

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA**

FINANCIAL STATEMENTS

DECEMBER 31, 2017

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
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DECEMBER 31, 2017**

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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, 2017 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, deficiency 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, 2017 and December 31, 2016, 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, 2017, 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, 2018

**Chartered Professional Accountants
Licensed Public Accountants**

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
STATEMENT OF OPERATIONS AND SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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	2017	2016
	\$	\$
REVENUES		
Contributions	373,137	239,818
Fundraising	6,749	60,689
Membership dues	13,102	43,275
Annual general meeting	76,004	46,718
HST public service bodies rebate	74,124	14,350
Province of Nova Scotia		
Candidate rebates (Note 7)	576,295	-
Public funding	<u>216,228</u>	<u>180,815</u>
	<u>1,335,639</u>	<u>585,665</u>
TRANSFERS		
Constituencies and candidates	(109,113)	(79,749)
Other	<u>(15,113)</u>	<u>-</u>
	<u>(124,226)</u>	<u>(79,749)</u>
	<u>1,211,413</u>	<u>505,916</u>
EXPENSES		
Advertising	2,968	1,734
Amortization	2,058	13,558
Annual general meeting	60,391	55,735
Bad debts	4,000	-
By-election	-	1,162
Election	776,900	-
Election preparedness	36,706	169,535
Fundraising	28,699	33,193
Honoraria and salaries	166,245	170,696
Insurance	5,263	3,082
Interest and bank charges	8,286	6,527
Legal and audit fees	13,499	16,293
Meetings	2,770	9,338
Office occupancy	30,962	30,855
Office supplies and postage	44,324	30,783
Telephone	<u>19,318</u>	<u>11,936</u>
	<u>1,202,389</u>	<u>554,427</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	9,024	(48,511)
UNRESTRICTED SURPLUS - beginning of year	<u>231,227</u>	<u>266,180</u>
	240,251	217,669
INVESTED IN CAPITAL ASSETS (Note 6)	<u>2,058</u>	<u>13,558</u>
UNRESTRICTED SURPLUS - end of year	<u>242,309</u>	<u>231,227</u>

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017**


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	2017	2016
	\$	\$
ASSETS		
CURRENT		
Cash	290,081	304,124
Accounts receivable (Note 3)	99,461	41,019
Loan receivable	-	4,000
Prepays	<u>9,007</u>	<u>19,521</u>
	398,549	368,664
CAPITAL ASSETS (Note 4)	<u>1,337</u>	<u>3,395</u>
	<u>399,886</u>	<u>372,059</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 5)	97,304	92,781
Deferred revenue	<u>58,936</u>	<u>44,656</u>
	<u>156,240</u>	<u>137,437</u>
MEMBERS' SURPLUS		
INVESTED IN CAPITAL ASSETS (Note 6)	1,337	3,395
UNRESTRICTED	<u>242,309</u>	<u>231,227</u>
	<u>243,646</u>	<u>234,622</u>
	<u>399,886</u>	<u>372,059</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, 2017**

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	2017	2016
	\$	\$
CASH PROVIDED BY (USED FOR):		
OPERATING		
Excess (deficiency) of revenues over expenses	9,024	(48,511)
Items not affecting cash		
Amortization	2,058	13,558
Bad debts	<u>4,000</u>	<u>-</u>
	15,082	(34,953)
Changes in non-cash working capital items		
Accounts receivable	(58,442)	(12,807)
Prepays	10,514	(15,343)
Accounts payable and accrued liabilities	4,523	32,506
Deferred revenue	<u>14,280</u>	<u>-</u>
CHANGE IN CASH	(14,043)	(30,597)
CASH - beginning of year	<u>304,124</u>	<u>334,721</u>
CASH - end of year	<u>290,081</u>	<u>304,124</u>

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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.

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
Furniture and equipment	6 years	Straight-line

Revenue recognition

The Association recognizes contributions, fundraising, and membership dues revenue in the period it was received. All other revenue, including public funding, is recognized on an accrual basis, when the amount is determinable and collection is reasonably assured.

Income taxes

The Association is a registered non-profit organization under the meaning assigned in Section 149.1 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.

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 any writedown is recognized in the excess (deficiency) of revenues over expenses. Any 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 any reversal is recognized in the excess (deficiency) of revenues over expenses.

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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 affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements, 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 certain accrued liabilities. Actual results could differ from those estimates.

3. ACCOUNTS RECEIVABLE

	2017	2016
	\$	\$
Membership dues	450	2,651
Constituents receivable	347	347
Contributions receivable	36,068	25,638
HST rebate receivable	<u>62,596</u>	<u>12,383</u>
	<u>99,461</u>	<u>41,019</u>

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2017	Net 2016
	\$	\$	\$	\$
Computer equipment	6,951	6,575	376	2,113
Furniture and equipment	<u>5,536</u>	<u>4,575</u>	<u>961</u>	<u>1,282</u>
	<u>12,487</u>	<u>11,150</u>	<u>1,337</u>	<u>3,395</u>

5. ACCOUNTS PAYABLE

	2017	2016
	\$	\$
Accrued liabilities	47,516	24,579
Constituencies payable	<u>49,788</u>	<u>68,202</u>
	<u>97,304</u>	<u>92,781</u>

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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6. MEMBERS' SURPLUS INVESTED IN CAPITAL ASSETS

	2017	2016
	\$	\$
Balance - beginning of year	3,395	16,954
Amortization	(2,058)	(13,559)
Balance - end of year	<u>1,337</u>	<u>3,395</u>

7. CANDIDATE REBATES

During the 2017 provincial election, the Association charged candidates a fee to cover the candidates' portion of the election expenses incurred by the Association on the candidates' behalf. Candidates are entitled to a rebate of eligible election expenses based on the number of electors in their Electoral District from the Province of Nova Scotia. The total rebate in the amount of \$1,165,744 was collected from Elections Nova Scotia. Of this amount \$576,295 was retained to satisfy the candidates accounts and the balance of \$589,449 was forwarded to the candidates.

8. COMMITMENTS

The Association is committed to lease its premises until February 2021 and certain office equipment until April 2018. Future minimum lease payments for the next two years are as follows:

	\$
2018	31,941
2019	31,044
2020	31,044
2021	5,174

9. LINE OF CREDIT

The Association has an operating credit facility authorized in the amount of \$50,000 (2016 - \$50,000). The credit facility is 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, 2017 is \$NIL (2016 - \$NIL).

10. CONTRIBUTIONS FOR WHICH OFFICIAL RECEIPTS ISSUED

During the year, the Association issued official contribution receipts for income tax purposes totaling \$415,698 (2016 - \$300,870), which includes \$1,889 (2016 - \$4,333) of receipts issued for funds collected by individual constituencies via fundraisers and are not included in the revenues of the Association.

11. 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, 2017.

It is management's opinion that the Association is not exposed to significant market, currency, interest rate 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 contributor 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.

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. Sufficient financing facilities are in place should cash requirements exceed cash generated from operations.