

Financial Statements of

**CONCORDIA UNIVERSITY FACULTY ASSOCIATION**

Year ended May 31, 2016

## 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, 2016, the statement of operations and changes in net assets, the statement 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 the Concordia University Faculty Association as at May 31, 2016, 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.

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senc<sup>1</sup>

Montréal, Canada  
September 26, 2016

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<sup>1</sup> By public accountancy permit A104373, CPA auditor, CA

# CONCORDIA UNIVERSITY FACULTY ASSOCIATION

## Financial Statements

Year ended May 31, 2016

### 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

# CONCORDIA UNIVERSITY FACULTY ASSOCIATION

## Balance Sheet

As at May 31, 2016, with corresponding figures for 2015

	2016	2015
<b>Assets</b>		
Current assets:		
Cash	\$ 213,661	\$ 384,577
Accounts receivable	7,940	-
Accrued investment income	10,109	7,051
Prepaid expenses	2,761	5,006
Due from Concordia University	3,611	-
	<u>238,082</u>	<u>396,634</u>
Investments (note 3)	3,702,219	3,244,182
Tangible capital assets (note 4)	2,408	4,796
	<u>\$3,942,709</u>	<u>\$3,645,612</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 13,322	\$ 51,291
Due to Concordia University	-	23,370
	<u>13,322</u>	<u>74,661</u>
Net assets:		
Invested in tangible capital assets	2,408	4,796
Unrestricted	3,926,979	3,566,155
	<u>3,929,387</u>	<u>3,570,951</u>
	<u>\$3,942,709</u>	<u>\$3,645,612</u>

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, 2016, with corresponding figures for 2015

	2016	2015
Revenue:		
Membership dues	\$1,044,818	\$ 1,013,919
Less contribution paid to:		
Fédération Québécoise des professeurs et professeurs d'université ("FQPPU")	145,153	141,930
Canadian Association of University Teachers ("CAUT")	174,189	166,145
CAUT Defence Fund	64,047	63,756
National Union of the Canadian Association of University Teachers ("NUCAUT")	10,923	11,821
	394,312	383,652
Net revenue from membership	650,506	630,267
Expenses:		
Salaries and benefits	229,247	219,592
Part-time help	10,499	14,536
Conferences, committees and member meetings	34,575	30,701
Legal fees and arbitration costs	36,780	122,492
Other professional fees	23,353	12,693
Donations and grants (note 5)	7,380	6,920
Office and general	18,171	17,325
Telecommunications	4,509	4,029
Insurance	4,120	4,104
Amortization of tangible capital assets	2,388	5,613
	371,022	438,005
Operating income	279,484	192,262
Net investment income (note 3)	78,952	319,993
Excess of revenue over expenses	358,436	512,255
Net assets, beginning of year	3,570,951	3,058,696
Net assets, end of year	\$3,929,387	\$ 3,570,951

See accompanying notes to financial statements.

# CONCORDIA UNIVERSITY FACULTY ASSOCIATION

## Statement of Cash Flows

Year ended May 31, 2016, with corresponding figures for 2015

	2016	2015
Cash flows from operating activities:		
Excess of revenue over expenses	\$ 358,436	\$ 512,255
Items not affecting cash:		
Amortization of tangible capital assets	2,388	5,613
Realized gain on sale of investments	(63,999)	(4,559)
Amortization of discount		
on fixed income securities	3,641	7,194
Change in unrealized appreciation of investments	59,171	(268,652)
Changes in non-cash working capital:		
Accounts receivable	(7,940)	-
Accrued investment income	(3,058)	(4,075)
Prepaid expenses	2,245	(5,006)
Accounts payable and accrued liabilities	(37,969)	8,098
Due to Concordia University	(26,981)	(10,900)
	285,934	239,968
Cash flows from investing activities:		
Proceeds from sale of investments	1,214,943	457,020
Purchase of investments	(1,671,793)	(483,272)
Purchase of tangible capital assets	-	(3,457)
	(456,850)	(29,709)
(Decrease) increase in cash	(170,916)	210,259
Cash, beginning of year	384,577	174,318
Cash, end of year	\$ 213,661	\$ 384,577
Cash is comprised of:		
Cash in bank	\$ 119,471	\$ 284,489
Cash with broker	94,190	100,088
	\$ 213,661	\$ 384,577

See accompanying notes to financial statements.

# CONCORDIA UNIVERSITY FACULTY ASSOCIATION

Notes to Financial Statements

Year ended May 31, 2016

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## 1. Statutes and purpose

The Concordia University Faculty 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	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

The fair value of the Association's investments is determined based on published closing 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, 2016

## 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 2016	Fair Value 2016	Cost 2015	Fair Value 2015
Canadian securities:				
Bonds maturing in the next year	\$ 26,434	\$ 26,486	\$ 34,000	\$ 34,489
Other bonds	510,887	530,555	392,450	410,180
Short-term income fund	310,958	308,213	305,234	306,627
Equities	1,071,880	1,150,140	852,843	925,098
Foreign securities:				
Global bond fund	311,489	344,106	298,726	320,363
Equities	1,040,410	1,144,426	912,956	1,075,514
Global equity fund	192,004	198,293	150,645	171,911
	\$3,464,062	\$3,702,219	\$2,946,854	\$3,244,182
Unrealized appreciation		\$ 238,157		\$ 297,328



# CONCORDIA UNIVERSITY FACULTY ASSOCIATION

Notes to Financial Statements, continued

Year ended May 31, 2016

### 3. Investments, continued

The bonds consist of government and corporate bonds and have a weighted average return on par value of 3.83% (2015 – 3.81%) and average term to maturity of 5.29 years (2015 – 5.53 years).

The investments are held by an independent broker who is guided by an investment policy approved by the Association. 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, 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.

Based on the investment strategy recommendations, the positions held as of May 31, 2016 are as follows:

	Proposed percentages	Cost		Fair Value	
Canadian Equity	30%	\$ 1,071,880	31%	\$ 1,150,140	31%
US Equity	20%	728,010	21%	795,534	22%
International Equity	15%	504,404	15%	547,185	15%
Canadian Fixed Income	25%	848,279	24%	865,254	23%
Global Fixed Income	10%	311,489	9%	344,106	9%
		\$ 3,464,062		\$ 3,702,219	

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, 2016

### 3. Investments, continued

Net investment income is comprised of the following:

	2016	2015
Interest, dividends and distributions, net of withholding taxes	\$ 101,813	\$ 79,884
Realized gain on sale of investments	63,999	4,559
Change in unrealized appreciation of investments	(59,171)	268,652
Foreign exchange gain	11,714	3,857
Investment counsel fees	(39,403)	(36,959)
	\$ 78,952	\$ 319,993

### 4. Tangible capital assets

	2016		
	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 10,301	\$ 10,301	\$ -
Furniture and fixtures	22,591	20,183	2,408
Leasehold improvements	12,668	12,668	-
	\$ 45,560	\$ 43,152	\$ 2,408

	2015		
	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 10,301	\$ 8,725	\$ 1,576
Furniture and fixtures	22,591	19,371	3,220
Leasehold improvements	12,668	12,668	-
	\$ 45,560	\$ 40,764	\$ 4,796

# CONCORDIA UNIVERSITY FACULTY ASSOCIATION

Notes to Financial Statements, continued

Year ended May 31, 2016

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## 5. Donations and grants

Donations and grants consist of charitable gifts of \$ 6,380 (2015 - \$ 4,420) and grants in support of other faculty associations of \$ 1,000 (2015 - \$ 2,500).

## 6. 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 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.

#### (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:

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	2016	2015
Cash with broker	\$ 35,620	\$ 43,320
Foreign investments at fair value	\$ 795,534	\$ 742,417

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# CONCORDIA UNIVERSITY FACULTY ASSOCIATION

Notes to Financial Statements, continued

Year ended May 31, 2016

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## 6. Financial instruments, continued

### (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.