

THE GATEWAY STUDENT JOURNALISM SOCIETY

Financial Statements

Year Ended June 30, 2020

THE GATEWAY STUDENT JOURNALISM SOCIETY

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Year Ended June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Members of The Gateway Student Journalism Society

Opinion

We have audited the financial statements of The Gateway Student Journalism Society (the Society), which comprise the statement of financial position as at June 30, 2020, and the statements of revenues and expenditures, changes in net assets and 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 Society as at June 30, 2020, 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.

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 Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those 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 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.

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

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

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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 Society'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 Society'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 Society 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.

Yates Whitaker LLP

Edmonton, Alberta
December 7, 2020

YATES WHITAKER LLP
CHARTERED PROFESSIONAL
ACCOUNTANTS

THE GATEWAY STUDENT JOURNALISM SOCIETY

Statement of Financial Position

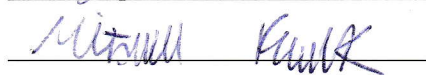
June 30, 2020

	2020	2019
ASSETS		
CURRENT		
Cash	\$ 252,689	\$ 80,711
Accounts receivable	52,813	20,943
Goods and services tax recoverable	486	6,258
Prepaid expenses	1,100	1,100
	<hr/>	<hr/>
	307,088	109,012
CAPITAL ASSETS (Note 3)	7,509	14,852
LONG TERM INVESTMENTS (Note 4)	14,664	13,988
	<hr/>	<hr/>
	\$ 329,261	\$ 137,852
 LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 212,521	\$ 39,279
Employee deductions payable	1,344	1,344
Current portion of obligations under capital lease (Note 5)	5,179	5,179
	<hr/>	<hr/>
	219,044	45,802
OBLIGATIONS UNDER CAPITAL LEASE (Note 5)	432	5,611
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	219,476	51,413
 NET ASSETS		
General Fund	107,887	82,377
Invested in Capital Assets	1,898	4,062
	<hr/>	<hr/>
	109,785	86,439
	<hr/>	<hr/>
	\$ 329,261	\$ 137,852

APPROVED ON BEHALF OF THE BOARD

X

 Director

 Director

THE GATEWAY STUDENT JOURNALISM SOCIETY
Statement of Revenues and Expenditures
Year Ended June 30, 2020

	Budget 2020	Total 2020	Total 2019
REVENUES			
Student fees	\$ 210,300	\$ 224,918	\$ 222,163
Sponsorships	-	30,450	42,000
Wage subsidy	-	29,702	-
Local advertising	23,379	19,272	23,820
Interest	200	876	-
	<u>233,879</u>	<u>305,218</u>	<u>287,983</u>
EXPENSES			
Wages and benefits	157,253	154,763	155,024
Outreach and marketing	3,598	35,430	44,486
Printing	35,703	34,338	32,322
Professional fees	13,000	17,156	15,210
Rental	10,383	10,622	9,960
Insurance	5,372	8,123	10,264
Amortization	-	7,343	6,135
Office	8,546	6,687	8,046
General operating	3,595	4,150	4,624
Equipment and infrastructure	4,492	2,126	2,493
Fees	750	774	290
Communication	400	360	321
Equipment rentals	5,160	-	-
Volunteer appreciation	1,000	-	-
	<u>249,252</u>	<u>281,872</u>	<u>289,175</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ (15,373)</u>	<u>\$ 23,346</u>	<u>\$ (1,192)</u>

THE GATEWAY STUDENT JOURNALISM SOCIETY
Statement of Changes in Net Assets
Year Ended June 30, 2020

	General Fund	Invested in Capital Assets	2020	2019
NET ASSETS - BEGINNING OF YEAR	\$ 82,377	\$ 4,062	\$ 86,439	\$ 87,631
Excess of revenues over expenses	30,689	(7,343)	23,346	(1,192)
Interfund transfer	(5,179)	5,179	-	-
NET ASSETS - END OF YEAR	<u>\$ 107,887</u>	<u>\$ 1,898</u>	<u>\$ 109,785</u>	<u>\$ 86,439</u>

THE GATEWAY STUDENT JOURNALISM SOCIETY
Statement of Cash Flows
Year Ended June 30, 2020

	2020	2019
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ 23,346	\$ (1,192)
Item not affecting cash:		
Amortization of capital assets	7,343	6,135
	<u>30,689</u>	<u>4,943</u>
Changes in non-cash working capital:		
Accounts receivable	(31,870)	(20,182)
Goods and services tax recoverable	5,772	(3,404)
Prepaid expenses	-	466
Accounts payable	173,242	(7,707)
	<u>147,144</u>	<u>(30,827)</u>
Cash flow from operating activities	<u>177,833</u>	<u>(25,884)</u>
INVESTING ACTIVITIES		
Purchase of capital assets	-	(1,160)
Long term investments	(676)	-
	<u>(676)</u>	<u>-</u>
Cash flow used by investing activities	<u>(676)</u>	<u>(1,160)</u>
FINANCING ACTIVITY		
Repayment of obligations under capital lease	(5,179)	(4,748)
	<u>(5,179)</u>	<u>(4,748)</u>
Cash flow used by financing activity	<u>(5,179)</u>	<u>(4,748)</u>
INCREASE (DECREASE) IN CASH FLOW	171,978	(31,792)
Cash - beginning of year	<u>80,711</u>	<u>112,503</u>
CASH - END OF YEAR	<u>\$ 252,689</u>	<u>\$ 80,711</u>

During the year, capital assets in the amount of \$nil (2019 - \$15,538) were acquired by means of capital leases.

THE GATEWAY STUDENT JOURNALISM SOCIETY
Notes to Financial Statements
Year Ended June 30, 2020

1. PURPOSE OF THE SOCIETY

The Gateway Student Journalism Society (the "society") is a not-for-profit organization incorporated provincially under the Companies Act of Alberta. Management has determined that they are exempt from payment of income tax under Section 149(1) of the Income Tax Act.

The society's purposes are to:

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.
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

Cash and cash equivalents

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

Investments

Investments, which consist primarily of Guaranteed Investment Certificates, are carried at cost. Those with a maturity date greater than twelve months are shown as long term investments, while those with maturity dates of less than twelve months are shown as short term investments.

Capital assets

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

Computer equipment	30% and 55%
Equipment	20%
Computer software	100%

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.

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THE GATEWAY STUDENT JOURNALISM SOCIETY

Notes to Financial Statements

Year Ended June 30, 2020

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

Leases

Leases are classified as either capital or operating leases. At the time the society enters into a capital lease, an asset is recorded with its related long-term obligation to reflect the acquisition and financing. Rental payments under operating leases are expensed as incurred.

Impairment of Long Lived Assets

The society tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

Net assets

- a) Net assets invested in capital assets represents the organization's net investment in capital assets which is comprised of the unamortized amount of capital assets purchased with restricted funds.
- b) Unrestricted net assets comprise the excess of revenue over expenses accumulated by the organization each year, net of transfers, and are available for general purposes.

Revenue recognition

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

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

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.

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THE GATEWAY STUDENT JOURNALISM SOCIETY

Notes to Financial Statements

Year Ended June 30, 2020

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

Contributed services

The operations of the organization depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials and services cannot be reasonably determined and are therefore not reflected in these financial statements.

Non-monetary transactions

In the normal course of operations, 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 otherwise would be paid for in cash, are accounted for at the more reliably measured of the fair value of the advertising services provided or the fair value of goods and services received.

Budget amounts

The budget amounts presented on the statements of operations and accumulated surplus and changes in net assets are taken from the commission's annual budget prepared in March 2019. Certain budget amounts have been reclassified to conform to the current year's financial statement preparation.

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.

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.

THE GATEWAY STUDENT JOURNALISM SOCIETY

Notes to Financial Statements

Year Ended June 30, 2020

3. CAPITAL ASSETS

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Computer equipment	\$ 75,781	\$ 69,683	\$ 6,098	\$ 13,088
Equipment	7,396	5,985	1,411	1,764
Computer software	14,794	14,794	-	-
	\$ 97,971	\$ 90,462	\$ 7,509	\$ 14,852

The following assets included above are held under capital lease Note 5:

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Computer equipment	\$ 15,538	\$ 10,469	\$ 5,069	\$ 11,265

4. LONG TERM INVESTMENTS

	2020	2019
Guaranteed Investment Certificate maturing in June 2023, bearing interest at 2.40% increasing to 2.55% and 2.70% in the next two subsequent years.	\$ 10,497	\$ 10,013
Guaranteed Investment Certificate maturing on May 2023, bearing interest at 2.40% increasing to 2.55% and 2.70% in the next two subsequent years.	4,167	3,975
	\$ 14,664	\$ 13,988

THE GATEWAY STUDENT JOURNALISM SOCIETY

Notes to Financial Statements

Year Ended June 30, 2020

5. OBLIGATIONS UNDER CAPITAL LEASE

	<u>2020</u>	<u>2019</u>
Computer lease bearing interest at 0 % per annum, repayable in monthly blended payments of \$432. The lease matures in July 2021 and is secured by computer equipment with a carrying value of \$5,069.	\$ 5,611	\$ 10,790
Amounts payable within one year	<u>(5,179)</u>	<u>(5,179)</u>
	<u>\$ 432</u>	<u>\$ 5,611</u>

Future minimum capital lease payments are approximately:

2021	\$ 5,179
2022	<u>432</u>
Total minimum lease payments	<u>\$ 5,611</u>

6. LEASE COMMITMENT

The society is under an operating lease for office space and administrative fees which expires on August 31, 2022. Under the terms of the agreement, the society will pay \$883 per month for rent, utilities and custodial services as well as \$80 per month for administrative fees.

Contractual obligation repayment schedule:

2021	\$ 11,556
2022	11,556
2023	<u>1,926</u>
	<u>\$ 25,038</u>

7. ECONOMIC DEPENDENCE

The society receives approximately 74% (2019 - 77%) 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.

8. BUDGET

The 2020 operating budget was approved by the board of directors on July 25, 2019. The budget figures have been provided for information purposes only and have not been audited or reviewed.

THE GATEWAY STUDENT JOURNALISM SOCIETY

Notes to Financial Statements

Year Ended June 30, 2020

9. 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, 2020.

(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) 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.

10. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

THE GATEWAY STUDENT JOURNALISM SOCIETY

Notes to Financial Statements

Year Ended June 30, 2020

11. SUBSEQUENT EVENTS

The following events occurred subsequent to the fiscal year end:

COVID- 19

Subsequent to year end, the association's operations has been impacted by the current COVID-19 pandemic of which the effects are not determinable. Management believes that any impact would be temporary in nature.

Fire Damage to Facility

Subsequent to year end some of the society's assets incurred fire and water damage. The damage will be covered by insurance proceeds.
