

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA**

FINANCIAL STATEMENTS

DECEMBER 31, 2014

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
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DECEMBER 31, 2014**

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INDEPENDENT AUDITORS' REPORT

To the Members of:
The Progressive Conservative Association Of Nova Scotia

Report on the Financial Statements

We have audited the accompanying financial statements of **The Progressive Conservative Association Of Nova Scotia**, which comprise the statement of financial position as at December 31, 2014 and the statements of operations and 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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.

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 of our qualified audit opinion.

Basis for Qualified Opinion

In common with many political organizations, The Progressive Conservative Association of Nova Scotia derives revenue from political donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Association and we were not able to determine whether any adjustments might be necessary to contributions revenue, fundraising revenue, excess of revenues over expenses, assets and members' surplus.

Qualified Opinion

In our opinion, except for the effects, if any, of the matter in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of **The Progressive Conservative Association Of Nova Scotia** as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal and Regulatory Requirements

We have audited the Association's compliance, as at December 31, 2014, with the criteria established by the disclosure requirements set out in the Regulations authorized under Part II of the Elections Act. These financial statements and compliance with the criteria established by the Act and their Regulations are the responsibility of the Association's management. Our responsibility is to express an opinion on this compliance based on our audit.

In our opinion, the Association has complied, in all material respects, with the criteria established by the disclosure requirements set out in the Regulations authorized under Part II of the Elections Act.

Dartmouth, Nova Scotia
April 27, 2015



Chartered Accountants

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
STATEMENT OF OPERATIONS AND SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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	2014	2013
	\$	\$
REVENUES		
Contributions	175,814	276,753
Fundraising	81,885	80,366
Membership dues	43,944	54,790
Annual general meeting	63,715	67,579
HST public service bodies rebate	20,346	70,000
Interest	-	248
Province of Nova Scotia		
Candidate rebates	854	519,110
Public funding	<u>176,815</u>	<u>164,926</u>
	563,373	1,233,772
TRANSFERS TO CONSTITUENCIES AND CANDIDATES	<u>(49,325)</u>	<u>(101,821)</u>
	<u>514,048</u>	<u>1,131,951</u>
EXPENSES		
Advertising	1,182	2,023
Amortization	12,862	11,500
Annual general meeting	59,105	58,192
Bad debts	3,125	6,417
Election	-	716,076
Election preparedness	3,771	185,950
Fundraising	46,960	33,411
Honoraria and salaries	154,396	162,229
Insurance	2,202	2,284
Interest and bank charges	7,243	9,039
Legal and audit fees	11,815	9,570
Meetings	4,394	1,653
Office occupancy	35,915	35,892
Office supplies and postage	50,717	49,017
Telephone	<u>21,569</u>	<u>21,294</u>
	<u>415,256</u>	<u>1,304,547</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	98,792	(172,596)
UNRESTRICTED SURPLUS - beginning of year	<u>123,897</u>	<u>284,993</u>
	222,689	112,397
INVESTED IN CAPITAL ASSETS (Note 7)	<u>7,414</u>	<u>11,500</u>
UNRESTRICTED SURPLUS - end of year	<u>230,103</u>	<u>123,897</u>

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
STATEMENT OF ENDOWMENT FUND OPERATIONS AND SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	2014	2013
	\$	\$
REVENUE		
Interest	-	125
EXPENSES		
Interest and bank charges	45	-
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(45)	125
RESTRICTED SURPLUS - beginning of year	17,775	17,650
RESTRICTED SURPLUS - end of year	17,730	17,775


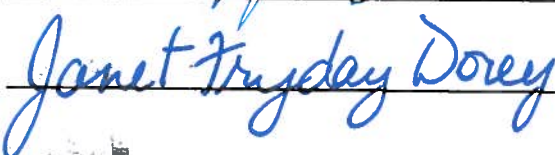
**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2014**

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	2014	2013
	\$	\$
ASSETS		
CURRENT		
Cash	272,903	22,513
Accounts receivable (Note 3)	53,988	1,043,001
Prepays	<u>11,464</u>	<u>4,093</u>
	<u>338,355</u>	<u>1,069,607</u>
CAPITAL ASSETS (Note 4)	27,086	34,500
ENDOWMENT FUND (Note 5)	<u>17,730</u>	<u>17,775</u>
	<u>44,816</u>	<u>52,275</u>
	<u>383,171</u>	<u>1,121,882</u>
LIABILITIES		
CURRENT		
Bank indebtedness (Note 6)	-	388,000
Accounts payable and accrued liabilities	64,357	39,751
Due to candidates	-	474,780
Deferred revenue	<u>43,895</u>	<u>43,179</u>
	<u>108,252</u>	<u>945,710</u>
MEMBERS' SURPLUS		
RESTRICTED - ENDOWMENT FUND (Note 5)	17,730	17,775
INVESTED IN CAPITAL ASSETS (Note 7)	27,086	34,500
UNRESTRICTED	<u>230,103</u>	<u>123,897</u>
	<u>274,919</u>	<u>176,172</u>
	<u>383,171</u>	<u>1,121,882</u>

COMMITMENTS (Note 8)

Approved by the Board


 _____ Director

 _____ Director

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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	2014	2013
	\$	\$
CASH PROVIDED BY (USED FOR):		
OPERATING		
Excess (deficiency) of revenues over expenses	98,792	(172,596)
Item not affecting cash		
Amortization	<u>12,862</u>	<u>11,500</u>
	111,654	(161,096)
Changes in non-cash working capital items		
Accounts receivable	989,013	(998,825)
Prepays	(7,371)	(1,053)
Accounts payable and accrued liabilities	24,606	(54,432)
Due to candidates	(474,780)	474,780
Due to constituencies	-	(340,312)
Deferred revenue	<u>716</u>	<u>3,385</u>
	<u>643,838</u>	<u>(1,077,553)</u>
FINANCING		
Proceeds from line of credit	-	388,000
Payments on line of credit	(388,000)	-
	<u>(388,000)</u>	<u>388,000</u>
INVESTING		
Acquisition of capital assets	(5,448)	-
CHANGE IN CASH	250,390	(689,553)
CASH - beginning of year	<u>22,513</u>	<u>712,066</u>
CASH - end of year	<u>272,903</u>	<u>22,513</u>

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

1. OPERATIONS

The Progressive Conservative Association of Nova Scotia (the "Association") is a provincial political party, incorporated on June 3, 1993 under the Societies Act of Nova Scotia. The Association was established to secure responsible government for the Province of Nova Scotia by supporting the vision and mission of the Progressive Conservative Party. The Association operates as the PC Party of Nova Scotia.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements include only the assets, liabilities and operations of the Association and, therefore, do not include the assets, liabilities and operations of any provincial constituency.

Basis of accounting

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Cash

Cash consist of bank balances held with financial institutions and investment in money market funds.

Capital assets

Capital assets are recorded at cost. Amortization is provided for using the following rates and method over their estimated useful lives as follows:

Computer equipment	4 years	Straight-line
Computer software	5 years	Straight-line
Furniture and equipment	6 years	Straight-line

Revenue recognition

The Association recognizes fundraising, contributions and membership revenue in the period it was received.

Income taxes

The Association is a registered non-profit organization under the meaning assigned in Section 149 of the Income Tax Act and as such is exempt from income taxes. Accordingly, no provision has been made in the accounts for income taxes.

All other revenue, including public funding, is recognized on an accrual basis.

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated services

Volunteer services contributed on behalf of the Association in carrying out its activities are not recognized in these financial statements due to the difficulty in determining their value.

Non-monetary sponsorships

Non-monetary sponsorships of various fundraising events held by the Association are not recorded in these financial statements nor are they receipted as a contribution for income tax purposes.

Financial instruments

Measurement of financial instruments

The Association initially measures its financial assets and financial liabilities at fair value.

The Association subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net earnings. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess of revenues over expenses.

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities, and disclosure of contingencies at the date of the financial statement,s and the reported amounts of revenues and expenses during the reporting period. Estimates are used when accounting for items and matters such as allowance for uncollectable accounts receivable, useful lives of capital assets and accrued liabilities. Actual results could differ from those estimates.

3. ACCOUNTS RECEIVABLE

	2014	2013
	\$	\$
Candidate rebates receivable	-	957,369
Constituents receivable	4,600	3,825
Contributions receivable	33,488	11,807
HST rebate receivable	<u>15,900</u>	<u>70,000</u>
	<u>53,988</u>	<u>1,043,001</u>

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2014	Net 2013
	\$	\$	\$	\$
Computer equipment	5,448	1,362	4,086	-
Computer software	57,500	34,500	23,000	34,500
Furniture and equipment	<u>3,613</u>	<u>3,613</u>	<u>-</u>	<u>-</u>
	<u>66,561</u>	<u>39,475</u>	<u>27,086</u>	<u>34,500</u>

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

5. ENDOWMENT FUND

In 2000, the Association established the Endowment Fund (the "Fund"), an internally restricted fund, under a bare trust agreement with no encroachment on capital, except as specifically provided. The Association, as sole beneficiary, has access to the income of the Fund for provincial general elections, may use up to half of the capital of the Fund as security for a bank loan and may revert the Fund property to the Association at any time.

The Fund currently consists of:

	2014	2013
	\$	\$
Cash	<u>17,730</u>	<u>17,775</u>

6. LINE OF CREDIT

The Association has an operating credit facility authorized in the amount of \$50,000 (2013 - \$550,000), secured by a general security agreement and bears interest at the Bank's prime rate plus 1.75% per annum. The balance on the line of credit at December 31, 2014 is \$NIL (2013 - \$388,000).

7. MEMBERS' SURPLUS INVESTED IN CAPITAL ASSETS

	2014	2013
	\$	\$
Balance - beginning of year	<u>34,500</u>	<u>46,000</u>
Amortization	(12,862)	(11,500)
Capital asset acquisitions	<u>5,448</u>	<u>-</u>
	<u>(7,414)</u>	<u>(11,500)</u>
Balance - end of year	<u>27,086</u>	<u>34,500</u>

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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8. COMMITMENTS

The Association is committed to lease its premises until March 2018 and certain office equipment until April 2018. Future minimum lease payments for the next 4 years are approximately as follows:

	\$
2015	36,141
2016	36,141
2017	36,141
2018	11,956

9. CONTRIBUTIONS FOR WHICH OFFICIAL RECEIPTS ISSUED

During the year, the Association issued official contribution receipts for income tax purposes totaling \$274,894 (2013 - \$393,134), which includes \$3,142 (2013 - \$4,003) of receipts issued for funds collected by individual constituencies via fundraisers and are not included in the revenues of the Association.

10. FINANCIAL INSTRUMENTS

Risks and concentrations

The Association is exposed to various risks through its financial instruments. The following analysis provides a measure of the Association's risk exposure and concentrations at December 31, 2014.

It is management's opinion that the Association is not exposed to significant currency, and price risks from its financial instruments. The risks arising on financial instruments are limited to the following:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the Association to concentrations of credit risk consist of cash and accounts receivable. The Association deposits its cash in reputable financial institutions and therefore believes the risk of loss to be remote. The Association is exposed to credit risk from contribution accounts receivable. The Association believes this credit risk is minimized as the Association has a large and diverse member base. A provision for impairment of accounts receivable is established when there is objective evidence that the Association will not be able to collect all amounts due.

10. FINANCIAL INSTRUMENTS (Continued)

Liquidity risk

Liquidity risk is the risk that the Association will encounter difficulty in meeting obligations associated with financial liabilities. The Association is exposed to this risk mainly in respect of its accounts payable and accrued liabilities. The Association generates sufficient cash flows from operating activities to fund operations and fulfill obligations as they become due. Sufficient financing facilities are in place should cash requirements exceed cash generated from operations.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Association is mainly exposed to interest rate risk.

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 market interest rates. The Association is exposed to interest rate risk on its financial obligations at variable interest rates.