

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA**

FINANCIAL STATEMENTS

DECEMBER 31, 2009

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
INDEX
DECEMBER 31, 2009**

| | Page |
|---|--------|
| AUDITORS' REPORT | 1 |
| STATEMENT OF OPERATIONS AND SURPLUS | 2 |
| STATEMENT OF ENDOWMENT FUND OPERATIONS AND SURPLUS | 3 |
| BALANCE SHEET | 4 |
| STATEMENT OF CASH FLOWS | 5 |
| NOTES TO THE FINANCIAL STATEMENTS | 6 - 11 |

AUDITORS' REPORT

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

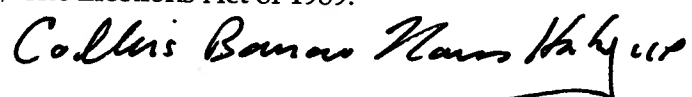
We have audited the balance sheet of **The Progressive Conservative Association Of Nova Scotia** as at December 31, 2009 and the statements of operations, surplus and cash flows for the year then ended. We have also audited the Association's compliance, as at December 31, 2009, with the criteria established 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, 2009 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 21, 2010



Chartered Accountants

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
STATEMENT OF OPERATIONS AND SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2009**

2

| | 2009 | 2008 |
|---|----------------|----------------|
| | \$ | \$ |
| REVENUE | | |
| Contributions | 371,455 | 301,581 |
| Fundraising | 50,500 | 163,844 |
| Membership dues | 10,769 | 16,946 |
| Annual general meeting | 49,193 | 53,852 |
| HST recovery | 49,815 | 31,154 |
| Interest | 393 | 8,220 |
| Public funding | 247,331 | 270,214 |
| Transfers to constituencies | (145,650) | (104,061) |
| | <u>633,806</u> | <u>741,750</u> |
| OPERATING EXPENSES | | |
| Advertising | 5,632 | 3,700 |
| Amortization | 3,416 | 2,854 |
| Annual general meeting | 61,296 | 56,336 |
| Bad debts (recovery) | (1,655) | 5,190 |
| By-election expenses | 3,390 | - |
| Election expenses | 311,615 | - |
| Fundraising | 75,688 | 100,646 |
| Furniture and equipment rental | 2,716 | 3,438 |
| Honoraria and salaries | 224,512 | 242,808 |
| Insurance | 2,693 | 2,570 |
| Interest and bank charges | 8,293 | 3,729 |
| Legal and audit fees | 10,866 | 9,819 |
| Office occupancy | 29,601 | 32,225 |
| Office supplies and postage | 36,369 | 37,220 |
| Polling | - | 46,246 |
| Posters, pamphlets, promotional | 154,584 | 18,395 |
| Telephone | 13,428 | 12,964 |
| Transportation, accommodation and food | 18,591 | 17,810 |
| | <u>961,035</u> | <u>595,950</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES | (327,229) | 145,800 |
| UNRESTRICTED SURPLUS - beginning of year | <u>462,525</u> | <u>313,871</u> |
| | 135,296 | 459,671 |
| INVESTED IN CAPITAL ASSETS (Note 7) | (1,166) | (2,854) |
| UNRESTRICTED SURPLUS - end of year | <u>136,462</u> | <u>462,525</u> |

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
STATEMENT OF ENDOWMENT FUND OPERATIONS AND SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2009**

3

| | 2009 | 2008 |
|--|---------------|---------------|
| | \$ | \$ |
| REVENUE | | |
| Interest income | <u>321</u> | <u>2,100</u> |
| EXCESS OF REVENUE OVER EXPENSES | 321 | 2,100 |
| RESTRICTED SURPLUS - beginning of year | <u>65,796</u> | <u>63,696</u> |
| RESTRICTED SURPLUS - end of year | <u>66,117</u> | <u>65,796</u> |

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
BALANCE SHEET
AS AT DECEMBER 31, 2009**

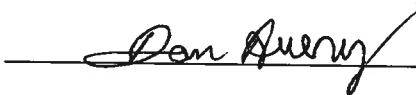
4

| | 2009 | 2008 |
|---|-----------------------|-----------------------|
| | \$ | \$ |
| ASSETS | | |
| CURRENT | | |
| Cash | 159,677 | 468,010 |
| Accounts receivable | 103,419 | 119,935 |
| Prepays | <u>2,220</u> | <u>1,974</u> |
| | 265,316 | 589,919 |
| CAPITAL ASSETS (Note 4) | 5,746 | 6,912 |
| ENDOWMENT FUND (Note 5) | <u>66,117</u> | <u>65,796</u> |
| | <u><u>337,179</u></u> | <u><u>662,627</u></u> |
| LIABILITIES | | |
| CURRENT | | |
| Accounts payable | 69,469 | 60,857 |
| Deferred revenue | <u>59,385</u> | <u>66,537</u> |
| | <u>128,854</u> | <u>127,394</u> |
| MEMBERS' SURPLUS | | |
| RESTRICTED - ENDOWMENT FUND (Note 5) | 66,117 | 65,796 |
| INVESTED IN CAPITAL ASSETS (Note 7) | 5,746 | 6,912 |
| UNRESTRICTED | <u>136,462</u> | <u>462,525</u> |
| | <u>142,208</u> | <u>469,437</u> |
| | <u><u>337,179</u></u> | <u><u>662,627</u></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, 2009**

5

| | 2009 | 2008 |
|--|-----------------------|-----------------------|
| | \$ | \$ |
| CASH PROVIDED BY (USED FOR): | | |
| OPERATIONS | | |
| Excess (deficiency) of revenue over expenses | (327,229) | 145,800 |
| Item not affecting cash | | |
| Amortization | <u>3,416</u> | <u>2,854</u> |
| | <u>(323,813)</u> | <u>148,654</u> |
| Changes in non-cash working capital items | | |
| Accounts receivable | 16,516 | (42,653) |
| Prepays | (246) | 787 |
| Accounts payable | 8,612 | 36,455 |
| Deferred revenue | <u>(7,152)</u> | <u>(1,107)</u> |
| | <u>(306,083)</u> | <u>142,136</u> |
| INVESTING | | |
| Acquisition of capital assets | <u>(2,250)</u> | <u>-</u> |
| CHANGE IN CASH POSITION | <u>(308,332)</u> | 142,136 |
| CASH POSITION - beginning of year | <u>468,010</u> | <u>325,874</u> |
| CASH POSITION - end of year | <u><u>159,677</u></u> | <u><u>468,010</u></u> |

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

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. ADOPTION OF ACCOUNTING POLICIES

Effective January 1, 2009, the Association adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"). As required by the transitional provisions of these new standards, these standards have been adopted with no restatement of prior period financial statements.

Section 1535 - Capital Disclosures

This standard requires disclosure of the Association's objectives, policies and processes for managing capital, qualitative data about what the Association regards as capital, and whether the Association has complied with any externally imposed capital requirements and, if it has not complied, the consequences of such non-compliance. The Association has provided these disclosures in Note 10.

Amendments to Section 4400 Financial Statement Presentation by Not-for-Profit Organizations

This standard was amended to modify the requirements with respect to the various elements of financial statement presentation. These amendments include:

- (a) Reporting certain revenues at their gross amounts in the statement of operations;
- (b) Making Section 1540 Cash Flow Statements applicable to not-for-profit organizations;
- (c) Amortizing capital assets reported as assets in the balance sheet, regardless of the size of the organization
- (d) When a not-for-profit organization classifies its expenses by function and allocates some of its fundraising and general support costs to another function, disclosing the policy adopted for expenses and amounts allocated from each of these two functions to other functions; and
- (e) Changing the requirement to show members' equity invested in capital assets as a separate component of net assets, so that it is an option instead.

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

2. ADOPTION OF ACCOUNTING POLICIES (Continued)

Amendments to Section 4460 Disclosure of Related Party Transactions by Not-for-Profit Organizations

This standard was amended to align the definition of related parties to CICA Section 3840 Related Party Transactions. Related parties exist when one party has the ability to exercise, directly or indirectly, control, joint control, or significant influence. Two or more parties are related when they are subject to common control, joint control, or significant influence. Two not-for-profit organizations are related parties if one has economic interest in the other. Related Parties also include management and immediate family members.

Section 4470 Disclosure of Allocated Expenses by Not-for-Profit Organizations

This standard establishes the disclosure standards for a not-for-profit that classifies its expenses by function and allocates its fundraising and general support expenses to a number of functions to which the expenses relate.

The adoption of these standards has required additional disclosures in the Association's financial statements, but has had no impact on the financial position or results of operations of the Association.

3. 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.

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

8

3. 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.

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 |

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.

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

4. CAPITAL ASSETS

| | Cost | Amortization | Net 2009 | Net 2008 |
|-------------------------|---------------|--------------|--------------|--------------|
| | \$ | \$ | \$ | \$ |
| Computer equipment | 11,257 | 7,318 | 3,939 | 4,503 |
| Furniture and equipment | <u>3,613</u> | <u>1,806</u> | <u>1,807</u> | <u>2,409</u> |
| | <u>14,870</u> | <u>9,124</u> | <u>5,746</u> | <u>6,912</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:

| | 2009 | 2008 |
|-------------|---------------|---------------|
| | \$ | \$ |
| Cash | 149 | 169 |
| Investments | <u>65,968</u> | <u>65,627</u> |
| | <u>66,117</u> | <u>65,796</u> |

6. LINE OF CREDIT

The Association has an operating credit facility in the amount of \$250,000, reduced to \$50,000 subsequent to year-end, 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, 2009 is \$NIL (2008 - \$NIL).

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

7. MEMBERS' SURPLUS INVESTED IN CAPITAL ASSETS

| | 2009 | 2008 |
|-------------------------|--------------|--------------|
| | \$ | \$ |
| Beginning balance | 6,912 | 9,766 |
| Amortization | (3,416) | (2,854) |
| Capital asset additions | <u>2,250</u> | <u>-</u> |
| Ending balance | <u>5,746</u> | <u>6,912</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 four years are approximately as follows:

| | \$ |
|------|--------|
| 2010 | 33,130 |
| 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 \$424,599 (2008 - \$468,945), which includes \$30,253 (2008 - \$50,637) of receipts issued for funds collected by individual constituencies via fundraisers and are not included in the revenue of the Association.

**THE PROGRESSIVE CONSERVATIVE
ASSOCIATION OF NOVA SCOTIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

11

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 Association's capital structure consists of members' equity and restricted surplus. As at December 31, 2009, the Association's members' equity was \$136,462 (2008 - \$462,525) and restricted surplus was \$66,117 (2008 - \$65,796).

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.