

DURHAM COLLEGE STUDENTS INC.
Financial Statements
Year Ended April 30, 2020

DURHAM COLLEGE STUDENTS INC.
Index to Financial Statements
Year Ended April 30, 2020

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Fund Balances	5
Statement of Cash Flow	6
Notes to Financial Statements	7 - 14

Baker Tilly KDN LLP

1748 Baseline Road West
Suite 200
Courtice, ON
Canada L1E 2T1

T: +1 905.579.5659

TF: +1 866.392.5672

F: +1 905.579.8563

courtice.bakertilly.ca

INDEPENDENT AUDITOR'S REPORT

To the Members of Durham College Students Inc.

Opinion

We have audited the financial statements of Durham College Students Inc. (the Organization), which comprise the statement of financial position as at April 30, 2020, and the statements of operations, changes in fund balances and cash flow 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, 2020, and the results of its operations and its cash flow 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 those 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 relating 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.

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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 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

Courtice, Ontario
November 26, 2020

Baker Tilly KDN LLP
Chartered Professional Accountants
Licensed Public Accountants

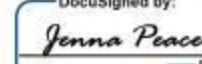
DURHAM COLLEGE STUDENTS INC.

Statement of Financial Position

April 30, 2020

	2020	2019
Assets		
Current		
Cash	\$ 5,974,983	\$ 3,516,430
Short-term investments (Note 3)	551,156	550,450
Accounts receivable	-	44,269
Prepaid expenses	194,080	156,284
Due from Durham College (Note 4)	178,565	30,694
	<u>6,898,784</u>	<u>4,298,127</u>
Tangible capital assets (Note 5)	<u>66,774</u>	<u>27,120</u>
	<u>\$ 6,965,558</u>	<u>\$ 4,325,247</u>
Liabilities		
Current		
Accounts payable	\$ 331,999	\$ 201,477
Government remittances payable	29,065	-
Insurance contract liability (Note 6)	133,397	118,050
Deferred revenue (Note 7)	1,230,316	269,485
	<u>1,724,777</u>	<u>589,012</u>
Net assets		
Unrestricted	2,871,298	3,213,811
Invested in capital assets	66,774	27,120
Health fund - internally restricted	1,552,709	495,304
Building fund - internally restricted	750,000	-
	<u>5,240,781</u>	<u>3,736,235</u>
	<u>\$ 6,965,558</u>	<u>\$ 4,325,247</u>

Approved on behalf of the Board

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

DURHAM COLLEGE STUDENTS INC.**Statement of Operations****Year Ended April 30, 2020**

	2020	2019
Membership and other revenue		
Health fees <i>(Note 6)</i>	\$ 3,329,010	\$ 2,824,935
Student fees <i>(Note 8)</i>	1,983,186	2,295,667
Other income	92,644	10,651
	<u>5,404,840</u>	<u>5,131,253</u>
Expenses		
Health expenses <i>(Note 6)</i>	2,180,448	2,275,266
Wages and benefits <i>(Note 9)</i>	946,190	790,214
Campus life	198,207	116,585
Occupancy expense	157,518	157,520
Administrative	98,645	65,976
Outreach services	94,766	16,893
Marketing and communication	83,802	64,416
Professional fees	42,375	102,933
Amortization	32,927	19,626
Governance	30,881	74,153
Riot radio	22,722	17,830
Clubs & Societies	11,812	6,112
	<u>3,900,293</u>	<u>3,707,524</u>
Excess of revenue over expenses from operations	1,504,547	1,423,729
Net effect of a restructuring transaction	-	42,987
Excess of revenue over expenses	\$ 1,504,547	\$ 1,466,716

The accompanying notes are an integral part of these financial statements

DURHAM COLLEGE STUDENTS INC.
Statement of Changes in Fund Balances
Year Ended April 30, 2020

	2020	2019
Unrestricted fund		
Opening balance	\$ 3,213,811	\$ 2,195,795
Excess of revenue over expenses	1,504,547	1,466,716
Transfer (to) from capital asset fund	(39,655)	16,289
Transfer to health fund (Note 6)	(1,057,405)	(464,989)
Transfer to building reserve fund	(750,000)	-
Balance, end of year	\$ 2,871,298	\$ 3,213,811
Invested in capital assets		
Opening balance	\$ 27,120	\$ 43,409
Purchase of capital assets	72,581	3,337
Amortization for the year	(32,927)	(19,626)
Balance, end of year	\$ 66,774	\$ 27,120
Health fund		
Opening balance	\$ 495,304	\$ 30,315
Excess of revenue over expenses of the health fund (Note 6)	1,057,405	464,989
Balance, end of year	\$ 1,552,709	\$ 495,304
Building fund		
Transfer from unrestricted	\$ 750,000	\$ -

The accompanying notes are an integral part of these financial statements

DURHAM COLLEGE STUDENTS INC.

Statement of Cash Flow

Year Ended April 30, 2020

	2020	2019
Operating activities		
Excess of revenue over expenses	\$ 1,504,547	\$ 1,466,716
Items not affecting cash:		
Amortization	32,927	19,626
Re-invested of interest income	(706)	(451)
	<u>1,536,768</u>	<u>1,485,891</u>
Changes in non-cash working capital:		
Accounts receivable	44,269	(44,269)
Prepaid expenses	(37,796)	(21,420)
Due from Durham College	(147,871)	25,248
Accounts payable	130,521	110,651
Government remittances payable	29,065	-
Insurance contract liability	15,347	118,050
Deferred revenue	960,831	45,270
	<u>994,366</u>	<u>233,530</u>
	<u>2,531,134</u>	<u>1,719,421</u>
Investing activities		
Purchase of capital assets	(72,581)	(3,337)
Re-investment of interest income	-	-
	<u>(72,581)</u>	<u>(3,337)</u>
Increase in cash	2,458,553	1,716,084
Cash - beginning of year	<u>3,516,430</u>	<u>1,800,346</u>
Cash - end of year	<u>\$ 5,974,983</u>	<u>\$ 3,516,430</u>

The accompanying notes are an integral part of these financial statements

1. Nature of the Organization

Durham College Students Inc. (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. Summary of significant accounting policies

Basis of presentation

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

Changes in accounting standards

During the year, the Organization adopted section 4433 of the CPA Canada Handbook: Tangible Capital Assets Held by Not-For-Profit Organizations. Section 4433 replaces section 4431 of the same name. The main changes from Section 4431 include: the requirement that tangible capital assets are written down to fair value or replacement cost to reflect partial impairments when conditions indicate that the assets no longer contribute to an organization's ability to provide goods and services, or that the value of future economic benefits or service potential associated with the tangible capital assets are less than their net carrying amount. The adoption of this standard did not have an impact on the Organization's financial statements.

Short-term investments

Short-term investments purchased with maturity of three months or more, but less than a year are classified as short-term investments

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	3 years	straight-line method
Furniture and fixtures	3 years	straight-line method
Leasehold improvements	5 years	straight-line method

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 for 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.

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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2. Summary of significant accounting policies (*continued*)

Revenue recognition

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

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 be reasonably estimated and collection is reasonably assured.

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.

Building Fund

The Building Fund accounts for funds to be used towards the future purchase of space for the Organization.

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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2. Summary of significant accounting policies (*continued*)Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Estimates are used when accounting for items and matters such as allowance for uncollectible accounts receivable, amortization, asset valuations, deferred revenue and provisions for liabilities of uncertain timing. Actual results could differ from these estimates.

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the Organization's environment and in the global markets, possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) could have a material impact on the Organization's operations. The extent of the impact of this outbreak and related containment measures on Organization's operations cannot be reliably estimated at this time.

As an emerging risk, the duration and full financial effect of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions, and other mitigating measures. Any estimate of the length and severity of these developments is therefore subject to significant uncertainty, and accordingly estimates of the extent to which the COVID-19 pandemic may materially and adversely affect the Organization's operations, financial results and condition in future periods are also subject to significant uncertainty. Therefore, uncertainty about judgments, estimates, and assumptions made by management during the preparation of the Organization's financial statements related to potential impacts of the COVID-19 outbreak on revenue, expenses, assets, liabilities, and note disclosures could result in a material adjustment to the carrying value of the asset or liability affected.

The Organization has taken the following actions in response to the pandemic:

- Temporary work from home arrangements for employees;
- Temporarily suspending all in-person events; and
- Applying for all grants and subsidies the Organization is eligible for.

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2. Summary of significant accounting policies (*continued*)

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, short-term investments and amounts due from Durham College.

Financial liabilities measured at amortized cost include accounts payable 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

3. Short-term investments

Short-term investments consists of two non-redeemable guaranteed investment certificates ("GIC") that have annual interest rates of 1.45% and 1.00%. The GICs mature October 2020 and April 2021, respectively.

4. Related party transactions

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

In 2017, the Organization entered into an operating agreement with Durham College. Under this agreement, Durham College is responsible to collect certain ancillary fees from students, which include; a Student Activity fee comprising the membership fee collected from the Organization's members, the levy collected to support the day-to-day operations of the Organization and the Riot Radio 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. A new agreement was signed May 1, 2019 with substantially similar terms for the year ending April 30, 2020.

On October 16, 2017, the Organization entered into an rental agreement with Durham College for space in Student Centre building. The Organization has agreed to pay annual rent, including HST, of \$157,519 to Durham College in equal monthly installments until August 31, 2020. This agreement has a one year renewal term at the end of the lease.

The operations of the Organization depend on the contribution of services 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 is non-interest bearing and has no specific terms of repayment.

5. Tangible capital assets

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Computer equipment	\$ 12,195	\$ 7,870	\$ 4,325	\$ 5,688
Furniture and fixtures	33,532	26,180	7,352	16,902
Leasehold improvements	81,224	26,127	55,097	4,530
	<u>\$ 126,951</u>	<u>\$ 60,177</u>	<u>\$ 66,774</u>	<u>\$ 27,120</u>

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 \$133,397 for claims incurred to April 30, 2020 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 program management fees for a full policy year based on the current years enrolment. The agreement is effective until August 31, 2020 with an option for a one year extension.

	2020	2019
<i>Revenue</i>		
Student health levy (net of opt-out)	\$ 3,329,010	\$ 2,824,935
<i>Expenses</i>		
Claims	1,704,262	1,087,975
Health Plan Premiums	305,308	992,548
Program Management Fees	170,878	194,743
	2,180,448	2,275,266
Health - wages, salaries and benefits	91,157	78,125
Excess of revenue over expenses of the health fund	\$ 1,057,405	\$ 471,544

7. Deferred revenue

	2020	2019
Opening balance	\$ 269,485	\$ 224,215
Funds received, health (net of opt-out)	4,289,841	2,870,205
Funds earned in the year	(3,329,010)	(2,824,935)
Total deferred revenue	\$ 1,230,316	\$ 269,485

8. Student fees

	2020	2019
Operations	\$ 1,084,072	\$ 1,303,577
Student Centre	768,291	839,956
Riot Radio	130,823	152,134
	\$ 1,983,186	\$ 2,295,667

9. Wages and benefits

	2020	2019
Outreach	\$ 362,518	\$ 305,075
Club and Societies	152,311	75,242
Riot Radio	123,713	146,586
Health	91,157	78,125
Management	60,206	40,975
Marketing	55,450	104,921
Campus life	42,352	-
Executive	36,808	32,542
Legal Aid	21,675	6,748
	\$ 946,190	\$ 790,214

Management and administrative compensation totalling \$320,000 (2019 - \$204,000), was allocated to various functions based on time spent.

10. Commitment

To support Durham College students financially impacted by the pandemic, the Organization has partnered with Durham College to offer bursaries to students in need, up to \$250,000. Durham College will assess financial eligibility, administer the funds to students and invoice the Organization for bursaries granted. There were no bursaries granted during the year ended April 30, 2020.

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.

12. Financial instruments

The Organization 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 Organization's risk exposure and concentration as of April 30, 2020.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. As the cash balance and short-term investments 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.

Interest rate risk

The guaranteed investment certificates included in short-term investments bear interest at a fixed rate of interest and as such is 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. The exposure to this risk increased primarily due to interest rate volatility caused by the COVID-19 pandemic.

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

The risk assessment has been updated from the prior period for the impact of COVID-19.

13. Comparative figures

Some of the comparative figures have been reclassified to conform to the current year's presentation. The changes do not affect prior year excess of revenue over expenses.
