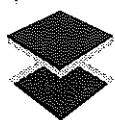

UNIVERSITY OF PRINCE EDWARD ISLAND
STUDENT UNION INC.
FINANCIAL STATEMENTS

APRIL 30, 2003



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, 2003, 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 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 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, 2003, 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

July 9, 2003

Chartered Accountants

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
STATEMENT OF EARNINGS AND OPERATING SURPLUS
 YEAR ENDED APRIL 30, 2003


	2003	2002
Revenue		
Student Health Plan	\$ 283,661	\$ 250,657
CFS membership fees	21,945	20,601
Other revenue (Note 9)	1,560	8,531
Student Centre Fund	110,350	56,480
Student fees	339,900	301,261
WUSC fees	<u>12,487</u>	<u>11,768</u>
	<u>769,903</u>	<u>649,298</u>
Operating expenses		
Student Health Plan	283,661	250,657
CFS membership fees	21,945	20,601
Contribution to capital		
Cash transfer - Student Centre Fund	-	56,480
Lounge operations (Schedule 1)	19,848	13,558
Student activities (Schedule 2)		
Social committee and special events	22,985	40,483
Student Union newspaper	18,408	19,025
Yearbook	19,106	17,123
Student Council activities	4,280	6,302
WUSC fees	<u>12,487</u>	<u>11,768</u>
	<u>402,720</u>	<u>435,997</u>
Earnings before other items	<u>367,183</u>	<u>213,301</u>
Other items		
General and administrative expenses (Schedule 3)	343,991	201,042
Student Centre 2002	-	(995)
Loss on disposal of capital assets	<u>14,967</u>	<u>-</u>
	<u>358,958</u>	<u>202,037</u>
Net earnings	8,225	11,264
Operating surplus, beginning of year	107,386	96,122
Appropriation to capital surplus	(42,898)	-
Restatement of prior year (Note 10)	<u>59,042</u>	<u>-</u>
Operating surplus, end of year	<u>\$ 131,755</u>	<u>\$ 107,386</u>

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
BALANCE SHEET
AS AT APRIL 30, 2003

	2003	2002
ASSETS		
Current		
Cash and short-term deposits	\$ 46,175	\$ 82,604
Accounts receivable	5,926	7,061
Inventory	10,021	6,634
Prepaid expenses	<u>13,112</u>	<u>8,094</u>
	75,234	104,393
Investment in Campus Trust (Note 3)	12,316	12,316
Investments (Note 4)	-	26,354
Capital investments (Note 4)	-	34,118
Capital assets (Note 5)	158,194	37,034
Building interest (Note 6)	<u>2,048,881</u>	<u>2,048,881</u>
	<u>\$ 2,294,625</u>	<u>\$ 2,263,096</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 3,840	\$ 3,840
Classes and suborganizations	57,898	39,599
Trade	56,480	42,899
Current portion of long-term debt (Note 7)	<u>118,218</u>	<u>86,338</u>
	952,873	957,101
Long-term debt (Note 7)	<u>1,071,091</u>	<u>1,043,439</u>
SURPLUS		
Operating surplus	131,755	107,386
Capital surplus (Note 8)	<u>1,091,779</u>	<u>1,112,271</u>
	<u>1,223,534</u>	<u>1,219,657</u>
	<u>\$ 2,294,625</u>	<u>\$ 2,263,096</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, 2003

	2003	2002
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net earnings	\$ 8,225	\$ 11,264
Items not affecting cash		
Amortization	20,011	-
Loss on disposal of capital assets	<u>14,967</u>	<u>-</u>
	43,203	11,264
Changes in non-cash operating working capital items		
Accounts receivable	1,135	5,475
Inventory	(3,387)	(747)
Prepaid expenses	(5,018)	(4,702)
Accounts payable and accrued liabilities	<u>18,297</u>	<u>10,239</u>
	<u>11,027</u>	<u>10,265</u>
	<u>54,230</u>	<u>21,529</u>
Financing		
Contribution for Student Centre Fund	-	56,480
Investment income	-	31,773
Bank teller machine revenue	-	2,015
Proceeds from long-term debt	55,000	-
Repayment of long-term debt	<u>(45,647)</u>	<u>-</u>
	<u>9,353</u>	<u>90,268</u>
Investing		
Increase in capital investments	-	(90,268)
Acquisition of capital assets	(156,138)	-
Decrease in investment	56,126	13,184
Deferred project costs	<u>-</u>	<u>(11,749)</u>
	<u>(100,012)</u>	<u>(88,833)</u>
Net cash (outflow) inflow	(36,429)	22,964
Cash position, beginning of year	<u>82,604</u>	<u>59,640</u>
Cash position, end of year	<u>\$ 46,175</u>	<u>\$ 82,604</u>
Represented by:		
Cash	\$ 46,175	\$ 26,478
Short-term deposits	<u>-</u>	<u>56,126</u>
	<u>\$ 46,175</u>	<u>\$ 82,604</u>

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED APRIL 30, 2003

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 new 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 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 are 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%

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED APRIL 30, 2003

3 INVESTMENT IN CAMPUS 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.

	<u>2003</u>	<u>2002</u>
Investment	\$ <u>12,316</u>	\$ <u>12,316</u>

4. 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 were held under joint administration to provide funds for capital projects. During 2002 and 2003, these funds were used to assist in funding the construction of the new Student Centre and required equipment upgrades.

	<u>2003</u>	<u>2002</u>
Cash	\$ -	\$ 493
Student Centre Fund	-	3,853
Furniture	-	56,126
	<u>\$ -</u>	<u>\$ 60,472</u>
Investments	\$ -	\$ 26,354
Capital investments	-	34,118
	<u>\$ -</u>	<u>\$ 60,472</u>

During the year, all investments were disposed of and used for the purchase of equipment.

5. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2003</u>	<u>2002</u>
Capital renovations - building	\$ 39,134	\$ 978	\$ 38,156	\$ 7,179
Equipment	96,863	18,323	78,540	21,727
Computer equipment	59,048	17,550	41,498	8,128
	<u>\$ 195,045</u>	<u>\$ 36,851</u>	<u>\$ 158,194</u>	<u>\$ 37,034</u>

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED APRIL 30, 2003

6. BUILDING INTEREST

The University of Prince Edward Island Student Union Inc. has an agreement with the University of Prince Edward Island which enables the Student Union to the use and enjoyment of the new 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. LONG-TERM DEBT

	<u>2003</u>	<u>2002</u>
Term loan, 5.86%, payable to 2017, in monthly installments of \$8,363, including interest	\$ 957,103	\$ 1,000,000
Term loan, prime + 1%, payable to 2008, in monthly installments of \$917, plus interest	<u>52,250</u>	<u>-</u>
	1,009,353	1,000,000
Current portion	<u>56,480</u>	<u>42,899</u>
	<u>\$ 952,873</u>	<u>\$ 957,101</u>

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

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 56,480	\$ 59,218	\$ 62,120	\$ 65,198	\$ 65,711

8. CAPITAL SURPLUS

	<u>2003</u>	<u>2002</u>
Capital surplus, beginning of year	\$ 1,112,271	\$ -
Investment in building interest	-	1,112,271
Reallocation to operating surplus	(63,389)	-
Principal debt repayment	<u>42,897</u>	<u>-</u>
Capital surplus, end of year	<u>\$ 1,091,779</u>	<u>\$ 1,112,271</u>

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED APRIL 30, 2003

9. OTHER REVENUE

	<u>2003</u>	<u>2002</u>
Interest on short-term deposits	\$ 369	\$ 215
Sundry	<u>1,191</u>	<u>8,316</u>
	<u>\$ 1,560</u>	<u>\$ 8,531</u>

10. ACCOUNTING CHANGE

Effective May 1, 2002, the organization prospectively changed its method of accounting for capital assets. Previously, capital asset additions funded from current operations were recorded as current operating expenses. Under the new accounting method, capital assets are capitalized and amortized over their useful lives. As a result, the cumulative effect of applying the new method from what would have been reported under the previous policy, is an increase of approximately \$59,042 in the operating results of the organization.

11. COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform with current year presentation.

SCHEDULE 1

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
LOUNGE OPERATIONS
YEAR ENDED APRIL 30, 2003

	2003	%	2002	%
		of Sales		of Sales
Sales	\$ <u>244,232</u>	<u>100.0</u>	\$ <u>92,795</u>	<u>100.0</u>
Cost of sales				
Inventory, beginning of year	6,634		5,887	
Purchases	<u>130,618</u>		<u>54,407</u>	
	137,252		60,294	
Inventory, end of year	<u>(10,021)</u>		<u>(6,634)</u>	
	<u>127,231</u>	<u>52.1</u>	<u>53,660</u>	<u>57.8</u>
Gross margin	<u>117,001</u>	<u>47.9</u>	<u>39,135</u>	<u>42.2</u>
Expenses				
Advertising	10,643		217	
Interest and bank charges	507		-	
Licenses	4,607		475	
Materials and supplies	13,005		6,670	
Miscellaneous	1,089		1,790	
Movies and entertainment	6,319		3,276	
Repairs, maintenance and supplies	4,373		2,261	
Salaries	91,875		35,488	
Staff clothing	3,336		1,827	
Staff training	1,000		410	
Travel	<u>95</u>		<u>279</u>	
	<u>136,849</u>		<u>52,693</u>	
	<u>\$ (19,848)</u>		<u>\$ (13,558)</u>	

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
STUDENT ACTIVITIES
 YEAR ENDED APRIL 30, 2003

	Social Committee and Special Events	Student Union Newspaper	Yearbook
<u>2003</u>			
Revenue	\$ <u>67,566</u>	\$ <u>9,771</u>	\$ <u>6,594</u>
Expenses			
Advertising	199	-	-
Dues and licenses	3,311	560	-
Entertainment	82,215	-	-
Materials and supplies	1,960	645	46
Miscellaneous	1,957	528	68
Printing	909	16,109	19,202
Salaries	-	9,302	6,192
Telephone	-	192	192
Travel	-	843	-
	<u>90,551</u>	<u>28,179</u>	<u>25,700</u>
Excess of expenses over revenue	\$ <u><u>22,985</u></u>	\$ <u><u>18,408</u></u>	\$ <u><u>19,106</u></u>
<u>2002</u>			
Revenues	\$ <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
Material 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><u>40,483</u></u>	\$ <u><u>19,025</u></u>	\$ <u><u>17,123</u></u>

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
GENERAL AND ADMINISTRATIVE EXPENSES
 YEAR ENDED APRIL 30, 2003

	2003	2002
Amortization	\$ 20,011	\$ -
Bad debts	1,558	2,405
Banquet	3,062	2,560
Cleaning and sanitation	855	4,329
Donations and sports awards	2,711	4,538
Equipment	-	5,253
Fuel	250	4,412
Handbook	7,475	6,247
Insurance	15,333	7,218
Interest and bank charges	2,953	2,348
Interest on long-term debt	57,460	-
Office and miscellaneous	10,717	11,648
Operating costs - student centre		
Cleaning	815	-
Equipment	140	-
Heat	22,273	-
Insurance	1,950	-
Lights	19,730	-
Propane	1,245	-
Repairs and maintenance	1,315	-
Wages and benefits	24,121	-
Water	484	-
Professional fees	8,603	9,188
Repairs and maintenance	388	5,301
Salaries and employee benefits	129,700	124,953
Telephone	3,369	3,990
Travel	6,833	6,024
Workers' compensation insurance	640	628
	<u>\$ 343,991</u>	<u>\$ 201,042</u>