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

APRIL 30, 2011



# MacPherson Roche Smith & Associates

CHARTERED ACCOUNTANTS AND MANAGEMENT CONSULTANTS

**PARTNERS:**

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## INDEPENDENT AUDITORS' REPORT

To the Directors of  
**University of Prince Edward Island Student Union Inc.**

### Report on the Financial Statements

We have audited the balance sheet of **University of Prince Edward Island Student Union Inc.** as at April 30, 2011, and the statements of income and operating surplus and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. We are also required to comply with applicable ethical requirements.

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## **INDEPENDENT AUDITORS' REPORT (Continued)**

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, the auditor expresses no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### **Basis for Qualified Opinion**

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 income, assets or surplus.

### **Qualified Opinion**

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 Basis For Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of the University of Prince Edward Island Student Union Inc. as at April 30, 2011, and the results of its operations and cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.



**Chartered Accountants**

October 26, 2011

**UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.**  
**STATEMENT OF INCOME AND OPERATING SURPLUS**  
 YEAR ENDED APRIL 30, 2011

	2011	2010
Revenue		
Student Health Plan	\$ 826,594	\$ 730,320
Mickey's Place (Schedule 2)	-	2,530
Other revenue	14,417	16,231
Student Centre Fund	150,920	146,620
Student fees	602,082	572,698
Transit fees	188,700	184,600
CASA fees	11,393	11,085
WUSC fees	<u>23,595</u>	<u>23,086</u>
	<u>1,817,701</u>	<u>1,687,170</u>
Operating expenses		
Student Health Plan	826,594	730,320
Lounge operations (Schedule 1)	86,942	98,965
Mickey's Place (Schedule 2)	15,215	-
Student activities (Schedule 3)		
Social committee and special events	46,001	21,619
Student Union newspaper	8,968	13,126
Yearbook	16,606	21,546
Student Council activities	4,054	5,489
Transit fees	188,650	184,600
CASA fees	8,133	7,185
WUSC fees	<u>23,607</u>	<u>23,086</u>
	<u>1,224,770</u>	<u>1,105,936</u>
Income before general and administrative expenses	592,931	581,234
General and administrative expenses (Schedule 4)	<u>509,466</u>	<u>538,456</u>
Net income	83,465	42,778
Operating surplus, beginning of year	476,615	507,318
Appropriation to capital surplus	<u>(82,857)</u>	<u>(73,481)</u>
Operating surplus, end of year	<u>\$ 477,223</u>	<u>\$ 476,615</u>

**UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.**  
**BALANCE SHEET**  
AS AT APRIL 30, 2011

	2011	2010
<b>ASSETS</b>		
<b>Current</b>		
Cash and short-term deposits	\$ -	\$ 49,719
Accounts receivable	49,394	67,764
Prepaid expenses	18,235	10,932
Inventory	<u>14,067</u>	<u>13,511</u>
	81,696	141,926
Student medical plan in trust (Note 4)	186,833	137,648
Investments (Note 5)	149,008	164,010
Property and equipment (Note 6)	234,965	194,649
Building interest (Note 7)	2,048,881	2,048,881
Contingency reserve (Note 8)	104,979	86,039
Pension capital fund	<u>36,322</u>	<u>35,457</u>
	<u>\$ 2,842,684</u>	<u>\$ 2,808,610</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Bank indebtedness	\$ 3,742	\$ -
Accounts payable and accrued liabilities		
Classes and suborganizations	3,812	3,812
Trade	38,910	56,961
Deferred revenue (Note 9)	270,116	204,341
Demand loan	-	18,000
Current portion of long-term debt (Note 10)	<u>85,765</u>	<u>82,884</u>
	402,345	365,998
Long-term debt (Note 10)	<u>399,391</u>	<u>485,129</u>
	<u>801,736</u>	<u>851,127</u>
<b>SURPLUS</b>		
Operating surplus	477,223	476,615
Capital surplus (Note 11)	<u>1,563,725</u>	<u>1,480,868</u>
	<u>2,040,948</u>	<u>1,957,483</u>
	<u>\$ 2,842,684</u>	<u>\$ 2,808,610</u>
Contingency (Note 12)		
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, 2011

	2011	2010
<b>Net inflow (outflow) of cash related to the following activities:</b>		
<b>Operating</b>		
Net income	\$ 83,465	\$ 42,778
Item not affecting cash		
Amortization	<u>44,445</u>	<u>36,464</u>
	<u>127,910</u>	<u>79,242</u>
Changes in non-cash operating working capital items		
Accounts receivable	18,370	932
Prepaid expenses	(7,303)	25,241
Inventory	(556)	3,488
Accounts payable and accrued liabilities	(18,051)	(9,021)
Deferred revenue	<u>65,775</u>	<u>27,653</u>
	<u>58,235</u>	<u>48,293</u>
	<u>186,145</u>	<u>127,535</u>
<b>Financing</b>		
Proceeds from demand loan	-	18,000
Repayment of demand loan	(18,000)	-
Repayment of long-term debt	<u>(82,857)</u>	<u>(73,481)</u>
	<u>(100,857)</u>	<u>(55,481)</u>
<b>Investing</b>		
Decrease (increase) in student medical plan in trust	(49,185)	2,208
Decrease (increase) in investments	15,002	(35,116)
Acquisition of property and equipment	(84,761)	(59,012)
Increase in contingency reserve	(18,940)	(15,271)
Increase in pension capital fund	<u>(865)</u>	<u>(861)</u>
	<u>(138,749)</u>	<u>(108,052)</u>
<b>Net cash outflow</b>	<u>(53,461)</u>	<u>(35,998)</u>
<b>Cash position, beginning of year</b>	<u>49,719</u>	<u>85,717</u>
<b>Cash position, end of year</b>	<u>\$ (3,742)</u>	<u>\$ 49,719</u>

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**UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
YEAR ENDED APRIL 30, 2011

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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 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 and payment of operating costs.

**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.

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**UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
YEAR ENDED APRIL 30, 2011

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**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.

**3. FINANCIAL INSTRUMENTS**

Financial instruments of the company consist mainly of accounts receivable, investments, contingency reserve, pension capital fund, bank indebtedness, accounts payable and accrued liabilities, deferred revenue, and long-term debt. The carrying values of these financial assets and financial liabilities approximate their fair value unless otherwise disclosed.

**4. 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, 2011 the fund had a surplus of \$186,833.

	<u><b>2011</b></u>	<u><b>2010</b></u>
Investment	<u><b>\$ 186,833</b></u>	<u><b>\$ 137,648</b></u>

**5. INVESTMENTS**

In 2006, the Student Union elected to start setting aside funds for future investments. These amounts are earmarked for building expenditures or to pay down long-term debt. The accumulated balance as at the beginning of the fiscal year was \$164,010. During the year, \$50,000 was redeemed to cover expenditures and an additional \$34,998 in contributions and accumulated interest was added to the account, resulting in a balance of \$149,008 as at April 30, 2011. This total is invested in GIC's, maturing in January, April, October and November, 2012.



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**UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
YEAR ENDED APRIL 30, 2011

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**6. PROPERTY AND EQUIPMENT**

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2011</u>	<u>2010</u>
Capital renovations - building	\$ 67,908	\$ 17,842	\$ 50,066	\$ 42,593
Equipment	298,240	161,128	137,112	128,961
Computer equipment	125,828	79,830	45,998	20,539
Web-site	<u>10,402</u>	<u>8,613</u>	<u>1,789</u>	<u>2,556</u>
	<u>\$ 502,378</u>	<u>\$ 267,413</u>	<u>\$ 234,965</u>	<u>\$ 194,649</u>

**7. 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 the use and enjoyment of the Student Centre in recognition of the central role of the UPEI Student Union in the project concept, development, building design, construction and funding of the WA Murphy 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.

**8. CONTINGENCY RESERVE**

The University of Prince Edward Island Student Union Inc. was previously a participant in the Canadian Federation of Students (CFS) in the 2003-2004 year. The Student Union discontinued its relationship with CFS and, accordingly, 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.

**9. DEFERRED REVENUE**

The deferred revenue represents the excess of revenue over expenditures in the student medical plan and unearned revenue relating to the Pension Capital Fund.

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**UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
YEAR ENDED APRIL 30, 2011

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**10. LONG-TERM DEBT**

	<u>2011</u>	<u>2010</u>
Term loan, 3.45%, payable to July 2016, in monthly installments of \$8,434, including interest	\$ 485,156	\$ 568,013
Current portion	<u>85,765</u>	<u>82,884</u>
	<u>\$ 399,391</u>	<u>\$ 485,129</u>

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

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 85,765	\$ 88,776	\$ 91,892	\$ 95,118	\$ 98,457

**11. CAPITAL SURPLUS**

	<u>2011</u>	<u>2010</u>
Capital surplus, beginning of year	\$ 1,480,868	\$ 1,407,387
Principal debt repayment	<u>82,857</u>	<u>73,481</u>
Capital surplus, end of year	<u>\$ 1,563,725</u>	<u>\$ 1,480,868</u>

**12. CONTINGENT LIABILITY**

In November 2008, the Student Union was served with a claim relating to its withdrawal from the Canadian Federation of Students. The claim is currently in the discovery stage. No potential impact on the Student Union is known at this time.

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**SCHEDULE 1**

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**UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.**  
**LOUNGE OPERATIONS**  
YEAR ENDED APRIL 30, 2011

	2011	% of Sales	2010	% of Sales
Sales	\$ <u>189,748</u>	<u>100.0</u>	\$ <u>273,740</u>	<u>100.0</u>
Cost of sales				
Inventory, beginning of year	13,511		16,999	
Purchases	<u>89,050</u>		<u>125,256</u>	
	102,561		142,255	
Inventory, end of year	<u>(14,067)</u>		<u>(13,511)</u>	
	<u>88,494</u>	<u>46.6</u>	<u>128,744</u>	<u>47.0</u>
Gross margin	<u>101,254</u>	<u>53.4</u>	<u>144,996</u>	<u>53.0</u>
Expenses				
Advertising	13,123		15,949	
Interest and bank charges	4,792		3,786	
Licences	2,051		1,270	
Materials and supplies	13,760		22,248	
Miscellaneous	1,758		1,591	
Movies and entertainment	1,006		867	
Professional fees	5,525		-	
Repairs, maintenance and supplies	4,513		16,018	
Salaries	130,503		167,414	
Staff clothing	2,096		3,627	
Staff training	3,510		660	
Telephone	<u>5,559</u>		<u>10,531</u>	
	<u>188,196</u>		<u>243,961</u>	
	\$ <u>(86,942)</u>		\$ <u>(98,965)</u>	

**UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.**  
**MICKEY'S PLACE**  
YEAR ENDED APRIL 30, 2011

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	2011	2010
<hr/>		
Sales	\$ <u>44,193</u>	\$ <u>52,772</u>
Expenses		
Office	70	179
Salaries	28,503	19,646
Supplies	30,451	30,065
Telephone	<u>384</u>	<u>352</u>
	<u>59,408</u>	<u>50,242</u>
Net income (loss)	\$ <u><u>(15,215)</u></u>	\$ <u><u>2,530</u></u>

**UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.**  
**STUDENT ACTIVITIES**  
YEAR ENDED APRIL 30, 2011

	Social Committee and Special Events	Student Union Newspaper	Yearbook
<b><u>2011</u></b>			
Revenue	\$ <u>64,969</u>	\$ <u>1,393</u>	\$ <u>7,248</u>
Expenses			
Advertising	6,727	-	-
Bad debts	-	-	1,071
Dues and licenses	3,250	818	-
Entertainment	99,169	-	-
Materials and supplies	315	-	368
Miscellaneous	(1,351)	39	-
Printing	2,860	3,654	16,148
Salaries and training	-	5,346	5,883
Telephone	-	504	384
	<u>110,970</u>	<u>10,361</u>	<u>23,854</u>
Excess of expenses over revenue	\$ <u>(46,001)</u>	\$ <u>(8,968)</u>	\$ <u>(16,606)</u>
<b><u>2010</u></b>			
Revenue	\$ <u>98,848</u>	\$ <u>2,301</u>	\$ <u>8,376</u>
Expenses			
Advertising	9,954	-	-
Bad debts	-	-	9,326
Dues and licenses	383	1,899	-
Entertainment	107,432	-	-
Materials and supplies	300	-	35
Miscellaneous	(2,985)	114	37
Printing	991	6,476	15,897
Salaries and training	4,360	6,431	4,307
Telephone	32	507	320
	<u>120,467</u>	<u>15,427</u>	<u>29,922</u>
Excess of expenses over revenue	\$ <u>(21,619)</u>	\$ <u>(13,126)</u>	\$ <u>(21,546)</u>

**UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.**  
**GENERAL AND ADMINISTRATIVE EXPENSES**  
 YEAR ENDED APRIL 30, 2011

	<b>2011</b>	<b>2010</b>
Amortization	\$ 44,445	\$ 36,464
Bad debts	-	9,326
Banquet	4,074	4,004
Donations and sports awards	4,912	5,169
Equipment	2,682	3,138
Handbook	4,960	6,242
Insurance	16,025	16,301
Interest and bank charges	1,470	3,251
Interest on long-term debt	9,915	27,722
Office and miscellaneous	9,059	7,027
Operating costs - student centre		
Heat	23,074	22,652
Insurance	981	1,195
Lights	28,320	40,669
Repairs and maintenance	25,009	29,784
Wages and benefits	47,768	54,919
Water	1,263	1,408
Professional fees	18,698	18,250
Repairs and maintenance	785	571
Salaries and employee benefits	231,100	213,761
Telephone	7,270	5,838
Travel	25,995	29,587
Workers' compensation insurance	<u>1,661</u>	<u>1,178</u>
	<b>\$ 509,466</b>	<b>\$ 538,456</b>