

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA**

FINANCIAL STATEMENTS

DECEMBER 31, 2010

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
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DECEMBER 31, 2010**

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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 balance sheet as at December 31, 2010 and the statements of operations, 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 generally accepted accounting principles, 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.

Auditor's 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 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 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 revenue 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, 2010, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Report on Other Legal and Regulatory Requirements

We have audited the Association's compliance, as at December 31, 2010, with the criteria established by the disclosure requirements set out in the Regulations authorized under Part II Political Contributions of The Members and Public Employees Disclosure Act of 1991 and under Election Expenses and Official Agents of The Elections Act of 1989. These financial statements and compliance with the criteria established by the Acts 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 Political Contributions of The Members and Public Employees Disclosure Act of 1991 and under Election Expenses and Official Agents of The Elections Act of 1989.

Collins Barrow NS INC.

Dartmouth, Nova Scotia
April 26, 2011

Chartered Accountants

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
STATEMENT OF OPERATIONS AND SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2010**

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	2010	2009
	\$	\$
REVENUE		
Contributions	291,032	371,455
Fundraising	5,749	50,500
Membership dues	28,300	10,769
Annual general meeting	46,355	49,193
Leadership convention	54,511	-
HST recovery	14,812	49,815
Interest	107	393
Public funding	<u>173,239</u>	<u>247,331</u>
	<u>614,105</u>	<u>779,456</u>
TRANSFERS TO CONSTITUENCIES AND CANDIDATES	<u>83,930</u>	<u>145,650</u>
	<u>530,175</u>	<u>633,806</u>
EXPENSES		
Advertising	3,236	5,632
Amortization	3,415	3,416
Annual general meeting	52,676	61,296
Bad debts (recovery)	1,555	(1,655)
By-election expenses	11,334	3,390
Election expenses	-	311,615
Fundraising	18,434	75,688
Furniture and equipment rental	-	2,716
Honoraria and salaries	153,825	224,512
Insurance	2,514	2,693
Interest and bank charges	3,725	8,293
Leadership convention	130,357	-
Legal and audit fees	10,919	10,866
Office occupancy	28,950	29,601
Office supplies and postage	35,763	36,369
Posters, pamphlets, promotional	-	154,584
Telephone	17,063	13,428
Transportation, accommodation and food	<u>14,407</u>	<u>18,591</u>
	<u>488,173</u>	<u>961,035</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	42,002	(327,229)
UNRESTRICTED SURPLUS - beginning of year	<u>136,462</u>	<u>462,525</u>
	178,464	135,296
INVESTED IN CAPITAL ASSETS (Note 7)	<u>3,415</u>	<u>1,166</u>
UNRESTRICTED SURPLUS - end of year	<u>181,879</u>	<u>136,462</u>

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**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
STATEMENT OF ENDOWMENT FUND OPERATIONS AND SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2010**

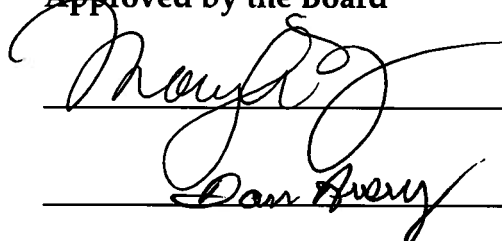
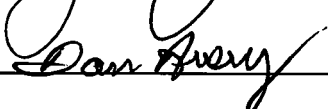
	2010	2009
	\$	\$
REVENUE		
Interest income	<u>543</u>	<u>321</u>
EXCESS OF REVENUE OVER EXPENSES	543	321
RESTRICTED SURPLUS - beginning of year	<u>66,117</u>	<u>65,796</u>
RESTRICTED SURPLUS - end of year	<u>66,660</u>	<u>66,117</u>

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
BALANCE SHEET
AS AT DECEMBER 31, 2010**

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	2010	2009
	\$	\$
ASSETS		
CURRENT		
Cash	237,176	159,677
Accounts receivable	21,297	103,419
Prepays	<u>1,025</u>	<u>2,220</u>
	259,498	265,316
CAPITAL ASSETS (Note 4)	2,331	5,746
ENDOWMENT FUND (Note 5)	<u>66,660</u>	<u>66,117</u>
	<u>328,489</u>	<u>337,179</u>
LIABILITIES		
CURRENT		
Accounts payable	39,668	69,469
Deferred revenue	<u>37,951</u>	<u>59,385</u>
	<u>77,619</u>	<u>128,854</u>
MEMBERS' SURPLUS		
RESTRICTED - ENDOWMENT FUND (Note 5)	66,660	66,117
INVESTED IN CAPITAL ASSETS (Note 7)	2,331	5,746
UNRESTRICTED	<u>181,879</u>	<u>136,462</u>
	<u>250,870</u>	<u>208,325</u>
	<u>328,489</u>	<u>337,179</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, 2010**

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	2010	2009
	\$	\$
CASH PROVIDED BY (USED FOR):		
OPERATIONS		
Excess (deficiency) of revenue over expenses	42,002	(327,229)
Item not affecting cash		
Amortization	<u>3,415</u>	<u>3,416</u>
	45,417	(323,813)
Changes in non-cash working capital items		
Accounts receivable	82,122	16,516
Prepays	1,195	(246)
Accounts payable	(29,801)	8,612
Deferred revenue	<u>(21,434)</u>	<u>(7,152)</u>
	<u>77,499</u>	<u>(306,083)</u>
INVESTING		
Acquisition of capital assets	<u>-</u>	<u>(2,250)</u>
CHANGE IN CASH POSITION	77,499	(308,333)
CASH POSITION - beginning of year	<u>159,677</u>	<u>468,010</u>
CASH POSITION - end of year	<u>237,176</u>	<u>159,677</u>

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

1. OPERATIONS

The **Progressive Conservative Association of Nova Scotia** 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.

Income taxes

The Progressive Conservative Association of Nova Scotia 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.

Revenue recognition

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

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

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.

Investments

Investments are classified as "held-for-trading" and measured at fair value. Changes in fair value are recognized in Endowment Fund excess of revenue over expenses.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Financial instruments

The Association's financial instruments include cash, accounts receivable, investments, and accounts payable. Unless otherwise noted, it is management's opinion that the Association is not exposed to significant interest, currency or credit risks arising from financial instruments. The fair market value of these financial instruments approximates their carrying values.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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 statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

3. FUTURE ACCOUNTING FRAMEWORK CHANGE

The CICA has issued a new accounting framework applicable to Canadian not-for-profit organizations. Effective for fiscal years beginning on or after January 1, 2012, not-for-profit organizations will have to choose between International Financial Reporting Standards (IFRSs) and Accounting Standards for Not-for-Profit Organizations (ASNPO), whichever suits them best. Early adoption of these standards is permitted. The Organization currently plans to adopt the new accounting standards for not-for-profit organizations, for its fiscal year beginning on January 1, 2012, however the impact of this transition has not yet been determined.

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

4. CAPITAL ASSETS

	Cost	Amortization	Net 2010	Net 2009
	\$	\$	\$	\$
Computer equipment	11,257	10,131	1,126	3,939
Furniture and equipment	<u>3,613</u>	<u>2,408</u>	<u>1,205</u>	<u>1,807</u>
	<u>14,870</u>	<u>12,539</u>	<u>2,331</u>	<u>5,746</u>

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 consists of cash, money market funds and bonds with the following fair values:

	2010	2009
	\$	\$
Cash	129	149
Investments	<u>66,531</u>	<u>65,968</u>
	<u>66,660</u>	<u>66,117</u>

6. LINE OF CREDIT

The Association has an operating credit facility in the amount of \$50,000, secured by a general security agreement and bears interest at the Bank's prime rate plus 1.75% per annum. The loan balance at December 31, 2010 is \$NIL (2009 - \$NIL).

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

7. MEMBERS' SURPLUS INVESTED IN CAPITAL ASSETS

	2010	2009
	\$	\$
Beginning balance	5,746	6,912
Amortization	(3,415)	(3,416)
Capital asset additions	<u>-</u>	<u>2,250</u>
Ending balance	<u>2,331</u>	<u>5,746</u>

8. COMMITMENTS

The Association is committed to lease its premises until November 2011 and certain office equipment until June 2013. Future minimum lease payments for the next three years are approximately as follows:

	\$
2011	30,655
2012	3,438
2013	3,438

9. CONTRIBUTIONS FOR WHICH OFFICIAL RECEIPTS ISSUED

During the year, the Association issued official contribution receipts for income tax purposes totaling \$302,569 (2009 - \$424,599), which includes \$11,537 (2009 - \$30,253) of receipts issued for funds collected by individual constituencies via fundraisers and are not included in the revenue of the Association.

10. CAPITAL RISK MANAGEMENT

The Association's objectives when managing capital are to ensure sufficient liquidity to support its financial obligations and to conduct operations and execute strategic plans in the best interests and support of the Party and its members.

The Association's objectives are met by maintaining adequate funds to guard against the possibility that cash flows from its operations will not be sufficient to meet future cash flow requirements. In addition, the Association actively monitors its capital structure to make necessary adjustments as a result to changes in economic conditions.

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

10. CAPITAL RISK MANAGEMENT (Continued)

The Association's capital structure consists of members' equity and restricted surplus. As at December 31, 2010, the Association's members' equity was \$181,879 (2009 - \$136,462) and restricted surplus was \$66,660 (2009 - \$66,117).

The Association has internally imposed restrictions as follows:

- (a) The Association is required to maintain the capital balance in the endowment fund as described in Note 5.
- (b) The Association's objective with respect to its members' equity invested in capital assets is to fund the past acquisition of capital assets required for operation purposes.