

Financial Statements of

CONCORDIA UNIVERSITY FACULTY ASSOCIATION

Year ended May 31, 2014

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INDEPENDENT AUDITOR'S REPORT

To the members of the Concordia University Faculty Association:

Report on the Financial Statements

We have audited the accompanying financial statements of the Concordia University Faculty Association (the "Association"), which comprise the balance sheet as at May 31, 2014, and the statements of operations and changes in net assets and of 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 Faculty Association as at May 31, 2014, 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.

 *Saucrodath Danell* ¹

Montréal, Canada

[date]

¹ By public accountancy permit A104373, CPA auditor, CA

CONCORDIA UNIVERSITY FACULTY ASSOCIATION

Financial Statements

Year ended May 31, 2014

Table of contents

Balance Sheet.....	1
Statement of Operations and Changes in Net Assets.....	2
Statement of Cash Flows	3
Notes to Financial Statements.....	4

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CONCORDIA UNIVERSITY FACULTY ASSOCIATION

Balance Sheet

As at May 31, 2014, with corresponding figures for 2013

	May 31 2014	May 31 2013
Assets		
Current assets:		
Cash	\$ 174,318	\$ 389,533
Accrued investment income	2,976	410
	<hr/>	<hr/>
	175,904	389,943
Investments (note 3)	2,951,913	2,260,445
Tangible capital assets (note 4)	6,952	7,125
	<hr/>	<hr/>
	\$3,136,159	\$2,657,513
<hr/>		
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 43,193	\$ 13,642
Due to Concordia University, non-interest bearing and repayable upon demand	34,270	54,302
	<hr/>	<hr/>
	77,463	67,944
Net assets:		
Invested in tangible capital assets	6,952	7,125
Unrestricted	3,051,744	2,582,444
	<hr/>	<hr/>
	3,058,696	2,589,569
Commitment (note 8)		
	<hr/>	<hr/>
	\$3,136,159	\$2,657,513
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See accompanying notes to financial statements.

On behalf of the Council:

_____ President _____ Treasurer

CONCORDIA UNIVERSITY FACULTY ASSOCIATION

Statement of Operations and Changes in Net Assets

Year ended May 31, 2014, with corresponding figures for 2013

	2014	2013
Revenue:		
Membership dues	\$ 983,594	\$ 970,653
Less contribution paid to:		
Fédération Québécoise des professeurs et professeurs d'université ("FQPPU")	137,703	135,444
Canadian Association of University Teachers ("CAUT")	163,805	159,570
CAUT Defence Fund	63,756	61,412
National Union of the Canadian Association of University Teachers ("NUCAUT")	9,981	10,139
	<hr/> 375,245	<hr/> 366,565
Net revenue from membership	608,349	604,088
Expenses:		
Salaries and benefits	215,883	199,351
Part-time help	6,885	3,793
Conferences, committees and member meetings	26,558	26,315
Legal fees and arbitration costs	85,143	61,161
Other professional fees	13,413	12,100
Donations and grants (note 5)	4,670	4,650
Office and general	26,515	20,544
Telecommunications	4,551	5,482
Amortization of tangible capital assets	6,425	5,550
Insurance	4,044	4,038
	<hr/> 394,087	<hr/> 342,984
Operating income	214,262	261,104
Net investment income (note 3)	254,865	203,503
Excess of revenue over expenses	<hr/> 469,127	<hr/> 464,607
Net assets, beginning of year	2,589,569	2,124,962
Net assets, end of year	<hr/> \$ 3,058,696	<hr/> \$ 2,589,569

See accompanying notes to financial statements.

CONCORDIA UNIVERSITY FACULTY ASSOCIATION

Statement of Cash Flows

Year ended May 31, 2014, with corresponding figures for 2013

	2014	2013
Cash flows from operating activities:		
Excess of revenue over expenses	\$ 469,127	\$ 464,607
Items not affecting cash:		
Amortization of tangible capital assets	6,425	5,550
Realized gain on sale of investments	(419,701)	(8,705)
Amortization of discount on fixed income securities	-	(11,607)
Change in unrealized appreciation of investments	212,710	(143,196)
Changes in non-cash working capital:		
Accounts receivable	-	35,880
Accrued investment income	(2,566)	(410)
Accounts payable and accrued liabilities	29,550	(1,266)
Due to Concordia University	(20,032)	(69,300)
	275,513	271,553
Cash flows from investing activities:		
Proceeds from sale of investments	3,146,337	336,070
Purchase of investments	(3,630,814)	(389,294)
Purchase of tangible capital assets	(6,251)	(1,571)
	(490,728)	(51,795)
(Decrease) increase in cash	(215,215)	219,758
Cash, beginning of year	389,533	169,775
Cash, end of year	\$ 174,318	\$ 389,533
Cash is comprised of:		
Cash in bank	\$ 93,313	\$ 366,920
Cash with broker	81,005	19,613
	\$ 174,318	\$ 389,533

See accompanying notes to financial statements.

CONCORDIA UNIVERSITY FACULTY ASSOCIATION

Notes to Financial Statements

Year ended May 31, 2014

1. Statutes and purpose

The Association was incorporated under Part III of the Quebec Companies' Act on September 6, 1988 and is an accredited union under the Quebec Labour Code. The Association serves as a bargaining unit for full-time faculty, including those on limited and extended term, and professional librarians of Concordia University. The Association is affiliated with the *Fédération Québécoise des professeures et professeurs d'université* ("FQPPU"), the *Canadian Association of University Teachers* ("CAUT") and the *National Union of the Canadian Association of University Teachers* ("NUCAUT").

The Association is a not-for-profit organization exempt from income tax under the provisions of section 149 of the *Income Tax Act*.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Revenue recognition

Fees withheld from member salaries and remitted to the Association are recognized as revenues on an accrual basis. Dividend income is recognized on the ex-dividend date. Interest income is accounted for on the accrual basis. Premiums or discounts on bonds are amortized on a straight-line basis over the term to maturity. Gains or losses on the sale of investments are determined using the average cost basis.

(b) Financial instruments

All financial instruments are measured at fair value upon initial recognition. Subsequently, they are measured as follows:

Asset/liability	Classification	Basis of accounting
Cash and cash equivalents	Financial assets held for trading	Fair value
Amounts receivable	Loans and receivables	Amortized cost
Investments	Financial assets held for trading	Fair value
Amounts payable	Other financial liabilities	Amortized cost
Due to Concordia University	Other financial liabilities	Amortized cost

The fair value of the Association's investments is determined based on published closing bid prices in active markets. The Association accounts for investment purchases and sales based on the trade date. Transaction costs for all financial instruments are expensed as incurred. The Association does not have any derivative financial instruments.

CONCORDIA UNIVERSITY FACULTY ASSOCIATION

Notes to Financial Statements, continued

Year ended May 31, 2014

2. Significant accounting policies, continued

(c) Tangible capital assets

Tangible capital assets are recorded at cost. Amortization is provided on a straight-line basis over the following periods:

Asset	Term
Computer equipment	2 years
Furniture and fixtures	5 years
Leasehold improvements	5 years

(d) Foreign currency translation

Revenues and expenses denominated in foreign currencies are translated at the average rate of exchange in the month of the transaction. Exchange gains or losses are included in earnings for the year. The fair value of investments and other monetary assets and liabilities are translated at the rate of exchange at the balance sheet date.

3. Investments

	Cost 2014	Fair Value 2014	Cost 2013	Fair Value 2013
Canadian securities:				
Bonds maturing in the next year	\$ 39,994	\$ 39,793	\$ 135,600	\$ 135,600
Other bonds	393,106	395,153	195,836	195,836
Exchange traded and index funds	-	-	913,041	1,019,341
Money market funds	-	-	386,745	386,745
Equities	865,616	877,680	-	-
Fixed income funds	299,816	300,238	-	-
Foreign securities:				
Exchange traded funds and index funds	-	-	387,837	522,923
Equity funds	145,000	148,743	-	-
Equities	884,705	895,021	-	-
Fixed income funds	295,000	295,285	-	-
	\$2,923,237	\$2,951,913	\$2,019,059	\$2,260,445
Unrealized appreciation		\$ 28,676		\$ 241,386

CONCORDIA UNIVERSITY FACULTY ASSOCIATION

Notes to Financial Statements, continued

Year ended May 31, 2014

3. Investments, continued

The bonds consist of provincial and corporate bonds and have a weighted average return on par value of 4.11% (2013 – 3.68%) and average term to maturity of 5.57 years (2013 – 1.94 years).

The investments are held by an independent broker who is guided by an investment policy approved by the Executive. The investment policy was established to secure the safety of the principal in real terms, to maximize long-term returns consistent with an appropriate degree of risk and to maintain a minimal level of liquidity. The Association's policy allows investments in cash, treasury bills, bankers' acceptances, money market funds, term deposits, commercial paper, government bonds, bonds with a minimum credit rating of A, shares publicly traded on Canadian and US markets and exchange-traded funds.

In January 2014, the independent broker reviewed the investment strategy then in place for the Association and recommended changes to the investment strategy to diversify the Association's holdings. The changes were executed in April 2014 after approval by the Association.

Based on the investment strategy recommendations, the positions held as of May 31, 2014 are as follows:

	Proposed percentages	Cost		Fair Value
Canadian Equity	30%	\$ 865,616	29.6%	\$ 877,680 29.7%
US Equity	20%	605,722	20.7%	616,136 20.9%
International Equity	15%	423,983	14.5%	427,628 14.5%
Canadian Fixed Income	25%	732,915	25.1%	735,183 24.9%
Global Fixed Income	10%	295,000	10.1%	295,285 10.0%
		\$ 2,923,237		\$ 2,951,913

The Association's target allocation by asset class is reviewed annually. Council has overall responsibility for the establishment and oversight of the Association's risk management framework.

CONCORDIA UNIVERSITY FACULTY ASSOCIATION

Notes to Financial Statements, continued

Year ended May 31, 2014

3. Investments, continued

Net investment income is comprised of the following:

	2014	2013
Interest, dividends and distributions, net of withholding taxes	\$ 47,170	\$ 51,185
Realized gain on sale of investments	419,701	8,705
Change in unrealized appreciation of investments	(212,710)	143,196
Foreign exchange gain	704	417
	<u>\$ 254,865</u>	<u>\$ 203,503</u>

4. Tangible capital assets

	2014		
	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 10,283	\$ 5,202	\$ 5,081
Furniture and fixtures	19,151	18,547	604
Leasehold improvements	12,668	11,401	1,267
	<u>\$ 42,102</u>	<u>\$ 35,150</u>	<u>\$ 6,952</u>

During the year, the cost and accumulated amortization of fully-depreciated computer equipment with original cost of \$ 2,809 were written off (2013 - \$ 1,806).

CONCORDIA UNIVERSITY FACULTY ASSOCIATION

Notes to Financial Statements, continued

Year ended May 31, 2014

4. Tangible capital assets, continued

			2013
	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 6,841	\$ 5,048	\$ 1,793
Furniture and fixtures	19,151	17,620	1,531
Leasehold improvements	12,668	8,867	3,801
	\$ 38,660	\$ 31,535	\$ 7,125

5. Donations and grants

Donations and grants consist of charitable gifts of \$ 3,670 (2013 - \$ 3,550) and grants in support of other faculty associations of \$ 1,000 (2013 - \$ 1,100).

6. Capital management

The Association's capital is comprised of the unrestricted net assets. Management considers the investment portfolio to be the principal asset supporting this capital and, together with Council, has developed investment policies and monitoring procedures for the portfolio. The objective followed for the investment portfolio is to seek to maximize the value of the portfolio while managing the Association's financial risks.

The Association is not subject to externally-imposed capital restrictions.

7. Financial instruments

Credit risk

Credit risk is the risk of financial loss to the Association if a party to a financial instrument fails to meet its contractual obligations. The Association's investments in short-term investments, bonds and money market funds are subject to credit risk. The maximum exposure to credit risk on these instruments is their carrying value. The Association manages the risk by limiting investments to those of high-quality issuers and limiting the credit exposure.

Market risk

The market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

CONCORDIA UNIVERSITY FACULTY ASSOCIATION

Notes to Financial Statements, continued

Year ended May 31, 2014

7. Financial instruments, continued

(a) Interest rate risk

Interest rate risk arises from changes in market interest rates. This risk arises from investments held in interest-bearing instruments. The Association is exposed to the risk that the fair value or future cash flows of such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates.

(b) Currency risk

Currency risk arises from changes in foreign exchange rates. Cash balances and investments in foreign securities bear the risk of currency fluctuations. The Canadian equivalent of amounts originally in US dollars is as follows:

	2014	2013
Cash with broker	\$ 37,402	\$ 19,050
Investments, at fair value	\$ 616,136	\$ 522,923

(c) Other price risk

The other price risk arises from changes in market prices other than those arising from interest rate risk or currency risk. Investments are subject to market volatility risk. The investments of the Association are susceptible to market price risk arising from uncertainties about the future prices of the instruments.

Liquidity risk

Liquidity risk is the risk that the Association will not be able to meet its financial obligations as they fall due. The majority of the Association's assets are investments traded in active markets that can be readily liquidated and therefore the Association's liquidity risk is considered minimal. In addition, the Association retains sufficient cash positions to manage liquidity.

8. Commitment

The Association has a commitment under an operating lease for a photocopier until 2018. The annual and aggregate payments under this lease are as follows:

2015	\$ 2,732
2016	2,732
2017	2,732
2018	2,049
	<hr/>
	\$ 10,245