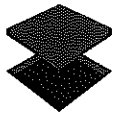

**UNIVERSITY OF PRINCE EDWARD ISLAND
STUDENT UNION INC.
FINANCIAL STATEMENTS**

APRIL 30, 2010



MacPherson Roche Smith & Associates

CHARTERED ACCOUNTANTS AND MANAGEMENT CONSULTANTS

PARTNERS:

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AUDITORS' REPORT

To the Directors of the
University of Prince Edward Island Student Union Inc.

We have audited the balance sheet of the **University of Prince Edward Island Student Union Inc.** as at April 30, 2010, and the statements of income and operating surplus and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Student Union derives revenue from student activities and events, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of those revenues was limited to the amounts recorded in the records of the Student Union and we were not able to determine whether any adjustments might be necessary to revenues, net income, assets or surplus.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the University of Prince Edward Island Student Union Inc. as at April 30, 2010, and the results of its operations and cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

MacPherson Roche Smith & Associates

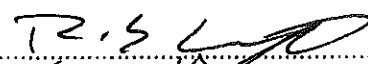
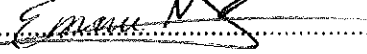
October 21, 2010

Chartered Accountants

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
STATEMENT OF INCOME AND OPERATING SURPLUS
 YEAR ENDED APRIL 30, 2010

	2010	2009
Revenue		
Student Health Plan	\$ 730,320	\$ 607,947
Lounge operations (Schedule 1)	-	11,905
Mickey's Place (Schedule 2)	2,530	3,731
Other revenue	16,231	28,444
Student Centre Fund	146,620	138,360
Student fees	572,698	532,383
Transit fees	184,600	85,275
CASA fees	11,085	10,420
WUSC fees	<u>23,086</u>	<u>14,480</u>
	<u>1,687,170</u>	<u>1,432,945</u>
Operating expenses		
Student Health Plan	730,320	607,947
Lounge operations (Schedule 1)	98,965	-
Student activities (Schedule 3)		
Social committee and special events	21,628	22,788
Student Union newspaper	13,126	10,315
Yearbook	21,546	18,735
Student Council activities	5,489	3,172
Transit fees	184,600	85,275
CASA fees	7,185	7,606
WUSC fees	<u>23,086</u>	<u>14,480</u>
	<u>1,105,945</u>	<u>770,318</u>
Income before general and administrative expenses	581,225	662,627
General and administrative expenses (Schedule 4)	<u>538,447</u>	<u>509,959</u>
Net income	42,778	152,668
Operating surplus, beginning of year	507,318	413,784
Appropriation to capital surplus	<u>(73,481)</u>	<u>(59,134)</u>
Operating surplus, end of year	<u>\$ 476,615</u>	<u>\$ 507,318</u>

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
BALANCE SHEET
AS AT APRIL 30, 2010

	2010	2009
ASSETS		
Current		
Cash and short-term deposits	\$ 49,719	\$ 85,717
Accounts receivable	67,764	68,696
Prepaid expenses	10,932	36,173
Inventory	<u>13,511</u>	<u>16,999</u>
	141,926	207,585
Student medical plan in trust (Note 4)	137,648	139,856
Investments (Note 5)	164,010	128,894
Property and equipment (Note 6)	194,649	172,101
Building interest (Note 7)	2,048,881	2,048,881
Contingency reserve (Note 8)	86,039	70,768
Pension capital fund	<u>35,457</u>	<u>34,596</u>
	<u>\$ 2,808,610</u>	<u>\$ 2,802,681</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities		
Classes and suborganizations	\$ 3,812	\$ 3,812
Trade	56,961	65,982
Deferred revenue (Note 9)	204,341	176,688
Demand Loan (Note 10)	18,000	-
Current portion of long-term debt (Note 11)	<u>82,884</u>	<u>64,479</u>
	365,998	310,961
Long-term debt (Note 11)	<u>485,129</u>	<u>577,015</u>
	<u>851,127</u>	<u>887,976</u>
SURPLUS		
Operating surplus	476,615	507,318
Capital surplus (Note 12)	<u>1,480,868</u>	<u>1,407,387</u>
	<u>1,957,483</u>	<u>1,914,705</u>
	<u>\$ 2,808,610</u>	<u>\$ 2,802,681</u>
Contingency (Note 13)		
On behalf of the Executive		
 President	
 Vice President - Finance	

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
STATEMENT OF CASH FLOWS
YEAR ENDED APRIL 30, 2010

	2010	2009
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net income	\$ 42,778	\$ 152,668
Item not affecting cash		
Amortization	<u>36,464</u>	<u>32,004</u>
	<u>79,242</u>	<u>184,672</u>
Changes in non-cash operating working capital items		
Accounts receivable	932	(24,974)
Prepaid expenses	25,241	(27,809)
Inventory	3,488	(5,195)
Accounts payable and accrued liabilities	(9,021)	27,496
Deferred revenue	<u>27,653</u>	<u>2,389</u>
	<u>48,293</u>	<u>(28,093)</u>
	<u>127,535</u>	<u>156,579</u>
Financing		
Proceeds from demand loan	18,000	-
Repayment of long-term debt	<u>(73,481)</u>	<u>(59,134)</u>
	<u>(55,481)</u>	<u>(59,134)</u>
Investing		
Decrease in student medical plan in trust	2,208	16,492
Increase in investments	(35,116)	(34,171)
Acquisition of property and equipment	(59,012)	(45,332)
Increase in contingency reserve	(15,271)	(15,326)
Increase in pension capital fund	<u>(861)</u>	<u>(924)</u>
	<u>(108,052)</u>	<u>(79,261)</u>
Net cash inflow (outflow)	(35,998)	18,184
Cash position, beginning of year	<u>85,717</u>	<u>67,533</u>
Cash position, end of year	<u>\$ 49,719</u>	<u>\$ 85,717</u>

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED APRIL 30, 2010

1. DESCRIPTION OF ORGANIZATION

The University of Prince Edward Island Student Union Inc. is a student organization whose purpose is to act as the official organization of the students of the University of Prince Edward Island and co-ordinate and promote the group activities of the students. The University of Prince Edward Island Student Union Inc. is incorporated under the Companies' Act of Prince Edward Island as a not-for-profit organization and is considered the same under the Income Tax Act.

The University of Prince Edward Island Student Union Inc. has contributed \$2,048,881 to the University of Prince Edward Island for the construction of the Student Centre in the form of \$1,048,881 in cash and services and \$1,000,000 in mortgage financing. In addition, the Student Union has entered into a co-management agreement with the University of Prince Edward Island in relation to the management of the Student Centre and payment of operating costs.

2. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) Inventory

Inventory is valued at the lower of cost and net realizable value.

b) Property and Equipment

Property and equipment is recorded at cost. Amortization is computed using the straight-line method at the following annual rates:

Capital renovations - building	5%
Equipment	20%
Computer equipment	30%
Web-site	30%

c) Revenue Recognition

The company recognizes revenue when it is realizable and earned. The company considers revenue realized or realizable and earned when the product has been delivered or the services have been provided to the customer, the sales price is fixed or determinable and collectibility is reasonably assured.

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED APRIL 30, 2010

2. ACCOUNTING POLICIES (continued)

d) Use of Estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

3. FINANCIAL INSTRUMENTS

Financial instruments of the company consist mainly of cash and short-term deposits, accounts receivable, investments, contingency reserve, pension capital fund, accounts payable and accrued liabilities, deferred revenue, demand loan and long-term debt. The carrying values of these financial assets and financial liabilities approximate their fair value unless otherwise disclosed.

4. STUDENT MEDICAL PLAN IN TRUST

The University of Prince Edward Island Student Union Inc. is a member of The Campus Trust Medical coverage insurance program for the administration of UPEI students' health and benefits plan. The University of Prince Edward Island Student Union Inc. was required to make an initial contribution in the amount of \$25,500 to join the program. During 2002, the medical plan was underfunded and funds from the initial contribution were used to fund the deficit. In 2003, the remaining amount from the initial investment was transferred to Maritime Life to cover future deficits in the program and as at April 30, 2010 the fund had a surplus of \$137,648. This amount will be reduced in future years through reductions in premiums.

	<u>2010</u>	<u>2009</u>
Investment	\$ <u>137,648</u>	\$ <u>139,856</u>

5. INVESTMENTS

In 2006, the Student Union elected to start setting aside funds for future investments. These amounts are earmarked for building expenditures or to pay down long-term debt. The accumulated balance as at the beginning of the fiscal year was \$128,894 and an additional \$35,116 in contributions and accumulated interest was added to the account, resulting in a balance of \$164,010 as at April 30, 2010. This total is invested in GIC's, maturing in October and November, 2010, April, 2011 and January, 2012.

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED APRIL 30, 2010

6. PROPERTY AND EQUIPMENT

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2010</u>	<u>2009</u>
Capital renovations - building	\$ 58,060	\$ 15,467	\$ 42,593	\$ 44,835
Equipment	260,529	131,568	128,961	101,625
Computer equipment	88,626	68,087	20,539	21,989
Web-site	<u>10,402</u>	<u>7,846</u>	<u>2,556</u>	<u>3,652</u>
	<u>\$ 417,617</u>	<u>\$ 222,968</u>	<u>\$ 194,649</u>	<u>\$ 172,101</u>

7. BUILDING INTEREST

The University of Prince Edward Island Student Union Inc. has an agreement with the University of Prince Edward Island which entitles the Student Union membership the use and enjoyment of the Student Centre in recognition of the central role of the UPEI Student Union in the project concept, development, building design, construction and funding of the WA Murphy Student Centre. The building interest is considered an intangible asset consisting of \$1,014,764 cash donation, \$1,000,000 in mortgage financing, and \$34,117 in management salary. The building interest was assessed for impairment and no write-down is considered necessary.

8. CONTINGENCY RESERVE

The University of Prince Edward Island Student Union Inc. was previously a participant in the Canadian Federation of Students (CFS). The Student Union has decided to discontinue its relationship with CFS and, accordingly, has ceased collecting and remitting CFS fees. The Student Union has decided to set up a contingency reserve to offset any future costs that may arise.

9. DEFERRED REVENUE

The deferred revenue represents the excess of revenue over expenditures in the student medical plan and unearned revenue relating to the Pension Capital Fund.

10. DEMAND LOAN

The demand loan bears interest at prime + 1% and requires one annual installment of \$18,000 due October, 2010, with interest payable monthly.

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED APRIL 30, 2010

11. LONG-TERM DEBT

	<u>2010</u>	<u>2009</u>
Term loan, 3.45%, payable to July 2016, in monthly installments of \$8,434, including interest	\$ 568,013	\$ 641,494
Current portion	<u>82,884</u>	<u>64,479</u>
	<u>\$ 485,129</u>	<u>\$ 577,015</u>

Principal payments required in each of the next five years are as follows:

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 82,884	\$ 85,765	\$ 88,776	\$ 91,892	\$ 95,118

12. CAPITAL SURPLUS

	<u>2010</u>	<u>2009</u>
Capital surplus, beginning of year	\$ 1,407,387	\$ 1,348,253
Principal debt repayment	<u>73,481</u>	<u>59,134</u>
Capital surplus, end of year	<u>\$ 1,480,868</u>	<u>\$ 1,407,387</u>

13. CONTINGENT LIABILITY

In November 2008, the Student Union was served with a claim relating to its withdrawal from the Canadian Federation of Students. The claim is currently in the discovery stage. No potential impact on the Student Union is known at this time.

SCHEDULE 1

**UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
LOUNGE OPERATIONS
YEAR ENDED APRIL 30, 2010**

	2010	% of Sales	2009	% of Sales
Sales	\$ <u>273,740</u>	<u>100.0</u>	\$ <u>403,822</u>	<u>100.0</u>
Cost of sales				
Inventory, beginning of year	16,999		11,804	
Purchases	<u>125,256</u>		<u>168,251</u>	
	142,255		180,055	
Inventory, end of year	<u>(13,511)</u>		<u>(16,999)</u>	
	<u>128,744</u>	<u>47.0</u>	<u>163,056</u>	<u>40.4</u>
Gross margin	<u>144,996</u>	<u>53.0</u>	<u>240,766</u>	<u>59.6</u>
Expenses				
Advertising	15,949		15,685	
Interest and bank charges	3,786		3,385	
Licenses	1,270		4,549	
Materials and supplies	22,248		22,441	
Miscellaneous	1,591		3,314	
Movies and entertainment	867		2,410	
Repairs, maintenance and supplies	16,018		12,986	
Salaries	167,414		149,573	
Staff clothing	3,627		3,708	
Staff training	660		1,100	
Telephone	<u>10,531</u>		<u>9,710</u>	
	<u>243,961</u>		<u>228,861</u>	
	\$ <u>(98,965)</u>		\$ <u>11,905</u>	

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
MICKEY'S PLACE
YEAR ENDED APRIL 30, 2010

	2010	2009
Sales	\$ <u>52,772</u>	\$ <u>50,688</u>
Expenses		
Dues and fees	-	35
Equipment	-	30
Office	179	-
Salaries	19,646	19,618
Supplies	30,065	26,688
Telephone	<u>352</u>	<u>586</u>
	<u>50,242</u>	<u>46,957</u>
Net income	\$ <u>2,530</u>	\$ <u>3,731</u>

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
STUDENT ACTIVITIES
 YEAR ENDED APRIL 30, 2010

	Social Committee and Special Events	Student Union Newspaper	Yearbook
<u>2010</u>			
Revenue	\$ <u>98,848</u>	\$ <u>2,301</u>	\$ <u>2,920</u>
Expenses			
Advertising	9,954	-	-
Bad debts	-	-	3,870
Dues and licenses	383	1,899	-
Entertainment	107,432	-	-
Materials and supplies	300	-	35
Miscellaneous	(2,985)	114	37
Printing	991	6,476	15,897
Salaries	4,369	6,431	4,307
Telephone	<u>32</u>	<u>507</u>	<u>320</u>
	<u>120,476</u>	<u>15,427</u>	<u>24,466</u>
Excess of expenses over revenue	\$ <u>(21,628)</u>	\$ <u>(13,126)</u>	\$ <u>(21,546)</u>
<u>2009</u>			
Revenues	\$ <u>109,790</u>	\$ <u>4,715</u>	\$ <u>3,170</u>
Expenses			
Advertising	3,120	-	-
Dues and licenses	992	-	-
Entertainment	121,824	-	-
Material and supplies	1,911	-	-
Miscellaneous	(230)	448	-
Printing	4,786	7,401	18,013
Salaries	175	6,568	3,572
Telephone	<u>-</u>	<u>613</u>	<u>320</u>
	<u>132,578</u>	<u>15,030</u>	<u>21,905</u>
Excess of expenses over revenue	\$ <u>(22,788)</u>	\$ <u>(10,315)</u>	\$ <u>(18,735)</u>

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
GENERAL AND ADMINISTRATIVE EXPENSES
 YEAR ENDED APRIL 30, 2010

	2010	2009
Amortization	\$ 36,464	\$ 32,004
Bad debts	9,326	-
Banquet	4,004	3,628
Donations and sports awards	5,169	4,819
Equipment	3,138	1,492
Handbook	6,242	5,379
Insurance	16,301	14,190
Interest and bank charges	3,251	3,913
Interest on long-term debt	27,722	42,634
Office and miscellaneous	7,027	12,707
Operating costs - student centre		
Heat	22,652	24,945
Insurance	1,195	1,018
Lights	40,669	37,352
Propane	-	3,711
Repairs and maintenance	29,784	22,376
Wages and benefits	54,919	45,467
Water	1,408	1,203
Professional fees	18,250	10,871
Repairs and maintenance	571	140
Salaries and employee benefits	213,752	211,706
Telephone	5,838	4,190
Travel	29,587	25,221
Workers' compensation insurance	1,178	993
	<u>\$ 538,447</u>	<u>\$ 509,959</u>