

Financial Statements of

CONCORDIA UNIVERSITY FACULTY ASSOCIATION

Year ended May 31, 2017



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, 2017, 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, 2017, 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.


senc¹

Montréal, Canada
September 25, 2017

¹ By public accountancy permit A104373, CPA auditor, CA

CONCORDIA UNIVERSITY FACULTY ASSOCIATION

Financial Statements

Year ended May 31, 2017

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CONCORDIA UNIVERSITY FACULTY ASSOCIATION

Balance Sheet

As at May 31, 2017, with corresponding figures for 2016

| | 2017 | 2016 |
|--|-------------|-------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 511,854 | \$ 213,661 |
| Accounts receivable | 12,102 | 7,940 |
| Accrued investment income | 10,544 | 10,109 |
| Prepaid expenses | 3,918 | 2,761 |
| Due from Concordia University | 27,056 | 3,611 |
| | 565,474 | 238,082 |
| Investments (note 3) | 4,087,208 | 3,702,219 |
| Tangible capital assets (note 4) | 1,720 | 2,408 |
| | \$4,654,402 | \$3,942,709 |
| Liabilities and Net Assets | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 14,488 | \$ 13,322 |
| Free Homa Campaign liability (note 5) | 40,000 | - |
| | 54,488 | 13,322 |
| Net assets: | | |
| Invested in tangible capital assets | 1,720 | 2,408 |
| Unrestricted | 4,598,194 | 3,926,979 |
| | 4,599,914 | 3,929,387 |
| | \$4,654,402 | \$3,942,709 |

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, 2017, with corresponding figures for 2016

| | 2017 | 2016 |
|---|-------------|-------------|
| Revenues: | | |
| Membership dues | \$1,072,913 | \$1,044,818 |
| Less contribution paid to: | | |
| Fédération Québécoise des professeurs et professeurs d'université ("FQPPU") | 149,625 | 145,153 |
| Canadian Association of University Teachers ("CAUT") | 178,668 | 174,189 |
| CAUT Defence Fund | 65,664 | 64,047 |
| National Union of the Canadian Association of University Teachers ("NUCAUT") | 11,095 | 10,923 |
| | 405,052 | 394,312 |
| Net revenue from membership | 667,861 | 650,506 |
| Expenses: | | |
| Salaries and benefits | 234,434 | 229,247 |
| Part-time help | 2,869 | 10,499 |
| Conferences, committees and member meetings | 34,831 | 34,575 |
| Legal fees and arbitration costs | 28,744 | 36,780 |
| Free Homa campaign costs (note 5) | 22,459 | - |
| Other professional fees | 15,319 | 23,353 |
| Office and general | 15,539 | 18,171 |
| Donations and grants (note 6) | 5,580 | 7,380 |
| Telecommunications | 4,129 | 4,509 |
| Insurance | 4,640 | 4,120 |
| Amortization of tangible capital assets | 688 | 2,388 |
| | 369,232 | 371,022 |
| Operating income | 298,629 | 279,484 |
| Net investment income (note 3) | 371,898 | 78,952 |
| Excess of revenue over expenses | 670,527 | 358,436 |
| Net assets, beginning of year | 3,929,387 | 3,570,951 |
| Net assets, end of year | \$4,599,914 | \$3,929,387 |

See accompanying notes to financial statements.

CONCORDIA UNIVERSITY FACULTY ASSOCIATION

Statement of Cash Flows

Year ended May 31, 2017, with corresponding figures for 2016

| | 2017 | 2016 |
|---|------------|-------------|
| Cash flows from operating activities: | | |
| Excess of revenue over expenses | \$ 670,527 | \$ 358,436 |
| Items not affecting cash: | | |
| Amortization of tangible capital assets | 688 | 2,388 |
| Realized gain on sale of investments | (43,586) | (63,999) |
| Amortization of premium on fixed income securities | 1,764 | 3,641 |
| Change in unrealized appreciation of investments | (222,962) | 59,171 |
| Changes in non-cash working capital: | | |
| Accounts receivable | (4,162) | (7,940) |
| Accrued investment income | (435) | (3,058) |
| Prepaid expenses | (1,157) | 2,245 |
| Accounts payable and accrued liabilities | 1,165 | (37,969) |
| Deferred contributions | 40,000 | - |
| Due to Concordia University | (23,445) | (26,981) |
| | 418,397 | 285,934 |
| Cash flows from investing activities: | | |
| Proceeds from sale of investments | 613,049 | 1,214,943 |
| Purchase of investments | (733,253) | (1,671,793) |
| | (120,204) | (456,850) |
| Increase (decrease) in cash | 298,193 | (170,916) |
| Cash, beginning of year | 213,661 | 384,577 |
| Cash, end of year | \$ 511,854 | \$ 213,661 |
| Cash is comprised of: | | |
| Cash in bank | \$ 431,908 | \$ 119,471 |
| Cash with broker | 79,946 | 94,190 |
| | \$ 511,854 | \$ 213,661 |

See accompanying notes to financial statements.

CONCORDIA UNIVERSITY FACULTY ASSOCIATION

Notes to Financial Statements

Year ended May 31, 2017

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 | Amortized cost |
| 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, 2017

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 2017 | Fair Value 2017 | Cost 2016 | Fair Value 2016 |
|------------------------------------|--------------|--------------------|--------------|--------------------|
| Canadian securities: | | | | |
| Bonds maturing in the next year | \$ 28,676 | \$ 28,523 | \$ 26,434 | \$ 26,486 |
| Other bonds | 505,891 | 522,288 | 510,887 | 530,555 |
| Short-term income fund | 315,814 | 311,552 | 310,958 | 308,213 |
| Equities | 1,120,338 | 1,263,903 | 1,071,880 | 1,150,140 |
| Foreign securities: | | | | |
| Global bond fund | 801,631 | 887,831 | 311,489 | 344,106 |
| Equities | 645,883 | 843,995 | 1,040,410 | 1,144,426 |
| Global infrastructure fund | 207,856 | 229,116 | 192,004 | 198,293 |
| | \$3,626,089 | \$4,087,208 | \$3,464,062 | \$3,702,219 |
| Unrealized appreciation | | \$ 461,119 | | \$ 238,157 |

CONCORDIA UNIVERSITY FACULTY ASSOCIATION

Notes to Financial Statements, continued

Year ended May 31, 2017

3. Investments, continued

The bonds consist of government and corporate bonds and have a weighted average return on par value of 3.73% (2016 – 3.83%) and average term to maturity of 4.81 years (2016 – 5.29 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, 2017 are as follows:

| | Proposed percentages | Cost | | Fair Value | |
|-----------------------|----------------------|--------------|-----|--------------|-----|
| Canadian equity | 30% | \$ 1,120,338 | 31% | \$ 1,263,903 | 31% |
| US equity | 20% | 802,686 | 22% | 952,937 | 23% |
| International equity | 15% | 525,215 | 14% | 645,885 | 16% |
| Canadian fixed income | 25% | 850,381 | 24% | 862,364 | 21% |
| Global fixed income | 10% | 327,469 | 9% | 362,119 | 9% |
| | | \$ 3,626,089 | | \$ 4,087,208 | |

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.

Net investment income is comprised of the following:

| | 2017 | 2016 |
|---|------------|------------|
| Interest, dividends and distributions, net of withholding taxes | \$ 146,161 | \$ 101,813 |
| Realized gain on sale of investments | 43,586 | 63,999 |
| Change in unrealized appreciation of investments | 222,962 | (59,171) |
| Foreign exchange gain | 1,280 | 11,714 |
| Investment counsel fees | (42,091) | (39,403) |
| | \$ 371,898 | \$ 78,952 |

CONCORDIA UNIVERSITY FACULTY ASSOCIATION

Notes to Financial Statements, continued

Year ended May 31, 2017

4. Tangible capital assets

| | | | 2017 |
|------------------------|-----------|-----------------------------|-------------------|
| | Cost | Accumulated amortization | Net book value |
| Computer equipment | \$ 10,301 | \$ 10,301 | \$ - |
| Furniture and fixtures | 22,591 | 20,871 | 1,720 |
| Leasehold improvements | 12,668 | 12,668 | - |
| | \$ 45,560 | \$ 43,840 | \$ 1,720 |

| | | | 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 |

5. Free Homa Campaign liability

During the year, the Association received \$81,960 from third parties for the “Free Homa Campaign” and contributed \$22,459 of its own funds to assist in raising awareness and applying pressure to have Professor Homa Hoodfar released from a prison in Iran where she was being detained. Expenditures of \$64,419 were incurred and the balance of \$40,000 has been retained to pay for legal and other costs associated with the release of Professor Hoodfar.

6. Donations and grants

Donations and grants consist of charitable gifts of \$ 2,580 (2016 - \$ 6,380) and grants in support of other faculty associations of \$ 3,000 (2016 - \$ 1,000).

CONCORDIA UNIVERSITY FACULTY ASSOCIATION

Notes to Financial Statements, continued

Year ended May 31, 2017

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 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:

(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:

| | 2017 | 2016 |
|-----------------------------------|------------|------------|
| Cash with broker | \$ 14,271 | \$ 35,620 |
| Foreign investments at fair value | \$ 952,937 | \$ 795,534 |

(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.