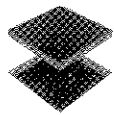

**UNIVERSITY OF PRINCE EDWARD ISLAND
STUDENT UNION INC.
FINANCIAL STATEMENTS**

APRIL 30, 2009



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, 2009, 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 Student Union as at April 30, 2009, 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

September 30, 2009

Chartered Accountants

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
STATEMENT OF INCOME AND OPERATING SURPLUS
 YEAR ENDED APRIL 30, 2009

| | 2009 | 2008 |
|--------------------------------------------------|-------------------|-------------------|
| Revenue | | |
| Student Health Plan | \$ 607,947 | \$ 500,786 |
| Lounge operations (Schedule 1) | 11,905 | 29,324 |
| Mickey's Place (Schedule 2) | 3,731 | - |
| Other revenue | 28,444 | 32,687 |
| Student Centre Fund | 138,360 | 130,380 |
| Student fees | 532,383 | 486,662 |
| Transit fees | 85,275 | - |
| CASA fees | 10,420 | 3,195 |
| WUSC fees | 14,480 | 13,652 |
| | <u>1,432,945</u> | <u>1,196,686</u> |
| Operating expenses | | |
| Student Health Plan | 607,947 | 500,786 |
| Mickey's Place (Schedule 2) | - | 338 |
| Student activities (Schedule 3) | | |
| Social committee and special events | 22,788 | 8,275 |
| Student Union newspaper | 10,315 | 8,338 |
| Yearbook | 18,735 | 18,252 |
| Student Council activities | 3,172 | 2,283 |
| Transit fees | 85,275 | - |
| CASA fees | 7,606 | - |
| WUSC fees | 14,480 | 13,664 |
| | <u>770,318</u> | <u>551,936</u> |
| Income before other item | 662,627 | 644,750 |
| Other item | | |
| General and administrative expenses (Schedule 4) | <u>509,959</u> | <u>494,852</u> |
| Net income | 152,668 | 149,898 |
| Operating surplus, beginning of year | 413,784 | 321,345 |
| Appropriation to capital surplus | <u>(59,134)</u> | <u>(57,459)</u> |
| Operating surplus, end of year | <u>\$ 507,318</u> | <u>\$ 413,784</u> |

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
BALANCE SHEET
AS AT APRIL 30, 2009

| | 2009 | 2008 |
|--------------------------------------------|---------------------|---------------------|
| ASSETS | | |
| Current | | |
| Cash and short-term deposits | \$ 85,717 | \$ 67,533 |
| Accounts receivable | 68,692 | 44,267 |
| Inventory | 16,999 | 11,804 |
| Prepaid expenses | <u>36,173</u> | <u>8,364</u> |
| | 207,581 | 131,968 |
| Student medical plan in trust (Note 3) | 139,856 | 156,348 |
| Investments (Note 4) | 128,894 | 94,723 |
| Property and equipment (Note 5) | 172,101 | 158,774 |
| Building interest (Note 6) | 2,048,881 | 2,048,881 |
| Contingency reserve (Note 7) | 70,768 | 55,442 |
| Pension capital fund | <u>34,596</u> | <u>33,672</u> |
| | <u>\$ 2,802,677</u> | <u>\$ 2,679,808</u> |
| LIABILITIES | | |
| Current | | |
| Accounts payable and accrued liabilities | | |
| Classes and suborganizations | \$ 3,812 | \$ 3,812 |
| Trade | 65,978 | 39,032 |
| Deferred revenue (Note 8) | 176,688 | 174,299 |
| Current portion of long-term debt (Note 9) | <u>64,479</u> | <u>60,920</u> |
| | 310,957 | 278,063 |
| Long-term debt (Note 9) | <u>577,015</u> | <u>639,708</u> |
| | <u>887,972</u> | <u>917,771</u> |
| SURPLUS | | |
| Operating surplus | 507,318 | 413,784 |
| Capital surplus (Note 10) | <u>1,407,387</u> | <u>1,348,253</u> |
| | <u>1,914,705</u> | <u>1,762,037</u> |
| | <u>\$ 2,802,677</u> | <u>\$ 2,679,808</u> |
| Contingency (Note 11) | | |
| 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, 2009

| | 2009 | 2008 |
|--------------------------------------------------------------------------|------------------|------------------|
| Net inflow (outflow) of cash related to the following activities: | | |
| Operating | | |
| Net income | \$ 152,668 | \$ 149,898 |
| Item not affecting cash | | |
| Amortization | <u>32,004</u> | <u>29,262</u> |
| | <u>184,672</u> | <u>179,160</u> |
| Changes in non-cash operating working capital items | | |
| Accounts receivable | (24,425) | (39,637) |
| Inventory | (5,195) | 509 |
| Prepaid expenses | (27,809) | 2,501 |
| Accounts payable and accrued liabilities | 26,947 | 4,978 |
| Deferred revenue | <u>2,389</u> | <u>23,281</u> |
| | <u>(28,093)</u> | <u>(8,368)</u> |
| | <u>156,579</u> | <u>170,792</u> |
| Financing | | |
| Repayment of long-term debt | <u>(59,134)</u> | <u>(65,709)</u> |
| Investing | | |
| Decrease in student medical plan in trust | 16,492 | 3,026 |
| Increase in investments | (34,171) | (32,903) |
| Acquisition of property and equipment | (45,332) | (47,787) |
| Increase in contingency reserve | (15,326) | (14,767) |
| Increase in pension capital fund | <u>(924)</u> | <u>(33,672)</u> |
| | <u>(79,261)</u> | <u>(126,103)</u> |
| Net cash inflow (outflow) | 18,184 | (21,020) |
| Cash position, beginning of year | <u>67,533</u> | <u>88,553</u> |
| Cash position, end of year | <u>\$ 85,717</u> | <u>\$ 67,533</u> |

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED APRIL 30, 2009

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, 2009

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.

e) Financial Instruments

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

3. 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, 2009 the fund had a surplus of \$139,856. This amount will be reduced in future years through reductions in premiums.

| | <u>2009</u> | <u>2008</u> |
|------------|-------------------|-------------------|
| Investment | \$ <u>139,856</u> | \$ <u>156,348</u> |

4. 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 \$94,723 and an additional \$34,171 in contributions and accumulated interest was added to the account, resulting in a balance of \$128,894 as at April 30, 2009. This total is invested in GIC's, maturing in January, October and November, 2010 and January, 2012.

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED APRIL 30, 2009

5. PROPERTY AND EQUIPMENT

| | <u>Cost</u> | <u>Accumulated Amortization</u> | <u>Net Book Value</u> | |
|--------------------------------|-------------------|-------------------------------------|-----------------------|-------------------|
| | | | <u>2009</u> | <u>2008</u> |
| Capital renovations - building | \$ 58,060 | \$ 13,225 | \$ 44,835 | \$ 47,194 |
| Equipment | 207,571 | 105,946 | 101,625 | 85,427 |
| Computer equipment | 82,572 | 60,583 | 21,989 | 20,935 |
| Web-site | <u>10,402</u> | <u>6,750</u> | <u>3,652</u> | <u>5,218</u> |
| | <u>\$ 358,605</u> | <u>\$ 186,504</u> | <u>\$ 172,101</u> | <u>\$ 158,774</u> |

6. 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.

7. 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.

8. 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.

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED APRIL 30, 2009

9. LONG-TERM DEBT

| | <u>2009</u> | <u>2008</u> |
|-------------------------------------------------------------------------------------------|-------------------|-------------------|
| Term loan, 5.86%, payable to 2017, in monthly installments of \$8,363, including interest | \$ 641,494 | \$ 700,628 |
| Current portion | <u>64,479</u> | <u>60,920</u> |
| | <u>\$ 577,015</u> | <u>\$ 639,708</u> |

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

| <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|-------------|-------------|-------------|-------------|-------------|
| \$ 64,479 | \$ 68,361 | \$ 72,476 | \$ 76,839 | \$ 81,465 |

10. CAPITAL SURPLUS

| | <u>2009</u> | <u>2008</u> |
|------------------------------------|---------------------|---------------------|
| Capital surplus, beginning of year | \$ 1,348,253 | \$ 1,290,794 |
| Principal debt repayment | <u>59,134</u> | <u>57,459</u> |
| Capital surplus, end of year | <u>\$ 1,407,387</u> | <u>\$ 1,348,253</u> |

11. 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, 2009

| | 2009 | % | 2008 | % |
|-----------------------------------|-------------------|--------------|-------------------|--------------|
| | | of Sales | | of Sales |
| Sales | \$ <u>403,822</u> | <u>100.0</u> | \$ <u>420,581</u> | <u>100.0</u> |
| Cost of sales | | | | |
| Inventory, beginning of year | 11,804 | | 12,313 | |
| Purchases | <u>168,251</u> | | <u>167,980</u> | |
| | 180,055 | | 180,293 | |
| Inventory, end of year | <u>(16,999)</u> | | <u>(11,804)</u> | |
| | <u>163,056</u> | <u>40.4</u> | <u>168,489</u> | <u>40.1</u> |
| Gross margin | <u>240,766</u> | <u>59.6</u> | <u>252,092</u> | <u>59.9</u> |
| Expenses | | | | |
| Advertising | 15,685 | | 17,433 | |
| Interest and bank charges | 3,385 | | 2,597 | |
| Licenses | 4,549 | | 4,248 | |
| Materials and supplies | 22,441 | | 20,578 | |
| Miscellaneous | 3,314 | | 1,413 | |
| Movies and entertainment | 2,410 | | 2,988 | |
| Repairs, maintenance and supplies | 12,986 | | 15,026 | |
| Salaries | 149,573 | | 150,071 | |
| Staff clothing | 3,708 | | 1,662 | |
| Staff training | 1,100 | | 1,365 | |
| Telephone | <u>9,710</u> | | <u>5,387</u> | |
| | <u>228,861</u> | | <u>222,768</u> | |
| | \$ <u>11,905</u> | | \$ <u>29,324</u> | |

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
MICKEY'S PLACE
YEAR ENDED APRIL 30, 2009

| | 2009 | 2008 |
|--------------------------|------------------------|------------------------|
| Sales | \$ <u>50,688</u> | \$ <u>47,436</u> |
| Expenses | | |
| Dues and fees | 35 | - |
| Equipment | 30 | 75 |
| Office | - | 80 |
| Repairs and Maintenance | - | 66 |
| Salaries | 19,618 | 20,712 |
| Staff clothing | - | - |
| Supplies | 26,688 | 26,588 |
| Telephone | <u>586</u> | <u>253</u> |
| | <u>46,957</u> | <u>47,774</u> |
| Net income (loss) | \$ <u>3,731</u> | \$ <u>(338)</u> |

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
STUDENT ACTIVITIES
YEAR ENDED APRIL 30, 2009

| | Social Committee and Special Events | Student Union Newspaper | Yearbook |
|---------------------------------|----------------------------------------------|-------------------------------|--------------------|
| <u>2009</u> | | | |
| Revenue | \$ <u>109,790</u> | \$ <u>4,715</u> | \$ <u>3,170</u> |
| Expenses | | | |
| Advertising | 3,120 | - | - |
| Dues and licenses | 992 | - | - |
| Entertainment | 121,824 | - | - |
| Materials and supplies | 1,911 | - | - |
| Miscellaneous | (230) | 448 | - |
| Printing | 4,786 | 7,401 | 18,013 |
| Salaries | 175 | 6,568 | 3,572 |
| Telephone | - | 613 | 320 |
| | <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> |
| <u>2008</u> | | | |
| Revenues | \$ <u>109,972</u> | \$ <u>2,492</u> | \$ <u>1,680</u> |
| Expenses | | | |
| Advertising | 1,850 | - | - |
| Dues and licenses | - | 1,273 | - |
| Entertainment | 112,193 | - | - |
| Material and supplies | 3,692 | 80 | - |
| Miscellaneous | (1,199) | 422 | 41 |
| Printing | 1,711 | 4,412 | 17,088 |
| Salaries | - | 2,754 | 2,538 |
| Telephone | - | 265 | 265 |
| Travel | - | 1,624 | - |
| | <u>118,247</u> | <u>10,830</u> | <u>19,932</u> |
| Excess of expenses over revenue | \$ <u>(8,275)</u> | \$ <u>(8,338)</u> | \$ <u>(18,252)</u> |

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
GENERAL AND ADMINISTRATIVE EXPENSES
 YEAR ENDED APRIL 30, 2009

| | 2009 | 2008 |
|----------------------------------|-------------------|-------------------|
| Amortization | \$ 32,004 | \$ 29,262 |
| Banquet | 3,628 | 4,079 |
| Donations and sports awards | 4,819 | 5,606 |
| Equipment | 1,492 | 628 |
| Fuel | - | 84 |
| Handbook | 5,379 | 6,687 |
| Insurance | 14,190 | 16,067 |
| Interest and bank charges | 3,913 | 2,358 |
| Interest on long-term debt | 42,634 | 42,898 |
| Office and miscellaneous | 12,707 | 15,036 |
| Operating costs - student centre | | |
| Heat | 24,945 | 27,951 |
| Insurance | 1,018 | 1,475 |
| Lights | 37,352 | 38,573 |
| Propane | 3,711 | 3,620 |
| Repairs and maintenance | 22,376 | 13,547 |
| Wages and benefits | 45,467 | 46,859 |
| Water | 1,203 | 1,094 |
| Professional fees | 10,871 | 16,035 |
| Repairs and maintenance | 140 | 161 |
| Salaries and employee benefits | 211,706 | 195,122 |
| Telephone | 4,190 | 6,813 |
| Travel | 25,221 | 19,785 |
| Workers' compensation insurance | 993 | 1,112 |
| | <u>\$ 509,959</u> | <u>\$ 494,852</u> |