CONCORDIA UNIVERSITY FOUNDATION

2019 ANNUAL REPORT 2020

Fiscal year from May 1, 2019, to April 30, 2020

concordia.ca

CONCORDIA

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MESSAGE FROM THE PRESIDENT AND CHAIR

Worldwide, 2020 will undoubtedly be remembered for the outbreak of the COVID-19 pandemic. As it continues to disrupt our lives, our society and economy, we hope that you and those close to you are healthy and managing well under the circumstances.

The 2019-20 fiscal year for Concordia and its foundation has been heavily impacted by COVID-19. The university — and education sector as a whole — suddenly found itself in resiliency mode.

Concordia has focused on addressing the safety and business-continuity needs of its community. This has required balancing financial sustainability with transformational necessities. The university has tackled these challenges fearlessly — and we take pride in its ability to embrace a suddenly unknown and quickly evolving new environment.

The Concordia University Foundation (CUF) — the investment arm of the university — has moved forward in alignment with the university's sustainability policy, which was formally established in 2016. In 2018, the CUF began implementing responsible and impact investment policies and became a signatory to the United Nations Principles for Responsible Investment (UNPRI).

The CUF has since announced an ambitious entity transformation known as 100%-0%-10%, where CUF global assets will be 100 per cent invested in responsible investment strategies, with zero per cent in the oil and gas sectors and 10 per cent in impact investment by 2025.

In 2019-20, the CUF advanced its sustainability integration in the following ways:

- Initiated a full review of CUF investment policy and a new approach in portfolio construction and asset allocation. It seeks to meet the opportunities and challenges of the next generation, while maintaining the CUF's investment and risk-return targets. The CUF investment committee will begin the review process during the 2020-21 fiscal year.
- Tabled its second UNPRI report, resulting in a significant upgrade in just one year to a score of A (from B last year);
- Strengthened its impact investment policy, sourcing next-generation solutions and opportunities through allocations to:
    - Land Degradation Neutrality – aims to reduce and reverse land degradation and promote gender equality and social inclusion;
    - Urapi – helps small farmers increase product quality and yield as well as increase income through carbon finance;
    - Brighter Investments – funds higher education for high-potential students, helps to integrate them in the job market and, as a result, reduce poverty and inequalities and promote quality education;
- Created opportunities to integrate Concordia students in the evolution of impact investment allocations.

The pandemic affected the performance of the foundation and its investment pools. The long-term pool ended with a negative four per cent return on investment, while the mid-term pool did its job in protecting the capital, posting only a negative 0.5 per cent return.

Despite market disruptions, our endowment investment program still distributed close to $4 million to Concordia, with enough accumulated reserves thereafter to maintain a positive funding ratio of 103 per cent as of April 30, 2020. (Details appear in the financial statements included in this report.)

Since it began operations in 1996, the CUF and Concordia have become strong and integrated partners in advancing the mission of the university. As such, we decided to consolidate the financial statements of the university with those of the CUF to illustrate the full financial picture and health of the university. The CUF financial statements and accounting policies now fully recognize the entire net asset value of the CUF as part of Concordia assets.

The changes occurring in 2019-20 reflect the natural evolution of the CUF in alignment with the values of Concordia and its communities. The CUF remains well positioned to support the needs of students and the university, maintaining its leadership position in sustainability.

We would like to recognize and thank the members of the CUF's board of directors, as well as the investment committee, for their dedication and support in advancing the university and its sustainability goals through the CUF's work.

We hope you find this report helpful and thank you for your continued support.

Denis Cossette
President, Concordia University Foundation

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

2019-20 HIGHLIGHTS

Investment performance	Heavily impacted by COVID-19: net returns on long- and mid-term pools of -3.99% and -0.5% respectively
Net assets	Increased from $242M to $282M (16.5% growth)
Financial status – Endowment program	Decreased funding ratio to 103% and investment return reserves to 16.8%
Responsible Investment Policy: 2019 UNPRI report grade	'A' in second year of implementation and assessment
Impact Investment Policy: 2019-20 allocations	- Sourced close to 75% of its target allocation in first two years of implementation, reaching all three themes - 15 of the 17 UN SDGs
Commitment to sustainability	First Canadian university to commit to 100%-0%-10% strategy

INVESTMENT STRUCTURE

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

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

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

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

To that end, we created three pools:

- A long-term pool where the capital is not required to be transferred back for a period longer than 10 years and seeks a result target of 6.25 per cent;
- A mid-term pool designed to preserve capital while still generating an investment return target of 4 per cent within a two- to five-year period;
- A sinking fund which is intended to meet Concordia's debt obligations related to its sustainable bonds issued in 2019.

Below is the summary of all investment programs, their associated investment pool and net asset values as of the end of the 2019-20 fiscal year.

INVESTMENT PROGRAMS	INVESTMENT POOLS	NET ASSET VALUE
Donation – endowments	Long-term	$109.5M
Sinking fund – capital investments	Long-term	$63.4M
Sinking fund – bonds	Ministère des Finances du Québec (MFQ)	$1.5M
Sinking fund – program-equipment and IT	Mid-term	$44M
Donation – restricted	Mid-term	$33.7M
Group insurance plans	Mid-term	$16.7M
Others	Managed separately outside the CUF	$13.6M

CONCORDIA UNIVERSITY FOUNDATION INTEGRATED SUSTAINABILITY INVESTMENT FRAMEWORK

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

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

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

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

RESPONSIBLE INVESTMENT POLICY

The CUF is a long-term investor which, by becoming a signatory to the UNPRI in 2018, made the following commitment:

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

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

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

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

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

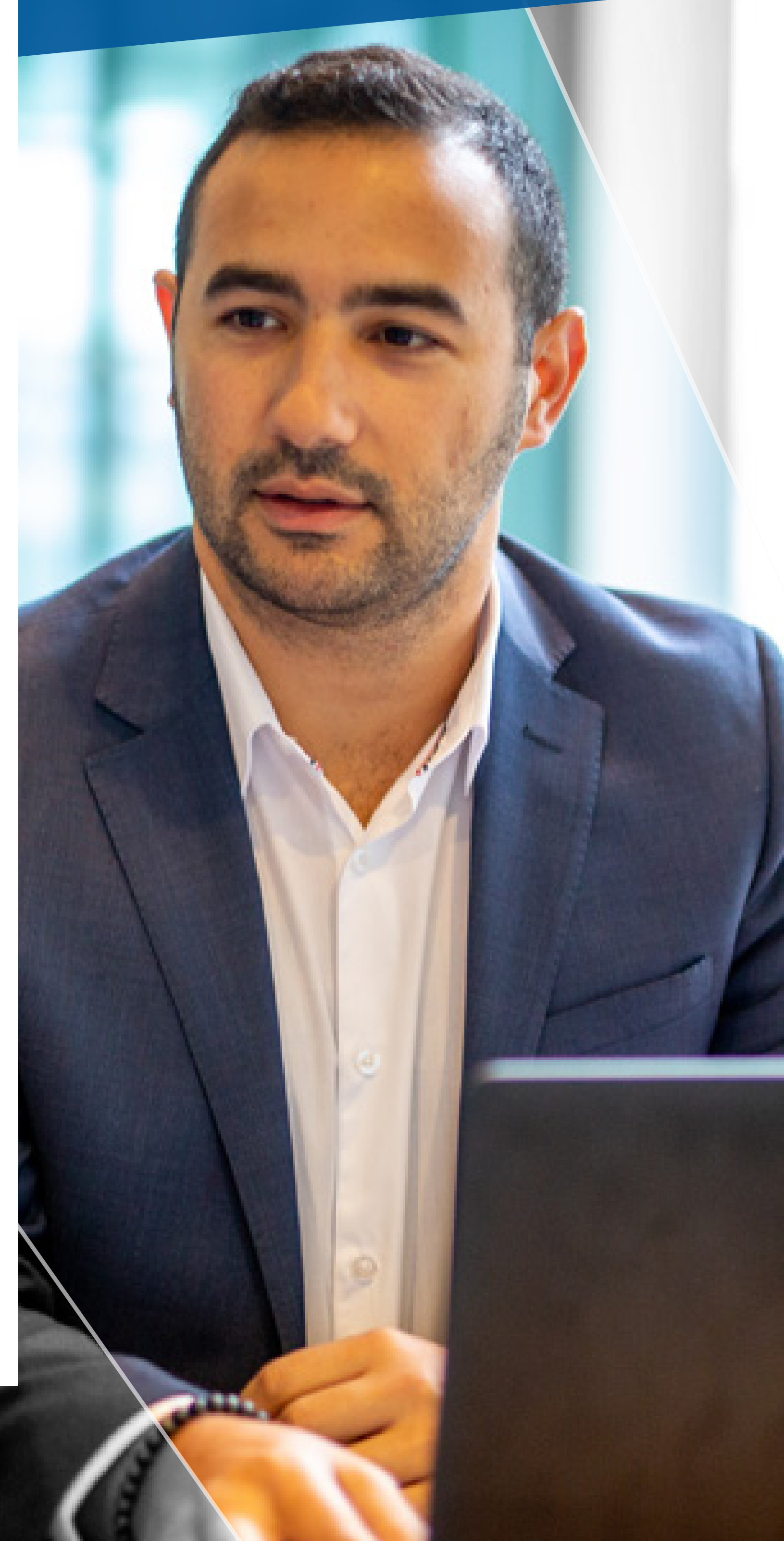
We also commit to evaluate the effectiveness and improve the content of the principles over time. We believe this will improve our ability to meet commitments to beneficiaries as well as better align our investment activities with the broader interests of society. We encourage other investors to adopt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

In our second year of implementation, we advanced our responsible investment activities in the following ways:

- Integrated our impact investment allocation with responsible investment principles;
- Increased the proportion of CUF assets managed by UNPRI-signatory managers to 99 per cent (from 87 per cent in 2018);
- Promoted responsible investment by issuing sustainable bonds in 2019;
- Revamped our annual report and public disclosure of the report and our investment policy;
- Presented to numerous internal and external audiences;
- Announced our commitment for 2025 and its evolution towards 100%-0%-10%.

These initiatives helped boost our UNPRI score to A (scores range from A+ to E) in our second-year report. The survey is organized in two main sections:

- Strategy and governance level (score of 83 per cent);
- Manager selection, appointment and monitoring level (average score of 77 per cent).



IMPACT INVESTMENT POLICY

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

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

The CUF is taking a broad thematic approach to impact investing and is moving to better align its financial assets with its mission. It will invest a portion of its funds in solutions that focus on Montreal youth and sustainable livelihoods across Canada — with the intention to target all 17 United Nations Sustainable Development Goals (UN SDGs). We have designed the policy under the following principles:

- Prioritize impact while still achieving target returns, acting on opportunities where there is a reasonable financial risk for the potential impact created;
- Embrace a learning orientation, recognizing that impact investing often involves structures (direct investments and alternatives) that take longer to implement and have longer impact horizons;
- Intentionally consider and balance a range of impacts — from hyper-local community impact focusing on Montreal youth to investments across Canada — without rigid thematic alignment.

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

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

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

Over its first two years of implementation, we have committed 75 per cent of our target asset allocation of 5 per cent toward impact investments. Eight different investment strategies target all three impact themes as well as 15 of the 17 UN SDGs.

PORTFOLIO MANAGERS	INTENTIONS	IMPACTED THEMES	IMPACTED UN SDG
Inerjys	• Off-grid solar solutions • Combatting food waste and local food insecurity • Challenging conventional wind industry economics	Local and domestic impacts	1, 2, 3, 4, 7, 8, 12
Cycle Capital	Clean-tech investments in: • Clean power storage and energy efficiencies • Clean transportation and smart cities technologies • Green chemistry, waste, biogas, biofuel and biomass transformation • Green IoT, big data and AI • Sustainable agriculture	Local and domestic impacts	1, 2, 5, 7, 8, 9, 11, 12, 14, 15, 17
Brighter Investment	Higher education: access for brightest students across the globe	Youth	1, 4, 5, 8, 10
Teralys	Life sciences – provincial government partnership	Local and domestic impacts	3
Land Degradation Neutrality/ Urapi	Reduce or reverse land degradation	Local and domestic impacts	1, 2, 5, 6, 10, 13, 15

In all sourcing opportunities, the CUF was able to provide Concordia students with the possibility for internships, including as participants on Cycle Capital's impact investment committee.

GLOBAL INVESTMENT POLICY AND ITS ASSET ALLOCATIONS

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

At the end of the 2019-20 financial year, the asset allocation for each pool along with its portfolio managers was as follows:

ASSET CLASSES	PORTFOLIO MANAGERS	LONG-TERM POOL	MID-TERM POOL	MFQ Pool
Equities		**50%**	**16.2%**	**0%**
Canadian	Leith Wheeler	10%	3.2%	
Global developed markets	RBC	20%	6.3%	
Emerging markets	Fisher	10%	3.2%	
Global small caps	CC&L – Global Alpha	5%	1.8%	
Private	Neuberger Berman	5%	1.8%	
Fixed income		**15%**	**52.8%**	**100%**
Cash and cash equivalents	Office of the Treasurer – Concordia University	0.5%	10%	
Canadian nominal	Addenda impact fund and commercial mortgages	4.5%	26.6%	
High yield	Barings	5%	8.1%	
Private	Mesa West	5%	8.1%	
Government of Canada and provincial	Office of the Treasurer – Concordia University	0%	0%	100%
Alternatives		**35%**	**31%**	**0%**
Absolute return - fixed income	RPIA, Formula Growth	10%	10.33%	
Private real estate	UBS, Great West Life	10%	10.33%	
Private agriculture and timberland	Hancock	10%	10.33%	
Impact investments				
Venture capital	Inerjys, Cycle Capital, Teralys, Brighter Investment, Land Degradation Neutrality/Urapi	5%	0%	0%

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

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

PLAN MANAGEMENT

The CUF is governed by a legally autonomous board of directors responsible for the fiduciary obligations of the CUF, along with the sound management of the entity and its investments. In 2019-20, it was composed of the following members:

- Howard Davidson, chair
- Brian Edwards, vice-chair
- Christine Lengvari
- Ralph Loader
- Andrew Molson
- Rick Renaud
- Patricia Saputo
- Lorne Steinberg
- Jeff Tory
- Graham Carr, president, Concordia University
- Denis Cossette, president, CUF
- Paul Chesser, vice-president, Advancement, Concordia University

The board of directors is supported by a specialized investment committee, which oversees and approves the investment decisions of the CUF. In 2019-20, it was composed of the following members:

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

The board of directors is also supported by an audit committee, which oversees and approves the financial statements of the CUF. In 2019-20, it was composed of the following members:

- Patricia Saputo, chair
- Brian Edwards
- Christine Lengvari
- Andrew Molson
- Jeff Tory

The board of directors and investment committee have delegated the management operations of the CUF to Concordia's Office of the Treasurer (OoT) and its investment division. These operations include leadership of the entity, implementation of its policies, recommendations of investment allocations and the administration of the overall entity. In 2019-20, the OoT investment division was composed of the following members:

- Marc Gauthier, treasurer and chief investment officer
- Abdel Chabi-Yo, director
- Geir Rune Johnskareng, advisor
- John Boyronikos, financial analyst
- Florence Kwan, financial accountant
- Ekaterina Krasnova, financial accountant
- Janice Wong, administrative coordinator

INVESTMENT PERFORMANCE

In 2019-20, the investment returns generated by the CUF were below the return targets of its investment pools as it was significantly impacted by COVID-19:

ASSET CLASSES	TARGETS AND NET RETURNS		PORTFOLIO MANAGERS	
	Long-term pool	Mid-term pool		
Equity	-8.49%		• Leith Wheeler (-14.2%) • RBC (2.14%) • Fisher (-8.85%)	• Global Alpha (-13.5%) • Neuberger Berman (24.9%) • US small cap ETF (-19.62%)
Fixed income	1.32%		• Addenda – impact fund (7.84%) • Addenda – commercial mortgages (2.98%) • Barings (-8.85%) • Mesa West (5.44%)	
Alternatives and impact investments	1.62%		• RPIA (-10.5%) • Formula Growth (-3.88%) • UBS (5.8%) • GWL (7.49%) • Hancock (8.10%) • ETF listed infrastructure (-15.3%)	• Wells Fargo (2.4%) • Inerjys (0%) • Brighter Investment (0%) • Cycle Capital (0%) • Teralys (0%) • Land Degradation Neutrality/Urapi (0%)
Total	-3.99%	-0.5%		
Strategic targets (gross)	6.25%	4%		
Market benchmarks	-0.3%	2.54%		

Long-term pool returns

FISCAL YEAR	NET RETURNS
2015 – 2016	-2.59%
2016 – 2017	14.07%
2017 – 2018	3.25%
2018 – 2019	7.28%
2019 – 2020	-3.99%

Mid-term pool returns

FISCAL YEAR	NET RETURNS
2018-2019	5.65%
2019-2020	-0.50%

LOOKING FORWARD

As Concordia evolves in a disrupted industry, the university remains focused on its core sustainability values while identifying new needs for its students and the global community. In this context, the CUF will continue to align with and support the university. Over the next couple of years, the CUF will:

- Review of its investment policy in positioning the full implementation of the 100%-0%-10% objective by 2025;
- Complete the full design and implementation of the Responsible Investment Policy;
- Continue sourcing deals aligned with the Impact Investment Policy themes and objectives, including the design and implementation of an integrated measurement framework and report;
- Design and implement an integrated due-diligence framework, which includes ESG integration and a measurement program for its market research, recommendations, onboarding, monitoring and reporting processes.

Financial Statements of

CONCORDIA UNIVERSITY FOUNDATION

Year ended April 30, 2020

CONCORDIA UNIVERSITY FOUNDATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Concordia University Foundation

Opinion

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

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

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

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

Basis of Opinion

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

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

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

Emphasis of Matter - Comparative Information

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

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

Our opinion is not modified in respect of this matter.

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

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

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

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

Auditors’ Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP*

Montréal, Canada

October 21, 2020

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

CONCORDIA UNIVERSITY FOUNDATION

Statement of Financial Position

April 30, 2020, with comparative information for 2019

	2020	2019 (Restated - Note 2)
Assets		
Current assets:		
Cash and cash equivalents	$ 11,943,027	$ 4,930,545
Accrued investment income	505,177	498,284
Net investment sales receivable	17,456	21,992
Sales taxes receivable	64,921	10,518
	12,530,581	5,461,339
Investments (note 3)	266,805,527	233,223,520
Fair value of life insurance policies	3,082,844	3,082,844
	$ 282,418,952	$ 241,767,703
Liabilities and Net Assets		
Current liabilities:		
Net investment purchases payable (note 5)	$ 26,536	$ –
Accounts payable and accrued liabilities (note 5)	518,084	745,983
	544,620	745,983
Net assets:		
Due to Concordia University (note 4)	281,874,332	241,021,720
Unrestricted	–	–
	281,874,332	241,021,720
Commitments (note 8)		
	$ 282,418,952	$ 241,767,703

See accompanying notes to financial statements.

On behalf of the Board:

_______________________ Director

_______________________ Director

CONCORDIA UNIVERSITY FOUNDATION

Statement of Operations and Net Assets

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

	2020	2019 (Restated - Note 2)
Revenues:		
Recoveries from Concordia University	$ 1,915,173	$ 1,752,634
Expenses:		
Management fees	1,247,788	1,095,752
Professional fees	333,440	322,967
Insurance policy payments	333,945	333,915
	1,915,173	1,752,634
Revenues over expenses	$ –	$ –
Unrestricted net assets, beginning of year	$ –	$ –
Unrestricted net assets, end of year	–	–

See accompanying notes to financial statements.

CONCORDIA UNIVERSITY FOUNDATION

Statement of Cash Flows

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

	2020	2019 (Restated - Note 2)
Cash provided by:		
Operating activities:		
Excess (deficiency) of revenues over expenses	$ –	$ –
Net change in non-cash operating working capital items	(258,122)	(155,919)
	(258,122)	(155,919)
Financing activities:		
Increase in due to Concordia University	40,852,612	46,754,119
Investing activities:		
Acquisition of investments	(102,452,887)	(195,848,688)
Reinvested capital	(4,337,794)	(14,539,692)
Disposal of investments	61,022,611	153,052,613
Fair value variation	12,186,062	848,987
	(33,582,008)	(56,486,780)
Net increase (decrease) in cash and cash equivalents	7,012,482	(9,888,580)
Cash and cash equivalents, beginning of year	4,930,545	14,819,125
Cash and cash equivalents, end of year	$ 11,943,027	$ 4,930,545

See accompanying notes to financial statements.

The Concordia University Foundation (the "Foundation") was incorporated as a corporation without share capital under Part II of the *Canada Corporations Act* in April 1991 and became operational on June 1, 1995. Effective April 11, 2014, the Foundation was continued under the *Canada Not-for-profit Corporations Act*. The Foundation is the fund management partner to Concordia University. Its mission is to use its resources exclusively to encourage the advancement and development of higher education, teaching, research and other charitable activities of Concordia University. The Foundation, a registered charity, is associated with Concordia University and is therefore exempt from income tax under the *Income Tax Act*.

1. Significant accounting policies:

(a) Basis of presentation:

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

(b) Accounting estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements, such as investments, and life insurance policies. These estimates are based on management's knowledge of current events and actions that the Foundation may undertake in the future. The main accounts impacted by estimates are related to the fair value of investments. Actual results may differ from these estimates.

(c) Entity accounting:

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

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

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

The Foundation consists of the following investment programs:

- Endowment Program ("END")
- Sinking Fund program - property related capital investments

1. **Significant accounting policies (continued):**

(c) Entity accounting (continued):

- Sinking Fund Program - Equipment and Information Technology related capital investments
- Group Insurance Fund Programs ("GIP")
- Donated Restricted Funds Investment Program ("DRIP")
- Sinking Fund program for 2019 CU Bonds - MFQ ("MFQ")
- Illiquid In-kind Restricted Donations Program
- Special Endowment Program - Jarislowsky Fraser ("JFL")
- Special Endowment Program - Desjardins ("DESJ")
- Van Berkom Investment Management Program ("VBIMP")

The full net asset value of the Foundation is recognized as a due to Concordia University.

(d) Financial assets and liabilities:

(i) Initial measurement:

Upon initial measurement, the Foundation's financial assets and liabilities are measured at fair value, which, in the case of financial assets or financial liabilities that will be measured subsequently at amortized cost, is increased or decreased by the amount of the related financing fees and transaction costs. Transaction costs relating to financial assets and liabilities that will be measured subsequently at fair value are recognized in operations in the year they are incurred.

(ii) Subsequent measurement:

At each reporting date, the Foundation measures its financial assets and liabilities at amortized cost (including any impairment in the case of financial assets), except for the fair value of life insurance policies, investment funds and common shares which are measured at fair value and bond investments which the Foundation has elected to measure at fair value by designating that fair value measurement shall apply.

With respect to financial assets measured at amortized cost, the Foundation assesses whether there are any indications of impairment. When there is an indication of impairment, and if the Foundation determines that during the year there was a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it will then recognize a reduction as an impairment loss in operations. The reversal of a previously recognized impairment loss on a financial asset measured at amortized cost is recognized in operations in the year the reversal occurs.

1. **Significant accounting policies (continued):**

(e) Revenue recognition:

The Foundation follows the deferral method of accounting for contributions.

Recoveries from Concordia University are recorded when expenses are incurred.

Contributions received are recognized as Due to Concordia University in the year in which they are received or receivable, if the amount to be received can be reasonably estimated and ultimate collection is reasonably assured.

(f) Fair value changes in investments:

Investment transactions are recorded on the transaction date and resulting revenues are recognized using the accrual method of accounting.

Changes in fair value are recognized when they occur.

With respect to investments measured at fair value, the Foundation has elected to include in changes in fair value interest income (including amortization of bond investment premiums and discounts), dividend income and the revenue from investments in investment funds.

(g) Contributed supplies and services:

The Foundation recognizes contributed supplies and services when the fair value of these contributions can be reasonably estimated and if it would have had to otherwise acquire these supplies and services for its normal operations.

(h) Cash and cash equivalents:

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

(i) Foreign currency translation:

The Foundation uses the temporal method to translate transactions denominated in a foreign currency. Under this method, monetary assets and liabilities are translated at the exchange rate in effect at the financial position date. Non-monetary assets and liabilities are translated at historical exchange rates, with the exception of those recognized at fair value, which are translated at the exchange rate in effect at the financial position date. Revenues and expenses are translated at the average rate for the period. The related exchange gains and losses are accounted for in the operations for the year. Exchange gains and losses on financial instruments subsequently measured at fair value are included in changes in fair value of investments in the statement of operations.

1. Significant accounting policies (continued):

(j) Life insurance:

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

2. Restatement for 2019:

Effective May 1, 2019, the Foundation changed its accounting policy on its revenue recognition of contributions from the restricted fund method of accounting to the deferral method of accounting for contributions. The Foundation adopted this change to provide more reliable and relevant information to its users, and to align its financial statement presentation with that of Concordia University. The impact of this change on the financial statement line items was as follows:

	As previously reported	Impact of change	Restated amount
Other fund balances - beginning of year	$ 96,391,492	$ (96,391,492)	$ –
Endowment fund balances - beginning of year	81,804,079	(81,804,079)	–
Unrestricted fund balances - beginning of year	32,818	(32,818)	–
Net assets due to Concordia University	36,600,644	204,421,076	241,021,720
Endowment fund - Specified gifts from Concordia University	7,325,187	(7,325,187)	–
Other funds - Changes in fair value of investments	16,974,244	(16,974,244)	–
Recoveries from Concordia University	–	1,752,634	1,752,634
Other funds - Specified gifts from Concordia University	8,526,453	(8,526,453)	–
Other funds - Transfers to Concordia University	4,880,563	(4,880,563)	–

3. Investments:

		2020		2019
	Market value	Cost	Market value	Cost
Equities	$ 35,690,570	$ 38,698,202	$ 13,863,058	$ 11,201,858
Bonds	2,508,530	2,466,004	589,883	593,855
Investment funds	228,606,427	224,257,912	218,770,579	206,632,188
	$ 266,805,527	$ 265,422,118	$ 233,223,520	$ 218,427,901

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

4. Net assets due to Concordia University:

Beginning balance	$ 242,038,814
Transfers received from Concordia University	55,859,553
Less prior year's gifts receivable	(1,017,094)
Add current year's gifts receivable	37,575
	54,880,034
Increase in due to Concordia University:	
Increases in due to Concordia University from operations:	
Due to Concordia University for increase in END payout payable	550,658
Due to Concordia University for increase in DRIP payable	7,902,833
Due to Concordia University for expenses payable	891
	8,454,382
Decreases in due to Concordia University:	
Distribution to Concordia University:	
Transferred to Concordia University	(7,022,683)
Transfers accrued due to/from Concordia University	(1,360,282)
	(8,382,965)
Decreases in due to Concordia University from operations:	
Due from Concordia University for contributions to END	(37,575)
GIP current year's loss	(55,508)
Due from Concordia University for contributions to DRIP	(3,048,163)
Due from Concordia University for END payout to DRIP	(3,989,537)
	(7,130,783)
Decrease in fair value of investment (note 6)	(6,069,977)
Recoveries received from Concordia University	(1,915,173)
Ending balance	$ 281,874,332

5. Accounts payable and accrued liabilities:

	2020	2019
Professional fees (Concordia University salaries and benefits)	$ 309,194	$ 266,800
Management fees	208,890	479,183
Net investment purchases payable	26,536	–
	$ 544,620	$ 745,983

6. Changes in fair value of investments:

	2020	2019
Investment income:		
Dividends	$ 3,354,236	$ 4,082,514
Interests	1,356,070	908,056
Partnership income	654,216	336,876
Pooled fund income	–	1,200,271
Other income	–	3,647
	5,364,522	6,531,364
Realized gains	1,880,146	2,775,788
Change in unrealized (depreciation) appreciation	(13,307,213)	7,603,272
Other	(7,432)	63,820
	$ (6,069,977)	$ 16,974,244

7. Financial risks:

There has been no significant change to the risk exposure during the year, other than the impacts of COVID-19 as described in note 9.

(a) Credit risk:

The Foundation is exposed to credit risk regarding the financial assets recognized on the statement of financial position, other than investments in common shares and investment funds. The Foundation has determined that the financial assets with more credit risk exposure are corporate bonds since failure of any of these parties to fulfil their obligations could result in significant financial losses for the Foundation. The risk is mitigated by adhering to the investment policy targets as described in the investment policy. In addition, monitoring of our managers is done on a regular basis. Currently, the allocation to corporate bonds in Foundation's portfolio is low.

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

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

7. Financial risks (continued):

(b) Market risk:

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

(i) Interest rate risk:

The Foundation is exposed to interest rate risk with respect to financial assets bearing fixed interest rates.

The investments in bonds bear interest at a fixed rate and the Foundation is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations.

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

(ii) Currency risk:

The majority of the transactions are in Canadian dollars. Currency risk results from the Foundation's sales and purchases of investments denominated in foreign currency which are primarily in U.S. dollars. As at April 30, 2020, financial assets in foreign currency represent cash and cash equivalents totalling $1,224,048 (2019 - $894,736) and investments totalling $58,742,085 (2019 - $34,827,928).

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

(iii) Other price risk:

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

(c) Liquidity risk:

The Foundation's liquidity risk represents the risk that the Foundation could encounter difficulty in meeting obligations associated with its financial liabilities. The Foundation is, therefore, exposed to liquidity risk with respect to all the financial liabilities recognized on the statement of financial position. The liquidity risk is mitigated partly by the University’s line of credit and partly by keeping part of the assets invested in highly liquid financial instruments.

8. Commitments:

Investment commitments:

The Foundation has committed to making contributions in future years in accordance with the terms and conditions set forth in the agreements with investment managers. The investment commitments made by the Foundation as at April 30 are as follows:

Private equity and Farmland & Timberland	$ 14,760,027
Other investment funds	3,097,738
	$ 17,857,765

The commitments mentioned above can be requested at various dates until 2024.

9. Impacts of COVID-19:

In March 2020, the COVID-19 (the "pandemic") outbreak was declared a pandemic by the World Health Organization. The Foundation continues to monitor the situation closely. As a result of the pandemic, the Foundation has experienced increased risk exposure in several areas.

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

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

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