

STUDENTS' ASSOCIATION OF NORQUEST COLLEGE

Financial Statements

Year Ended June 30, 2020

STUDENTS' ASSOCIATION OF NORQUEST COLLEGE

Index to Financial Statements

Year Ended June 30, 2020

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 10

INDEPENDENT AUDITOR'S REPORT

To the Members of Students' Association of NorQuest College

Qualified Opinion

We have audited the financial statements of Students' Association of NorQuest College (the Association), which comprise the statement of financial position as at June 30, 2020, and the statements of operations, 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, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Association 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 Qualified Opinion

In common with many not-for-profit organizations, the Association derives revenue from student activities and fundraising, the completeness of which is not susceptible to satisfactory audit verification. In addition, the association derives revenue from U-passes, student fees, health and dental fees, calculated and collected by NorQuest College, as agent for the association. The completeness of this revenue is not susceptible of satisfactory audit verification as we do not have a cost-effective method of verifying the agent's records. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Association. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended June 30, 2020, current assets and net assets as at June 30, 2020. Our audit opinion on the financial statements for the year ended June 30, 2019 was modified accordingly because of the possible effects of this limitation of scope.

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 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 qualified audit 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 Association'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 Association or to cease operations, or has no realistic alternative but to do so.

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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.

King + Company

Edmonton, AB
November 4, 2020

CHARTERED PROFESSIONAL ACCOUNTANTS

STUDENTS' ASSOCIATION OF NORQUEST COLLEGE

Statement of Financial Position

As at June 30, 2020

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT		
Cash	\$ 185,604	\$ 13,914
Accounts receivable (Note 2)	150,531	40,576
Prepaid expenses (Note 3)	<u>36,961</u>	<u>136,847</u>
	373,096	191,337
TERM DEPOSITS (Note 4)	1,174,342	1,012,119
EQUIPMENT (Note 5)	<u>20,450</u>	<u>25,674</u>
	\$ 1,567,888	\$ 1,229,130
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 24,805	\$ 14,921
Unearned revenue (Note 6)	<u>244,460</u>	<u>337,671</u>
	<u>269,265</u>	<u>352,592</u>
COMMITMENTS (Note 7)		
NET ASSETS		
Invested in equipment	20,450	25,674
Internally restricted (Note 8)	542,557	260,645
Unrestricted	<u>735,616</u>	<u>590,219</u>
	<u>1,298,623</u>	<u>876,538</u>
	\$ 1,567,888	\$ 1,229,130

ON BEHALF OF THE STUDENTS' COUNCIL

_____ *Member*

_____ *Member*

STUDENTS' ASSOCIATION OF NORQUEST COLLEGE

Statement of Operations

Year Ended June 30, 2020

	2020	2019
REVENUE		
U-Passes	\$ 1,342,168	\$ 1,239,054
Health and dental fees	975,115	753,340
Student fees	845,057	789,314
Canada Emergency Wage Subsidy	76,281	-
Premium recovery for COVID-19	71,432	-
Interest	26,463	18,726
Activities	7,827	16,759
Advertising	6,491	16,776
Wage recovery	4,000	2,129
Donations	1,979	10,443
	<u>3,356,813</u>	<u>2,846,541</u>
EXPENSES		
U-Passes	1,337,335	1,229,716
Health and dental premiums	759,594	616,879
Salaries, contract fees and benefits	544,147	415,557
Supplies and services	143,404	170,500
Contribution to NorQuest College Foundation	53,486	54,751
Honoraria (<i>Note 9</i>)	28,950	20,750
Tickets and passes	19,605	16,835
Bad debts	14,321	13,949
Public relations, marketing and fundraising	13,463	55,974
Professional fees	8,034	9,303
Travel	7,165	11,654
Amortization of equipment	5,224	5,903
	<u>2,934,728</u>	<u>2,621,771</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ 422,085</u>	<u>\$ 224,770</u>

STUDENTS' ASSOCIATION OF NORQUEST COLLEGE

Statement of Changes in Net Assets

Year Ended June 30, 2020

	Invested in Equipment	Internally Restricted (Note 8)	Unrestricted	2020	2019
NET ASSETS - BEGINNING OF YEAR	\$ 25,674	\$ 260,645	\$ 590,219	\$ 876,538	\$ 651,768
Excess (deficiency) of revenue over expenses	(5,224)	281,912	145,397	422,085	224,770
NET ASSETS - END OF YEAR	\$ 20,450	\$ 542,557	\$ 735,616	\$ 1,298,623	\$ 876,538

STUDENTS' ASSOCIATION OF NORQUEST COLLEGE

Statement of Cash Flows

Year Ended June 30, 2020

	2020	2019
OPERATING ACTIVITIES		
Cash receipts from students	\$ 3,092,566	\$ 2,812,997
Cash receipts from interest	26,463	18,726
Cash receipts from advertising, fundraising and activities	14,318	33,535
Cash receipts from grants, donations and wage recoveries	5,979	20,572
Cash paid to suppliers and employees	<u>(2,805,413)</u>	<u>(2,667,209)</u>
Cash flow from operating activities	<u>333,913</u>	<u>218,621</u>
INVESTING AND FINANCING ACTIVITIES		
Purchase of equipment	-	(5,369)
Purchase of term deposits, net	<u>(162,223)</u>	<u>(246,079)</u>
Cash flow used by investing and financing activities	<u>(162,223)</u>	<u>(251,448)</u>
INCREASE (DECREASE) IN CASH	171,690	(32,827)
CASH - BEGINNING OF YEAR	<u>13,914</u>	<u>46,741</u>
CASH - END OF YEAR	<u>\$ 185,604</u>	<u>\$ 13,914</u>

STUDENTS' ASSOCIATION OF NORQUEST COLLEGE

Notes to Financial Statements

Year Ended June 30, 2020

NATURE OF OPERATIONS

The Students' Association of NorQuest College operates under the authority of the Post-Secondary Learning Act, Chapter P-19.5, Statutes of Alberta 2003.

The association's primary objective is to provide for the administration of the affairs of the students at NorQuest College and provide opportunities for personal growth of its members and to safeguard the academic, cultural and general student rights of those members. It is exempt from income taxes under the Income Tax Act.

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Revenue Recognition

The association follows the deferral method of accounting for contributions. Restricted contributions and related interest income are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions and other revenue is recognized as revenue when received or receivable.

Student fees collected are recognized over the college term. Fees that relate to the portion of the term that occurs subsequent to year end are recorded as unearned revenue. Revenue from marketing and communications and activities are recognized at the time of the sale.

The health and dental group insurance plan portion of the student fee is also accounted for using the deferral method. Fees collected by the association for the group health and dental insurance plan are remitted to the insurer on a monthly basis. Where student fees collected exceed monthly premiums paid to the insurer during the year, the surplus is retained as health and dental reserves and used to pay for future deficits that may occur from year to year.

U-Passes fees collected are recognized over the college term. Fees that relate to the portion of the term that occurs subsequent to year end are recorded as unearned revenue.

Revenue from all other sources is included in revenue in the year in which it is received or is receivable.

Contributed Services

NorQuest College provides accounting, reporting, registration, other management and administrative services and office space at no cost to the association. These amounts are not recorded in the financial statements because of the difficulty of determining their fair value.

Financial Instruments

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.

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STUDENTS' ASSOCIATION OF NORQUEST COLLEGE

Notes to Financial Statements

Year Ended June 30, 2020

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash

Cash is comprised of funds held in financial institutions.

Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is provided on the declining-balance basis using an annual rate of 20%

The association regularly reviews its equipment to eliminate obsolete items. Government grants are treated as a reduction of equipment cost.

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

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.

2. ACCOUNTS RECEIVABLE

	<u>2020</u>	<u>2019</u>
Canada Emergency Wage Subsidy	\$ 76,281	\$ -
Premium recovery for COVID-19	71,432	-
Student fees and rebates	2,699	34,210
Goods and services tax	119	6,366
	<u>\$ 150,531</u>	<u>\$ 40,576</u>

3. PREPAID EXPENSES

	<u>2020</u>	<u>2019</u>
Supplies	\$ 36,961	\$ 24,519
U-Pass	-	112,328
	<u>\$ 36,961</u>	<u>\$ 136,847</u>

4. TERM DEPOSITS

Term deposits are comprised of guaranteed investment certificates with interest rates averaging 1.48% (2019 - 2.67%) and have maturity dates ranging from August 2020 to June 2021.

STUDENTS' ASSOCIATION OF NORQUEST COLLEGE

Notes to Financial Statements

Year Ended June 30, 2020

5. EQUIPMENT

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Equipment	\$ 67,963	\$ 47,513	\$ 20,450	\$ 25,674

6. UNEARNED REVENUE

	2020	2019
Health and dental fees	\$ 169,536	\$ 131,988
Student fees	74,924	94,503
U-Passes	-	111,180
	<u>\$ 244,460</u>	<u>\$ 337,671</u>

7. COMMITMENT

The association is committed to annual contributions of \$50,000 to the NorQuest College Foundation until June 30, 2025.

8. INTERNALLY RESTRICTED NET ASSETS

Internally restricted net assets have been restricted by the Student Council for the following:

	2020	2019
Future health and dental premiums	\$ 471,125	\$ 260,645
Legal fund	71,432	-
	<u>\$ 542,557</u>	<u>\$ 260,645</u>

9. RELATED PARTY TRANSACTIONS

The association paid honoraria to board members in the amount of \$28,950 (2019 - \$20,750).

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

STUDENTS' ASSOCIATION OF NORQUEST COLLEGE

Notes to Financial Statements

Year Ended June 30, 2020

10. FINANCIAL INSTRUMENTS

The association 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 association's risk exposure and concentration as of June 30, 2020.

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The association is exposed to credit risk from customers. In order to reduce its credit risk, the association 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 association has a significant number of customers which minimizes concentration of credit risk.

11. COMPARATIVE FIGURES

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