

Concordia University Foundation

Annual Report 2017-2018



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CONCORDIA



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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. Our partnership flourishes through the generosity of alumni, friends, faculty, staff, 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 viability of Concordia's numerous programs and initiatives. This happens through the continuing 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 donated designated and endowed capital, as well as contributions from other capital sources at Concordia. 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 foundation's board upon the recommendation of the investment committee.



Message

from the chair of the board



Every year, 10,000 benefactors throw their philanthropic 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, Concordia transferred \$5.5 million (a portion of the total donations received by the university) to the Concordia University Foundation, for investment purposes.

We are thankful for the unwavering commitment of our donors. Coupled with a prudent investment policy and sound advice from Investment Committee members, our foundation's endowment fund grew significantly over the past decade.

We thank you all for your continued support.

A handwritten signature in black ink, appearing to read "Howard Davidson". The signature is fluid and cursive.

Howard Davidson, BComm 80

Chair, Concordia University Foundation

December 2018



Report

of the investment committee

Summary

During the 2017-18 fiscal year, the investment committee completed a thorough review of its investment policy. This included a review of its objective to develop its investment structure and strategy to keep pace with what the foundation has become — a multiple investment program framework responding to Concordia's evolving needs. As a result, the main highlight of the new global investment policy is the creation of multiple investment programs aligned to four investment pools: long, mid, short and illiquid.

- **Three main asset classes: equities, cash, and fixed income and alternatives.**

Although the asset allocation varies between investment pools, for the long-term pool where the endowment program is invested, the target allocations are 50% toward equities, 20% toward cash and fixed income, and 30% toward alternatives.

- **Incorporation of a Responsible Investment (RI) Policy further to becoming a United Nations-supported Principles for Responsible Investment (UNPRI) signatory.** The RI policy is a framework enabling the Concordia University Foundation to incorporate considerations related to responsible investment into the management of its assets. It describes the general principles guiding the process of investment analysis and engagement with companies. With this policy, the foundation aims to contribute to the acceptance and implementation of environmental, social and governance criteria, while promoting an optimal return on capital.

- **Incorporation of an Impact Investments Policy**

The definition of impact investments are investments in companies, organizations and funds with the intention of generating social and environmental impact alongside a financial return. The global investment policy allocated a target of 5% of its long-term pool toward impact investments:

- Move to better align the foundation's financial assets with its mission by investing a portion of its funds in solutions that focus on youth in Montreal and sustainable livelihoods across Canada.

- 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 that have longer impact horizons.

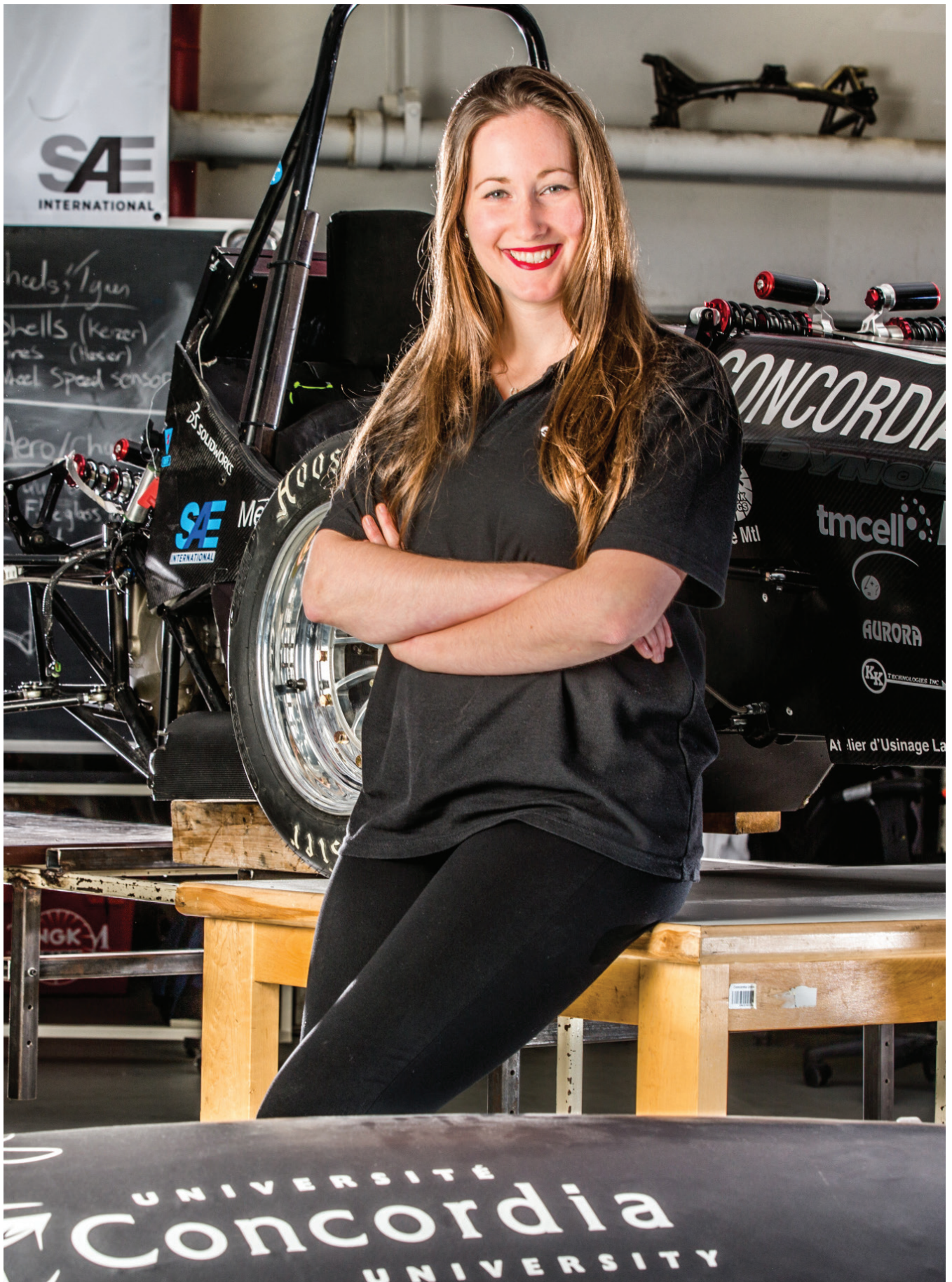
- Intentionally consider and balance a range of impacts from hyper-local community impacts focusing on youth in Montreal, to investments across Canada, but do not commit to a rigid thematic alignment.

As a result of the approved new investment policy, the 2017-18 fiscal year was a transition one that resulted in an overall net (of all fees) return on investment of 3.25%. Over a 10-year period, the long-term investment pool has earned a 5.13% return to support university initiatives and programs. As at April 30, 2018, the long-term investment pool was valued at \$176.7 million and \$194.8 million over all.

The long-term investment pool ended the 2017-2018 fiscal year with a 48% / 16% / 36% asset allocation between equities, fixed income and alternatives.

Outlook for 2018-2019

The investment committee will continue the transition into the newly approved global investment policy. It will also begin the design, development and implementation of both its responsible and impact investment policies. The foundation looks forward to communicating its progress in next year's annual report.



Frequently asked questions

What is the endowment?

An endowment is a fund that holds donated capital (i.e., the principal) in perpetuity. It only allocates a portion of its generated investment returns (i.e., the payout) to support specific purposes such as student scholarships, bursaries or research — as stated by the donor in the gift agreement.

At Concordia, the donated capital held in different endowments is pooled in the Endowment Program and is managed by the Concordia University Foundation.

What is Concordia's endowment in numbers?

The Endowment Program pools the capital of approximately 610 endowment funds for investment. As at April 30, 2018, their total market value was \$97.4 million. The total amount of all funds managed by the foundation at the same date was \$194.8 million.

How does Concordia determine the value of the endowment payout?

The Concordia University Foundation's annual endowment payout policy is to distribute 3.5% of the weighted average market value of the endowment over the previous 36 months.

The foundation's Endowment Program portfolio is designed to produce a real return that — in addition to ensuring the payment of the 3.5% payout — factors in inflation protection and covers the investment fees. Any returns of the portfolio that are above the 3.5% payout rate are reinvested into the respective endowment funds to increase the capital base of the portfolio. This contributes to the increase of the future payouts even if the payout rate remains at 3.5%.



Frequently asked questions



What are the factors that influence the amount of the payout?

The dollar amount of the payout fluctuates principally because of the ups and downs of investment returns.

What types of initiatives does the endowment fund?

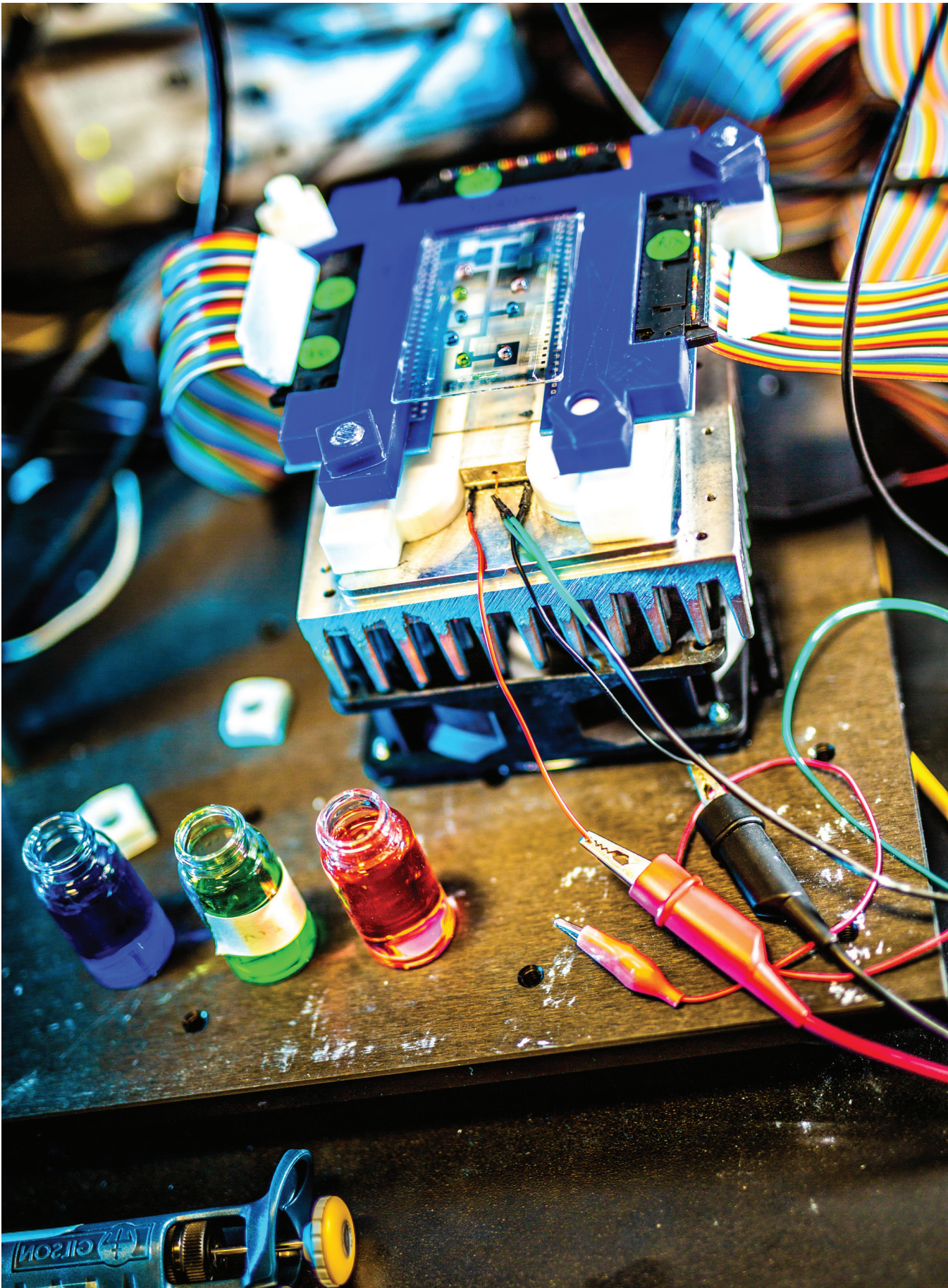
Endowments affect every aspect of Concordia's academic mission, providing vital funding for programs and initiatives across the institution. From attracting top talent through scholarships and bursaries to funding a centre for innovation in business finance to supporting a chair in Canadian art history, endowed funds represent a strong, lasting and dependable base. This foundation enables students, researchers and faculty to reach their full potential and go beyond the status quo.

Does the Concordia University Foundation take sustainable investment factors into account in portfolio decisions?

On January 23, 2018, the Concordia University Foundation became a signatory of United Nations' Principles for Responsible Investment and began to incorporate environmental, social and governance factors into all its investment and ownership decisions.

Big gifts vs. small gifts

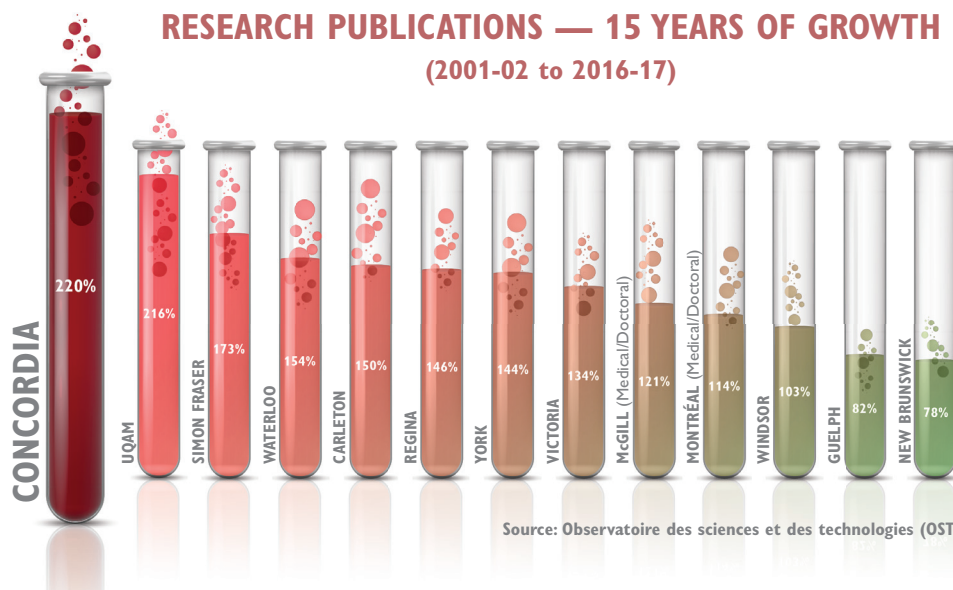
All gifts are important. When investment proceeds from large endowed gifts provide funding to programs and initiatives of significant scale, they are also restricted to the specifics of such programs. Gifts to our Community Campaign, on the other hand, are versatile. This means the entire gift can be used to meet Concordia's funding needs, providing flexibility to support initiatives such as scholarships and bursaries, Concordia's Greatest Needs, and Concordia's Student Emergency and Food Fund.



Advancing knowledge

Our research in numbers

One of Concordia's 9 Strategic Directions is to Double our Research. We've made remarkable gains over the past 10 years and in the years ahead, we'll attract higher levels of external funding, broaden and deepen our societal impact, and more thoroughly integrate research into all of our students' learning experiences. We're committed to pursuing bold goals in research that reflect our talents and our ambition to tackle society's biggest challenges.

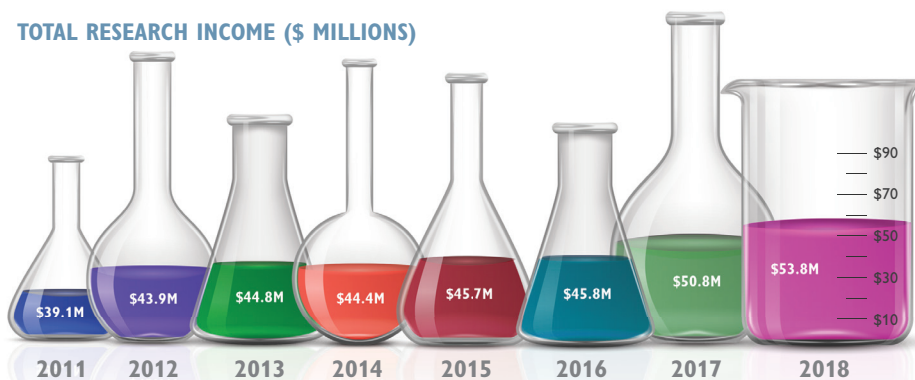


RESEARCH INCOME PER FULL-TIME FACULTY AND TOTAL RESEARCH INCOME

RESEARCH INCOME PER FULL-TIME FACULTY (\$ THOUSANDS)

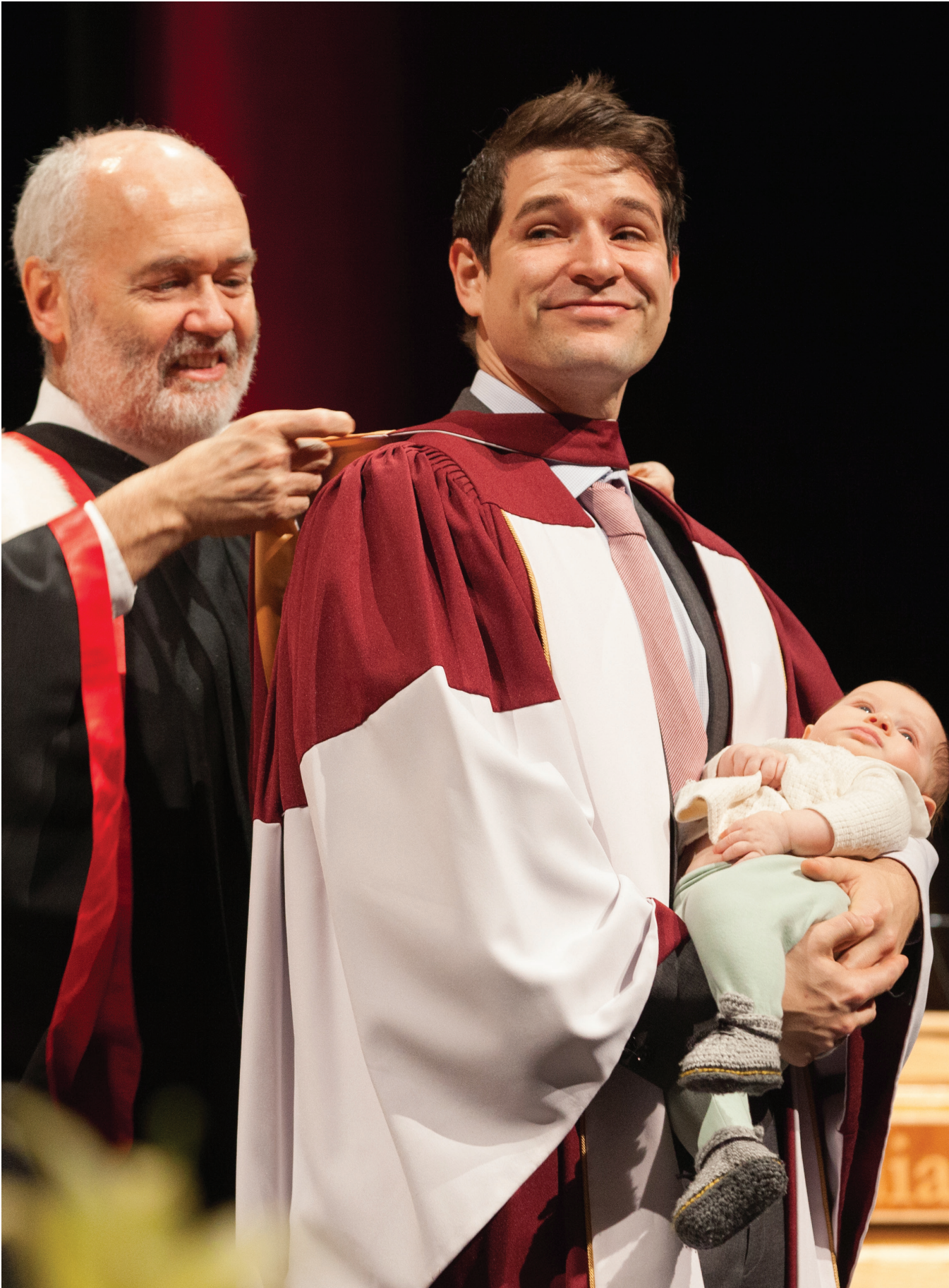


TOTAL RESEARCH INCOME (\$ MILLIONS)



Source: Research Infosource, Concordia Data Warehouse

*FY 2016/17 based on figures submitted to CAUBO in January 2018



Board of directors

Concordia University Foundation as at April 30, 2018

Board members

Howard Davidson, Chair of the Board
Brian Edwards, Vice-Chair of the Board
Bram Freedman, President
Denis Cossette, Secretary-Treasurer
Patricia Saputo, Chair of the Audit Committee
Christine Lengvari
Ralph Loader
Andrew Molson
Richard J. Renaud
Alan Shepard
Lorne Steinberg
Jeff Tory

Honorary directors

Leonard Ellen*
Ned Goodman
Ronald Lawless*
William Yip (President, Concordia University Hong Kong Foundation)

*deceased

The infrastructure supporting the foundation's operations is provided by the Office of the Treasurer, Financial Services, Concordia.



Portfolio managers

Concordia University Foundation as at April 30, 2018

Portfolio managers by pool

	Manager	Investment type	Investment style	Allocation* (%)
Short-term pool	Office of the Treasurer, Concordia University	Cash		100.0%
	Office of the Treasurer, Concordia University	Cash and cash equivalents		0.24%
	Beutel Goodman Investment Counsel	Canadian fixed income		8.83%
	Pacific Investment Management Company LLC	Global fixed income		6.3%
	Mesa West Capital	Private debt		0.86%
	Leith Wheeler Investment Counsel Ltd.	Canadian large cap equity	Value	9.55%
	Claret Asset Management Corporation	Canadian small cap equity	Value	8.75%
	Nelson Capital Management	U.S. large cap equity	Core (Environment, social and governance)	3.71%
	Lazard Asset Management	Global large cap equity	Core	14.27%
	Fisher Investments	Emerging markets equity	Value	4.99%
Long-term pool	Brandes Investment Partners, L.P.	Emerging markets equity	Value	6.7%
	Great-West Life Assurance Company	Direct investments in Canadian real estate	Core	5.28%
	UBS	Direct investments in global real estate	Core	5.45%
	John Hancock Natural Resource Corporation	Farmland / Timberland		2.82%
	Brookfield Investment Management (Canada)	Listed infrastructure		11.01%
	Formula Growth Ltd.	Equity market neutral		5.57%
	RP Investment Advisors	Fixed income arbitrage		5.65%
	Jarislowsky Fraser Global Investment Management	Balanced portfolio		100.0%
	Desjardins Wealth Management	Balanced portfolio		100.0%
	Other managed funds			

* as at April 30, 2018

Concordia University Foundation

Financial statements 2017-2018



Concordia University Foundation

Financial Statements

April 30, 2018

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Independent Auditor's Report

To the Directors of
Concordia University Foundation

Raymond Chabot
Grant Thornton LLP
Suite 2000
National Bank Tower
600 De La Gauchetière Street West
Montréal, Quebec
H3B 4L8

T 514-878-2691

We have audited the accompanying financial statements of Concordia University Foundation, which comprise the statement of financial position as at April 30, 2018 and the statements of operations, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Concordia University Foundation as at April 30, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Raymond Chabot Grant Thornton LLP¹

Montréal
October 30, 2018

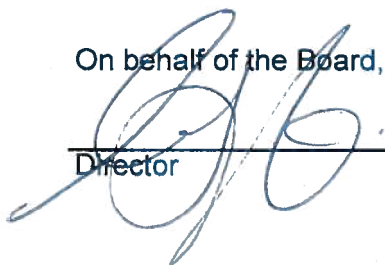
¹ CPA auditor, CA public accountancy permit no. A117472

Concordia University Foundation
Financial Position
 April 30, 2018

	<u>2018</u>	<u>2017</u>
	\$	\$
ASSETS		
Current		
Cash	12,113,726	1,318,384
Cash equivalents	2,705,399	15,697,656
Accrued investment income	159,764	340,802
Sales taxes receivable	35,935	31,584
	<u>15,014,824</u>	<u>17,388,426</u>
Long-term		
Investments (Note 3)	176,736,740	165,454,080
Fair value of life insurance policies	3,082,844	3,082,844
	<u>194,834,408</u>	<u>185,925,350</u>
LIABILITIES		
Current		
Due to Concordia University (Note 4)	16,039,212	13,651,340
Accrued liabilities (Note 5)	566,807	377,808
	<u>16,606,019</u>	<u>14,029,148</u>
FUND BALANCES		
Restricted		
Externally		
Endowment	81,804,079	79,001,367
Other	96,391,492	92,865,666
Unrestricted	32,818	29,169
	<u>178,228,389</u>	<u>171,896,202</u>
	<u>194,834,408</u>	<u>185,925,350</u>

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

On behalf of the Board,



 Director



 Director

Concordia University Foundation Operations

Year ended April 30, 2018

	General Fund		Restricted Fund		Endowment Fund		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues								
Changes in fair value of investments	3,649	3,960	6,744,962	22,789,431			6,748,611	22,793,391
Specified gifts from Concordia University			2,719,037	4,843,950	2,802,712	2,015,958	5,521,749	6,859,908
	<u>3,649</u>	<u>3,960</u>	<u>9,463,999</u>	<u>27,633,381</u>	<u>2,802,712</u>	<u>2,015,958</u>	<u>12,270,360</u>	<u>29,653,299</u>
Expenses								
Investment management fees			1,121,018	1,052,156			1,121,018	1,052,156
Consultant and other professional fees			318,653	259,205			318,653	259,205
Insurance premiums paid			333,482	315,699			333,482	315,699
	<u>-</u>	<u>-</u>	<u>1,773,153</u>	<u>1,627,060</u>	<u>-</u>	<u>-</u>	<u>1,773,153</u>	<u>1,627,060</u>
Transfers to Concordia University (Note 6)		1,508,642	4,165,020	14,441,020			4,165,020	15,949,662
	<u>-</u>	<u>1,508,642</u>	<u>5,938,173</u>	<u>16,068,080</u>	<u>-</u>	<u>-</u>	<u>5,938,173</u>	<u>17,576,722</u>
Excess (deficiency) of revenues over expenses	<u>3,649</u>	<u>(1,504,682)</u>	<u>3,525,826</u>	<u>11,565,301</u>	<u>2,802,712</u>	<u>2,015,958</u>	<u>6,332,187</u>	<u>12,076,577</u>

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

Concordia University Foundation
Changes in Fund Balances

Year ended April 30, 2018

	General Fund		Restricted Fund		Endowment Fund		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	\$	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of year	29,169	1,533,851	92,865,666	81,300,365	79,001,367	76,985,409	171,896,202	159,819,625
Excess (deficiency) of revenues over expenses	3,649	(1,504,682)	3,525,826	11,565,301	2,802,712	2,015,958	6,332,187	12,076,577
Balance, end of year	32,818	29,169	96,391,492	92,865,666	81,804,079	79,001,367	178,228,389	171,896,202

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

Concordia University Foundation

Cash Flows

Year ended April 30, 2018

	<u>2018</u>	<u>2017</u>
	\$	\$
OPERATING ACTIVITIES		
Excess of revenues over expenses	6,332,187	12,076,577
Non-cash items		
Net change in fair value of investments	1,184,034	(6,732,855)
Reinvested revenue	(6,184,848)	(14,115,778)
Specified gifts from Concordia University		(3,082,844)
Net change in working capital items	365,686	11,610
Cash flows from operating activities	<u>1,697,059</u>	<u>(11,843,290)</u>
INVESTING ACTIVITIES		
Acquisition of investments	(168,773,250)	(75,258,975)
Disposal of investments	162,491,404	81,051,531
Cash flows from investing activities	<u>(6,281,846)</u>	<u>5,792,556</u>
FINANCING ACTIVITIES		
Increase in due to Concordia University and cash flows from financing activities	2,387,872	4,836,036
Net decrease in cash and cash equivalents	<u>(2,196,915)</u>	<u>(1,214,698)</u>
Cash and cash equivalents, beginning of year	<u>17,016,040</u>	<u>18,230,738</u>
Cash and cash equivalents, end of year	<u>14,819,125</u>	<u>17,016,040</u>
CASH AND CASH EQUIVALENTS		
Cash	12,113,726	1,318,384
Cash equivalents	<u>2,705,399</u>	<u>15,697,656</u>
	<u>14,819,125</u>	<u>17,016,040</u>

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

Concordia University Foundation

Notes to Financial Statements

April 30, 2018

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 on 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 from income tax under the Income Tax Act.

2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

Accounting estimates

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

Fund accounting

The General Fund accounts for these fund'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 researches, and academic projects.

Included in the Restricted Fund are the following:

– Long-term Debt Fund:

In collaboration with Concordia University, the Foundation created a 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 were transferred to this fund. These initial amounts combined with future payments on existing pledges and annual contributions will be invested to generate the required funds to meet Concordia University's future debt obligations by 2042.

As at April 30, 2018, the fund balance is \$60,544,562 (\$57,523,665 in 2017);

Concordia University Foundation

Notes to Financial Statements

April 30, 2018

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

– Concordia University Benefits Fund:

In collaboration with Concordia University, the Foundation created a new fund entitled The Concordia University Benefits Fund. The purpose of this fund is to make provisions for various unfunded future benefit obligations and pension liabilities. The fund is composed of gifts received over the years totalling \$20.5 million and withdrawals of \$19.2 million.

As at April 30, 2018, the fund balance is \$5,811,581 (\$5,630,316 in 2017).

The Endowment Fund presents resources received as endowments.

Financial assets and liabilities

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.

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.

Revenue recognition

Contributions

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, 2018

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 can be reasonably estimated and recorded within the appropriate fund, 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.

Contributions received as endowments are recognized as revenue of the Endowment Fund.

Net investment income

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 revenues from investments in investment funds.

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.

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

The Foundation's policy is to present in cash and cash equivalents bank balances, including bank overdrafts whose balances fluctuate frequently from being positive to overdrawn, and investments with a maximum maturity of three months from the acquisition date or redeemable at any time without penalty.

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.

Concordia University Foundation

Notes to Financial Statements

April 30, 2018

3 - INVESTMENTS

	<u>2018</u>	<u>2017</u>
	\$	\$
Common shares	22,161,275	26,874,748
Bonds	15,732,065	38,042,612
Investment funds	138,843,400	100,536,720
	<u>176,736,740</u>	<u>165,454,080</u>

Investment breakdown

	<u>2018</u>	<u>2017</u>
	\$	\$
Common shares		
Canadian common shares		
Energy	1,074,779	1,796,268
Materials	368,447	1,341,950
Industrials	2,723,810	3,300,395
Consumer products and services	4,628,275	5,869,979
Health care	509,528	953,128
Financials	1,346,903	1,874,752
Technology and communications	315,358	793,486
Utilities	1,141,579	1,214,460
	<u>12,108,679</u>	<u>17,144,418</u>
Foreign common shares		
U.S. common shares		
Financials	1,739,148	1,221,452
Health care	1,395,196	1,214,562
Industrials	1,072,999	1,165,661
Consumer products and services	2,066,422	2,139,932
Energy	967,316	910,280
Materials	171,674	198,170
Technology and communications	1,640,055	1,398,934
Utilities	927,631	1,305,816
Real estate	72,155	175,523
	<u>10,052,596</u>	<u>9,730,330</u>
	<u>22,161,275</u>	<u>26,874,748</u>
Bonds		
Canadian		
Government		
Federal bonds, 1.0% to 4.25% (a)	2,314,765	5,733,608
Provincial bonds, 2.1% to 6.5% (b)	4,890,169	15,423,876
Municipal bonds, 3.0% to 3.9% (c)	233,860	
Corporate bonds, 1.42% to 10.22% (d)	8,293,271	16,885,128
	<u>15,732,065</u>	<u>38,042,612</u>

Concordia University Foundation

Notes to Financial Statements

April 30, 2018

3 - INVESTMENTS (Continued)

	<u>2018</u>	<u>2017</u>
	\$	\$
Investment funds		
Pooled investment funds in Canadian dollars		
RP Debt Opportunities Trust SR A 18	9,843,400	
Pimco Income Fund – H GIS PLC	10,969,380	
Brookfield Global Infrastructure B 105	19,167,875	
Fisher Investments Emerging Markets	8,691,443	
Formula Growth Alpha Class 1	9,698,348	
Leith Wheeler Canadian Equity Fund Series A	16,640,561	17,357,387
Lazard Global Thematic Canada Fund CL B	24,861,982	23,238,460
BlackRock Active Canadian Equity Fund		16,202,791
Brandes Canada Emerging Markets Equity Unit Trust	11,690,131	11,179,414
	<u>111,563,120</u>	<u>67,978,052</u>
Pooled investment funds in U.S. dollars		
Lazard Emerging Markets Equity Balanced Fund	-	8,064,675
Real estate pooled funds		
GLC Real Estate Fund I	9,200,639	13,337,066
UBS Real Estate Fund	9,500,000	
Standard Life Real Estate Pooled Fund		9,037,803
	<u>18,700,639</u>	<u>22,374,869</u>
Other investment funds		
Mesa West Core Lending Fund LP	1,496,351	
Hancock Timber and Farmland Fund LP	4,912,089	
Desjardins Wealth Management Segregated Portfolio	2,171,201	2,119,124
	<u>8,579,641</u>	<u>2,119,124</u>
	<u>138,843,400</u>	<u>100,536,720</u>
	<u>176,736,740</u>	<u>165,454,080</u>

(a) These bonds mature on various dates until 2048.

(b) These bonds mature on various dates until 2050.

(c) These bonds mature on various dates until 2027.

(d) These bonds mature on various dates until 2077.

Investment returns

Portfolio assets are actively managed. For the year ended April 30, 2018, investments achieved an annual return of 3.25% (14.07% in 2017) net of investment management fees.

As at April 30, 2018, the weighted average interest rate of the bonds is 3.22% (3.06% as at April 30, 2017) and the weighted average duration is 7.06 years (7.03 years as at April 30, 2017).

Concordia University Foundation Notes to Financial Statements

April 30, 2018

4 - DUE TO CONCORDIA UNIVERSITY

	<u>2018</u>	<u>2017</u>
	\$	\$
Group insurance plan surplus	10,596,920	8,387,275
Payout distribution (a)	3,442,292	3,264,065
Chaire de recherche FRQ	2,000,000	2,000,000
	<u>16,039,212</u>	<u>13,651,340</u>

(a) The Foundation annually distributes a portion of its investment earnings to support the advancement and development of higher education, teaching, research, 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.

5 - ACCRUED LIABILITIES

	<u>2018</u>	<u>2017</u>
	\$	\$
Concordia University	196,751	171,355
Management fees	312,703	206,453
Net investment purchases payable	57,353	
	<u>566,807</u>	<u>377,808</u>

6 - RELATED PARTY TRANSACTIONS

Concordia University exercises significant influence over the Foundation. Concordia University exercises significant influence over the Foundation since certain Board members and members of senior management are on the Board of 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.

	<u>2018</u>	<u>2017</u>
	\$	\$
Expenses		
Payout distribution	3,442,292	3,264,065
Concordia University Benefits Fund payout distribution		10,216,330
Campaign expenses		1,639,955
Other	722,728	829,312
	<u>4,165,020</u>	<u>15,949,662</u>

7 - GENERAL AND ADMINISTRATIVE EXPENSES

All general and administrative expenses associated with soliciting and processing gifts are accounted for at Concordia University.

Concordia University Foundation

Notes to Financial Statements

April 30, 2018

8 - FINANCIAL RISKS

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.

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

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:

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.

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, 2018, financial assets in foreign currency represent cash and cash equivalents totalling \$471,853 (\$655,255 as at April 30, 2017) and investments totalling \$16,600,075 (\$17,898,596 as at April 30, 2017).

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

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.

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 of the financial liabilities recognized on the statement of financial position.

Concordia University Foundation

Notes to Financial Statements

April 30, 2018

9 - COMMITMENTS

Investment commitments

The Foundation has committed to making investments that will be funded in future years in accordance with the terms and conditions agreed in the agreements. The investment commitments made by the Foundation as at April 30 are as follows:

	\$
Private equity	14,701,746
Private debt	9,272,029
	<u>23,973,775</u>

The financing of the commitments mentioned above can be requested at various dates until 2021.

Concordia University commitments

The Foundation has committed to pay, annually, an amount equivalent to 3.5% of the 36-month moving average market value of the Endowment Fund calculated monthly.

10 - COMPARATIVE FIGURES

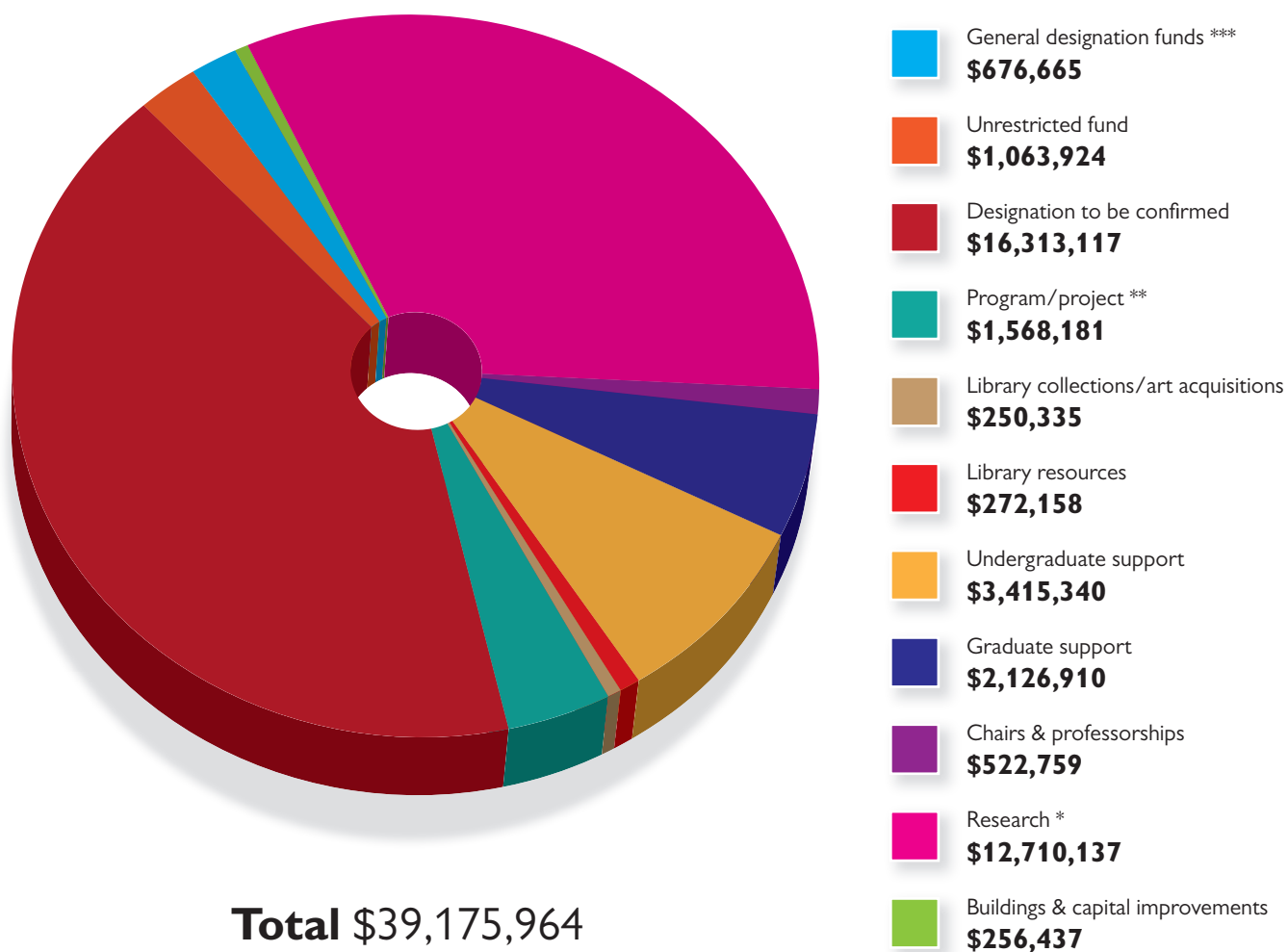
Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

11 - SUBSEQUENT EVENT

The Donated Restricted Funds Investment Program (DRIP) was implemented in May 2018 with the objective to invest unspent donation fund balances within Concordia's Trust Funds. An amount of \$17.7M was transferred to the Foundation (which is the investment arm of Concordia University) and recorded as a payable to Concordia University. The primary goals of the DRIP are (1) to provide active cash management to donated capital that is in a holding period until the funds are expensed for their earmarked purposes; (2) to protect the transferred capital while generating return on investments in order to realize a diligent growth of capital in relation to the time period; (3) have the necessary liquidity to be able to transfer the funds back to Concordia University at their required time period.

Funds raised by designation

For the period ending April 30, 2018



* Funds raised for research centres, such as the National Bank Initiative in Entrepreneurship and Family Business, Desjardins Centre for Innovation in Business Finance, as well as to support the university's overall research activities of the university.

** Funds raised for academic program/project, such as the School of Canadian Irish Studies, the Sustainable Investment Professional Certification Program, or La Ruche d'Art Community Studio Project Fund.

*** Funds raised to support general types of activities for the overall development of a particular designated faculty/department, such as the Faculty of Fine Arts Development Fund, or the Psychology Department Endowment Fund.

Ideas. Talent. Impact.

Support for the next generation



1 A long-standing partner of Concordia renewed its support to the university with a \$1.5-million gift from the R. Howard Webster Foundation. A portion of the new gift will support a scientist in nutrition, lifestyle research and bio-imaging, as well as a healthy-living program for seniors — both at Concordia's PERFORM Centre. The funds will additionally support student-athletes through financial awards, as well as a healthy-athlete program and sports medicine athletes' care initiative.



2 Long-time Concordia supporter, donor and former member of the university's Board of Governors, Miriam Roland, LLD 18, made a \$3-million gift to establish the Miriam Aaron Roland Graduate Fellowships. The fellowships will be awarded to graduate students from Concordia's four academic faculties and schools: Faculty of Arts and Science, Faculty of Fine Arts, Gina Cody School of Engineering and Computer Science and the John Molson School of Business. The gift will primarily support Concordia's strategic direction of doubling its research by attracting and retaining the best and brightest students.



3 Hydro-Québec invested \$3.9 million in Concordia to advance cutting-edge research and to attract top students in engineering, business, and arts and science. Part of the gift will finance three industrial research chairs in the Gina Cody School of Engineering and Computer Science, where researchers are driving innovative solutions to today's biggest technological, industrial and environmental questions. The gift will also support Hydro-Québec scholarships to benefit students at the doctoral, master's and undergraduate levels over the next five years.

Jonathan and Susan Wener give \$10 million

Concordians establish a Centre for Real Estate in the John Molson School of Business, as well as student bursaries and scholarships

Jonathan and Susan Wener's relationship to Concordia and to each other began nearly 50 years ago when they were both students at the university.

"Concordia was foundational for me in three ways," says Jonathan Wener, BComm 71, chairman and chief executive of the property development firm Canderel, and university chancellor since 2015. "It gave me my education, it's where I met my wife and it's where I made my first start-up capital and gain in 1975. No institution has had a greater pivotal role in my life."

His wife, Susan, a natural health consultant and best-selling Canadian author, also has a deep connection with the university. "One of the greatest gifts of my life was meeting my husband there," she says.

"Jon and I have always had a special place for Concordia in our hearts. It's where we eventually decided to build our lives together and it gave Jon his first start in real estate — it was the foundation of his future and of Canderel."

Their shared bond with the university, combined with their strong belief in philanthropy and higher education, led to their exceptional \$10-million gift, a portion of which will be used to establish a Centre for Real Estate in the John Molson School of Business (JMSB). Part of the funds will be earmarked for student bursaries and scholarships.

"For us, this is a very large and important gift," says Jonathan. "It's something we feel very strongly about. JMSB is a top-ranked school, not only in Canada but in the world. My feeling has always been to invest in excellence and there are a great many areas where Concordia is a leader in the country."

Concordia President Alan Shepard says the donation responds to a growing need and praised the Weners for their longstanding support and guidance.

"Over the past three decades, few people have had a greater impact on Concordia than Jon and Susan," Shepard says. "Jon is one of our most remarkable supporters and his leadership and guidance have helped transform our university into the next-generation institution it is today. Thanks to Jon and Susan's generous gift, the Centre for Real Estate will produce cutting-edge education and research that responds to an increasingly complex and fast-paced world."

Real estate at Concordia and in Montreal

The real estate rental and leasing market is the largest single contributor to Canada's gross domestic product and is a substantial value creator for the local and national economy. While Montreal has a booming real estate industry, Jonathan believes the city is lagging behind urban centres such as Toronto when it comes to real estate education.

"For several years, Alan Shepard and I have spoken about the importance of having a real estate centre at JMSB," Jonathan says. "I felt Montreal was lacking in this area and Alan agreed. There's a large real estate industry in Montreal and there are many employment opportunities for educated students. I believe it's very much our responsibility as a university to ensure our students graduate well informed and highly employable."

Jonathan points out that almost every industry and sector is reliant on real estate, each with its own specific needs. With booming artificial intelligence and gaming industries in Montreal, he says the city is well positioned to address the needs of big technology companies.

"The Amazons of the world are looking to move to places where there are universities and strong technology sectors. This is where we need to invest," Jonathan says. "We see many manufacturing sectors suffering, but AI, analytics and innovation are critical and growing. Montreal has been very successful in that regard and we need to continue to invest in future generations."

The centre

The exact form the Centre for Real Estate will take is still in development, yet it will provide interdisciplinary and comprehensive real estate education that emphasizes innovation and sustainability. The centre will leverage existing programs in all of Concordia's faculties, including Urban Planning and Geography, Engineering, Design and many others, to promote cross-cutting research that expands theoretical knowledge and advances practical solutions in real estate.

"Concordia has many elements that are required in real estate across our four faculties and in the fundamentals that are taught at JMSB," Jonathan says. "What needs to happen is to apply the cross-fertilization of knowledge to real estate doctrines and vocabulary."

The centre will expand on the current JMSB curriculum and introduce a Specialization in Real Estate. The centre will also organize live



speaker events, conferences and case competitions. One idea under discussion is to give select students the opportunity to manage a Real Estate Investment Trust, similar to students in the existing Kenneth Woods Portfolio Management Program and Van Berkom Investment Management Program.

"A lot of students have shown tremendous interest in real estate," Jonathan says. "And we've met with the professors who are working to move this program forward and consulted with a number of industry professionals who are keen to see the program under way."

Paying it forward

Sharing and giving back are central to Susan and Jonathan's lives.

"We've been so fortunate and lucky," Susan says. "We both have a fundamental belief that we have not just a responsibility but an obligation to give back to others. We don't live life just for ourselves — we live this life for one another and that's what gives life true meaning. There's an old African proverb that says, 'If you want to go fast, go alone. But if you want to go far, go together.'"

It's a responsibility they take seriously and it extends far beyond financial support. Jonathan and Susan are actively involved in several causes and organizations, both in leadership roles and as advisors.

In 1989, Jonathan launched Défi Corporatif Canderel to raise money for cancer research after his wife was diagnosed with the disease. The initiative has raised more than \$14 million to date. Susan is a member of the Tumour Board at the Jewish General Hospital, a trustee of the Jewish General Hospital Foundation and a board member of Hope and Cope — an organization that provides supportive and compassionate cancer care.

"The most valuable gift we can give is time," Jonathan says. "Somebody who can't give money yet is prepared to provide their assistance, wisdom and guidance to the university — that should not be looked upon as anything less than a magnificent gift."

Education's keystone role

Despite their numerous commitments, Susan and Jonathan have never wavered in their support of higher education.

Jonathan has sat on the university's Board of Governors since 1995 and he played a critical role as Chair of the Real Estate Planning Committee from 1996 to 2012 — a period of major expansion

that saw the development of Quartier Concordia and construction of the Engineering, Computer Science and Visual Arts Integrated Complex and John Molson Building.

He is also an honorary chair for the Campaign for Concordia. Next-Gen. Now, the university's bold fundraising initiative with the goal to raise \$250 million.

"A university education is so important," Susan says. "It's an extraordinary opportunity to open your eyes, ears and your mind to a bigger world than you might have imagined. You learn to listen and ask questions. It's just a beginning, yet it's a critical point in learning how to think and experiment."

Jonathan agrees. "I think university is an opportunity to discover your passion," he adds. "I always tell students, don't worry about the money — the money will come. Work on discovering and igniting your passion. Figure out what will make every day a new and wonderful experience so that work isn't drudgery — it's exciting and something you look forward to every day."

He points to the marked decrease in overall government funding for universities in Canada. He says it is up to the private sector to step up and fill in the gap.

"Industries and individuals have to take leadership roles and invest in the future minds and leaders of our country," he says. "We're investing in brains to make a difference and ensure the future health and prosperity of Canada."

Bram Freedman, former vice-president, Advancement and External Relations, says the Weners are among Concordia's greatest supporters.

"I've had the privilege of knowing and working with Jon for over 20 years. The level of commitment and dedication Jon and Susan have shown toward Concordia is extraordinary," Freedman says. "Besides their generosity of spirit, they have an undeniable passion for this university and they have been among our most ardent and effective champions. The Centre for Real Estate, combined with their many other contributions, will have a profound and lasting impact on Concordia and on our society."

Game-changing firsts



1 Concordia launched the Genome Foundry — a first of its kind in Canada — with the support of the Canada Foundation for Innovation and the Government of Canada's Research Support Fund. The high-tech Genome Foundry is housed at Concordia's Centre for Applied Synthetic Biology, where robotics, automation and interdisciplinary research are helping make the university a leader in the process of designing and building DNA and biological systems.



2 Concordia launched the Institute for Investigative Journalism in 2018. Led by Patti Sonntag, BA 00, former managing editor for the *New York Times's* News Services division, the institute is the first of its kind of Canada. It is the host institution for the National Student Investigative Reporting Network, which connects major media outlets with journalism students and faculty from across Canada to investigate and report on large-scale public-interest stories.



3 Concordia officially launched its first-ever art hive on its Sir George Williams Campus — made possible thanks to a new gift from the Rossy Foundation. The art hive will also serve as the International Art Hives Network — a Canadian first in community-based inclusive spaces that advance wellbeing through art. Art hives are a vibrant and growing network of therapeutic art studios that strengthen communities far and wide by uniquely promoting community-generated innovation.

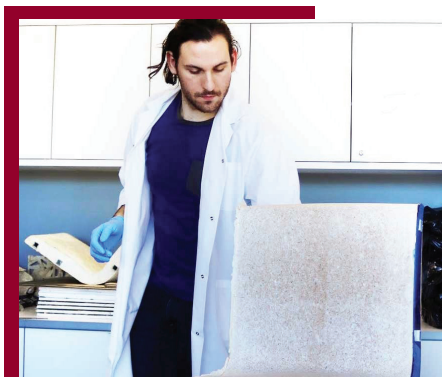
Learn more about what Concordia and its community achieved first at concordia.ca/concordiafirsts.

Going beyond: Concordians make their mark



Is exercise the key to a youthful brain?

According to Concordia researcher Rachel Downey, GrDip 18, movement may be the key to thinking clearly as we age. The PhD candidate in the Department of Psychology studies interactions between cognition and mobility as a member of the Li Lab: Laboratory for Adult Development and Cognitive Aging and the PERFORM Centre. Downey found that after three months of cognitive, aerobic exercise or gross motor coordination training, dual-tasking (i.e. performing a cognitive task while moving) improved in older adults. By understanding how the brain adapts after training, we can better address some of the cognitive ailments that often afflict people in old age. Her next step is to use a neuroimaging device to expand on her findings.



Using biomaterials to reimagine public-transport vehicles

Théo Chauvirey seeks to inspire change in the world's environments and ecosystem, and is doing so through his work with mycelium — the vegetative part of a fungus that is lightweight, strong, fire retardant and completely compostable. Chauvirey is a master's student in the Department of Design and Computation Arts and his research focuses on how we can incorporate biomaterials in public-transport design. He aims to start conversations about how we build vehicles so they rely less on wasteful products.



A next-generation inventor

At just 21 years of age, Shoushi Bakarian has helped invent a clean-energy ventilation device for Cessna airplanes. The third-year Gina Cody School of Engineering and Computer Science student created the Ventus, which can at once cool cabins while acting as a charging dock for any accessory that needs to plug into a USB outlet — not typically found in older aircraft. She also spearheaded the Stratos Aerospace Lab, an initiative to promote science, technology, engineering and mathematics (STEM) among students and youth. Bakarian is a Syrian-Armenian refugee who was granted permanent residency in Canada in 2016.

What does a next-generation university look like — and how do we get there?

Concordia set the course for the future by establishing nine key strategic directions in 2016. We're growing our research profile, giving students an edge through experiential learning and embracing both our city and our world.

We are taking teaching, research and learning to the next level and defining what a next-generation university should be. Our strategic directions set us up for future success.

1 DOUBLE OUR RESEARCH

Pursue bold goals in research that reflect our talents and our ambition to tackle big challenges

2 TEACH FOR TOMORROW

Deliver a next-generation education that's connected, transformative, and fit for the times

3 GET YOUR HANDS DIRTY

Use rich experiences outside the classroom to deepen learning and effect change

4 MIX IT UP

Build agile structures that facilitate intellectual mixing and internal collaboration

5 EXPERIMENT BOLDLY

Be inventive and enterprising in creating tomorrow's university

6 GROW SMARTLY

Add capacity where our strengths and emerging enrolment demands intersect

7 EMBRACE THE CITY, EMBRACE THE WORLD

Achieve public impact through research and learning

8 GO BEYOND

Push past the status quo and go the extra mile for members of our community

9 TAKE PRIDE

Celebrate successes and be purposeful about building a legacy

Learn more at concordia.ca/directions.

The Campaign for Concordia: Next-Gen. Now.



CONCORDIA HAS MOMENTUM. We are rethinking the role of universities and 2017 marked the launch of our university's most ambitious fundraising campaign to date: The Campaign for Concordia: Next-Gen. Now.

We are now more than halfway toward our \$250-million goal thanks to the generosity of our community. Chaired by business leaders and philanthropists Andrew Molson and Lino Saputo Jr., BA 89, our campaign will support Concordia's nine strategic directions that help us lead as Canada's next-generation university.

To address tomorrow's greatest challenges, we're developing new research centres, think tanks and academic programs. We're multiplying hands-on and work-integrated learning.

We are also increasing our impact-oriented activities through entrepreneurship centres, living labs and innovation hubs to build on our long history of community and industry engagement.

With the help of our faculty, staff, friends, donors and graduates, we'll support next-generation ideas, talent and impact — for the benefit of our more than 50,000 students and 215,000 alumni around the world.

Learn more at concordia.ca/campaign.



- Concordia's 9 Strategic Directions are bold, daring, innovative and transformative. Learn more at [**concordia.ca/directions**](http://concordia.ca/directions).
- Learn how Concordia's most ambitious campaign to date will empower tomorrow's leaders: [**concordia.ca/campaign**](http://concordia.ca/campaign).
- Discover what Concordia achieved first in Montreal, Quebec, Canada and the world: [**concordia.ca/concordiafirsts**](http://concordia.ca/concordiafirsts).

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