

THE GATEWAY STUDENT JOURNALISM SOCIETY
Financial Statements
Year Ended June 30, 2018

THE GATEWAY STUDENT JOURNALISM SOCIETY
Index to Financial Statements
Year Ended June 30, 2018

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Revenues and Expenditures	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 11

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, 2018 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 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.

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 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 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, 2018, 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 28, 2018

Osward & Company LLP

CHARTERED ACCOUNTANTS

THE GATEWAY STUDENT JOURNALISM SOCIETY
Statement of Financial Position
June 30, 2018

	2018	2017
ASSETS		
CURRENT		
Cash	\$ 112,503	\$ 71,135
Accounts receivable	761	5,108
Goods and services tax recoverable	2,854	1,840
Prepaid expenses	1,566	1,868
	117,684	79,951
CAPITAL ASSETS <i>(Note 3)</i>	4,291	4,776
LONG TERM INVESTMENTS <i>(Note 4)</i>	13,988	3,933
	\$ 135,963	\$ 88,660
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 46,988	\$ 52,636
Employee deductions payable	1,344	1,128
	48,332	53,764
NET ASSETS	87,631	34,896
	\$ 135,963	\$ 88,660

APPROVED ON BEHALF OF THE BOARD

_____ *Director*

_____ *Director*

THE GATEWAY STUDENT JOURNALISM SOCIETY
Statement of Revenues and Expenditures
Year Ended June 30, 2018

	Budget 2018	Total 2018	Total 2017
TRADE SALES			
Student fees	\$ 207,453	\$ 208,161	\$ 201,506
Sponsorships	-	42,000	35,788
Local advertising	23,000	27,338	27,784
Students' Union advertising	-	8,524	1,352
Online advertising	6,100	2,295	4,824
Swag sales	-	229	-
Interest	-	56	36
Other	-	-	140
Fundraising	-	-	1,122
Multimarket advertising	1,160	-	1,049
	<u>237,713</u>	<u>288,603</u>	<u>273,601</u>
EXPENSES			
Wages and benefits	134,989	129,168	128,019
Outreach and marketing	2,500	36,491	38,890
Printing	33,121	28,277	36,288
Professional fees	10,500	13,743	9,560
Rental	9,860	9,710	9,910
Insurance	4,919	5,144	5,148
Office	4,600	4,141	4,095
General operating	2,880	3,190	2,133
Equipment and infrastructure	8,227	2,989	1,557
Amortization	500	2,309	2,142
Travel	-	355	-
Fees	200	190	-
Public relations	1,500	161	1,957
Bad debts	-	-	6,087
Communication	-	-	179
	<u>213,796</u>	<u>235,868</u>	<u>245,965</u>
EXCESS OF TRADE SALES OVER EXPENSES	<u>\$ 23,917</u>	<u>\$ 52,735</u>	<u>\$ 27,636</u>

THE GATEWAY STUDENT JOURNALISM SOCIETY
Statement of Changes in Net Assets
Year Ended June 30, 2018

	General Fund	Invested in Capital Assets	2018	2017
NET ASSETS - BEGINNING OF YEAR	\$ 30,120	\$ 4,776	\$ 34,896	\$ 7,260
Interfund transfer	(1,824)	1,824	-	-
Excess of trade sales over expenses	55,044	(2,309)	52,735	27,636
NET ASSETS - END OF YEAR	<u>\$ 83,340</u>	<u>\$ 4,291</u>	<u>\$ 87,631</u>	<u>\$ 34,896</u>

THE GATEWAY STUDENT JOURNALISM SOCIETY
Statement of Cash Flows
Year Ended June 30, 2018

	2018	2017
OPERATING ACTIVITIES		
Excess of trade sales over expenses	\$ 52,735	\$ 27,636
Item not affecting cash:		
Amortization of capital assets	2,309	2,142
	<u>55,044</u>	<u>29,778</u>
Changes in non-cash working capital:		
Accounts receivable	4,347	20,876
Accounts payable	(5,649)	(32,410)
Prepaid expenses	302	(793)
Goods and services tax payable	(1,014)	(1,539)
Employee deductions payable	216	(204)
	<u>(1,798)</u>	<u>(14,070)</u>
Cash flow from operating activities	<u>53,246</u>	<u>15,708</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(1,823)	(2,403)
Long term investments	(10,055)	(36)
Cash flow used by investing activities	<u>(11,878)</u>	<u>(2,439)</u>
INCREASE IN CASH FLOW	41,368	13,269
Cash - beginning of year	<u>71,135</u>	<u>57,866</u>
CASH - END OF YEAR	<u>\$ 112,503</u>	<u>\$ 71,135</u>

THE GATEWAY STUDENT JOURNALISM SOCIETY

Notes to Financial Statements

Year Ended June 30, 2018

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.

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 and methods:

Computer equipment	30% and 55%	declining balance method
Equipment	20%	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.

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THE GATEWAY STUDENT JOURNALISM SOCIETY

Notes to Financial Statements

Year Ended June 30, 2018

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

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, not 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.

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.

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THE GATEWAY STUDENT JOURNALISM SOCIETY

Notes to Financial Statements

Year Ended June 30, 2018

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

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 unrealized 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.

3. CAPITAL ASSETS

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Computer equipment	\$ 60,243	\$ 56,853	\$ 3,390	\$ 3,650
Equipment	6,237	5,336	901	1,126
Computer software	14,794	14,794	-	-
	<u>\$ 81,274</u>	<u>\$ 76,983</u>	<u>\$ 4,291</u>	<u>\$ 4,776</u>

THE GATEWAY STUDENT JOURNALISM SOCIETY
Notes to Financial Statements
Year Ended June 30, 2018

4. LONG TERM INVESTMENTS

	2018	2017
Guaranteed Investment Certificate maturing on June 6, 2023. The GIC bears interest at the following rates for each year: year one 1.9%, year two 2.15%, year three 2.4%, year four 2.55% and year five 2.7%.	\$ 10,013	\$ -
Guaranteed Investment Certificate maturing on May 31, 2023. The GIC bears interest at the following rates for each year: year one 1.9%, year two 2.15%, year three 2.4%, year four 2.55% and year five 2.7%.	3,975	3,933
	\$ 13,988	\$ 3,933

5. CONTRACTUAL OBLIGATIONS

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 2019. 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 collections 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.

Contractual obligation repayment schedule:

2019		\$ 9,960
2020		3,260
		\$ 13,220

6. ECONOMIC DEPENDENCE

The society receives approximately 72% (2017 - 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, 2018

7. BUDGET

The 2018 operating budget was approved by the board of directors on September 28, 2017. The budget figures have been provided for information purposes only and have not been audited or reviewed.

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, 2018.

(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.

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

9. COMPARATIVE FIGURES

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