

THE GATEWAY STUDENT JOURNALISM SOCIETY

Financial Statements

Year Ended June 30, 2017

INDEPENDENT AUDITOR'S REPORT

To the Members of The Gateway Student Journalism Society

We have audited the accompanying financial statements of The Gateway Student Journalism Society, which comprise the statement of financial position as at June 30, 2017 and the statements of revenues and expenditures, changes in net assets 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.

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Independent Auditor's Report to the Members of The Gateway Student Journalism Society *(continued)*

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Gateway Student Journalism Society as at June 30, 2017 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.

Edmonton, Alberta
October 25, 2017

Osward & Company LLP

CHARTERED ACCOUNTANTS

THE GATEWAY STUDENT JOURNALISM SOCIETY
Statement of Financial Position
June 30, 2017

	2017	2016
ASSETS		
CURRENT		
Cash	\$ 71,135	\$ 57,866
Accounts receivable	5,108	25,984
Goods and services tax recoverable	1,840	301
Prepaid expenses	1,868	1,075
	79,951	85,226
CAPITAL ASSETS <i>(Note 3)</i>	4,776	4,515
LONG TERM INVESTMENTS <i>(Note 4)</i>	3,933	3,897
	\$ 88,660	\$ 93,638
 LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 52,636	\$ 85,046
Employee deductions payable	1,128	1,332
	53,764	86,378
NET ASSETS	34,896	7,260
	\$ 88,660	\$ 93,638

ON BEHALF OF THE BOARD

_____ *Director*

_____ *Director*

THE GATEWAY STUDENT JOURNALISM SOCIETY
Statement of Revenues and Expenditures
Year Ended June 30, 2017

	Budget 2017	Actual 2017	Actual 2016
REVENUE			
Student fees	\$ 200,000	\$ 201,506	\$ 194,898
Sponsorships	-	35,788	25,298
Local advertising	20,000	27,784	56,967
Online advertising	10,000	4,824	10,748
Students' Union advertising	2,000	1,352	2,873
Fundraising	500	1,122	2,233
Multimarket advertising	4,800	1,049	12,706
Other income	1,000	140	-
Interest	-	36	72
	<u>238,300</u>	<u>273,601</u>	<u>305,795</u>
EXPENSES			
Wages and benefits	137,176	128,019	211,198
Outreach and marketing	4,000	38,889	28,128
Printing	35,000	36,288	47,875
Rental	9,660	9,910	9,660
Professional fees	10,000	9,560	9,866
Bad debts	-	6,087	-
Insurance	4,700	5,148	5,028
Office	4,750	3,995	2,805
Amortization	500	2,142	1,716
General operating	8,330	2,133	3,062
Public relations	2,000	1,957	2,137
Equipment and infrastructure	1,900	1,557	1,847
Communication	410	180	1,357
Distribution	-	100	2,415
Travel	-	-	6,167
	<u>218,426</u>	<u>245,965</u>	<u>333,261</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>\$ 19,874</u>	<u>\$ 27,636</u>	<u>\$ (27,466)</u>

THE GATEWAY STUDENT JOURNALISM SOCIETY

Statement of Changes in Net Assets

Year Ended June 30, 2017

	General Fund	Invested in Capital Assets	2017	2016
NET ASSETS - BEGINNING OF YEAR	\$ 2,745	\$ 4,515	\$ 7,260	\$ 34,726
Capital additions	(2,403)	2,403	-	-
Excess of revenue over expenses	29,778	(2,142)	27,636	(27,466)
NET ASSETS - END OF YEAR	<u>\$ 30,120</u>	<u>\$ 4,776</u>	<u>\$ 34,896</u>	<u>\$ 7,260</u>

THE GATEWAY STUDENT JOURNALISM SOCIETY

Statement of Cash Flows

Year Ended June 30, 2017

	2017	2016
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	\$ 27,636	\$ (27,466)
Amortization of capital assets	2,142	1,716
	<u>29,778</u>	<u>(25,750)</u>
Changes in non-cash working capital:		
Accounts receivable	20,876	14,201
Accounts payable	(32,410)	(164,782)
Prepaid expenses	(793)	(81)
Goods and services tax payable	(1,539)	(1,472)
Employee deductions payable	(204)	(1,052)
	<u>(14,070)</u>	<u>(153,186)</u>
Cash flow from operating activities	<u>15,708</u>	<u>(178,936)</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(2,403)	(1,632)
Long term Investments	(36)	-
	<u>(2,439)</u>	<u>(1,632)</u>
Cash flow used by investing activities	<u>(2,439)</u>	<u>(1,632)</u>
INCREASE (DECREASE) IN CASH FLOW	13,269	(180,568)
Cash - beginning of year	<u>57,866</u>	<u>238,434</u>
CASH - END OF YEAR	<u>\$ 71,135</u>	<u>\$ 57,866</u>

THE GATEWAY STUDENT JOURNALISM SOCIETY

Notes to Financial Statements

Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Gateway Student Journalism Society is a not-for-profit organization incorporated under the Societies Act - Alberta and is exempt from income taxes.

The society's purposes are:

1. To sponsor the advancement of the education of University of Alberta Students through the various practices of journalism and the publication of Gateway, the student newspaper.
2. To provide a fair, reliable, clear source of information, focused mainly, but not exclusively, on issues which directly affect students, whether they are local, national or international.

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Cash

Cash includes cash and cash equivalents. Cash is defined by the society as funds on deposit at Canadian financial institutions.

Fund accounting

The Gateway Student Journalism Society follows the deferral method of accounting for contributions.

Revenues and expenses related to program delivery and administrative activities are reported in the General Fund.

The Invested in Capital Assets Fund reports the assets, liabilities, revenues, and expenses related to The Gateway Student Journalism Society's capital assets.

Investments

Short term investments, which consist primarily of Guaranteed Investment Certificate with original maturities at date of purchase beyond three months and less than twelve month, are carried at cost.

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THE GATEWAY STUDENT JOURNALISM SOCIETY
Notes to Financial Statements
Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization. Capital assets are amortized over their estimated useful lives on a declining balance basis at the following rates and methods:

Equipment	20%	declining balance method
Computer equipment	30% & 55%	declining balance method
Computer software	100%	declining balance method

The society regularly reviews its capital assets to eliminate obsolete items.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Net assets

- a) Net assets invested in capital assets represents the organization's net investment in capital assets which is comprised of the amortized amount of property and equipment purchased with restricted funds.
- b) Unrestricted net assets comprise the excess of revenue over expenses accumulated by the organization each year, not of transfers, and are available for general purposes.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Revenue recognition

The Gateway Student Journalism Society follows the deferral method of accounting for contributions.

Revenue from advertising sales are recognized at the time the ad is first run. Revenue from student fees is recognized over the course of the academic term to which the fees relate. Interest income is recognized when earned.

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THE GATEWAY STUDENT JOURNALISM SOCIETY

Notes to Financial Statements

Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Non-monetary transactions

In the normal course of business, the society enters into non-monetary transactions under which suppliers provide goods and services in exchange for advertising space in the society's publications. These goods and services, which would otherwise be paid for in cash, are accounted for at the more reliably measurable of the fair value of the advertising services provided or the fair value of the goods and services received.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealised gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

2. ACCOUNTS RECEIVABLE

	<u>2017</u>	<u>2016</u>
Accounts receivable	\$ 5,108	\$ 25,984

3. CAPITAL ASSETS

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Computer equipment	\$ 58,420	\$ 54,770	\$ 3,650	\$ 3,614
Equipment	6,237	5,111	1,126	901
Computer software	14,794	14,794	-	-
	<u>\$ 79,451</u>	<u>\$ 74,675</u>	<u>\$ 4,776</u>	<u>\$ 4,515</u>

THE GATEWAY STUDENT JOURNALISM SOCIETY

Notes to Financial Statements

Year Ended June 30, 2017

4. LONG TERM INVESTMENTS

	<u>2017</u>	<u>2016</u>
Guaranteed Investment Certificate bearing interest at 0.90% per annum and maturing in May 2017.	\$ 3,933	\$ 3,897

This GIC has been pledged as collateral for the society's credit cards held with the Bank of Montreal. As the society intends to hold this investment to maturity and then reinvest the funds in a similar instrument, it has been classified as long term.

5. COMMITMENTS

Advertising

The society has an exclusive advertising agreement with F-Media Inc., a third party organization, whereby they will sell all local and multimarket advertising for the society until April 2018. Under the agreement the society receives 65% of advertising amounts collected, subject to a guaranteed minimum of \$100,000. The agreement will automatically renew for another year each April 30th unless either party terminates the agreement. The agreement makes the society economically dependent on the successful operations and collection efforts of F-Media Inc.

Office Lease

The society has a contractual obligation under an operating lease for office space which expires on August 31, 2019. Under the terms of the lease, the Society will pay \$830 per month for rent, utilities and custodial services.

The society's total estimated lease obligations are as follows:

2018	\$ 9,960
2019	9,960
2020	<u>3,260</u>
	<u>\$ 23,180</u>

6. BUDGET

The 2017 operating budget was approved by the board of directors on August 11, 2016. The budget figures have been provided for information purposes only and have not been audited or reviewed.

7. ECONOMIC DEPENDENCE

The society receives approximately 74% of its funding from the University of Alberta Students' Union. Should the students' union withhold funding or significantly change its dealings with the society, management is of the opinion that continued viable operations would be doubtful.

THE GATEWAY STUDENT JOURNALISM SOCIETY

Notes to Financial Statements

Year Ended June 30, 2017

8. FINANCIAL INSTRUMENTS

The society is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the society's risk exposure and concentration as of June 30, 2017.

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The society is exposed to credit risk from customers. In order to reduce its credit risk, the society reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The society has a significant number of customers which minimizes concentration of credit risk.

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The society is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, long-term debt, obligations under capital leases, contributions to the pension plan, and accounts payable.

(c) Currency risk

Currency risk is the risk to the company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The society is exposed to foreign currency exchange risk on cash, accounts receivable, and accounts payable held in U.S. dollars. The company does not use derivative instruments to reduce its exposure to foreign currency risk.

(d) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the society manages exposure through its normal operating and financing activities. The society is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

Unless otherwise noted, it is management's opinion that the society is not exposed to significant other price risks arising from these financial instruments.
