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| MSU logo.jpg. | MEMO*From the office of the…*Vice-President (Finance) & CFO |
| TO: | Full Members of the Corporation |
| FROM: | Jess Anderson, Vice President (Finance) |
| SUBJECT: | 2020-2021 MSU Audited Statements |
| DATE: | December 17, 2020 |

Dear Members of the Corporation,

I am submitting this memo today to accompany the 2019-2020 audited statements. Over the months of July to November, our auditors KPMG, a globally respected auditing firm, conducted the 2019-2020 audit of MSU finances. KPMG was very professional and worked with our accounting and management staff to review all necessary documents. On December 15th, 2020, KPMG met with the Board of Directors, General Manager, and Director of Finance to review the results of the audit. Now, as the SRA you are responsible for approving these statements for both MSU Inc. and CFMU Inc. I would like to note however that the motion being brought forward simply implies that the SRA believes this is how the MSU performed financially in the 2019-2020 fiscal year. These audited statements are a document of fact, not opinion.

The 2019-2020 year presented many challenges financially. Most notably were introduction of the Student Choice Initiative and the impact of COVID-19 on campus life. As you review the statements, I expect questions will arise pertaining to the performance of specific MSU departments and the financial situation of the MSU as an entire entity. If you have any questions, I would appreciate you ask these questions to me in advance of the meeting so I can seek additional information and provide further context. I am happy to answer any questions you may have, and our Director of Finance, Sean Duncan will also be in attendance at the upcoming MSU Inc. meeting to assist in fielding any additional questions.

The MSU’s Operating Fund has reserves and concluded the year with approximately $1.6 million in reserves. As an organization, the MSU has approximately $5.75 million in reserves. It is important to note however that the MSU is structured using fund accounting which means certain reserves can only be used for certain funds. I.e. the operating fund reserves can only be used to support the operating fund, and the health plan reserves can only be used to support the health plan. The MSU’s reserves are set within the limit’s outlined in Corporate Bylaw 3. However, section 5.2 of Corporate Bylaw 3 reads;

* 1. *“The MSU will endeavour to maintain an operating reserve between 100% and 150% of its annual MSU Operating Fund fee revenue. The balance shall be maintained by the organization to meet unforeseen operational issues and/or manage cash flow before annual fees are received.”*

In the 2019-2020 year, the MSU was not able to maintain an operating reserve between 100% and 150% of its annual MSU Operating Fund fee revenue. This was a result of the outlined “unforeseen operational issues” that were incurred as a result of the Student Choice Initiative and impacts of COVID-19. With this, the MSU will need to take additional steps to adhere to this section of the Corporate Bylaw and ensure a healthy reserve.

**MSU Inc**.

Produced a deficit of $266,576 last year. This is a swing downwards of $219,918 from the 2018-2019 fiscal year as the MSU Inc. lost $46,658 that year. The main driver of the downwards shift is as a result of our cash investments and covid-19 shutting down our businesses as of March 13th, 2020. The MSU investments decreased by $160,000 in 2019-2020 whereas they gained $385,000 in 2018-2019. A difference of approximately $545,000. One thing I would like to note however, is the MSU’s operating fund operated in a deficit of $563,000 in 2019-2020. I will elaborate on specific departments below for additional context.

**TwelvEighty**:

The net deficit for TwelvEighty improved by $90,262 over 2018-2019 year, a loss of approximately $186,000. Beer and liquor sales continued to decline; however, food purchases did increase. We expected to see better results for the year but with covid-19 shutting down the business in March we operated at a loss.

**The** **Silhouette**:

The total loss for the Silhouette in the 2019-2020 fiscal year was $192,400, an increase from their $230,496 loss in 2018-2019. Expenses decreased due to changes in the number of publications, with slight increases in salaries/benefits. Additionally, advertising revenue continued to decrease. For the 2020-2021 year, The Silhouette Board of Publication has reduced print issues by 6 thus far and has re-evaluated the winter print schedule to continue to reduce print issues, to reflect the continued campus closure/restrictions. The evaluation of the papers print schedule should help to reduce The Silhouettes net loss.

**CFMU**:

Due to the decreased performance of CFMU’s investments and reduction in student fees of approximately $100,000 due to the Student Choice Initiative, CFMU produced a loss of $104,000 for the 2019-2020 fiscal year. A decrease of close to $140,000 from their net gain of $33,339 in 2018-2019.

**Child** **Care**:

KPMG performed a separate audit of the Child Care Center to ensure they were properly utilizing government subsidizes. KPMG reported that the Child Care Center is adequately utilizing their subsidy.

**Underground**:

Gross profit for the Underground declined substantially for the 2019-2020 fiscal year, to $147,736. This is a decline of roughly $113,000. As of September 2019, the Underground has a full staff compliment which would have helped reverse their trend of the net loss for the 2019-2020 year but again due to covid-19 closures, operations ceased as of March 13th for the remainder of the fiscal year.

**Outstanding items**:

For the past few years, the auditors have recommended that the MSU work to determine ways we can decrease the amount of outstanding, uncashed cheques. The MSU implemented new accounting procedures and has dramatically reduced the amount of uncashed cheques and KPMG noted we had strengthened our process and that total cheques held had decline significantly over the year.

To conclude, the General Manager, Director of Finance, and myself will continue to evaluate the MSUs financial performance to ensure we do not run surpluses of deficits that are too large. After many years of surpluses, the MSU has experienced deficits in our Operating Fund over the last few. This is not sustainable. The current reserve would only last for 2-3 more years based on our current trends. This could also be challenged with the impact of COVID this year and the opening of The HUB next year.

Sincerely,

Jess Anderson

Vice President (Finance)

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