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**UNIVERSITY OF PRINCE EDWARD ISLAND  
STUDENT UNION INC.  
FINANCIAL STATEMENTS  
APRIL 30, 2004**



# MacPherson Roche Smith & Noonan

CHARTERED ACCOUNTANTS AND MANAGEMENT CONSULTANTS

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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, 2004, 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, 2004, 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

July 19, 2004

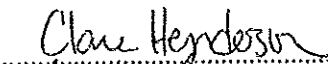
**UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.**  
**STATEMENT OF EARNINGS AND OPERATING SURPLUS**  
 YEAR ENDED APRIL 30, 2004

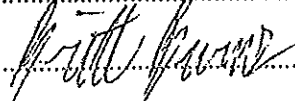
	2004	2003
Revenue		
Student Health Plan	\$ 354,304	\$ 283,661
CFS membership fees	23,051	21,945
Lounge operations (Schedule 1)	22,793	-
Other revenue (Note 8)	11,361	1,560
Student Centre Fund	131,597	110,350
Student fees	387,531	339,900
WUSC fees	<u>13,851</u>	<u>12,487</u>
	<u>944,488</u>	<u>769,903</u>
Operating expenses		
Student Health Plan	354,304	283,661
CFS membership fees	23,051	21,945
Lounge operations (Schedule 1)	-	19,848
Student activities (Schedule 2)		
Social committee and special events	33,960	22,985
Student Union newspaper	11,510	18,408
Yearbook	18,465	19,106
Student Council activities	6,329	4,280
WUSC fees	<u>13,851</u>	<u>12,487</u>
	<u>461,470</u>	<u>402,720</u>
Earnings before other items	<u>483,018</u>	<u>367,183</u>
Other items		
General and administrative expenses (Schedule 3)	404,112	343,991
Loss on disposal of capital assets	<u>4,502</u>	<u>14,967</u>
	<u>408,614</u>	<u>358,958</u>
Net earnings	74,404	8,225
Operating surplus, beginning of year	131,755	107,386
Appropriation to capital surplus	(45,480)	(42,898)
Restatement of prior year (Note 9)	<u>-</u>	<u>59,042</u>
Operating surplus, end of year	<u>\$ 160,679</u>	<u>\$ 131,755</u>

**UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.**  
**BALANCE SHEET**  
AS AT APRIL 30, 2004

	2004	2003
<b>ASSETS</b>		
<b>Current</b>		
Cash and short-term deposits	\$ 23,598	\$ 46,175
Accounts receivable	22,128	5,926
Inventory	6,816	10,021
Prepaid expenses	<u>20,764</u>	<u>13,112</u>
	73,306	75,234
Investment in Student Medical Plan (Note 3)	9,555	12,316
Capital assets (Note 4)	144,851	158,194
Building interest (Note 5)	<u>2,048,881</u>	<u>2,048,881</u>
	<u>\$ 2,276,593</u>	<u>\$ 2,294,625</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities		
Classes and suborganizations	\$ 3,840	\$ 3,840
Trade	21,942	57,896
Current portion of long-term debt (Note 6)	<u>59,218</u>	<u>56,480</u>
	85,000	118,216
Long-term debt (Note 6)	<u>893,655</u>	<u>952,873</u>
	<u>978,655</u>	<u>1,071,089</u>
<b>SURPLUS</b>		
Operating surplus	160,679	131,755
Capital surplus (Note 7)	<u>1,137,259</u>	<u>1,091,781</u>
	<u>1,297,938</u>	<u>1,223,536</u>
	<u>\$ 2,276,593</u>	<u>\$ 2,294,625</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, 2004

	2004	2003
<b>Net inflow (outflow) of cash related to the following activities:</b>		
<b>Operating</b>		
Net earnings	\$ 74,404	\$ 8,225
Items not affecting cash		
Amortization	17,182	20,011
Loss on disposal of capital assets	<u>4,502</u>	<u>14,967</u>
	<u>96,088</u>	<u>43,203</u>
Changes in non-cash operating working capital items		
Accounts receivable	(16,202)	1,135
Inventory	3,205	(3,387)
Prepaid expenses	(7,652)	(5,018)
Accounts payable and accrued liabilities	<u>(35,957)</u>	<u>18,297</u>
	<u>(56,606)</u>	<u>11,027</u>
	<u>39,482</u>	<u>54,230</u>
<b>Financing</b>		
Proceeds from long-term debt	-	55,000
Repayment of long-term debt	<u>(56,480)</u>	<u>(45,647)</u>
	<u>(56,480)</u>	<u>9,353</u>
<b>Investing</b>		
Acquisition of capital assets	(8,340)	(156,138)
Decrease in investment	<u>2,761</u>	<u>56,126</u>
	<u>(5,579)</u>	<u>(100,012)</u>
<b>Net cash outflow</b>	(22,577)	(36,429)
<b>Cash position, beginning of year</b>	<u>46,175</u>	<u>82,604</u>
<b>Cash position, end of year</b>	<u>\$ 23,598</u>	<u>\$ 46,175</u>

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**UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
YEAR ENDED APRIL 30, 2004

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**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%

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**UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
YEAR ENDED APRIL 30, 2004

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**3 INVESTMENT IN STUDENT MEDICAL PLAN**

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.

	<u>2004</u>	<u>2003</u>
Investment	\$ <u>9,555</u>	\$ <u>12,316</u>

**4. CAPITAL ASSETS**

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2004</u>	<u>2003</u>
Capital renovations - building	\$ 39,134	\$ 2,886	\$ 36,248	\$ 38,156
Equipment	93,920	21,798	72,122	78,540
Computer equipment	<u>52,619</u>	<u>16,138</u>	<u>36,481</u>	<u>41,498</u>
	<u>\$ 185,673</u>	<u>\$ 40,822</u>	<u>\$ 144,851</u>	<u>\$ 158,194</u>

**5. 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.

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**UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 YEAR ENDED APRIL 30, 2004

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**6. LONG-TERM DEBT**

	<u>2004</u>	<u>2003</u>
Term loan, 5.86%, payable to 2017, in monthly installments of \$8,363, including interest	\$ 911,623	\$ 957,103
Term loan, prime + 1%, payable to 2008, in monthly installments of \$917, plus interest	<u>41,250</u>	<u>52,250</u>
Current portion	952,873 <u>59,218</u>	1,009,353 <u>56,480</u>
	<u>\$ 893,655</u>	<u>\$ 952,873</u>

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

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 59,218	\$ 62,120	\$ 65,198	\$ 65,711	\$ 700,625

**7. CAPITAL SURPLUS**

	<u>2004</u>	<u>2003</u>
Capital surplus, beginning of year	\$ 1,091,779	\$ 1,112,271
Reallocation to operating surplus	-	(63,389)
Principal debt repayment	<u>45,480</u>	<u>42,897</u>
Capital surplus, end of year	<u>\$ 1,137,259</u>	<u>\$ 1,091,779</u>

**8. OTHER REVENUE**

	<u>2004</u>	<u>2003</u>
Interest on short-term deposits	\$ -	\$ 369
Sundry	788	1,191
Refund of CFS dues	<u>10,573</u>	<u>-</u>
	<u>\$ 11,361</u>	<u>\$ 1,560</u>

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**UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
YEAR ENDED APRIL 30, 2004

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**9. 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.

**10. 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, 2004

	2004	%	2003	%
		of Sales		of Sales
Sales	\$ <u>288,472</u>	<u>100.0</u>	\$ <u>244,232</u>	<u>100.0</u>
Cost of sales				
Inventory, beginning of year	10,021		6,634	
Purchases	<u>132,218</u>		<u>130,618</u>	
	142,239		137,252	
Inventory, end of year	<u>(6,816)</u>		<u>(10,021)</u>	
	<u>135,423</u>	<u>46.9</u>	<u>127,231</u>	<u>52.1</u>
Gross margin	<u>153,049</u>	<u>53.1</u>	<u>117,001</u>	<u>47.9</u>
Expenses				
Advertising	13,517		10,643	
Interest and bank charges	2,645		507	
Licenses	2,075		4,607	
Materials and supplies	16,023		13,005	
Miscellaneous	1,192		1,089	
Movies and entertainment	1,304		6,319	
Repairs, maintenance and supplies	5,825		4,373	
Salaries	83,272		91,875	
Staff clothing	2,824		3,336	
Staff training	1,579		1,000	
Travel	<u>-</u>		<u>95</u>	
	<u>130,256</u>		<u>136,849</u>	
	\$ <u>22,793</u>		\$ <u>(19,848)</u>	

**UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.**  
**STUDENT ACTIVITIES**  
 YEAR ENDED APRIL 30, 2004

	Social Committee and Special Events	Student Union Newspaper	Yearbook
<b><u>2004</u></b>			
Revenue	\$ <u>71,675</u>	\$ <u>15,042</u>	\$ <u>7,261</u>
Expenses			
Dues and licenses	4,124	448	-
Entertainment	96,961	-	-
Materials and supplies	1,735	293	231
Miscellaneous	444	547	108
Printing	853	14,539	18,761
Salaries	-	8,799	6,356
Security	1,518	-	-
Telephone	-	270	270
Travel	-	1,656	-
	<u>105,635</u>	<u>26,552</u>	<u>25,726</u>
Excess of expenses over revenue	\$ <u>33,960</u>	\$ <u>11,510</u>	\$ <u>18,465</u>
<b><u>2003</u></b>			
Revenues	\$ <u>67,566</u>	\$ <u>9,771</u>	\$ <u>6,594</u>
Expenses			
Advertising	199	-	-
Dues and licenses	3,311	560	-
Entertainment	82,215	-	-
Material 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>22,985</u>	\$ <u>18,408</u>	\$ <u>19,106</u>

**UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.**  
**GENERAL AND ADMINISTRATIVE EXPENSES**  
 YEAR ENDED APRIL 30, 2004

	2004	2003
Amortization	\$ 17,182	\$ 20,011
Bad debts	2,873	1,558
Banquet	2,764	3,062
Cleaning and sanitation	-	855
Donations and sports awards	6,603	2,711
Fuel	-	250
Handbook	8,394	7,475
Insurance	24,164	15,333
Interest and bank charges	4,312	2,953
Interest on long-term debt	54,879	57,460
Office and miscellaneous	10,263	10,717
Operating costs - student centre		
Cleaning	1,019	815
Equipment	234	140
Heat	18,886	22,273
Insurance	1,685	1,950
Lights	23,457	19,730
Propane	2,318	1,245
Repairs and maintenance	7,997	1,315
Wages and benefits	37,399	24,121
Water	729	484
Professional fees	7,838	8,603
Repairs and maintenance	1,470	388
Salaries and employee benefits	149,194	129,700
Telephone	4,381	3,369
Travel	15,408	6,833
Workers' compensation insurance	663	640
	<u>\$ 404,112</u>	<u>\$ 343,991</u>