

FINANCIAL STATEMENTS OF

DURHAM COLLEGE STUDENTS INC.

April 30, 2021

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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, 2021, 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 Organization as at April 30, 2021, 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. 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
November 30, 2021

DURHAM COLLEGE STUDENTS INC.
STATEMENT OF FINANCIAL POSITION
As at April 30, 2021

	April 30 2021 \$	April 30 2020 \$
ASSETS		
Current assets		
Cash	6,753,818	5,974,983
Short term investments (Note 3)	551,898	551,156
Government assistance receivable (Note 4)	222,486	-
Prepaid expenses	207,942	194,080
Due from Durham College (Note 5)	233,222	178,565
	<u>7,969,366</u>	<u>6,898,784</u>
Restricted cash - Student Building fund	537,641	-
Tangible capital assets (Note 6)	280,604	66,774
	<u>8,787,611</u>	<u>6,965,558</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	242,799	331,999
Government remittances payable	14,588	29,065
Insurance contract liability (Note 7)	143,623	133,397
Deferred revenue - Health & Dental (Note 8)	1,174,065	1,230,316
	<u>1,575,075</u>	<u>1,724,777</u>
NET ASSETS		
Unrestricted	3,985,686	2,871,298
Investment in capital assets	280,604	66,774
Health fund - internally restricted	2,408,605	1,552,709
Building fund - internally restricted	537,641	750,000
	<u>7,212,536</u>	<u>5,240,781</u>
	<u>8,787,611</u>	<u>6,965,558</u>

Approved on behalf of the board



Director



Director

The accompanying notes are an integral part of these financial statements

DURHAM COLLEGE STUDENTS INC.
STATEMENT OF OPERATIONS
For the year ended April 30, 2021

	2021	2020
	\$	\$
Membership and other revenue		
Health fees (Note 7)	3,345,573	3,329,010
Student fees (Note 9)	2,103,878	1,983,186
Other income	5,742	92,644
	<u>5,455,193</u>	<u>5,404,840</u>
Expenses		
Health expenses (Note 7)	2,368,134	2,180,448
Wages and benefits (Note 10)	918,614	946,190
Occupancy expenses	157,487	157,519
Campus life - events and orientation	126,992	198,207
Administrative	91,227	98,644
Outreach and Wellness services	71,382	94,766
Marketing and communication	63,783	83,802
Professional fees	35,770	42,375
Amortization	23,962	32,927
Governance	21,079	30,881
Riot Radio	9,436	22,722
Clubs and Societies	5,374	11,812
	<u>3,893,240</u>	<u>3,900,293</u>
Excess of revenues over expenditures from operations	1,561,953	1,504,547
Government assistance (Note 4)	409,802	-
Excess of revenues over expenditures for the year	<u>1,971,755</u>	<u>1,504,547</u>

The accompanying notes are an integral part of these financial statements

DURHAM COLLEGE STUDENTS INC.
STATEMENT OF CHANGES IN FUND BALANCES
For the year ended April 30, 2021

	2021	2020
	\$	\$
Unrestricted fund		
Balance, beginning of year	2,871,298	3,213,811
Excess of revenue over expenses	1,971,755	1,504,547
Transfer to capital asset fund	18,429	(39,655)
Transfer to health fund (Note 7)	(1,103,830)	(1,057,405)
Transfer from health fund (Note 7)	247,934	-
Transfer to building fund (Note 5)	(20,000)	(750,000)
Transfer from building fund	100	-
Balance, end of year	3,985,686	2,871,298
Invested in Capital Assets		
Balance, beginning of year	66,774	27,120
Purchase of capital assets	5,533	72,581
Amortization for the year	(23,962)	(32,927)
Transfer from building fund (Note 5)	232,259	-
Balance, end of year	280,604	66,774
Health fund		
Balance, beginning of year	1,552,709	495,304
Excess of revenue over expenses of the health fund (Note 7)	1,103,830	1,057,405
Transfer to unrestricted fund (Note 7)	(247,934)	-
Balance, end of year	2,408,605	1,552,709
Building fund		
Balance, beginning of year	750,000	-
Transfer to unrestricted fund	(100)	-
Transfer from unrestricted fund (Note 5)	20,000	750,000
Transfer to the Invested in Capital Assets Fund (Note 5)	(232,259)	-
Balance, end of year	537,641	750,000

The accompanying notes are an integral part of these financial statements

DURHAM COLLEGE STUDENTS INC.
STATEMENT OF CASH FLOWS
For the year ended April 30, 2021

	2021	2020
	\$	\$
CASH PROVIDED FROM (USED FOR)		
Operating activities		
Net Income	1,971,755	1,504,547
Adjustments for		
Amortization	23,962	32,927
Re-invested interest income	(742)	(706)
	<u>1,994,975</u>	<u>1,536,768</u>
Change in non-cash working capital items		
Accounts receivable	-	44,269
Government assistance receivable	(222,486)	-
Prepaid expenses	(13,862)	(37,796)
Due from Durham College	(54,657)	(147,871)
Accounts payable and accrued liabilities	(89,199)	130,521
Government remittances payable	(14,477)	29,065
Insurance contract liability	10,226	15,347
Deferred revenue - Health & Dental	(56,251)	960,831
	<u>(440,706)</u>	<u>994,366</u>
	<u>1,554,269</u>	<u>2,531,134</u>
Investing activities		
Purchase of tangible capital assets	(237,792)	(72,581)
	<u>(237,792)</u>	<u>(72,581)</u>
Increase (decrease) in cash	1,316,477	2,458,553
Cash, beginning of year	5,974,983	3,516,430
Cash, end of year	<u>7,291,459</u>	<u>5,974,983</u>
Cash consists of:		
Cash	6,753,818	5,974,983
Restricted cash - Student Building Fund	537,641	-
	<u>7,291,459</u>	<u>5,974,983</u>

The accompanying notes are an integral part of these financial statements

DURHAM COLLEGE STUDENTS INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended April 30, 2021

1. **NATURE OF OPERATIONS**

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. **SIGNIFICANT ACCOUNTING POLICIES**

(a) *Basis of presentation*

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

(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, short-term investments, restricted cash - Student 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

(c) *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.

The accompanying notes are an integral part of these financial statements

DURHAM COLLEGE STUDENTS INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended April 30, 2021

2. **SIGNIFICANT ACCOUNTING POLICIES, continued**

(d) *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:

Equipment		
Computer equipment	Straight-line	3 years
Furniture and fixtures	Straight-line	3 years
Leasehold improvements	Straight-line	5 years

Equipment refers to the capital equipment purchased to operate a Booster Juice business as outlined in the Operational Agreement (Note 5). The business is non-operational as at year end and therefore will not be subject to amortization until in use.

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.

(e) *Revenue recognition*

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

Student fees consist of Student Association Wellness and Student Life fees and Student Centre - Capital Investment fees and Riot Radio fees. Student Association Wellness 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 - Capital Investment 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. Riot Radio fees fund production time at Riot Radio.

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.

The accompanying notes are an integral part of these financial statements

DURHAM COLLEGE STUDENTS INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended April 30, 2021

2. **SIGNIFICANT ACCOUNTING POLICIES, continued**

(f) *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.

(g) *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.

(h) *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.

(i) *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 contingencies. 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 the Organization's operations cannot be reliably estimated at this time.

The accompanying notes are an integral part of these financial statements

DURHAM COLLEGE STUDENTS INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended April 30, 2021

2. **SIGNIFICANT ACCOUNTING POLICIES, continued**

(j) *Measurement uncertainty, continued*

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.

3. **SHORT-TERM INVESTMENTS**

Short-term investments consists of two non-redeemable guaranteed investment certificates ("GIC") that have an annual interest rate of 0.15%. The GICs mature October 2021 and April 2022, respectively.

The accompanying notes are an integral part of these financial statements

DURHAM COLLEGE STUDENTS INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended April 30, 2021

4. GOVERNMENT ASSISTANCE

In fiscal 2021, the Organization determined that it was eligible for the Canada Emergency Wage Subsidy ("CEWS") and the Canada Emergency Rent Subsidy ("CERS").

CEWS is a wage subsidy for eligible employers whose business has been affected by COVID-19, and who have experienced a reduction in revenue during the pandemic. CEWS provides a subsidy of up to 75% of eligible remuneration, paid by an eligible entity to each eligible employee – up to a maximum of \$847 per week.

CERS is a rent subsidy for eligible employers whose business has been affected by COVID-19, and who have experienced a reduction in revenue during the pandemic. CERS provides a subsidy to qualifying property owners and tenants, to cover part of their property expenses, starting on September 27, 2020 until June 2021.

As at April 30, 2021, \$191,347 of CEWS and \$31,139 of CERS is included in government assistance receivable balance.

Total government assistance included in income for the year was:

	2021
	\$
Government assistance - CEWS	378,663
Government assistance - CERS	31,139
	<u>409,802</u>

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 operational agreement with Durham College. Under this agreement, Durham College is responsible to collect certain ancillary fees from students, which include; a Student Association Wellness and Student Life fee comprising the membership fee collected from the Organization's members, the Student Centre - Capital Investment levy collected to support the day-to-day operations of the Organization, 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 one year agreement was signed March 1, 2021.

The accompanying notes are an integral part of these financial statements

DURHAM COLLEGE STUDENTS INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended April 30, 2021

5. RELATED PARTY TRANSACTIONS, continued

Under the operational agreement, the Organization has committed to assume the food operations at the Student Centre including a Booster Juice and a grill concept, effective on a date agreed upon by the parties and within 90 days of full opening of all campus food services as approved by Durham College Risk Management. As part of this commitment the Organization paid the college \$232,259 (Note 6) from the building fund for the capital equipment 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 has contributed a minimum of \$20,000 for the 2020-2021 academic year 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 instalments until March 31, 2022. This agreement has a one year renewal term at the end of the lease. The rent will increase \$2,373 monthly when the food operations are open in the Student Centre.

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. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated Amortization	2021 Net Book Value	2020 Net Book Value
	\$	\$	\$	\$
Computer equipment	17,728	11,403	6,325	4,325
Furniture & fixtures	33,532	32,835	697	7,352
Leasehold improvements	81,224	39,901	41,323	55,097
Equipment (Note 5)	232,259	-	232,259	-
	364,743	84,139	280,604	66,774

The accompanying notes are an integral part of these financial statements

DURHAM COLLEGE STUDENTS INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended April 30, 2021

7. 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 \$143,623 for claims incurred to April 30, 2021 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, 2021.

The Organization agreed to contribute one-time "COVID-19 Emergency Funding" for students affected by the pandemic, administered by the Financial Aid Office of Durham College. The agreement stipulated the amount of \$247,934 to be transferred from the health fund to pay for the support.

	2021	2020
	\$	\$
Revenue		
Student health levy (net of opt-out)	3,345,573	3,329,010
Expenses		
Claims	1,659,717	1,704,262
Health plan premiums	277,482	305,308
Program management fees	183,001	170,878
COVID emergency funding support	247,934	-
	2,368,134	2,180,448
Health - wages, salaries and benefits (Note 10)	121,543	91,157
Excess of revenue over expenses of the health fund	855,896	1,057,405

The accompanying notes are an integral part of these financial statements

DURHAM COLLEGE STUDENTS INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended April 30, 2021

8. **DEFERRED REVENUE**

	2021	2020
	\$	\$
Health insurance deferred revenue		
Opening balance	1,230,316	269,485
Funds received, health (net of opt-out)	3,289,322	4,289,841
Funds earned in the year	(3,345,573)	(3,329,010)
Total health deferred revenue	1,174,065	1,230,316

9. **STUDENT FEES**

	2021	2020
	\$	\$
Wellness and Student Life	1,173,254	1,084,072
Student Centre	771,642	768,291
Riot Radio	158,982	130,823
	2,103,878	1,983,186

10. **WAGES AND BENEFITS**

	2021	2020
	\$	\$
Outreach and Wellness services	373,143	362,518
Clubs and Societies	145,870	152,311
Riot Radio	127,293	123,713
Health	121,543	91,157
Management	75,825	60,206
Executive	40,411	36,808
Legal Aid	21,523	21,675
Marketing	8,096	55,450
Campus life - events and orientation	4,910	42,352
	918,614	946,190

Management and administrative compensation totaling \$315,543 (2020 - \$320,000), was allocated to various functions based on time spent.

The accompanying notes are an integral part of these financial statements

DURHAM COLLEGE STUDENTS INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended April 30, 2021

11. COMMITMENTS

The Organization has committed to a \$1 million contribution in the form of a pledge to the Durham College Foundation, payable over 5 years according to the following schedule. The purpose of the commitment is to support the Building for Skills campaign for the Durham College Phase IV Whitby Campus Revitalization initiative, specifically the expansion of the Centre for Skilled Trades and Technology (CSTT). In return, the Organization will be permitted usage and occupancy of designated spaces in the Whitby Campus Main Building and Oshawa Campus Gordon Willey Building.

	2021
	\$
September 2021	200,000
September 2022	200,000
September 2023	200,000
September 2024	200,000
September 2025	200,000
	<hr/> 1,000,000 <hr/>

12. 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.

13. SUBSEQUENT EVENTS

Subsequent to the year end, the Organization intends to purchase two Guaranteed Investment Certificates (GIC). The Board has approved one GIC for \$870,000 to be purchased using the Health fund and the second GIC for \$900,000 will be purchased using the unrestricted fund.

14. 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 Organization's risk exposure and concentration as of April 30, 2021.

The accompanying notes are an integral part of these financial statements

DURHAM COLLEGE STUDENTS INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended April 30, 2021

14. **FINANCIAL INSTRUMENTS, continued**

(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 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 short-term investments 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. 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. These risks have been updated for the impact of COVID-19. Management continues its assessment given the fluidity of COVID-19's global impact.

The accompanying notes are an integral part of these financial statements