

SSU

sheridan student union

Financial Condition Update
As of October 31, 2019

Presented By:	Jamie King, General Manager
Assisted By:	Hanh Ngo, Senior Finance Manager
Date Presented:	January 8, 2020

Method of Analysis:

This financial update for the period ending October 31, 2019 reports on the same scope and consolidated accounts as presented in the board approved budget for the 2019-2020 fiscal year. These approved budget lines are often made up of several operational units grouped into common areas, representing management's priorities and how the SSUI allocates funds to achieve the board established Ends policies.

The SSUI management further compares the annual budget lines to demonstrate the operational costs for each month and compares any trends or developments based on per month, year to date, prior year and the annual allocation for each account. Performing consistent analysis of transactions in this way allows management to proactively identify any issues to address, while maintaining strong accountability for how student money is used. A copy of the approved annual budget can be found in the 2019-2020 Board of Directors OneDrive, or on request to the General Manager.

Compliance with Board Policies:

The Governance Policies of the Sheridan Student Union Inc. Board of Directors requires reporting on the accuracy of financial statements and demonstrating management's compliance within board established limits. Compliance is based on an analysis of the reasonableness of management's interpretation of the policies and the evidence presented.

Interpretations and Evidence:

With respect to the actual, ongoing financial conditions and activities, the President shall not cause or allow the development of fiscal jeopardy or a material deviation of actual expenditures from board priorities established in Ends policies.

This policy is composed of two main restrictions; that the president will not allow the corporation to be at risk of falling into fiscal jeopardy and that funds are appropriately spent on board established priorities. In the first restriction, we view fiscal jeopardy as being incapable of sustaining normal operations for a period of 6 months in the event any circumstance arises where access to new funds is restricted. In addition, management cannot allow major, and sometimes necessary, purchases from impacting the annual operating budget in any way detrimental to the normal functions of the SSUI.

To comply with the second part of the above, we have interpreted “not cause or allow... material deviation of actual expenditures from board priorities established in Ends policies” to mean all expenditures should fall in line with the proper intention of budget lines. In addition, any unforeseen expenditure requests that management believes to have merit and that do not reasonably accomplish board Ends policies should be brought before the board for consideration.

Compliance will be demonstrated when:

- a) Actual or projected fiscal year end will show at least six months expenses in liquid or near-liquid assets
- b) Long-term reserves are established and properly documented for the purposes of large purchases likely to occur in the future.
- c) Budget lines have clear designation and dual authorization for all expenditures.

If board installs a discretionary budget ratio:

- d) Allocation of resources to Ends is within the amounts specified by the board, or for areas not specified, is sufficient that Ends are being achieved

Evidence:

- a) As of period ending October 31, 2019 our balance sheet shows cash reserves and liquid assets totalling approximately \$25.6 million. This amount is made up of several accounts including operating cash, various reserve funds (Pre-SCI), restricted funds (building, capital and health and dental plan), and various essential and non-essential funds (Post-SCI). Most of the cash reserves is sitting in the Building Fund, about \$10 million (or 40% of total cash) and Health and Dental Plan Fund, about \$5 million (or 20% of total cash) to pay the related expenses such as the HMC2A building construction costs and health and dental plan premium invoices later this fiscal year.
Our final 2018/2019 audited financial statements showed annual expenses (including depreciation expense) of \$9.52 million (2017/2018 was \$9.85 million). Therefore, we have sufficient liquid reserves to operate past 6 months of normal costs.

b) A number of reserves have been established for the purposes of special purchases. Reserves are set up for:

- I. Capital fund – support the furnishing of student centre spaces and provide equipment and capital needs related to student centres at all three campuses.
- II. Building fund – bricks and mortar, HMC2A mortgage, future building upgrade and renovations in the student centers;
- III. Student Health and Dental Plan – payment of student health and dental plan premium;
- IV. Various Pre-SCI Reserve Funds per below created to report the surplus as of August 31, 2019 or Pre-SCI (Student Choice Initiative) transferred from the previous general student fees, capital fund, building fund or health & dental fund:
 - Consolidate General Reserve Fund (Pre-SCI) – Pre-SCI surplus from previous general student fees.
 - Capital Reserve Fund (Pre-SCI)
 - Building Reserve Fund (Pre-SCI)
 - Health & Dental Reserve Fund (Pre-SCI)
- V. General Operating Fund – include funds transferred from SSU restricted or any other funds to recover payments of invoices originally processed through SSU operating fund (Scotiabank) on behalf of the specific funds.
- VI. Various Essential Ancillary Funds created post SCI (effective September 1, 2019) as follows:
 - Health and Counselling Fund – include promotional materials, events, partnerships, the Empower Me Program (online and telephonic multi-lingual mental health support), and staff support related to supporting accessing basic medical care, mental health or counselling services available through the student health plan.
 - Academic Support Fund - allow SSU the ability to provide academic supports including the intranet portal development (Access Sheridan replacement) costs SSU is committed to.
 - Campus Safety Fund - enable SSU the ability to provide the SafeWalk service, giving students a walk anywhere on campus in the event they are studying late, leaving a night class, or heading home from a pub night. This includes SafeWalk staffing, training, service provision, and promotion.
 - Building Operating Fund – support Repairs and maintenance, utilities, cleaning, insurance, operational staffing, and security costs in student centres at three Sheridan campuses.
- VII. Various Non-Essential Ancillary Funds created post SCI (effective September 1, 2019) as follows:
 - Student Life Fund - support the coordination and operation of Sheridan Student Union’s programming and initiatives on all three Sheridan College campuses, including events, Board elections, and student leaders who develop and execute events and initiatives. Provides access to SSU’s equipment loan and binding

- services, a discount on all non-alcohol purchases at Sheridan Student Union food venues, pre-sales for SSU concerts, free admission to pub nights as well as advocacy and support for student academic appeals and concerns.
- Clubs Fund - support infrastructure that provides funding opportunities, staffing and promotional supports, and oversight and regulation for clubs that currently operate on campus.
 - Food Bank Fund – support students through access to food and essentials when needed (SSU Food First program).
- VIII. Student Life HST Collected – This is the HST collected on the Student Life Fee. SSU remits this HST collected when it files the HST return on a quarterly basis.
- IX. Sheridan Life Radio Fund – support Sheridan Life Radio, a Sheridan College’s campus radio community run for students, by students. This fund is held by Sheridan College and it is not SSU fund.
- X. Student Refugee Program Fund – support the Student Refugee Program, which is run by a Canadian international development non-profit organization called World University Service of Canada (WUSC). This program that offers refugee youth both post-secondary and resettlement opportunities, giving them the opportunity to build a better future in Canada through higher education and permanent residency status. This fund is held by Sheridan College and it is not SSU fund.

All of the above reserves are properly documented and are held with the College to mitigate any chance of impropriety.

- c) Expenditures in the operating budget go through multiple levels of coding and approval. All invoices paid are sent to AP clerk who appropriately codes or check the account code assigned by the manager responsible, according to their historical understanding of the chart of accounts. Cheques are then produced and approved by proper authorities for dual sign off.

Further, without limiting the scope of the above, the President will not:

- 1) Expend more funds from the SSUI Operating Fund than are collected from students and that are budgeted to be expended in that fiscal year.***

Interpretation:

That annual SSUI expenses do not exceed the amount of annual revenues generated from student fees (general activity fees) and other commercial activities.

Compliance will be demonstrated when revenues equal, or are greater, than expenses at the end of the fiscal year.

Evidence:

Per the analysis below based on the two months performance since the Student Choice Initiative, we anticipate the overall Operating Fund Surplus (Post SCI, 8 months from September 2019 to April 2020) to be about \$550,000, almost double the original budgeted surplus of \$277,000. This is consisted of \$560,000 forecasted surplus (vs. budgeted surplus of \$440,000) from the Essential fees and about \$13,000 forecasted deficit (vs. budgeted deficit of \$163,000) from the Non-Essential fees. This year in general student enrolment is estimated to grow about 3% compared to last year. We anticipate both Essential fees and Non-Essential fees to perform better than Plan by 28% and 92%, respectively.

The Non-Essential Fees budget below is based on 60% opt-out rate. We will continue to monitor the opt-out rate closely as well as spending vs. budget in order to achieve a healthy surplus at year-end as anticipated. This year in general student enrolment is estimated to grow about 3% compared to last year.

**Sheridan Student Union Inc.
Operating Fund Performance Summary
As of October 31, 2019 (Post SCI)**

	Year-To-Date (Post SCI) September 1 to October 31, 2019			Forecast 8 Months Performance (Post SCI) September 1, 2019 to April 30, 2020			
	Actual	Budget	Variance - Surplus/(Shortage)	Forecasted Actual	Budget	Variance \$	Variance %
Revenue	\$2,670,630	\$2,159,778	\$510,852	\$5,130,709	\$4,960,425	\$170,284	3%
Expenses	-\$863,385	-\$1,165,121	\$301,736	-\$4,582,362	-\$4,682,941	\$100,579	-2%
Excess of Revenue Over Expenses (note 1)	\$1,807,245	\$994,657	\$812,588	\$548,347	\$277,484	\$270,863	98%
			<i>Estimated max. surplus</i>				<i>Conservative estimated surplus</i>

Note 1- Breakdown of "Excess of Revenue Over Expenses" between Essential and Non-Essential Fees:

	Actual	Budget	Variance - Surplus/(Shortage)	Forecasted Surplus/(Shortfall)	Budget	Variance \$	Variance %
Essential Fees	\$1,232,071	\$868,475	\$363,596	\$561,172	\$439,973	\$121,199	28%
Non-Essential Fees	\$575,174	\$126,182	\$448,992	-\$12,825	-\$162,489	\$149,664	-92%
Excess of Revenue Over Expenses	\$1,807,245	\$994,657	\$812,588	\$548,346	\$277,484	\$270,863	98%
				Forecasted Overall Surplus		\$548,346	

2) Use any long-term reserves as per Appendix A of this Executive Limitations Policy.

Interpretation:

That neither the President nor the Treasurer of the corporation can use long term reserves contrary to the stipulations as described in Appendix A of this policy.

Evidence:

A review of account activity to October 31, 2019 has confirmed the following requests for support from the long-term reserve funds greater than \$25,000 was presented to the Board by the President, and was found by the Board to be a consistent use with the intention of the long term reserve, namely, approval for:

<u>Board Approved Spending</u>	<u>Per Meeting Minute</u>	<u>Amount Approved (incl. HST)</u>	<u>Actual Spent (incl. HST)</u>	<u>Variance (Under) /Over Budget</u>	<u>Payment Status</u>
Access to SSUI General Reserve					
1) Fund					
		\$0	\$0	\$0	
2) Access to Health & Dental Reserve					
a. EmpowerMe support program from Sep. 2018 to Aug. 2019	231	\$100,000	\$81,090	-\$18,910	Completed
		\$100,000	\$81,090	-\$18,910	
3) Access to Capital Fund					
a. Sheridan College Portal Project	172	\$150,000	\$50,000	-\$100,000	In-Progress
b. Trafalgar Reception Area	252	\$26,555	\$3,390	-\$23,165	In-Progress - Waiting for College to bill us.
		\$150,000	\$50,000	-\$100,000	
4) Access to Building Fund					
a. Davis campus student centre roof replacement	249	\$193,670	\$174,304	-\$19,366	In-Progress - Waiting for College to bill us the remaining 10% holdback amount.
b. Marquee Doors & Entrance Upgrade	252	\$31,640	\$19,331	-\$12,309	Completed
c. The Den Patio Renovation	252	\$56,500	\$0	-\$56,500	Hold-off to this project.
d. The Den Lighting & Paint	252	\$39,550	\$35,719	-\$3,831	Completed
e. Trafalgar Booster Juice	252	\$237,300	\$185,810	-\$51,490	Completed
		\$558,660	\$415,163	-\$143,496	

5) Access to Shuttle Bus Fund					
a. Shuttle bus from Sep. 2018 to Aug. 2019	212	\$13/term	\$333,794	\$0	Completed
6) HMC2A Project - Access to Building Fund Summary (Board approved total of \$18M)	214	\$18,000,000	\$4,054,353	-\$13,945,647	
Details - Spent so far:					
a. HMC2A Audio & Visual Systems - Maclean Media	198		\$84,750		In-Progress
b. HMC2A Foodservice Planning & Design - Kaizen	192		\$62,286		In-Progress
c. HMC2A Construction Costs (Due to Sheridan College as of 4/30/2019 incl. holdback amount)			\$3,907,318		In-Progress – Paid \$3.6M to college in Dec. 2019. Waiting for College to bill the remaining.
			<hr/>		
			\$4,054,353		

3) Conduct interfund shifting in amounts greater than can be restored to a condition of discrete fund balances by the end of the fiscal year.

Interpretation:

That the President cannot use the funds from any account they have authority over outside of the purpose for that account, unless the balance can be restored by the end of the fiscal year.

Compliance will be demonstrated when the net of all transactions is equal to the balance of withdrawals from each account at the end of the fiscal year.

Evidence:

A review of account activity has confirmed there has been no such activity, aside from transfers related to board approved projects from specified accounts into the operating fund. If the project is under-budget, a transfer for the balance is then put back into the original account before fiscal year end.

4) Allow payroll and debts to be handled in an untimely manner.

Interpretation:

That all employees are paid according to the SSUI's payroll policy and as outlined in their employment agreement. In addition, that all debts are paid according to the agreed terms of the vendor and the SSUI, unless the invoice is under dispute by the SSUI.

Compliance will be demonstrated when:

- a) Payroll records reflect all employees are paid bi-weekly or by the arrangement agreed to in their employment contract.
- b) Records demonstrate timely payment of invoices to vendors, unless under dispute.

Evidence:

- a) Payroll records reflect that employees are paid on a bi-weekly basis.
- b) A review of payment files shows most invoices have been paid on time and are up-to-date. The instances where we incurred late payments are related to the timing of in-office mail routed through Sheridan College and arriving in the SSUI offices late.

5) Allow tax payments or other government-ordered payments or filings to be overdue or inaccurately filed.

Interpretation:

All corporate obligations to the government are handled in a timely manner and all tax payments are distributed within a reasonable amount of time.

Compliance will be demonstrated when:

- a) No major penalties have been assessed for late payments.
- b) The external auditor reports that no falsified information is uncovered by a random sampling of filings.

Evidence:

- a) We have not been assessed any significant penalties for late payments/filings.
- b) According to the report of our last external audit, all records and filings are accurate.

- 6) ***Make a single purchase or commitment of greater than \$25,000.00. Splitting orders to avoid this limit is not acceptable.***

Interpretation:

I interpret this statement to apply to the SSUI reserve funds and operating fund. According to Appendix A, this policy appears to only apply to the Capital Fund and any monies not budgeted in the board approved annual operating budget. All other reserves require prior board approval for access.

Compliance will be demonstrated when a review of transactions occurring in these accounts are equal to, or less than \$25,000, or have received board approval.

Evidence:

A review of our accounting book to October 31, 2019 demonstrates various single purchases of instances up to \$25,000 from the capital fund where management has interpreted the policy to allow either the SSUI President or Treasurer can authorize the expenditures.

<u>GM/President Approved Spending from Capital Fund < \$25,000</u>	<u>Amount Approved (incl. HST)</u>	<u>Actual Spent (incl. HST)</u>	<u>Variance (Under) /Over Budget</u>	<u>Job/Payment Status</u>
1) Access to Capital Fund				
a. Staff Computers	\$4,704	\$4,704	\$0	Completed
b. OneCard Readers, Ipads/Tablets for Services and SCI's need to confirm membership status	\$8,817	\$8,817	\$0	Completed
c. Accounting software upgrade to meet SCI's reporting requirements	\$20,000	\$17,005	-\$2,995	In-progress
	\$33,521	\$30,527	-\$2,995	

7) ***Acquire, encumber, or dispose of real estate***

Interpretation:

The President will not purchase real estate or saddle the corporation with debt due to the purchase of real estate. Further, if the board ever does approve the purchase of real estate, the president will not be permitted to dispose of it without receiving the approval of the board and members.

Evidence:

Currently, the SSUI does not own any real estate, nor does it have any plans to acquire in the future.