



# MEMO

*From the office of the...*

## Vice-President (Finance) & CFO

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TO: Full Members of the Corporation  
FROM: Sefa Otchere, Vice President (Finance)  
SUBJECT: 2022-2023 MSU Audited Statements  
DATE: October 15, 2023

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Dear Members of the Corporation,

This memo today is to provide a high-level summary of the 2022-2023 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, a globally recognized auditing firm. This year, KPMG obtained and reviewed all necessary documents throughout the months of July to September. The audit results were then presented to the Board of Directors, the General Manager, and the Director of Finance on October 10, 2023. Overall, the year 2022-2023 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 attend the meeting to assist in fielding any additional questions. The motion brought forward is simply an acknowledgement of MSU's financial performance in the 2022-2023 fiscal year.

### **MSU Inc. Financial Position**

The MSU is a not-for-profit organization with an annual operating budget of around \$13 million, representing 26,000 students while providing various services, business units, health, and transportation benefits, etc. Reviewing our net assets from last year (pg.3), we concluded the year with \$3,457,697 in operating fund. Specifically, the MSU produced a surplus of \$832,915, which is an upward increase of \$288,629 from the 2021-2022 fiscal year as the MSU Inc. gained \$544,286 that year. The main driver of the upward shift is a result of increased enrollment, investment returns and our hybrid operational work model across all departments, transitioning out of COVID lockdown. This provided us with an increase of \$1,174,143 in revenues despite the increase of \$900,913 in expenditures compared to the 2021-2022 fiscal year (pg.2). While we took a loss of \$42,652 in cash investment in fiscal year 2021-2022 due to the general market trend, this year we had a gain of \$228,413. This can occur 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):**

During this fiscal year, the MSU transitioned from a self-operation to working with a 3<sup>rd</sup> party (Compass Group) to provide our food and beverage services.

Both the MSU and Compass Group had challenges managing the relationship and late in the 2022-23 fiscal year, Compass Group advised they wished to re-negotiate the terms of the partnership. New parameters could not be agreed to. After the conclusion of the fiscal year, in July the MSU was provided notice of the termination of the partnership by Compass Group. The numbers reflected in the 2022-23 fiscal statements reflect an estimation of our net revenue along with any adjusting entries to conclude the relationship with Compass Group. Please note that at the time of writing we are still working through outstanding matters and further adjustments may be made.

Also, returning to self-operation, it is expected to generate a net loss in this and next fiscal year.

**The Silhouette (Schedule 3, pg. 15):**

The total loss for Silhouette in the 2022-2023 fiscal year was \$186,021, which is an increase in loss from their \$173,822 in 2021-2022. 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 \$128,489 for the 2022-2023 fiscal year. This is an increase in gain of \$29,130 from their net gain of \$99,359 in 2021-2022. This positive performance is due to the increase in student fees collected from CPI, and a gain on investment of \$17,249. These increases offset the increase in salaries and benefits expenses due to the hiring of additional part-time staff.

**Child Care (Schedule 6, pg. 18):**

A separate audit was performed for the Childcare Center, mandated by the City of Hamilton to ensure the proper usage of government subsidies. In the report, the 2022-2023 fiscal year produced a deficit of \$47,524, as opposed to the deficit of \$23,977 in the 2021-2022 fiscal year. This was largely driven by the significant reduction of funds received due to cancellation of the Canada Emergency Wage Subsidy grants due to Covid but was offset by increased fees and a reduction in salary expenses.

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

The return to campus and the constant presence of students on campus assisted Underground in revenue generation— \$261,696 compared to the \$117,864 in the previous fiscal year. However, the cancelation of Canada Emergency Wage Subsidy, increased costs, 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 \$236,487. The continued trend of the Underground has been in a subtle decline since prior to COVID.

**Campus Events (Schedule 10, pg. 22):**

2022-2023 has been a rewarding year for Campus Events as they return to in person programming. In total, they produced a deficit of \$451,876, an increase from 2021-2022 deficit of \$151,360. This is largely due to the in person programming all year, Referencing the pre-pandemic audits where year-long programs are developed in-person, it can be expected that Campus Events regularly have large deficits. 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 spending from MSU executives, 11 student services, OMBUDS, the club's department, and MSU committees. It is noted on the audit that our spending reflects the operational trend of the MSU throughout the pandemic. In 2022-2023, there has been an increase in services delivery in both adapted online programming and in-person programming. This is demonstrated by the increase of spending from \$1,117,878 in 2021-2022 to \$1,326,964 this past fiscal year.

**HUB**

The opening of the HUB continues to be delayed. In the planning of the 2022-23 budget, it was expected this facility would become operational. It was not. During the 2023-24 budgeting process, MSU Inc. also approved a budget with cost provisions for the HUB. We do expect this to open in Winter 2024. We do need to develop a long term sustainable financial model to support the facility, not to the detriment of other important operations.

**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 assess whether or not temporary or permanent changes are required.

To conclude, the General Manager, Director of Finance, and myself will continue to evaluate the MSU's financial performance to ensure we do not run overly large surpluses or deficits. However, 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 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. You are truly 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 "S. Otchere". The signature is fluid and cursive, with a long horizontal stroke extending from the end of the name.

Sefa Otchere  
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McMaster Students Union  
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