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

APRIL 30, 2016

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of **University of Prince Edward Island Student Union Inc.**, which comprise the statement of financial position as at April 30, 2016, 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 accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

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 risks 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.

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INDEPENDENT AUDITORS' REPORT (Continued)

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, 2016 and April 30, 2015, and the results of its operations and cash flows for the years then ended, in accordance with Canadian accounting standards for not-for-profit organizations.

January 4, 2017

Max Pherson Roche Smith

Chartered Professional Accountants

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
STATEMENT OF INCOME AND OPERATING SURPLUS
 YEAR ENDED APRIL 30, 2016

	2016	2015
Revenue		
Student Health Plan	\$ 1,224,366	\$ 1,082,453
Other revenue	24,516	33,781
Student Centre Fund	149,880	151,563
Student fees	607,958	614,941
Transit fees	209,359	204,715
CASA fees	14,988	15,162
WUSC fees	<u>22,476</u>	<u>22,732</u>
	<u>2,253,543</u>	<u>2,125,347</u>
Operating expenses		
Student Health Plan	1,224,366	1,082,453
Lounge operations (Schedule 1)	44,658	28,639
Mickey's Place (Schedule 2)	4,796	2,067
Student activities (Schedule 3)		
Social committee and special events	(19,876)	(3,784)
Student Union newspaper	10,773	12,080
Yearbook	7,676	6,815
Student Council activities	16,839	13,209
Transit fees	209,415	205,335
CASA fees	13,210	13,191
WUSC fees	<u>28,482</u>	<u>22,753</u>
	<u>1,540,339</u>	<u>1,382,758</u>
Income before general and administrative expenses and other item	713,204	742,589
General and administrative expenses (Schedule 4)	<u>542,528</u>	<u>516,217</u>
Income before other item	170,676	226,372
Other item		
Settlement obligations (Note 12)	<u>268,000</u>	<u>-</u>
Net income (loss)	(97,324)	226,372
Operating surplus, beginning of year	652,438	521,316
Appropriation to capital surplus	<u>(98,377)</u>	<u>(95,250)</u>
Operating surplus, end of year	<u>\$ 456,737</u>	<u>\$ 652,438</u>

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
STATEMENT OF FINANCIAL POSITION
AS AT APRIL 30, 2016

	2016	2015
ASSETS		
Current		
Cash and short-term deposits	\$ 208,349	\$ 207,847
Accounts receivable	22,700	19,403
Prepaid expenses	45,327	37,692
Inventory	<u>10,570</u>	<u>9,730</u>
	286,946	274,672
Student medical plan in trust (Note 3)	535,014	418,129
Investments (Note 4)	152,135	189,094
Property and equipment (Note 5)	193,774	216,805
Building interest (Note 6)	2,048,881	2,048,881
Contingency reserve (Note 7)	<u>163,879</u>	<u>165,411</u>
	\$ 3,380,629	\$ 3,312,992
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 9)	\$ 26,765	\$ 10,212
Accrued pension obligation (Note 10)	13,222	16,954
Deferred revenue (Note 11)	627,024	584,506
Current portion of settlement obligations (Note 12)	104,000	-
Current portion of long-term debt (Note 13)	<u>25,097</u>	<u>98,457</u>
	796,108	710,129
Settlement obligations (Note 12)	104,000	-
Long-term debt (Note 13)	<u>-</u>	<u>25,017</u>
	900,108	735,146
SURPLUS		
Operating surplus	456,737	652,438
Capital surplus (Note 14)	<u>2,023,784</u>	<u>1,925,408</u>
	2,480,521	2,577,846
	\$ 3,380,629	\$ 3,312,992

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, 2016

	2016	2015
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net income (loss)	\$ (97,324)	\$ 226,372
Item not affecting cash		
Amortization	<u>31,923</u>	<u>34,604</u>
	<u>(65,401)</u>	<u>260,976</u>
Changes in non-cash operating working capital items		
Accounts receivable	(3,297)	(10,564)
Prepaid expenses	(7,634)	(21,298)
Inventory	(840)	(243)
Accounts payable and accrued liabilities	16,551	(14,656)
Accrued pension obligation	(3,732)	(3,732)
Deferred revenue	42,518	122,720
Settlement obligation	<u>208,000</u>	<u>-</u>
	<u>251,566</u>	<u>72,227</u>
	<u>186,165</u>	<u>333,203</u>
Financing		
Repayment of long-term debt	<u>(98,377)</u>	<u>(95,250)</u>
Investing		
Increase in student medical plan in trust	(116,885)	(115,003)
Decrease in investments	36,959	36,226
Acquisition of property and equipment	(8,892)	(66,395)
Decrease (increase) in contingency reserve	<u>1,532</u>	<u>(19,258)</u>
	<u>(87,286)</u>	<u>(164,430)</u>
Net cash inflow	502	73,523
Cash position, beginning of year	<u>207,847</u>	<u>134,324</u>
Cash position, end of year	<u>\$ 208,349</u>	<u>\$ 207,847</u>

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED APRIL 30, 2016

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 accounting standards for not-for-profit organizations 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 declining-balance method at the following annual rates:

Capital renovations - building	5%
Equipment	20%
Computer equipment	30%
Web-site	30%

c) Revenue Recognition

The organization recognizes revenue when it is realizable and earned. The organization 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, 2016

2. ACCOUNTING POLICIES (Continued)

d) Financial Instruments

The organization initially measures its financial assets and liabilities at fair value. The organization subsequently measures all its financial assets and liabilities at cost or amortized cost.

Financial assets measured at amortized cost on a straight-line basis include cash and short-term deposits and accounts receivable.

Financial liabilities measured at amortized cost on a straight-line basis include accounts payable and accrued liabilities, accrued pension obligation and long-term debt.

e) Use of Estimates

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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. The following are areas in which management makes significant accounting estimates:

- The valuation of accounts receivable is based on management's best estimate of the provision for doubtful accounts;
- The amounts recorded for amortization of property and equipment on the income statement is subject to management's assessment of the estimated useful life of the Student Union's property and equipment; and
- The valuation of inventory is based on management's best estimate of net realizable value.

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, 2016 the fund had a surplus of \$535,014.

	<u>2016</u>	<u>2015</u>
Investment	\$ <u>535,014</u>	\$ <u>418,129</u>

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED APRIL 30, 2016

4. 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 \$189,094. During the year, \$36,959 was used, resulting in a balance of \$152,135 as at April 30, 2016. This total is invested in GIC's, maturing in June, October, November, 2016 and May, 2017.

5. PROPERTY AND EQUIPMENT

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2016</u>	<u>2015</u>
Capital renovations - building	\$ 126,009	\$ 34,477	\$ 91,532	\$ 96,350
Equipment	382,117	292,930	89,187	101,569
Computer equipment	134,121	121,366	12,755	18,457
Web-site	<u>10,402</u>	<u>10,102</u>	<u>300</u>	<u>429</u>
	<u>\$ 652,649</u>	<u>\$ 458,875</u>	<u>\$ 193,774</u>	<u>\$ 216,805</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 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.

7. CONTINGENCY RESERVE

The University of Prince Edward Island Student Union Inc. has set up a contingency reserve to offset any future settlement payments.

8. BANK INDEBTEDNESS

The bank indebtedness consists of a line of credit, bearing interest at prime + 1%, with an authorized limit of \$100,000 of which all was unused at April 30, 2016.

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED APRIL 30, 2016

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Government remittances payable as at April 30, 2016 were \$16,761 (2015 - \$2,495) and are included in accounts payable and accrued liabilities.

10. ACCRUED PENSION OBLIGATION

During 2012, an employee of the Student Union retired. Upon retirement, as per the retirement agreement, the Student Union is required to make RRSP contributions for the next seven years based on 8% of the employee's salary at the retirement date. The annual payment is estimated to be \$3,732 plus provision of health benefits. No impact for the health benefit obligation has been recorded on the financial statements.

11. DEFERRED REVENUE

The deferred revenue represents the excess of revenue over expenditures in the student medical plan.

12. SETTLEMENT OBLIGATIONS

During the year, the Student Union agreed to settlements for two legal claims in which they were named as defendants. No previous impact was reflected in the financial statements as the Student Union's legal counsel was unable to assess the potential liability and, as such, these items have been charged to income in the current year.

13. LONG-TERM DEBT

	<u>2016</u>	<u>2015</u>
Term loan, 3.25%, payable to July, 2016, in monthly installments of \$8,411, including interest	\$ 25,097	\$ 123,474
Current portion	<u>25,097</u>	<u>98,457</u>
	<u>\$ -</u>	<u>\$ 25,017</u>

14. CAPITAL SURPLUS

	<u>2016</u>	<u>2015</u>
Capital surplus, beginning of year	\$ 1,925,408	\$ 1,830,158
Principal debt repayment	<u>98,377</u>	<u>95,250</u>
Capital surplus, end of year	<u>\$ 2,023,785</u>	<u>\$ 1,925,408</u>

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED APRIL 30, 2016

15. FINANCIAL INSTRUMENTS

The Student Union is exposed to various risks through its financial instruments, without being exposed to concentrations of risk. The main risks are broken down below.

Liquidity risk

Liquidity risk is the risk that the Student Union will encounter difficulty in meeting obligations associated with financial liabilities. The Student Union is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and long-term debt.

Credit risk

Credit risk is the risk that one party to a financial asset will cause a financial loss for the company by failing to discharge an obligation. The Student Union's credit risk is mainly related to accounts receivable.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. The Student Union is exposed to interest rate risk on its fixed interest rate financial instruments. Fixed interest rate instruments subject the company to a fair value risk, since fair value fluctuates inversely to changes in market interest rates.

SCHEDULE 1

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
LOUNGE OPERATIONS
YEAR ENDED APRIL 30, 2016

	2016	% of Sales	2015	% of Sales
Sales	\$ <u>160,066</u>	<u>100.0</u>	\$ <u>176,911</u>	<u>100.0</u>
Cost of sales				
Inventory, beginning of year	9,730		9,487	
Purchases	<u>79,051</u>		<u>85,905</u>	
	88,781		95,392	
Inventory, end of year	<u>(10,570)</u>		<u>(9,730)</u>	
	<u>78,211</u>	<u>48.9</u>	<u>85,662</u>	<u>48.4</u>
Gross margin	<u>81,855</u>	<u>51.1</u>	<u>91,249</u>	<u>51.6</u>
Expenses				
Advertising	1,372		1,417	
Entertainment	16,115		10,896	
Interest and bank charges	2,652		2,830	
Licenses	3,773		3,159	
Materials and supplies	11,906		8,917	
Miscellaneous	3,192		295	
Repairs, maintenance and equipment	7,951		2,112	
Salaries	74,732		85,438	
Staff clothing	1,488		1,840	
Staff training	273		389	
Telephone	<u>3,059</u>		<u>2,595</u>	
	<u>126,513</u>		<u>119,888</u>	
Net loss	\$ <u>(44,658)</u>		\$ <u>(28,639)</u>	

SCHEDULE 2

**UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
MICKEY'S PLACE
YEAR ENDED APRIL 30, 2016**

	2016	2015
Sales	\$ <u>41,264</u>	\$ <u>38,909</u>
Expenses		
Interest and bank charges	1,272	1,079
Office	1,255	888
Repairs and maintenance	983	-
Salaries	13,459	12,986
Supplies	27,658	24,891
Telephone and internet	<u>1,433</u>	<u>1,132</u>
	<u>46,060</u>	<u>40,976</u>
Net loss	\$ <u>(4,796)</u>	\$ <u>(2,067)</u>

SCHEDULE 3

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
STUDENT ACTIVITIES
YEAR ENDED APRIL 30, 2016

	Social Committee and Special Events	Student Union Newspaper	Yearbook
Revenue	\$ <u>45,359</u>	\$ <u>-</u>	\$ <u>6,885</u>
Expenses			
Advertising	1,093	-	-
Dues and licenses	174	127	-
Entertainment	14,851	-	-
Materials and supplies	4,837	-	-
Miscellaneous	(6,452)	-	-
Printing	1,191	-	9,775
Salaries and training	9,789	10,269	4,409
Telephone	-	377	377
	<u>25,483</u>	<u>10,773</u>	<u>14,561</u>
Excess (deficiency) of revenue over expenses	\$ <u><u>19,876</u></u>	\$ <u><u>(10,773)</u></u>	\$ <u><u>(7,676)</u></u>
 <u>2015</u>			
Revenue	\$ <u>46,073</u>	\$ <u>340</u>	\$ <u>8,375</u>
Expenses			
Advertising	321	-	-
Dues and licenses	-	383	-
Entertainment	34,084	-	-
Equipment	200	47	-
Materials and supplies	9,092	12	-
Miscellaneous	(4,893)	125	-
Printing	1,672	-	9,862
Salaries and training	1,813	11,486	4,961
Telephone	-	367	367
	<u>42,289</u>	<u>12,420</u>	<u>15,190</u>
Excess (deficiency) of revenue over expenses	\$ <u><u>3,784</u></u>	\$ <u><u>(12,080)</u></u>	\$ <u><u>(6,815)</u></u>

SCHEDULE 4

UNIVERSITY OF PRINCE EDWARD ISLAND STUDENT UNION INC.
GENERAL AND ADMINISTRATIVE EXPENSES
YEAR ENDED APRIL 30, 2016

	2016	2015
Amortization	\$ 31,923	\$ 34,604
Banquet	3,874	4,608
Donations and sports awards	7,675	5,594
Equipment	746	934
Handbook	10,302	8,362
Insurance	21,081	20,851
Interest and bank charges	4,799	4,012
Interest on long-term debt	2,556	5,704
Office and miscellaneous	28,469	17,213
Operating costs - student centre		
Heat	27,240	37,120
Insurance	2,186	2,230
Lights	28,083	25,524
Repairs and maintenance	15,289	15,808
Wages and benefits	55,394	53,475
Water	1,260	1,260
Professional fees	24,862	28,121
Repairs and maintenance	1,868	2,166
Salaries and employee benefits	249,398	221,174
Telephone	5,178	4,255
Travel	19,729	22,274
Workers' compensation insurance	616	928
	<u>\$ 542,528</u>	<u>\$ 516,217</u>