

**NORTHERN ALBERTA INSTITUTE OF TECHNOLOGY**  
**ACADEMIC STAFF ASSOCIATION**  
Financial Statements  
Year Ended June 30, 2019

# NORTHERN ALBERTA INSTITUTE OF TECHNOLOGY ACADEMIC STAFF ASSOCIATION

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Year Ended June 30, 2019

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## INDEPENDENT AUDITOR'S REPORT

To the Members of

**Northern Alberta Institute of Technology Academic Staff Association**

### *Opinion*

We have audited the financial statements of Northern Alberta Institute of Technology Academic Staff Association (the "Association"), which comprise the statement of financial position as at June 30, 2019, 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at June 30, 2019, 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 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 opinion.

### *Other Matter*

The financial statements for the year ended June 30, 2018 were audited by another firm of Chartered Professional Accountants who expressed an unmodified opinion on those financial statements on September 19, 2018.

### *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.

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

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**THE POWER OF BEING UNDERSTOOD**  
AUDIT | TAX | CONSULTING

### *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.

Edmonton, Alberta  
October 4, 2019

RSM Alberta LLP  
Chartered Professional Accountants

# NORTHERN ALBERTA INSTITUTE OF TECHNOLOGY ACADEMIC STAFF ASSOCIATION

Statement of Financial Position

June 30, 2019

|   | 2019                | 2018                |
|---|---------------------|---------------------|
| <b>ASSETS</b>                                   |                     |                     |
| <b>CURRENT</b>                                  |                     |                     |
| Cash  | \$ 77,076           | \$ 33,452           |
| Short-term investment                           | -                   | 150,000             |
| Accounts receivable                             | 59,321              | 64,117              |
| Prepaid expenses                                | 381                 | 369                 |
|   | <b>136,778</b>      | 247,938             |
| RESTRICTED CASH AND INVESTMENTS <i>(Note 3)</i> | <b>1,005,767</b>    | 700,190             |
| LONG-TERM INVESTMENT <i>(Note 4)</i>            | <b>150,000</b>      | 100,000             |
| TANGIBLE CAPITAL ASSETS <i>(Note 5)</i>         | <b>7,614</b>        | 8,950               |
|   | <b>\$ 1,300,159</b> | <b>\$ 1,057,078</b> |
| <b>LIABILITIES AND NET ASSETS</b>               |                     |                     |
| <b>CURRENT</b>                                  |                     |                     |
| Accounts payable and accrued liabilities        | \$ 13,046           | \$ 79,159           |
| Trust liabilities <i>(Note 6)</i>               | 5,767               | 190                 |
|   | <b>18,813</b>       | 79,349              |
| <b>NET ASSETS</b>                               |                     |                     |
| Internally restricted <i>(Note 7)</i>           | <b>1,000,000</b>    | 700,000             |
| Invested in tangible capital assets             | 7,614               | 8,950               |
| Unrestricted                                    | <b>273,732</b>      | 268,779             |
|   | <b>1,281,346</b>    | 977,729             |
|   | <b>\$ 1,300,159</b> | <b>\$ 1,057,078</b> |

APPROVED ON BEHALF OF THE BOARD

\_\_\_\_\_ Director

\_\_\_\_\_ Director

See notes to financial statements

# NORTHERN ALBERTA INSTITUTE OF TECHNOLOGY ACADEMIC STAFF ASSOCIATION

Statement of Operations

Year Ended June 30, 2019

|  | 2019              | 2018               |
|--|-------------------|--------------------|
| <b>REVENUES</b>                                      |                   |                    |
| Membership dues                                      | \$ 1,155,569      | \$ 755,937         |
| Interest   | 26,210            | 20,197             |
|  | <b>1,181,779</b>  | <b>776,134</b>     |
| <b>EXPENSES</b>                                      |                   |                    |
| Administration (Note 8)                              | 544,143           | 531,456            |
| Legal and Advocacy Committee                         | 97,415            | 69,806             |
| ACIFA Membership                                     | 79,425            | 79,425             |
| Membership Services Committee                        | 57,783            | 61,851             |
| ACIFA Defence Fund (Note 9)                          | 39,000            | -                  |
| Bargaining Committee                                 | 21,392            | 31,660             |
| Education Awards Program                             | 16,000            | 20,000             |
| Employee Assistance Plan                             | 15,000            | 15,000             |
| Communications Committee                             | 8,004             | 4,284              |
|  | <b>878,162</b>    | <b>813,482</b>     |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b> | <b>\$ 303,617</b> | <b>\$ (37,348)</b> |

See notes to financial statements

# NORTHERN ALBERTA INSTITUTE OF TECHNOLOGY ACADEMIC STAFF ASSOCIATION

Statement of Changes in Net Assets

Year Ended June 30, 2019

|   |    | Internally<br>Restricted | Invested in<br>Tangible<br>Capital Assets | Unrestricted | <b>2019</b>         | 2018         |
|---|----|--------------------------|---|--------------|---------------------|--------------|
| <b>NET ASSETS -<br/>BEGINNING OF<br/>YEAR</b>       | \$ | 700,000                  | \$ 8,950                                  | \$ 268,779   | \$ <b>977,729</b>   | \$ 1,015,077 |
| Excess (deficiency) of<br>revenues over<br>expenses |    | -                        | (3,410)                                   | 307,027      | <b>303,617</b>      | (37,348)     |
|   |    | -                        | -   | -            | -                   | -            |
| Purchase of tangible<br>capital assets              |    | -                        | 2,074                                     | (2,074)      | -                   | -            |
| Transfers <i>(Note 7)</i>                           |    | 300,000                  | -   | (300,000)    | -                   | -            |
| <b>NET ASSETS - END OF<br/>YEAR</b>                 | \$ | 1,000,000                | \$ 7,614                                  | \$ 273,732   | \$ <b>1,281,346</b> | \$ 977,729   |

See notes to financial statements

# NORTHERN ALBERTA INSTITUTE OF TECHNOLOGY ACADEMIC STAFF ASSOCIATION

Statement of Cash Flows

Year Ended June 30, 2019

|  | 2019             | 2018             |
|--|------------------|------------------|
| <b>CASH PROVIDED BY (USED IN):</b>                     |                  |                  |
| <b>OPERATING ACTIVITIES</b>                            |                  |                  |
| Excess (deficiency) of revenues over expenses          | \$ 303,617       | \$ (37,348)      |
| Item not affecting cash:                               |                  |                  |
| Amortization   | 3,410            | 2,797            |
|  | <b>307,027</b>   | <b>(34,551)</b>  |
| Changes in non-cash working capital ( <i>Note 10</i> ) | <b>(55,752)</b>  | <b>(50,220)</b>  |
|  | <b>251,275</b>   | <b>(84,771)</b>  |
| <b>INVESTING ACTIVITIES</b>                            |                  |                  |
| Purchase of tangible capital assets                    | (2,074)          | (9,770)          |
| Maturity of investments                                | 350,000          | 200,000          |
| Purchase of investments                                | (250,000)        | (300,000)        |
| Increase in restricted cash and investments            | (305,577)        | (99,311)         |
| Transfer to financial stabilization fund               | -                | 100,000          |
|  | <b>(207,651)</b> | <b>(109,081)</b> |
| <b>INCREASE (DECREASE) IN CASH</b>                     | <b>43,624</b>    | <b>(193,852)</b> |
| Cash - beginning of year                               | 33,452           | 227,304          |
| <b>CASH - END OF YEAR</b>                              | <b>\$ 77,076</b> | <b>\$ 33,452</b> |

See notes to financial statements



# NORTHERN ALBERTA INSTITUTE OF TECHNOLOGY ACADEMIC STAFF ASSOCIATION

Notes to Financial Statements

Year Ended June 30, 2019

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## 1. NATURE OF OPERATIONS

The Northern Alberta Institute of Technology Academic Staff Association (the "Association") is a not-for-profit organization incorporated under Section 86 of the *Post-Secondary Learning Act* of the Province of Alberta. Under the Act, the Association is the exclusive bargaining agent on behalf of the academic staff at NAIT. The mission of the Association is to serve its members through contract negotiations and advocacy, while fostering academic identity through open communication, professional and personal development and mutual respect. As a not-for-profit organization under the *Income Tax Act (Canada)*, the Association is not subject to income taxes.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations. Significant accounting policies observed in the preparation of the financial statements are summarized below.

### Cash

Cash consists of cash on hand and bank balances, net of cheques issued and outstanding at the reporting date.

### Restricted cash and investments

Restricted cash consists of cash on hand and on deposit, net of cheques issued and outstanding at the reporting date.

Restricted investments consist of guaranteed investment certificates with maturity dates varying from less than one year to maturity dates of less than 5 years.

Restricted cash and investments have been classified as long-term as their use has been set aside for the long-term purposes of the internally restricted net assets.

### Long-term investments

Long-term investments consist of guaranteed investment certificates maturing between one and five years.

### Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives on a straight-line basis at the following rates:

|                        |         |
|------------------------|---------|
| Computer equipment     | 3 years |
| Furniture and fixtures | 5 years |

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

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# NORTHERN ALBERTA INSTITUTE OF TECHNOLOGY ACADEMIC STAFF ASSOCIATION

Notes to Financial Statements

Year Ended June 30, 2019

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

### Revenue recognition

The Association uses the deferral method for accounting for its membership fees. Under the deferral method, membership fees are recognized in revenue as dues are collected from members each month. Restricted funds are included in revenue in the year in which they are received or receivable, and collection is reasonably assured, with the exception that amounts to fund a future year's expenses are deferred and included in revenue of that later year.

Interest income is recognized as it is earned.

### Contributed services

Much of the work of the Association is carried out by volunteers who sit on the Executive and serve on the many committees. Many receive honoraria which are included in several of the expense categories. It has not been possible to determine if the recorded expenses reflect the fair market value of the work performed.

### Financial instruments

#### *Measurement of Financial Instruments*

Financial instruments are financial assets or financial liabilities of the Association where, in general, the Association has the right to receive cash or another financial asset from another party or the Association has the obligation to pay another party cash or other financial assets.

The Association initially measures its financial assets and financial liabilities at fair value.

The Association subsequently measures its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, accounts receivable, restricted cash and investments and long-term investment.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and trust liabilities.

#### *Impairment*

Financial assets measured at cost or amortized cost are tested for impairment, at the end of each year, to determine whether there are indicators that the asset may be impaired. The amount of the write-down, if any, is recognized in operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account. The reversal may be recorded provided it is no greater than the amount that had been previously reported as a reduction in the asset and it does not exceed original cost. The amount of the reversal is recognized in operations.

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# NORTHERN ALBERTA INSTITUTE OF TECHNOLOGY ACADEMIC STAFF ASSOCIATION

Notes to Financial Statements

Year Ended June 30, 2019

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

### Use of estimates

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. Significant estimates included in the financial statements are the estimated useful lives of tangible capital assets for determining amortization and accrued liabilities. Actual results could differ from these estimates.

## 3. RESTRICTED CASH AND INVESTMENTS

|   | 2019                | 2018              |
|---|---------------------|-------------------|
| Non-redeemable guaranteed investment certificates bearing interest from 1.95% per annum to 2.75% per annum maturing between July 2019 and November 2023 | \$ 1,000,000        | \$ 700,000        |
| "Share the Warmth" campaign   | 5,767               | 190               |
|   | <b>\$ 1,005,767</b> | <b>\$ 700,190</b> |

Restricted cash is comprised of \$5,767 (2018 - \$190) held in a bank account for the "Share the Warmth" campaign as described in Note 6 and \$1,000,000 (2018 - \$700,000) in guaranteed investment certificates which have been designated for specific purposes as described in Note 7.

## 4. LONG-TERM INVESTMENT

|  | 2019              | 2018              |
|--|-------------------|-------------------|
| Two non-redeemable guaranteed investment certificate bearing interest at 2.63 and 1.78% per annum maturing September 2021 and October 2022 | \$ 150,000        | \$ -              |
| Non-redeemable guaranteed investments certificates bearing interest at 2.65% per annum maturing September 2019                             | -                 | 100,000           |
|  | <b>\$ 150,000</b> | <b>\$ 100,000</b> |

# NORTHERN ALBERTA INSTITUTE OF TECHNOLOGY ACADEMIC STAFF ASSOCIATION

Notes to Financial Statements

Year Ended June 30, 2019

## 5. TANGIBLE CAPITAL ASSETS

|                        | Cost      | Accumulated<br>amortization | 2019<br>Net book<br>value | 2018<br>Net book<br>value |
|------------------------|-----------|-----------------------------|---------------------------|---------------------------|
| Computer equipment     | \$ 46,773 | \$ 42,659                   | \$ 4,114                  | \$ 4,450                  |
| Furniture and fixtures | 37,844    | 34,344                      | 3,500                     | 4,500                     |
|                        | \$ 84,617 | \$ 77,003                   | \$ 7,614                  | \$ 8,950                  |

## 6. TRUST LIABILITIES

Trust liabilities consist of funds held by the Association on behalf of the "Share the Warmth" campaign. The funds will be held by the Association until the "Share the Warmth Wrap-up" which is normally held in December. Funds will be given to a designate, as appointed by the Association's President, for purchases of winter wear or needed articles that will be distributed to charitable organizations.

## 7. INTERNALLY RESTRICTED NET ASSETS

|                                    | 2019         | 2018       |
|------------------------------------|--------------|------------|
| <u>Internally Restricted Funds</u> |              |            |
| Financial Stabilization Fund       | \$ 600,000   | \$ 600,000 |
| Conference Facilities Fund         | 100,000      | 100,000    |
| Defence Fund                       | 300,000      | -          |
|                                    | \$ 1,000,000 | \$ 700,000 |

The Financial Stabilization Fund was established to provide an operating reserve to offset unexpected deficits of future years. During the year, the Board transferred \$nil (2018 -- \$100,000) into the fund.

The Conference Facilities Fund was established to develop conference facilities. During the year, the Board transferred \$nil (2018 -- \$nil) into the fund.

As at May 2017, amendments were made to Alberta's Post Secondary Learning Act - Section 90, Application of labour law and to the Labour Relations Code - Section 58.3 (2) wherein the Association was required to establish itself as a trade union resulting in the creation of a Defence Fund for the purpose to support its members should a strike or lockout occur. At the May 2018 Annual General Meeting, motions were passed to establish a Defence Fund and to transfer \$350,000 into the fund. During the year, the Board transferred \$300,000 into the fund.

# NORTHERN ALBERTA INSTITUTE OF TECHNOLOGY ACADEMIC STAFF ASSOCIATION

Notes to Financial Statements

Year Ended June 30, 2019

## 8. ADMINISTRATION EXPENSES

Administration expenses consist of:

|                         | 2019              | 2018              |
|-------------------------|-------------------|-------------------|
| Salaries and benefits   | \$ 457,164        | \$ 450,338        |
| Honoraria and awards    | 55,030            | 42,821            |
| Conferences and courses | 9,829             | 14,745            |
| Office                  | 9,765             | 11,277            |
| Audit                   | 7,813             | 8,382             |
| Amortization            | 3,410             | 2,797             |
| Insurance               | 1,132             | 1,096             |
|                         | <b>\$ 544,143</b> | <b>\$ 531,456</b> |

## 9. ACIFA DEFENCE FUND

In May of 2018, ACIFA established a provincial defence fund to which faculty members at each college and technical institute that is an ACIFA member contribute. The money in the fund is designated for one purpose only: to financially support individual faculty members during a job action. Establishing such a fund collectively has meant that each faculty member needs only make a small, but regular contribution. The large number of faculty members across the province will allow the fund to grow quite rapidly. These contributions, unlike regular ACIFA dues, will not be capped for bigger ACIFA institutional members because in the event of job action, every faculty member will need financial support. At the May 13, 2019 Annual General Meeting, the Association's membership passed a motion to contribute \$39,000 to this fund for the 2018 - 2019 fiscal year.

## 10. CHANGES IN NON-CASH WORKING CAPITAL

|  | 2019               | 2018               |
|--|--------------------|--------------------|
| Accounts receivable                      | \$ 4,796           | \$ (23,079)        |
| Prepaid expenses                         | (12)               | (11)               |
| Accounts payable and accrued liabilities | (66,113)           | (26,441)           |
| Trust liabilities                        | 5,577              | (689)              |
|  | <b>\$ (55,752)</b> | <b>\$ (50,220)</b> |

## 11. RENTAL ASSISTANCE

The Association operates out of premises that are provided rent free by the Northern Alberta Institute of Technology.

# NORTHERN ALBERTA INSTITUTE OF TECHNOLOGY ACADEMIC STAFF ASSOCIATION

Notes to Financial Statements

Year Ended June 30, 2019

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## 12. RISK MANAGEMENT

The Association's financial instruments consist of cash, accounts receivable, restricted cash and investments, long-term investment, accounts payable and accrued liabilities and trust liabilities.

The Association is exposed to various risks through its financial instruments. The following provides information about the Association's risk exposure and concentration as of June 30, 2019.

### **(a) Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Cash, restricted cash and investments, and long-term investment are in place with major financial institutions. Accounts receivable consists of dues receivable from members and accrued interest on investments. The Association does not believe it is subject to any significant concentration of credit risk.

### **(b) Liquidity risk**

Liquidity risk arises from the possibility that the Association might encounter difficulty in settling its debts or in meeting its obligations related to financial liabilities. It is the Association's opinion that there is no significant liquidity risk as of June 30, 2019.

### **(c) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Association is exposed to interest rate risk arising on its interest bearing assets. The effective interest rate on term deposits varied during the year from 1.78% to 3.35% per annum (2018 - 1.65% to 2.70% per annum). The average interest rate at year-end was 2.39% per annum (2018 - 2.30% per annum).