



# MEMO

*From the office of the...*

## Vice-President Finance

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TO: Full Members of the Corporation  
FROM: Ryan MacDonald, Vice President (Finance)  
SUBJECT: MSU Audited Statements  
DATE: September 14, 2016

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Dear Members of the Corporation,

It is with great pleasure that I submit the audited statements for your approval. Our auditors this year were KPMG and they did a very good job working with our staff to ensure that the audit was done in a timely and professional manner during the month of June. KPMG met with the Board of Directors, our Comptroller, and General Manager on September 13th to review the results. The first note about passing these audited statements is that the motion being brought forward simply implies that the SRA believes this is how the MSU performed financially. It is a document of fact, not opinion.

However, I believe that this is an opportune time to ask about financial performance, and how certain areas of the organization performed last fiscal year. This memo will highlight areas of note within the audited statements, and if you have any questions, please ask me in advance of the meeting so I that can get more information in order to provide better context.

From this audit, it is clear that the MSU is in a healthy fiscal state. We have a strong reserve in our operating fund, within the limits set out in Corporate Bylaw 3. With around \$3.4 million in our Operating Fund reserves and \$5.6 million of reserves for the entire organization, we have a strong balance sheet, one of which provides stability and flexibility to invest and grow into new exciting areas.

For the entire organization, we produced a \$192,000 deficit for the year, a swing of nearly \$900,000. The drivers of this deficit is almost entirely based on our investment in marketable securities which based on the findings report from the auditors can be linked to poor performance on the Toronto Stock Exchange and the New York Stock Exchange. We suffered a loss in investments of \$114,000 compared to a surplus in our portfolio last year of \$495,000. The health and dental plans both reported healthy annual surpluses.

Our General Manager, Comptroller, and I will continue to evaluate our financial performance to ensure that we do not run surpluses that are too large, while not spending students' money frivolously. This will be informed by our second semester

budget consultation period and strategic review campaign, which has the purpose to better understand student priorities.

Inventory: In the past, KPMG had concerns regarding the effectiveness of our inventory counts. However, this year, with the second year of a renewed system in place, required no recounts. KPMG highlighted this as a significant improvement and are pleased that this continues to be effective.

Child Care Centre: KPMG performed a separate audit of the Child Care Centre. This year the deficit for the Child Care Centre increased by \$25,700, mostly from increased wages.

Intercompany Transactions: For a few years, our auditors have recommended that we start tracking intercompany expenses, or transactions between MSU departments. The auditors were satisfied with our tracking of this over the last year and no longer see it as an area of concern.

Student Health and Dental Plans: The auditors have concerns with respect to the amount we are collecting on our student health and dental plans based on the premiums we pay. Currently, corporate bylaw 3 outlines a maximum surplus of \$75,000 in both funds, of which in the health plan we have accumulated a surplus of \$377,000. The board of directors is taking active steps to review our current benefits and look at the cost effectiveness of our premiums.

Cash Processes: The auditors outlined a concern with respect to uncashed cheques that were issued last year amounting to \$358,875. The auditors have suggested that we perform a monthly review of outstanding cheques so that they do not become in excess. The accounting department is in the process of developing a new approach to incorporate this new recommended practice.

If you have any questions please do not hesitate to let me know

Sincerely,

A handwritten signature in black ink, appearing to read "Ryan MacDonald". The signature is fluid and cursive, with the first name "Ryan" and last name "MacDonald" clearly distinguishable.

Ryan MacDonald  
Vice President (Finance)  
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