



Canadian
University
Press

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Directors of Canadian University Press' board:

I requested an emergency board meeting be called last week after a cash flow problem prompted me to do a more in-depth analysis of the organization's finances.

The initial problem was that CUP didn't have enough money in the bank for me to run payroll for Brendan and myself. When I alerted the treasurer and the chair to the situation, CUP had \$1,687.55 in the bank. We need at least \$4,000 to run payroll. Over the course of the next three days I collected just under \$23,000 in outstanding receivables, largely thanks to FREE Media who agreed to forward their \$20,000 donation in a lump sum Thursday. As a result, Brendan and I will receive our regular pay on Feb. 20 instead of Feb. 14.

The immediate crisis is resolved however the much larger crisis we have discussed before is now upon us. I believe the CUP Board of Directors and national office has an obligation to respond to immediately.

A cash projection of the next two and a half months shows CUP 76 running a deficit. By closing this fiscal year (May 1, 2013 to April 30, 2014) with a deficit, it means that CUP is not able to pay its rent and utility bills in May nor will CUP be able to offer an employment agreement to the two candidates elected to work in its national office.

In fact, if CUP 76 does not end the fiscal year with a surplus CUP will be insolvent. With no investments saved for a rainy day and no income due until September, when membership fees are due, there are no options for CUP 77. It's imperative to take action now to ensure CUP has the capacity to continue operating after April 30. I have requested this meeting to present an action plan that will allow that. I strongly encourage the board adopts, effective immediately.

A motion reflecting my recommendations is included in my report for your consideration.

Respectfully,

Erin Hudson
President, Canadian University Press

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How we got here

CUP ended up in this situation due to a combination of factors — some of which occurred under the CUP 76 Board's term; some of which occurred under the CUP 74 (2011-12) and CUP 75 (2012-13) Boards' terms.

This is the third time CUP has experienced a cash flow crisis in under two years and there are patterns and lessons to be learned, particularly as we look to move forward. I have summarized all three crises below.

May 2012 — cash flow crisis #1

Contributing factors

CUP 74 ran a \$10,243 deficit from its operations. This deficit meant there wasn't enough money in the bank for the next year's CUP 75 staff to continue normal operations. For comparison: CUP 75 began on May 1, 2012 with \$39,699.36 in the bank; CUP 74 began with \$73,877.80 in the bank.

Fortunately, CUP had money besides the cash in the bank. As of May 2012, CUP had \$35,911 in investments. The investments were spread out between two funds: \$25,297 in RBC Canadian Money Market Fund and \$10,614 in RBC Canadian Short Term Income Fund. There was also a pending \$25,808.57 reimbursement from the Workplace Safety and Insurance Board.

These investments and pending reimbursement meant that on May 1, 2012, CUP could count on accessing an additional \$61,719.57 (the investments can be cashed in whenever the Board decides; the reimbursement was dependent on WSIB's schedule for processing the reimbursement).

The crisis

With just over \$5,000 in the bank on May 31, the Board decided to cash in the \$25,297 investment. CUP also received the \$25,808.57 reimbursement from WSIB. Thanks to this \$51,105.57 cash injection, CUP 75 continued normal operations over the summer. No changes to CUP's operations were made.

July 2013 – cash flow crisis #2

Contributing factors

For the second consecutive year, CUP ran a deficit from its operations, but this time the deficit was to the tune of \$113,718. CUP 76 began on May 1, 2013 with \$21,828.69 in the bank – nearly \$18,000 less than what CUP 75 had to work with and over \$50,000 less than CUP 74 had.

The crisis

This time with just over \$1,500 in the bank, the Board decided to cash in the remaining investment, which amounted to \$10,779.78. Again, it was thanks to the cash injection that CUP 76 continued normal operations. No changes to CUP's operations were made.

Feb. 2013 – cash flow crisis #3

Contributing factors

The situation largely arose from discrepancies between the budget and the actual money in the bank. There were three major contributing factors. 1) Over \$22,000 in membership fees never came in due to over 10 papers leaving CUP throughout the year.

2) As of January 21, the national conference made only about \$42,000 instead of the \$55,000 budgeted. This was due to weather cancellations and unrealistic drafting of the budget – Edmonton NASH was slated to have as many delegates as the 75th anniversary NASH in Toronto.

3) FREE Media's contribution to NASH was cosmetically written into the CUP budget like dividends from Campus Plus were. The effect is that CUP continues to spend as though Campus Plus' annual dividend while unrealistically projected a conference with a patchy history to turn an unprecedented profit.

The last straw was a fine in late January from the CRA for non-compliance with tax laws dating back to CUP 75's Aug.-Oct. 2012 reporting period.

The crisis

Due to the advancement of FREE Media's \$20,000 donation and money owed to CUP being collected, nearly \$23,000 more is now in the bank, enough for normal operations to resume in the short term.

Larger crisis for CUP due to cash flow crisis #3

On the surface, it doesn't appear serious; according to the latest financial statements, CUP is actually running a surplus of \$1,016.86. This time last year, CUP was running a deficit of \$40,570.15 and the year still ended with \$21,828.69 in the bank.

But if you run a cash flow analysis (a report that factors in the spending and income that's expected over a period time) until April 2014, CUP is projected to run a deficit of \$7,493.21.

The circumstances around running a deficit this year differs drastically from the previous two incidents because there are no investments left to cash in.

For the last two years, the reason CUP has been able to sustain its operations between May and September was due to its ability to cash in investments. With no easy way to access money, what began as a cash flow problem is now an existential crisis.

However, what's important to note, is that, for the first time this February, CUP was able to respond to a cash flow crisis without leaning back on investments. This bodes well for taking early action to attempt to revert the larger crisis at hand, as the crisis response plan included in this report will outline to you.

Summary of actions to date

On Feb. 12, Brendan Kergin and I modified our employment agreements with CUP absolving the organization of providing us health coverage. The insurance was officially cancelled on Feb. 14. Savings: \$689.92.

Also on Feb. 12, the CUP President's cell phone contract was cancelled and the National Bureau Chief's contract was modified. Savings: \$135.25.

On Feb. 13, I modified my employment agreement with CUP to amend my salary. Effective from Feb. 14 on, I will now be earning an annual total of \$16,800*. Savings: \$3,500.

**Note: I consent to my salary being disclosed publicly.*

CUP 76 crisis response plan

The financial component of this plan is outlined in the attached Cash Flow Analysis.

Immediate

Immediate action to be undertaken by the President

- Notice to landlord Crossbreak Diversified Ltd that CUP will not be able to fulfill its tenancy until Sept. 15, 2014 and make arrangements to move
- Make arrangements for desk space at one of the Centre for Social Innovation (conditional on moving date given by Crossbreak)
- Find storage (physical or digital) of CUP's archives
- Sell physical assets and make arrangements for assets that cannot be sold
- Seek out and apply for funding opportunities to restore stability of full-time and part-time staff positions

Further details and explanation of these actions are provided in Appendix A.

Immediate action to be undertaken by the Board of Directors

- Official notice to national office staff elect that CUP may not be able to offer them contracts for full-time work
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Short term

Feb. 20: Termination of all part-time staff

Part-time editorial and administrative staff will receive one week notice of their contracts with CUP being terminated effective March 1, 2014, according to requirement of the provincial employment legislation.

CUP's ability to continue its operations after April 30 is in jeopardy if the full salary line of part-time and full-time staff is not reduced. It is no longer possible for CUP to have salaried part-time staff paid for by CUP.

In the long term, CUP should look for external organizations to provide funding for editorial staffers' salaries. As there will be two months left in the academic year by the time these terminations come into effect, it is not worth sourcing such funding for CUP 76.

Feb 24-25: Launch month-long funding drive

Reaching out to alumni, media and youth sympathizers, CUP's funding drive will target to meet the ambitious fundraising goal of \$50,000 (conservatively, I estimated receiving \$5,000 in donations in the attached Cash Flow Analysis).

The funding drive will run on a crowdfunding site and will require participation and support from every director in terms of online promotion and promotion to members (asking members to put the call out to their networks, *NOT* asking members to donate).

Each director must:

- Create a plan for communicating and sharing the funding drive with their region;
- Both call and email all members in their region to make them aware of the drive and request they share links/letters/emails with their networks;
- Follow up with these members on a weekly basis;

The national staff will be in charge of the set-up of crowdfunding website and the production of promotional materials such as a video, templates for social media and emails, and communications from CUP's official accounts.

March 29: Cancel NBC's cell phone contract

It is no longer possible for CUP to provide its full-time staff with cell phones. A contract cancellation is not immediate; the phone will officially lose service on April 29, 2014. No cell phone contracts for national staff will be renewed.

Long term

Put governance consultant on retainer

In order for CUP to regain the capacity to fulfill its mission, CUP must stabilize its finances. The key components of financial stabilization are a well-trained, well-informed Board of Directors, sound financial reporting and operational controls and procedures.

It is evident these components are lacking and unless CUP takes significant action in addressing its problems, CUP cannot successfully fulfill its mission to unite, strengthen and support Canadian student press. Consultant(s) familiarized with CUP but present only as an objective instructor is perfectly positioned to assist both the current and incoming board stabilize the organization.

As president and incoming continuity director, I will seek out several potential candidates and work models for incorporating this consultant into CUP's governance processes.

Create plan for re-establishing investments

This is the second time CUP 76's board has faced a cash flow problem. The first time, in July 2013, a \$10,000 operation reserve helped us through. Now, we have no reserves, putting CUP in a precarious position. It is imperative to formulate a plan to re-establish reserves for the continuing stability of the organization.

Impact on the CUP 77 budget committee

The CUP 76 crisis response plan, which is admittedly focused mostly on operations, cannot work in isolation of other activities at the board level, notably the CUP 77 budget committee and the overall support of each director in their respective region.

While I sit on the budget committee personally, if the board chooses to adopt the crisis plan I've presented, I encourage the board to mandate the CUP 77 budget committee to incorporate the plan closely into the budget they draft. Doing so would greatly help the committee prioritize where the significant cuts that must be made should fall.

The motion included at the end of this report reflects this sentiment.

Motion for the Board's consideration

WHEREAS the CUP Board of Directors acknowledges there is an existential threat to CUP due to the state of our finances;

WHEREAS the board recognizes the importance of generating a surplus for CUP 77 to inherit;

BIRT the Board adopts the CUP 76 crisis response plan in full and mandates the CUP 77 budget committee to include its provisions, if applicable, in the budget they prepare.

Appendix A

Vacating 411 Richmond early

According to our lease, we could leave early so long as we obtain written permission from the landlord. We must give the landlords a minimum of 30 days notice and the landlord has the right to take up to 60 days to respond. From what I understand, however, the more advanced the notice the better.

Moving to the Centre for Social Innovation

Former CUP President Rob Fishbook, who currently works in one of Toronto's three centers, recommended CSI to me. As a tenant, CUP staff would be linked in to a community with a diverse set of skills and experiences. Printing, photocopying, fax and scanner, Internet, cleaning, security, AV equipment, mailbox and a shared kitchen are included in the rent.

I believe the option best suited to CUP would be to rent a "hot desk" for each employee in the national office. The following outlines the options for a hot desk.

Rent costs:

Monthly cost/desk	Set up cost/person	Hours of desk time	Key deposit/person	Meeting room hours	Annual cost for first year/staffer
\$125	\$238	20	\$25	3	\$1763
\$200	\$313	60	\$25	6	\$2738

**Taxes included in prices*

Arrangements to move to a CSI would include discussing spacing options with Kat Lapointe, program director for the CWA-CUP partnership would include contacting CSI's leasing department.

Physical assets

CUP owns the following physical assets that I estimate are cumulatively worth approximately \$1,500:

- 4 work stations
- 1 bookshelf
- 1 mini-fridge
- 5 filing cabinets
- 4 laptops and 1 desktop computer
- 3 monitors and 3 desktop towers
- 1 printer and 1 Doxie Scanner
- 5 phones
- 2 iPhones
- 3 projectors

- 1 Henry's voice recorder
- 2 office chairs

If CUP moves to the Centre for Social Innovation, we will have no need for these materials (with the exception of 2 laptops and 2 monitors) and the funds from selling them will contribute to CUP's finances.

Grant opportunities

After reaching out to several other not-for-profit organizations, there are several opportunities CUP could qualify for. Notably, the following:

- Ontario Trillium Foundation's Community Programs Grant
- CIRA's Community Investment Program
- Youth Employment Fund
- Young Canada Works
- Canadian Heritage

I have found mentors who are very experienced with grant writing and are interested in assisting CUP with finding alternative funding. I am exploring private foundations currently.

Beyond these opportunities, I am touching base with our partners and organizations CUP has good relationships with to see if there are areas for collaboration and new avenues for fundraising. I am specifically focusing on obtaining funding for part-time editorial and administrative staff in these meetings.

Cash Flow Analysis

Timeframe: Now (Feb. 15) until April 30, 2014

*In accordance with CUP
76 budget* *With changes implemented
by President* *In accordance with CUP
76 crisis response plan*

Receipts

Chequing Account	\$24,004.48	\$24,004.48	\$24,004.48
Undeposited funds	\$0.00	\$0.00	\$0.00
TOTAL cash in the bank	\$24,004.48	\$24,004.48	\$24,004.48

February Receipts

PR distribution	\$3,000.00	\$3,000.00	\$3,000.00
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March Receipts

Funding drive (Target \$50,000: forecast \$5,000)	\$0.00	\$0.00	\$5,000.00
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April Receipts

PR distribution	\$0.00	\$0.00	\$0.00
Sell physical assets	\$0.00	\$0.00	\$1,000.00

TOTAL revenue	\$3,000.00	\$3,000.00	\$9,000.00
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Collect Current Receivables (Target 100%: Forecast 50%)	\$6,000.00	\$6,000.00	\$6,000.00
Bad Debt	\$0.00	\$0.00	\$0.00
TOTAL receivables	\$6,000.00	\$6,000.00	\$6,000.00

TOTAL receipts	\$33,004.48	\$33,004.48	\$39,004.48
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Expenses

Accounts to pay

Accounting contract	\$339.00	\$339.00	\$339.00
Current invoices on hand	\$174.02	\$174.02	\$174.02
Pending credit card charges	\$6,293.15	\$6,293.15	\$6,293.15
Cheques issued	\$0.00	\$0.00	\$0.00

TOTAL current expenses	\$6,806.17	\$6,806.17	\$6,806.17
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Monthly operating expenses

February Expense *(expenses remaining as of Feb. 15)*

Payroll	\$8,593.35	\$7,893.35	\$7,893.35
Cell phones (Fido)	\$220.00	\$220.00	\$220.00
JHM engraving	\$250.00	\$0.00	\$0.00
Regional subsidy			
JHM cheques, Feb. 28	\$1,282.50	\$1,282.50	\$1,282.50
NASH reimbursement, Feb. 28	\$3,085.35	\$3,085.35	\$3,085.35
Postage	\$150.00	\$150.00	\$150.00
Accounting expenses	\$0.00	\$0.00	\$0.00
GST/HST (filed in Feb. received in March)	-\$12,050.58	-\$12,050.58	-\$12,050.58

TOTAL Febuary Expense	\$1,530.62	\$580.62	\$580.62
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March Expense

Rent	\$868.45	\$868.45	\$868.45
Payroll	\$8593.35	\$7,893.35	\$5,068.72
Transit passes	\$257.00	\$0.00	\$0.00
Insurance	\$344.96	\$0.00	\$0.00
Office phone/toll free/internet (Bell)	\$304.88	\$304.88	\$304.88
Cell phones (Fido)	\$220.00	\$220.00	\$220.00
ORCUP subsidy	\$1,509.60	\$1,509.60	\$1,509.60
ARCUPsubsidy	\$1,209.60	\$1,209.60	\$1,209.60

PUC subsidy	\$1,209.60	\$1,209.60	\$1,209.60
NASH reimbursement, March 28	\$6,218.66	\$6,218.66	\$6,218.66
Postage	\$40.00	\$40.00	\$40.00
Computer Equipment	\$150.00	\$0.00	\$0.00
Accounting expenses	\$100.00	\$100.00	\$100.00
Source Deductions	\$70.00	\$70.00	\$70.00
EHT Annual Return	\$232.42	\$232.42	\$232.42
TOTAL March expense	\$21,328.52	\$19,876.56	\$17,051.93
April Expense			
Rent	\$868.45	\$868.45	\$868.45
Payroll	\$8593.35	\$7,893.35	\$5,068.72
Transit passes	\$257.00	\$0.00	\$0.00
Insurance	\$344.96	\$0.00	\$0.00
Office phone/toll free/internet (Bell)	\$304.88	\$304.88	\$304.88
Cell phones (Fido)	\$220.00	\$84.75	\$84.75
Accounting expenses	\$100.00	\$100.00	\$100.00
Postage	\$25.00	\$25.00	\$25.00
WSIB	\$118.74	\$118.74	\$118.74
TOTAL April expense	\$10,832.38	\$9,395.17	\$6,570.54
TOTAL Liability & Expense	\$40,497.69	\$36,658.52	\$31,009.26
 <i>Surplus/(Deficit)</i>	 <i>-\$7,493.21</i>	 <i>-\$3,654.04</i>	 <i>\$7,995.22</i>