

Financial Statements of

CONCORDIA UNIVERSITY FACULTY ASSOCIATION

Year ended May 31, 2019



INDEPENDENT AUDITOR'S REPORT

To the members of the Concordia University Faculty Association:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Concordia University Faculty Association** (the **Association**), which comprise the statement of financial position as at May 31, 2019, the statement of operations and changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Association as at May 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations ("ASFNPO").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASFNPO, 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.

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

 *Saurdakh Javoll* ^{senc¹}

Montréal, Canada
November 11, 2019

¹ By public accountancy permit A104373, CPA auditor, CA

CONCORDIA UNIVERSITY FACULTY ASSOCIATION

Financial Statements

Year ended May 31, 2019

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CONCORDIA UNIVERSITY FACULTY ASSOCIATION

Balance Sheet

As at May 31, 2019, with corresponding figures for 2018

	2019	2018
Assets		
Current assets:		
Cash	\$ 447,271	\$ 165,898
Accounts receivable	22,833	16,304
Accrued investment income	9,069	10,214
Prepaid expenses	4,567	4,655
	483,740	197,071
Investments (note 3)	4,934,074	4,821,270
Tangible capital assets (note 4)	1,042	3,127
	\$5,418,856	\$5,021,468
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 108,932	\$ 24,385
Due to Concordia University	10,931	7,404
Free Homa Campaign liability (note 5)	-	40,000
	119,863	71,789
Net assets:		
Invested in tangible capital assets	1,042	3,127
Unrestricted	5,297,951	4,946,552
	5,298,993	4,949,679
	\$5,418,856	\$5,021,468

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, 2019, with corresponding figures for 2018

	2019	2018
Revenues:		
Membership dues	\$1,195,753	\$1,084,869
Less contribution paid to:		
Fédération Québécoise des professeures et professeurs d'université ("FQPPU")	166,641	151,293
Canadian Association of University Teachers ("CAUT")	183,187	179,428
CAUT Defence Fund	68,244	67,716
National Union of the Canadian Association of University Teachers ("NUCAUT")	11,114	10,902
	429,186	403,339
Net revenue from membership	766,567	675,530
Expenses:		
Salaries and benefits	371,141	291,479
Conferences, committees and member meetings	44,252	42,444
Legal fees and arbitration costs	59,890	107,383
Free Homa campaign costs (note 5)	(22,459)	-
Other professional fees	19,215	13,556
Office and general	21,145	16,363
Donations and grants (note 6)	7,480	6,260
Telecommunications	6,475	4,218
Insurance	4,711	4,671
Amortization of tangible capital assets	2,085	1,386
	513,935	487,760
Operating income	252,632	187,770
Net investment income (note 3)	96,682	161,995
Excess of revenue over expenses	349,314	349,765
Net assets, beginning of year	4,949,679	4,599,914
Net assets, end of year	\$5,298,993	\$4,949,679

See accompanying notes to financial statements.

CONCORDIA UNIVERSITY FACULTY ASSOCIATION

Statement of Cash Flows

Year ended May 31, 2019, with corresponding figures for 2018

	2019	2018
Cash flows from operating activities:		
Excess of revenue over expenses	\$ 349,314	\$ 349,765
Items not affecting cash:		
Amortization of tangible capital assets	2,085	1,386
Realized gain on sale of investments	(6,344)	(96,313)
Amortization of premium on fixed income securities	(3,676)	4,774
Change in unrealized appreciation of investments	126	59,241
Changes in non-cash working capital:		
Accounts receivable	(6,529)	(4,202)
Accrued investment income	1,145	330
Prepaid expenses	88	(737)
Accounts payable and accrued liabilities	84,547	9,897
Deferred contributions	(40,000)	-
Due to Concordia University	3,527	34,460
	384,283	358,601
Cash flows from investing activities:		
Proceeds from sale of investments	886,145	1,380,653
Purchase of investments	(989,055)	(2,082,416)
Acquisition of tangible capital assets	-	(2,794)
	(102,910)	(704,557)
Increase (decrease) in cash	281,373	(345,956)
Cash, beginning of year	165,898	511,854
Cash, end of year	\$ 447,271	\$ 165,898
Cash is comprised of:		
Cash in bank	\$ 55,100	\$ 8,427
Cash with broker	392,171	157,471
	\$ 447,271	\$ 165,898

See accompanying notes to financial statements.

CONCORDIA UNIVERSITY FACULTY ASSOCIATION

Notes to Financial Statements

Year ended May 31, 2019

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 professeurs 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

The Association initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include cash, accounts receivable and accrued investment income. Financial liabilities measured at amortized cost include the accounts payable and accrued liabilities.

The fair value of the Association's investments is determined based on published closing prices in active markets.

CONCORDIA UNIVERSITY FACULTY ASSOCIATION

Notes to Financial Statements, continued

Year ended May 31, 2019

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. The fair value of investments and other monetary assets and liabilities are translated at the rate of exchange at the balance sheet date. Exchange gains or losses are included in earnings for the year.

3. Investments

	Cost 2019	Fair Value 2019	Cost 2018	Fair Value 2018
Canadian securities:				
Bonds maturing				
in the next year	\$ 33,003	\$ 33,000	\$ 149,800	\$ 149,642
Other bonds	755,474	776,477	635,922	629,670
Short-term income fund	630,684	627,148	621,890	606,427
Equities	1,272,947	1,433,345	1,232,214	1,500,220
Foreign securities:				
Global bond fund	766,928	831,181	742,975	776,551
Equities	810,552	996,637	782,462	940,596
Global infrastructure fund	262,734	236,286	254,129	218,164
	\$4,532,322	\$4,934,074	\$4,419,392	\$4,821,270
Unrealized appreciation		\$ 401,752		\$ 401,878

CONCORDIA UNIVERSITY FACULTY ASSOCIATION

Notes to Financial Statements, continued

Year ended May 31, 2019

3. Investments, continued

The bonds consist of government and corporate bonds and have a weighted average return on par value of 3.36% (2018 – 3.44%) and weighted average term to maturity of 4.70 years (2018 – 4.31 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.

The positions held as of May 31, 2019 compared to the investment strategy recommendations, are as follows:

	Proposed percentages	Cost		Fair Value	
Canadian equity	30%	\$ 1,272,947	29%	\$ 1,433,345	29%
US equity	20%	737,887	16%	828,072	17%
International equity	15%	653,561	14%	759,912	15%
Canadian fixed income	25%	1,419,161	31%	1,436,625	29%
Global fixed income	10%	448,766	10%	476,120	10%
		\$ 4,532,322		\$ 4,934,074	

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:

	2019	2018
Interest, dividends and distributions, net of withholding taxes	\$ 142,895	\$ 175,355
Realized gain on sale of investments	6,344	96,313
Change in unrealized appreciation of investments	(126)	(59,241)
Foreign exchange gain (loss)	1,365	(2,555)
Investment counsel fees	(53,796)	(47,877)
	\$ 96,682	\$ 161,995

CONCORDIA UNIVERSITY FACULTY ASSOCIATION

Notes to Financial Statements, continued

Year ended May 31, 2019

4. Tangible capital assets

			2019
	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 13,095	\$ 12,397	\$ 698
Furniture and fixtures	22,591	22,247	344
Leasehold improvements	12,668	12,668	-
	\$ 48,354	\$ 47,312	\$ 1,042

			2018
	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 13,095	\$ 11,000	\$ 2,095
Furniture and fixtures	22,591	21,559	1,032
Leasehold improvements	12,668	12,668	-
	\$ 48,354	\$ 45,227	\$ 3,127

5. Free Homa Campaign liability

During the year ended May 31, 2017, the Association received \$ 81,960 from third parties for the "Free Homa Campaign" 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 in that regard and the Association set aside \$40,000 to pay for legal and other costs associated with the release of Professor Hoodfar.

In 2019, a contribution of \$ 17,541 was made to the CAUT Academic Freedom Fund. Recognizing that it will not be possible to fulfill the objectives of the \$ 40,000 commitment, the balance of the liability was reversed and recognized in the statement of operations. The Free Homa Fund has now been closed.

6. Donations and grants

Donations and grants consist of charitable gifts of \$ 4,480 (2018 - \$ 5,260) and grants in support of other faculty associations of \$ 3,000 (2018 - \$ 1,000).

CONCORDIA UNIVERSITY FACULTY ASSOCIATION

Notes to Financial Statements, continued

Year ended May 31, 2019

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:

	2019	2018
Cash with broker	\$ 30,132	\$ 26,882
Investments held in a US account, at fair value	\$ 828,072	\$ 792,071

(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.

8. Prior year figures

Certain prior year figures have been reclassified to conform to the current year presentation.