

**Mount Royal Faculty Association**  
**Financial Statements**  
*March 31, 2020*

To the Members of Mount Royal Faculty Association:

## Opinion

We have audited the accompanying financial statements of Mount Royal Faculty Association (the "Association"), which comprise the statement of financial position as at March 31, 2020, and the statements of operations, changes in fund balances and cash flows for the year then ended, and 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 March 31, 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 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 these 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 Association's ability to continue as a going concern, disclosing, as applicable, matters related 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.

## 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.

Calgary, Alberta  
May 19, 2020

*MNP LLP*

Chartered Professional Accountants

# Mount Royal Faculty Association

## Statement of Financial Position

*As at March 31, 2020*

	<i>Operating fund</i>	<i>Professional fees fund</i>	<i>Grants fund</i>	<i>Building fund</i>	<b>2020</b>	2019
<b>Assets</b>						
<b>Current</b>						
Cash	458,053	308,516	20,000	17,088	803,657	593,221
Term deposits (Note 3)	-	531,973	-	-	531,973	525,646
Prepaid expenses	6,162	-	-	-	6,162	1,698
Inventory	1,648	-	-	-	1,648	1,854
	<b>465,863</b>	<b>840,489</b>	<b>20,000</b>	<b>17,088</b>	<b>1,343,440</b>	1,122,419
<b>Capital assets (Note 4)</b>	<b>1,122</b>	<b>-</b>	<b>-</b>	<b>9,939</b>	<b>11,061</b>	10,748
	<b>466,985</b>	<b>840,489</b>	<b>20,000</b>	<b>27,027</b>	<b>1,354,501</b>	1,133,167
<b>Liabilities</b>						
<b>Current</b>						
Accounts payable and accruals	10,000	-	-	-	10,000	10,127
<b>Commitments (Note 7)</b>						
<b>Impact of COVID-19 (Note 10)</b>						
<b>Fund Balances</b>						
Internally restricted	-	840,489	-	27,027	867,516	694,548
Externally restricted (Note 5)	-	-	20,000	-	20,000	20,000
Unrestricted	456,985	-	-	-	456,985	408,492
	<b>456,985</b>	<b>840,489</b>	<b>20,000</b>	<b>27,027</b>	<b>1,344,501</b>	1,123,040
	<b>466,985</b>	<b>840,489</b>	<b>20,000</b>	<b>27,027</b>	<b>1,354,501</b>	1,133,167

Approved on behalf of the Executive Board

E-SIGNED by Melanie Peacock

Director

E-SIGNED by Rafik Kurji

Director

*The accompanying notes are an integral part of these financial statements*

**Mount Royal Faculty Association**  
**Statement of Operations**  
*For the year ended March 31, 2020*

	<i>Operating fund</i>	<i>Professional fees fund</i>	<i>Grants fund</i>	<i>Building fund</i>	<i>2020</i>	<i>2019</i>
<b>Revenue</b>						
Cleaning allowance	3,195	-	-	-	3,195	3,159
Education grants	-	-	64,000	-	64,000	64,000
Food and beverage sales	11,649	-	-	-	11,649	13,529
Interest	-	6,327	-	-	6,327	1,297
Membership dues	950,626	-	-	-	950,626	931,440
Part-time grants	-	-	20,000	-	20,000	20,000
Professional development fund	10,000	-	-	-	10,000	10,000
Retreat Room subsidies	10,550	-	-	-	10,550	10,320
<b>Total revenue</b>	<b>986,020</b>	<b>6,327</b>	<b>84,000</b>	<b>-</b>	<b>1,076,347</b>	<b>1,053,745</b>
<b>Expenses</b>						
Committee	37,385	-	-	-	37,385	75,079
Compensation	418,799	-	-	-	418,799	382,233
Faculty centre	226,538	-	-	637	227,175	237,908
General	31,462	-	-	2,722	34,184	22,633
Office	17,850	-	-	-	17,850	18,939
Professional development	15,285	-	84,000	-	99,285	103,872
Scholarships and gifts	20,208	-	-	-	20,208	19,862
<b>Total expenses</b>	<b>767,527</b>	<b>-</b>	<b>84,000</b>	<b>3,359</b>	<b>854,886</b>	<b>860,526</b>
<b>Excess (deficiency) of revenue over expenses</b>	<b>218,493</b>	<b>6,327</b>	<b>-</b>	<b>(3,359)</b>	<b>221,461</b>	<b>193,219</b>

*The accompanying notes are an integral part of these financial statements*

## Mount Royal Faculty Association Statement of Changes in Fund Balances

*For the year ended March 31, 2020*

	<i>Operating fund</i>	<i>Professional fees fund</i>	<i>Grants fund</i>	<i>Building fund</i>	<i>2020</i>	<i>2019</i>
<b>Fund balance, beginning of year</b>	<b>408,492</b>	<b>664,162</b>	<b>20,000</b>	<b>30,386</b>	<b>1,123,040</b>	929,821
<b>Excess (deficiency) of revenue over expenses</b>	<b>218,493</b>	<b>6,327</b>	-	<b>(3,359)</b>	<b>221,461</b>	193,219
<b>Interfund transfers</b> <i>(Note 6)</i>	<b>(170,000)</b>	<b>170,000</b>	-	-	-	-
<b>Fund balance, end of year</b>	<b>456,985</b>	<b>840,489</b>	<b>20,000</b>	<b>27,027</b>	<b>1,344,501</b>	1,123,040

*The accompanying notes are an integral part of these financial statements*

**Mount Royal Faculty Association**  
**Statement of Cash Flows**  
*For the year ended March 31, 2020*

	2020	2019
<b>Cash provided by (used for) the following activities</b>		
<b>Operating</b>		
Excess of revenue over expenses	221,461	193,219
Amortization	1,379	1,298
	<b>222,840</b>	194,517
Changes in working capital accounts		
Term deposits	(6,327)	(250,000)
Prepaid expenses	(4,464)	5,760
Inventory	206	(495)
Accounts payable and accruals	(127)	-
<b>Net cash provided by operating activities</b>	<b>212,128</b>	<b>(50,218)</b>
<b>Investing</b>		
Purchase of capital assets	(1,692)	(1,172)
<b>Increase (decrease) in cash resources</b>	<b>210,436</b>	<b>(51,390)</b>
<b>Cash resources, beginning of year</b>	<b>593,221</b>	<b>644,611</b>
<b>Cash resources, end of year</b>	<b>803,657</b>	<b>593,221</b>

*The accompanying notes are an integral part of these financial statements*

**1. Purpose of the organization**

Mount Royal Faculty Association (the "Association") is a not-for-profit organization, incorporated under the auspices of the Post Secondary Learning Act, which represents the faculty members of Mount Royal University (the "University"). The Association is exempt from income taxes under paragraph 149(1)(k) of the Income Tax Act (Canada). The Association's purpose is to manage relations between the University and the members of the Association, act as the sole negotiating agent regarding the terms and conditions of employment of all members of the Association, to maintain and promote the professional and material status of members, to promote the welfare of the University, and to uphold the principles of academic freedom, tenure, equity and human rights within the University.

**2. Significant accounting policies**

The financial statements of the Association have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. The financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

***Fund accounting***

The Association follows the restricted fund method of accounting for contributions, and maintains four funds: the Operating Fund, Professional Fees Fund, Grants Fund and Building Fund.

The Operating Fund accounts for the Association's general operating and administrative activities. This fund reports unrestricted resources.

The Professional Fees Fund is an internally restricted fund that was established to pay professional fees resulting from costs associated with the maintenance of members' professional welfare.

The Grants Fund (formerly the Education Fund) includes funding that is collectively bargained for and externally restricted by the University. Interest income earned by the Grants Fund is internally restricted within the Grants Fund. Education grants are provided to assist members in improving their educational qualifications or developing their educational skills. Part-time grants are provided to encourage part-time staff members to attend faculty meetings through cash incentives.

The Building Fund includes capital expenditures of the University faculty centre and funds restricted to cover future costs of maintaining the faculty centre.

***Cash and cash equivalents***

Cash and cash equivalents are comprised of cash on hand and funds held on deposit with financial institutions.

***Term deposits***

Term deposits comprised of short-term investments which mature within one year and are redeemable at the holder's discretion. Term deposits are measured at cost with the associated interest recognized upon maturity.

***Revenue recognition***

Restricted contributions related to general operations are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions include education grants, part-time grants, and restricted membership dues.

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted contributions include unrestricted membership dues, cleaning allowance and social committee revenues.

Revenue from food and beverage sales is recognized as revenue of the Operating Fund at the point of sale.

Investment income on restricted resources is recognized as revenue in its respective fund upon maturity of the underlying investments and is internally restricted within the fund. Unrestricted investment income earned on Operating Fund resources is recognized as revenue of the Operating Fund upon maturity of the underlying investments.



**2. Significant accounting policies (continued)**

***Inventory***

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business less selling costs. Total inventory expensed during the year was \$11,782 (2019 - \$11,011).

***Financial instruments***

The Association recognizes its financial instruments when the Association becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management.

***Measurement:***

At initial recognition, the Association may irrevocably elect to subsequently measure any financial instrument at fair value.

Financial assets and liabilities are subsequently measured at amortized cost.

Financial assets subsequently measured at amortized cost include cash, term deposits and accounts receivable.

Financial liabilities subsequently measured at amortized cost include accounts payable and accruals.

Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess of revenue over expenses for the current year. Transaction costs are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

***Impairment:***

Financial assets subsequently measured at amortized cost are tested for impairment when there are indications that impairment exists. The amount of write-down is recognized as an impairment loss in excess/deficiency of revenue over expenses. A previously recognized impairment loss may be reversed to the extent of an improvement, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess/deficiency of revenue over expenses in the period the reversal occurs.

***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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Amortization of capital assets is based upon the estimated useful life of those assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in excess/deficiency of revenue over expenses in the periods in which they become known.

***Capital assets***

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using methods and rates intended to amortize the cost of assets over their estimated useful lives.

	<b>Method</b>	<b>Rate</b>
Computer equipment	declining balance	45 %
Leasehold improvements	straight-line	20 years

# Mount Royal Faculty Association

## Notes to the Financial Statements

*For the year ended March 31, 2020*

### 3. Term deposits

Term deposits consist of guaranteed investment certificates. The date of acquisition, cost, date of redemption, interest rate and redemption values of the term deposits are as follows:

Date of Acquisition	Cost	Date of Redemption	Term	Annual Interest Rate	Redemption Value
June 10, 2019	269,945	June 9, 2020	1 year	1.60%	274,265
September 30, 2019	<u>262,028</u>	September 29, 2020	1 year	1.60%	<u>266,242</u>
	<u>\$ 531,973</u>				<u>\$ 540,507</u>

### 4. Capital assets

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2020 Net book value</i>	<i>2019 Net book value</i>
Computer equipment	5,722	4,600	1,122	1,432
Leasehold improvements	<u>387,530</u>	<u>377,591</u>	<u>9,939</u>	<u>9,316</u>
	<u>393,252</u>	<u>382,191</u>	<u>11,061</u>	<u>10,748</u>

Included in faculty centre expenses for the year is \$1,379 (2019 – \$1,298) of amortization expense.

### 5. Externally restricted fund

Externally imposed restrictions on fund balances are as follows:

	<i>2020</i>	<i>2019</i>
Restricted for faculty professional development	<u>20,000</u>	<u>20,000</u>

### 6. Interfund transfers

During the year, \$170,000 (2019 - \$250,000) was transferred from the Operating Fund to the Professional Fees Fund in order to establish funding for any potential contingencies as per the Association's Bylaws.

Additionally, \$nil (2019 - \$80,000) was transferred from the Building Fund to the Professional Fees Fund to reduce the Building Fund balance and to support any potential contingencies as per the Association's Bylaws.

### 7. Commitments

The Association has signed a 20 year lease with the University for the sum of \$1.00 per annum expiring on June 30, 2034.

**8. Economic dependence**

The Association is dependent on the University and its faculty for its continued operation. Membership fees are levied by the Association per the collective bargaining agreement on all full-time and part-time faculty members. The fees are collected by the University and distributed to the Association on a monthly basis.

**9. Financial instruments**

The Association is exposed to various risks through its financial instruments. The following analysis provides a measure of the entity's risk exposure at the balance sheet date.

***Credit Risk***

The Association is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Association's funding is primarily received from the University, however, due to the economically stable nature of the University, there are no undue credit risks.

The Association's credit risk exposure on cash and term deposits is minimized substantially by ensuring that cash and term deposits are held with credible financial institutions.

**10. Impact of COVID-19**

During the year, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Association as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.