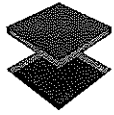

**UNIVERSITY OF PRINCE EDWARD ISLAND
STUDENT UNION INC.
FINANCIAL STATEMENTS**

APRIL 30, 2006



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, 2006, 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 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, 2006, 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

July 14, 2006

Chartered Accountants

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
STATEMENT OF INCOME AND OPERATING SURPLUS
 YEAR ENDED APRIL 30, 2006

	2006	2005
Revenue		
Student Health Plan	\$ 364,167	\$ 370,573
Lounge operations (Schedule 1)	14,181	10,171
Other revenue	26,363	507
Student Centre Fund	134,040	139,902
Student fees	477,187	429,802
WUSC fees	<u>14,006</u>	<u>14,428</u>
	<u>1,029,944</u>	<u>965,383</u>
Operating expenses		
Student Health Plan	364,206	370,573
Student activities (Schedule 2)		
Social committee and special events	25,347	4,688
Student Union newspaper	17,709	16,679
Yearbook	20,227	19,252
Student Council activities	3,034	3,405
WUSC fees	<u>14,006</u>	<u>14,428</u>
	<u>444,529</u>	<u>429,025</u>
Earnings before other items	<u>585,415</u>	<u>536,358</u>
Other items		
General and administrative expenses (Schedule 3)	458,995	437,773
Loss on disposal of capital assets	<u>-</u>	<u>806</u>
	<u>458,995</u>	<u>438,579</u>
Net earnings	126,420	97,779
Operating surplus, beginning of year	210,240	160,679
Appropriation to capital surplus	<u>(51,120)</u>	<u>(48,218)</u>
Operating surplus, end of year	<u>\$ 285,540</u>	<u>\$ 210,240</u>

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
BALANCE SHEET
AS AT APRIL 30, 2006

	2006	2005
ASSETS		
Current		
Cash and short-term deposits	\$ 46,826	\$ 50,324
Accounts receivable	23,805	20,832
Inventory	11,422	9,937
Prepaid expenses	<u>15,475</u>	<u>18,621</u>
	97,528	99,714
Student Medical Plan in Trust (Note 3)	134,332	58,425
Capital investments (Note 4)	30,267	-
Property and Equipment (Note 5)	138,867	136,839
Building interest (Note 6)	2,048,881	2,048,881
Contingency reserve (Note 7)	<u>26,500</u>	<u>13,067</u>
	<u>\$ 2,476,375</u>	<u>\$ 2,356,926</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities		
Classes and suborganizations	\$ 3,840	\$ 3,840
Trade	21,202	22,429
Deferred revenue (Note 8)	97,661	41,286
Current portion of long-term debt (Note 9)	<u>65,198</u>	<u>62,120</u>
	187,901	129,675
Long-term debt (Note 9)	<u>766,337</u>	<u>831,535</u>
	<u>954,238</u>	<u>961,210</u>
SURPLUS		
Operating surplus	285,540	210,240
Capital surplus (Note 10)	<u>1,236,597</u>	<u>1,185,476</u>
	<u>1,522,137</u>	<u>1,395,716</u>
	<u>\$ 2,476,375</u>	<u>\$ 2,356,926</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, 2006

	2006	2005
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net earnings	\$ 126,420	\$ 97,779
Items not affecting cash		
Amortization	28,432	29,799
Loss on disposal of capital assets	-	806
	<u>154,852</u>	<u>128,384</u>
Changes in non-cash operating working capital items		
Contingency reserve	(13,433)	(13,067)
Accounts receivable	(2,973)	1,296
Inventory	(1,485)	(3,121)
Prepaid expenses	3,146	2,143
Accounts payable and accrued liabilities - trade	(1,226)	486
Deferred revenue	56,375	41,286
	<u>40,404</u>	<u>29,023</u>
	<u>195,256</u>	<u>157,407</u>
Financing		
Repayment of long-term debt	<u>(62,120)</u>	<u>(59,218)</u>
Investing		
Increase in capital investments	(30,267)	-
Acquisition of capital assets	(30,460)	(22,593)
(Increase) decrease in investment	<u>(75,907)</u>	<u>(48,870)</u>
	<u>(136,634)</u>	<u>(71,463)</u>
Net cash inflow (outflow)	(3,498)	26,726
Cash position, beginning of year	<u>50,324</u>	<u>23,598</u>
Cash position, end of year	<u>\$ 46,826</u>	<u>\$ 50,324</u>

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED APRIL 30, 2006

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.

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, 2006

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, capital investments, 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, 2006 the fund had a surplus of \$134,332. This amount will be reduced in future years through reductions in premiums.

	<u>2006</u>	<u>2005</u>
Investment	\$ <u>134,332</u>	\$ <u>58,425</u>

4. CAPITAL INVESTMENTS

During the year, the student union decided to set aside funds for future capital investments. These amounts are earmarked for building expenditures or to pay down long term debt. In 2006 \$30,000 was invested in a GIC, maturing January, 2007.

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED APRIL 30, 2006

5. PROPERTY AND EQUIPMENT

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2006</u>	<u>2005</u>
Capital renovations - building	\$ 46,880	\$ 6,614	\$ 40,266	\$ 34,435
Equipment	120,587	51,309	69,278	67,711
Computer equipment	62,292	36,831	25,461	29,176
Web-site	<u>6,490</u>	<u>2,628</u>	<u>3,862</u>	<u>5,517</u>
	<u>\$ 236,249</u>	<u>\$ 97,382</u>	<u>\$ 138,867</u>	<u>\$ 136,839</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 to the use and enjoyment of the 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.

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED APRIL 30, 2006

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.

9. LONG-TERM DEBT

	<u>2006</u>	<u>2005</u>
Term loan, 5.86%, payable to 2017, in monthly installments of \$8,363, including interest	\$ 812,285	\$ 863,405
Term loan, prime + 1%, payable to 2008, in monthly installments of \$917, plus interest	<u>19,250</u>	<u>30,250</u>
	831,535	893,655
Current portion	<u>65,198</u>	<u>62,120</u>
	<u>\$ 766,337</u>	<u>\$ 831,535</u>

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

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 65,198	\$ 65,711	\$ 62,920	\$ 64,587	\$ 68,475

10. CAPITAL SURPLUS

	<u>2006</u>	<u>2005</u>
Capital surplus, beginning of year	\$ 1,185,476	\$ 1,137,259
Principal debt repayment	<u>51,121</u>	<u>48,217</u>
Capital surplus, end of year	<u>\$ 1,236,597</u>	<u>\$ 1,185,476</u>

SCHEDULE 1

**UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
LOUNGE OPERATIONS
YEAR ENDED APRIL 30, 2006**

	2006	%	2005	%
		of Sales		of Sales
Sales	\$ <u>332,784</u>	<u>100.0</u>	\$ <u>287,164</u>	<u>100.0</u>
Cost of sales				
Inventory, beginning of year	9,937		6,816	
Purchases	<u>149,713</u>		<u>139,560</u>	
	159,650		146,376	
Inventory, end of year	<u>(11,422)</u>		<u>(9,937)</u>	
	<u>148,228</u>	<u>44.5</u>	<u>136,439</u>	<u>47.5</u>
Gross margin	<u>184,556</u>	<u>55.5</u>	<u>150,725</u>	<u>52.5</u>
Expenses				
Advertising	10,111		9,516	
Interest and bank charges	2,372		1,811	
Licenses	3,403		4,948	
Materials and supplies	21,033		15,091	
Miscellaneous	1,448		1,571	
Movies and entertainment	1,253		1,675	
Repairs, maintenance and supplies	21,033		11,678	
Salaries	106,220		90,835	
Staff clothing	2,702		1,984	
Staff training	<u>800</u>		<u>1,445</u>	
	<u>170,375</u>		<u>140,554</u>	
	<u>\$ 14,181</u>		<u>\$ 10,171</u>	

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
STUDENT ACTIVITIES
 YEAR ENDED APRIL 30, 2006

	Social Committee and Special Events	Student Union Newspaper	Yearbook
<u>2006</u>			
Revenue	\$ <u>125,372</u>	\$ <u>5,050</u>	\$ <u>6,014</u>
Expenses			
Dues and licenses	181	1,614	-
Entertainment	136,959	-	-
Materials and supplies	3,803	-	140
Miscellaneous	1,447	33	47
Printing	8,329	11,132	19,815
Salaries	-	7,513	5,926
Telephone	-	313	313
Travel	-	2,154	-
	<u>150,719</u>	<u>22,759</u>	<u>26,241</u>
Excess of expenses over revenue	\$ <u>25,347</u>	\$ <u>17,709</u>	\$ <u>20,227</u>
<u>2005</u>			
Revenues	\$ <u>81,468</u>	\$ <u>7,943</u>	\$ <u>7,097</u>
Expenses			
Advertising	1,570	-	-
Entertainment	79,936	-	-
Material 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>

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
GENERAL AND ADMINISTRATIVE EXPENSES
 YEAR ENDED APRIL 30, 2006

	2006	2005
Amortization	\$ 28,432	\$ 29,799
Bad debts	305	3,006
Banquet	3,348	3,181
Donations and sports awards	5,927	4,110
Handbook	7,641	7,628
Insurance	28,135	31,508
Interest and bank charges	3,680	4,262
Interest on long-term debt	50,659	52,140
Office and miscellaneous	10,388	5,941
Operating costs - student centre		
Cleaning	2,070	2,014
Equipment	293	234
Heat	27,798	27,032
Insurance	1,598	1,673
Lights	27,535	24,805
Propane	2,555	2,318
Repairs and maintenance	11,250	10,620
Wages and benefits	44,771	40,441
Water	1,094	729
Professional fees	16,846	10,971
Repairs and maintenance	1,857	273
Salaries and employee benefits	163,996	161,152
Telephone	6,098	4,521
Travel	11,784	8,736
Workers' compensation insurance	935	679
	<u>\$ 458,995</u>	<u>\$ 437,773</u>