

Students' Society of McGill University Financial Plan 2011 – 2012



Prepared by the Office of the Vice-President Finance & Operations
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Message from the SSMU Vice-President Finance & Operations

Dear students,

The Students' Society of McGill University's (SSMU) current level of financial solvency, liquidity, and stability is a result of the Society's robust fiscal management over the years. This Financial Plan emphasizes the prioritization of student life, clubs, services and student groups on campus and will serve as a long-term plan for the Society.

The creation of the Financial Plan facilitates the long-term financial stability of the Society. In addition, it provides consistency and continuity within the SSMU for the full-time Staff, Executives, Student-Staff, and members of the Society in terms of future goals. Considering the high turn-over rate of Executives from year-to-year, the Financial Plan serves as an outline of major projects that are and will be undertaken by the SSMU with a financial impact on the Society's longevity. Furthermore, in recent years, the SSMU has made a surplus which is attributed by the Investment Portfolio, and as a not-for-profit the SSMU needs to ensure that such a plan exists to maintain the not-for-profit status.

To facilitate financial management and long-term financial solvency, the SSMU Executive Committee will be responsible for revising and presenting the Financial Plan, as need be, and providing updates on the projected investments to the Legislative Council twice during the fiscal year. The presentation shall be prepared and provided by the Office of the Vice-President Finance & Operations upon consultation with the Finance Committee and the Executive Committee.

I would like to take this opportunity to thank the wonderful team a part of the SSMU for their continued support. I would like to thank the SSMU Comptroller, Accounts Payable Clerk, Accounts Receivable Clerk, and the General Manager. This includes Josée Couture, Monique Belanger, Wendy He, and Pauline Gervais. Additionally, I appreciate the support of the Finance Committee, the Executive Committee, and the Legislative Council for their participation and involvement.

If you have any questions, you are welcome to send me an e-mail at fops@ssmu.mcgill.ca.

Yours in service, representation, and leadership,



Shyam Patel

Financial Plan Introduction

This section of the report provides a brief overview of some accounting basics to ensure all members are abreast of the accounting language that is used. In addition, it provides an overview of internal terminology used within the SSMU.

Assets

Assets are defined as economic resources, from an accounting perspective. Items are considered assets when “the entity must provide evidence that it represent an economic resource and then link itself to that resource¹.” These include but are not limited to cash, accounts receivables, and inventory.

Revenues and Expenses

Revenues are the monies coming into an organization. For example, the fee collected by the SSMU from its student members is considered revenue. Similarly, any sponsorship funding that is generated by the organization is also revenue. Conversely, expenses include all the monies going out of an organization. For example, the purchase of office supplies for the SSMU Office is considered an expense.

Process of the Financial Plan

The Financial Plan is initially discussed and prepared by the Vice-President Finance & Operations, the General Manager and the Comptroller. After the discussion the Financial Plan was prepared and written by the Vice-President Finance & Operations for review by the Comptroller and the General Manager. Thereafter, the Financial Plan is reviewed by the Finance Committee and Executive Committee and the plan is further revised considering suggestions and recommendations. Once these steps are complete, the Financial Plan is presented, discussed and approved by the Legislative Council.

SSMU Finances

As a not-for-profit organization, the SSMU does not report its net income on an annual basis. Consequently, the SSMU has a tax report as an obligation but does not pay any taxes as a result of its not-for-profit status. The finances of the SSMU, therefore, are represented as a series of funds. These include the Operating Fund, Capital Expenditure Reserve Fund (CERF), Awards of Distinction Fund (ADF), Health & Dental Reserve Fund (HDRF), and the Queer McGill Undergraduate Fund (QMUF), Student Life Fund (SLF), and the Internally Restricted Endowment Fund (IREF).

The Operating Fund is the only fund includes readily available cash; it also includes the SSMU’s base fee which in 2011 – 2012 is projected to total roughly \$1.7 million. The following provides a brief explanation of these different departments:

- General Administration: The most substantial expense is the Salaries expense for the full-time Staff and student Staff; other expenses include Bank Charges, Professional Fees, and Network & Computer costs

¹ Asset Definition from Intermediate Accounting 9th Addition by Kieso et al. (2010)

- Building: This department takes into account revenues generated through business rent and expenses for renting the University Centre (Shatner Building),
- Security: The main expense incurred is the Salaries portion for the afterhours security agents
- Operations: Revenues and expenses from running Gerts and Mini Courses
- Governance: Includes the portfolio budgets of the six Executive Committee members and departments for the Legislative Council, General Assembly, Research & University Relations, Campaigns, and External Affairs
- Events: Revenues and expenses for Frosh, Activities Night, 4 Floors, Faculty Olympics, Movies in the Park, Sustainability Case Competition, and so forth
- Funds: This includes the distribution of the Campus Life Fund, Ambassador Fund, Green Fund, Space Fee, and the Charity Fund
- Media & Communications: This department includes the Student Handbook, Old McGill, the Communications (for example, digital signage), Sponsorship, and Website finances
- Clubs & Services: Revenues and expenses incurred by the clubs and services under the purview of the SSMU

For further details on the explanations or projections of the Operating Budget, please refer to the SSMU Budget 2011 – 2012.

The Capital Expenditures Reserve Fund (CERF) includes the Investment Portfolio of the SSMU which is currently managed by Lester Asset Management and an additional annual contribute of \$50,000 from the Operating Budget. It is important to note that \$50,000 from the Operating Budget is mandated to be transferred into the CERF account every year (By-law Book II-7). This amount is required given that the SSMU has substantial equipment and often, equipment that becomes obsolete, must be replenished. Furthermore, the initial investment of \$1.8 million dated July 10, 2007 has grown over the years to roughly \$2.3 million market value as of March 31, 2012. Refer to Appendix 1 for a table that displays the growth of the portfolio. It is important to note how this amount was rendered. In the past, the SSMU used to operate its own bookstore which, due to lack of management, the University acquired the management of all administrative matters relating to the bookstore. Once the University finally performed a buy-out of the SSMU's bookstore and paid off its mortgage, the University provided the SSMU with the \$1.8 million rather than a portion of the profit from the Bookstore on an annual basis. The CERF, in addition, also includes any fixed assets that are transferred at the end of the year. For the 2010 – 2011 year, the amount was \$206,359.99. For the Financial Plan, the CERF is the most relevant fund because this is the fund which will account for the Society's long-term financial plans.

Established in May 1990, the Awards of Distinction Fund (ADF) scholarship was created with an endowment contribution of \$100,000 from Coca-Cola Bottling. Since its initial creation, Marriott, Miraval and Tiki-Ming Enterprises Inc. have contributed to this fund. The fund is provided to students for their contributions to the McGill community; between two to four scholarships are awarded on an annual basis.

The Health & Dental Reserve Fund (HDRF) was created "to ensure that money students spend on health and dental insurance is going towards health and dental coverage" (By-law Book II, p. 21). The referendum on the student fees for this plan was passed in 2005 with "the among of money raised by the levy [being] much higher than the fee charged by our plan administrator, ASEQ" (By-law Book II, p. 21) and this has been renewed over the years and a fee increase of \$220 passed during the winter 2012 referendum.

Established in 2007, the QMUF, which falls under the purview of Queer McGill. Students are welcome to apply for the fund to aid with their studies. The fund is not based on academics but rather on the basis of need and is long-term funding for any given instance cannot exceed \$1,000 (SSMU By-law Book II, p. 19). For more questions about the fund, please contact the Queer McGill team at admin.qm@gmail.com.

The Student Life Fund (SLF) was a funded that was created in recent history to serve as a space for the year-end surpluses of the fee-funded and non-fee funded Services without having the surpluses roll into the CERF at the end of the year. Services that have their surpluses transferred into the SLF can have the totality or a portion of their surplus transferred into their department by submitting a request to the Vice-President Finance & Operations and the Comptroller.

Lastly, there is one fund not monitored by the SSMU directly. This is the Internally Restricted Endowment Fund (IREF) which is held by the University. Upon the request of the SSMU, this fund can be used to cover costs for building investments once approved by the Deputy Provost (Student Life & Learning). As per an agreement signed by the SSMU executive in 2002, McGill was given the right to manage these monies, approximately \$551,000. In July, the University should provide an annual update on the balance in the fund and portion available to be paid out each year. Request for funding from the IREF will be submitted to the Office of the DPSLL by October 15th. Confirmation of the University's decision will be communicated to SSMU by December 1st. The University can refuse projects based on the following:

- Renovations would fund improvement to revenue-generating space (i.e. Gerts);
- Renovations would substantially increase the operating costs of the university;
- Renovations would contravene safety and signage regulations or municipal ordinance;
- SSMU hasn't submitted sufficient information to assess the financial costs, regulatory compliance, or architectural soundness of a proposed project.

In conclusion, the above mentioned funds are all a part of the Society's overall finances. The Financial Plan provides a breakdown of the CERF account which, over the years, the SSMU has used for renovations, student projects, and long-term investments.

Projected Investments

Financial Breakdown

This section of the Financial Plan provides an overview of the projected investments that will be undertaken by the SSMU. The chart below provides a list of the projects and further explanations are also provided for each respective project. It is crucial to note that this document is being presented to the Legislative Council to provide an overview of future commitments; however, the Financial Plan is heavily contingent on the Lease with the University.

Projected Investments							
#	Item	Timeline	% Completion	Total Cost	IREF	Total SSMU Cost	Status
1	La Prep Base-building work	Fall 2011	100%	\$ 35,000.00	\$ -	\$ 35,000.00	Approved
2	Gerts Renovation Project	Summer 2012	30%	\$ 453,000.00	\$ -	\$ 453,000.00	Approved
3	Cafeteria Lighting Project	Fall 2012	10%	\$ 137,300.00	\$ 68,650.00	\$ 68,650.00	Approved
4	HVAC System	Pending Lease	0%	\$ -	\$ -	\$ -	TBD
5	Student-run cafe Renovation	Fall 2013	0%	\$ 200,000.00	\$ -	\$ 200,000.00	TBD
6	Cafeteria Seating Area	Summer 2013	0%	\$ 75,000.00	\$ -	\$ 75,000.00	TBD
7	Second Floor Structural Work	Summer 2013	0%	\$ 75,000.00	\$ -	\$ 75,000.00	TBD
8	SSMU Office Renovation	TBA	0%	\$ 150,000.00	\$ -	\$ 150,000.00	TBD
9	Card Reader Project	TBA	0%	\$ 125,000.00	\$ -	\$ 125,000.00	TBD
10	Fourth Floor Renovation	TBA	0%	\$ 150,000.00	\$ -	\$ 150,000.00	TBD
	Total Expenses			<u>\$1,400,300.00</u>	<u>\$ 68,650.00</u>	<u>\$1,331,650.00</u>	

The above chart provides the name of the project, the estimated timeline, the percentage of completion of the project, the cost, and status of approval by the Legislative Council. The cost is broken down by the total cost overall, any contribution from the IREF, and the total cost for the SSMU considering the IREF contribution. Below, you will find a more detailed explanation of the projects. However, the exact financial projection of each project is difficult to predict given the process of renovation projects. The estimates above are likely to change once the projects are assessed by professionals who will be undertaking renovations.

Project Explanations

La Prep Base-building work

This project was undertaken due to a ventilation issue in the La Prep area. As a sub-lessor, the SSMU had a commitment to take on some of the costs. The SSMU's cost was capped at \$35,000 as per an estimated provided by the University.

Gerts Renovation Project

This project, already approved by the Legislative Council 2010 – 2011, takes into consideration the construction of Gerts Bar. By completely redesigning the bar itself, the kitchen structure, and adding new seating, the bar will be a space that will be easy to use for student groups, large events, and a space for individual students. During the 2010 – 2011, the architectures commenced the design of the bar and continued much of the work during the 2011 – 2012 year. Thus far, the design of the bar has been selected and further details such as the floor plan, kitchen area, and seating area have been discussed

and finalized. The renovations will be taking place during the 2012 summer and the new bar will be launched in the 2012 fall semester.

Cafeteria Lighting Project

This is a project that the SSMU has tried to accomplish over the last few years. It was open three years ago under the Vice-President Clubs & Services 2009 – 2010 and is a project the SSMU hopes to complete by the end of the fall 2012 semester. By changing the lighting in the second floor cafeteria, the cafeteria will serve as a better study and lounge space through brighter lighting.

HVAC System

The HVAC system is contingent on the Lease with the University which aims to create a more sustainably efficient building. The SSMU expects to save costs in the long-run through a more efficient and sustainable HVAC system. In addition, the HVAC system has not been changed in recent memory and is in need of being prioritized to ensure that the utilities in the building are well maintained and monitored.

As of April 12, 2012, this is the SSMU's contribution and it is important to stress that the amount is subject to change given the ongoing negotiations with the University. In addition, the SSMU will be going to referendum in the fall 2012 semester to set a non-opt-outable student fee to subsidize the investment for the HVAC system.

Student-run Café Renovation

As per a motion passed at the winter 2012 General Assembly, the student-run café is a priority for the SSMU. The amount budgeted in the chart above takes into consideration an estimated amount for renovations regarding the student-run café space. The budgeted amount is based on the approved amount for Gerts; it is likely that the student-run café will be smaller in size and will require less structural work overall. This is mainly because the space would require the addition or revamp of a kitchen space, lighting, painting, and some furniture (i.e. chairs and tables). It is important to note that the estimated projection is not meant to cover the operating expenses (e.g. food for sale, materials, printing, and so forth) of the student-run café. Rather, this amount is set aside specifically for renovations.

Cafeteria Seating Area

This commitment is a project that the SSMU will undertake in conjunction with the tenants on the second floor. The project is aimed at revamping the tables, chairs, and electrical outlets on the second floor of the SSMU's cafeteria. Given that many students sit in this area either to study or to eat, the change in the seating area will make the cafeteria more student-friendly. This project will be further developed in a year or two from now and will be a project undertaken by future Executive members.

Second Floor Structural Work

This amount is an estimate for the structural work that will be completed for the second floor space (i.e. space where the tenants are located). The type of structural work that will be undertaken on the

SSMU'S end is yet to be specified because this will only be clearer once negotiations are completed with the tenants.

Fourth Floor Renovation

Considering the significant use of the fourth floor by the SSMU's clubs and services, the renovation plans will increase meeting spaces and revamp the current floor plan. Specifically, meeting spaces will enable student groups to easily hold meetings, workshops, and other small-scaled events given the lack of space on campus to currently do so. The redesign of the fourth floor is aimed to generate more space on campus and to attract students to study or hold meetings in the currently underused space.

This is a project that will be worked on by future Vice-President Clubs & Services upon consultation with student groups in the Shatner building.

SSMU Office Renovation

The current structure of the SSMU office does not fully attribute to a student-friendly office environment and is not fully engaging for the Staff. Thus, it is important to renovate the office structure to better engage students, Staff, and Executives. By renovating the Front Desk area, for example, the service provided to students can be enhanced. In addition, the renovated space will involve changes in office allocation to better facilitate the work environment for the Staff and Student-Staff, especially since the Staff and Student-Staff has increased in recent years.

Card Reader Project

This project will ensure the current removal of keys and pass codes that will be replaced by a more accessible card reader system for door access in the Shatner building. By implementing such a system, the work of the Porters will be better facilitated, especially given the number of keys that are already currently being used.

Overall Vision

The above projects are meant to enhance student space in the Shatner Building. From the above projects, the first three (La Prep Base-building work, Gerts Renovation project, and the Cafeteria Lighting project) have already been approved. The other seven listed projects are future commitments which need to be prioritized accordingly. The HVAC system is high in priority because it is contingent on the Lease with the University and will greatly impact the SSMU financially. The student-run cafe is also a high priority given a mandate passed at the 2012 winter General Assembly. Thereafter, the cafeteria seating area and the second floor structural work are significant projects given the change in tenants on the second floor. Lastly, the three remaining projects should be prioritized in the following order: SSMU Office renovation, Card Reader project, and Fourth Floor project. The SSMU Office renovation is needed to make for a more robust work environment and to facilitate the services provided to students.

Financial Projection

Considering the above financial initiatives, the following financial projections have been prepared. This provides a snapshot of the CERF (including the Scotiabank Account and investment portfolio) minus projected investments (i.e. project expenses) to provide a total remaining amount.

	03/28/2012
Scotiabank Account	\$ 820,900.57
Investment Portfolio	\$ 2,428,813.00
Total (excluding projected investments)	\$ 3,249,713.57
Less: Projected Investments	\$ 1,331,650.00
Total	\$ 1,918,063.57

Appendix 1: Portfolio Value

The following table provides the value of the Society's investment portfolio over the years. It is evident that the investment portfolio initially was \$1.8M and is at roughly \$2.4M as of March 28, 2012.

Portfolio Value	
Day/Month/Year	Amount
07/10/2007	\$ 1,800,000.00
31/05/2008	\$ 1,777,200.64
31/05/2009	\$ 1,671,709.81
31/05/2010	\$ 1,993,725.89
31/05/2011	\$ 2,371,410.43
28/03/2012	\$ 2,428,813.00

Glossary of Terms

Asset: Anything that is tangible or intangible that is owned or of value to the SSMU.

Capital Expenditure Reserve Fund: Fund created by the SSMU for long-term capital expenditures.

Expenses: These are charges incurred that are either accrued or paid for the operations of the SSMU, rent of the building, and so forth.

Fiscal Year: Twelve month period to calculate financial statements. For 2011 – 2012, the fiscal year is from June 1, 2011 to May 31, 2012.

Fixed Assets: Often tangible assets; these are non-current assets or property, plant, and equipment (PPE).

Deficit: This is a shortfall in revenues; the amount of expenses exceeds the revenues generated.

Generally Accepted Accounting Principles: This is a standard framework of the guidelines and conventions for financial accounting.

Revenues: These are the monies coming into an organization; for the SSMU, this includes the SSMU fees, sponsorship raise, and so forth

Surplus: The amount of revenues exceeds the expenses incurred.