

Q2-2018 Narrative

The following document provides information on the overall financial health of the corporation as at November 30, 2017. The narrative, in conjunction with the Executive Summary and Balance Sheet, will provide a clear and accurate information of the USC's financial position at the end of the second quarter.

Q2-2018 Executive Summary

Balance Sheet

Cash Position: Our cash position is approximately \$875,000 higher than a year ago at this time. This was to be expected taking into account that our 1st quarter cash position was \$1,000,000 higher than August 31, 2016.

Investments: There is a small gain on investments in the 2nd quarter and TD has commenced the transfer of funds into our money market account - \$100K has been transferred as of November 30th. Alex Lau, our TD Wealth Investment Advisor, has provided information on the breakdown of fees charged; there is both a NEI MER and a TD fee. There will be a reduction in the TD fee in 2018. I have included a copy of Alex Lau's email showing both the current fee breakdown as well as the 2018 fee.

Accounts Receivable: A review of the A/R Trial Balance is performed monthly to ensure delinquency does not become a problem. The majority of our clients are Western University departments which mitigates the risk of non-payment. A comparison to last year at November 30th indicates that our receivables are approximately \$15,000 lower.

Accounts Payable: Payables have been reviewed and there is no concern – 40% of the payables represent payment owed to Western University, with the majority of the remainder being Wave/Spoke supplier invoices.

In summary, all Balance Sheet accounts are reconciled monthly to ensure accuracy and correct allocation.

Income Statement

Overall, the operating profit for the 2nd quarter exceeds both the year-to-date budget projection as well as year-to-date prior year.

Student Fees/Transfers Out

Student Fees – are approximately \$4.2M higher than budget. We are in receipt of \$18,250,000 from Western year-to-date, which represents 90% of the fees owing based on the annual budget.

The variance between what is reported on the financials and the amount received from Western this fiscal represents the amount transferred from Deferred Revenue (June-August 2017 Bus Pass and Health/Dental Plan fees collected in F2017 but payable in F2018).

Transfers Out – There are no concerns; although there is a budget to actual variance, this is a result of timing from an accounting perspective. This will correct itself by the third quarter and overall this area is tracking as to be expected at this point in the year.

Corporate

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Corporate

Miscellaneous General Revenue - This category consists of interest earned on our Treasury and Operating bank accounts as well as the Radio Western fee payable to the USC for administrative support. The administrative fee charged to clubs also resides in this account. As well, any other miscellaneous revenue received by the USC resides here. An actual to budget comparison does not provide an accurate reflection of performance as it is extremely difficult to accurately estimate when these revenues will be received. A comparison last year indicates the current amount is in line with prior year-to-date.

Corporate Office/Admin Expenses – This area encompasses salary/benefits, insurance, audit fees, legal fees, telephones, office supplies, copying/printing, postage, etc. Salary/benefit expenses are currently at 90% of the year-to-date budget; this is a result of a number of corporate positions not currently being filled. Office/Admin expenses are approximately 3% over budget but this is not a material difference and is monitored monthly. General Building Expenses which used to reside within the corporate suite of accounts have been transferred to the Events and Building Services department. The Day Care transactions are now included in Transfers Out to accurately reflect the nature of the expenses.

Volunteer/Government Services – Both these areas are under budget with the assumption that this will continue into the third and fourth quarter.

Promotional & Commercial Partnerships– This area includes the administrative expenses for the portfolio as well as admin expenses for the health/dental plan and bus pass. It is currently performing to budget expectations.

PVP (Executive) – All spending to date is tracking in line with set budgets. There were no area of concern noted (this includes Orientation).

Media

Ad Office – At the end of Q2 the Ad Office has a deficit that is \$13,000 higher budget. This is a result of diminishing advertising revenue (which appears to be an industry trend) and higher than budgeted expenses in some areas.

Editorial - At the end of Q2 the editorial side of Media is operating with a deficit that is approximately \$32,000 lower than budget expectations. Honoraria and staff benefits represent almost 50% of the variance.

Overall, Media is currently tracking better than budget and there are no concerns at this time.

Rentals – YTD Actual revenue is 90% of the YTD Budget. The F2018 occupancy budget included a new tenant for the full year, however the occupant that did not take possession of the space until September 2018. This accounts for some of the YTD variance; percentage of rent paid by Western (Booster Juice) is received somewhat sporadically and accounts for a portion of the variance. There are no concerns regarding the Rentals area.

Events and Building Services – this area is tracking to budget with no areas of concern noted.

Hospitality Services

Western Film – Western Film is tracking \$7500 behind budget as the end of Q2. Both ticket revenue and confection sales revenue are below budget expectations at this point in time. The nature of the movies shown (second run) put Western Film at the mercy of the film distributors; as well when there is a stretch of time when there are no good movies made, this in turn has an impact on ticket sales. Theater rental revenue has been good and is currently \$4000 better than budget.

Wave - Although the Wave is in a surplus position, they are currently tracking \$49,000 behind budget. Although Cost of Goods are tracking to budget, sales are down slightly. Despite somewhat lower sales, salaries are tracking \$31,000 higher than budget (some of this can be attributed to the increase in minimum wage effective October 1 2017). As well, this is partially a result of the Wave absorbing the cost of some Spoke employees during the summer months when the Spoke was being renovated.

Spoke - The Spoke is currently showing a surplus of \$168,700 which is \$36,350 higher than budget. Sales are tracking higher and Cost of Goods are tracking to budget. Front of house labour is higher than budget – as expected to accommodate the increased sales. There are no areas of concern at this time.

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Retail Services Operations

Creative Services – Sales are tracking \$23,000 behind budget; Cost of goods are also behind budget by \$21,000. All other expenses are tracking to budget. As a result Creative Services is tracking to budget, with a variance of only \$215. There are no areas of concern.

Purple Store - Net Clothing/Merchandise Sales are tracking \$14,000 below budget expectations, however ticket/locker sales have surpassed expectations by \$9,500. With the exception of advertising, all other expenses are tracking to budget.

Promotions – Net Clothing and Merchandise sales are \$16,620 behind budget. Cheaper, on-line clothing/specialty merchandise has made it difficult to be competitive in this market. Although there is a budget for video, photography, advertising and general revenues (totaling \$11,610) it was determined after the budget was approved that these services - offered to our internal USC departments – would not be charged for. As a result, there is no revenue reflected in the Promotions Department and the budget-to-actual variance is reflective of this.

NOTE: It is important to note that monthly meetings are held with each Senior Manager to review and discuss their financial statements. The Secretary-Treasurer and Senior Manager Finance are in attendance and any areas of concern discussed and solution oriented.

Overall

USC is performing ahead of budget expectations and our cash position is strong. As a result, the USC is in a steady position as at the end of Q2. However, we currently have some areas that are under performing. This, along with minimum wage increases will require careful monitoring as they may impact the corporation in the third quarter. Cash flow is continuously monitored extremely closely in an effort to determine what, if any, impact the minimum wage increases will have on our cash position.