

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA**

FINANCIAL STATEMENTS

DECEMBER 31, 2008

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
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DECEMBER 31, 2008**

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AUDITORS' REPORT

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

We have audited the balance sheet of **The Progressive Conservative Association Of Nova Scotia** as at December 31, 2008 and the statements of operations, surplus and cash flows for the year then ended. We have also audited the Association's compliance, as at December 31, 2008, 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 these financial statements and this compliance based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement and whether the Association complied with the criteria established by the provisions and Regulations set out under the Acts referred to above. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many political organizations, the 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.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the revenue referred to in the preceding paragraphs, these financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2008 and the results of its operations and cash flow for the year then ended in accordance with Canadian generally accepted accounting principles. Also 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.

Dartmouth, Nova Scotia
April 15, 2009

Collins Barrow Nauss Hornby LLP
Chartered Accountants

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
STATEMENT OF OPERATIONS AND SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2008 (NOTE 1)**

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	2008	2007
	\$	\$
REVENUE		
Contributions	301,581	301,849
Fundraising	163,844	225,010
Membership dues	16,946	11,847
Annual general meeting	53,852	3,484
HST recovery	31,154	47,647
Interest	8,220	4,682
Public funding	270,214	223,141
Transfers to constituencies	(104,061)	(133,050)
	<u>741,750</u>	<u>684,610</u>
OPERATING EXPENSES		
Advertising	3,700	1,023
Amortization	2,854	2,854
Annual general meeting	56,336	-
Bad debt	5,190	-
Election expenses	-	3,342
Fundraising	100,646	97,929
Furniture and equipment rental	3,438	2,865
Honoraria and salaries	242,808	194,722
Insurance	2,570	691
Interest and bank charges	3,729	3,126
Legal and audit fees	9,819	10,146
Office occupancy	32,225	23,472
Office supplies and postage	37,220	35,978
Polling	46,246	26,924
Posters, pamphlets, promotional	18,395	5,400
Telephone	12,964	9,208
Transportation, accommodation and food	<u>17,810</u>	<u>27,876</u>
	<u>595,950</u>	<u>445,556</u>
EXCESS OF REVENUE OVER EXPENSES	145,800	239,054
UNRESTRICTED SURPLUS - beginning of year	<u>313,871</u>	<u>74,983</u>
	459,671	314,037
ADJUSTED OPENING CAPITAL ASSETS	-	9,600
INVESTED IN CAPITAL ASSETS (Note 6)	(2,854)	(9,766)
UNRESTRICTED SURPLUS - end of year	<u>462,525</u>	<u>313,871</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, 2008 (NOTE 1)**

	2008	2007
	\$	\$
REVENUE		
Interest income	<u>2,100</u>	<u>1,837</u>
EXCESS OF REVENUE OVER EXPENSES	2,100	1,837
RESTRICTED SURPLUS - beginning of year	<u>63,696</u>	<u>61,859</u>
RESTRICTED SURPLUS - end of year	<u>65,796</u>	<u>63,696</u>

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
BALANCE SHEET
AS AT DECEMBER 31, 2008**


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	2008	2007
	\$	\$
ASSETS		
CURRENT		
Cash	468,010	325,874
Accounts receivable	119,935	77,282
Prepays	<u>1,974</u>	<u>2,761</u>
	589,919	405,917
CAPITAL ASSETS (Note 3)	6,912	9,766
ENDOWMENT FUND (Note 4)	<u>65,796</u>	<u>63,696</u>
	<u><u>662,627</u></u>	<u><u>479,379</u></u>
LIABILITIES		
CURRENT		
Accounts payable	60,857	24,402
Deferred revenue	<u>66,537</u>	<u>67,644</u>
	<u>127,394</u>	<u>92,046</u>
MEMBERS' SURPLUS		
RESTRICTED - ENDOWMENT FUND (Note 4)	65,796	63,696
INVESTED IN CAPITAL ASSETS (Note 6)	6,912	9,766
UNRESTRICTED	<u>462,525</u>	<u>313,871</u>
	<u>469,437</u>	<u>323,637</u>
	<u><u>662,627</u></u>	<u><u>479,379</u></u>

COMMITMENTS (Note 7)

Approved by the Board

 _____ Director

 _____ Director

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008 (NOTE 1)**

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	2008	2007
	\$	\$
CASH PROVIDED BY (USED FOR):		
OPERATIONS		
Excess of revenue over expenses	145,800	239,054
Item not affecting cash		
Amortization	<u>2,854</u>	<u>2,854</u>
	<u>148,654</u>	<u>241,908</u>
Changes in non-cash working capital items		
Accounts receivable	(42,653)	(10,448)
Prepays	787	(406)
Accounts payable	36,455	(33,122)
Deferred revenue	<u>(1,107)</u>	<u>67,644</u>
	<u>142,136</u>	<u>265,576</u>
INVESTING		
Acquisition of capital assets	<u>-</u>	<u>(3,020)</u>
CHANGE IN CASH POSITION	142,136	262,556
CASH POSITION - beginning of year	<u>325,874</u>	<u>63,318</u>
CASH POSITION - end of year	<u>468,010</u>	<u>325,874</u>

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008 (NOTE 1)**

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.

On March 2, 2007, the Nova Scotia Legislature amended the Members and Public Employees Act which prompted Elections Nova Scotia to require an audit of the Association's operations up to that date. These financial statements represent the results of operations for the year ended December 31, 2008. The comparative figures represent the results of operations from March 3, 2007 to December 31, 2007.

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.

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008 (NOTE 1)**

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:

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

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.

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. CAPITAL ASSETS

	Cost	Amortization	Net 2008	Net 2007
	\$	\$	\$	\$
Furniture and equipment	3,613	1,204	2,409	3,011
Computer equipment	<u>9,007</u>	<u>4,504</u>	<u>4,503</u>	<u>6,755</u>
	<u>12,620</u>	<u>5,708</u>	<u>6,912</u>	<u>9,766</u>

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008 (NOTE 1)**

4. 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:

	2008	2007
	\$	\$
Cash	169	169
Investments	<u>65,627</u>	<u>63,527</u>
	<u>65,796</u>	<u>63,696</u>

5. LINE OF CREDIT

The Association has an operating credit facility in the amount of \$450,000, secured by a general security agreement and bears interest at the Bank's prime rate plus 1% per annum. The loan balance at December 31, 2008 is \$NIL (2007 - \$NIL).

6. MEMBERS' SURPLUS INVESTED IN CAPITAL ASSETS

	2008	2007
	\$	\$
Beginning balance	9,766	9,600
Amortization	(2,854)	(2,854)
Capital asset additions	<u>-</u>	<u>3,020</u>
Ending balance	<u>6,912</u>	<u>9,766</u>

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008 (NOTE 1)**

7. 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 five years are approximately as follows:

	\$
2009	33,130
2010	33,130
2011	30,655
2012	3,438
2013	3,438

8. CONTRIBUTIONS FOR WHICH OFFICIAL RECEIPTS ISSUED

During the year, the Association issued official contribution receipts for income tax purposes totaling \$468,945 (2007 - \$467,067), which includes \$50,637 (2007 - \$NIL) of receipts issued for funds collected by individual constituencies via fundraisers and are not included in the revenue of the Association.