

**FINANCIAL STATEMENTS OF**

**DURHAM COLLEGE STUDENT  
ASSOCIATION**

**April 30, 2024**

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## INDEPENDENT AUDITOR'S REPORT

To the Members of  
Durham College Student Association

### *Opinion*

We have audited the financial statements of Durham College Student Association (the "Organization"), which comprise the statement of financial position as at April 30, 2024, the statement of operations, statement of changes in fund balances 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 Organization as at April 30, 2024, 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 Organization 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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:

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## INDEPENDENT AUDITOR'S REPORT, continued

- ♦ 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 Organization'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 Organization'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 Organization 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.

*Baker Tilly KDN LLP*


Chartered Professional Accountants  
Licensed Public Accountants

Courtice, Ontario  
December 9, 2024

**DURHAM COLLEGE STUDENT ASSOCIATION**  
**STATEMENT OF FINANCIAL POSITION**  
**As at April 30, 2024**

	2024	2023
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 3)	10,350,206	6,897,720
Accounts receivable	123,483	71,135
Government remittances Receivable	6,424	-
Short term investments	-	2,321,898
Inventory	18,373	5,412
Prepaid expenses	942,059	806,654
Due from Durham College (Note 4)	457,107	764,712
	11,897,652	10,867,531
Restricted cash - Building fund	397,497	377,519
Tangible capital assets (Note 5)	1,083,888	1,016,106
	13,379,037	12,261,156
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	785,287	252,439
Government remittances payable	-	6,307
Insurance contract liability (Note 6)	161,610	114,026
Deferred revenue - health and dental (Note 8)	1,257,487	1,685,710
	2,204,384	2,058,482
<b>NET ASSETS</b>		
Unrestricted	4,452,170	4,050,385
Investment in capital assets	1,083,888	1,016,106
Health fund - internally restricted	5,441,098	4,758,664
Building fund - internally restricted	197,497	377,519
	11,174,653	10,202,674
	13,379,037	12,261,156

Approved on behalf of the board

 Director

 Director

The accompanying notes are an integral part of these financial statements

# DURHAM COLLEGE STUDENT ASSOCIATION

## STATEMENT OF OPERATIONS

For the year ended April 30, 2024

	2024	2023
	\$	\$
<b>Membership and other revenue</b>		
Health fees (Note 6)	3,947,865	3,566,267
Student fees (Note 8)	3,071,143	2,468,638
Other income	328,424	91,909
	<u>7,347,431</u>	<u>6,126,814</u>
<b>Hospitality operations</b>		
Sales	151,023	69,243
Purchases	(128,234)	(95,117)
Wages and employee benefits	(82,733)	(135,263)
General overhead	(26,837)	(14,423)
	<u>(86,782)</u>	<u>(175,560)</u>
<b>Expenses</b>		
Health expenses (Note 6)	2,911,921	2,210,291
Wages and benefits (Note 9)	1,456,733	1,077,913
Professional fees	332,628	38,311
Occupancy expenses	268,951	272,227
Campus events and orientation	264,715	158,960
Amortization	255,714	40,993
Administration	227,061	182,452
Contribution to Durham College Foundation (Note 10)	200,000	200,000
Outreach and wellness services	177,602	42,407
Marketing and communication	111,450	98,197
Governance	30,750	38,012
Riot Radio	30,163	875
Clubs and societies	20,983	49,885
	<u>6,288,671</u>	<u>4,410,523</u>
<b>Excess of revenues over expenditures for the year</b>	<u>971,979</u>	<u>1,540,731</u>

The accompanying notes are an integral part of these financial statements

**DURHAM COLLEGE STUDENT ASSOCIATION**  
**STATEMENT OF CHANGES IN FUND BALANCES**  
For the year ended April 30, 2024

	2024	2023
	\$	\$
<b>Unrestricted fund</b>		
Balance, beginning of year	4,050,385	4,380,244
Excess of revenue over expenditures	971,979	1,540,731
Transfer to capital asset fund	(67,782)	(711,208)
Transfer to health fund (Note 6)	(682,434)	(1,139,443)
Transfer to building fund (Note 4)	(20,000)	(220,000)
Transfer from building fund (Note 10)	200,022	200,061
<b>Balance, end of year</b>	<b>4,452,170</b>	<b>4,050,385</b>
<b>Invested in Capital Assets</b>		
Balance, beginning of year	1,016,106	304,897
Purchase of capital assets	323,496	752,202
Amortization of tangible capital assets	(255,714)	(40,993)
<b>Balance, end of year</b>	<b>1,083,888</b>	<b>1,016,106</b>
<b>Health fund</b>		
Balance, beginning of year	4,758,664	3,619,221
Excess of revenue over expenses of the health fund (Note 6)	682,434	1,139,443
<b>Balance, end of year</b>	<b>5,441,098</b>	<b>4,758,664</b>
<b>Building fund</b>		
Balance, beginning of year	377,519	357,580
Transfer to unrestricted fund	(22)	(61)
Transfer from unrestricted fund (Notes 2 & 4)	20,000	220,000
Transfer to unrestricted funds (Note 10)	(200,000)	(200,000)
<b>Balance, end of year</b>	<b>197,497</b>	<b>377,519</b>

The accompanying notes are an integral part of these financial statements

# DURHAM COLLEGE STUDENT ASSOCIATION

## STATEMENT OF CASH FLOWS

For the year ended April 30, 2024

	2024	2023
	\$	\$
<b>CASH PROVIDED FROM (USED FOR)</b>		
<b>Operating activities</b>		
Net income	971,979	1,540,731
Adjustments for		
Amortization of tangible capital assets	255,714	40,993
	1,227,693	1,581,724
 Change in non-cash working capital items		
Accounts receivable	(52,348)	(60,215)
Government assistance receivable	-	38,457
Inventory	(12,961)	(5,412)
Prepaid expenses	(135,405)	(236,903)
Due from Durham College	307,605	(197,664)
Accounts payable and accrued liabilities	532,850	(147,162)
Government remittances payable	(12,731)	4,373
Insurance contract liability	47,584	(4,553)
Deferred revenue - health and dental	(428,223)	115,313
	269,606	(493,766)
	1,497,299	1,087,958
 <b>Investing activities</b>		
Purchase of tangible capital assets	(323,496)	(752,202)
Purchase of short term investments	-	(2,321,898)
Proceeds from short term investments	2,321,898	2,321,898
	1,998,402	(752,202)
 <b>Increase in cash and cash equivalents</b>	3,495,701	335,756
 <b>Cash and cash equivalents, beginning of year</b>	7,275,239	6,939,483
 <b>Cash and cash equivalents, end of year</b>	10,747,703	7,275,239
 <b>Cash consists of:</b>		
Cash and cash equivalents (Note 3)	10,350,206	6,897,720
Restricted cash - Student Building Fund	397,497	377,519
	10,747,703	7,275,239

The accompanying notes are an integral part of these financial statements



# DURHAM COLLEGE STUDENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended April 30, 2024

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### 1. NATURE OF OPERATIONS

Durham College Student Association (the "Organization") changed its name from Durham College Student Inc. by the Articles of Amendments to the Articles of Incorporation on March 15, 2022. The Organization was incorporated on July 10, 2017 without share capital and operates as a not-for-profit organization that is tax exempt under the Income Tax Act. The Organization is a service-based association that puts Durham College students' needs at the forefront, and provides quality campus engagement for every full-time student.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### (a) *Basis of presentation*

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

#### (b) *Financial instruments*

The Organization initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions. The Organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in excess of revenue over expenditures.

Financial assets measured at amortized cost include cash and cash equivalents, accounts receivable, restricted cash - Building fund, and amounts due from Durham College.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and insurance contract liability.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in excess of revenue over expenditures. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, 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 of revenue over expenditures.

The Organization recognizes its transaction costs in excess of revenue over expenditure in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

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The accompanying notes are an integral part of these financial statements

# DURHAM COLLEGE STUDENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended April 30, 2024

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### 2. SIGNIFICANT ACCOUNTING POLICIES, continued

#### (c) Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments consisting of cashable guaranteed investment certificates (GIC's) which are readily convertible into a known amount of cash, and are subject to an insignificant risk to changes in their fair value.

#### (d) Inventory

Inventory is measured at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis. Cost includes all costs of purchase, direct labour, variable and fixed production overheads, and other costs incurred in bringing the inventories to their present location and condition.

#### (e) Tangible capital assets

Tangible capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives at the following rates and methods:

Computer equipment	Straight-line	3 years
Furniture and fixtures	Straight-line	3 years
Leasehold improvements	Straight-line	5 years
Computer software	Straight-line	3 years
Booster Juice equipment	Straight-line	11 years
Hospitality equipment - Drip Cafe	Straight-line	5 years

Tangible capital assets are reviewed for impairment whenever events or conditions indicate that the assets no longer contribute to the Organization's ability to provide services or that the service potential of the assets are less than their net carrying amount. When conditions indicate that a capital asset is impaired, the net carrying amount of the asset is written down to the asset's fair value or replacement cost.

#### (f) Revenue recognition

Durham College Students Association follows the deferral method of accounting for contributions.

Student fees consist of Student Association Health and Wellness Support Services fees, DCSA Student Life fees, Student Centre fees and Campus Radio Station fees. Student Association Health and Wellness Support Services and Student Life fees are used to fund health and counselling, campus safety and academic support, as well as student life programming including clubs, associations and organizations. Student Centre fees are collected to fund the operations of the Student Centre, which includes; cleaning, operation and general repair, occupier's liability insurance and operational staff. Campus Radio fees fund production time at Riot Radio.

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The accompanying notes are an integral part of these financial statements

**DURHAM COLLEGE STUDENT ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended April 30, 2024

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**2. SIGNIFICANT ACCOUNTING POLICIES, continued**

*(f) Revenue recognition, continued*

Unrestricted contributions for student fees are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted contributions for health fees are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Student health insurance premiums provide coverage for students on an annual basis ending August 31. Deferred revenue includes the portion of fall and winter student health fees revenue for the period of coverage May to August of the following year.

All other revenue is recognized as revenue when received or receivable, if the amount can reasonably estimated and collection is reasonably assured.

*(g) Health fund*

The Health fund is funded by the excess of health fund revenues over expenditures from student health insurance plan and supports the Organization's initiatives that relate to the health and well-being of students.

*(h) Building fund*

The Building fund is an internally restricted board allocation of funds to be used towards the future purchase of space for the Organization. The funds have been set aside in a separate bank account for future capital spending.

The board approved a \$20,000 transfer which is annually allocated from the operating fund to the building fund as part of the Operational Agreement with Durham College (note 4).

*(i) Contributed services*

The operations of the Organization depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials and services cannot be reasonably determined and are therefore not reflected in these financial statements.

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The accompanying notes are an integral part of these financial statements

**DURHAM COLLEGE STUDENT ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended April 30, 2024

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2. **SIGNIFICANT ACCOUNTING POLICIES, continued**

(j) *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. Estimates are used when accounting for items and matters such as estimated useful life of tangible capital assets, amortization, asset valuations, deferred revenue, health fund provision and contingencies. Actual results could differ from these estimates.

3. **CASH & CASH EQUIVALENTS**

	2024 \$	2023 \$
RBC GIC, bearing interest at 5.20%, maturing October 2024	1,000,500	-
RBC GIC, bearing interest at 5.20%, maturing October 2024	2,500,500	-
Cash	6,849,206	6,897,720
	10,350,206	6,897,720

Note that the interest bearing GIC's held at year-end are cashable and redeemable at any time subsequent to their purchase.

4. **DURHAM COLLEGE AGREEMENT**

The Organization is governed by a board of directors consisting of student representatives from Durham College.

On March 1, 2021, the Organization entered into an operational agreement with Durham College. Under this agreement, Durham College is responsible to collect certain ancillary fees from students, which include; a Student Association Health and Wellness Support Services fee, a DCSA Student Life fee, a Student Centre fee collected to support the day-to-day operations of the Organization, a Campus Radio Station fee and student health and dental fees, which are then remitted to the Organization. No further ancillary student fees collected by Durham College are remitted to the Organization. The agreement is deemed to have been renewed as no new agreement was reached prior to the termination date.

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The accompanying notes are an integral part of these financial statements

**DURHAM COLLEGE STUDENT ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended April 30, 2024

**4. DURHAM COLLEGE AGREEMENT, continued**

Under the operational agreement, the Organization has committed to assume the food operations at the Student Centre including a Booster Juice (opened September 2022) and a grill concept later named Drip Cafe (opened September 2023). As part of this commitment, in 2021, the Organization paid the college \$232,259 from the building fund for the capital equipment (note 5) located in the hospitality space in the Student Centre. The Organization has also committed \$33,580 to upgrade the Student Centre seating area to better prepare for the physical distancing requirements as a result of COVID-19. The Organization contributes a minimum of \$20,000 annually to the building fund, as outlined in the Operational Agreement.

On March 1, 2021, the Organization entered into an rental agreement with Durham College for space in the Student Centre building. The Organization has agreed to pay annual rent, including HST, of \$243,750 to Durham College in equal monthly installments. Rent includes maintenance and repairs of the leased premises by Durham College. The rent increased by \$2,373 monthly when the food operations opened in the Student Centre which commenced in September 2022. This agreement has expired but rent continues to be paid on a month to month basis with discussions for an extension on-going.

The operations of the Organization depend on the contribution of services, such as student fee collection and processing, from Durham College. The fair value of the services cannot be reasonably determined and are therefore not reflected in these financial statements.

These 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.

The amount due from Durham College represents invoices for student fees collected as part of the normal course of operations and received subsequent to the year end.

**5. TANGIBLE CAPITAL ASSETS**

	Cost	Accumulated Amortization	2024 Net Book Value	2023 Net Book Value
	\$	\$	\$	\$
Computer equipment	57,240	24,312	32,928	923
Furniture and fixtures	44,643	33,926	10,717	394
Leasehold improvements	1,122,155	289,410	832,745	798,576
Computer software	10,136	8,447	1,689	5,068
Booster Juice equipment (Note 4)	232,259	42,229	190,030	211,145
Hospitality Equipment - Drip Cafe (Note 4)	17,533	1,754	15,779	-
	1,483,966	400,078	1,083,888	1,016,106

The accompanying notes are an integral part of these financial statements

# DURHAM COLLEGE STUDENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended April 30, 2024

### 6. HEALTH FUND AND RELATED DISBURSEMENTS

All full-time Durham College students are required to pay for health and dental insurance as part of the base student fees. Students can opt-out of these plans if they have alternative coverage.

On September 1, 2018, the Organization began to self-insure the health and dental plan. All annual surpluses are invested in the health fund reserve. The Organization is liable for health and dental claims made by students for the lesser of one year after the service date of the claim or 90 days after coverage terminates. A provision has been made in the amount of \$161,610 (2023 - \$114,026) for claims incurred to April 30, 2024 but not yet reported using applicable industry rates.

In order to mitigate risk, the Organization pays an annual stop loss premium for the health plan based on projected future claims. The Organization is insured for claims that exceed 120% of the projected future claims. The Organization reviews the health fund reserve semi-annually to ensure a minimum reserve amount of 20% of projected claims not covered by the stop loss insurance.

The Organization entered into an agreement with an insurance consulting company to provide program management services with respect to the student health and dental plan. If terminated without cause, the contract requires the Organization to pay a fee equivalent to the program management fees for a full policy year based on the current years enrolment. The agreement is effective until August 31, 2025.

	2024 \$	2023 \$
Revenue		
Student health levy (net of opt-out)	3,947,865	3,566,267
Expenses		
Claims	2,330,749	1,705,879
Health plan premiums	351,729	305,092
Program management fees	229,443	199,320
	2,911,921	2,210,291
Health - wages, salaries and benefits (Note 10)	353,510	216,532
Excess of revenue over expenses of the health fund	682,434	1,139,444

The accompanying notes are an integral part of these financial statements

# DURHAM COLLEGE STUDENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended April 30, 2024

### 7. INTERNATIONAL HEALTH PLAN

On September 1, 2021, the Organization assumed the delivery of the International OHIP coverage plan under a memorandum of understanding ("MOU") with Durham College. All service delivery moved to the Organization under the same terms with the existing health plan provider to ensure service delivery is centralized and to streamline the student experience around their health plan claims, opt-outs, complaints, and support. In 2024, the Organization changed the health plan provider for International OHIP alternative coverage.

The International plan is fully-funded, there are no annual surpluses and the Organization is not liable for claims made by students and as a result, the health plan levy and premiums have been excluded from the Statement of Operations. During the year ended April 30, 2024, the Organization received and distributed the following amounts:

	2024	2023
	\$	\$
International health plan levy	2,336,659	1,649,956
International health plan premiums	(2,336,659)	(1,649,956)
	-	-

### DEFERRED REVENUE

	2024	2023
	\$	\$
Health insurance deferred revenue		
Opening balance	1,685,710	1,570,397
Funds received, health (net of opt-out)	3,519,642	3,681,580
Funds earned in the year	(3,947,865)	(3,566,267)
Total health deferred revenue	1,257,487	1,685,710

### 8. STUDENT FEES

	2024	2023
	\$	\$
Wellness and Student Life	1,702,734	1,384,072
Student Centre	1,086,066	861,836
Riot Radio	282,343	222,730
	3,071,143	2,468,638

The accompanying notes are an integral part of these financial statements

**DURHAM COLLEGE STUDENT ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended April 30, 2024

9. **WAGES AND BENEFITS**

	2024 \$	2023 \$
Health	353,510	216,532
Outreach and wellness services	346,987	335,179
Executive	192,300	42,325
Riot Radio	190,814	141,140
Management	181,091	156,865
Clubs and societies	131,337	148,317
Marketing	32,453	8,408
Legal Aid	28,241	29,147
	<b>1,456,733</b>	<b>1,077,913</b>

Management and administrative compensation totaling \$409,038 (2023 - \$419,430), was allocated to various functions based on time spent.

10. **COMMITMENTS**

The Organization committed to a \$1 million contribution to the Durham College Foundation, payable over five years ending September 2025. The contribution supports the Building for Skills campaign for the Durham College Phase IV Whitby Campus Revitalization initiative, which expands the Centre for Skilled Trades and Technology (CSTT). In return, the Organization can occupy designated spaces at the Whitby Campus Main Building and Oshawa Campus Gordon Willey Building. Annual contributions are to be funded through the Organization's building fund as the contributions are for a restricted purpose.

Remaining payments under this contribution agreement are:

	\$
September 2024	200,000
September 2025	200,000
	<b>400,000</b>

The Organization has rent commitments with Durham College for monthly rental payments related to the student association building (note 4).

The accompanying notes are an integral part of these financial statements



# DURHAM COLLEGE STUDENT ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended April 30, 2024

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### 10. COMMITMENTS, continued

The Organization operates a "Booster Juice" under a licensing agreement with AW Holdings Corp (Licensor). The license agreement is effective July 10, 2022 with a term ending September 1, 2028 and an option to renew for a further five years. Under the agreement the Organization (Licensee) is required to pay a license fee of \$7,500 on transfer and at renewal. The Organization is required to pay a royalty fee equal to 6% of sales and an advertising and marketing fee equal to 1% of sales.

### 11. CONTINGENT LIABILITIES

On October 28, 2018, a lawsuit was initiated against the Organization by former employees alleging wrongful dismissal. The claim is for \$450,000 plus legal costs. The likelihood of the claim being successful is not known. The Organization has filed a statement of defence and it is the intention of the Organization to aggressively defend this lawsuit by the Organization's insurer. It is not possible to determine the liability, if any, the Organization will incur as a result of this action, or the amount of any claim which would be covered by the Organization's \$5,000,000 liability insurance policy.

### 12. FINANCIAL INSTRUMENTS

The Organization is exposed to various risks through its financial instruments and has a risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Organization's risk exposure and concentration as of April 30, 2024.

#### (a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. As the cash balances and cash equivalents are held with a major Canadian financial institution there is a concentration of credit risk with one bank in Canada. The risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. The carrying amount of cash and short-term investments included on the statement of financial position represent the maximum credit exposure. The Organization is not exposed to significant credit risk related to accounts receivable as these are primarily due from Durham College and expect to be collected in full.

#### (b) Interest rate risk

The guaranteed investment certificates included in cash and cash equivalents bear interest at a fixed rate of interest and as such are subject to interest rate price risk resulting from changes in fair value from market fluctuations in interest rates. The Organization manages this risk through investing in fixed-rate securities of short to medium term maturity and plans to hold the securities to maturity.

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The accompanying notes are an integral part of these financial statements

**DURHAM COLLEGE STUDENT ASSOCIATION**  
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12. **FINANCIAL INSTRUMENTS, continued**

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

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The accompanying notes are an integral part of these financial statements