MEMO

From the office of the...

Vice-President (Finance) & CFO

TO:	Full Members of the Corporation
FROM:	Vice President (Finance)
SUBJECT:	2017-18 Audited Statements
DATE:	October 26, 2018

Dear Members of the Corporation,

After a summer of fun, I am happy to submit to you the 2017-18 audited financial statements for your approval. This year, our audit was conducted by professional firm KPMG throughout June and July. Working with our accounting and management staff, KPMG was great at ensuring the audit was completed in a professional and timely manner. On September 5th, the Board of Directors, as well as the Comptroller and General Manager met with KMPG to review the results and findings. As the SRA, you are responsible for approving these statements for both MSU Inc. and CFMU Inc. It is important to note, when this motion is brought forward to approve the statements, your approval states that the SRA believes this is how the MSU performed financially. The audited statements are a document of fact, not opinion, and they are presented by a globally respected auditing firm.

When reading through the statements, I expect questions will arise regarding certain departments performance or the direction of the MSU financial situation. This is an opportune time to ask about financial performance, and how the MSU performed last fiscal year. This memo will highlight areas of note within the audited statements. If you have any questions, I would appreciate if you would ask me via email in advance of the meeting, so that I can get more information and provide you with detailed context. I'm happy to answer any and all questions, and our Comptroller, Maggie Gallagher, will also be attendance at the upcoming SRA meeting.

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. We have close to $4.3 million in our Operating Fund reserves, and $6.1 million of reserves for the entire organization. We also have a strong balance sheet, which provides stability and flexibility to invest and grow into new and exciting areas.

MSU Inc. produced a deficit of $369,514 last year. This is a swing of nearly $1,175,495 downwards from the previous year, which produced a surplus of $805,981. The main driver of this swing is almost entirely based on our investment in marketable securities. This is based on the findings report from the auditors, and can be linked to the poor performance of Toronto Stock Exchange and New York Stock Exchange over the past year – specifically during the months of January to April 2018. In total, we saw a decrease of $810,303 from our investment income compared to the previous year.

Our General Manager, Comptroller and I will contonie to evaluate our financial performance to ensure that we do not run surpluses or deficits that are too large, while also not spending student's money frivolously. This will be informed by our second semester budget consultation period and strategic review, as well as the transparency fairs throughout the year.

Inventory: In previous years, KPMG raised concerns regarding our inventory count procedures within Union Market, TwelvEighty and Compass. Since this was initially brought to our attention in 2016, we have made considerable steps to ensure that our processes are appropriate. As a result of this, KPMG did not have any issues or concerns regarding the inventory count procedures this year.

TwelvEighty: Last year, we saw an increase in our net deficit from TwelvEighty to the tune of an additional $97,792. 2017-18's net loss was $275,842. However, with the opening of the Grind café and an observed increase in revenues during the months of September and October 2018, this trend is expected to reverse.

Underground: Gross profit at the Underground Media + Design increased by $56,113 compared to the previous year. This, along with a significant decrease in salary expenses, have contributed to a decrease in their net deficit, with an upward swing equal to $277,141.

The Silhouette: 2017-18 saw an additional loss of $58,338. 2017-18's net loss was $242,728. Expenses remained fairly consistent, with a small rise in salaries and benefits due to the minimum wage increase. Most of the change can be attributed to decreasing advertising revenue.

Sincerely,

Scott Robinson
Vice President (Finance)
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