

FINANCIAL STATEMENTS OF

**DURHAM COLLEGE STUDENT
ASSOCIATION**

April 30, 2022

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	
FINANCIAL STATEMENTS	
Statement of Financial Position	1
Statement of Operations	2
Statement of Changes In Fund Balances	3
Statement of Cash Flows	4
Notes to the Financial Statements	5 - 13



Baker Tilly KDN LLP
1748 Baseline Road West
Suite 200
Courtice, ON
L1E 2T1

D: 905.579.5659
F: 905.579.8563
durham@bakertilly.ca
www.bakertilly.ca

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, 2022, 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, 2022, 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:

ASSURANCE • TAX • ADVISORY

Baker Tilly KDN LLP is a member of Baker Tilly Canada Cooperative, which is a member of the global network of Baker Tilly International Limited. All members of Baker Tilly Canada Cooperative and Baker Tilly International Limited are separate and independent legal entities.

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 21, 2022

DURHAM COLLEGE STUDENT ASSOCIATION
STATEMENT OF FINANCIAL POSITION
As at April 30, 2022

	2022	2021
	\$	\$
ASSETS		
Current assets		
Cash	6,581,903	6,753,818
Accounts receivable	10,920	-
Short term investments (Note 3)	2,321,898	551,898
Government assistance receivable	38,457	222,486
Prepaid expenses	569,751	207,942
Due from Durham College (Note 4)	567,048	233,222
	10,089,977	7,969,366
Restricted cash - Building fund	357,580	537,641
Tangible capital assets (Note 5)	304,897	280,604
	10,752,454	8,787,611
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	399,603	242,799
Government remittances payable	1,934	14,588
Insurance contract liability (Note 6)	118,579	143,623
Deferred revenue - health and dental (Note 8)	1,570,397	1,174,065
	2,090,513	1,575,075
NET ASSETS		
Unrestricted	4,380,244	3,985,686
Investment in capital assets	304,897	280,604
Health fund - internally restricted	3,619,220	2,408,605
Building fund - internally restricted	357,580	537,641
	8,661,941	7,212,536
	10,752,454	8,787,611

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, 2022

	2022	2021
	\$	\$
Membership and other revenue		
Health fees (Note 6)	3,458,406	3,345,573
Student fees (Note 9)	2,151,253	2,103,878
Other income	33,836	5,742
	<u>5,643,495</u>	<u>5,455,193</u>
Expenses		
Health expenses (Note 6)	2,121,543	2,368,134
Wages and benefits (Note 10)	1,043,532	918,614
Occupancy expenses	277,107	157,487
Contribution to Durham College Foundation (Note 11)	200,000	-
Campus events and orientation	155,306	126,992
Marketing and communication	121,670	63,783
Administration	114,977	91,227
Professional fees	52,155	35,770
Outreach and wellness services	50,282	71,382
Governance	23,161	21,079
Amortization	19,232	23,962
Riot Radio	9,880	9,436
Clubs and societies	5,245	5,374
	<u>4,194,090</u>	<u>3,893,240</u>
Excess of revenues over expenditures from operations	1,449,405	1,561,953
Government assistance	-	409,802
Excess of revenues over expenditures for the year	<u>1,449,405</u>	<u>1,971,755</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, 2022

	2022	2021
	\$	\$
Unrestricted fund		
Balance, beginning of year	3,985,686	2,871,298
Excess of revenue over expenditures	1,449,405	1,971,755
Transfer to capital asset fund	(24,293)	18,429
Transfer to health fund (Note 6)	(1,210,615)	(1,103,830)
Transfer from health fund (Note 6)	-	247,934
Transfer to building fund (Note 4)	(20,000)	(20,000)
Transfer from building fund (Note 11)	200,061	100
Balance, end of year	4,380,244	3,985,686
Invested in Capital Assets		
Balance, beginning of year	280,604	66,774
Purchase of capital assets	43,525	5,533
Amortization of tangible capital assets	(19,232)	(23,962)
Transfer from building fund	-	232,259
Balance, end of year	304,897	280,604
Health fund		
Balance, beginning of year	2,408,605	1,552,709
Excess of revenue over expenses of the health fund (Note 6)	1,210,615	1,103,830
Transfer to unrestricted fund (Note 6)	-	(247,934)
Balance, end of year	3,619,220	2,408,605
Building fund		
Balance, beginning of year	537,641	750,000
Transfer to unrestricted fund	(61)	(100)
Transfer from unrestricted fund (Note 4)	20,000	20,000
Transfer to the Invested in Capital Assets Fund	-	(232,259)
Transfer to unrestricted fund (Note 11)	(200,000)	-
Balance, end of year	357,580	537,641

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, 2022

	2022	2021
	\$	\$
CASH PROVIDED FROM (USED FOR)		
Operating activities		
Net Income	1,449,405	1,971,755
Adjustments for		
Amortization of tangible capital assets	19,232	23,962
Re-invested interest income	-	(742)
	<u>1,468,637</u>	<u>1,994,975</u>
Change in non-cash working capital items		
Accounts receivable	(10,920)	-
Government assistance receivable	184,029	(222,486)
Prepaid expenses	(361,809)	(13,862)
Due from Durham College	(333,826)	(54,657)
Accounts payable and accrued liabilities	156,804	(89,199)
Government remittances payable	(12,654)	(14,477)
Insurance contract liability	(25,044)	10,226
Deferred revenue - health and dental	396,332	(56,251)
	<u>(7,088)</u>	<u>(440,706)</u>
	<u>1,461,549</u>	<u>1,554,269</u>
Investing activities		
Purchase of tangible capital assets	(43,525)	(237,792)
Purchase of short term investments	(1,770,000)	-
	<u>(1,813,525)</u>	<u>(237,792)</u>
Increase (decrease) in cash	(351,976)	1,316,477
Cash, beginning of year	<u>7,291,459</u>	<u>5,974,983</u>
Cash, end of year	<u>6,939,483</u>	<u>7,291,459</u>
Cash consists of:		
Cash	6,581,903	6,753,818
Restricted cash - Student Building Fund	357,580	537,641
	<u>6,939,483</u>	<u>7,291,459</u>

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, 2022

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 (ASNFPO).

(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, accounts receivable, short-term investments, 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.

(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 STUDENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
For the year ended April 30, 2022

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:

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
Equipment		

Equipment refers to the capital equipment purchased to operate a Booster Juice business as outlined in the Operational Agreement (Note 13). 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 Association follows the deferral method of accounting for contributions.

Student fees consist of Student Association Wellness and Student Life fees, 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.

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, 2022

2. **SIGNIFICANT ACCOUNTING POLICIES, continued**

(e) *Revenue recognition, continued*

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

(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 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, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve throughout the world including Canada. To mitigate the financial impact, the Organization is keeping abreast of all available subsidies, applying for those subsidies that it is eligible for and reducing operating costs where possible.

Given the dynamic nature of the COVID-19 outbreak and the global responses to curb its spread, the impact on the Organization will not be known with certainty for months to come; however, the Organization does not anticipate further impact on their operations.

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, 2022

3. **SHORT-TERM INVESTMENTS**

	2022 \$	2021 \$
RBC GIC, bearing interest at 2.00%, maturing April 2023	900,000	-
RBC GIC, bearing interest at 2.00%, maturing April 2023	870,000	-
RBC GIC, bearing interest at 1.25%, maturing April 2023	500,000	-
RBC GIC, bearing interest at 0.15%, maturing October 2022	51,898	-
RBC GIC matured in the year.	-	500,000
RBC GIC matured in the year.	-	51,898
	2,321,898	551,898

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 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. The agreement is deemed to have been renewed to March 1, 2023 as no new agreement was reached prior to the March 1, 2022 termination date.

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 (Note 13). As part of this commitment, in 2021, the Organization paid the college \$232,259 (Note 5) 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 2021-2022 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 1, 2023. The rent will increase \$2,373 monthly when the food operations are open in the Student Centre which commenced in September 2022.

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, 2022

4. RELATED PARTY TRANSACTIONS, continued

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	2022 Net Book Value	2021 Net Book Value
	\$	\$	\$	\$
Computer equipment	17,728	14,576	3,152	6,325
Furniture & fixtures	34,320	33,430	890	697
Leasehold improvements	113,825	53,676	60,149	41,323
Computer software	10,136	1,689	8,447	-
Equipment (Note 4)	232,259	-	232,259	232,259
	408,268	103,371	304,897	280,604

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 \$118,579 (2021 - \$143,623) for claims incurred to April 30, 2022 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

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, 2022

6. HEALTH FUND AND RELATED DISBURSEMENTS, continued

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, 2023.

	2022	2021
	\$	\$
Revenue		
Student health levy (net of opt-out)	3,458,406	3,345,573
Expenses		
Claims	1,660,008	1,659,717
Health plan premiums	293,208	277,482
Program management fees	168,327	183,001
COVID emergency funding support	-	247,934
	2,121,543	2,368,134
Health - wages, salaries and benefits (Note 10)	126,248	121,543
Excess of revenue over expenses of the health fund	1,210,615	855,896

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.

The Organization proposes adding the International OHIP alternative coverage to the their existing health plan (Note 6) after both plans are set to expire August 31, 2023.

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, 2022, the Organization received and distributed the following amounts:

	2022
	\$
International health plan levy	856,157
International health plan premiums	(856,157)
	-

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, 2022

8. **DEFERRED REVENUE**

	2022	2021
	\$	\$
Health insurance deferred revenue		
Opening balance	1,174,065	1,230,316
Funds received, health (net of opt-out)	3,854,738	3,289,322
Funds earned in the year	(3,458,406)	(3,345,573)
Total health deferred revenue	1,570,397	1,174,065

9. **STUDENT FEES**

	2022	2021
	\$	\$
Wellness and Student Life	1,201,521	1,173,254
Student Centre	766,607	771,642
Riot Radio	183,125	158,982
	2,151,253	2,103,878

10. **WAGES AND BENEFITS**

	2022	2021
	\$	\$
Outreach and wellness services	388,804	373,143
Clubs and societies	199,381	145,870
Riot Radio	131,175	127,293
Health	126,248	121,543
Management	87,256	75,825
Executive	42,215	40,411
Legal Aid	34,065	21,523
Campus events and orientation	20,074	4,910
Marketing	14,314	8,096
	1,043,532	918,614

Management and administrative compensation totaling \$315,543 (2021 - \$300,896), was allocated to various functions based on time spent.

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, 2022

11. 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 2022	200,000
September 2023	200,000
September 2024	200,000
September 2025	200,000
	800,000

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 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.

13. SUBSEQUENT EVENTS

Subsequent to the year-end, the Organization signed a licensing agreement to operate a Booster Juice Franchise. The agreement requires the Organization to pay a \$7,500 licensing fee, a 6% royalty fee and a 1% marketing fee on all Booster Juice sales. The effective date of the contract is July 10, 2022, and the agreement expires on September 1, 2028.

The Organization purchased the franchise assets from Durham College during the prior fiscal year (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, 2022

14. 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, 2022.

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. As the cash balances 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 in the current year due to recent and ongoing efforts by the Bank of Canada to combat inflation by raising interest rates at a historically unprecedented rate.

Unless otherwise noted, it is management's opinion that the Organization is not exposed to significant other price risks arising from these financial instruments. Management continues its assessment given the fluidity of COVID-19's global impact.

15. COMPARATIVE AMOUNTS

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

The accompanying notes are an integral part of these financial statements