CONCORDIA UNIVERSITY FOUNDATION

ANNUAL REPORT

2011 2012

Concordia University Foundation

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PURPOSE

The Concordia University Foundation, incorporated in 1991 and operational as of 1996, exists for one purpose: to be the best possible fund management partner for Concordia University. Our partnership flourishes through the generosity of alumni, friends, corporations, foundations and, especially, volunteers and staff members. Our combined efforts help create and foster an environment in which teaching, learning and research positively affect the quality of life in Montreal, Quebec, Canada and the rest of the world.

The Foundation plays an important role in ensuring the long-term viability of Concordia's numerous programs and initiatives. This is accomplished through the ongoing development of the Foundation's financial resources. While some gifts are used for short-term needs, the investment of gift proceeds for long-term and endowed purposes is essential.

Total assets under management include both designated and endowed capital. The largest component of invested assets is the Foundation's long-term investment pool, which is managed in accordance with the Portfolio Investment Policy established by the Investment Committee.

MESSAGE FROM THE CHAIR OF THE BOARD AND PRESIDENT

Every year, countless benefactors throw their support behind Concordia so that it can continue to provide its students with rewarding experiences and graduate the leaders of tomorrow. This past fiscal year was no exception as Concordia received some $7.2 million in donations.

We are thankful for the unwavering commitment of our benefactors, coupled with a prudent investment policy and sound advice from Investment Committee members that have made it possible for the Foundation's endowment fund to grow significantly in the past decade.

While much work remains, we are prepared and motivated to rise to the challenges that lie ahead. During the 2011-2012 fiscal year, the Foundation completed its review of its Portfolio Investment Policy as well as of its investment managers. We look forward to reporting on the impact of these changes in next year's annual report.

We thank you all for your continued support.

Howard Davidson
Chair, Concordia University Foundation

Bram Freedman
President, Concordia University Foundation

December 2012

REPORT OF THE INVESTMENT COMMITTEE

SUMMARY

For 2011-2012, the Foundation is reporting a loss on its investments of 0.12% as compared to an 11.35% gain in 2010-2011. The Foundation's investment managers did, however, add 95 basis points of added value over their respective benchmarks in the course of the year. Over a 10 year period, the long-term investment pool has earned a 5.06% return to support university initiatives and programs. As of April 30, 2012, the investment pool was valued at $107.3M.

The 2011-2012 fiscal year was characterized by its volatility coupled with many false signals of bull and bear markets where many active investment managers lost money. These macro conditions were preceded by a market recovery and lower interest rate environment in 2010-2011.

While the Foundation's previous investment policy called for an aggressive asset allocation of 75%/25% between equities and fixed income, the Investment Committee made a strategic decision to position the asset allocation more defensively in light of the financial market conditions and of the concurrent major investment policy review that was in progress during the year. More specifically, the Investment Committee progressively de-risked the portfolio and ended 2011-2012 with a 52%/48% asset allocation between equities and fixed income. As a result, while the equity portfolio loss was over 4.4% for the year, it was offset by the performance of the fixed income portfolio for a total net loss of 0.12%.

ASSET ALLOCATION PERFORMANCES

EQUITIES

As noted above, the Investment Committee made a defensive decision during the 2011-2012 fiscal year to progressively reduce the equity exposure from its policy benchmark of 75%. The equity portfolio moved from 30% in Canadian Large Cap, 30% in Global Large Cap and 15% North American Small Cap to 35.2%, 0% and 16.7% respectively. The investment managers were: Canadian Large Cap - Jarislowsky Fraser Ltd., North American Small Cap – Van Berkom and Global Large Cap-Howson Tattersall.

FIXED INCOME

Conversely to the equity portfolio, the asset allocation in fixed income saw a progressive increase from the policy allocation of 25% to 48%. Beutel Goodman was the pool's bond portfolio manager.

CASH POOL

As part of its role, the Foundation acts as the university's investment infrastructure. During 2011-2012, the Foundation held an amount of $14.7M in cash earmarked for specific internal needs of Concordia.

The Foundation also has funds that are managed outside of the investment pool as follows:

SPECIALTY FUND

The Specialty Fund, with a market value of $2.7M at April 30, 2012, has existed for close to 10 years with the intention of seeking significant long-term growth in specific target sectors such as energy. The fund earned 0% in 2011-2012 and is targeted to be fully liquidated in the near future.

SPECIFIC ENDOWMENTS

Jarislowsky Fraser Ltd. manages two separate endowments totaling $3.17M as at April 30th, 2012 while Acuity Desjardins manages a separate endowment valued at $1.94M at April 30, 2012.

OUTLOOK FOR 2012-2013

Subsequent to the investment policy and manager review process that occurred during 2011-2012, the Foundation Board formally approved a new investment policy as well as a number of new managers effective as of May 1, 2012.

The revised policy has a new asset allocation for its long-term investment pool of:

- 20% Canadian Large Cap
- 15% Global Equity
- 10% Canadian Equity Small Cap
- 10% Emerging Equity Markets
- 13% in Direct Real Estate
- 32% in Fixed Income

In addition, the revised policy provides for a dedicated short-term pool where capital, projected to be distributed in the near-term (defined as 0-4 years) for the funding of earmarked initiatives, programs and university needs, is allocated to the money market in order to preserve its capital.

The Board will proceed with a review of its spending policy during the 2012-2013 fiscal year to ensure the sustainability of the Foundation. The Investment Committee, as part of its regular mandate, will continuously review the investment policy and manager performance to ensure the proper alignment to the Foundation's liabilities and positioning with respect to the financial markets.

DISBURSEMENT POLICY

The Foundation's established disbursement policy ensures that the level of financial support available for students, researchers, academic programs and other university initiatives is maintained for future generations. The level of financial support to the university should be safeguarded from the effects of inflation and sufficient to meet current and future needs.

The Foundation's current disbursement policy requires that 5% of the market value of the investment pool over a three-year moving average be disbursed each fiscal year.

During the 2012-2013 fiscal year, the disbursement policy will be reviewed and adjusted as necessary.

2011-2012 BOARD OF DIRECTORS

Mr. Howard Davidson, Chair of the Board
Mr. Brian Edwards, Vice-Chair of the Board
Me Bram Freedman, President
Mr. Patrick L. Kelley, Secretary-Treasurer
Mr. Leonard Ellen
Mr. Michael Gentile
Mr. Ned Goodman
Mr. Ronald Lawless
Mr. Richard J. Renaud
Ms. Patricia Saputo, Chair, Audit Committee
Dr. Frederick H. Lowy

APPENDIX

CONCORDIA UNIVERSITY FOUNDATION

FINANCIAL STATEMENTS

2011 2012

Concordia University Foundation

Financial Statements
April 30, 2012

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Raymond Chabot
Grant Thornton

Independent Auditor's Report

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To the Directors of
Concordia University Foundation

Report on the financial statements

We have audited the accompanying financial statements of Concordia University Foundation, which comprise the statement of financial position as at April 30, 2012 and the statements of operations and changes in fund balances for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Concordia University Foundation as at April 30, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Report on other legal and regulatory requirements

As required by Part II of the Canada Corporations Act, we report that, in our opinion, the Canadian generally accepted accounting principles have been applied on a basis consistent with that of the preceding year.

Raymond Chabot Grant Thornton LLP[1]

Montréal
October 17, 2012

[1] CPA auditor, CA public accountancy permit no. A117472

Concordia University Foundation
Financial Position
April 30, 2012

	2012	2011
	$	$
ASSETS		
Investments in securities, at market value (Note 3)	**107,316,262**	115,922,296
Cash and cash equivalents	**20,075,111**	16,932,423
Accrued investment income	**679,031**	574,959
Parking operations receivable	**23,236**	24,790
Sales taxes receivable	**11,695**	
	128,105,335	133,454,468
LIABILITIES		
Due to Concordia University (Note 4)	**7,537,983**	11,592,992
Accrued liabilities	**75,270**	
	7,613,253	11,592,992
FUND BALANCES		
Endowment Fund	**66,929,659**	64,359,306
Restricted Fund	**51,125,388**	54,683,623
General Fund	**2,437,035**	2,818,547
	120,492,082	121,861,476
	128,105,335	133,454,468

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

On behalf of the Board,

Director

Bram Freedman

Director

Concordia University Foundation
Operations
For the year ended April 30, 2012

	General Fund		Restricted Funds		Endowment Fund		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	$	$	**$**	$	**$**	$	**$**	$
Revenue								
Investment income	**84,110**	65,180	**3,495,738**	2,591,110			**3,579,848**	2,656,290
Net realized gain (loss) on sale of investments	**14,585**	(49,838)	**599,013**	(1,930,074)			**613,598**	(1,979,912)
Changes in unrealized appreciation of investments	**(121,610)**	312,549	**(4,994,712)**	12,103,987			**(5,116,322)**	12,416,536
	(22,915)	327,891	**(899,961)**	12,765,023	**–**	–	**(922,876)**	13,092,914
Specified gifts from Concordia University			**4,650,601**	2,414,731	**2,573,453**	1,776,855	**7,224,054**	4,191,586
	(22,915)	327,891	**3,750,640**	15,179,754	**2,573,453**	1,776,855	**6,301,178**	17,284,500
Parking operations	**1,116,871**	1,064,920					**1,116,871**	1,064,920
	1,093,956	1,392,811	**3,750,640**	15,179,754	**2,573,453**	1,776,855	**7,418,049**	18,349,420
Expenses								
Investment management fees	**12,271**	13,314	**504,008**	515,590			**516,279**	528,904
Consultant and other professional fees	**3,544**	1,676	**145,538**	64,922			**149,082**	66,598
Net investment expense	**218,908**	17,939					**218,908**	17,939
	234,723	32,929	**649,546**	580,512	**–**	–	**884,269**	613,441
Transfers to Concordia University	**472,802**	470,521	**6,659,329**	5,510,688	**3,100**		**7,135,231**	5,981,209
	707,525	503,450	**7,308,875**	6,091,200	**3,100**	–	**8,019,500**	6,594,650
Parking operations	**767,943**	720,686					**767,943**	720,686
	1,475,468	1,224,136	**7,308,875**	6,091,200	**3,100**	–	**8,787,443**	7,315,336
Excess (deficiency) of revenue over expenses	**(381,512)**	168,675	**(3,558,235)**	9,088,554	**2,570,353**	1,776,855	**(1,369,394)**	11,034,084

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

Concordia University Foundation
Changes in Fund Balances
For the year ended April 30, 2012

	General Fund		Restricted Fund		Endowment Fund		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	$	$	**$**	$	**$**	$	**$**	$
Balance, beginning of year	**2,818,547**	2,649,872	**54,683,623**	45,595,069	**64,359,306**	62,582,451	**121,861,476**	110,827,392
Excess (deficiency) of revenue over expenses	**(381,512)**	168,675	**(3,558,235)**	9,088,554	**2,570,353**	1,776,855	**(1,369,394)**	11,034,084
Balance, end of year	**2,437,035**	2,818,547	**51,125,388**	54,683,623	**66,929,659**	64,359,306	**120,492,082**	121,861,476

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

Concordia University Foundation
Notes to Financial Statements
April 30, 2012

1 - GOVERNING STATUTES AND PURPOSE OF THE 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 June 1, 1995. 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 of income tax under the Income Tax Act.

2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements are prepared using the historical cost method, except for certain financial instruments that are recognized at fair value. No information on fair value is presented when the carrying amount corresponds to a reasonable approximation of the fair value.

Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities, the amounts of revenue and expenses reported in the financial statements and the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

Fund accounting

The General Fund accounts for the Foundation's investment activities.

The Restricted Fund records resources which are subject to restrictions set by the donor, including funds designated towards building projects, faculty development, libraries, athletics and various research and academic projects.

Included in the Restricted Fund are the following:

- Long-Term Debt Fund:

  In collaboration with Concordia University, the Foundation created a new fund entitled The Concordia University Repayment of Bond and Unfunded Projects Fund. The purpose of this fund is to make provisions for the repayment of certain debts of Concordia University, namely the debt in relation to a $200 million bond issue repayable in October 2042 as well as the debts related to certain unfunded capital projects.

  The fund is composed of an initial gift of $3.4 million transferred in May 2010. In addition, $22.6 million in donations already invested in the Foundation was transferred to this fund. These initial amounts combined with future payment on existing pledges and annual contributions will be invested to generate the required funds to meet the University's future debt obligations by 2042;

  As at April 30, 2012, the fund balance is $33,070,675.

Concordia University Foundation
Notes to Financial Statements
April 30, 2012

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

– Group Insurance Fund:

  In collaboration with Concordia University, the Foundation created a new fund entitled The Concordia University Group Insurance Fund. The purpose of this fund is to make provisions for various unfunded future employee group insurance obligations and pension liabilities. The fund is composed of an initial gift of $10.6 million transferred in May 2010.

  As at April 30, 2012, the fund balance is $10,584,361.

The Endowment Fund reports resources contributed for endowment. These amounts are to be invested and held in perpetuity with corresponding investment income used to fund various initiatives as designated by the donor, including student support for both the undergraduate and graduate levels, academic chairs and various department funds.

Financial assets and liabilities

The Foundation has chosen to apply the recommendations of Section 3861, "Financial Instruments – Disclosure and Presentation", of the Canadian Institute of Chartered Accountants' Handbook (CICA Handbook) with respect to the presentation and disclosure of financial instruments.

On initial recognition, all financial assets and liabilities are measured and recognized at their fair value.

Subsequently, financial assets and liabilities are measured and recognized as follows.

Held-for-trading financial assets

Cash and cash equivalents are classified as held-for-trading financial assets, and investments are designated as held-for-trading financial assets and are measured at their fair value. Changes in fair value are recognized in the statement of operations.

Loans and receivables, and other financial liabilities

Gifts receivable and parking operations receivable are classified as loans and receivables and the amount due to Concordia University is classified as other financial liabilities. They are measured at amortized cost using the effective interest rate method. Interest calculated using the effective interest method is presented in the statement of operations as Net investment expense.

Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions.

The Foundation receives contributions from Concordia University on a regular basis. These contributions, made up of charitable donations received and for which Concordia University issued a tax receipt, are transferred to the Foundation by way of specified gifts.

Concordia University Foundation
Notes to Financial Statements
April 30, 2012

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Specified gifts that are restricted contributions are recognized as revenue in the year in which they are received or receivable, if the amount to be received may be reasonably estimated and recorded within the appropriate fund as either the Restricted Fund or the Endowment Fund, as per the original gift designation. Specified gifts that are unrestricted are recognized as revenue in the General Fund.

Investment income earned on endowment capital earmarked for specified university initiatives is recognized as revenue within the Restricted Fund. Other investment income is recognized as revenue of the General Fund if it is received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment revenues are recognized using the accrual method of accounting. Interest income is recognized based on the number of days the investment was held during the year. Dividends are recognized as of the ex-dividend date. Gains or losses on the disposal of investments are determined using the average cost method. Unrealized gains and losses are calculated on the change in fair value of the investments held at year-end. Transaction costs related to the acquisition or disposal of investments are included in the cost of investments or treated as a reduction of the proceeds on the disposal of investments.

Parking revenue

The Foundation recognizes parking revenue when services have been rendered, the price to the buyer is fixed or determinable, persuasive evidence of an arrangement exists and collection is reasonably assured.

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.

Cash and cash equivalents

Cash and cash equivalents include cash and investments maturing in less than three months from the date of acquisition.

Investments

Effective June 1, 2005, the Foundation adopted the Accounting Guideline AcG-18, "Investment Companies", of the *CICA Handbook* , which requires all investments to be measured at fair value and presented on that basis in the financial statements. Unrealized appreciation (depreciation) of changes in investments is included in the determination of the excess (deficiency) of revenue over expenses. Investment transactions are accounted for on the settlement date.

The market value of investments is determined as follows:

– Bonds and investment funds are presented at year-end market prices;
– Shares are presented at bid market prices.

Concordia University Foundation
Notes to Financial Statements
April 30, 2012

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency translation

Monetary assets and liabilities in foreign currency are translated at the exchange rate in effect at the balance sheet date, whereas other assets and liabilities are translated at the exchange rate in effect at the transaction date. Revenue and expenses in foreign currency are translated at the average rate in effect during the year, with the exception of revenue and expenses relating to non-monetary assets and liabilities, which are translated at the historical rate. Gains or losses are included in the statement of operations for the year.

3 - INVESTMENTS

	2012		2011	
	Market value	**Cost**	Market value	Cost
	$	**$**	$	$
Common shares	**52,154,585**	**41,064,360**	62,613,879	48,143,012
Bonds	**46,287,999**	**44,726,042**	43,056,717	41,888,862
Investment funds	**8,873,678**	**5,082,683**	10,251,700	9,564,001
	107,316,262	**90,873,085**	115,922,296	99,595,875

Investment breakdown

	Market value	
	2012	2011
	$	$
Common shares		
Canadian common shares		
Energy	**11,792,378**	11,779,385
Materials	**2,463,888**	2,195,826
Industrials	**5,210,304**	5,813,872
Consumer Products & Services	**9,710,974**	7,274,009
Health Care	**339,400**	
Financials	**10,817,701**	12,629,225
Technology & Communications	**2,751,419**	6,166,735
Utilities	**572,400**	
Other		4,106,307
	43,658,464	49,965,359

Concordia University Foundation
Notes to Financial Statements
April 30, 2012

3 - INVESTMENTS (Continued)

	Market value	
	2012	2011
	$	$
Foreign common shares		
U.S. common shares		
Financials	**1,475,618**	2,562,200
Health Care	**1,077,969**	1,301,427
Industrials	**977,237**	536,805
Consumer Products & Services	**2,840,550**	2,691,349
Energy	**374,864**	145,566
Technology & Communications	**1,415,725**	1,062,064
Other	**334,158**	4,266,078
	8,496,121	12,565,489
Europe, Australia, Far East		83,031
	8,496,121	12,648,520
	52,154,585	62,613,879
Bonds		
Canadian		
Government		
Federal bonds, 1.5% to 4.8% (a)	**20,380,373**	19,936,722
Provincial bonds, 3.25% to 8.50% (b)	**3,215,410**	3,999,997
Corporate bonds, 3.03% to 12.2% (c)	**22,692,216**	19,119,998
	46,287,999	43,056,717
Pooled Investment funds in Canadian dollars		
DK Energy Fund I	**178,458**	184,610
DK Energy Fund II	**1,126,326**	1,474,639
DK Equity Growth	**1,491,555**	1,856,396
Acuity High Income Fund	**1,922,774**	2,123,261
Mackenzie Saxon Small Cap Fund	**4,154,565**	4,612,794
	8,873,678	10,251,700
	107,316,262	115,922,296

(a) These bonds mature on various dates until 2044.
(b) These bonds mature on various dates until 2042.
(c) These bonds mature on various dates until 2050.

Concordia University Foundation
Notes to Financial Statements
April 30, 2012

3 - INVESTMENTS (Continued)

Total investment acquisitions and dispositions for the year

	2012	2011
	$	$
Total acquisitions	**68,599,667**	94,693,106
Total proceeds of dispositions	**65,347,223**	97,774,768
Total investment income reinvested	**3,579,848**	2,656,920

Investment returns

Portfolio assets are actively managed. For the year ended April 30, 2012, investments achieved an annual return of -0.67% (11.74% in 2011) net of investment management fees.

As at April 30, 2012, the weighted average interest rate of the bonds is 4.93% (4.46% in 2011) and the weighted average duration is 8.34 years (7.21 years in 2011).

4 - DUE TO CONCORDIA UNIVERSITY

The Foundation annually distributes a portion of its investment earnings to support the advancement and development of higher education, teaching, research, interest on a bond issue, certain fundraising activities and other charitable activities of Concordia University. This distribution is referred to as pay-out and represents funds earmarked towards Concordia University initiatives. The amount due to Concordia University is non-interest bearing.

The due to Concordia University has not been discounted since all amounts are due within one year.

Scheduled repayments for the next year amount to $7,537,983.

5 - RELATED PARTY TRANSACTIONS

Concordia University exercises significant influence over the Foundation. The Foundation must use its resources exclusively to advance the mission of Concordia University, and periodically makes transfers of capital back to Concordia University in accordance with gift agreements. These transactions occur in the normal course of business at the exchange amount, which is the value established and accepted by the parties.

	2012	2011
Expenses	**$**	$
Pay-out distribution	**5,211,515**	5,016,932
Parking operations (a)	**767,943**	720,686

(a) Under a lease agreement, the Foundation rents Concordia University's parking space.

The Foundation transfers the management of parking operations to Concordia University, which is responsible for the parking space's financial operations and charges rental and management costs to the Foundation.

Concordia University Foundation
Notes to Financial Statements
April 30, 2012

5 - RELATED PARTY TRANSACTIONS (Continued)

Management and lease agreements are renewable annually and may be terminated upon notice at least 30 days before the contract renewal expiry date.

6 - PLEDGES RECEIVABLE

Pledges receivable from donors constitute agreements made with Concordia University, consequently they are not recorded in the financial statements of the Foundation. They amount to $10,493,421 ($19,640,988 in 2011) and are detailed as follows:

	2012	2011
	$	$
Restricted	**5,966,857**	19,158,957
Endowed	**4,526,564**	482,031
	10,493,421	19,640,988

These pledges will be recognized as revenue by Concordia University when collected and then transferred as a specified gift to the Foundation.

7 - GENERAL AND ADMINISTRATIVE EXPENSES

All general and administrative expenses associated with soliciting and processing gifts are consolidated at Concordia University. The sole expenses incurred by the Foundation relate directly to the management of its investment pool and the audit of the Foundation.

8 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, AND FINANCIAL RISKS

Financial risk management objectives and policies

The Foundation is exposed to various financial risks resulting from both its operating and its investing activities. The Foundation's management manages financial risks.

The Foundation does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

Financial risks

The Foundation's main financial risk exposure and its financial risk management policies are as follows.

Exchange risk

The Foundation is exposed to exchange risk due to cash, cash equivalents and investments denominated in U.S. dollars. As at April 30, 2012, financial assets in foreign currency represent cash, cash equivalents and investments totalling C$8,765,828 (C$12,565,489 as at April 30, 2011).

The Foundation does not hedge its foreign currency exposure.

8 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, AND FINANCIAL RISKS (Continued)

Interest rate risk

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. Investment fund units are also exposed, although indirectly.

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

The Foundation does not use derivative financial instruments to reduce its interest rate risk exposure.

Credit risk

Generally, the carrying amount on the balance sheet of the Foundation's financial assets exposed to credit risk, net of any applicable provisions for losses, represents the maximum amount exposed to credit risk.

– Investments:

  The credit risk of bonds and investment funds is considered negligible, since it corresponds to investment securities with a good external credit rating. Nevertheless, the risk is only indirect for the investment funds.

As at April 30, 2012, cash and cash equivalents are held with a recognized financial institution.

Liquidity risk

Liquidity risk management serves to maintain a sufficient amount of cash and cash equivalents and to ensure that the Foundation has financing sources such as bank loans for a sufficient authorized amount. The Foundation establishes budget and cash estimates to ensure it has the necessary funds to fulfil its obligations.

Price risk

Investment fund units, bonds and investments in shares expose the Foundation to the risk of changes in fair value and a risk of change in future cash flows resulting from fluctuations in market prices. Investment fund units indirectly expose the Foundation to the other price risk.

Concordia University Foundation
Notes to Financial Statements
April 30, 2012

9 - CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Foundation's capital management objectives are as follows:

– Preserve its capital;

– Provide an adequate amount of annual income while maintaining the triennial volatility of returns at a low level;

– Over the long-term, investment assets are to grow at an annual rate equal to the annual rate of increase in the Consumer Price Index. In addition, it will be necessary to provide for annual distributions of up to 5% per year from the investments, plus expenses, calculated on the average of the Investment Pool's market values over the previous 36-month period.

The Foundation is subject to externally imposed capital requirements regarding its Endowment Fund and balances of funds having restrictions. Therefore, the Foundation is required to respect the will of its donors by conserving the capital of its endowments and using income generated by the endowment capital for the purposes indicated by the donors. During the course of the year, the Foundation was in compliance with these requirements.

The Foundation considers that the fund balances represent its capital and the capital is preserved by managing the investment portfolio according to the investment policy.

10 - STATEMENT OF CASH FLOWS

No statement of cash flows has been presented since principal operating, financing and investing activities may be readily apparent from the other financial statements and presenting such a statement would provide no additional information.

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