

NOVA SCOTIA NEW DEMOCRATIC PARTY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Official Agent and Members of the Nova Scotia New Democratic Party:

We have audited the accompanying financial statements of the Nova Scotia New Democratic Party, which comprise the balance sheet as at December 31, 2016 and the statement of members' equity (deficiency), statement of operations and the statement of 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 the 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 an audit to obtain reasonable assurance whether the financial statements are free of 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 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. 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

In common with many not-for-profit organizations, the Nova Scotia New Democratic Party derives revenue from political contributions and fund raising activities the completeness of which are not

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susceptible to satisfactory audit verification. Our verification of these revenues was limited to amounts recorded in the accounting record of the Party. Consequently we were unable to determine whether any adjustments to revenue, excess of receipts over expenses, assets and members' equity were necessary.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Nova Scotia New Democratic Party as at December 31, 2016 and the results of its operations and 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 Nova Scotia New Democratic Party's compliance with the *Nova Scotia Elections Act*. The Party's management is responsible for these financial statements and for complying with the criteria of the *Act*. Our responsibility is to express an opinion on this compliance.

In our opinion, the Nova Scotia New Democratic Party has complied in all material respects with the criteria of the *Nova Scotia Elections Act*.

G & R

CHARTERED PROFESSIONAL ACCOUNTANTS

April 8, 2017
Dartmouth, Nova Scotia


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BALANCE SHEET AS AT DECEMBER 31, 2016

	ASSETS	2016	2015
		\$	\$
CURRENT ASSETS			
Cash -			
Unrestricted cash		622,053	370,594
Funds held on behalf of EDAs		-	10,898
Women in the Legislature Fund (note 3)		15,563	15,659
Accounts receivable		<u>2,131</u>	<u>2,045</u>
		639,747	399,196
FURNITURE AND EQUIPMENT- at cost, less accumulated amortization of \$39,889 (2015 - \$39,795)		298	373
LAND (note 4)		<u>1</u>	<u>1</u>
		<u><u>640,046</u></u>	<u><u>399,570</u></u>
	LIABILITIES		
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		107,719	32,305
Deferred revenue		46,100	45,542
Funds held on behalf of EDAs		<u>-</u>	<u>10,898</u>
		<u>153,819</u>	<u>88,745</u>
	MEMBERS' EQUITY		
MEMBERS' EQUITY		470,664	295,166
WOMEN IN THE LEGISLATURE (note 3)		<u>15,563</u>	<u>15,659</u>
		<u>486,227</u>	<u>310,825</u>
		<u><u>640,046</u></u>	<u><u>399,570</u></u>

SIGNED ON BEHALF OF THE COUNCIL



 Director



 Director

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NOVA SCOTIA NEW DEMOCRATIC PARTY
 STATEMENT OF MEMBERS' EQUITY (DEFICIENCY)
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Women in The Legislature Fund \$	Unrestricted \$	Totals December 31, 2016 \$	Totals December 31, 2015 \$
BALANCE - BEGINNING OF YEAR	15,659	295,166	310,825	(38,762)
Excess (Deficiency) of receipts over expenses for the year	<u>(96)</u>	<u>175,498</u>	<u>175,402</u>	<u>349,590</u>
BALANCE - END OF YEAR	<u><u>15,563</u></u>	<u><u>470,664</u></u>	<u><u>486,227</u></u>	<u><u>310,828</u></u>

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STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2016

	2016			2015
	Revenue \$	Expenses \$	Net \$	Net \$
CONTRIBUTIONS	298,181	10,232	287,949	277,372
FUNDRAISING (LEADERSHIP)	7,740	-	7,740	38,948
OTHER REVENUE	176,235	-	176,235	81,704
PROVINCE OF NOVA SCOTIA (PUBLIC FUNDING)	<u>189,368</u>	<u>-</u>	<u>189,368</u>	<u>251,414</u>
	671,524	10,232	661,292	649,438
REVENUE TRANSFERRED TO EDA'S AND CAMPAIGNS	<u>-</u>	<u>107,053</u>	<u>(107,053)</u>	<u>(93,405)</u>
REVENUE FROM OPERATIONS	<u>671,524</u>	<u>117,285</u>	<u>554,239</u>	<u>556,033</u>
GENERAL AND ADMINISTRATIVE EXPENSES				
Amortization			75	93
Bad debts			-	67
Banking and finance costs			6,345	3,614
By-election audit			345	-
Conventions, council executive and committees			49,332	11,260
Interest on election financing			-	157
Office and occupancy			66,951	57,226
Pre-election expenses			55,988	-
Professional fees			8,535	12,725
Salaries and benefits			188,783	108,655
Women in the Legislature			-	6,000
			<u>376,354</u>	<u>199,797</u>
EXCESS OF RECEIPTS OVER EXPENSES FROM OPERATIONS			177,885	356,236
ELECTION EXPENSES			<u>2,483</u>	<u>6,646</u>
EXCESS OF RECEIPTS OVER EXPENSES FOR THE YEAR			<u>175,402</u>	<u>349,590</u>

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STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 \$	2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of receipts over expenses for the year	175,402	349,590
Adjustments to earnings not involving cash - Amortization	<u>75</u>	<u>93</u>
	175,477	349,683
Changes in non-cash working capital -		
Decrease (Increase) in accounts receivable	(87)	6,289
Decrease in HST receivable	-	82,768
Increase (Decrease) in accounts payable	75,415	(50,503)
Increase in deferred revenue	558	279
Increase (Decrease) in funds held in trust	<u>(10,898)</u>	<u>4,984</u>
	240,465	393,500
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in bank indebtedness	<u>-</u>	<u>(69,337)</u>
INCREASE IN CASH DURING THE YEAR	240,465	324,163
CASH (Restricted and Unrestricted) - BEGINNING OF YEAR	<u>397,151</u>	<u>72,988</u>
CASH (Restricted and Unrestricted) - END OF YEAR	<u><u>637,616</u></u>	<u><u>397,151</u></u>
SUPPLEMENTARY INFORMATION:		
Cash - unrestricted	622,053	370,594
Cash - held on behalf of EDAs	-	10,898
Cash - Women in the Legislature Fund	<u>15,563</u>	<u>15,659</u>
	<u><u>637,616</u></u>	<u><u>397,151</u></u>

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

The Nova Scotia New Democratic Party ("the Party") is a provincial political party in Nova Scotia and is exempt from income taxes.

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Financial Instruments

The Party measures its financial assets and financial liabilities at fair value. The fair value of cash, accounts receivable, accounts payable and accrued liabilities as well as deferred revenue and funds held in trust is approximately equal to the carrying value due to their short-term maturity date.

Cash

The Party defines cash as the amount of cash on hand and cash on deposit net of cheques that are issued and outstanding at the end of the year.

Furniture and Equipment

Furniture and equipment is amortized over its estimated useful life using the declining balance method at the annual rate of 20%. In the year of acquisition, amortization is calculated at one half the annual rate.

Income Taxes

The Party is a not-for-profit organization and is therefore exempt from income taxes.

Revenue Recognition

Contributions are recognized as revenue when received. Revenue from fund-raising or other sources is recognized when received or when receivable if collection is reasonably assured. Election rebates are recognized as revenue in the year of the election expenditure, when the rebate amount can be determined and collection is reasonably assured.

The public service bodies' rebate is recognized as revenue in the year HST is paid or payable on eligible purchases and expenses.

Deferral Accounting

The Party follows the deferral method of accounting for public funding from the Province of Nova Scotia. Under the deferral method, revenue is recognized when expenses directly related to the revenue are incurred.

Fund Accounting

The Party follows fund accounting. The general operating fund reports the assets, liabilities, revenues and expenses related to the Party's services and administration. The Women in the Legislature Fund is internally restricted for expenditures to assist women as candidates in provincial elections.

Impairment of Long-lived Assets

Property, plant and equipment and intangible assets subject to amortization are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the

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FOR THE YEAR ENDED DECEMBER 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES . . . (continued)

sum of the projected future net cash flows resulting from its use and eventual disposition. The impairment loss, if any is measured as the amount by which the carrying amount of the asset exceeds its fair value.

Contributed Services

The Party would not be able to carry out its activities without the services of the many volunteers who donate a considerable number of hours. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Statement of Cash Flows

The Party prepares the statement of cash flows on a net cash basis and reports cash flows from operating and financing activities using the indirect method.

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 affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities as at December 31, 2016 and the reported amount of revenues and expenses for the year then ended. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

2. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The significant financial risks to which the Party is exposed are interest rate risk, credit risk and liquidity 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 party has access to a line of credit that charges 4% interest, thereby exposing the party to risks associated with fluctuations in interest rates. Changes in the bank's prime lending rate can cause fluctuations in interest payments and cash flows. The Party does not use derivative financial instruments to alter the effects of this risk.

Credit Risk

Financial instruments that potentially subject the company to credit risk consist of cash and accounts receivable. The party uses reputable institutions for cash and believes the risk of loss to be remote. The party estimates an allowance for doubtful accounts for accounts receivable. As at December 31, 2016 an allowance for doubtful accounts of \$nil (2015 - \$nil) for accounts receivable was recorded. The Party's trade accounts receivable are due from the electoral district associations.

Liquidity Risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities. The company is exposed to liquidity risk arising primarily from the demand bank loan, accounts payable and amounts due to the government. The company's approach to managing liquidity risk is to ensure that it always has sufficient cash flows, cash on hand and credit facilities to meet its operating obligations.

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FOR THE YEAR ENDED DECEMBER 31, 2016

3. RESTRICTED CASH

The party has restricted the use of \$15,563 (2015 - \$15,659) to the activities of the Women in The Legislature Fund to provide assistance to women candidates in provincial elections.

4. LAND

In 1991, the Party received as a bequest a half-interest in a parcel of approximately seven acres of undeveloped land, the value of which is not known. As a title search has not been done, it is not known whether the Party has valuable title to the land. Accordingly the land is being reported at the nominal value of \$1.

5. BANK INDEBTEDNESS

The party has access to a \$100,000 line of credit which bears interest at 4%.

6. COMMITMENT

The minimum annual lease payment and common area costs under a long-term lease for office space is \$32,533.

7. CONTENT OF FINANCIAL STATEMENTS

These financial statements include only the assets, liabilities and operations of the Nova Scotia New Democratic Party and do not include the assets and liabilities of any electoral district association.

8. COMPARATIVE FIGURES

Certain of the 2015 comparative figures have been reclassified to conform to the 2016 financial statement presentation.

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