

DURHAM COLLEGE STUDENTS INC.
Financial Statements
Year Ended April 30, 2019

DURHAM COLLEGE STUDENTS INC.
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Year Ended April 30, 2019

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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, 2019, 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, 2019, 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.

Other Matter

The financial statements of the Organization as at and the year ended April 30, 2018 were audited by Collins Barrow Durham LLP which became Baker Tilly KDN LLP effective January 9, 2019.

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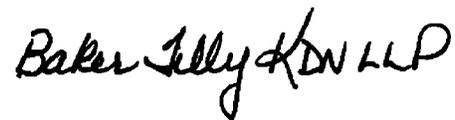
Independent Auditor's Report to the Members of Durham College Students Inc. (continued)

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
Chartered Professional Accountants
Licensed Public Accountants

Courtice, Ontario
September 18, 2019

DURHAM COLLEGE STUDENTS INC.

Statement of Financial Position

April 30, 2019

	2019	2018
Assets		
Current		
Cash	\$ 3,516,430	\$ 1,800,346
Short-term investments (Note 3)	550,450	550,000
Accounts receivable	44,269	-
Prepaid expenses	156,284	134,864
Due from Durham College (Note 4)	30,694	55,942
	<u>4,298,127</u>	<u>2,541,152</u>
Capital assets (Note 5)	<u>27,120</u>	<u>43,409</u>
	<u>\$ 4,325,247</u>	<u>\$ 2,584,561</u>
Liabilities		
Current		
Accounts payable	\$ 201,477	\$ 90,827
Insurance contract liability (Note 6)	118,050	-
Deferred revenue (Note 7)	269,485	224,215
	<u>589,012</u>	<u>315,042</u>
Net assets		
Unrestricted	3,213,811	2,195,795
Health fund - internally restricted	495,304	30,315
Invested in capital assets	27,120	43,409
	<u>3,736,235</u>	<u>2,269,519</u>
	<u>\$ 4,325,247</u>	<u>\$ 2,584,561</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
Year Ended April 30, 2019

	2019	2018 <i>(Note 1)</i>
Membership and other revenue		
Health fees <i>(Note 6)</i>	\$ 2,824,935	\$ 1,560,742
Student fees <i>(Note 8)</i>	2,295,667	2,048,579
Interest income	9,950	-
Program revenue	701	-
	5,131,253	3,609,321
Expenses		
Health expenses <i>(Note 6)</i>	2,275,266	1,476,587
Salaries and wages <i>(Note 9)</i>	790,214	401,068
Occupancy expense	157,520	105,013
Campus life	116,585	30,225
Professional fees	102,933	160,846
Governance	74,153	21,458
Administrative	65,976	30,234
Marketing and communication	64,416	105,001
Riot radio	17,830	8,983
Outreach services	16,893	8,827
Amortization	19,626	7,624
Clubs & Societies	6,112	-
	3,707,524	2,355,866
Excess of revenue over expenses from operations	1,423,729	1,253,455
Other income		
Net effect of a restructuring transaction <i>(Note 10)</i>	42,987	983,064
Settlement from Durham College	-	33,000
	42,987	1,016,064
Excess of revenue over expenses	\$ 1,466,716	\$ 2,269,519

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, 2019

	2019	2018
Unrestricted fund		
Opening balance	\$ 2,195,795	\$ -
Excess of revenue over expenses	1,466,716	2,269,519
Transfer (to) from capital asset fund	16,289	(43,409)
Transfer to health fund (Note 6)	(464,989)	(30,315)
Balance, end of year	\$ 3,213,811	\$ 2,195,795
Invested in capital assets		
Opening balance	\$ 43,409	\$ -
Purchase of capital assets	3,337	17,919
Capital assets received from the Student Association at Durham College and UOIT	-	33,114
Amortization for the year	(19,626)	(7,624)
Balance, end of year	\$ 27,120	\$ 43,409
Health fund		
Opening balance	\$ 30,315	\$ -
Excess of revenue over expenses of the health fund (Note 6)	464,989	30,315
Balance, end of year	\$ 495,304	\$ 30,315

The accompanying notes are an integral part of these financial statements

DURHAM COLLEGE STUDENTS INC.

Statement of Cash Flow
Year Ended April 30, 2019

	2019	2018
Operating activities		
Excess of revenue over expenses	\$ 1,466,716	\$ 2,269,519
Items not affecting cash:		
Amortization	19,626	7,624
Capital assets received on restructuring	-	(33,114)
	1,486,342	2,244,029
 Changes in non-cash working capital:		
Accounts receivable	(44,269)	-
Prepaid expenses	(21,420)	(134,864)
Due from Durham College	25,248	(55,942)
Accounts payable	110,650	90,827
Deferred revenue	45,270	224,215
Insurance contract liability	118,050	-
	233,529	124,236
	1,719,871	2,368,265
 Investing activity		
Purchase of capital assets	(3,337)	(17,919)
 Increase in cash and cash equivalents	1,716,534	2,350,346
Cash and cash equivalents - beginning of year	2,350,346	-
Cash and cash equivalents - end of year	\$ 4,066,880	\$ 2,350,346
 Cash and cash equivalents consists of:		
Cash	\$ 3,516,430	\$ 1,800,346
Short-term investments	550,450	550,000
	\$ 4,066,880	\$ 2,350,346

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).

Capital assets

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

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

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

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.

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

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.

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

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 1.40% and 1.65%. The GICs mature October 2019 and April 2020, respectively.

DURHAM COLLEGE STUDENTS INC.
Notes to Financial Statements
Year Ended April 30, 2019

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, 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.

During the period between September 20, 2018 and May 1, 2019, the Chair of the board was hired by Durham College Students Inc on a part time basis as Acting General Manager. Wages and expense reimbursements in the amount of \$37,420 were paid to the Chair during the period. Subsequent to year end the Organization hired this individual as a full time Operations Manager after the completion of his term.

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. Capital assets

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Computer equipment	\$ 9,879	\$ 4,191	\$ 5,688	\$ 5,089
Furniture and fixtures	32,137	15,235	16,902	27,614
Leasehold improvements	12,353	7,823	4,530	10,706
	\$ 54,369	\$ 27,249	\$ 27,120	\$ 43,409

DURHAM COLLEGE STUDENTS INC.
Notes to Financial Statements
Year Ended April 30, 2019

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 \$118,050 for claims incurred to April 30, 2019 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.

	2019	2018
<i>Revenue</i>		
Student health levy (net of opt-out)	\$ 2,824,935	\$ 1,560,742
<i>Expenses</i>		
Claims	1,087,975	-
Premiums	992,548	1,476,587
Program management fees	194,532	-
Advertising	211	-
	2,275,266	1,476,587
Health - wages, salaries and benefits	84,680	53,840
	2,359,946	1,530,427
Excess of revenue over expenses of the health fund	\$ 464,989	\$ 30,315

7. Deferred revenue

	2019	2018
Funds received, health (net of opt-out)	\$ 2,115,259	\$ 1,923,991
Funds earned in the year	(1,845,774)	(1,699,776)
	\$ 269,485	\$ 224,215

DURHAM COLLEGE STUDENTS INC.
Notes to Financial Statements
Year Ended April 30, 2019

8. Student fees

	2019	2018
Student Association	\$ 1,303,577	\$ 1,194,718
Student Centre	839,956	723,078
Riot Radio	152,134	130,783
	\$ 2,295,667	\$ 2,048,579

9. Wages and benefits

	2019	2018
Outreach	\$ 236,881	\$ 108,950
Riot Radio	146,586	88,080
Management	136,583	82,675
Marketing	120,578	18,864
Health	84,680	53,840
Executive	32,542	48,659
Wages Club and Societies	25,616	-
Wage Legal Aid	6,748	-
	\$ 790,214	\$ 401,068

10. Net effect of a restructuring transaction

The Organization recorded a receivable for the final settlement of \$42,987 in relation to the dissolution of The Student Association at Durham College and UOIT. The amount was received subsequent to year end.

11. Subsequent events

The Government of Ontario introduced legislation that will permit students to opt-out of certain ancillary student fees starting in the fall of 2019 which could result in a decrease in student fees. Additionally, new legislation was introduced eliminating OHIP+ coverage for any Ontarian who has access to supplemental coverage resulting a likely increase in insurance claims cost to the Organization. The impact on the Organization's revenues and expenses is not yet known with certainty.

12. Contingencies

There is potential for litigation against the Organization related to employees claiming wrongful dismissal and other claims. The total of the amounts claimed in the action is \$450,000 plus legal costs and the case is ongoing. Management has assessed this to be without merit and the likelihood of material loss is remote. Accordingly, no amounts have been accrued to April 30, 2019 relating to this matter.

13. 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, 2019.

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.

Unless otherwise noted, it is management's opinion that the Organization is not exposed to significant other price risks arising from these financial instruments. There is no change in the risk assessment from previous year.

14. Comparative figures

Some of the comparative figures have been reclassified to conform to the current year's presentation.
