

**THE GATEWAY STUDENT JOURNALISM SOCIETY**

**Financial Statements**

**Year Ended June 30, 2016**

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## INDEPENDENT AUDITOR'S REPORT

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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, 2016 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, 2016 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  
September 29, 2016

*Osward & Company LLP*

CHARTERED ACCOUNTANTS

**THE GATEWAY STUDENT JOURNALISM SOCIETY**  
**Statement of Financial Position**  
**June 30, 2016**

	2016	2015
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 57,866	\$ 238,434
Accounts receivable	25,984	40,185
Goods and services tax recoverable	301	-
Prepaid expenses	1,075	994
	<u>85,226</u>	<u>279,613</u>
CAPITAL ASSETS <i>(Note 4)</i>	4,515	4,598
LONG TERM INVESTMENTS <i>(Note 5)</i>	3,897	3,825
	<u>\$ 93,638</u>	<u>\$ 288,036</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT</b>		
Accounts payable	\$ 85,046	\$ 249,755
Goods and services tax payable	-	1,171
Employee deductions payable	1,332	2,384
	<u>86,378</u>	<u>253,310</u>
NET ASSETS	<u>7,260</u>	<u>34,726</u>
	<u>\$ 93,638</u>	<u>\$ 288,036</u>

**ON BEHALF OF THE BOARD**

\_\_\_\_\_ *Director*

\_\_\_\_\_ *Director*

**THE GATEWAY STUDENT JOURNALISM SOCIETY**  
**Statement of Revenues and Expenditures**  
**Year Ended June 30, 2016**

	Budget 2016	Actual 2016	Actual 2015
<b>REVENUE</b>			
Student fees	\$ 192,713	\$ 194,898	\$ 189,713
Local advertising	99,500	56,967	86,636
Sponsorships	34,000	25,298	26,891
Multimarket advertising	28,000	12,706	24,965
Online advertising	6,500	10,748	6,116
Students' Union advertising	9,100	2,873	4,565
Fundraising	500	2,233	-
Interest	20	72	-
	370,333	305,795	338,886
<b>EXPENSES</b>			
Wages and benefits	223,957	211,198	215,744
Printing	55,833	47,875	61,549
Outreach and marketing	30,500	28,128	29,085
Professional fees	10,500	9,866	22,515
Rental	9,660	9,660	9,660
Travel	-	6,167	-
Insurance	4,500	5,028	4,742
General operating	4,200	3,062	3,310
Office	6,650	2,805	4,051
Distribution	3,245	2,415	3,049
Public relations	6,250	2,137	857
Equipment and infrastructure	5,100	1,847	395
Amortization	500	1,716	1,770
Communication	1,500	1,357	5,812
Bad debts (recovery)	-	-	(2,199)
	362,395	333,261	360,340
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<b>\$ 7,938</b>	<b>\$ (27,466)</b>	<b>\$ (21,454)</b>

See notes to financial statements

**THE GATEWAY STUDENT JOURNALISM SOCIETY**  
**Statement of Changes in Net Assets**  
**Year Ended June 30, 2016**

	General Fund	Invested in Capital Assets	2016	2015
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 30,128	\$ 4,598	\$ 34,726	\$ 56,180
Capital additions	(1,633)	1,633	-	-
Deficiency of revenue over expenses	(25,750)	(1,716)	(27,466)	(21,454)
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 2,745</u>	<u>\$ 4,515</u>	<u>\$ 7,260</u>	<u>\$ 34,726</u>

See notes to financial statements

**THE GATEWAY STUDENT JOURNALISM SOCIETY**

**Statement of Cash Flows**

**Year Ended June 30, 2016**

	2016	2015
<b>OPERATING ACTIVITIES</b>		
Deficiency of revenue over expenses	\$ (27,466)	\$ (21,454)
Amortization of capital assets	1,716	1,770
	<u>(25,750)</u>	<u>(19,684)</u>
Changes in non-cash working capital:		
Accounts receivable	14,201	24,695
Accounts payable	(164,782)	167,368
Prepaid expenses	(81)	(8)
Goods and services tax payable	(1,472)	2,669
Employee deductions payable	(1,052)	1,139
	<u>(153,186)</u>	<u>195,863</u>
Cash flow from operating activities	<u>(178,936)</u>	<u>176,179</u>
<b>INVESTING ACTIVITY</b>		
Purchase of capital assets	<u>(1,632)</u>	-
Cash flow from (used by) investing activity	<u>(1,632)</u>	-
<b>INCREASE (DECREASE) IN CASH FLOW</b>	<b>(180,568)</b>	<b>176,179</b>
Cash - beginning of year	<u>238,434</u>	<u>62,255</u>
<b>CASH - END OF YEAR</b>	<b><u>\$ 57,866</u></b>	<b><u>\$ 238,434</u></b>

See notes to financial statements

**THE GATEWAY STUDENT JOURNALISM SOCIETY**  
**Schedule to Financial Statements**  
**Year Ended June 30, 2016**

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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**  
**Schedule to Financial Statements**  
**Year Ended June 30, 2016**

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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**  
**Schedule to Financial Statements**  
**Year Ended June 30, 2016**

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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.

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2. GOING CONCERN

The accompanying financial statements have been prepared on the going concern assumption that the society will be able to realize its assets and discharge its liabilities in the normal course of business. The society has incurred significant losses over the past three years. Their continued existence depends upon its ability to restore and maintain profitable operations.

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3. ACCOUNTS RECEIVABLE

	<u>2016</u>	<u>2015</u>
Accounts receivable	\$ 25,984	\$ 25,576
Accrued receivables	-	19,483
Allowance for doubtful accounts	-	(4,874)
	<u>\$ 25,984</u>	<u>\$ 40,185</u>

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**THE GATEWAY STUDENT JOURNALISM SOCIETY**  
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4. CAPITAL ASSETS

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Computer equipment	\$ 56,467	\$ 52,853	\$ 3,614	\$ 3,472
Equipment	5,787	4,886	901	1,126
Computer software	14,794	14,794	-	-
	<u>\$ 77,048</u>	<u>\$ 72,533</u>	<u>\$ 4,515</u>	<u>\$ 4,598</u>

5. LONG TERM INVESTMENTS

	2016	2015
Guaranteed Investment Certificate bearing interest at 0.90% per annum and maturing in May 2017.	<u>\$ 3,897</u>	<u>\$ 3,825</u>

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.

6. COMMITMENTS

Advertising

The society has an exclusive advertising agreement with Free Media Inc. ("Free"), a third party organization, whereby Free will sell all local and multimarket advertising for the society until April 2017. 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 Free.

Office Lease

The society has a contractual obligation under an operating lease for office space which expires on August 31, 2016. As of the date of these financial statements a new lease agreement has not been put in place, but management is of the opinion that a new long term lease agreement will be reached with the Students' Union.

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

2017	<u>\$ 1,610</u>
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**THE GATEWAY STUDENT JOURNALISM SOCIETY**  
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7. BUDGET

The 2016 operating budget was approved by the board of directors on August 24, 2015. The budget figures have been provided for information purposes only and have not been audited or reviewed.

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8. ECONOMIC DEPENDENCE

The society receives approximately 64% 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.

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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, 2016.

***(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.

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**THE GATEWAY STUDENT JOURNALISM SOCIETY**  
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**Year Ended June 30, 2016**

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9. FINANCIAL INSTRUMENTS *(continued)*

*(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.

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