all but two collective agreements (teaching and research assistants) up for renewal as of May 31, 2015. Agreements are unlikely to be concluded before broader agreements are reached between the Province and public service workers; however, Concordia's agreements are likely to conclude swiftly thereafter. The length of agreements for the faculty and part-time faculty groups have traditionally been three years; however, management indicates that some employee groups are supportive of a five-year agreement.

DBRS notes that reforms to pension plans fall outside of the University's collective bargaining process and changes to contribution levels or plan design, such as the imposition of equal cost sharing, will be informed by the broader pension sector reform legislation pending at the provincial level. Proposed legislation would mandate that university-sponsored pension plans operate on the basis of 50/50 future cost and risk sharing between employers and employees. In the near term, however, the expiration of funding relief in 2015–2016 will see special payments to address the going-concern deficiency rise from $3.75 million in 2014–2015 to approximately $5.5 million, adding to escalating current service costs.

Capital Plan

The University's total capital spending on a cash basis in 2013–2014 totalled $61.4 million, up over 50% from the prior year, as a comprehensive IT systems upgrade project was completed. The new IT system replaces a variety of paper-based processes for managing student information with a platform that captures financial accounts, admissions, enrolment, registration, degree audit and other administrative functions. The multi-year project was completed on time and on budget, with $15.0 million spent in 2013–2014 of the total budget of $23.5 million. Concordia plans to develop and launch human resources and finance modules on the system in 2015–2016. Although these investments have been financed in part with borrowing, an internally managed reserve fund has been established for repayment of IT and equipment borrowing, with $5.4 million to be contributed annually from operations over the next ten years. A property-related sinking fund is also managed at the Foundation, with annual contributions from operations of $1.0 million per year for 28 years.

In August 2014, the University completed renovations in the Grey Nuns building, converting the property to a 335 bed student residence with 600 new study spaces and cafeteria facilities, while greatly expanding Concordia's downtown footprint. University-supported bank financing of $11.7 million was obtained to cover balance of sale on the property, with an additional $1.2 million

Capital Plan (CONTINUED)

and $14.1 million obtained to cover renovations on the West and East Wings of the Grey Nuns building, respectively. Over the longer term, the University intends to explore further development of the building for mixed-use academic purposes.

An update to the rolling three-year capital budget was recently approved for the period 2014–2015 to 2016–2017 outlines $349.0 million in prioritized capital needs for both new investments and reinvestments in development, renovations, deferred maintenance, equipment and infrastructure and IT systems. The capital plan indicates that government subsidies are expected to finance approximately 64% of the plan, with net new borrowing covering $62.0 million or 18% of the proposed investments based on the current determination of fiscal capacity. The remainder would be financed through donations, the possible disposition of assets, and internal cash and short-term bridge financing. Debt obligations in the plan will be funded from the property-related sinking fund at the Foundation and the IT and equipment sinking fund managed at Concordia. A further $192 million in non-approved potential projects are also identified, should fiscal capacity exist at a future date. The University is exploring how to best optimize its real estate portfolio to help finance these capital investments, which include a potential new flagship academic and student centre building. For 2015–2016, no major capital construction projects are contemplated, beyond regular investments in lab space, classrooms and the deferred maintenance funded through the provincial grant bond program.

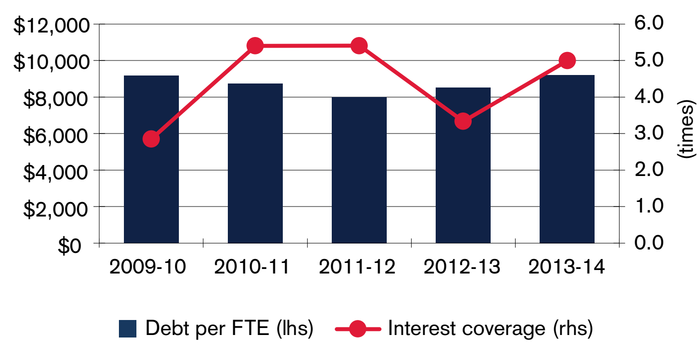
Debt and Liquidity

In addition to direct obligations incurred for capital purposes, Québec universities generally carry debt issued by the Province in their name to fund provincial grants awarded to them (Province-supported debt). These are direct obligations of the institution and do not benefit from a guarantee from the Province. However, for credit analysis purposes, DBRS views this debt as a provincial obligation, as the Province dictates its issuance and ensures its servicing through dedicated grants (the University transfers to the trustee all right, title and interest in the related debt-servicing grants).

Concordia's university-supported debt burden rose by 8.3% on a nominal basis year over year, primarily as a result of new long term bank financing for the balance of sale and renovations on the Grey Nuns property for use as a student residence facility. On a per capita basis, university-supported debt rose from $8,514 to $9,203 per FTE, a level deemed manageable for the current ratings. Interest coverage rebounded to a comfortable 5.0 times from 3.3 times the prior year, as cash flow from operation improved in line with a lower reported deficit and as interest costs supported by the University rose only modestly. Interest charges supported by the University as a proportion of total spending remained stable at 2.7%.

As of April 30, 2014, endowment assets held by the Foundation totalled $155.6 million, up 13.9% on continued strength in capital markets. Modest enrolment growth and strong investment results drove endowment assets per FTE higher, reaching $5,575 from $4,905 the previous year. Part of the University's endowment assets include an internal sinking fund, which is managed within the Foundation and reached $36.1 million as at April 30, 2014. In 2014–2015, growth in endowment assets from contributions and investment gains has likely pushed the sinking fund balance to an estimated $48.0 million. The University also reported $23.9 million in unrestricted financial resources at the Foundation and in reserves in 2013–2014, equivalent to 9.3% of university-supported debt. This level of expendable resources,

Fig. #1: University-Supported Debt Per FTE and Interest Coverage



while growing, remains at the lower end of levels observed at other DBRS-rated universities. DBRS notes that the University did not have any cash on the balance sheet at fiscal year-end ing 2013-2014, relying on its operating line of credit for working capital items.

The University's pension obligations remain a source of financial risk, despite some recent improvement in funded status of the plans. On a going concern basis, an updated valuation is expected to show an improvement in the pension plan deficit from approximately $110 million as of December 31, 2012, to less than $90.0 million, driven by strong net investment returns of 10.25% in 2014. DBRS notes that universities in Québec are only required to make special payments to address the going-concern shortfall and not solvency deficits. As noted, Concordia made going-concern payments of $3.75 million in 2014–15, which could rise to $5.5 million in 2015–2016 as provincial funding relief provisions expire. On an accounting basis, the University's employee pension plan deficit amounted to $344.6 million in 2013–2014, down from $375.6 million the prior year. The University's non-pension benefit plans had a shortfall of $139.3 million in assets to liabilities on an accounting basis.

Debt and Liquidity (CONTINUED)

Outlook

DBRS expects that debt per FTE at Concordia will have reached approximately $9,500 through 2014–2015, driven by higher short term borrowing for capital projects such as IT systems upgrades, acquisitions and other campus improvements, not fully offset by government grant bond funding. Based on current assumptions for future capital investment and operating needs, debt per FTE is likely to reach approximately $10,200 in 2015–2016, a level deemed to be manageable for the ratings. DBRS notes that the outlook for short-term debt is lower than anticipated at the time of last year's review due a greater proportion of this borrowing being classified as provincially-supported. The University utilizes its short-term borrowing facilities as a bridge before outstanding balances are rolled into grant bond obligations administered and serviced by the Province. Further growth in borrowing above current expectations for working capital and investment purposes could begin to diminish flexibility in the credit profile and pressure financial risk metrics, especially if operating deficits persist over the forecast horizon.

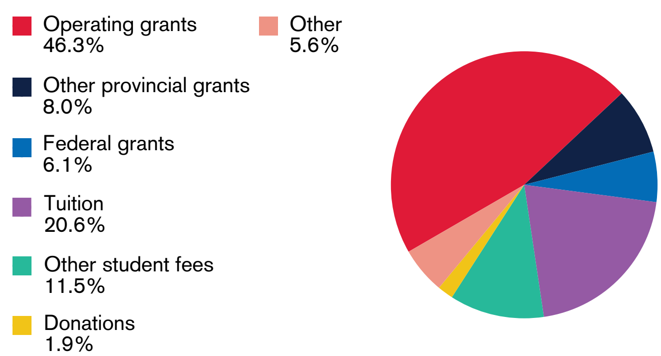
University Funding in Québec

Canadian universities generally have access to three key sources of revenue to fund their traditional academic and research activities: (1) government grants (provincial and federal), (2) student fees and (3) endowment income and donations. In the case of Concordia, these account for roughly 94% of total revenues.

Government Funding (Provincial and Federal – 60.4%): Government funding includes operating, research and capital grants. Operating grants constitute the most important revenue source for Canadian universities and are exclusively provided by provincial governments, as education is within provincial jurisdiction. In Québec, operating funding for a given year is based on enrolment levels two years before and includes three broad components:

1. Teaching: allocated across universities in proportion to enrolment at each institution, with each student weighted on the basis of the relative cost of the program in which they are enrolled.
2. Support for teaching and research: funding for general administration costs, library operations and computer and audiovisual equipment. It is composed of a fixed amount and a variable component based on enrolment.
3. Maintenance: provided largely on the basis of floor space recognized for funding purposes.

Fig. #2: 2013-2014 Consolidated Revenue Sources
($542.6 million*)



* DBRS-adjusted.

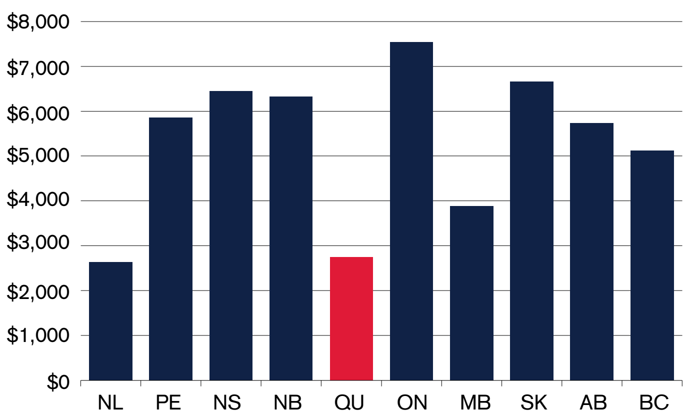
For fiscal years 2012–2013 and 2013–2014, the Province demanded significant funding compression from Québec universities, totalling approximately $246 million. This funding compression has since been made permanent and has forced universities to in–cur larger-than-anticipated deficits while the cuts are absorbed. The reversal of reinvestment and compression totalling $17.0 million for Concordia in 2014–2015, and a further cut of $6.0 million demanded for 2015–2016 have further aggravated the task of returning to balance at Concordia. Lack of clarity surrounding the future trajectory of pro–vincial funding adds a significant degree of uncertainty to budget processes. Ultimately, the operating funding envelope for universities is subject to change from year to year and is closely linked to the Province's own budget position. Program spend–ing for the Éducation, l'Enseignement supérieur et la Recherche portfolio is currently budgeted to grow by 0.2% in 2015–2016, 1.6% in 2016–2017 and 2.4% in 2017–2018, which should give institution relatively greater flexibility going forward.

Capital funding also largely originates from the Province. However, rather than taking the form of cash payments as in other provinces, most capital grants awarded to universities in Québec are funded by debt issued in the institutions' names but serviced by the Province through annual subsidies. This explains the relatively high debt level of Québec universities and their greater dependence on provincial funding. The Province provides some research funding, though the bulk of research funds are provided by the federal government.

University Funding in Québec (CONTINUED)

Tuition and Student Fees (32.0%):
The Province retains full discretion over tuition fees (20.6% of total revenue). For residents of Québec, fees were capped be-tween 1995–1996 and 2006–2007, and once again in September 2012, which explains why Québec has the second lowest tuition fees in the country. In the period be−tween 2007–2008 and 2011–2012, universities were allowed to increase tuition fees by $100 per year, although benefits were offset by the requirement to al-locate some of these revenues to student aid. For non-Québec residents, tuition fees are markedly higher. Historically, revenue collected from those students in ex−cess of tuition paid by resi-dents is generally appropriated by the Province and re-invested in the post-secondary education sys−tem; this has limited the ability of Québec universities to grow revenues by attracting out-of-province students. Beginning in 2008–2009, however, a size-able portion of the out-of-province student fees can be retained by universities.

Fig. #3: 2014-2015 Average Undergraduate Tuition Fees



Source: Statistics Canada.

After cancelling planned tuition fee hikes of $325 per year for domestic students between 2011–2012 and 2016–2017, the Prov-ince moved to institute more modest tuition fee indexation, albeit at a lower rate than initially announced. While this has provided some modest flexibility to institutions to keep pace with inflationary pressures, overall system-wide cuts have offset most of the revenue gains. In 2014–2015, indexation amounted to a DBRS-estimated year-over-year fee increase of 2.2% for do-mestic students. In 2015–2016, indexation will be just 0.9% for domestic students. Non-provincial Canadian students will face significantly higher fee increases of 8.8%, while international students will see tuition rise by 2.7%.

For 2014–2015, the average tuition fee in Québec was $2,743, com−pared with the national average of $5,959. Universities in Québec have retained some flexibility to set miscellaneous fees, such as application fees, registration fees and service charges, al-though those only account for 11.5% of Concordia's revenue base.

Fundraising and Endowment Contributions (1.9%): Fundrais-ing is a relatively new source of revenue for most universities in Canada. This is reflected in the fairly small endowment funds of most institutions and the still-negligible share of donation in-come and endowment contributions in the revenue base of Cana-dian universities relative to their U.S. counterparts. In the case of Concordia, fundraising only started gaining momentum in 1995.

The University recognizes all donations as revenue upon receipt, although donations received with long-term external restric-tions are transferred to the Concordia University Foundation. As of April 30, 2014, the Foundation had net assets of $155.6 mil-lion, or $5,575 per FTE. Although small in relation to other Cana-dian institutions of similar size, Foundation assets are expected to continue to gain importance over the coming years, aided by plans for a new fundraising campaign.

Concordia University

Consolidated Balance Sheet

($ thousands)	As at April 30				As at May 31
	2014	2013	2012	2011	2010
Assets					
Cash	-	474	2,544	-	-
Marketable investments	32	45	7	6,844	35
Receivables	78,613	55,720	61,947		84,310
Subsidies receivable from Province	138,351	134,693	140,191	140,581	143,877
Inventories and prepaid expenses	9,070	9,906	8,158	8,362	7,732
Capital assets	770,302	745,430	731,142	695,850	638,556
Concordia University Foundation - net assets	155,574	136,598	120,492	121,861	110,827
Other assets	20,087	8,281	1,401	1,415	7,812
Total Assets	**1,172,029**	**1,091,147**	**1,065,882**	**974,913**	**993,149**
Liabilities and Equity					
Accounts payable and accrued liability	71,913	78,805	73,608	87,103	73,139
Short-term debt serviced by University	13,037	19,299	-	17,785	40,997
Short-term debt serviced by Province	90,169	113,350	107,357	109,943	67,156
Unearned revenue	15,993	18,527	19,102	18,229	31,896
Other short-term liabilities	5,870	6,437	5,459	13,277	14,288
Employee future benefits	171,130	128,251	89,738	83,287	77,761
Deferred contributions	112,967	114,117	110,839	94,381	76,610
Net long-term debt serviced by University	243,794	217,794	218,599	216,916	197,521
Net long-term debt serviced by Province	276,538	224,181	242,853	231,861	254,189
Total Liabilities	**1,001,411**	**920,761**	**867,555**	**872,782**	**833,557**
Fund balances					
Invested in capital assets 1	183,887	162,745	162,193	144,739	142,621
Committed funds	63,541	60,543	60,002	52,377	33,989
Externally restricted	1,230	1,453	1,079	1,979	11
Concordia University Foundation	155,574	136,598	120,492	121,861	110,827
Accumulated deficit	(233,614)	(190,953)	(146,166)	(140,047)	(127,856)
Total Liability and Equity	**1,172,029**	**1,091,147**	**1,065,155**	**1,053,691**	**993,149**
Contingencies					
Potential claim - lawsuits	1,000	16,000	16,000	15,000	15,000
Pension-fund and other benefits deficit (if any)	483,874	511,625	428,645	202,959	239,410
	484,874	**527,625**	**444,645**	**217,959**	**254,410**

1 In 2008 results are presented under a new asset capitalization policy.

Consolidated Financial Summary (DBRS-adjusted)

($ thousands)	FY end April 30				FY end May 31
	2013-2014	2012-2013	2011-2012	2010-2011*	2009-2010
Operating revenue	542,622	499,554	512,870	458,156	453,351
Total expenditures	561,278	543,719	492,131	449,143	455,195
Recurring Surplus/(Deficit)	**(18,656)**	**(44,165)**	**20,739**	**9,013**	**(1,844)**
Non-recurring revenue/(expenditures)	-	-	(2,000)	-	(13,508)
Total Consolidated Surplus/(Deficit)	**(18,656)**	**(44,165)**	**18,739**	**9,013**	**(15,352)**
Revenue					
Tuition	111,667	107,828	102,693	94,582	85,178
Student fees 1	62,144	62,892	61,009	55,136	56,201
Provincial operating grants	251,464	231,735	234,057	211,795	224,145
Provincial grants for debt servicing	38,325	27,229	42,563	26,766	18,266
Other provincial grants for restricted uses	5,037	5,260	3,706	5,294	7,096
Federal grants	32,949	33,387	33,394	28,040	28,100
Sales, services, and rentals	23,985	24,644	24,224	23,471	23,326
Donations	10,401	326	6,735	8,541	5,225
Other income	6,650	6,253	4,489	4,531	5,814
Total Revenue	**542,622**	**499,554**	**512,870**	**458,156**	**453,351**
Expenditures					
Academic services	236,195	232,894	226,119	202,397	212,094
Administrative services	87,986	88,395	79,895	74,509	77,276
Research	52,183	47,798	41,029	38,091	38,292
Sales, services, and rentals	18,118	19,121	19,313	18,541	19,140
Amortization	38,141	36,434	34,839	31,623	32,308
Pension plan	**72,813**	**67,116**	**36,044**	**34,440**	**29,144**
Interest on subsidized debt	11,196	11,444	14,615	13,300	13,730
Interest on University-supported debt	15,046	14,626	14,238	12,872	14,578
Other 2	**29,600**	**25,891**	**26,039**	**23,370**	**18,633**
Total Expenditures	**561,278**	**543,719**	**492,131**	**449,143**	**455,195**
Gross Capital Expenditures	**61,408**	**40,608**	**58,101**	**88,740**	**47,422**

1 Includes services to the community, student services revenues and miscellaneous fees and other income. 2 For 2007-2008 and prior years, adjusted to exclude capex that is both expensed during the year and added to assets for future amortization.
* At the direction of the Ministère de L'Éducation, du Loisir ed du Sport du Québec, Concordia changed its fiscal year end to April 30 from May 31, starting in 2010-2011. In 2010-2011, results reflect an 11-month year and are not directly comparable with other years.

Statement of Cash Flow (DBRS-adjusted)

($ thousands)	FY end April 30				FY end May 31
	2013-2014	**2013-2013**	**2011-2012**	**2010-2011**	**2009-2010**
Operating balance before fund transfers	(18,656)	(44,165)	18,739	9,013	(15,352)
Amortization and other	78,823	78,340	44,007	47,690	42,304
Cash flow from operations	**60,167**	**34,175**	**62,746**	**56,703**	**26,952**
Change in working capital	(34,727)	(4,673)	(19,489)	(1,485)	(5,842)
Operating cash flow after working capital	**25,440**	**29,502**	**43,257**	**55,218**	**21,110**
Capital expenditures	(61,408)	(40,608)	(58,101)	(88,740)	(47,422)
Free cash flow	**(35,968)**	**(11,106)**	**(14,844)**	**(33,522)**	**(26,312)**
Financing activities	45,988	11,316	10,066	29,826	21,275
Investing activities (excluding capex)	(11,070)	(2,280)	11,340	1,541	7,293
Other	-	-	-	-	(2,492)
Increase (decrease) in cash	**(1,050)**	**(2,070)**	**6,562**	**(2,155)**	**(236)**
Cash (bank overdraft), beginning of year	474	2,544	(4,018)	(1,863)	(1,627)
Cash (bank overdraft), end of year	**(576)**	**474**	**2,544**	**(4,018)**	**(1,863)**

Summary Statistics (DBRS-adjusted)

	FY end April 30				FY end May 31
	2013-2014	**2013-2013**	**2011-2012**	**2010-2011**	**2009-2010**
Total Enrolment 1	27,907	27,846	27,323	26,876	26,026
Undergraduate	87%	88%	88%	88%	88%
Graduate	13%	12%	12%	12%	12%
Annual change (%)	0.2%	1.9%	1.7%	3.3%	4.9%
Total employees (FTE)	**3,637**	**3,791**	**3,598**	**3,548**	**3,478**
Academic staff (FTE)	41%	43%	40%	40%	39%

Note: 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 3 credits.

	2013-2014	2013-2013	2011-2012	2010-2011	2009-2010
Operating Results					
Recurring surplus (deficit) ($ thousands)	(18,656)	(44,165)	20,739	9,013	(1,844)
As % of revenues	(3.4%)	(8.8%)	4.0%	2.0%	(0.4%)
Revenue Mix (as % of total DBRS-adjusted revenue)					
Provincial government funding	54.3%	52.9%	54.7%	53.2%	55.0%
Tuition fees	21%	22%	20.0%	20.6%	18.8%
Endowment and expendable donations	2%	0%	1.3%	1.9%	1.2%
Other	23.2%	25.5%	24.0%	24.3%	25.0%
Debt and Liquidity					
Total debt ($ millions)	623.5	574.6	568.8	576.5	559.9
Debt serviced by Province ($ millions)	366.7	337.5	350.2	341.8	321.3
Debt serviced by University ($ millions)	256.8	237.1	218.6	234.7	238.5
Per FTE student ($)	9,203	8,514	8,001	8,733	9,165
Total debt and contingencies ($ millions)	1,108.4	1,102.2	1,013.5	794.5	814.3
Per FTE student ($)	39,718	39,584	37,092	29,560	31,287
Interest charges supported by University/total exp.	2.7%	2.7%	2.9%	2.9%	3.2%
Interest coverage ratio (times) 2	5.0	3.3	5.4	5.4	2.8
Concordia University Foundation					
Total net assets ($ millions)	155.6	136.6	120.5	121.9	110.8
Per FTE student ($)	5,575	4,905	4,410	4,534	4,258
Annual payout rate	3.5%	5.0%	5.0%	5.0%	5.0%

1 Full-time equivalent (FTE). Excludes continuing education. 2 Defined as surplus before interest, amortization, and fund transfers divided by interest charges supported by the University.

Rating History

	Current	2014	2013	2012	2011	2010
Issuer Rating	A	A	A	A	NR	NR
Senior Unsecured Debt	A	A	A	A	A	A

Related Research

- Canadian University Peer Comparison Table, April 6, 2015.

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.dbrs.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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