



Introduction to MSU Finances – How to Read the Budget

What follows is a detailed description of some of the major components of the MSU budget. The budget is commonly available in Microsoft Excel format, so this file type is used in the screenshots and descriptions.

Opening Remarks

The MSU budget schedule has varied over the last number of years, but as of the drafting of this memo it is as follows:

Fiscal year: May 1 – April 30

Budget preparation: February – March

Budget presentation to SRA (for the following fiscal year): April

Audit: typically occurs during late summer (July-August)

Audit presentation: upon receipt of audited statements, usually in September or October

Budget review: discontinued in January 2013, this was typically done in December

Monthly statement updates: replaced the budget review. These are made available and circulated around the middle of the following month; i.e. January monthly statements are available around February 15

There is often a great deal of confusion around budget time, as the budget is approved by a newly elected SRA and many members do not have any financial training. Some of the terminology used is difficult to understand but the basic principles of budgeting are simple and should be understood before approving any budget. This document will explain some of the major terminology, important features, and things to note when examining the MSU budget.

Navigating the Budget

A typical page of any MSU financial report or budget looks something like this:

	A	B	C	D	E	F	G	H
1								
2								
3								
4								
5								
6								
7								
8								
9								
10	All:							
11	Dept 0101 - Administration - All	(1,729,877.00)	(1,965,009.41)	(1,739,141.97)	(1,672,837.16)	(1,609,200.00)		
12	Balance Sheet Items - ***	0.00	0.00	0.00	0.00	0.00		
13	Business Units - All	(11,968.00)	(146,896.47)	10,266.14	91,050.05	75,858.56		
14	Zero Cost Centres - All	37,780.00	7,324.01	19,418.48	11,227.63	21,146.81		
15	Committees & Services - All	1,040,790.50	556,494.33	862,428.89	930,688.80	911,468.61		
16	Service Operations - All	599,511.50	345,595.29	569,987.06	565,809.33	587,681.51		
17	CFMU 93.3 Inc. - All	(56,900.00)	(223,726.46)	(145,396.65)	(136,159.39)	(80,479.17)		
18	Marmor Fund - All	(10,448.00)	(159,321.34)	(34,144.99)	2,166.06	(31,885.00)		
19	Health Plan Fund - All	(32,155.00)	(774,034.43)	(26,345.09)	35,417.07	19,145.00		
20	Student Dental Plan - All	(52,675.00)	(1,079,683.35)	(25,047.00)	318,509.59	(13,900.00)		
21	Dept. 0701 - University Centre Building Fund - All	0.00	(345,416.31)	0.00	1,879.72	0.00		
22								
23	Total All	(215,941.00)	(3,784,674.14)	(507,975.14)	147,751.70	(120,163.68)		
24								
25								
26								
27	*** - We are combining this revenue stream with the Administration line, dept. 0101.							
28								
29								
30								
31								

The column headings are fairly descriptive themselves and don't require much explanation. YTD stands for Year-To-Date and YE stands for Year End.

At the top will be the organization name and the period that the report considers. This particular budget was produced for the 2012-13 fiscal year and was based on figures from April to December 2011, so the YTD (year-to-date) column has sums of spending from April 2011 up until December 2011. Remember, the fiscal year is May to April, so the column "2011-12 YTD" contains information on the fiscal year from May 2011-April 12, and has YTD information until December 2011. Therefore, this column has information on the sum total of transactions from the first eight months of the fiscal year.

Usually the most interesting or relevant column for consideration will be in the left-most position. In this case it is the annual budget for 2012-13 and the remaining information is added for reference. Occasionally there will be other interesting columns. Note that the columns are added up at the bottom and there is a section for explanatory notes.

For this first page of the budget the titles on the side indicate the different departments whose transactions constitute the MSU Operating Fund, as well as the other funds that the MSU oversees. Operating Fund departments are separated into Service Operations (0100 budget codes; more on these codes later), Revenue Generators (0200), Committees (0300) and other Operating Fund Accounts (0400s). In addition we use separate account codes for CFMU (0500), the Building Fund (0700), the Health Plan (0900) and the Dental Plan (1100). Other codes have been eliminated as the accounts are rolled into existing departments.

The sum total of all operations is indicated on this first page of the budget. The total at the bottom is the expected surplus/deficit for the year; in this case it is \$215,941 for

the 2012-13 fiscal year. On this page, the amounts in the first column are all drawn from other sections of the budget, which are found on other sheets. Sheets can be navigated using the tabs at the bottom of the page:

16	Service Operations - All	599,511.50	345,595.29	569,987.06	565,809.33	587,681.51	
17	CFMU 93.3 Inc. - All	(56,900.00)	(223,726.46)	(145,396.65)	(136,159.39)	(80,479.17)	
18	Marmor Fund - All	(10,448.00)	(159,321.34)	(34,144.99)	2,166.06	(31,885.00)	
19	Health Plan Fund - All	(32,155.00)	(774,034.43)	(26,345.09)	35,417.07	19,145.00	
20	Student Dental Plan - All	(52,675.00)	(1,079,683.35)	(25,047.00)	318,509.59	(13,900.00)	
21	Dept. 0701 - University Centre Building Fund - All	0.00	(345,416.31)	0.00	1,879.72	0.00	
22							
23	Total All	(215,941.00)	(3,784,674.14)	(507,975.14)	147,751.70	(120,163.68)	
24							
25							
26							
27	*** - We are combining this revenue stream with the Administration line, dept. 0101.						
28							
47							

Most of the other sheets are for departments; for example, the “Union Market – Acct Detail” sheet shows the budgeted amounts for each line for the year for Union Market. There are a few key exceptions. “Schedule A – Acct Detail,” for example, is a summation of amounts for the revenue generators, and there are similar schedules for other departments groups, such as services. In short, the first page of the budget gives a snapshot of the whole organization; schedules give a snapshot of particular groupings of departments in the MSU; and department sheets give a snapshot of specific departments.

Now let’s look at a department sheet, using Underground as an example. Underground’s budget looks like this:

	A	B	C	D	E	F	G	H
	McMaster Student's Union							
	Dept. 0203 - Underground Media & Design							
	For the Eight Months Ending December 31, 2011							
		APPROVED		Projected				
		2012-13	2011-12	2011-12	2010-11	2011-12		
		BUDGET	YTD	YE	YE	Budget	Please provide explanations for increase or decrease to budget by 5% or more	% Incr/ Decr.
10	ALL:							
11	3000-0203 UNGRN - SALES - PROMOTIONAL	0.00		0.00	(1.20)			#DIV/0!
12	3001-0203 UNGRN - SALES - COIN-OP COPIERS	0.00		0.00	76.68			#DIV/0!
13	3002-0203 UNGRN - SALES - PHOTOCOPIING	(140,000.00)	(89,833.78)	(134,750.67)	(281,488.93)	(200,000.00)		(30.00%)
14	3003-0203 UNGRN - SALES - OUTSIDE PRINTING	(140,000.00)	(89,131.60)	(133,697.40)	(167,918.09)	(150,000.00)		(6.67%)
15	3004-0203 UNGRN - SALES - COURSEWARE	(40,000.00)	(34,708.75)	(34,708.75)	(43,237.31)	(45,000.00)		(11.11%)
16	3005-0203 UNGRN - SALES - BINDING	(12,000.00)	(7,691.15)	(11,536.73)	(16,070.28)	(15,000.00)		(20.00%)
17	3006-0203 UNGRN - SALES - LABOUR	(70,000.00)	(31,753.78)	(47,630.67)	(27,321.81)	(30,000.00)		133.33%
18	3007-0203 UNGRN - SALES - FAX	(1,200.00)	(775.00)	(1,162.50)	(484.75)	(2,000.00)		(40.00%)
19	3008-0203 UNGRN - SALES - TYPESETTING - SIL ADS	(30,000.00)		0.00	(26,327.50)	(55,000.00)		(45.45%)
20	3009-0203 UNGRN - SALES - RETAIL	(2,000.00)	(1,211.55)	(1,817.33)	(17,883.86)	(18,000.00)		(88.89%)
21	3010-0203 UNGRN - COPYING & PRINT - COLOUR	(36,000.00)	(23,291.58)	(34,937.37)				#DIV/0!
22	3012-0203 UNGRN - MISCELLANEOUS SALES	(25,000.00)	(19,458.84)	(29,188.26)				#DIV/0!
23	3015-0203 Underground- Islan Ink jet sales	(10,000.00)	(4,997.42)	(7,496.13)				#DIV/0!
24	3021-0203 UNGRN - SALES - INT. - PHOTOCOPIING	(16,000.00)	(10,099.42)	(15,149.13)	(10,032.88)	(5,000.00)		220.00%
25	3022-0203 UNGRN - SALES - INT. - OUTSIDE PRINTING	(75,000.00)	(60,861.08)	(91,291.62)	(26,556.33)	(26,000.00)		188.46%
26	3024-0203 UNGRN - SALES - INT. - BINDING	(20,000.00)	(16,962.40)	(25,443.60)	(14,811.40)	(4,000.00)		400.00%
27	3025-0203 UNGRN - SALES - INT. - LABOUR	0.00		0.00	(28,377.50)	(20,000.00)		(100.00%)
28	3111-0203 UNGRN - SALES - WWP ADVERTISING	(17,000.00)	(17,762.00)	(17,762.00)		(16,313.00)		4.21%
29	3112-0203 UNGRN - SALES - WALL CALENDAR	(19,000.00)	(19,200.00)	(19,200.00)		(17,500.00)		8.57%
30	3114-0203 UNGRN - SALES - ALMANAC INTERNAL	(5,000.00)	(4,600.00)	(4,600.00)				#DIV/0!
31	3115-0203 UNGRN - SALES - ALMANAC	(85,000.00)	(95,403.00)	(95,403.00)		(74,000.00)		14.86%
32	*** 3***-0203 UNGRN - Marmor Production Revenue	(40,000.00)						
33	4001-0203 UNGRN - COS - PAPER SUPPLIES	22,000.00	14,051.75	21,077.63	28,813.38	24,000.00		(8.33%)
34	4015-0203 UNGRN - COS - ISLAND INK JET	7,000.00	3,710.76	5,566.14				#DIV/0!
35	4201-0203 UNGRN - COS - PHOTOCOPIING	50,000.00	27,958.40	41,937.60	63,987.44	54,000.00		(7.41%)
36	4203-0203 UNGRN - COS - PRINTING	220,000.00	141,931.36	212,897.04	242,969.83	146,500.00		50.17%
37	4204-0203 UNGRN - COS - BINDING	3,300.00	2,115.83	3,173.75	731.35			#DIV/0!
38	4206-0203 UNGRN - COS - PROMOTIONAL MDSE	3,200.00	2,007.78	3,011.67	933.91			#DIV/0!
39	4207-0203 UNGRN - COS - RETAIL MDSE	1,200.00	700.63	1,050.95		3,500.00		(65.71%)

Moving across from left to right is the easiest way to understand what this sheet communicates. First, there is an eight-digit account code. The first four digits indicate what type of account this is (income, printing, expense etc.). In general, similar

expenses have similar account codes, so 4201 is a “photocopying expense” code for SHEC and the Executive just as it is for Underground. The second set of four digits is the department code, which for Underground is 0203 (part of the “0200s” from above). Thus, if an expense is charged to 4201-0203 we know that it is a photocopying expense (0402) for Underground (0203).

Next there is an explanation of what the account is. This explanation will include the department (“UNGRN”) and a brief summary of what the account is for. This explanation can sometimes lead to confusion (What is the difference in purpose and usage between “photocopying” and “promotions”?) which is best clarified by asking the department manager or VP Finance.

The next column is where the financial information really begins. There are two simple principles to keep in mind. First, numbers in parentheses indicate income, while brackets that are not in parentheses indicate expenses¹. Second, totals are always provided at the bottom. This provides immensely useful information about Underground: we can see, for example, that Underground expects to spend \$12,000 on wall calendar expenses during 2012-13 and that they expect to end the year with a surplus of \$42,750:

¹ Note that this is not always the case for all financial statements in the world. Sometimes a column might be labelled “Excess of Revenues over Expenditures” and sometimes it may read “Excess of Expenditures over Revenues.” In both cases the amount will mean different things depending on whether it is in brackets. In this example, an amount under “Excess of Revenues over Expenditures” that is in brackets could easily be put under “Excess of Expenditures over Revenues” and not be in brackets. Always refer to the column headings for reference and use common sense – something like “printing expense” will never be an income line!

	A	B	C	D	E	F
1						
2						McMaster Stude
3						Dept. 0203 - Underground
4						For the Eight Months Ending
5		APPROVED		Projected		
6		2012-13	2011-12	2011-12	2010-11	2011-12
7		BUDGET	YTD	YE	YE	Budget
8						
41	4212-0203 UNGRN - COS - WALL CALENDARS-	12,000.00	9,400.00	9,400.00		12,000.00
42	4215-0203 UNGRN-COS-ALMANAC EXPENSE	41,000.00	40,400.00	40,400.00		60,000.00
43	5003-0203 UNGRN - OFFICE SUPPLIES	1,000.00	(669.40)	1,000.00	2,963.36	1,000.00
44	5015-0203 UNGRN - COURIER SERVICE	500.00	102.57	153.86	605.84	500.00
45	5101-0203 UNGRN - TELEPHONE	4,500.00	2,537.95	3,806.93	4,316.14	4,500.00
46	5201-0203 UNGRN - PHOTOCOPYING	0.00	0.14	0.21	5,400.94	
47	5203-0203 UNGRN - PRINTING EXPENSE	0.00		0.00	124.28	120.00
48	5206-0203 UNGRN - PROMOTIONAL EXP	500.00	30.68	500.00		500.00
49	5501-0203 UNGRN - REPAIRS & MTCE.	1,000.00	552.30	828.45	1,028.19	700.00
50	5801-0203 UNGRN - RENT - MUSC OCCUPANCY COSTS	0.00		24,000.00	8,284.00	24,000.00
51	6501-0203 UNGRN - ADVERTISING & PROMOTION	1,000.00	1,026.53	1,539.80	84.72	1,000.00
52	6612-0203 UNGRN - EXPENSE ACCOUNT	2,000.00	99.89	149.84	977.01	2,000.00
53	6715-0203 UNGRN - PURCHASED SERVICES	300.00	187.50	281.25	202.32	300.00
54	6901-0203 UNGRN - TRAVEL - GENERAL	300.00	144.54	216.81	177.91	300.00
55	7001-0203 UNGRN - WAGES	325,000.00	198,724.91	298,087.37	241,783.14	265,000.00
56	7101-0203 UGRN - Benefits *	32,500.00	14,328.39	21,492.59	20,812.19	24,800.00
57	7401-0203 UNGRN - BANK CHARGES	2,000.00	1,316.49	1,974.74	1,958.28	2,000.00
58	7515-0203 UNGRN - CASH (OVER)/SHORT	0.00	(126.54)	(126.54)	(724.87)	
59	7591-0203 UNGRN - BAD DEBTS	0.00	(3,807.47)	2,400.00	2,826.23	2,400.00
60	8001-0203 UNGRN - DEPRECIATION EXPENSE	6,150.00	5,664.08	9,000.00	11,611.95	8,250.00
61	8201-0203 UNGRN - GAIN/LOSS ON DISPOSAL OF ASSETS	0.00		0.00	463.30	
62	8501-0203 UNGRN -HST/ GST EXPENSE	0.00	5,885.76	3,000.00	5,307.39	3,000.00
63						
64	Total All	(42,750.00)	(59,466.52)	12,044.89	(14,802.93)	(26,443.00)
65						
66						
67	*Note - new in 2012/13 the CPP, EHT, EI and WSIB accounts will be grouped together into one account called "Benefits".					
68	Grouping them together will streamline each department's budget allowing the respective managers to focus on those					
69	costs within their control.					

The \$42,750 is rolled up to "Schedule A":

	Business Units					
	For the Eight Months Ending December 31, 2011					
	APPROVED		Projected			
	2012-13	2011-12	2011-12	2010-11	2011-12	Please provide explanations for increase
	BUDGET	YTD	YE	YE	Budget	or decrease to budget by 5% or more
10	All:					
11	Dept. 0201 - Union Market - All	(32,560.00)	(86,769.32)	(76,914.91)	(70,259.95)	(21,408.61)
12	Dept. 0202 - House of Games - All	(9,160.00)	(24,012.00)	(9,012.00)	(19,534.10)	(9,160.00)
13	Dept. 0203 - Underground Media & Design - All	(42,750.00)	(59,466.52)	12,044.89	(14,802.93)	(26,443.00)
14	Dept. 0204 - TwelvEighty - All	96,002.00	20,584.59	79,747.99	197,615.34	128,470.00
15	Dept. 0206 - Shortstop - All	(1,500.00)	(1,500.00)	(2,000.00)	(8,851.98)	(2,000.00)
16	Dept. 0207 - Undercovers - All	-	4,266.78	6,400.17	6,883.67	6,400.17
17	Dept. 020? - Student Wellness - NEW*	(22,000.00)	0.00	0.00	0.00	0.00
18						
19	Total All	(11,968.00)	(146,896.47)	10,266.14	91,050.05	75,858.56

Which is then totalled at the bottom (\$11,968) and rolled up to the master sheet:

<i>McMaster Students Union Inc.</i>						
<i>For the Eight Months Ending December 31, 2011</i>						
	APPROVED		Projected			
	2012-13	2011-12	2011-12	2010-11	2011-12	
	BUDGET	YTD	YE	YE	Budget	Explanation for Changes of more than 10%
10 All:						
11 Dept. 0101 - Administration - All	(1,729,877.00)	(1,965,009.41)	(1,739,141.97)	(1,672,837.16)	(1,609,200.00)	
12 Balance Sheet Items - ***	0.00	0.00	0.00	0.00	0.00	
13 Business Units - All	(11,968.00)	146,896.47	10,266.14	91,050.05	75,858.56	
14 Zero Cost Centres - All	37,780.00	7,324.01	19,418.48	11,227.63	21,146.81	
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17 CFMU 93.3 Inc. - All	(56,900.00)	(223,726.46)	(145,396.65)	(136,159.39)	(80,479.17)	
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20 Student Dental Plan - All	(52,675.00)	(1,079,683.35)	(25,047.00)	318,509.59	(13,900.00)	
21 Dept. 0701 - University Centre Building Fund - All	0.00	(345,416.31)	0.00	1,879.72	0.00	
23 Total All	(215,941.00)	(3,784,674.14)	(507,975.14)	147,751.70	(120,163.68)	

There are two more columns that are interesting to note. First is the explanation column. While this is not always used to explain changes (some changes are tied to Consumer Price Index adjustments) it is used to explain significant changes in budget structure or amounts. For example, the introduction of the Welcome Week fee precipitated significant changes to the budget involving the creation of new budget lines. These lines included a note explaining what the funds were for and where they were coming from.

Second, there is the percent change column. This column is actually less useful than most of the other ones, as a percent change over smaller budget lines may be larger than the percent change over larger budget lines (i.e. a 5% change in Underground's repair and maintenance costs is \$50, while a 5% change in wages is \$16,250). Still, this column can be an easy way to flag account lines that are changing more rapidly than CPI or are decreasing with no explanation.

Financial Authority, Budget Revisions, and "Is there room in the budget for this?"

In brief, financial authority for the MSU rests with the SRA in its capacity as the Corporate Board for MSU Inc. The SRA is responsible for approving the budget, receiving the audited financial statements, and making significant financial decisions.

MSU bylaws have encoded certain provisions by which the SRA delegates authority to other bodies for approvals up to certain amounts. For example, Executive Board can approve capital allocations of up to \$3000, and can reallocate funds in the operating budget up to \$3000. The SRA deals with the larger amounts. This delegation of authority is mostly to expedite small expenditures.

The Vice-President Finance is tasked by the SRA with overseeing the financial health the MSU, at least insofar as this is within the VP Finance's power. The VP Finance cannot arbitrarily change budget lines (at least, not over \$1500) and cannot approve capital expenditures without EB or SRA approval. Thus, most budget revisions will be proposed to the SRA before they are implemented. The Vice-President Finance may authorize changes to budget lines of up to \$1500 but is ultimately responsible to the SRA for the state of the finances at the end of the year. In addition, the VP Finance,

along with the rest of the Board of Directors and the Executive Board, is responsible for ensuring that operations stay within their budgeted limits and that they do so efficiently, i.e. without extravagant or unnecessary spending.

That said, the SRA is also responsible for any decisions it has made. For example, the SRA could not legitimately criticize the Vice-President for spending \$10,000 on travel to and from conferences if \$10,000 was approved in the budget (although the SRA could question whether that \$10,000 was spent in the *most appropriate* fashion to travel to and from conferences; travelling by limousine rather than renting a car would be questionable, regardless of whether they both cost \$10,000). In short, the SRA is responsible for setting the limits within which the Board can oversee the functions of the MSU. The Board is responsible for staying within those limits.

Thus, the question of whether there is room in the budget for a particular project can largely be answered by looking at the budget online. Expenses cannot reasonably be attributed to arbitrary budget lines – we can't put travel expenses for an OUSA plenary conference in the TwelvEighty food expense line – but there is some flexibility with similar lines. For example, a project that has been undertaken in the past is offering free food at TwelvEighty on one day during exams. The money to fund this could be taken from Exec Special Projects, SRA Special Projects, or even the President's expense account, depending on who is spearheading the project and where it is most appropriate to allocate funds from. This is why, when asked if there is room in the budget for a project, the VP Finance may answer yes or no depending on the circumstances – they are most familiar with the budget and whether a particular expense can appropriately be placed in a budget line that still has “room” in it.

Conclusion

I hope this memo has been helpful in explaining some of the intricacies of the MSU budget. There are more complex features that are not covered here (e.g. capital budget and amortization, calculation of benefits, division and function of different funds) but this will at least give you enough information to read and understand the operating budget and how it is used.