

Presented to CSU Council for the 2017-2018 Year by Soulay El Alaoui, current CSU Finance Coordinator.

Before reading, please keep in mind that my goal with this document is to explain some key points and terms in order to facilitate the understanding of the audit document for the 2016-2017 Fiscal Year. Ideally this document will be published publicly with the corresponding audit in order for our stakeholders (the CSU members, including our 35,000+ population of undergraduate students, Concordia University, Banks and Institutions, Government, and Suppliers) as well as anyone curious about the legitimacy of the CSU's financial standing to be able to follow that document in an easier, clearer manner. Moving forward, I believe a document similar to this should be produced and published publicly from now on. Not only will it help with our transparency as an organization, but it will also help clarify and debunk some myths surrounding the spending habits of the CSU.

Below is a bullet-point explanation of the CSU's Audit for the 2016-2017 Fiscal Year. This document is an attempt to simplify and explain certain key points from the audit, as well as explain certain terms. The CSU was audited by Deloitte, one of the "Big Four" accounting firms (one of the 4 largest professional services firms that offer a diverse range of services, including audit services). Deloitte was chosen through an RFP process. The firm has previous Student Union audit experience, experience with fund accounting (the CSU's accounting method), knowledge on the CSU's revenue model, and relevant experience with organizations of similar size and complexity as the CSU.

This document is in 3 parts:

1. General notes to keep in mind before going through the audit
2. A breakdown of each section of the audit including relevant definitions and takeaways
3. The CSU's verification that our numbers are indeed in accordance with the auditors

#### Part 1: General Notes

- Why the CSU gets an audit
  - o An audit is an independent review of financials of an organization in order to report the financial standing of the organization and to attest that the organization is presenting their financials in a fair way. Audits are used by organizations to reassure their stakeholders that their financials are free from material misstatements and have been used as a safeguard measure for a long time (not only when dealing with financials, but also in regards to performance, quality, IT, and more).

- The CSU's stakeholders are all of the members of the CSU (including the 35,000+ undergrads it represents), Concordia University, Banks and Institutions, Government, and Suppliers.
- It is important for the CSU to get an independent review of its financials (Audit) so that it stays transparent and accountable to its stakeholders when it comes to the management of its multimillion dollar budget.
- The auditor (in this case, Deloitte) gets appointed by CSU Council every 3 years following an RFP process. This will be the case for next year's auditors.
- Non-consolidated statements
  - This means that the CSU's audit was independent of its subsidiaries ("CSU Daycare and Nursery", as well as the now defunct "Cusacorp Management Ltd").
  - The subsidiaries were not audited, however you will see (as per note 4 in the financial statements) that their numbers are included.
- Qualified Opinion versus Unqualified Opinion
  - Though it may seem counterintuitive, an Unqualified Opinion is more favorable for an organization than a Qualified Opinion. Let's define both:
    - Unqualified Opinion
      - Also known as a Clean Opinion, this states that the organizations financial statements are presumed to be free from material misstatements (i.e. "everything looks legitimate, no cause for concern")
    - Qualified Opinion
      - Auditors who give a Qualified Opinion are essentially saying that the information provided to them was limited in its scope (i.e. they did not have enough information to be able to give a Clean Opinion).
- Basis for a Qualified Opinion
  - The CSU has gotten a Qualified Opinion, and the reason for this is due to the now defunct Cusacorp. Unfortunately, the financial statements of Cusacorp were not audited, and because it is a subsidiary of the CSU (even though it is now defunct), the CSU was not able to get a Qualified Opinion. Importance of approval includes a declaration of Federal and Provincial Taxes maximum of 6 months after the year end closure.
    - **Note: As per the auditor's statement on p. 2, and as per the meeting we had with our auditors, the Cusacorp issue is the only reason the CSU did not get an Unqualified (Clean) Opinion.**
    - Note: As explained below in the section about the balance sheet, this should not be an issue for the audit of the 2017-2018 Fiscal Year.
- Not-for-profit status
  - The CSU is a registered Not-for-profit corporation, meaning that it is tax-exempt on certain fronts. However, unreasonable profits could create an issue. Fortunately, this is not our case currently.
  - The surplus related to SSAELC of over \$1 million is acceptable in this case because it is dedicated to student space improvement.

- Restricted Fund Accounting
  - The CSU uses the restricted fund accounting method. This essentially means that the CSU does not spend money designated for one purpose for a different purpose (e.g. revenues and expenses relating to SSAELC will go to and from the SSAELC fund, without impacting revenues and expenses relating to general operations).
- SSAELC and long term investments
  - SSAELC stands for Student Space, Accessible Education, and Legal Contingency. The SSAELC fund is restricted to revenues and expenses of that nature, as per the CSU's restricted fund accounting method.
  - The student center fund was merged with the SSAELC fund in November 2016 via a Council decision, and the combined fund retained the name SSAELC.
  - Close to 80% of the CSU's long term investments have now been placed in Sustainable/Socially Responsible Investment portfolios (SRI's).
- Notation
  - Financial statements are usually presented separately by year end (with the exception of the balance sheet which compares both years). For financial statements that show the year 2017, it is important to keep in mind that this means these are the financial statements for the 2016-2017 Fiscal Year (the 2016-2017 Fiscal Year starts June 1, 2016 and ends May 31, 2017).
  - Most accounting documents (including the CSU's audit document) present negative numbers in brackets. For example, when looking at the non-consolidated statement of changes in net assets for the 2016-2017 Fiscal Year, we see that there is a (deficiency) of revenue over expenses in investments in capital assets of (\$281,081). This is the net amount.
    - Note: Numbers in brackets apply to net amounts. When looking at expenses, for example, since these are not the bottom line, they appear positive (no brackets), but the bottom line (net amount) will be in brackets if the total expenses are greater than the total revenues for a category.

## Part 2: Audit Breakdown

The audit document is split into 6 parts:

- 1) Independent auditor's report (p. 1-2 in physical report, p. 3-4 in pdf file)
  - a. This section is a message from Deloitte explaining the responsibilities of the Management (CSU) as well as the responsibilities of the Auditor (Deloitte) and reasoning for the type of audit performed (unqualified opinion versus qualified opinion).
- 2) Non-consolidated statement of operations (p. 3-4 in physical report, p. 5-6 in pdf file)
  - a. A statement of operations shows the organization's revenues and expenses (also known as a Profit/Loss statement).
  - b. Page 3 shows the statement for the 2016-2017 year (overall profit)
  - c. Page 4 shows the statement for the 2015-2016 year (overall loss)

- d. Note: Loss of disposal of investment in the subsidiary
    - i. This refers to the halting of operations for Cusacorp.
  - e. Note: Excess of revenues over expenses
    - i. This refers to the bottom line (Revenue minus Expenses = Profit or Loss). For the 2016-2017 Fiscal Year, the CSU has a profit of over \$1 million.
      - 1. Please note that about most of this profit is from the SSAELC fund.
- 3) Non-consolidated statement of changes in net assets (p. 5-6 in physical report, p. 7-8 in pdf file)
- a. This statement shows the dollar value of assets acquired (or lost) from the beginning of the fiscal year to the end of that same fiscal year
  - b. Page 5 shows the statement for the 2016-2017 Fiscal Year
  - c. Page 6 shows the statement for the 2015-2016 Fiscal Year
  - d. Note: The total assets increase (or decrease) by the total profit (or loss) identified for the same fiscal year in the statement of operations.
- 4) Non-consolidated balance sheet (p. 7 in physical report, p. 9 in pdf file)
- a. A balance sheet shows the balance of assets, liabilities, and capital of an organization. It is an essential accounting tool to ensure that all statements are correct.
  - b. To ensure that all statements are correct, we can see that the Assets are equal to the sum of the Liabilities and the Net assets.
  - c. The 2016-2017 fiscal year is on the left.
  - d. Note: in the Assets section, there is a line stating "Investment in the subsidiaries"
    - i. This line is to account for the halting of operations of the now defunct Cusacorp.
    - ii. For the 2016-2017 fiscal year, that line is at 0 (-), which is something that will help the CSU in getting an Unqualified Opinion for its audit for the 2017-2018 Fiscal Year.
  - e. **Note: The Board (Council) must approve of this statement (as well as the entire audit) in order for the CSU to publish it and make it publicly available so that its stakeholders (the members, including the 35,000+ undergraduate students, Concordia University, Banks and Institutions, Government, and Suppliers) can attest to the transparency of the organization.**
- 5) Non-consolidated statement of cash flows (p. 8 in physical report, p. 10 in pdf file)
- a. A cash flow statement breaks down the operating, investing, and financing activities of an organization, and is important in identifying cash coming in and out of that organization.
  - b. Note: Since the CSU does not have any investors, and since it has no activities impacting its long-term liabilities, there is no reporting of financing activities in its cash flow statement for both the 2015-2016 and the 2016-2017 Fiscal Years.
- 6) Notes to the non-consolidated financial statements (p. 9-14 in physical report, p. 11-16 in pdf file)
- a. Throughout the different financial statements, you will find notes next to the amounts presented. These notes provide more detail for various points, including more definitions of practices/processes, and breakdowns for specific amounts.
  - b. As mentioned throughout the audit document, these notes are an integral part in the financial statements provided.

Part 3: CSU Reconciliation

This part of the document is to show that the CSU’s budgeted vs actual numbers make sense with the audit when it comes to our operations.

<b>CSU FINAL AUDIT RECONCILIATION</b>					Oct-17
<b>2016-2017</b>					
	<b>AUDIT</b>	<b>CSU</b>		<b>CSU</b>	
	<b>Final 2016-2017</b>	<b>Actual 2016-2017</b>	<b>Variance</b>	<b>BUDGET 2016-2017</b>	
Profit CSU	\$ 5,876.00				
Amortization	\$ 281,080.00				
Health and Dental	\$ (124,472.00)				
Operating		\$ 71,270.00	\$ 50,630.00	\$ 20,640.00	
HOJO		\$ 18,740.00	\$ 30,731.00	\$ (11,991.00)	
Advocacy		\$ 27,497.00	\$ 42,198.00	\$ (14,701.00)	
LIC		\$ 17,617.00	\$ 17,617.00	\$ -	
CLUBS		\$ (6,206.00)	\$ (78,594.00)	\$ 72,388.00	
Non resident provision Tax reversal		\$ 33,568.00	\$ 33,568.00		
<b>Operating Profit</b>	<b>\$ 162,484.00</b>	<b>\$ 162,486.00</b>	<b>\$ 96,150.00</b>	<b>\$ 66,336.00</b>	

Notes:

1. Columns
  - a. Audit Final 2016-2017: shows numbers found in the audit statement for the 2016-2017 Fiscal Year that do not appear on the operating budget, but are necessary to reconcile the operating numbers.
  - b. CSU actual 2016-2017: These are the actual expenses incurred over the 2016-2017 Fiscal Year.
  - c. CSU Budget 2016-2017: These are the budgeted amounts for the 2016-2017 Fiscal Year.
  - d. Variance: This is the difference between the actual amounts and the budgeted amounts. It is calculated by taking the actual amount and subtracting the budgeted amount from it.
2. Non Resident Provision Tax Reversal
  - a. The auditors assessed that this provisional tax payment is no longer required, therefore it comes back into the operating fund.
3. Operating Profit
  - a. Audit: The operating profit is calculated by taking the CSU Profit (General Fund, \$5,876), adding back the amortization of \$281,080 which does not appear in the operating budget, and subtracting the surplus from the health and dental plan of \$124,472 (this is shown as the “health and dental reserve fund” (see Note 6 in the audit report)).

- i. Amortization is the accountable difference attributed to wear and tear on an asset. For example, if you bought a car 3 years ago at \$5,000 and sold it today at \$3,000 then the difference of \$2,000 is the amortization/depreciation of the car. This amount of money needs to be accounted for.
- ii. Health and Dental Reserve Fund: This fund, held by the CSU, is reserved for the health and dental plan and has 2 functions:
  - 1. To protect in case of unforeseen expenses and insurance overruns;
  - 2. To prepare a reserve for a fund accounting system should we move to a self-insured plan.

If the reserve is not used, it can potentially reduce future rates and/or improve coverage. It is also possible to use parts of the reserve for projects, however this needs to be evaluated at the beginning of the year.

- b. CSU actual 2016-2017 vs CSU budget 2016-2017: The CSU has made a much larger actual surplus for the 2016-2017 Fiscal Year than it budgeted for (total variance of \$96,150). It is important to keep in mind that a operating budget is merely a projection of how much an organization plans on spending and receiving for its total operations (in the CSU's case, total operations are the sum of admin operations, service operations (HOJO, LIC, Advocacy), and clubs operations). Per category, a positive bottom line indicates a surplus, and a negative bottom line (in brackets) indicates a deficit.
- c. Most importantly, the fact that the Operating profit calculated from the CSU's audit is the same as the Operating profit calculated from the CSU's actual numbers further attests to the accuracy of our reporting methods and quality of our accounting practices.

I truly hope that this document has helped facilitate the contextualization and understanding of the CSU's audited financials document provided by Deloitte.

For any questions, comments, or concerns, please send me an email at [finance@csu.qc.ca](mailto:finance@csu.qc.ca)

Soulay El Alaoui, CSU Finance Coordinator for the 2017-2018 Fiscal Year