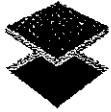

**UNIVERSITY OF PRINCE EDWARD ISLAND
STUDENT UNION INC.
FINANCIAL STATEMENTS
APRIL 30, 2005**



MacPherson Roche Smith & Noonan

CHARTERED ACCOUNTANTS AND MANAGEMENT CONSULTANTS

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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, 2005, 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, 2005, and the results of its operations and cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

July 14, 2005

MacPherson Roche Smith & Noonan
Chartered Accountants

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
STATEMENT OF EARNINGS AND OPERATING SURPLUS
 YEAR ENDED APRIL 30, 2005

	2005	2004
Revenue		
Student Health Plan	\$ 370,573	\$ 354,304
CFS fees	-	23,051
Lounge operations (Schedule 1)	10,171	22,793
Other revenue (Note 9)	507	11,361
Student Centre Fund	139,902	131,597
Student fees	429,802	387,531
WUSC fees	<u>14,428</u>	<u>13,851</u>
	<u>965,383</u>	<u>944,488</u>
Operating expenses		
Student Health Plan	370,573	354,304
CFS fees	-	23,051
Student activities (Schedule 2)		
Social committee and special events	4,688	33,960
Student Union newspaper	16,679	11,510
Yearbook	19,252	18,465
Student Council activities	3,405	6,329
WUSC fees	<u>14,428</u>	<u>13,851</u>
	<u>429,025</u>	<u>461,470</u>
Earnings before other items	<u>536,358</u>	<u>483,018</u>
Other items		
General and administrative expenses (Schedule 3)	437,773	404,112
Loss on disposal of capital assets	<u>806</u>	<u>4,502</u>
	<u>438,579</u>	<u>408,614</u>
Net earnings	97,779	74,404
Operating surplus, beginning of year	160,679	131,755
Appropriation to capital surplus	<u>(48,218)</u>	<u>(45,480)</u>
Operating surplus, end of year	<u>\$ 210,240</u>	<u>\$ 160,679</u>

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
BALANCE SHEET
AS AT APRIL 30, 2005

	2005	2004
ASSETS		
Current		
Cash and short-term deposits	\$ 50,324	\$ 23,598
Accounts receivable	20,832	22,128
Inventory	9,937	6,816
Prepaid expenses	<u>18,621</u>	<u>20,764</u>
	99,714	73,306
Student Medical Plan In Trust (Note 3)	58,425	9,555
Capital assets (Note 4)	136,839	144,851
Building interest (Note 5)	2,048,881	2,048,881
Contingency reserve (Note 6)	<u>13,067</u>	<u>-</u>
	<u>\$ 2,356,926</u>	<u>\$ 2,276,593</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 3,840	\$ 3,840
Classes and suborganizations	22,429	21,942
Trade	41,286	-
Deferred revenue	<u>62,120</u>	<u>59,218</u>
Current portion of long-term debt (Note 7)	129,675	85,000
	<u>831,535</u>	<u>893,655</u>
Long-term debt (Note 7)	961,210	978,655
SURPLUS		
Operating surplus	210,240	160,679
Capital surplus (Note 8)	<u>1,185,476</u>	<u>1,137,259</u>
	<u>1,395,716</u>	<u>1,297,938</u>
	<u>\$ 2,356,926</u>	<u>\$ 2,276,593</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, 2005

	2005	2004
Net Inflow (outflow) of cash related to the following activities:		
Operating		
Net earnings	\$ 97,779	\$ 74,404
Items not affecting cash		
Amortization	29,799	17,182
Loss on disposal of capital assets	<u>806</u>	<u>4,502</u>
	<u>128,384</u>	<u>96,088</u>
Changes in non-cash operating working capital items		
Temporary investments	(13,067)	-
Accounts receivable	1,296	(16,202)
Inventory	(3,121)	3,205
Prepaid expenses	2,143	(7,652)
Accounts payable and accrued liabilities	486	(35,957)
Deferred revenue	<u>41,286</u>	<u>-</u>
	<u>29,023</u>	<u>(56,606)</u>
	<u>157,407</u>	<u>39,482</u>
Financing		
Repayment of long-term debt	<u>(59,218)</u>	<u>(56,480)</u>
Investing		
Acquisition of capital assets	(22,593)	(8,340)
(Increase) decrease in investment	<u>(48,870)</u>	<u>2,761</u>
	<u>(71,463)</u>	<u>(5,579)</u>
Net cash inflow (outflow)	26,726	(22,577)
Cash position, beginning of year	<u>23,598</u>	<u>46,175</u>
Cash position, end of year	<u>\$ 50,324</u>	<u>\$ 23,598</u>

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED APRIL 30, 2005

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) Temporary Investments

Temporary investments are recorded at the lower of cost and market value.

c) 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%
Web-site	30%

d) 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, 2005

2. ACCOUNTING POLICIES (continued)

e) 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.

f) Financial Instruments

Financial instruments of the company consist mainly of cash, accounts receivable, accounts payable and accrued liabilities, 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, 2005 the fund had a surplus of \$58,425. This amount will be reduced in future years through reductions in premiums. A portion of the surplus is recorded as deferred revenue and this amount will be realized in future years as the surplus decreases.

	<u>2005</u>	<u>2004</u>
Investment	\$ <u>58,425</u>	\$ <u>9,555</u>

4. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2005</u>	<u>2004</u>
Capital renovations - building	\$ 39,134	\$ 4,699	\$ 34,435	\$ 36,248
Equipment	103,800	36,089	67,711	72,122
Computer equipment	56,365	27,189	29,176	36,481
Web-site	<u>6,490</u>	<u>973</u>	<u>5,517</u>	<u>-</u>
	<u>\$ 205,789</u>	<u>\$ 68,950</u>	<u>\$ 136,839</u>	<u>\$ 144,851</u>

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED APRIL 30, 2005

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.

6. 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.

7. LONG-TERM DEBT

	<u>2005</u>	<u>2004</u>
Term loan, 5.86%, payable to 2017, in monthly installments of \$8,363, including interest	\$ 863,405	\$ 911,623
Term loan, prime + 1%, payable to 2008, in monthly installments of \$917, plus interest	<u>30,250</u>	<u>41,250</u>
	893,655	952,873
Current portion	<u>62,120</u>	<u>59,218</u>
	<u>\$ 831,535</u>	<u>\$ 893,655</u>

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
	\$ 62,120	\$ 65,198	\$ 65,711	\$ 60,920	\$ 64,587

8. CAPITAL SURPLUS

	<u>2005</u>	<u>2004</u>
Capital surplus, beginning of year	\$ 1,137,259	\$ 1,091,779
Principal debt repayment	<u>48,217</u>	<u>45,480</u>
Capital surplus, end of year	<u>\$ 1,185,476</u>	<u>\$ 1,137,259</u>

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED APRIL 30, 2005

9. OTHER REVENUE

	<u>2005</u>	<u>2004</u>
Interest on short-term deposits	\$ 272	\$ -
Sundry	235	788
Refund of CFS dues	<u>-</u>	<u>10,573</u>
	<u>\$ 507</u>	<u>\$ 11,361</u>

SCHEDULE 1

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
LOUNGE OPERATIONS
 YEAR ENDED APRIL 30, 2005

	2005	%	2004	%
		of Sales		of Sales
Sales	\$ <u>287,164</u>	<u>100.0</u>	\$ <u>288,472</u>	<u>100.0</u>
Cost of sales				
Inventory, beginning of year	6,816		10,021	
Purchases	<u>139,560</u>		<u>132,218</u>	
	146,376		142,239	
Inventory, end of year	<u>(9,937)</u>		<u>(6,816)</u>	
	<u>136,439</u>	<u>47.5</u>	<u>135,423</u>	<u>46.9</u>
Gross margin	<u>150,725</u>	<u>52.5</u>	<u>153,049</u>	<u>53.1</u>
Expenses				
Advertising	9,516		13,517	
Interest and bank charges	1,811		2,645	
Licenses	4,948		2,075	
Materials and supplies	15,091		16,023	
Miscellaneous	1,571		1,192	
Movies and entertainment	1,675		1,304	
Repairs, maintenance and supplies	11,678		5,825	
Salaries	90,835		83,272	
Staff clothing	1,984		2,824	
Staff training	<u>1,445</u>		<u>1,579</u>	
	<u>140,554</u>		<u>130,256</u>	
	<u>\$ 10,171</u>		<u>\$ 22,793</u>	

**UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
STUDENT ACTIVITIES
YEAR ENDED APRIL 30, 2005**

	Social Committee and Special Events	Student Union Newspaper	Yearbook
<u>2005</u>			
Revenue	\$ <u>81,468</u>	\$ <u>7,943</u>	\$ <u>7,097</u>
Expenses			
Advertising	1,570	-	-
Entertainment	79,936	-	-
Materials and supplies	1,798	-	34
Miscellaneous	1,509	190	-
Printing	1,343	14,863	19,990
Salaries	-	9,299	6,022
Security	-	-	33
Telephone	-	270	270
	<u>86,156</u>	<u>24,622</u>	<u>26,349</u>
Excess of expenses over revenue	\$ <u>4,688</u>	\$ <u>16,679</u>	\$ <u>19,252</u>
<u>2004</u>			
Revenues	\$ <u>71,675</u>	\$ <u>15,042</u>	\$ <u>7,261</u>
Expenses			
Dues and licenses	4,124	448	-
Entertainment	96,961	-	-
Material 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>

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
GENERAL AND ADMINISTRATIVE EXPENSES
 YEAR ENDED APRIL 30, 2005

	2005	2004
Amortization	\$ 29,799	\$ 17,182
Bad debts	3,006	2,873
Banquet	3,181	2,764
Donations and sports awards	4,110	6,603
Handbook	7,628	8,394
Insurance	31,508	24,164
Interest and bank charges	4,262	4,312
Interest on long-term debt	52,140	54,879
Office and miscellaneous	5,941	10,263
Operating costs - student centre		
Cleaning	2,014	1,019
Equipment	234	234
Heat	27,032	18,886
Insurance	1,673	1,685
Lights	24,805	23,457
Propane	2,318	2,318
Repairs and maintenance	10,620	7,997
Wages and benefits	40,441	37,399
Water	729	729
Professional fees	10,971	7,838
Repairs and maintenance	273	1,470
Salaries and employee benefits	161,152	149,194
Telephone	4,521	4,381
Travel	8,736	15,408
Workers' compensation insurance	679	663
	<u>\$ 437,773</u>	<u>\$ 404,112</u>