



MEMO

From the office of the...

Vice-President (Finance) & CFO

TO: Full Members of the Corporation
FROM: Sarphina Chui, Vice President (Finance)
SUBJECT: 2021-2022 MSU Audited Statements
DATE: March 16, 2023

Dear Members of the Corporation,

This memo today is to provide a high-level summary of the 2021-2022 audited statements. As a non-profit organization, the MSU is held fiscally accountable through annual audits to ensure best practices in our financial management. Over the years, we have proven excellent financial standing with our auditors KPMG, which is a globally recognized auditing firm. This year, KPMG obtained and reviewed all necessary documents throughout the months of July to December. The results of the audit were then presented to the Board of Directors, General Manager, and the Director of Finance on January 28th, 2023. Overall, the 2021-2022 year is a year of financial recovery as our operation slowly transitioned back in-person, coming out of the COVID-19 pandemic. It is the responsibility of the SRA to approve the audits for MSU Inc. and CFMU Inc., page numbers are added to each explanation for clarity and understanding – please take time to cross reference the audited statement. I am happy to answer any questions prior to or during the meeting; our Director of Finance, Sean Duncan will also be in attendance at the upcoming meeting to assist in fielding any additional questions. The motion brought forward is simply an acknowledgement of MSU's financial performance in the 2021-2022 fiscal year.

MSU Inc. Financial Position

The MSU is a not-for-profit organization with an annual operating budget of around 2 million dollars, representing 26,000 students while providing various services, business units, health and transport benefits, etc. Reviewing our net asset from last year (pg.3), we concluded the year with \$2,624,782 in operating fund. Specifically, the MSU produced a surplus of \$544,286, which is an upward increase of \$77,246 from the 2020-2021 fiscal year as the MSU Inc. gained \$467,040 that year, though we operated at a deficit of \$563,000 in 2019-2020. The main driver of the upward shift is a result of increased admission and our hybrid operational work model across all departments, transitioning out of COVID lockdown. This provided us with an increase of \$1,321,484 in revenues despite the increase of \$1,184,428 in expenditures compared to the 2020-2021 fiscal year (pg.2). While we took a loss of \$42,652 in cash investment due to the general market trend, it is not to be alarmed as the market varies throughout the year. Below are specific department auditing results for additional context.

Food & Beverage Operation –

TwelvEighty (Schedule 2, pg. 14) & Union Market (Schedule 9, pg. 21):

Our Food & Beverage Operations continued to operate together as a cost center to the MSU despite generations of best efforts to increase revenue. Specifically, TwelvEighty is at a loss of \$281,372, which is an additional loss of \$27,712 from 2020-2021 fiscal's \$253,660. Union Market, on the other hand, has continued to prove its ability to generate revenue by generating \$54,875 more than the 2020-2021 fiscal year when COVID first forced a complete shutdown of the operation. Although there's a significant amount of food purchases, the cost of goods sold and the cost of salaries are yet to be offsetted. The MSU has searched for a more financially viable option by signing with a third-party food and beverage provider, Compass-Chartwells, after the RFP process that was approved by the Executive Board with guidelines provided by the SRA. Compass-Chartwells has officially been onboarded since May 2022 and has been in full operation since September 2022. I am proud to announce that there will finally be a guarantee net revenue for the MSU by the end of this current fiscal year.

The Silhouette (Schedule 3, pg. 15):

The total loss for Silhouette in the 2021-2022 fiscal year was \$173,822, which is an increase in loss from their \$128,279 in 2020-2021. This is due to the nature of full-year operation with the increase of prints as well as the increase of salaries; two part-time student roles have returned to the Silhouette as their positions were not in service during COVID. The inter-divisional revenues and expenditures have also increased as MSU services and departments return to operation, placing advertisements with the Silhouette. It is important to note the significant increase of revenue generated on advertisement selling from \$24,403 in 2020-2021 to \$41,797 in 2021-2022. With the new addition of a full-time staff position this year, we aim to continue this upward surge of revenue generated from advertisement sales.

CFMU (Schedule 5, pg. 17):

CFMU produced a net gain of \$99,359 for the 2021-2022 fiscal year. This is an increase in gain of \$37,822 from their net gain of \$61,537 in 2020-2021. This positive performance is due to the slight increase of student fees collected from CPI and the reduction of salaries and benefits, offsetting the slight loss in investment income.

Child Care (Schedule 6, pg. 18):

A separate audit was performed for the Child Care Center, mandated by the City of Hamilton to ensure the proper usage of government subsidizes. In the report, the 2021-2022 fiscal year produced a deficit of \$23,973, as opposed to the net gain of \$45,5050 in the 2020-2021 fiscal year. This was largely driven by the significant reduction of the Canada Emergency Wage Subsidy and the increase in employees with the return of full capacity operation.

Underground Media and Design (Schedule 8, pg. 20):

The online operation of Underground and the re-opening of campus in winter semester has resulted in an increase in the revenue generated – \$117,864 compared to the \$70,021 in the previous fiscal year. However, the reduction of Canada Emergency Wage Subsidy and the increase of inter-divisional expenditures (Underground expenditures from all MSU departments)

under a full-year operation has resulted the Underground in a net loss of \$250,081. The general trend of the Underground has been in a subtle decline since prior to COVID. Though, with two newly hired staff at the Underground this year, we are working to reverse this trend by the next fiscal report.

Campus Events (Schedule 10, pg. 22):

2021-2022 has been a rewarding year for Campus Events as they return to in person programming. In total, they produced a deficit of \$151,360, a reduction from 2020-2021's deficit of \$261,409. This is largely due to the increased of in person programming in the winter semester, thus increasing profitability for our AvTEK service as well as the Canada Emergency Wage Subsidy to offset operational costs. Referencing the pre-pandemic audits where year-long programs are developed in-person, it can be expected that Campus Events will have a surge in expenditure in the upcoming year. Recognizing that Campus Events is one of the most significant departments contributing to the student life experience, greater investment in the department budget would directly benefit students.

MSU Executive and Services (Schedule 11, pg. 23-25):

This section includes spendings from MSU executives, 11 student services, OMBUDS, the club's department, and MSU committees. It is noted on the audit that our spendings reflect the operational trend of the MSU throughout the pandemic. In 2021-2022, there has been an increased in services delivery in both adapted online programming and winter semester in-person programming. This is demonstrated by the increase of spending from \$354,280 in 2020-2021 to \$534,665 this past fiscal year. It is anticipated that expenditure will continue to rise as we return to full in-person delivery this fiscal year.

Additional Notes:

Overall, on the operational front, KPMG have noted their satisfaction with MSU's fiscal management and our positive results with excess of revenues over expenditures of \$1.2m. They did not identify any issues related to fraud risk associated with revenue recognition, nor did they identify any issues or concerns regarding management override of controls. However, they did note that management should continue to monitor those departments that continue to incur losses year-over-year, and asses weather or not temporary or permanent changes are required.

To conclude, the General Manager, Director of Finance, and myself will continue to evaluate the MSUs financial performance to ensure we do not run overly large surpluses or deficits. Though, we are active in reinvesting any surpluses back to students, such as the Student Assistant Plan, in order to maximize our impact on improving the overall student life experience. A major anticipated expenditure for next year would be the opening of our new student center, the HUB. It would definitely be taking on additional administrative and financial resources, though its contribution to the betterment of the student's campus experience would make it a worthwhile investment.

I'd also like to take this time to applaud all our full-time staff, part-time staff, and volunteers for their hard work and dedication, operating under ever-changing instructions while navigating

COVID in the past 2 years – you are the backbone of the MSU and we certainly would not be in this position today without you, thank you.

Sincerely,

A handwritten signature in black ink, appearing to read 'Sarphina Chui', written in a cursive style.

Sarphina Chui
Vice President (Finance) & CFO
McMaster Students Union
vpfinance@msu.mcmaster.ca