

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA**

FINANCIAL STATEMENTS

DECEMBER 31, 2018

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
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DECEMBER 31, 2018**

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INDEPENDENT AUDITORS' REPORT

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

Qualified Opinion

We have audited the financial statements of **The Progressive Conservative Association of Nova Scotia** ("the Association"), which comprise the statement of financial position as at December 31, 2018 and the statements of operations and surplus and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2018 and December 31, 2017, and results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

We have audited the Association's compliance, as at December 31, 2018, 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.

Baker Tilly Nova Scotia Inc

Dartmouth, Nova Scotia
April 29, 2019

Chartered Professional Accountants
Licensed Public Accountant

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
STATEMENT OF OPERATIONS AND SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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	2018	2017
	\$	\$
REVENUES		
Contributions	528,020	373,137
Fundraising	222	6,749
Membership dues	89,037	13,102
Leadership convention	206,395	-
Annual general meeting	75,517	76,004
HST public service bodies rebate	29,878	74,124
Province of Nova Scotia		
Public funding	242,820	216,228
Candidate rebates (Note 8)	276	576,295
	<u>1,172,165</u>	<u>1,335,639</u>
TRANSFERS		
Constituencies and candidates	(48,261)	(109,113)
Leadership candidates	(286,417)	(15,113)
	<u>(334,678)</u>	<u>(124,226)</u>
	<u>837,487</u>	<u>1,211,413</u>
EXPENSES		
Advertising	5,598	2,968
Amortization	1,337	2,058
Annual general meeting	65,245	60,391
Bad debts	-	4,000
By-election	6,774	-
Election	-	776,900
Election preparedness	-	36,706
Fundraising	28,675	28,699
Honoraria and salaries	187,490	166,245
Insurance	5,745	5,263
Interest and bank charges	6,309	8,286
Leadership convention	185,323	-
Legal and audit fees	26,389	13,499
Meetings	1,881	2,770
Office occupancy	27,963	30,962
Office supplies and postage	61,706	44,324
Telephone	18,446	19,318
	<u>628,881</u>	<u>1,202,389</u>
EXCESS OF REVENUES OVER EXPENSES	208,606	9,024
UNRESTRICTED SURPLUS - beginning of year	<u>242,309</u>	<u>231,227</u>
	450,915	240,251
INVESTED IN CAPITAL ASSETS (Note 6)	<u>1,337</u>	<u>2,058</u>
UNRESTRICTED SURPLUS - end of year	<u>452,252</u>	<u>242,309</u>

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018**

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	2018	2017
	\$	\$
ASSETS		
CURRENT		
Cash	599,663	290,081
Accounts receivable (Note 3)	55,141	99,461
Prepays	<u>9,685</u>	<u>9,007</u>
	664,489	398,549
CAPITAL ASSETS		
ASSETS HELD IN TRUST (Note 4)	-	1,337
	<u>100,000</u>	<u>-</u>
	<u>764,489</u>	<u>399,886</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 5)	152,275	97,304
Deferred revenue	<u>59,962</u>	<u>58,936</u>
	212,237	156,240
CONSTITUENCY TRUST ACCOUNT (Note 4)	<u>100,000</u>	<u>-</u>
	<u>312,237</u>	<u>156,240</u>
MEMBERS' SURPLUS		
INVESTED IN CAPITAL ASSETS (Note 6)	-	1,337
UNRESTRICTED	<u>452,252</u>	<u>242,309</u>
	<u>452,252</u>	<u>243,646</u>
	<u>764,489</u>	<u>399,886</u>
COMMITMENTS (Note 7)		

Approved by the Board

Jane B. Chausson Director

P. H. [Signature] Director

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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	2018	2017
	\$	\$
CASH PROVIDED BY (USED FOR):		
OPERATING		
Excess of revenues over expenses	208,606	9,024
Items not affecting cash		
Amortization	1,337	2,058
Bad debts	<u>-</u>	<u>4,000</u>
	209,943	15,082
Changes in non-cash working capital items		
Accounts receivable	44,320	(58,442)
Prepays	(678)	10,514
Accounts payable and accrued liabilities	54,971	4,523
Deferred revenue	<u>1,026</u>	<u>14,280</u>
CHANGE IN CASH	309,583	(14,043)
CASH - beginning of year	<u>290,081</u>	<u>304,124</u>
CASH - end of year	<u>599,663</u>	<u>290,081</u>

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, accounts receivable, and assets held in trust.

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

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of any write down is recognized in the excess 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 a reversal is recognized in the excess of revenues over expenses.

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.

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

3. ACCOUNTS RECEIVABLE

	2018	2017
	\$	\$
Membership dues	855	450
Constituents receivable	347	347
Contributions receivable	24,061	36,068
HST rebate receivable	<u>29,878</u>	<u>62,596</u>
	<u>55,141</u>	<u>99,461</u>

4. FUNDS HELD IN TRUST

The Association received \$100,000 on the disposition of a house owned by the Eastern Shore Progressive Conservative Association ("ESPCA") constituency, which is to be held and invested for the benefit of ESPCA. The funds shall be disbursed to ESPCA as required from time to time by agreement between the Association and ESPCA.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
	\$	\$
Accrued liabilities	19,996	47,516
Constituencies and candidates payable	<u>132,279</u>	<u>49,788</u>
	<u>152,275</u>	<u>97,304</u>

6. MEMBERS' SURPLUS INVESTED IN CAPITAL ASSETS

	2018	2017
	\$	\$
Balance - beginning of year	1,337	3,395
Amortization	<u>(1,337)</u>	<u>(2,058)</u>
Balance - end of year	<u>-</u>	<u>1,337</u>

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

7. COMMITMENTS

The Association is committed to lease its premises until February 2021. Future minimum lease payments for the next three years are as follows:

	\$
2019	31,449
2020	31,449
2021	5,241

8. 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.

9. LINE OF CREDIT

The Association has an operating credit facility authorized in the amount of \$50,000 (2017 - \$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, 2018 is \$NIL (2017 - \$NIL).

10. CONTRIBUTIONS FOR WHICH OFFICIAL RECEIPTS ISSUED

During the year, the Association issued official contribution receipts for income tax purposes totaling \$658,130 (2017 - \$415,698), which includes \$8,219 (2017 - \$1,889) 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, 2018.

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, accounts receivable, and amounts held in trust. 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, accrued liabilities, and amounts held in trust. Sufficient financing facilities are in place should cash requirements exceed cash generated from operations.