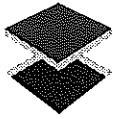

**UNIVERSITY OF PRINCE EDWARD ISLAND
STUDENT UNION INC.
FINANCIAL STATEMENTS**

APRIL 30, 2002



MacPherson Roche Smith & Noonan

CHARTERED ACCOUNTANTS AND MANAGEMENT CONSULTANTS

PARTNERS:

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AUDITORS' REPORT

To the Members 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, 2002, and the statements of earnings 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 these 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 earnings, 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, 2002, 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 & Noonan

Chartered Accountants

December 10, 2002

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
STATEMENT OF EARNINGS AND OPERATING SURPLUS
 YEAR ENDED APRIL 30, 2002

	2002	2001
Revenue		
Student Health Plan	\$ 250,657	\$ 278,381
CFS membership fees	20,601	20,153
Lounge operations (Schedule 1)	-	8,864
Other revenue (Note 9)	8,531	10,376
Student Centre Fund	56,480	54,830
Student fees	301,261	287,427
WUSC fees	<u>11,768</u>	<u>11,506</u>
	<u>649,298</u>	<u>671,537</u>
Operating expenses		
Student Health Plan	250,657	278,381
CFS membership fees	20,601	20,153
Contribution to capital		
Cash transfer - Student Centre Fund	56,480	54,830
Lounge operations (Schedule 1)	13,558	-
Student activities (Schedule 2)		
Social committee and special events	40,483	31,317
Student Union newspaper	19,025	19,286
Yearbook	17,123	26,371
Student Council activities	6,302	4,413
WUSC fees	<u>11,768</u>	<u>11,506</u>
	<u>435,997</u>	<u>446,257</u>
Earnings before general and administrative expenses	<u>213,301</u>	<u>225,280</u>
General and administrative expenses (Schedule 3)	201,042	215,718
Student Centre 2002	<u>(995)</u>	<u>524</u>
	<u>202,037</u>	<u>215,194</u>
Net earnings	11,264	10,086
Operating surplus, beginning of year	<u>96,121</u>	<u>86,035</u>
Operating surplus, end of year	<u>\$ 107,385</u>	<u>\$ 96,121</u>

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
BALANCE SHEET
AS AT APRIL 30, 2002

	2002	2001
ASSETS		
Current		
Cash and short-term deposits	\$ 82,604	\$ 59,640
Accounts receivable	7,061	12,536
Inventory	6,634	5,887
Prepaid expenses	<u>8,094</u>	<u>3,392</u>
	104,393	81,455
Deferred project costs (Note 3)	-	22,369
Investment in Campus Trust (Note 4)	12,316	25,500
Investments (Note 5)	34,118	-
Capital investments (Note 5)	26,354	984,968
Capital assets (Note 6)	<u>2,085,915</u>	<u>41,394</u>
	<u>\$ 2,263,096</u>	<u>\$ 1,155,686</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities		
Classes and suborganizations	\$ 3,840	\$ 3,840
Trade	39,600	29,363
Current portion of long-term debt (Note 7)	<u>42,899</u>	<u>-</u>
	86,339	33,203
Long-term debt (Note 7)	<u>957,101</u>	<u>-</u>
	<u>1,043,440</u>	<u>33,203</u>
SURPLUS		
Operating surplus	107,385	96,121
Capital surplus (Note 8)	<u>1,112,271</u>	<u>1,026,362</u>
	<u>1,219,656</u>	<u>1,122,483</u>
	<u>\$ 2,263,096</u>	<u>\$ 1,155,686</u>

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, 2002

	2002	2001
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net earnings	\$ <u>11,264</u>	\$ <u>10,086</u>
Changes in non-cash operating working capital items		
Accounts receivable	5,475	5,872
Inventory	(747)	(715)
Prepaid expenses	(4,702)	1,423
Accounts payable and accrued liabilities	<u>10,239</u>	<u>5,186</u>
	<u>10,265</u>	<u>11,766</u>
	<u>21,529</u>	<u>21,852</u>
Financing		
Contribution for Student Centre Fund	56,480	54,984
Investment income	31,773	46,759
Bank teller machine revenue	<u>2,015</u>	<u>1,839</u>
	<u>90,268</u>	<u>103,582</u>
Investing		
Increase in capital investments	(90,268)	(156,308)
Decrease (increase) in investment	13,184	(25,500)
Deferred project costs	<u>(11,749)</u>	<u>(22,369)</u>
	<u>(88,833)</u>	<u>(204,177)</u>
Net cash inflow (outflow)	<u>22,964</u>	<u>(78,743)</u>
Cash position, beginning of year	<u>59,640</u>	<u>138,383</u>
Cash position, end of year	<u>\$ 82,604</u>	<u>\$ 59,640</u>
Represented by:		
Cash	\$ 26,478	\$ 5,194
Short term deposits	<u>56,126</u>	<u>54,446</u>
	<u>\$ 82,604</u>	<u>\$ 59,640</u>

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED APRIL 30, 2002

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.

During the year the University of Prince Edward Island Student Union Inc. contributed \$2,014,764 to the University of Prince Edward Island for the construction of the new Student Centre in the form of \$1,014,764 in cash 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 new Student Centre.

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) **Capital Assets**

Capital asset additions funded from current operations are recorded as operating expenses. Capital assets funded from capital surplus are recorded at cost. Amortization is computed using the straight-line method at the following annual rates:

Capital renovations - building	5%
Building interest	20 years
Equipment	20%
Computer equipment	30%

3 DEFERRED PROJECT COSTS

Deferred project costs are related to initial development costs of the UPEI Student Centre. These amounts had been deferred until the completion of the UPEI Student Centre, and were to be amortized over the life of the mortgage, after construction was completed. During the year, the deferred project costs were transferred to building interest.

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED APRIL 30, 2002

4 INVESTMENT IN CAMPUS TRUST

During 2001, the UPEI Student Union joined The Campus Trust Medical coverage insurance program for the administration of UPEI students' health and benefits plan. The UPEI Student Union was required to make an initial contribution in the amount of \$25,500 to join the program. During the year, the medical plan was underfunded and funds from the initial contribution were used to fund the deficit.

	<u>2002</u>	<u>2001</u>
Investment	\$ <u>12,316</u>	\$ <u>25,500</u>

5. CAPITAL INVESTMENTS

In accordance with agreements between the University of Prince Edward Island Student Union Inc. and the Board of Governors of the University of Prince Edward Island, certain investments are under joint administration and provide funds for capital projects as follows:

	<u>2002</u>	<u>2001</u>
Cash	\$ 493	\$ 493
Capital Savings Fund	-	404,453
Student Centre Fund	3,853	525,571
Furniture	<u>56,126</u>	<u>54,451</u>
	<u>\$ 60,472</u>	<u>\$ 984,968</u>
Investments	\$ 26,354	\$ -
Capital investments	<u>34,118</u>	<u>984,968</u>
	<u>\$ 60,472</u>	<u>\$ 984,968</u>

6. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2002</u>	<u>2001</u>
Capital renovations - building	\$ 220,428	\$ 213,249	\$ 7,179	\$ 12,449
Building interest	2,048,881	-	2,048,881	-
Equipment	160,645	138,918	21,727	22,466
Computer equipment	<u>47,830</u>	<u>39,702</u>	<u>8,128</u>	<u>6,479</u>
	<u>\$ 2,477,784</u>	<u>\$ 391,869</u>	<u>\$ 2,085,915</u>	<u>\$ 41,394</u>

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED APRIL 30, 2002

7. LONG-TERM DEBT

	<u>2002</u>	<u>2001</u>
Term loan, 5.86%, payable to 2017, in monthly installments of \$8,363, including interest	\$ 1,000,000	\$ -
Current portion	<u>42,899</u>	<u>-</u>
	<u>\$ 957,101</u>	<u>\$ -</u>

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

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 42,899	\$ 45,480	\$ 48,218	\$ 51,120	\$ 54,198

8. CAPITAL SURPLUS

	<u>Student Centre Fund</u>	<u>Capital Savings Fund</u>	<u>2002</u>	<u>2001</u>
Balance, beginning of year	\$ <u>580,046</u>	\$ <u>446,314</u>	\$ <u>1,026,362</u>	\$ <u>875,572</u>
Add:				
Contribution from operations				
Revenue collected through				
Student Union fees	56,480	-	56,480	54,984
Purchase of equipment	-	7,178	7,178	6,343
Investment income	17,779	13,994	31,773	46,759
Bank teller machine income	2,015	-	2,015	1,839
Appropriated from operating surplus	-	-	-	52,726
Transfer from capital savings	380,016	-	380,016	-
Deferred project costs	<u>34,118</u>	<u>-</u>	<u>34,118</u>	<u>-</u>
	<u>490,408</u>	<u>21,172</u>	<u>511,580</u>	<u>162,651</u>
Deduct:				
Amortization	-	11,537	11,537	11,861
Transfer to student centre fund	-	380,016	380,016	-
Deferred project costs	<u>-</u>	<u>34,118</u>	<u>34,118</u>	<u>-</u>
	<u>-</u>	<u>425,671</u>	<u>425,671</u>	<u>11,861</u>
Balance, end of year	<u>\$ 1,070,454</u>	<u>\$ 41,815</u>	<u>\$ 1,112,271</u>	<u>\$ 1,026,362</u>

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED APRIL 30, 2002

9. OTHER REVENUE

	<u>2002</u>	<u>2001</u>
Interest on short-term deposits	\$ 215	\$ 5,733
Sundry	<u>8,316</u>	<u>4,643</u>
	<u>\$ 8,531</u>	<u>\$ 10,376</u>

10. COMMITMENT

The UPEI Student Union Inc. has entered into a funding and operating agreement with the University of Prince Edward Island in relation to the new Student Centre for UPEI students. During the year, the UPEI Student Union transferred a total contribution of \$1,014,764 from their capital surplus savings to the University of PEI and have committed to make regular mortgage payments on a \$1,000,000 mortgage issued to the University of PEI by the Bank of Nova Scotia. Construction of the new UPEI Student Centre was completed in August, 2002, and subsequent to the year-end of the organization, the Student Union has entered into a long-term operating agreement with UPEI to act as co-managers of the facility.

SCHEDULE 1

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
LOUNGE OPERATIONS
 YEAR ENDED APRIL 30, 2002

	2002	%	2001	%
		of Sales		of Sales
Sales	\$ <u>92,795</u>	<u>100.0</u>	\$ <u>121,460</u>	<u>100.0</u>
Cost of sales				
Inventory, beginning of year	5,887		5,172	-
Purchases	<u>41,139</u>		<u>54,317</u>	-
	47,026		59,489	-
Inventory, end of year	<u>6,634</u>		<u>5,887</u>	-
	<u>53,660</u>	<u>57.8</u>	<u>65,376</u>	<u>53.8</u>
Gross margin	<u>39,135</u>	<u>42.2</u>	<u>56,084</u>	<u>46.2</u>
Expenses				
Advertising	217		-	
Equipment	2,206		1,060	
Licenses	475		1,496	
Materials and supplies	6,670		5,348	
Miscellaneous	1,790		1,320	
Movies and entertainment	3,276		59	
Repairs and maintenance	55		134	
Salaries	35,488		37,659	
Staff clothing	1,827		144	
Staff training	410		-	
Travel	<u>279</u>		<u>-</u>	
	<u>52,693</u>		<u>47,220</u>	
	\$ <u>(13,558)</u>		\$ <u>8,864</u>	

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
STUDENT ACTIVITIES
YEAR ENDED APRIL 30, 2002

	Social Committee and Special Events	Student Union Newspaper	Yearbook
<u>2002</u>			
Revenue	\$ <u>38,430</u>	\$ <u>5,345</u>	\$ <u>7,789</u>
Expenses			
Advertising	4,320	-	-
Dues and licenses	4,295	560	-
Entertainment	66,945	-	-
Equipment	-	-	200
Materials and supplies	1,134	129	444
Miscellaneous	2,208	-	72
Printing	-	11,992	20,087
Salaries	11	9,073	4,026
Telephone	-	83	83
Travel	-	2,533	-
	<u>78,913</u>	<u>24,370</u>	<u>24,912</u>
Excess of expenses over revenue	\$ <u>40,483</u>	\$ <u>19,025</u>	\$ <u>17,123</u>
<u>2001</u>			
Revenues	\$ <u>41,536</u>	\$ <u>11,428</u>	\$ <u>4,057</u>
Expenses			
Advertising	2,412	-	-
Dues and licenses	922	550	-
Entertainment	68,668	-	-
Equipment	-	1,989	4,557
Material and supplies	572	524	369
Miscellaneous	174	(64)	638
Printing	105	14,616	17,969
Salaries	-	8,672	6,592
Telephone	-	303	303
Travel	-	4,124	-
	<u>72,853</u>	<u>30,714</u>	<u>30,428</u>
Excess of expenses over revenue	\$ <u>31,317</u>	\$ <u>19,286</u>	\$ <u>26,371</u>

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
GENERAL AND ADMINISTRATIVE EXPENSES
YEAR ENDED APRIL 30, 2002

	2002	2001
Bad debts	\$ 2,405	\$ 4,933
Banquet	2,560	2,726
Cleaning and sanitation	4,329	2,763
Donations and sports awards	4,538	4,230
Equipment	5,253	268
Fuel	4,412	7,484
Handbook	6,247	5,547
Insurance	7,218	7,261
Interest and bank charges	2,348	6,855
Office and miscellaneous	11,648	11,665
Professional fees	9,188	10,962
Repairs and maintenance	5,301	3,917
Salaries and employee benefits	124,953	134,105
Telephone	3,990	4,472
Travel	6,024	7,974
Workers' compensation insurance	<u>628</u>	<u>556</u>
	<u>\$ 201,042</u>	<u>\$ 215,718</u>