

**DURHAM COLLEGE STUDENTS INC.**

**Financial Statements**

**For the period from the date of incorporation  
on July 10, 2017 to April 30, 2018**

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of Durham College Students Inc.

We have audited the accompanying financial statements of Durham College Students Inc., which comprise the statement of financial position as at April 30, 2018 and the statements of operations, changes in fund balances and cash flow for the period from the date of incorporation on July 10, 2017 to April 30, 2018, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Independent Auditor's Report to the Members of Durham College Students Inc. *(continued)*

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Durham College Students Inc. as at April 30, 2018 and the results of its operations and its cash flow for the period then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Courtice, Ontario  
July 19, 2018

*Collins Barrow Durham LLP*  
Collins Barrow Durham LLP  
Chartered Professional Accountants  
Licensed Public Accountants

DURHAM COLLEGE STUDENTS INC.

Statement of Financial Position

April 30, 2018

**Assets**

Current

Cash	\$ 1,800,346
Short-term investments (Note 4)	550,000
Prepaid expenses	170,354
Due from Durham College (Note 5)	55,942
	<u>2,576,642</u>

Capital assets (Note 6)

	<u>43,409</u>
	<u>\$ 2,620,051</u>

**Liabilities**

Current

Accounts payable	\$ 90,827
Deferred revenue (Note 7)	259,705
	<u>350,532</u>

**Net assets**

Unrestricted	2,195,795
Invested in capital assets	43,409
Health fund - internally restricted	30,315
	<u>2,269,519</u>
	<u>\$ 2,620,051</u>

Approved on behalf of the Board

  
\_\_\_\_\_  
Director

  
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Director

The accompanying notes are an integral part of these financial statements

DURHAM COLLEGE STUDENTS INC.

Statement of Operations

Period from the date of incorporation on July 10, 2017 to April 30, 2018

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**Membership and other revenue**

Student fees <i>(Note 8)</i>	\$ 2,048,579
Health fees <i>(Note 9)</i>	<u>1,664,286</u>
	<u>3,712,865</u>

**Expenses**

Health expenses <i>(Note 9)</i>	1,580,131
Salaries and wages <i>(Note 10)</i>	401,068
Professional fees	160,846
Occupancy expense	105,013
Marketing and communication	105,001
Administrative	30,234
Campus life	30,225
Governance	21,458
Riot radio	8,983
Outreach services	8,827
Amortization	<u>7,624</u>
	<u>2,459,410</u>

**Excess of revenue over expenses from operations**

1,253,455

**Other income**

Net effect of a restructuring transaction <i>(Note 3)</i>	983,064
Settlement from Durham College <i>(Note 3)</i>	<u>33,000</u>
	<u>1,016,064</u>

**Excess of revenue over expenses**

\$ 2,269,519

The accompanying notes are an integral part of these financial statements

DURHAM COLLEGE STUDENTS INC.

Statement of Changes in Fund Balances

Period from the date of incorporation on July 10, 2017 to April 30, 2018

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<b>Unrestricted fund</b>	
Excess of revenue over expenses	\$ 2,269,519
Transfer to capital asset fund	(43,409)
Transfer to health fund <i>(Note 9)</i>	<u>(30,315)</u>
Balance, end of period	<u>\$ 2,195,795</u>
<b>Invested in capital assets</b>	
Purchase of capital assets	\$ 17,919
Capital assets received from the Student Association at Durham College and UOIT	33,114
Amortization for the period	<u>(7,624)</u>
Balance, end of period	<u>\$ 43,409</u>
<b>Health fund</b>	
Excess of revenue over expenses of the health fund <i>(Note 9)</i>	<u>\$ 30,315</u>

The accompanying notes are an integral part of these financial statements

**DURHAM COLLEGE STUDENTS INC.****Statement of Cash Flow****Period from the date of incorporation on July 10, 2017 to April 30, 2018**

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<b>Operating activities</b>	
Excess of revenue over expenses	\$ 2,269,519
Items not affecting cash:	
Amortization of capital assets	7,624
Capital assets received on restructuring	<u>(33,114)</u>
	<u>2,244,029</u>
Changes in non-cash working capital:	
Prepaid expenses	(170,354)
Due from Durham College	(55,942)
Accounts payable	90,827
Deferred revenue	<u>259,705</u>
	<u>124,236</u>
	<u>2,368,265</u>
<b>Investing activity</b>	
Purchase of capital assets	<u>(17,919)</u>
<b>Increase in cash flow</b>	2,350,346
<b>Cash - beginning of period</b>	<u>-</u>
<b>Cash - end of period</b>	<u>\$ 2,350,346</u>
<b>Cash consists of:</b>	
Cash	\$ 1,800,346
Short-term investments	<u>550,000</u>
	<u>\$ 2,350,346</u>

The accompanying notes are an integral part of these financial statements



1. Nature of 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.

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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.

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization. Capital assets 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

The Organization regularly reviews its capital assets to eliminate obsolete items.

Capital assets acquired during the period but not placed into use are not amortized until they are placed into use.

Revenue recognition

The Organization 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.

All other revenue is recognized as revenue when received or receivable, if the amount can 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.

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.

Financial instruments policy

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.

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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3. Net effect of a restructuring transaction

On August 30, 2017, the Organization along with the UOIT Student Union ("Student Union"), the University of Ontario Institute of Technology ("UOIT") and the appointed Receiver ("Receiver") of the Student Association at Durham College and UOIT ("Student Association") reached a Settlement and Transition Memorandum of Understanding ("MOU") authorizing the transfer of assets, agreements and services and the assumption of liabilities of the Student Association as at the effective restructuring date of August 31, 2017.

In accordance with the terms of the MOU, the Receiver allocated the amounts for distribution to the Organization and the Student Union based on a weighted average funds contribution ratio. The Organization also paid compensation for accounting services provided in the amount of \$70,982 and this has been included in the net effect of the restructuring transaction. The following is the net effect of the restructuring transaction as it applies to the Organization:

<u>Assets and liabilities transferred</u>	
Cash	\$ 944,986
Capital assets	<u>33,114</u>
	<u>978,100</u>
 <u>Revenue and expenses allocated</u>	
Salaries and wages	<u>4,964</u>
	<u>\$ 983,064</u>

According to the terms of the MOU, the Organization, together with the Student Union, have assumed all remaining claims or litigation to which the Student Association is subject that have not been resolved or settled prior to the effective date of its dissolution. The final dissolution of the Student Association is ongoing. In the normal course of operations, various claims and legal proceedings have been asserted or instituted against the Student Association. The likelihood of material loss is remote as the Organization has a joint entitlement to benefits under the Student Association's insurance policy and the claims are expected to be covered by insurance. Accordingly, no amounts have been accrued to April 30, 2018 relating to these matters.

From May 1, 2017 to October 13, 2017, interim essential services and professional fees of the Organization amounting to \$269,338 were paid from funds that were held in trust, pursuant to the court order dated April 12, 2017 and, as such, have not been included as an expense of the Organization for the period ended April 30, 2018.

Under the MOU, the Organization has agreed to continue to provide Outreach Services, including access to the Food Bank and counselling services, to students at Durham College and UOIT. In exchange, the Student Union has agreed to provide the Clubs and Societies Services to students at Durham College and UOIT. The agreement is effective until August 31, 2018 subject to any extension, in writing, by both parties.

Durham College paid the Organization \$33,000 with respect to an investment made by Student Association in the Gordon Willey building.

4. Short-term investments

Short-term investments consists of two non-redeemable guaranteed investment certificates ("GIC") that have annual interest rates of 0.9% and 1.9%. The GICs mature October 2018 and April 2019, respectively.

5. 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. The agreement is effective until September 1, 2018 and a new agreement was signed April 1, 2018 with substantially similar terms to April 30, 2019.

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 instalments until August 31, 2019. 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.

6. Capital assets

	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 6,543	\$ 1,454	\$ 5,089
Furniture and fixtures	32,137	4,523	27,614
Leasehold improvements	12,353	1,647	10,706
	<u>\$ 51,033</u>	<u>\$ 7,624</u>	<u>\$ 43,409</u>

7. Deferred revenue

Funds received	\$ 1,923,991
Funds earned in period	<u>(1,664,286)</u>
	<u>\$ 259,705</u>

DURHAM COLLEGE STUDENTS INC.

Notes to Financial Statements

For the Period Ended April 30, 2018

8. Student fees

Student Association	\$ 1,194,718
Student Centre	723,078
Riot Radio	<u>130,783</u>
	<u>\$ 2,048,579</u>

9. Health fund and related disbursements

<i>Revenue</i>	
Student health levy	\$ 1,580,131
Surcharge	<u>84,155</u>
	<u>1,664,286</u>
 <i>Expenses</i>	
Health	1,580,131
Wages, salaries and benefits	<u>53,840</u>
	<u>1,633,971</u>
 Excess of revenue over expenses of the health fund	 <u>\$ 30,315</u>

10. Wages and benefits

Outreach	\$ 108,950
Riot Radio	88,080
Management	82,675
Health	53,840
Executive	48,659
Marketing	<u>18,864</u>
	<u>\$ 401,068</u>

11. 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, 2018.

*(a) 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 an upper medium grade 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) Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly in respect to its accounts payable. Cash flow from operations is adequate to meet these cash requirements.

*(c) 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.

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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